

Human-Enabled Digital Accounting and Cultural Amplification for Financial Reporting Performance

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ABSTRACT

This research investigates the influence of digitalization in accounting systems and human resource quality on financial reporting performance, with organizational culture serving as a moderator. A quantitative method was employed through a survey of 157 SMEs in Jakarta that had adopted digital accounting systems, and the data were analyzed using PLS-SEM. The findings show that digitalization of the accounting system positively and significantly affects financial reporting performance ($b = 0.136$; $p = 0.003$), while human resource quality also has a positive and significant effect ($b = 0.072$; $p = 0.045$). Organizational culture significantly strengthens both relationships, with interaction coefficients of 0.079 ($p = 0.009$) and 0.085 ($p = 0.004$), respectively. The model demonstrates strong predictive power (Adjusted $R^2 = 0.831$) and acceptable fit (SRMR = 0.076). Sensitivity testing using the conventional three-dimensional, seven-indicator digital accounting systems measurement produced an Adjusted R^2 of 0.816 and an SRMR of 0.080. The findings highlight the complementary roles of digitalization, human quality, and organizational culture in financial reporting, while extending DSA measurement to five dimensions and twelve indicators. SMEs should integrate digital adoption, employee quality, and an accountability-oriented culture.

Keywords: Digital Accounting Systems; Financial Reporting Performance; Human Resource Quality; Organizational Culture; Small and Medium Enterprises

JEL Classification: M41; M12; M15; L26; O33

INTRODUCTION

High-quality financial reporting is crucial for organizational sustainability, as it supports objective assessment of financial conditions, risk identification, strategic decision-making, resource allocation, and organizational accountability (Dungtripop et al., 2025). Reliable and transparent financial information also strengthens stakeholder trust and enhances organizational governance (Biehl et al., 2024; Hung, Hoa et al., 2023).

Digital accounting systems (DSA) have transformed accounting from conventional bookkeeping practices into an automated and integrated reporting process. Technologies such as cloud computing, big data, artificial intelligence (AI), and enterprise resource planning (ERP) facilitate faster transaction processing, reduce human error, enhance information accessibility, and support managerial decision-making. Further empirical studies indicate that digitalization can improve information accuracy and timeliness, reduce costs, and enhance reporting efficiency (Andayani et al., 2026; Hung, Binh et al., 2023; Ratmono & Zuhrohtun, 2023). Consequently, DSA has become increasingly relevant, not merely as a technological tool but also as an organizational capability that can contribute to PFR.

However, a theoretical gap remains concerning how DSA should be conceptualized in contemporary organizations. Existing perspectives have primarily treated digital accounting in terms of system characteristics, information quality, user perceptions, or technological maturity (Al-Hattami & Almaqtari, 2023; DeLone & McLean, 2003). Although recent research recognizes technology integration and organizational readiness, DSA has not been sufficiently conceptualized as an integrated capability connecting accounting processes, digital technologies, business applications, decision-making, and organizational value (Nguyen et al., 2025). This study therefore conceptualizes DSA as an organizational capability that extends beyond technology adoption toward integration, efficiency, and strategic value.

A related measurement gap concerns the limited scope of existing DSA indicators. Conventional measures emphasize system quality, information quality, and user satisfaction, which are important for evaluating system functionality and user experience but do not fully capture the integration and organizational value generated by digital accounting. Digital transformation increasingly requires accounting technologies to be interconnected with business processes and platforms, while its effectiveness is reflected in efficiency, decision-making, and organizational performance (Monteiro et al., 2024; Wang et al., 2023). Accordingly, this study retains the established dimensions of system quality, information quality, and user satisfaction, while adding digital technology integration, strategic value, and efficiency. The expanded framework consists of five dimensions and twelve indicators, providing a broader representation of DSA in small and medium enterprises (SMEs). Sensitivity analysis comparing the conventional and expanded specifications is also conducted to assess the robustness and predictive relevance of the expanded measurement.

Nevertheless, digital technology alone does not guarantee superior PFR. Its effectiveness depends on employees' ability to operate systems, interpret information, identify errors, and comply with reporting requirements. Prior studies indicate that inadequate human capabilities may limit the benefits of digital transformation (Mediaty et al., 2025; Monteiro et al., 2024). Therefore, human resource quality (HRQ) represents an important organizational capability that can support the effective utilization of DSA and improve reporting outcomes.

Furthermore, organizational culture (OC) may determine whether technological and human capabilities are effectively translated into PFR. A culture emphasizing accountability, collaboration, adaptability, ethics, and quality can encourage employees to use digital systems consistently and comply with reporting procedures (Hasan et al., 2025). As recommended by Kepramareni et al. (2024), future research should examine OC, management practices, and external auditing to better clarify the drivers of financial reporting quality. Thus, OC is positioned not merely as a contextual factor but as a moderating mechanism that can strengthen the effects of DSA and HRQ on PFR.

Based on these gaps, this study examines the effects of DSA and HRQ on PFR and investigates the moderating role of OC in these relationships. The principal novelty lies in expanding the DSA construct from three conventional dimensions to five dimensions by incorporating digital technology integration and strategic value and efficiency, while simultaneously examining how OC strengthens the contribution of digital and human capabilities to financial reporting performance (PFR). The study therefore contributes theoretically by advancing the conceptualization and measurement of DSA as an integrated organizational capability, methodologically by testing an expanded DSA measurement through sensitivity analysis, and empirically by providing evidence on the interaction among digital capability, HRQ, OC, and PFR in SMEs.

LITERATURE REVIEW

Resource-Based View (RBV)

Resource-based view (RBV) theory explains that organizational performance depends on valuable resources and the ability to integrate and utilize them effectively (Barney, 1991). Recent evidence further supports that internal resources and capabilities become valuable when effectively deployed within organizational processes (Sumampouw et al., 2026). This perspective is particularly relevant to digital accounting information processing, integration, and reporting. Research proves that syncing information technology with qualified talent is key. Competent employees optimize DSA, driving maximum precision and excellence in PFR (Kepramareni et al., 2024; Wati et al., 2025).

From the perspective of the RBV, a culture characterized by adaptability and integrity constitutes a strategic asset that is difficult to imitate. Such a culture mitigates resistance to technology and motivates competent human resources (Jewapatarakul & Ueasangkomsate, 2024). Aligning this culture with internal assets optimizes digital systems to generate high-quality financial reporting, thereby fostering sustainable competitive advantage.

Using the RBV approach, this study positions digital accounting and HRQ as core resources, with OC optimizing the value generated and the performance of financial reporting.

Variables Theoretical Review

Financial Reporting Performance (PFR)

Monteiro et al. (2024) state that PFR reflects the effectiveness of systems and personnel in producing relevant, reliable, and timely financial reports and is determined by system quality, information quality, and user satisfaction. Similarly, Kepramareni et al. (2024) confirm that high-quality financial reports enable meaningful comparisons of organizational performance across periods.

Wati et al. (2025) emphasize that quality financial reporting strengthens accountability, decision-making, and public trust, supported by HRQ and effective supervision. Hung, Hoa et al (2023) affirm that PFR encompasses efficient data collection, transaction

processing, policy compliance, and the provision of timely, accurate, and accessible information. Meanwhile, Wang et al. (2023) demonstrate that integrating accounting system digitalization with personnel expertise, acting in a complementary manner, can enhance productivity and reporting quality.

Digitalization of Accounting System (DSA)

DSA refers to the adoption and utilization of digital technologies, such as cloud accounting, ERP, and automation tools, in accounting processes. These technologies enhance operational efficiency, reduce the likelihood of human error, and accelerate the financial reporting process (Wang et al., 2023). A DSA refers to the transformation of traditional accounting processes into technology-based digital processes, encompassing transaction automation, system integration (e.g., ERP and cloud platforms), data analytics, real-time access, and control and security mechanisms. The primary objective of this transformation is to enhance efficiency, improve accuracy, and increase the usefulness of financial reporting (Monteiro et al., 2024).

Previous studies by Hung, Binh et al (2023) demonstrate that digitalization significantly enhances the quality of financial reporting by improving data accessibility, ensuring consistency in recording, and facilitating integration across organizational units. Accordingly, a higher level of accounting system digitalization is associated with better PFR. Al-Hattami and Almaqtari (2023) found that DSA has become an integral part of SME accounting activities. Furthermore, this study also indicates that DSA can contribute to improved system performance and organizational outcomes.

Recent evidence further indicates that accounting digitalization can improve reporting accuracy, operational efficiency, and business decision-making, although its benefits depend on technological infrastructure and users' capabilities (Sumampouw et al., 2026). Thus, DSA is increasingly viewed not simply as software for recording transactions, but as a digital capability that supports interconnected accounting activities and organizational value creation.

Conventional measurements of DSA largely focus on system quality, information quality, perceived usefulness, perceived ease of use, and user satisfaction, emphasizing system functionality and user experience (Al-Hattami & Almaqtari, 2023; DeLone & McLean, 2003). These crucial dimensions ensure system reliability, utility, and user acceptance. System quality and perceived usefulness significantly drive user satisfaction in accounting. Ernawatiningsih and Arizona (2021) prove that accounting system effectiveness depends on individual capabilities, internal controls (IC), culture, and organizational integration, rather than just technical functionality.

Accounting digitalization requires understanding DSA not as a mere technical tool, but as an organizational capability uniting accounting resources across corporate activities. This perspective is consistent with the growing emphasis on digital maturity, process integration, and organizational capabilities in accounting (Hentati & Bouilila, 2023). It also reflects evidence that the benefits of accounting digitalization emerge when technological resources are effectively embedded in business processes and supported by organizational capabilities.

DSA conceptualization must capture system usability and accounting performance. Technology integration drives relational data alignment, while strategic value fuels managerial efficiency. This perspective directly improves information quality and organizational outcomes (Hung, Binh et al., 2023; Nguyen et al., 2025; Ratmono & Zuhrohtun, 2023; Wang et al., 2023; Hattami & Almaqtari, 2023).

This study conceptualizes DSA as a multidimensional organizational capability encompassing technical quality, user experience, technology integration, and organizational value. Beyond system functionality, DSA reflects how digital technologies connect accounting processes and improve efficiency. The proposed extension represents a theoretically grounded and empirically testable development of DSA rather than merely an increase in dimensional scope.

Human Resource Quality (HRQ)

HRQ encompasses technical and analytical capabilities, as well as professional attitudes, that enable accounting personnel to utilize technological systems effectively (van Slooten et al., 2024). Human resources equipped with strong digital skills and a solid understanding of accounting principles are better able to ensure that financial reports are prepared in accordance with established standards, with a high degree of accuracy and timeliness. According to Barney (1991), theory links competitive advantage to unique assets. Under this lens, digitalized accounting systems serve as intangible technology resources, complemented by human capital quality.

Within the RBV framework, human analytical skills, digital literacy, and experience serve as strategic capabilities that optimize technology, ultimately elevating financial reporting quality (Kepramareni et al., 2024; Wati et al., 2025). HRQ serves as a strategic pillar driving digital automation. Through critical reasoning, error evaluation, and professional judgment, personnel ensure data precision and system utility. This collaboration between technology and human expertise is crucial for reinforcing internal oversight and elevating organizational financial reporting quality (Mediaty et al., 2025; Wang et al., 2023). Kepramareni et al. (2024) prove that reporting quality stems from synthesizing technology, leadership, and HRQ.

Under the RBV framework, HRQ serves as a strategic capability that optimizes digital systems, significantly contributing to technology alignment to generate accurate, relevant, and high-value financial reporting.

Organizational Culture (OC)

According to Hasan et al. (2025), OC encompasses shared values, norms, and assumptions shaping behavior. Manifested in three interrelated levels, these elements guide members in adopting technology, making decisions, and pursuing corporate goals. Graham et al (2022) argue that OC drives value creation, technology adaptation, accuracy, and transparency to elevate digital financial reporting quality.

An OC emphasizing disciplined control and standardization is crucial for maintaining financial reporting integrity, transparency, and comparability (Mediaty et al., 2025). Additionally, reporting quality is driven by HRQ, effective oversight, and ethical leadership (Wati et al., 2025).

Empirically, OC, readiness, and top management support drive digital accounting transformation. Synergizing these values with user involvement, IC, and individual skills significantly boosts the effective utilization, performance optimization, and overall outcomes of corporate accounting information systems (Ernawatiningsih & Arizona, 2023; Lutfi et al., 2022). An adaptive OC serves as a crucial catalyst in digital accounting transformation (Jewapatarakul & Ueasangkomsate, 2024; Nguyen et al., 2025).

Technology investment does not automatically boost performance; an innovative culture becomes highly definitive (Monteiro et al., 2024). Adaptive corporate ethos serves as a strategic moderator, amplifying the interplay between digitalized accounting networks and human capital precision to maximize reporting outcomes. Conceptually, this

structure enriches the RBV by demonstrating that technological dividends emerge only through cultural synchronization.

Internal Control (IC) System

IC encompasses continuous governance and oversight to mitigate fraud. This instrument is crucial for detecting material misstatements, ensuring financial reporting reliability, and driving strategic decisions (Henk, 2020). According to Wati et al. (2025) prove that independent oversight focusing on IC reinforcement effectively mitigates financial anomalies and enforces regulatory compliance.

Research by Mediaty et al. (2025) found that IC, when combined with strong governance, commitment, and the use of technology, simultaneously enhances the quality of financial reporting. To optimize these systems, Ernawatiningsih and Arizona (2023) emphasize that the integration of user skills, active involvement, and OC can significantly mitigate fraud risk.

Furthermore, Ulfah et al. (2024) demonstrated that the preventive effectiveness of IC reaches its optimum level when aligned with an ethical culture and commitment. Ultimately, this integrated mechanism serves as a reliable safeguard to prevent bribery, protect state assets, and shield financial records from manipulation.

Audit Quality (AQ)

Fundamentally, Francis (2024) defines audit quality (AQ) as the probability that an auditor will detect and report material misstatements, reflecting the auditing process's effectiveness in ensuring financial reporting reliability. In practice, Neiroukh and Çağlar (2025) state that corporate governance strengthens the relationship between AQ and organizational performance through optimized internal and external oversight, which is essential for advancing accountability and preventing opportunistic behavior.

Darmawan (2023) emphasizes that AQ, independence, and competence directly enhance financial transparency. To implement this concept, a structured and independent oversight system must strengthen IC and periodic audits to effectively prevent financial irregularities and ensure regulatory compliance (Wati et al., 2025)

Alharasis et al (2025) further extend this robust framework by demonstrating that high-quality audits suppress the influence of earnings management on environmental, social, and governance (ESG) disclosures. Consequently, Atthar (2026) recommends that organizations maintain this audit credibility by fostering active management communication and expanding the audit scope to elevate report quality and mitigate corporate risks.

Hypotheses Development

Digitalization of accounting systems transforms traditional accounting into integrated, technology-driven processes that enhance efficiency, accuracy, and timeliness through automation, real-time access, and system integration (Monteiro et al., 2024; Wang et al., 2023). These improvements strengthen both system quality and information quality, which are essential components of PFR. Moreover, digitalization enhances data accessibility, consistency, and process efficiency, leading to more reliable and compliant reporting (Hung, Hoa et al., 2023). As PFR reflects the effectiveness of reporting processes and outputs, higher levels of digitalization are expected to improve reporting outcomes.

H1: DSA positively affects PFR.

HRQ is a critical determinant of PFR, encompassing technical expertise, analytical capability, and professional attitudes that enable accounting personnel to effectively utilize digital systems (van Slooten et al., 2024). From an RBV, such quality represents strategic human capital that directly enhances organizational outcomes (Barney, 1991). Competent personnel ensure accurate, timely, and compliant financial reporting by optimizing system use and minimizing errors (Abed et al., 2022; Wang et al., 2023). Given that PFR reflects the effectiveness of both systems and personnel (Monteiro et al., 2024), human resource quality unequivocally plays a positive and significant role in improving reporting quality and efficiency.

H2: HRQ positively affects PFR.

OC plays a decisive role in shaping the effectiveness of both technological and human resources in financial reporting. While digitalization enhances efficiency, accuracy, and integration of accounting processes (Monteiro et al., 2024; Wang et al., 2023), and HRQ ensures proper system utilization and compliance (Abed et al., 2022; van Slooten et al., 2024), these benefits are not fully realized without a supportive organizational context. A strong culture that emphasizes integrity, discipline, accountability, and quality control reinforces consistent system use and adherence to standards, thereby improving reporting reliability (Graham et al., 2022; Mediaty et al., 2025). Empirical evidence also shows that strong cultures enhance transparency and comparability of financial reports (Afzali, 2023). Moreover, OC aligns technology and human capital, ensuring that digital systems and competencies translate into effective reporting outcomes (Monteiro et al., 2024).

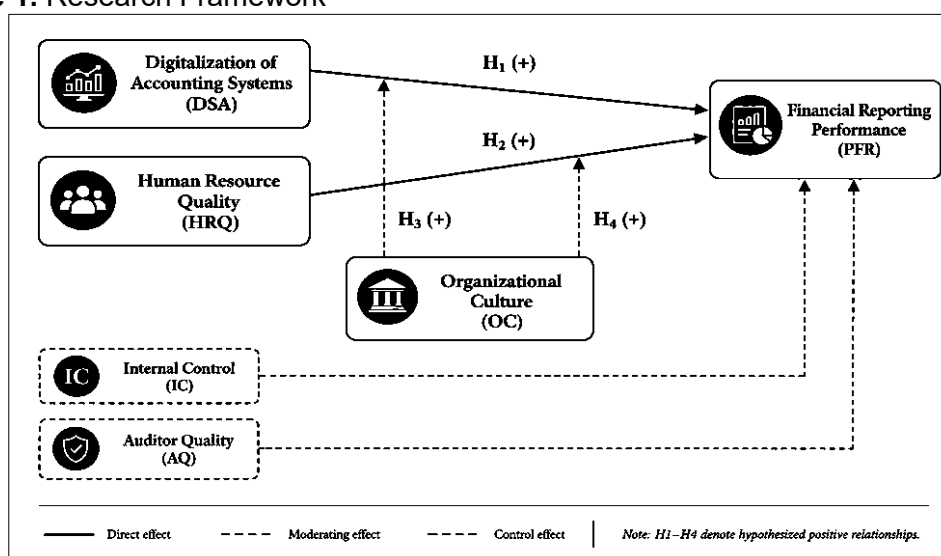
H3: OC strengthens the positive effect of DSA on PFR.

H4: OC strengthens the positive effect of HRQ on PFR.

Conceptual Framework

The following Figure 1 represents the framework of this study.

Figure 1. Research Framework



RESEARCH METHOD

Research Design

This study adopts a quantitative research design using a causal explanatory approach to investigate the effects of DSA and HRQ on PFR among micro, small, and medium

enterprises (MSMEs). OC is incorporated as a moderating variable to assess whether it strengthens or weakens these relationships. This approach is appropriate because the study examines causal associations among latent constructs and evaluates the moderating effects through a set of measurable indicators (Hair et al., 2022; Monteiro et al., 2024).

Population and Sample

The population consists of MSMs in Jakarta who utilize a digital accounting system to prepare their financial statements. Purposive sampling was employed to select respondents who met the established criteria and were relevant to the research objective. Respondents must meet the following criteria: (1) hold a position of at least supervisor, (2) be at least 20 years old, and (3) have a minimum educational background of a diploma. A total of 157 MSME respondents met the criteria and were included in the final analysis. The sample size is adequate for the Partial Least Squares Structural Equation Modeling (PLS-SEM) method, which is highly suitable for research involving relatively small samples and models comprising multiple constructs and inter-variable relationships (Ratmono & Zuhrohtun, 2023).

Data Collection

The research data consists of primary data collected through the online distribution of questionnaires. All measurement items were rated using a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). The use of this five-point scale allowed respondents to indicate the extent to which each statement reflected their business conditions.

Measurement of Variables

This study examines two independent variables, namely DSA and HRQ; one dependent variable, namely PFR; and OC as a moderating variable. The measurement indicators for each variable are presented below:

Digitalization of Accounting Systems (DSA)

DSA describes how organizations use digital technologies to improve accounting processes and support better decision-making. It encompasses system and information quality, user satisfaction, digital technology integration, and the strategic value and efficiency gained from using DSA in daily financial activities.

The DSA measurement in this study is adapted from previous research by DeLone and McLean (2003) and comprises three dimensions: system quality, information quality, and user satisfaction, measured using seven indicators. The DSA measurement was further developed by incorporating two additional dimensions: digital technology integration and strategic value and efficiency, represented by five additional indicators. Consequently, the DSA construct consists of five dimensions and twelve indicators (Hentati & Boulila, 2023; Hung, Binh et al., 2023; Ratmono & Zuhrohtun, 2023; Wang et al., 2023).

Human Resource Quality (HRQ)

HRQ reflects the ability of employees to contribute effectively to financial management and reporting. It includes accounting knowledge, digital literacy, analytical skills, and ethical practices, which together support accurate, reliable, and responsible financial reporting. In this study, HRQ is assessed through five dimensions: knowledge, skills, attitude, ethics, and technology adaptability, represented by twelve indicators (Mediaty et al., 2025; Monteiro et al., 2024; Nguyen et al., 2025; Wang et al., 2023).

Organizational Culture (OC)

OC refers to the shared values, norms, and practices that shape how employees behave and carry out their responsibilities within the organization. This culture encompasses innovative and adaptive cultures that foster creativity and responsiveness to change; ethical and accountable cultures that prioritize integrity and responsibility; collaborative and participatory cultures that support teamwork and employee engagement; and cultures focused on control and quality that emphasize compliance, accuracy, and continuous improvement.

In this study, OC is measured through four dimensions: innovative and adaptive culture, ethical and accountable culture, collaborative and participatory culture, and control and quality culture, represented by nine indicators (Afzali, 2023; Graham et al., 2022; Hasan et al., 2025; Mediaty et al., 2025).

Financial Reporting Performance (PFR)

PFR reflects an organization's ability to prepare financial reports that are timely, accurate, and useful. This performance focuses on the efficiency of the reporting process, the quality and reliability of financial information, user satisfaction with the reports, and compliance with established accounting policies and reporting requirements.

In this study, PFR is measured using four dimensions: preparation process efficiency, report information quality, user satisfaction, and compliance with accounting policies. These dimensions are represented by twelve indicators designed to capture how effectively an organization prepares, presents, and uses financial reports for reliable and informed decision-making (Monteiro et al., 2024; Nguyen et al., 2025).

Control Variables: Internal Control (IC) and Audit Quality (AQ)

IC includes control activities and the control Environment, which help organizations manage their activities in a more structured and responsible way. Effective controls reduce errors, improve accountability, and support reliable financial information. In turn, strong IC can enhance financial reporting quality and contribute to better company performance through sounder decision-making.

Therefore, IC in this study is measured through two primary dimensions: control activities and the control environment, represented by five indicators. Overall, these dimensions reflect the organization's effectiveness in establishing controls and creating an environment that supports the achievement of organizational goals (Henk, 2020).

AQ reflects the auditor's ability to provide a reliable and objective assessment of financial reporting. It is reflected in auditor quality, which supports accurate and professional audit work, and auditor independence, which enables auditors to maintain objectivity. Together, these qualities strengthen the credibility and reliability of PFR.

In this study, AQ is measured through two dimensions: auditor quality and auditor independence. These dimensions are represented by four indicators reflecting the auditor's ability to conduct audits professionally, objectively, and independently, thereby supporting the reliability of financial reporting (Neiroukh & Çağlar, 2025).

Data Analysis Method

Data analysis in this study utilized PLS-SEM software. Data analysis was conducted using PLS-SEM. This approach is appropriate because the software is effective for testing moderation effects (Monteiro et al., 2024). The analysis followed the two-stage PLS-SEM procedure:

Measurement Model (Outer Model)

The measurement model is evaluated by assessing convergent validity through factor loadings and Average Variance Extracted (AVE), and Heterotrait-Monotrait (HTMT) Ratio, while construct reliability is examined using Cronbach's Alpha and Composite Reliability. This assessment helps ensure that the instrument measures each latent variable consistently and accurately (Ratmono & Zuhrohtun, 2023).

This study initially proposed 54 indicators, comprising DSA (12), HRQ (12), OC (9), IC (5), AQ (4), and PFR (12). Validity test results identified five indicators with outer loadings below the threshold: DSA_1, DSA_6, HRQ_6, HRQ_7, and PFR_12. According to Hair et al. (2022), indicators with outer loadings below 0.70 (low) fail to accurately represent their latent variables and must be eliminated to enhance the model's reliability and convergent validity. Following this elimination process, the final measurement model consists of 49 indicators, distributed as follows: DSA (10), HRQ (10), OC (9), IC (5), AQ (4), and PFR (11).

Structural Model (Inner Model)

The structural model was evaluated using the Standardized Root Mean Square Residual (SRMR) to assess model fit and the Adjusted R² to determine the model's explanatory power. Subsequently, the bootstrapping technique was applied to test hypotheses based on t-statistics and p-values. This study also conducts a sensitivity analysis to assess the model's robustness and examines whether the expanded DSA measurement makes a meaningful contribution to theory and measurement in addressing the research gap.

RESULTS

Respondents' Characteristics

The respondents for this study are MSMEs in Jakarta. Data collection was conducted by distributing online questionnaires. Out of the 165 questionnaires distributed, 157 were completed and returned, resulting in a response rate of 95.1%. The respondents for this study came from diverse backgrounds, including gender, age, educational qualifications, and position within the MSMEs.

Table 1. Respondents' Characteristics

Category	Frequency (n)	Percentage (%)
Gender		
Male	63	40.1
Female	94	59.9
Age		
20 - 30	16	10.2.
31 - 40	52	33.1
41 - 50	47	29.9
> 50	42	26.8
Educational Qualifications		
Diploma	17	10.8
Bachelor	132	84.1
Master	8	5.1
Position within the MSMEs.		
Owner/Director/Head	137	87.3
Manager	9	5.7
Supervisor	11	7.0

According to Table 1, the majority of respondents were female (59.9%) and aged 31–40 (33.1%). Most held a bachelor's degree (84.1%) and occupied positions as owners,

directors, or heads of MSMEs (87.3%). These characteristics indicate that the respondents generally possessed adequate educational backgrounds and significant decision-making responsibilities within MSMEs.

Measurement Model (Outer Model)

The outer model was evaluated to determine the validity and reliability of the measurement instruments. Validity testing ensures that each questionnaire indicator accurately represents the intended construct. In this study, convergent validity was assessed using factor loadings and AVE. Indicators are considered valid if the factor loading exceeds 0.70 and the AVE exceeds 0.50 (Hair et al., 2022).

Table 2. Validity and Reliability Test

Variable	Indicators	Outer Loadings	AVE	Cronbach's Alpha	Composite Reliability
Digital of Accounting Systems (DSA)	DSA_2	0.714	0.642	0.937	0.947
	DSA_3	0.759			
	DSA_4	0.795			
	DSA_5	0.748			
	DSA_7	0.882			
	DSA_8	0.883			
	DSA_9	0.820			
	DSA_10	0.748			
	DSA_11	0.868			
	DSA_12	0.773			
Human Resource Quality (HRQ)	HRQ_1	0.740	0.655	0.941	0.950
	HRQ_2	0.849			
	HRQ_3	0.784			
	HRQ_4	0.776			
	HRQ_5	0.896			
	HRQ_8	0.778			
	HRQ_9	0.830			
	HRQ_10	0.881			
	HRQ_11	0.781			
	HRQ_12	0.763			
Organizational Culture (OC)	OC_1	0.774	0.612	0.921	0.934
	OC_2	0.776			
	OC_3	0.818			
	OC_4	0.758			
	OC_5	0.815			
	OC_6	0.791			
	OC_7	0.804			
	OC_8	0.719			
	OC_9	0.784			
Internal Control (IC)	IC_1	0.804	0.609	0.841	0.886
	IC_2	0.745			
	IC_3	0.788			
	IC_4	0.749			
	IC_5	0.813			
Audit Quality (AQ)	AQ_1	0.856	0.718	0.868	0.911
	AQ_2	0.828			
	AQ_3	0.840			
	AQ_4	0.865			
	PFR_1	0.883	0.703	0.957	0.963

Performance Financial Reportin (PFR)	PFR_2	0.882			
	PFR_3	0.881			
	PFR_4	0.854			
	PFR_5	0.871			
	PFR_6	0.836			
	PFR_7	0.880			
	PFR_8	0.804			
	PFR_9	0.811			
	PFR_10	0.737			
	PFR_11	0.769			

The results in Table 2 show that all indicators have factor loadings above 0.70 and AVE values exceeding 0.50, confirming adequate convergent validity. Furthermore, Cronbach's Alpha and Composite Reliability values are above 0.70, indicating satisfactory internal consistency. Overall, the measurement model meets the recommended validity and reliability criteria, making it suitable for the subsequent structural model analysis.

Heterotrait-Monotrait (HTMT) Ratio

HTMT is used to assess discriminant validity, ensuring that each construct is empirically distinct from the other constructs in the model. Discriminant validity is considered established if the HTMT value is below 0.85, indicating that the constructs are sufficiently distinct from one another.

Table 3. HTMT Ratio

Construct	AQ	DSA	HRQ	IC	OC
DSA	0.583				
HRQ	0.618	0.495			
IC	0.759	0.576	0.664		
OC	0.695	0.602	0.622	0.722	
PFR	0.763	0.594	0.562	0.808	0.773

The HTMT results in Table 3 show values ranging from 0.495 to 0.808, all below the recommended threshold of 0.85. Therefore, discriminant validity is established, indicating that each construct is empirically distinct and adequately measures a different underlying concept.

Structural Model (Inner Model)

Goodness of Fit Model

Model fit assesses how well the proposed model represents the observed data. An SRMR value below 0.08 indicates acceptable model fit.

Table 4. Goodness of Fit Model

	Main Test	Sensitivity Test
	Saturated Model	
SRMR	0.076	0.08

The SRMR value is 0.076 for the main test and 0.080 for the sensitivity test in Table 4. Both values meet the recommended threshold of ≤ 0.08 , indicating that the models demonstrate acceptable model fit. The main test shows a slightly better level of fit compared to the sensitivity test.

Coefficient Of Determination (R^2)

The coefficient of determination (R^2) indicates how well the independent variables explain the variance in the dependent variable. A higher R^2 value indicates greater explanatory power, demonstrating how effectively the model accounts for changes in the endogenous construct.

Table 5. Adjusted R-Square

	Main Test		Sensitivity Test	
	R Square	R Square Adjusted	R Square	R Square Adjusted
PFR	0.836	0.831	0.822	0.816

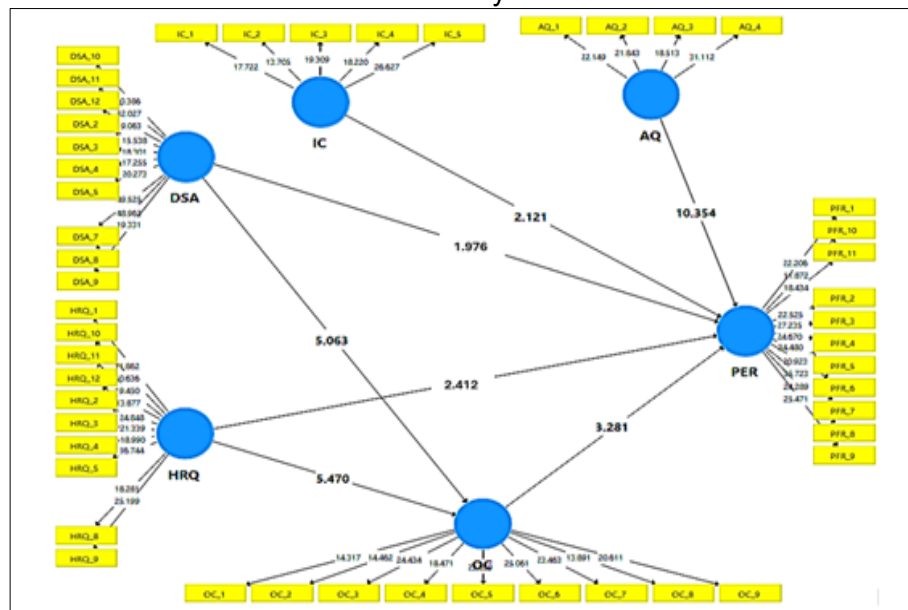
The research results in Table 5 indicate that the main test explains 83.6% of the variance in PFR, with an adjusted R^2 value of 83.1%. In the sensitivity test, 82.2% of the PFR is explained, with an adjusted R^2 value of 81.6%. These results demonstrate that both models possess strong explanatory power, with the main model offering slightly better predictive performance.

Hypothesis's Test Result

Main Test

Hypothesis testing was performed to examine the significance of direct and moderating effects. The first hypothesis was tested using the main model, incorporating the newly developed DSA measurement to assess its effect on PFR. The structural framework of the main analysis is presented in Figure 2.

Figure 2. Structural Framework of The Primary Model.



The main test of the SEM is as follows:

$$PFR = 0.136DSA + 0.072HRQ + 0.079DSA * OC + 0.085HRQ * OC + 0.140IC + 0.660AQ + e$$

Table 6. Hypothesis Main Test

Hypothesis	Path Coefficient	t-Statistic	p-Value	Result
H1: DSA → PFR	0.136	1.976	0.003***	Supported
H2: HRQ → PFR	0.072	2.412	0.045**	Supported
H3: DSA*OC → PFR	0.079	2.610	0.009***	Supported
H4: HRQ*OC → PFR	0.085	2.864	0.004***	Supported
OC → PFR	0.209	3.281	0.001***	Supported
IC → PFR	0.140	2.121	0.034**	Supported
AQ → PFR	0.660	10.354	0.000***	Supported
Adjusted R-Square			0.831	

Note: PFR: Financial Reporting Performance, DSA: Digitalization of Accounting Systems, HRQ: Human Resource Quality, OC: Organizational Culture, IC: Internal Control, AQ: Audit Quality.

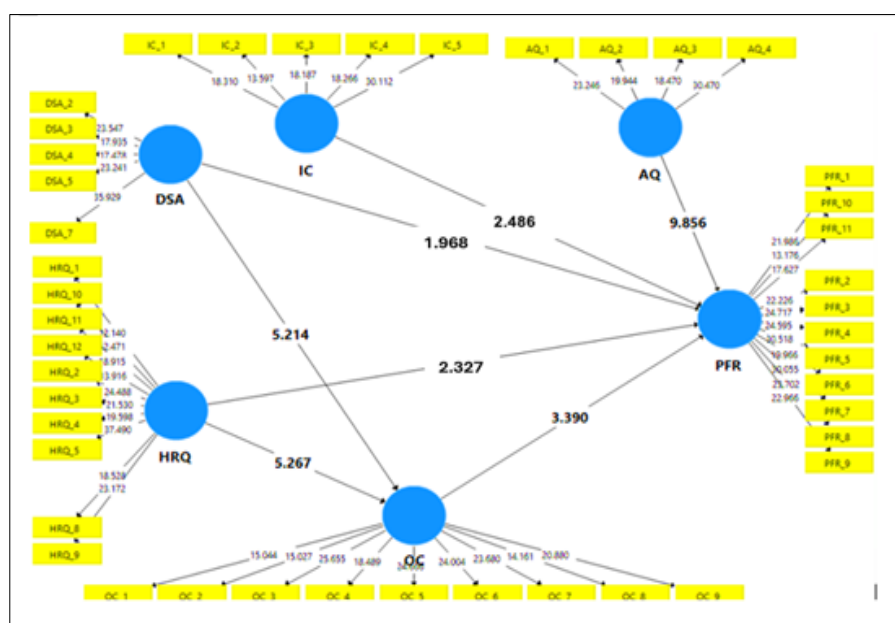
*** sig level 1%, ** sig level 5%.

The hypothesis testing results presented in Table 6 show that DSA and HRQ have positive and significant effects on PFR, while OC significantly strengthens both relationships. Specifically, DSA has a positive and significant effect on PFR ($\beta = 0.136$, $t = 1.976$, $p = 0.003$), indicating that effective DSA can accelerate data processing, improve accuracy, and enhance the reliability of financial information by reducing reporting errors. Thus, H1 is supported. Similarly, HRQ has a positive and significant effect on PFR ($\beta = 0.072$, $t = 2.412$, $p = 0.045$), suggesting that employees with strong accounting, digital, analytical, and ethical competencies contribute to more accurate, reliable, and timely financial reporting. Therefore, H2 is supported. Furthermore, OC positively and significantly moderates the relationship between DSA and PFR ($\beta = 0.079$, $t = 2.610$, $p = 0.009$), indicating that the benefits of DSA are greater when the organizational environment promotes accountability, collaboration, adaptability, and leadership support. Hence, H3 is supported. OC also positively and significantly moderates the relationship between HRQ and PFR ($\beta = 0.085$, $t = 2.864$, $p = 0.004$), demonstrating that the contribution of employee competencies to financial reporting quality is strengthened when employees operate within a supportive organizational environment. Accordingly, H4 is supported. In addition to the hypothesized relationships, the control variables also demonstrate significant effects on PFR. IC has a positive and significant effect on PFR ($\beta = 0.140$, $t = 2.121$, $p = 0.034$), suggesting that consistent control mechanisms help maintain the accuracy and orderliness of financial recording, processing, and reporting while reducing errors. AQ also has a positive and significant effect on PFR ($\beta = 0.660$, $t = 10.354$, $p < 0.001$), indicating that effective and independent auditing contributes substantially to the credibility and reliability of financial statements. Overall, the significant effects of both control variables are consistent with prior research and indicate that IC and AQ provide additional explanatory value for PFR, thereby strengthening the robustness of the research model.

Sensitivity Test

The sensitivity analysis was conducted using the original DSA measurement model, which comprises three dimensions and seven indicators, to assess whether the hypothesized relationships remain consistent when the expanded DSA measurement is not applied. The structural framework for the sensitivity analysis is presented in Figure 3.

Figure 3. Structural Framework of the Sensitivity Model



The SEM sensitivity test is as follows:

$$PFR = 0.131DSA + 0.0051HRQ + 0.095DSA*OC + 0.095HRQ*OC + 0.121IC + 0.654AQ + e$$

Table 7. Hypothesis Sensitivity Test

Hypothesis	Path Coefficient	t-Statistic	p-Value	Decision
DSA → PFR	0.131	1.968	0.007***	Supported
HRQ → PFR	0.051	2.327	0.042**	Supported
DSA × OC → PFR	0.095	2.706	0.007***	Supported
HRQ × OC → PFR	0.095	2.944	0.003***	Supported
OC → PFR	0.242	3.390	0.001***	Supported
IC → PFR	0.121	2.486	0.043**	Supported
AQ → PFR	0.654	9.856	0.000***	Supported
Adjusted R-Square			0.816	

Note: PFR: Financial Reporting Performance, DSA: Digitalization of Accounting Systems, HRQ: Human Resource Quality, OC: Organizational Culture, IC: Internal Control, AQ: Audit Quality.
 *** sig level 1%, ** sig level 5%.

The sensitivity test results presented in Table 7 demonstrate that the hypothesized relationships remain positive and significant when the conventional three-dimensional, seven-indicator DSA measurement model is applied. DSA has a positive and significant effect on PFR ($\beta = 0.131$, $t = 1.968$, $p = 0.007$), supporting H1. This result is consistent with the main analysis and indicates that the positive effect of DSA on PFR remains stable despite changes in the dimensional structure of the construct. Similarly, HRQ has a positive and significant effect on PFR ($\beta = 0.051$, $t = 2.327$, $p = 0.042$), supporting H2. The consistency of this relationship across the main and sensitivity models provides further evidence that the positive contribution of HRQ to PFR is not dependent on a particular measurement specification.

The sensitivity analysis also confirms the moderating role of OC. The interaction between OC and DSA has a positive and significant effect on PFR ($\beta = 0.095$, $t = 2.706$, $p = 0.007$), supporting H3. This finding is consistent with the main analysis, suggesting that the positive contribution of DSA to PFR is strengthened in a supportive organizational environment, even when DSA is measured using the conventional three-dimensional measurement specification. Likewise, OC significantly strengthens the relationship

between HRQ and PFR ($\beta = 0.095$, $t = 2.944$, $p = 0.003$), supporting H4. The consistency of this moderating effect across model specifications indicates that the contribution of human resource quality to financial reporting is enhanced when employees' competencies and capabilities are supported by an appropriate organizational culture.

The results for the control variables are also consistent with those of the main analysis. IC has a positive and significant effect on PFR ($\beta = 0.121$, $t = 2.486$, $p = 0.043$), indicating that effective control mechanisms continue to contribute to reliable financial reporting after accounting for the main explanatory variables. AQ likewise has a strong positive and significant effect on PFR ($\beta = 0.654$, $t = 9.856$, $p < 0.001$). The consistency of these control-variable effects across the two models provides additional support for the robustness of the findings and indicates that IC and AQ remain important factors in explaining PFR regardless of the DSA measurement specification.

Regarding the overall model performance, the main model demonstrates slightly greater explanatory power, with an adjusted R^2 of 0.831 compared with 0.816 in the sensitivity model. The reported SRMR values are 0.076 for the main model and 0.080 for the sensitivity model, indicating relatively comparable model fit across the two specifications. The modest difference in explanatory power suggests that expanding DSA from three to five dimensions does not materially alter the overall explanatory capacity of the model. Although the main model provides slightly higher explanatory power, the sensitivity model produces consistent directions and significance levels for all hypothesized relationships.

DISCUSSION

The findings of this study show that SMEs' PFR depends on digital accounting capabilities, HRQ, and OC, with the discussion structured around four hypotheses and their theoretical and empirical contributions.

The Impact of DSA on PFR

Research results indicate that DSA has a positive and significant effect on PFR. Through the RBV lens, the theoretical contribution of this study confirms that technology is not a passive adoption tool. Instead, DSA acts as a strategic resource successfully transformed into an internal organizational capability, thereby integrating data, minimizing manual errors, and enhancing financial reporting efficiency, accuracy, and consistency. Empirically, this finding reinforces studies by [Hung, Hoa et al \(2023\)](#) regarding improved information quality. However, its theoretical implications also caution, aligned with [Monteiro et al. \(2024\)](#), that technology does not automatically guarantee superior reporting performance without adequate organizational readiness and human resource capabilities. Methodologically, this study provides a vital contribution through an expanded DSA measurement model that integrates strategic technology aspects and efficiency. The sensitivity analysis indicates that the positive relationship between DSA and PFR remains consistent across the conventional and expanded measurement specifications. Although the expanded model demonstrates slightly higher explanatory power and marginally better model fit, the differences between the two models are modest. Therefore, the findings primarily support the robustness of the DSA–PFR relationship across alternative measurement specifications.

The Impact of HRQ on PFR

Research results indicate that HRQ has a positive and significant effect on PFR. Through the RBV lens, this relationship confirms HRQ as a primary strategic capability determining the effectiveness of transforming financial data into high-quality reports. Competent employees hold full responsibility for data entry accuracy, early error

detection, information interpretation, and reporting compliance. Empirically, this positive influence of HRQ on PFR aligns with findings by Mediaty et al. (2025). Furthermore, sensitivity analysis yields consistent findings, proving that the positive relationship between HRQ and PFR is highly robust and stable across various model specifications. The consistency of the findings across the two model specifications indicates that the positive relationship between HRQ and PFR is robust to the DSA measurement specification.

OC Moderates the Influence of DSA on PFR

Research results show that OC significantly strengthens the relationship between DSA and PFR. Through the RBV perspective, technological resources do not create value independently; their effectiveness relies on contextual conditions. A culture built on accountability, discipline, and adaptability functions as a critical enabling mechanism, transforming technical DSA capabilities into superior reporting outcomes. Empirically, this study reinforces Ernawatiningsih & Arizona (2023) and Monteiro et al. (2024), confirming that digital transformation success demands alignment between technological structures and organizational behaviors. Furthermore, sensitivity analysis yields highly consistent findings, proving that this moderating effect remains significant and robust across alternative DSA measurements. Methodologically, while the expanded DSA model offers broader coverage, this stability confirms that the positive moderating role of OC remains consistent across the alternative DSA measurement specifications.

OC Moderates the Influence of HRQ on PFR

Research results imply that OC significantly strengthens the positive relationship between HRQ and PFR. Through the RBV perspective, this interaction capitalizes on complementary resources. While HRQ is a valuable capability, its optimal benefits depend heavily on an environment fostering accountability, collaboration, and continuous learning. A supportive culture acts as an enabler, integrating human capabilities with digital assets to translate employee expertise into reliable financial reports. Empirically, this finding reinforces Mediaty et al. (2025) and Monteiro et al. (2024), confirming that digitalization success requires human readiness and organizational alignment. Furthermore, sensitivity analysis yields highly consistent findings, proving this moderating effect is stable and robust across alternative model specifications. Theoretically, these findings extend the RBV by demonstrating that DSA, HRQ, and culture operate synergistically. Methodologically, the expanded DSA measurement offers broader operationalization by incorporating digital integration and strategic value, while demonstrating slightly higher explanatory power than the conventional measurement specification.

CONCLUSION

Based on the findings, this study draws several key conclusions. The results indicate that DSA has a positive and significant effect on PFR, supporting H1. This finding reinforces the RBV perspective that digital technology can become a valuable organizational capability when effectively integrated into accounting activities.

HRQ also has a positive and significant effect on PFR, supporting H2. The finding highlights the importance of employees' accounting knowledge, digital literacy, analytical capabilities, ethical practices, and adaptability in translating digital accounting capabilities into reliable financial reporting.

OC significantly strengthens the positive relationship between DSA and PFR, supporting H3. This finding indicates that the benefits of digital accounting systems are greater when

the organizational environment promotes accountability, adaptability, collaboration, and quality-oriented practices.

OC also significantly strengthens the positive relationship between HRQ and PFR, supporting H4. This finding suggests that employees' capabilities generate greater reporting benefits when supported by an organizational environment that encourages accountability, collaboration, and continuous improvement. The consistency of these relationships across the main and sensitivity models further supports the robustness of the findings.

The findings of this study offer implications for MSME owners and managers: digitalization should integrate investment in accounting systems with continuous employee development, clear reporting responsibilities, IC, and an accountability-oriented culture. Meanwhile, for regulators and policymakers, the digital transformation of SMEs requires integrated support through practical accounting standards, competency-based training, technical assistance, and targeted incentives. This approach can narrow the capability gap while enhancing accuracy, timeliness, transparency, and reporting compliance.

LIMITATION

This study has limitations as it focuses on MSMEs in Jakarta, thereby restricting the generalizability of its findings. Data collection via questionnaires carries the potential for self-report bias and common-method bias. External factors such as taxation, competition, and digital maturity levels were not examined. Future research should employ broader samples, longitudinal designs, or mixed methods, and incorporate variables such as digital maturity, cybersecurity readiness, institutional pressure, and management commitment.

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DECLARATION OF CONFLICTING INTERESTS

The authors declare that there are no conflicts of interest that could have influenced the research, authorship, or publication of this article. The authors confirm that the research was conducted independently and that the analyses, interpretations, and conclusions presented in this article are based on the authors' scholarly judgment and research findings. Grammarly was used solely for language proofreading to improve the clarity and readability of the manuscript.

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