

Quality Of Financial Reporting Using an Android Based Accounting Application

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ABSTRACT

The purpose of this study is to investigate the impact of using mobile accounting applications on the quality of financial reports of SMEs in Medan. This research adopts a quantitative approach using simple linear regression analysis. The findings indicate that the use of mobile accounting applications has a significant impact on the quality of financial reports of SMEs. The coefficient of determination (R square) obtained is 0.113. This result means that 11.3% of the variance in the quality of financial reporting of SMEs can be explained by the variable of mobile accounting application usage, while the remaining 88.7% can be explained by other variables not examined in this study.

Keywords: Quality of financial, Android based accounting application

INTRODUCTION

In this digital age, knowledge and data technology have advanced significantly, significantly impacting the business world. In the business world, information technology that can provide relevant, accurate, up-to-date, and comprehensive data has become essential (Rambe & Lubis, 2021). The technological growth of the 4.0 era that emphasizes the patterns of the digital economy, artificial intelligence, big information, or the phenomenon known as disruptive innovation, cannot be denied if accounting records are also growing. UMKM's growth has not escaped the obstacles in its practice. UMKM is often controlled by the financing that is the main factor, average UMKM are individual enterprises or industries that rely on ownership capital and have limited amounts, in order to obtain capital loans from institutions of excellence still many UMKM that do not meet the requirements of administration as well as technical requirements. A financial report is a record of financial information on a accounting period that can be used to describe the performance of small and medium-sized enterprises (SMEs). Financial management becomes one of the important aspects of business progress. Financial management can be done through accounting (Hanum, 2019). The ability to manage finances carried out professionally is an important factor in the progress and success of MSMEs (Dahrani et al., 2022).

Sometimes the recording of the perpetrators only records the difference between the incoming and the outgoing money. This situation of course makes it difficult for the entrepreneur to accurately calculate and know the outcome of his business and consequently hampers the development of business from the side of financing (Ardila & Christiana, 2020). The obstacles of UMKM perpetrators among them do not understand the method of accounting due to minimal literacy accounting, so do not know the profits and losses of the enterprise, misestimating the sale price, recording the transactions of income and expenditure only, accounting writing manually, not understanding the application of financial technology, there is no misjudgment of enterprise and stock management (Ayu, 2021). Through the implementation of good accounting, it is hoped that MSMEs can gain a deeper understanding of the development and health of their business (Fadhila & Ningsih, 2024)

Seeing the obstacles encountered by UMKM in the preparation of financial statements manually, a breakthrough or solution is needed in the form of a digital innovation in the shape of software or applications that can make it easier for UMKM owners to carry out the recording and preparing of their financial reports. In an era of continuous digitalization, many features of accounting software have been created by specialized accounting experts to help the operational activities of companies. Accounting applications are not only used on computers, but can be used on smartphones, making it easy for entrepreneurs to carry out accounting at any time and anywhere. According to the perception of UMKM perpetrators, running an android-based accounting application is very clear and easy to understand, so UMKM prosecutors will take a stance to use the application (Ardila et al., 2024). Various digital-based accounting applications are created by current advances in accounting information technology (Aryanto & Farida, 2021). The existence of these applications provides many advantages in the processing and presentation of accountancy information, such as improving the efficiency of information delivery and reducing the time required to compile and submit reports (Farida et al., 2021).

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LITERATURE REVIEW

A quality financial report is a report that has the characteristics to be used to study financial information for the purpose of providing information about the position, performance, and cash flows of an entity. Financial reports are a tool for describing business conditions (whether there is progress or setbacks), making accurate and timely decisions as well as accountability to management and the most important thing is basically understanding the meaning of profit or loss obtained from business results (Hani & Zahrah, 2017). Most people who use financial reports to make economic decisions benefit from the quality of financial reports. Financial reports, which include information about the company's finances during the accounting period, can be used to describe business performance (IAI, 2015). According to the Financial Accounting Standard Indicators (IAI, 2015), there are indicators for measuring the quality of financial statements among others:

- a. Comprehensible
- b. Relevance
- c. Default
- d. Can be compared

Well-organized data is also used to make clearer and more effective decisions (Romney & Steinbart, 2015). Information is considered to be of high quality if it is relevant and useful for decision-making. The main outcome of digital accounting is the quality of accounting information, which significantly affects the effectiveness of company strategic decisions. High-quality reporting provides relevant and accurate information that represents the economic realities of the company's activities during the reporting period as well as the financial condition of the firm at the end of the Reporting Period (Shuraki et al., 2020). Good financial reporting quality can be used as integrated information to serve the resource consolidation needs of all relevant departments, this system is directed to the mobile-based accounting information system.

In the development of SIA, a mobile-based accounting application was introduced to help UMKM run accounting according to the accounting cycle using a smartphone or a mobile phone (Baydhia & Haryati, 2021). Android-based accounting applications are defined as computer programs designed specifically for mobile devices such as phones, tablets, smartphones or smartwatches. In the development of SIA, a mobile-based accounting application was introduced to help UMKM run accounting according to the accounting cycle using a smartphone or a mobile phone.

Accounting applications help prepare financial reports and ensure high reliability and help record, store, transfer data through the use of software systems is easier than moving a set of documents (Teru et al., 2019). Accounting information systems help UMKM in automation of accounting processes such as recording, processing and analyzing their finances to improve efficiency, reduce costs, have more accuracy, then more numerically fast use and less experience an error when using a manual system (Wickramsainghe et al., 2017).

It makes it easier for micro and small companies to store financial transactions and produce financial reports even though they do not have extensive knowledge of financial accounting. Technological development already has the ability to present various accounting applications that can provide assistance in recording as well as a UMKM accounting for example on the Cash Book, then the House Book, Lamikro, and some other things. Accounting applications have become important for UMKM owners because they produce financial reports that are appropriate to SAK EMKM, can know their accounts more accurately and reliably as well as accountable and detailed.

RESEARCH METHOD

This study conducted associative research with the aim of finding out how two or more variables relate to each other. The UMKM perpetrators who are actively operating in the town of Medan are the population of this research. According to data from Tuntungan Field Camat Office, there are 417 small and medium-sized enterprises (SMEs) in Medan City, and 80 of them are samples of this study, according to the Slovenian formula. Medium linear regression is used to analyze data. If using simple linear regression, it is important to test classical assumptions. These classic assumptions must be met to ensure the validity of regression analysis in statistics. Classical assumption testing required in this research includes the normality test, multicollinearity test, and heteroscedasticity test.

RESULTS

Characteristics Of Respondents

In this research, respondents consisted of 80 MSMEs in the city of Medan. They have various characteristics such as gender, education, length of business, line of business, and length of use of accounting applications. In this study, the majority of respondents were as follows: there were 38 male respondents (47.5%) and 42 female respondents (52.5%). The total number of respondents was 80 people.

Based on the educational background of the respondents in this study, the details are as follows; junior high school education: 12 people (15%), high school education: 36 people (45%), diploma education: 8 people (10%), bachelor's degree: 24 people (30%).

Based on the length of business of respondents in this study, the details are as follows: Length of business 1-2 years: 12 people (15%), Length of business 3-4 years: 25 people (31.3%), Length of business 5-6 years: 16 people (20%), Business duration > 6 years: 27 people (33.7%).

Based on the business sector of the respondents in this research, the details are as follows: Culinary business sector: 26 people (32.5%), Handicraft business sector: 9 people (11.3%), Fashion business sector: 15 people (18.8%), Other business fields: 30 people (37.5%).

Based on the length of time they have used accounting applications, respondents in this study can be explained as follows: Less than 1 year: 19 people (23.8%), 1-3 years: 26 people (32.5%), 4-5 years: 21 people (26.3%), More than 5 years: 14 people (17.5%)

Classic Assumption Test

Normality Test

The normality test using the Kolmogorov-Smirnov method is significant at $0.634 > 0.05$, so it can be concluded that the regression method in this research has met the normality assumption.

Multicollinearity Test

The independent variable, namely X, has a VIF value within the specified tolerance limits (not exceeding 10), so that multicollinearity does not occur in this independent variable.

Heteroscedasticity Test

The points are spread randomly, do not form a clear pattern even though they appear to be close together at certain points and are scattered at the top and slightly gathered on the Y axis, thus "heteroscedasticity does not occur" in this regression model.

Simple Linear Regression

Regression analysis is used to determine the effect of the independent variable on the dependent variable.

The regression equation model in this research is $Y = 21,362 + 0,515X$

Model interpretation:

- a. Constant (a) = 21.362, indicating a constant price, if the value of the independent variable = 0, then the Quality of MSME Financial Reports (Y) will be 21.362
- b. Variable X of 0.515 indicates that the variable Use of the Mobile Accounting Application has a positive effect on the Quality of MSME Financial Reports (Y). In other words, if the Mobile Accounting Application Use variable is increased by one unit, the Quality of MSME Financial Reports will increase by 0.515.

Hypothesis Testing

t Test

Testing was carried out using a significance level with a real level of 0.05 ($\alpha = 5\%$).

Table 1 t Test

		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
Model		B	Std. Error	Beta		
1	(Constant)	21,362	6,644		3,215	,002
	Use of Android-based accounting applications	,515	,164	,336	3,145	,002

Dependent Variable: Quality of MSME Financial Reports

Based on the information provided, it can be concluded that in the hypothesis test carried out: The calculated value obtained is 3.145. The ttable value used is 1.990 (with certain degrees of freedom and level of significance). The significance value obtained is 0.002, which is smaller than the generally chosen significance threshold value, namely 0.05. From these results, the following conclusions can be drawn: Because the significance value (0.002) is smaller than the predetermined significance level (0.05), H_0 (null hypothesis) is rejected. This shows that there is a significant influence between the use of Mobile Accounting Application (X1) on the quality of MSME financial reports. Thus, the conclusion that can be drawn is that the use of the Mobile Accounting Application has a significant effect on the quality of MSME financial reports, based on the results of the regression analysis carried out.

DISCUSSION

MSME actors. By using mobile-based accounting applications, MSMEs can utilize information technology effectively to manage their accounting bookkeeping and recording systems. This is a step that is in line with the development of an increasingly digital business world. Using a mobile accounting application provides a number of benefits, including helping MSMEs that do not yet have a bookkeeping and accounting recording system. With this application, they can improve their performance. It's true, utilizing increasingly developing technology to improve the quality of financial reports is a wise step in today's business world. By using accounting software that is integrated and has good system control features, MSMEs can monitor their financial performance effectively. The use of Android-based or online accounting applications is used as one of the factors that influence the quality of recording financial reports because online accounting applications are easy, practical and efficient accounting recording applications. There are various kinds of features available in online accounting applications (Yusuf et al., 2021). Android-based accounting application is a software that supports recording financial reports that can be accessed online via smartphone, so it is very important for users to create quality financial reports (Rahardja et al., 2018).

CONCLUSION

Based on the research results above, it can be concluded that the use of the Mobile Accounting Application has a significant effect on the Quality of MSME Financial Reports

for Mobile Accounting Application users. The coefficient of determination (R square) obtained was 0.113, this result means that 11.3% of the MSME Financial Report Quality variable can be explained by the Use of Mobile Accounting Application variable, while the remaining 88.7% is explained by other variables that were not studied.

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DECLARATION OF CONFLICTING INTERESTS

The author has no conflict of interest in writing this article

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