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# The Effect of Human Resource Competency on Financial Reporting

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## *ABSTRAK*

*Terdapat banyak faktor yang mempengaruhi efektivitas pelaporan keuangan, salah satunya adalah kompetensi sumber daya manusia. Kompetensi merupakan serangkaian kombinasi dari pengetahuan, kemampuan, keahlian, dan sikap yang dimiliki oleh sumber daya manusia untuk menjalankan tugasnya dan memperoleh hasil yang unggul. Sumber daya manusia yang terlibat dalam pelaporan keuangan harus memiliki kompetensi yang cukup agar dapat memenuhi atau melebihi kriteria pelaporan keuangan efektif yang telah ditetapkan. Penelitian ini bertujuan untuk mengetahui seberapa banyak pengaruh yang sumber daya manusia berikan terhadap pelaporan keuangan. Karyawan yang bekerja pada bagian akuntansi dan bagian lain yang berhubungan dengan fungsi akuntansi pada perusahaan manufaktur di Kota Bandung adalah populasi dalam penelitian ini dan jumlah sampel yang digunakan dalam penelitian ini adalah 53 orang. Responden yang terlibat dalam penelitian ini memiliki karakteristik yang beragam, namun terdapat karakteristik dominan yang ada pada masing-masing klasifikasi. Mayoritas responden dalam penelitian ini berjenis kelamin wanita dan usia responden paling banyak berada di rentang umur 21 sampai dengan 30 tahun. Mayoritas pendidikan terakhir responden adalah S1 atau sederajat dan jurusan akuntansi merupakan latar belakang pendidikan yang paling banyak dimiliki oleh responden. Kemudian, mayoritas responden bekerja pada divisi akuntansi dan mayoritas responden telah bekerja pada divisi yang sama sampai dengan lima tahun. Teknik pengumpulan data dan alat pengumpulan data yang digunakan dalam penelitian ini adalah dengan menggunakan survei berupa kuesioner fisik sehingga data yang didapatkan merupakan data primer. Data yang telah didapatkan kemudian diuji menggunakan aplikasi SPSS. Hasil dari penelitian ini menunjukkan bahwa kompetensi sumber daya manusia memiliki pengaruh terhadap pelaporan keuangan.*
***Kata kunci:*** *kompetensi SDM, pelaporan keuangan*

## ABSTRACT

There are many factors that affect financial reporting’s effectiveness, and one of them is human resource’s competency. Competency is a series of combinations of knowledge, skill, expertise, and attitude owned by human resources to carry out their duties and obtain superior results. Human resources embroiled in financial reporting must have sufficient competency to meet or exceed the established effective financial reporting criteria. This research aim to examine how much influence that human resource’s competency gave towards financial reporting. Employees who work in the accounting department and other department related to accounting function in manufacturing companies in Bandung are sample in this research and the number of sample used in this research is 53 people. Respondents involved in this research have various characteristics, but there are dominant characteristic on each classification. The majority of respondents in this research are woman and most of the respondents are 21 to 30 years old. The majority of respondents’ last education is bachelor degree or equivalent and accounting major

is the most educational background that respondents have. Then, the majority of respondentswork on accounting division and the majority of respondents have been working on the same division up to five years. Data collection technique and data collection tool used in this research is survey in the form of a physical questionnaire so the data obtained is primary data. Data that has been obtained then tested by SPSS application. The result of this research indicate that human resource's competency has an effect towards financial reporting.
**Keywords:** human resource's competency, financial reporting

## 1. INTRODUCTION

Financial reporting is the process of communicating financial accounting information about a company to external users (Nikolai et al., 2010:8). From this interpretation, it can be seen that financial reporting is not referring to financial statements, but rather referring to the process. This is supported by the statement from Robinson et al. (2015:37). According to Robinson et al. (2015:37), the financial statements of a company are end-products of a process for recording transactions of the company related to operations, financing, and investment. So, financial reporting refers to the process, not the end-products of the process.

In financial reporting, companies need human resources. Human resources are an important element in financial reporting, because human resources are the only resources that have sense of feeling, desire, skills, knowledge, encouragement, power, and creation (idea, feeling, and intention) (Sutrisno, 2009:3). So, even though the company has used the most up to date technology in its financial reporting activities, the existence of human resources remains very necessary.

Competencies, then, are characteristics that individuals have and use in appropriate, consistent ways in order to achieve desired performance. These characteristics include knowledge, skills, aspects of self-image, social motives, traits, thought patterns, mind-sets, and way of thinking, feeling, and acting (Dubois et al., 2004:16). Human resources whom embroiled in financial reporting process, must have sufficient competency so the effectiveness of financial reporting can be achieved and the output produced can meet established quality standards, in line with statement from Dubois et al. (2004:6), outputs or results should be produced to a level of quality that meets or exceeds the receiver's expectations. In line with that statement, Harrer (2008:73) state that financial reporting personnel should be qualified and possess the experience and competencies needed to ensure the financial statements are of a high quality.

Nowadays, human resources' competency in Indonesia can be said still at the low level (Haryadi, 2013). Some phenomena that occur in Indonesia related to this case are human resources in Indonesia do not have a “place” to improve their abilities (Anggit, 2019), human resources who have graduated from formal education do not have specific competencies (Anggit, 2019), and much cases happened in Indonesia when there is no accordance between work and department of human resources’ education (Mardiana, 2017). In more specific case, Indonesia still lacks of accountants with good competency. This situation causes financial reporting quality in Indonesia can be said still relatively low (Regional Financial and Asset Management Agency of Lamongan District, 2013). According to 2008 data, from 275 Local Government Financial Reports that have been examined by Indonesian Supreme Audit Institution, only 1% or 3 entities that have obtained Unqualified Opinion (Wahyudi, 2008). Then, according to 2011 data, from 358 Local Government Financial Reports, only 9% Local Government Financial Reports that have obtained good predicate, and the remaining 91% get a bad predicate (Indonesian Supreme Audit Institution, 2011). Besides, in 2018 there are several Local Government Financial Reports that experienced a decrease in quality that become Qualified Opinion, namely Tasikmalaya District Government (Muslim, 2019), Jember District Government, and Pasuruan City Government (Wirawan, 2019). Based on those phenomena, author would like to reexamine whether there is an effect given by human resource competency towards financial reporting.

Based on the description from introduction above, author has a formulation of the problem that is how much the competency of human resources has an effect on financial reporting and based on that formulation of the problem, examine how much the competency of human resources has an influence toward financial reporting is the aim of this research.

## 2. LITERATURE REVIEW

### Human Resources Competency

Based on the definitions from Act Number 13 Year 2003 concerning Manpower, Edison et al. (2017:140), Armstrong and Taylor (2014:86), Dubois et al. (2004:16), Griffiths and Washington (2015:4), Nawawi (2003:37) and Sutrisno (2009:3), conclusion can be drawn regarding the definition of human resources competency, that is a combination of knowledge, abilities, skills, expertise, and attitudes owned by employee who are member of an organization to be used in completing the tasks of the work, to get effective and superior result, because resources in the form of human can be said to be the only resources that have idea, feeling, and intention (sense of feeling, desires, skills, knowledge, encouragement, power, and creation).

Based on the theory from Edison et al. (2017:143), Busro (2018:35), and Cripe and Mansfield (2002:180), author classify the dimensions and indicators of human resources competency as follow:

1. Knowledge
   - Have knowledge that supports the work
   - Understanding
   - Have knowledge related to the field of work being handled (obtained from formal education and or training and or courses)
   - Have the will to increase knowledge
2. Ability
   - Ability to do something well
   - Working methods that are considered more effective
   - Efficient
   - Have the will to develop personal abilities
3. Expertise
   - Able to handle in detail
   - Able to solve problems quickly and efficiently
   - Have technical expertise in accordance with the field of work being handled
4. Attitude
   - Value
   - Interest
   - Trait
   - Self-image
   - Upholding organizational ethics
   - Have initiative in helping coworkers

**Financial Reporting**

According to Nikolai et al. (2010:8), financial reporting is the process of communicating financial accounting information about a company to external users. Then, Giri (2012:4) define financial reporting as the presentation and delivery of the overall financial information of an economic entity to parties with an interest in the company's business.

Based on the definition from Nikolai *et al.* (2010:8) and Giri (2012:4), it can be seen that financial reporting is not referring to financial statements, but rather referring to the process. This is supported by the statement from Robinson *et al.* (2015:37) which states that a company's financial reports are the final product of the process of recording company transactions relate to operation, financing, and investment. Thus, the definition of financial reporting refers to the process, not to the financial reports which are the final product of the process.

Based on theories from CFA Institute (2018:72) and Robinson et al.

(2015:119), author classify dimensions and indicators of financial reporting as follow:

1. Transparency
    - Users should be able to see the economic situation that underlies the business that is clearly illustrated in the company's financial reports
    - Full disclosure
    - Fair presentation
2. Comprehensiveness
    - Conduct financial reporting on all transactions that have been, are, and will occur
3. Consistency
    - Similar transactions must be measured and presented the same way
    - Use of the same accounting policy
    - Use of the same accounting procedures
    - Information can be compared from time to time and across entities

**Relation of Human Resources Competency and Financial Reporting**

According to Harrer (2008:74), corporate human resources policies and practices must support integrity, ethical behavior, and competency, and advance the financial reporting function. In addition, financial reporting personnel must have the qualifications and experienced and competency needed to ensure financial reports are on high quality (Harrer, 2008:73). High-quality financial reporting provides useful information for analysts in assessing the company's performance and prospect. Financial reporting that has low quality contains inaccurate, misleading, and incomplete information (Robinson et al., 2015:556). Specific ability and experience needed to prepare reliable financial reports must be identified and evaluated regularly, and accounting, tax and information technology personnel must be trained to maintain their abilities (Harrer, 2008:73).

According to COSO (as cited in Marchetti, 2012:58), companies retain competent individuals in financial reporting and related supervisory roles. Attributes in this principle include:

1. Identify competencies that support reliable financial reporting.
2. Maintain or employ individuals who have the required competencies.
3. Evaluate competencies regularly.

According to COSO (as cited in Marchetti, 2012:76), companies identify and analyze the risks of achieving financial reporting objectives as a basis for determine how risks should be managed. Attributes in this principle include:

1. Consideration of business process that affect financial reports.

2. Consideration of competency of members who are incorporated on financial reporting process.
3. Consideration of infrastructure and information technology process.
4. Consideration of internal and external factors in achieving financial reporting objectives.
5. Make criteria for reassess risk according to changes that occur that might affect the financial reporting objectives.

**Research Framework**

Research framework in this research can be seen in Figure 1.

**Prior Researches**

Prior researches have been conducted by Setiyawati (2013), Setiyawati, Iskandar, and Basar (2018), Kasim (2015), Hertati (2015), and Sagara (2015). Prior researches are described in Table 1.

**Hypothesis**

Hypothesis in this research are as follow:

**$H_0$ :** There is no effect of human resources competency on financial reporting.

**$H_a$ :** There is an effect of human resources competency on financial reporting.

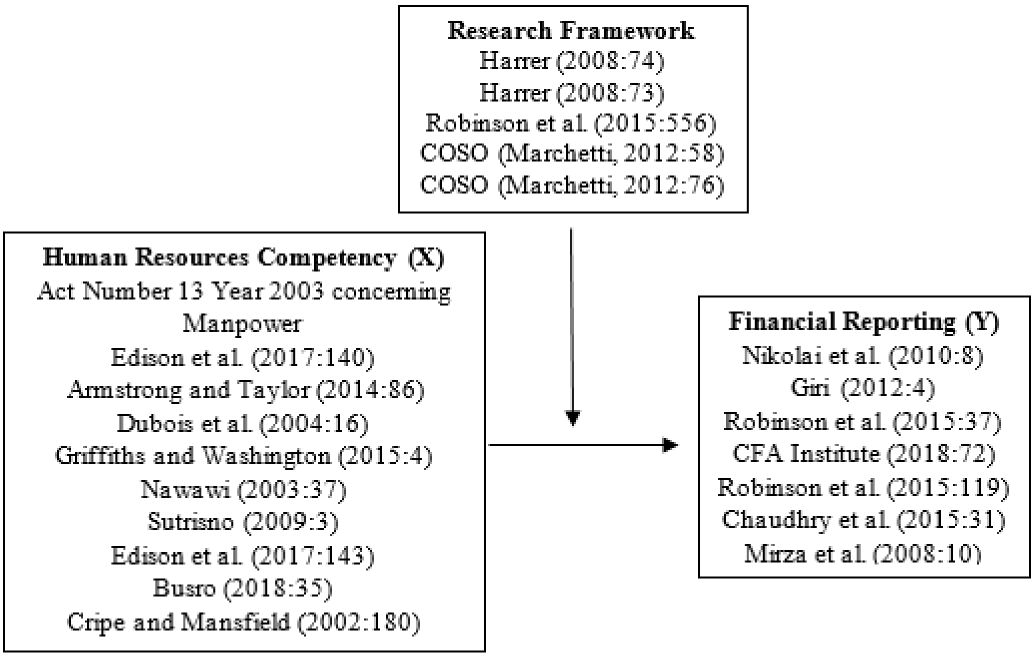


Figure 1: Research Framework

| **Number** | **Name and Year of Prior Researches** | **Research Title** | **Research Purposes** | **Data Analysis Method** | **Research Result** |
|---|---|---|---|---|---|
| 1. | Hari Setiyawati (2013) | The Effect of Internal Accountants' Competence, Managers' Commitment to Organization and the Implementation of the Internal Control System on the Quality of Financial Reporting | Examine the effect of internal accountant competencies, managers' commitment to the organization, and implementation of internal control systems on the quality of financial reporting both simultaneously and partially. | Multiple Regression | 1. Manager's commitment to the organization and the implementation of the internal control system have a significant effect on the quality of financial reporting simultaneously.<br>2. Competence of internal accountants has a significant effect on the quality of financial reporting.<br>3. Managers' commitment to the organization has no effect on the quality of financial reporting.<br>4. Implementation of the internal control system has no effect on the quality of financial reporting. |
| 2. | Hari Setiyawati, Diah Iskandar, Yusuf S. Basar (2018) | The Quality of Financial Reporting through Increasing the Competence of Internal Accountants and Accrual Basis | Examine the effect of the competence of internal accountants and the application of accrual bases on the quality of financial reporting. | Multiple Linear Regression | 1. Competence of internal accountants has a positive effect on the quality of financial reporting, especially in local governments.<br>2. Application of accrual basis on government accounting standards has a positive effect on the quality of financial reporting. |
| 3. | Erlynda Y. Kasim (2015) | Effect of Government Accountants Competency and Implementation of Internal Control to The Quality of Government Financial Reporting | Analyze the effect of competency of government accountants and implementation of internal controls on the quality of financial reporting. | Multiple Regression Analysis | 1. There is a significant effect on the competency of government accountants on the quality of financial reporting.<br>2. There is an effect of internal control on the quality of financial reporting. |
| 4. | Lesi Hertati (2015) | Competence of Human Resources, The Benefit of | Explain and empirically test human resources | Multiple Regression Analysis | 1. Human resources competence has a significant effect on the value of |

| | | | | | |
|---|---|---|---|---|---|
| | | Information Technology on Value of Financial Reporting in Indonesia | competence and the benefits of technology on the value of financial reporting in Indonesia. | | government financial reporting information.<br>2. The use of information technology has a significant effect on the value of government financial reporting information. |
| 5. | Yusar Sagara (2015) | The Effect of Implementation Accounting Information System and Competence of Human Resources on the Quality of Financial Reporting | Examine the effect of the implementation of accounting information systems and human resources competence on the quality of financial reporting. | Regression Analysis | 1. The implementation of accounting information systems and human resources competence have a significant effect on the quality of financial reporting simultaneously.<br>2. The implementation of accounting information systems has a significant effect on the quality of financial reporting.<br>3. Human resources competence does not have a significant effect on the quality of financial reporting. |

Table 1: Prior Researches

## 3. RESEARCH METHODS

Hypothesis testing in the form of causal research is type of this research. All employees of the accounting department and other sections related to accounting functions in manufacturing companies in Bandung City are the population in this research and the sample used was taken by simple random sampling of 50 people . Data collection technique used was a survey using a physical questionnaire so that the data obtained were primary data. Scale used is an ordinal scale with 5 levels of classification, namely strongly agree (with code 5), agree (with code 4), neutral (with code 3), disagree (with code 2), and strongly disagree (with code 1) . Data that has been obtained then tested using the IBM SPSS version 20 application .

Based on the title of the research, it can be seen that the independent variable in this research is Human Resources Competency and the dependent variable in this research is Financial Reporting. To test the data obtained, several testing techniques will be carried out in stages. First, the data will go through an instrument test. Instrument test consists of validity test and reliability test. In validity test using the SPSS application, is need to pay attention to the output section of Kaiser- Meyer-Olkin (KMO) and Bartlett's Test. KMO measures the adequacy of the sample, which must be greater than 0.5 to continue satisfying factor analysis (Burns & Burns, 2008:455). In reliability test, the thing to consider is Cronbach's Alpha. The following is the meaning of each Cronbach's Alpha value

| Alpha Coefficient Range | Power |
|---|---|
| < 0.6 | Poor |
| 0.6 to 0.7 | Moderate |
| 0.7 to 0.8 | Good |
| 0.8 to 0.9 | Very Good |
| 0.9 | Excellent |

(Burns & Burns, 2008:479):

Table 2: Cronbach's Alpha Value and Meaning

After the instrument test, normality test is conducted. Kolgomorov-Smirnov assesses the normality of score distribution. Insignificant result (Sig value greater than 0.05) indicate normality (Pallant, 2001:58). If the data are not normally distributed, outliers test must be conducted. After the normality test , a classic assumption test can be conducted. In this research, there is only one classic assumption test was conducted, namely the heterokedasticity test. Finally, the last test conducted is a simple regression test. According to Setiawan et al. (2017:98), the form of the regression line equation is as follow:

$$Y = a + bX$$

Meaning:

Y = dependent variable

X = independent variable

a = intercept (value of Y, if X = 0)

b = regression coefficient

Then, the values of a and b can be calculated based on the following formula:

$$a = \frac{\sum Y.\ \sum X^2 - \sum XY . \sum X}{n . \sum X^2 - (\sum X)^2}$$

$$b = \frac{n . \sum XY - \ \sum X.\ \sum Y}{n . \sum X^2 - (\sum X)^2}$$

In a simple regression test, in addition to the result of the regression line equation based on existing data, can also be found the magnitude of the determinant coefficient which generated based on the data obtained. The determinant coefficient can be calculated by the formula (Harianti et al., 2012: 161):

$$D = r^2 \text{ x } 100\%$$

Meaning:

D = determinant coefficient

r = correlation coefficient

The correlation coefficient (r) can be calculated by using the Least Square method from Pearson’s correlation coefficient formula as follows (Harianti et al., 2012:159):

$$r = \frac{n .\ \sum XY - \sum X .\ \sum Y}{\sqrt{(n .\ \sum X^2 - (\sum X)^2) .\ (n .\ \sum Y^2 - (\sum Y)^2)}}$$

**Definition Operational of Variable (DOV)**

Definition Operational of Variable in this research is as follow:

| Variable | Dimensions | Indicators | Scale | Questionnaire Item |
|---|---|---|---|---|
| **Variable X:** Human Resource Competency (Edison et al., 2017:143, Busro, 2018: 35, and Cripe & Mansfield, 2002:180) | Knowledge (Edison et al., 2017:143 and Busro, 2018:35) | Have knowledge that supports the work (Edison et al., 2017:143) | Ordinal | 1 |
| | | Understanding (Busro, 2018:35) | Ordinal | 2 |
| | | Have knowledge related to the field of work being handled (obtained from formal education and or training and or courses) (Edison et al., 2017:143) | Ordinal | 3 |
| | | Have the will to increase knowledge (Edison et al., 2017:143) | Ordinal | 4 |
| | Ability (Cripe & Mansfield, 2002:180 and Busro, 2018:35) | Ability to do something well (Cripe & Mansfield, 2002:180) | Ordinal | 5 |
| | | Working methods that are considered more effective (Busro, 2018:35) | Ordinal | 6 |
| | | Efficient (Busro, 2018:35) | Ordinal | 7 |
| | | Have the will to develop personal abilities (Busro, 2018:35) | Ordinal | 8 |
| | Expertise (Edison et al., 2017:143) | Able to handle in detail (Edison et al., 2017:143) | Ordinal | 9 |
| | | Able to solve problems quickly and efficiently (Edison et al., 2017:143) | Ordinal | 10 |
| | | Have technical expertise in accordance with the field of work being handled (Edison et al., 2017:143) | Ordinal | 11 |
| | Attitude (Busro, 2018:35, Cripe & Mansfield, 2002:180, and Edison et al., 2017:143) | Value (Busro, 2018:35) | Ordinal | 12 |
| | | Interest (Busro, 2018:35) | Ordinal | 13 |
| | | Trait (Cripe & Mansfield, 2002:180) | Ordinal | 14 |
| | | Self-image (Cripe & Mansfield, 2002:180) | Ordinal | 15 |
| | | Upholding organizational ethics (Edison et al., 2017:143) | Ordinal | 16 |
| | | Have initiative in helping coworkers (Edison et al., 2017:143) | Ordinal | 17 |

| Variable | Dimensions | Indicators | Scale | Questionnaire Item |
|---|---|---|---|---|
| **Variable Y:** Financial Reporting (CFA Institute, 2018:72, Robinson et al., 2015:119, Chaudhry et al., 2015:47, and Mirza et al., 2008:10) | Transparency (CFA Institute, 2018:72 and Robinson et al., 2015:119) | Users should be able to see the economic situation that underlies the business that is clearly illustrated in the company's financial reports (CFA Institute, 2018:72 and Robinson et al., 2015:119) | Ordinal | 18 |
| | | Full disclosure (CFA Institute, 2018:72) and Robinson et al., 2015:119) | Ordinal | 19 |
| | | Fair presentation (CFA Institute, 2018:72 and Robinson et al., 2015:119) | Ordinal | 20 |
| | Comprehensiveness (CFA Institute, 2018:72 and Robinson et al., 2015:119) | Conduct financial reporting on all transactions that have been, are, and will occur (CFA Institute, 2018:72 and Robinson et al., 2015:119) | Ordinal | 21 |
| | Consistency (CFA Institute, 2018:72, Robinson et al., 2015:119, Chaudhry et al., 2015:47, and Mirza et al., 2008:10) | Similar transactions must be measured and presented the same way (CFA Institute, 2018:72 and Robinson et al., 2015:119) | Ordinal | 22 |
| | | Use of the same accounting policy (Chaudhry et al., 2015:47) | Ordinal | 23 |
| | | Use of the same accounting procedures (Chaudhry et al., 2015:47) | Ordinal | 24 |
| | | Information can be compared from time to time and across entities (Mirza et al., 2008:10) | Ordinal | 25 |

Table 3: Definition Operational of Variable

## 4. RESULTS AND EXPLANATION

### Respondents' Characteristics

The number of samples that were successfully obtained and then used in this research are 53 people. From 53 respondents, the age range of 21 to 30 years is the most dominant (58.50%) and the number of female respondents are higher than male respondents, which is 32 people (60.4%). Then, the divisions occupied by respondents and the number of respondents who occupy them are as follow: 25

respondents came from accounting division (47.2%), 24 respondents came from financial division (45.3%), and 4 respondents came from cost control division (7.5%). In addition, respondents characteristics' classification which is the most dominant are as follow: there are 35 respondents (66.03%) who have worked for up to 5 years, there are 30 respondents (56.6%) who have a bachelor degree or equivalent education level, and there are 30 respondents (56.6%) who have accounting educational background.

**Validity Test**

After the validity test was conducted, it was found that the variable x indicators, namely human resource competency, with the code KSDM1, KSDM2, KSDM3, KSDM5, and KSDM9 did not occupy the group where they were supposed to be so they judged to be deviate. To cope with this, author re-tested the validity of the data by not involving the variable x indicators, namely the human resource competency with the code KSDM1, KSDM2, KSDM3, KSDM5, and KSDM9.

These indicators are not excluded from validity test simultaneously, but are issued one after another in each test. In the second test, author issued an indicator with the code KSDM1. However, indicators with the code KSDM2, KSDM3, KSDM5, and KSDM9 still have a group deviation. In the third test, author issued an indicator with the code KSDM2. But, indicators with the code KSDM3, KSDM5, and KSDM9 still have a group deviation. In the fourth test, author issued an indicator with the code KSDM3. However, indicators with the code KSDM5 and KSDM9 still have a group deviation. In the fifth test, author issued an indicator with the code KSDM5. However, indicator with the code KSDM9 still have a deviation. In the sixth test, author issued an indicator with the code KSDM9.

After passing the sixth validity test, where indicators with the code KSDM1, KSDM2, KSDM3, KSDM5, and KSDM9 are not involved in validity test, all indicators have occupied the group in Rotated Component Matrix table where the indicators should be, so the indicators that have been obtained temporary valid status are the indicators with the code KSDM4, KSDM6, KSDM7, KSDM8, KSDM10, KSDM11, KSDM12, KSDM13, KSDM14, KSDM15, KSDM16, KSDM17, PKDM17, PK1, PK2, PK3, PK5, PK6, PK7, PK7, and PK8. When the reliability test was conduct, there is a Cronbach's Alpha if Item Deleted value that greater than Cronbach's Alpha value, which is an indicator with the code KSDM17. Because of this, the validity test must be re-done by removing the indicator with the code KSDM17 from the test. The following is a Rotated Component Matrix table based on the latest validity test results:

**Rotated Component Matrik**[a]

| | Component | |
|---|---|---|
| | 1 | 2 |
| KSDM4 | .732 | |
| KSDM6 | .646 | |
| KSDM7 | .815 | |
| KSDM8 | .586 | |
| KSDM10 | .767 | |
| KSDM11 | .532 | |
| KSDM12 | .780 | |
| KSDM13 | .803 | |
| KSDM14 | .737 | |
| KSDM15 | .589 | |
| KSDM16 | .659 | |
| PK1 | | .665 |
| PK2 | | .567 |
| PK3 | | .627 |
| PK4 | | .720 |
| PK5 | | .688 |
| PK6 | | .708 |
| PK7 | | .567 |
| PK8 | | .745 |

Table 4: Rotated Component Matrix from Latest Validity Test

In addition, the latest KMO and Bartlett's Test table result obtained is as follow:

**KMO and Bartlett's Test**

| | | |
|---|---|---|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | | .752 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 557.475 |
| | df | 171 |
| | Sig. | .000 |

Table 5: KMO and Bartlett's Test from Latest Validity Test

The number of samples can be said to be sufficient if the value of the Kaiser-Meyer-Olkin Measure of Sampling Adequacy is greater or equal to 0.5. Based on the table, it can be seen that the value of the Kaiser-Meyer-Olkin Measure of Sampling Adequacy is greater than 0.5 which is equal to 0.752 so that the number of samples is considered sufficient.

**Reliability Test**

The reliability test results on the variable x (human resource competency) indicators are as follow:

**Reliability Statistics**

| Cronbach's Alpha | N of Items |
|---|---|
| .901 | 11 |

Tabel 6: Reliability Statistics Variable X

**Item-Total Statistics**

| | Scale Mean if Item Deleted | Scale Variance if Item Deleted | Corrected Item-Total Correlation | Cronbach's Alpha if Item Deleted |
|---|---|---|---|---|
| KSDM4 | 37.58 | 37.171 | .637 | .892 |
| KSDM6 | 37.57 | 39.058 | .549 | .897 |
| KSDM7 | 37.62 | 35.316 | .774 | .884 |
| KSDM8 | 37.83 | 38.759 | .523 | .898 |
| KSDM10 | 37.60 | 36.436 | .758 | .886 |
| KSDM11 | 37.70 | 38.753 | .473 | .901 |
| KSDM12 | 37.68 | 35.645 | .721 | .887 |
| KSDM13 | 37.64 | 36.081 | .731 | .887 |
| KSDM14 | 37.77 | 35.025 | .689 | .890 |
| KSDM15 | 38.06 | 36.593 | .566 | .897 |
| KSDM16 | 37.47 | 38.139 | .611 | .894 |

Tabel 7: Item-Total Statistics Variable X

Based on the reliability statistics table above, the value of Cronbach's Alpha is 0.901 which means that the reliability of the variable x (human resource competency) have an excellent power. In the item-total statistics table , there is no Cronbach's Alpha value if Item Deleted that greater than

Cronbach's Alpha value so the variable x indicator (human resource competency) that have gained valid and reliable status are the indicators with code KSDM4, KSDM6, KSDM7, KSDM8 , KSDM10, KSDM11, KSDM12, KSDM 13, KSDM14, KSDM15, and KSDM16.

The results of reliability test on the variable y (financial reporting) indicators are as follow:

**Reliability Statistics**

| Cronbach's Alpha | N of Items |
|---|---|
| .830 | 8 |

Tabel 8: Reliability Statistics Variable Y

***Item-Total Statistics***

| | *Scale Mean if Item Deleted* | *Scale Variance if Item Deleted* | *Corrected Item-Total Correlation* | *Cronbach's Alpha if Item Deleted* |
|---|---|---|---|---|
| PK1 | 27.49 | 7.832 | .566 | .808 |
| PK2 | 27.81 | 8.041 | .521 | .814 |
| PK3 | 27.68 | 7.837 | .482 | .823 |
| PK4 | 27.55 | 7.445 | .631 | .799 |
| PK5 | 27.51 | 8.024 | .613 | .803 |
| PK6 | 27.60 | 7.975 | .565 | .809 |
| PK7 | 27.57 | 8.597 | .481 | .819 |
| PK8 | 27.49 | 8.101 | .614 | .804 |

Table 9: Item-Total Statistics Variabel Y

In the reliability statistics table above, it can be seen that the value of Cronbach's Alpha is 0.830 which means that the reliability of the variable y (financial reporting) has very good power. Then, in the item-total statistics table it can be seen that there is no Cronbach's Alpha value if the Deleted Item that greater than Cronbach's Alpha value so the indicator variable y (financial reporting) that have valid and reliable status are the indicators with code PK1, PK2, PK3, PK4, PK5, PK6, PK7 and PK8.

**Normality Test**

In this research, an alpha (α) rate of 5% or 0.05 was used. After the normality test was conduct, the data obtained are as follow:

**One-Sample Kolmogorov-Smirnov Test**

| | | Unstandardized Residual |
|---|---|---|
| N | | 53 |
| Normal Parameters[a,b] | Mean | 0E-7 |
| | Std. Deviation | 2.91808259 |
| Most Extreme Differences | Absolute | .094 |
| | Positive | .067 |
| | Negative | -.094 |
| Kolmogorov-Smirnov Z | | .684 |
| Asymp. Sig. (2-tailed) | | .737 |

a. Test distribution is Normal.
b. Calculated from data.

Table 10: Normality Test Results

Based on the table above, it can be seen that the value of Asymp. Sig (2-tailed) is 0.737. This value is greater than alpha (α) value, which is 0.05 so it can be said that the data have a normal distribution. Because the data is normally distributed, outliers test is not necessary.

**Heterokedasticity Test** After the heterokedasticity test was conduct, the following data are obtained:

**Coefficients**[a]

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | | |
| (Constant) | .627 | 1.558 | | .403 | .689 |
| KSDM | .040 | .037 | .149 | 1.078 | .286 |

a. Dependent Variable: ABS

Table 11: Heterokedasticity Test Results

Based on the table above, the value of the Sig. is 0.286. This value is greater than alpha (α) value, which is 0.05 so it can be said that the data is free from heterokedasticity.

**Simple Regression Test**

Variable x can be said has an effect on variable y if the Sig. value is smaller than alpha (α). After a simple regression test was conduct, the following data are obtained:

**Coefficients**[a]

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | | |
| (Constant) | 23.502 | 2.576 | | 9.123 | .000 |
| KSDM | .194 | .061 | .404 | 3.155 | .003 |

a. Dependent Variable: PK

Table 12: Simple Regression Test Results

Based on the table above, it can be seen that the value of Sig. is 0.003. This value is smaller than alpha (α) value, which is equal to 0.05 so it can be said that variable x (human resource competency) has an effect on variable y (financial reporting). Then, based on the table above, obtained the equation of simple regression line in this study as follow:

$$Y = 23.502 + 0.194X$$

The equation has the following meanings:

a = 23.502, meaning that if human resource competency is equal to 0, then financial reporting is equal to 23.502.

b = 0.194, meaning that if human resource competency increases by 1 unit, then financial reporting increases by 0.194.

In addition, the magnitude of effect can be seen from the following table:

**Model Summary**[b]

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .404[a] | .163 | .147 | 2.94655 |

a. Predictors: (Constant), KSDM
b. Dependent Variable: PK

Table 13: Magnitude Effect Test Results

Based on the table above, it can be seen that the effect of variable x (human resource competency) on variable y (financial reporting) is 0.163 or 16.3%, while the rest of 0.837 or 83.7% are affected by other factors.

| Hypothesis | Research Result | Formulation of the Problem | Research Result | Information |
|---|---|---|---|---|
| **$H_0$ :** There is no effect of human resources competency on financial reporting. **$H_a$ :** There is an effect of human resources competency on financial reporting. | There is an effect of human resource competency on financial reporting (hypothesis $H_a$ is fulfilled). | How much the competency of human resources has an effect on financial reporting | Human resource competency has an effect on financial reporting of 0.163 or 16.3%. | Supports prior research conducted by: 1. Setiyawati (2013) 2. Setiyawati, Iskandar, and Basar (2018) 3. Kasim (2015) 4. Hertati (2015) 5. Sagara (2015) |

Table 14: Fulfillment of Hypothesis and Comparison with the Results of Prior Researches

**Fulfillment of Hypothesis and Comparison with the Results of Prior Researches**

Fulfillment of the hypothesis and comparison with the results of prior researches can be seen in the table above.

**Explanation**

Research's result, which is examine whether there is an influence given by human resource competency towards financial reporting and the amount of influence can be obtained if the processed data have fulfilled the criteria and passed the validity test, reliability test, normality test, heteroscedasticity test, and simple regression test.

The total of indicators tested were 25 indicators, which is composed of 17 indicators of variable X (human resource competency) and 8 indicators of variable Y (financial reporting). After testing, it turn out that not all indicators have valid and reliable status because the indicators that have valid and reliable status are only indicators with the codes KSDM4, KSDM6, KSDM7, KSDM8, KSDM10, KSDM11, KSDM12, KSDM13, KSDM14, KSDM15, KSDM16, PK1, PK2, PK3, PK4, PK5, PK6, PK7, and PK8. So, it can be said that from 25 indicators used in this research, only 19 indicators have valid and reliable status. Indicators that do not have valid and reliable status will not be involved in testing because indicators that do not have valid and reliable status do not have sufficient quality to produce accurate information.

Then, the number of samples used in this research are 53 people. After testing, it can be said that the number of samples is adequate. The adequacy of the sample can be seen from the output in the Kaiser-Meyer-Olkin Measure of Sampling Adequacy table, where the value of the Kaiser-Meyer-Olkin Measure of Sampling Adequacy must be greater than or equal to 0.5. Based on the test that have been done, the value of the Kaiser-Meyer-Olkin Measure of Sampling Adequacy is 0.752.

That value is greater than 0.5 so it can be said that the number of samples is considered adequate.

After the validity test, reliability test, and sample adequacy test have been conducted, the next test that must be done is the normality test. In this research, an aplha (α) level of 5% or 0.05 was used. After the test conducted, the 0.737 Asymp. Sig (2-tailed) value was obtained. This value is greater than the alpha (α) value, which is 0.05, so it can be said that the data is normally distributed. Because the data is normally distributed, outliers testing is not necessary. After the normality test conducted, the heteroscedasticity test conducted. Based on the heteroscedasticity test that has been conduct, the Sig. value which is obtained is equal to 0.286. This value is greater than the alpha (α) value, which is 0.05, so it can be said that the data is free from heteroscedasticity.

After the heteroscedasticity test has been conduct, a simple regression test can be conducted. It can be said that variable x has an effect on variable y if the Sig. value smaller than alpha (α). Based on the test that have been done, the Sig. value which is obtained is equal to 0.003. This value is smaller than the alpha (α) value, so it can be said that variable x (human resource competency) has an effect on variable y (financial reporting). Then, based on the tests that have been done, the amount of effect that variable x (human resource competency) gave towards variable y (financial reporting) is 0.163 or 16.3%, and the rest is 0.837 or 83.7% influenced by other factors.

The hypothesis that suspected in this research is there is an effect of human resource competency on financial reporting. Based on the research's result that have been obtained, it can be said that the hypothesis is fulfilled (hypothesis $H_a$ fulfilled). In addition, the research's result that have been obtained can answer the formulation of the problem in this research. The formulation of the problem formulated in this research is how much the human resource competency has an effect on financial reporting. Based on the research's results that have been obtained, the human resource competency has an effect of 16.3% on financial reporting.

When compared with the prior researches, which is researches conducted by Setiyawati (2013), Setiyawati, Iskandar, and Basar (2018), Kasim (2015), Hertati (2015), and Sagara (2015), the result of this research is in line with the prior reseraches, which is the human resource competency has an effect on financial reporting. The result of this research also has the same result from prior research conducted by Setiyawati, Iskandar, and Basar (2018), where the human resource competency has a positive effect on financial reporting.

When viewed from the amount effect of variable X on variable Y, the result of this research is different from some of the prior researches. The results of prior researches that have been conducted by Setiyawati (2013), Kasim (2015), and Hertati (2015) show that competency has a significant effect. Unlike the results of researches conducted by Setiyawati (2013), Kasim (2015), and Hertati (2015), the result of research conducted by Sagara (2015) show that human resource competency does not have a significant effect on financial reporting. This research has the same result with the result of research conducted by Sagara (2015), where the result of this research show that the effect of human resource competency on financial reporting only 16.3%, which can be said to be insignificant.

## 5. CONCLUSION

### Conclusion

Conclusions from this research are:

1. Human resource competency has an effect on financial reporting. However, human resource competency has not fully affected financial reporting because there are other factors that can affect financial reporting.
2. The result of this research are in line with the results of researches conducted by Setiyawati (2013), Setiyawati, Iskandar, and Basar (2018), Kasim (2015), Hertati (2015), and Sagara (2015).
3. According to the results of interview conducted by author to one respondent in this research, competency is really needed in financial reporting and factors that cause lack of competency are due to lack of learning that have been done, lack of experience gained, and lack of interest to increase knowledge and the ability to do financial reporting.

### Research Limitations

Limitations in this research are as follow:

1. Only involves human resource competency variable as an independent variable.
2. Only involves samples with employee positions and equivalents.
3. Only involve employees in manufacturing companies.
4. Only involved 53 people as a sample.
5. Only use a questionnaire as a data collection tool so the data obtained may not be as detailed as the data obtained using other data collection tools, such as interviews.

### Research Implication

The result of this research add references which show that human resource competency has an effect on financial reporting.

**Suggestion**

Suggestions for further research are as follow:

1. Involving more diverse and innovative independent variables.
2. Involving samples with more diverse positions.
3. Involves other types of industry besides manufacturing.
4. Involves a larger number of samples.
5. Use more complete data collection tools such as questionnaires with open question types or interviews, so the results of further research can provide a more complete explanation.
6. Based on the results of interview conducted by author to one respondent in this research, efforts that can be done to improve competency in financial reporting are increase the interest of human resources to improve their knowledge, experience, and competency in financial reporting, setting more clearly standards about the competency in financial reporting required by the company when recruiting accountants, and evaluating the competency in financial reporting that owned by human resources on a regular basis.

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