

# Factors Affecting The Quality of Cooperative Financial Statements in Indonesia

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## Abstract

The financial reporting of cooperatives to the Ministry of Cooperatives and Small and Medium Enterprises (KUKM) is often delayed while financial statement information is considered relevant if it is timely. The financial report serves as material for analyzing the performance of the cooperative and as an accountability report from the management to the owners or members of the cooperative at the annual member meeting. By using information technology as a moderating variable, this study aims to identify the effect of accounting understanding, human resource competence, and internal control systems on the quality of cooperative financial statements in the DKI Jakarta area. The population of this study is cooperatives located in DKI Jakarta. The determination of the sample used a purposive sampling technique and this study involved 97 cooperatives as samples. This quantitative study used SEM and Smart PLS models for data analysis. The results showed that accounting understanding, human resource competence, and the application of the internal control system had a positive and statistically significant effect on the quality of financial statements. Meanwhile, the use of information technology did not strengthen the effect of accounting understanding, human resource competence, and the application of the internal control system on the quality of financial statements.

**Keywords:** accounting understanding, human resource competence, internal control system, utilization of information technology, quality of financial statements

## Introduction

Cooperatives have an important role in the structure of the economy. Therefore, a solid bookkeeping system is important. Law No. 25 of 1992 and the Regulation of the Minister of Cooperatives and Small and Medium Enterprises No. 19 of 2015 require all cooperatives to hold an Annual Member Meeting (RAT) within six months after the close of the fiscal year. The cooperative's financial report covers the calculation of operating results, changes in equity, and balance sheets. The success or failure of cooperatives depends on the success and efficiency of members' performance in improving finances and collecting data for financial reporting.

Based on 2019 statistics, only 22% or 769 cooperatives out of 3,447 cooperatives in the DKI Jakarta have effectively implemented the Annual Member Meeting and reported it to the Ministry of Cooperatives and Small and Medium Enterprises. There has been a delay in financial reporting, while the information contained in financial reports is considered relevant if it is timely. The efficiency of preparation is an

important aspect of financial reports which helps avoid a misrepresentation component that produces irrelevant information.

Financial reports are used to evaluate the performance of cooperatives and report the accountability of cooperative management to the owners or members of the cooperative in the Annual Member Meeting. The financial report provided in the Annual Member Meeting meets the requirements and has a high quality. The quality of financial reporting is assessed based on compliance with standards, measured by the number of non-conformities, and achieved through inspections. The quality of a financial report can be determined by the qualitative aspects of the financial report covering relevance, dependability, comparability, and clarity.

The lack of understanding of SAK-ETAP-based accounting is predicted as the main cause of the cooperative's inefficient financial reporting. SAK-ETAP is the Financial Accounting Standard for Entities Without Significant Public Accountability. The Indonesian Institute of Chartered Accountants (2016) states that an organization without public responsibility has minimal or no public accountability. The second issue affecting the quality of financial reporting is human resource (HR) competence. Darno (2015) explains that competent human resources and an understanding of bookkeeping or the preparation of financial reports are needed to produce quality financial reports. The third factor affecting the quality of financial reporting is the application of the Internal Control System (SPI). COSO (2013) defines the Internal Control System as "a process effected by an entity's board of directors, management and other personnel designed to provide reasonable assurance of the achievement of objectives in the following categories: Operational Effectiveness and Efficiency, Financial Reporting Reliability, Applicable Laws and Regulations Compliance." Another factor affecting the quality of financial reporting is the use of Information Technology. "Information technology (IT) may be defined as the technology that is used to acquire, store, organize, process, and disseminate processed data which can be used in specified applications. Information is processed data that improves our knowledge, enabling us to make decisions and initiate actions" (Rajaraman, 2018).

Based on the factor above, the researcher searched previous relevant studies. A study by (Aniftahudin et al., 2016) showed that accounting knowledge positively affects the quality of financial statements. This is in line with a study by (Adiputra et al., 2017) that SAK-ETAP-based accounting knowledge has a good and quite large influence on the quality of cooperative financial reporting. Moreover, another study by (Sapitri et al., 2015) revealed that there was a positive and significant influence of the capacity of human resources on the quality of financial reporting. Similar studies by (Irafah et al., 2020) and (Setiyawati, 2013) showed that HR competence had a significant effect on the quality of financial reporting. (Aditya & Surjono, 2017) and (Dewi & Hoesada, 2020) found that the application of the Internal Control System had a strong and positive influence on the quality of financial reporting. This is in line with (Faishol, 2016) that the application of SPI has a significant effect on the quality of financial reporting. A study by (Sa'adah et al., 2017) showed that the use of information technology does not affect the level of expertise of human resources or the effectiveness of the application of the Internal Control System in the preparation of financial reports. Idrus (2019) also found that the use of information technology reduced the positive and substantial influence of HR competence on the quality of regional financial reports and the negative and significant effect of the application of the Internal Control System.

Using information technology as a moderator requires further studies to determine the effect of accounting knowledge, HR competence, and the application of the Internal Control System on the quality of cooperatives' financial reports. The formulation of the problem of this study covers: Do accounting understanding, HR competence and the application of the Internal Control System have a significant effect on the quality of financial reporting? Can the use of information technology strengthen accounting understanding, HR competence, and the application of the Internal Control System to the quality of financial reporting?

## Literature Review

### Quality of Financial Report

The quality of financial reporting depends on the usefulness of the information provided to users and how companies prepare the financial report using a conceptual framework, fundamental accounting rules, and accounting objectives. The quality of the financial report can be determined based on the company's financial condition. Robinson (2020) states that "financial reporting quality pertains to the quality of information contained in financial reports. High-quality financial reports provide useful decisions which are relevant and faithfully represent the economic reality of the company's activities." Herath & Albarqi (2017) define the quality of financial reporting as follows: "financial reporting quality represents financial statements that provide accurate and fair information about the underlying financial position and economic performance of an entity." Then, Kieso et al., (2017) explain that "Enhancing qualitative characteristics are complementary to the fundamental qualitative characteristics. These characteristics distinguish more-useful information from less-useful information. Enhancing characteristics, shown below, are comparability, verifiability, timeliness, and understandability."

### Accounting Understanding

Hermanson et al., (2011) state that "Accounting is often confused with bookkeeping. Bookkeeping is a mechanical process that records the routine economic activities of a business. Accounting includes bookkeeping but goes well beyond its scope. Accountants analyze and interpret financial information, prepare financial statements, conduct audits, design accounting systems, prepare special business and financial studies, prepare forecasts and budgets, and provide tax services. In particular, the accounting process consists of the following groups of functions: Accountants observe many events (or activities) and identify and measure in financial terms (dollars) those events considered evidence of economic activity. (Often, these three functions are collectively referred to as analysis). The purchase and sale of goods and services are economic events. Next, the economic events are recorded, classified into meaningful groups, and summarized. Accountants report on economic events (or business activity) by preparing financial statements and special reports. Often accountants interpret these statements and reports for various groups such as management, investors, and creditors. Interpretation may involve determining how the business is performing compared to prior years and other similar businesses."

### HR Competence

Human resource potential human will affect the organization's efforts to achieve its predetermined goals. No matter how advanced the technology, information, financial resources, or resources of an organization are; it is difficult for an organization to achieve the predetermined goals without human resources (Soetrisno, 2016). IAESB (2017) defines HR competence as "the ability to perform a work role to a

defined standard concerning working environments. To demonstrate competence in a role, a professional accountant must possess the necessary (a) professional knowledge, (b) professional skills, and (c) professional values, ethics, and attitudes.”

### **Internal Control System**

Each business has to utilize a system to manage its operational activities. The application of an effective system can help organizations prevent fraud. The application of the internal control system benefits the company. COSO (2013) defines internal control as "a process effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance. The dimensions are control environment, risk assessment, control activities, information and communication, and monitoring.” According to Alvin A. Arens et al., (2020), “A system of internal control consists of policies and procedures designed to provide management with reasonable assurance that the company achieves its objectives and goals. These policies and procedures are often called controls, and collectively, they comprise the entity's internal control. Management typically has three broad objectives in designing an effective internal control system: Reliability of financial reporting. Management is responsible for preparing financial statements for investors, creditors, and other users. The objective of effective internal control over financial reporting is to fulfill these financial reporting responsibilities. Efficiency and effectiveness of operations. Control within an organization is meant to encourage efficient and effective use of its resources to optimize the company's goal. The important objective of these controls is accurate financial and non-financial information about the entity's operations for decisions making. Compliance with laws and regulations.”

### **Utilization of Information Technology**

Brian K & Sawyer (2010) explain that "Information technology (IT) is a general term that describes any technology that helps to produce, manipulate, store, communicate, and/or disseminate information. IT merges computing with high-speed communications links carrying data, sound, and video.” Then, Sutarman (2012) states that the metrics used to measure the benefits of utilizing information technology are: 1) Speed; 2) Consistency; 3) Accuracy; and 4) Reliability.

### **Research Framework**

Currently, many accountants in cooperatives who use SAK-ETAP treat all financial reports the same so that some errors can be found in the preparation of financial reports that affect the financial report quality. Accounting knowledge is expected to improve the quality of financial reporting. Adiputra, Sinarwati and Purnawati (2017), Hanifah, Sarpingah and Putra (2020) revealed that SAK-ETAP-based accounting understanding has a fairly beneficial effect on the quality of cooperatives' financial reports.

HR competencies can be divided into three categories: intellectual competence, emotional competence, and social competence. This refers to the employees' ability to carry out their responsibilities within the company. Compared to workers who lack accounting skills, the quality of financial reporting produced by workers with competent human resources is higher. Besides, the success rate of making financial reports will increase. Sapitri, Purnamawati and Sujana (2015), Raharjo (2019), Mardinan, Dahlan and Fitriyah (2018), and Sa'adah, Sitawati and Subchan (2017) showed that HR competence had a positive and large

influence on financial reporting quality. Meanwhile, Dachi, Erlina and Bukit (2019) and Dewi and Hoesada (2020) concluded that there is no positive and statistically significant relationship between the application of the internal control system and the quality of financial reporting.

Fraud can be prevented when an efficient system is applied in the company, and one of the systems is the internal control system. The application of the internal control system affects the quality of the financial reports. Studies by Sapitri, Purnamawati and Sujana (2015), Adiputra, Sinarwati and Purnawati (2017), Raharjo (2019), Aditya and Surjono (2017), Faishol (2016), Mardinan, Dahlan and Fitriyah (2018), Dachi, Erlina and Bukit (2019), Widyaningsih (2016), Kewo and Afiah (2017), Bimo et al (2019), Bangsa (2018), Salameh (2019), Kusuma Wardani and Pulung Nugroho (2018), Sa'adah, Sitawati and Subchan (2017), Dewi and Hoesada (2020) showed that there was a beneficial and significant relationship between the application of the internal control system and the quality of financial reporting. Another study by Nurlinda et al. (2020) revealed that there was no positive and significant relationship between the implementation of the internal control system and the quality of financial reporting. However, this does not mean there is no effect; it shows that the relationship is neither positive nor significant.

The introduction of computers and other components related to information technology into the financial accounting system shows no increase or decrease in the general level of activity. On the other hand, no change in any direction. Each of the three accounting operations has the potential to reduce the amount of paper used as accounting information systems continuously process, collect, and store data. The utilization of information technology makes it easier for users to understand accounting that has been standardized in the device, which in turn makes it easier for users to carry out their responsibilities. Another study by Klovienė and Gimzauskiene (2015) revealed that the use of information technology could have a moderating effect on accounting understanding.

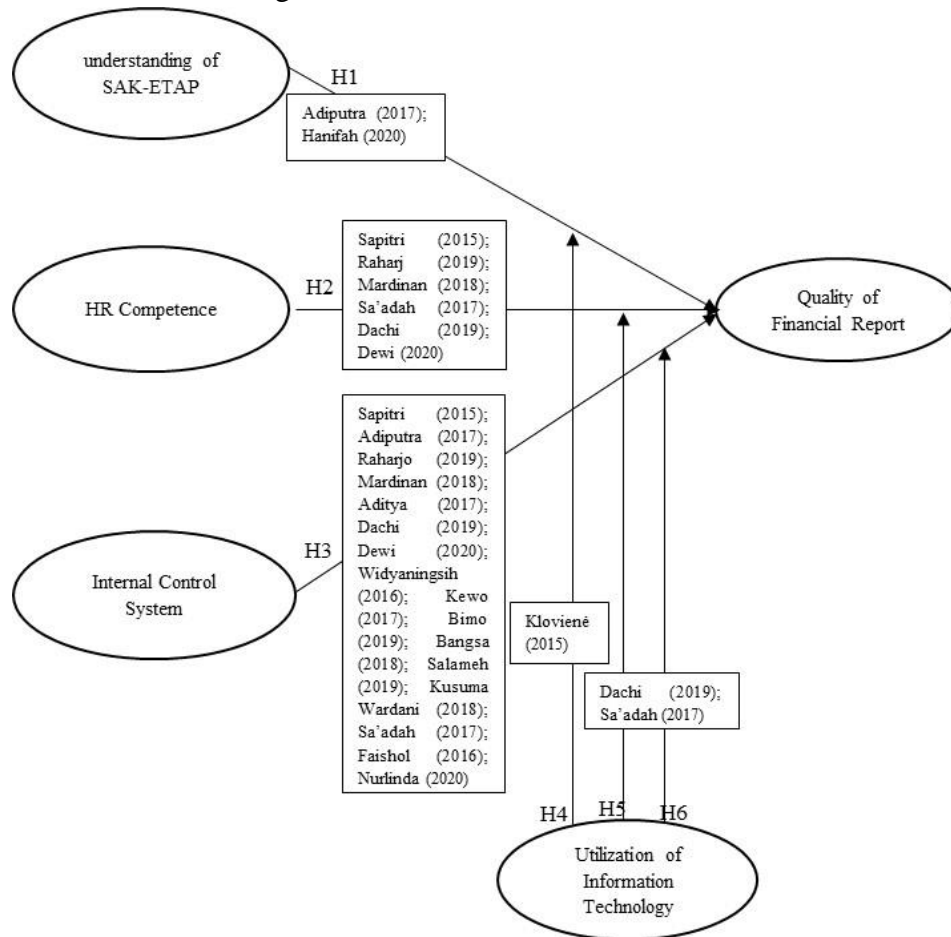
Information technology is used to assist all business activities and also offers various positive benefits for the company. To increase the management capacity of their respective agencies, each ministry and department is responsible for the creation and utilization of information technology. It is important to ensure that the use of information technology can provide speed, practicality, and convenience in the preparation of financial reports, which in turn will assist the financial management process in the agency. This is evidenced by previous studies by Dachi, Erlina and Bukit (2019) and Sa'adah, Sitawati and Subchan (2017) that the application of information technology cannot be utilized to manage the HR competence levels.

Abdul and Triwahyuni (2014) state that information technology plays a vital role because it replaces humans in various tasks. In this case, information technology automatically performs the tasks or procedures that need to be performed. Technology helps people in playing a more vital role by improving the presentation of information about a task or process. Advances in information technology affect changes in human work. The process of modifying activities or procedures involves the role of technology in a certain capacity. A study by Dachi, Erlina and Bukit (2019) revealed that the application of information technology can reduce the impact of the application of the internal control system on the quality of financial reporting. On the other hand, Sa'adah, Sitawati, and Subchan (2017) revealed that the use of

information technology cannot reduce the impact of applying the internal control system on the quality of financial reporting.

The framework described above is illustrated in Figure 1 below:

Figure 1: Research Framework



Based on the framework model above, the researcher proposes the following hypothesis:

- H1 : Accounting understanding has a positive and significant effect on the quality of financial reporting.
- H2 : HR competence has a positive and significant effect on the quality of financial reporting.
- H3 : Internal Control System has a positive and significant effect on the quality of financial reporting
- H4 : Utilization of Information Technology can moderate the accounting understanding of the quality of financial reporting.
- H5 : Utilization of Information Technology can moderate the HR competence in the quality of financial reporting.
- H6 : Utilization of Information Technology can moderate the internal control system on the quality of financial reporting

## Research Method

The study used a quantitative method with a causal approach which is directed at analyzing causal relationships based on observations of the effects and looking for causal elements from the obtained data. In other words, the researcher looks for the causal elements from the obtained data. The population of this study was cooperatives in the DKI Jakarta area with a total of 3,447 cooperatives. The determination of the sample used a purposive sampling technique with predetermined criteria, such as having obtained the 2019 NIK (Cooperative Identification Number) certification. This information can be obtained from a website (<https://data.jakarta.go.id/>). The study involved 97 cooperatives as samples.

Data were collected using questionnaires. The individuals who participated in this study were the board, manager, and financial staff of the cooperative. The data were analyzed using second-order confirmatory factor analysis with the help of the Smart PLS 3.0 application. The data analysis covered three stages, namely outer model analysis, inner model analysis, and hypothesis testing.

## Results

### Descriptive Statistical Analysis

The results of the Descriptive Statistical Test for each variable can be seen below:

Table 1. Results of Descriptive Statistical Test

No.	Variable	Score
1	Accounting understanding	3.06
2	HR competence	3.01
3	Application of the internal control system	3.06
4	Quality of financial reporting	3.00
5	Utilization of information technology	2.95

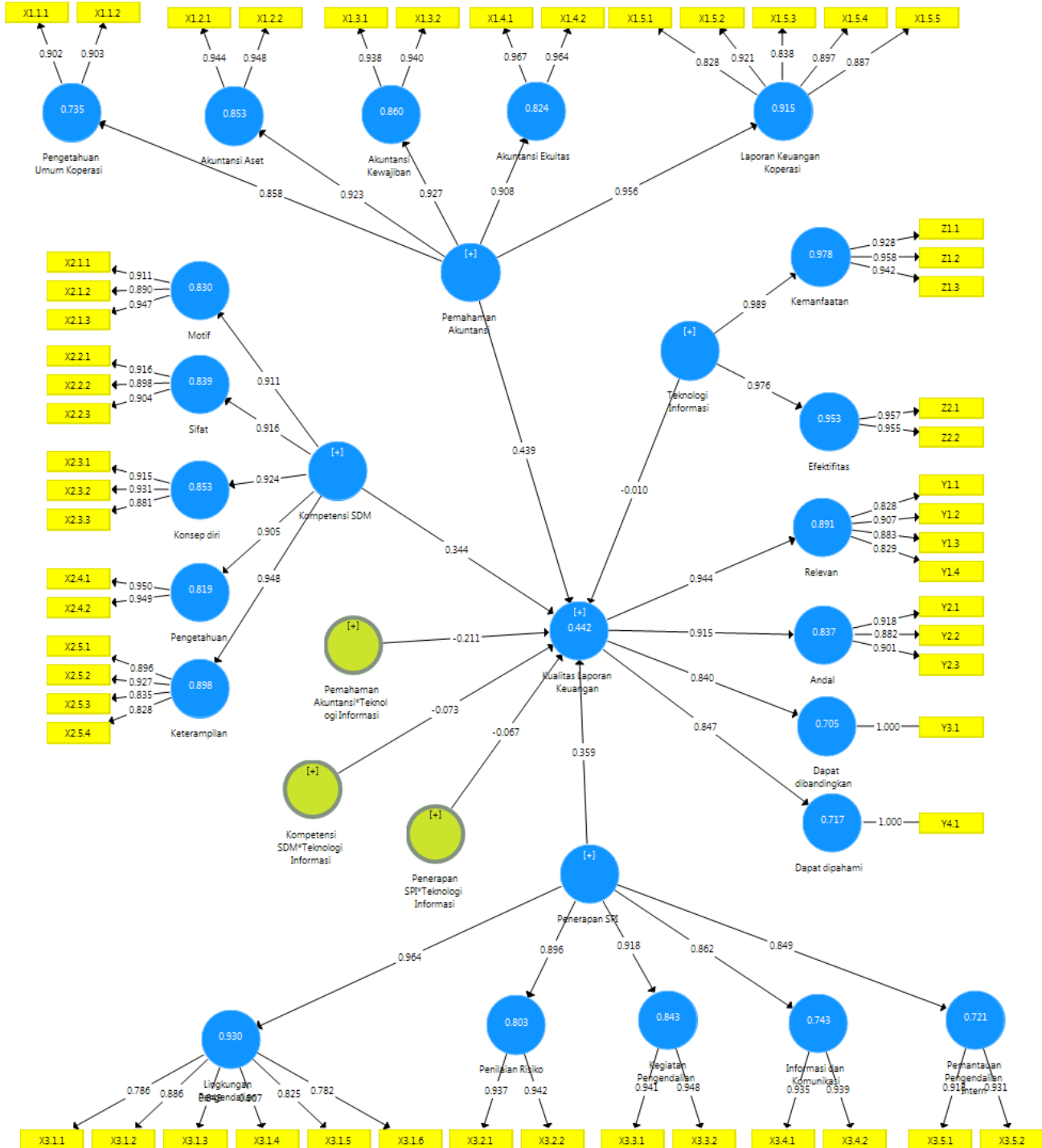
Source: Processed primary data

Based on table 1, the variables of accounting understanding, HR competence, application of the internal control system, quality of financial reporting, and utilization of information technology in cooperatives in DKI Jakarta are in a good category. The values obtained are in the range of 2.51 – 3.25 and the standard deviation is below the mean score. Besides, the use of information technology and the quality of financial reporting are above average.

### Data Quality Testing

Results of data validity testing:

Figure 2 : Results of Validity Testing



Source: Processed primary data

The validity of the loading factor in table 2 was tested, and the results showed that the full loading value was higher than 0.7. This shows that it has met the validity requirements based on the loading value.



Table 2 Results of Data Reliability Testing

Variable	AVE	Composite Reliability	Cronbach's Alpha	Notes
Accounting understanding (X1)	0.713	0.970	0.966	Reliable
HR competence (X2)	0.698	0.972	0.969	Reliable
Application of the internal control system (X3)	0.671	0.966	0.962	Reliable
Quality of financial reporting (Y)	0.678	0.950	0.940	Reliable
Utilization of information technology (Z)	0.870	0.971	0.963	Reliable

Source: Processed primary data

Based on the results of reliability testing, it can be concluded that the accounting understanding, HR competence, application of the internal control system, quality of financial reporting, and information technology have an AVE higher than 0.5, Cronbach's Alpha higher than 0.06, and Composite Reliability higher than 0.7. Therefore, it can be concluded that the indicators used in each dimension have a satisfactory or adequate level of dependence. R2 is the coefficient of determination and expresses the proportion of total variation in the dependent variable that can be attributed to factors caused by changes in the independent variable. The relationship between these two variables determines the fraction of the total variance caused by both. The results of coefficient of determination testing of the research variables can be seen below.

Table 3 Coefficient of Determination (R-Square)

Variable	R Square
Quality of financial reporting (Y)	0,442
Predictive-Relevance (Q <sup>2</sup> )	0,442

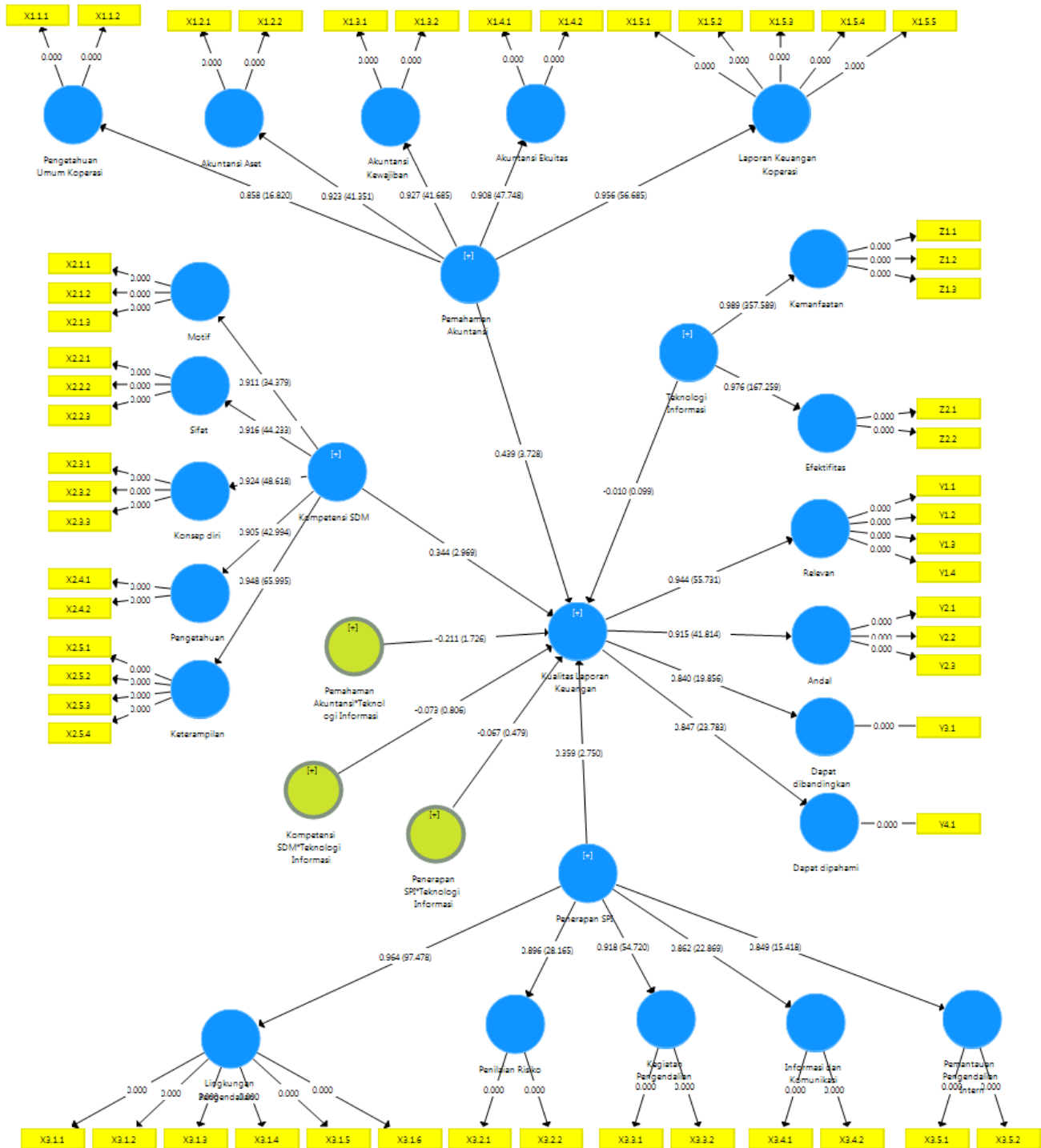
Source: Processed primary data

The R2 value for the variable that represents the quality of financial statements is 0.442. This indicates that the variables that represent the quality of financial statements can be explained by variables that represent accounting understanding (X1), HR competence (X2), and the application of the internal control system (X3) by a factor of 44.2%. And the remaining 55.8% is influenced by additional factors outside the study. Concerning the quality of the financial report variable, the evaluation of the model showed an excellent job overall. Meanwhile, the predictive relevance value for the structural model used in this study is 0.442. This means that the accuracy rate is 44.2% indicating that the model can explain the variable quality of financial statements.

### Hypothesis Testing

The T-statistics value obtained from the Smart PLS was compared with the t-table. This was to test the hypothesis that there is a relationship between variables. The following graph explains about the flowchart used in the hypothesis testing.

Figure 3. Output of Bootstrapping Path Diagram



Based on the hypothesis testing path above, some dimensions have a T-statistic value higher than 2,000, and some other have a T-statistic value lower than 2,000. The following table presents information that can be used to determine the importance of the influence of accounting understanding on the accuracy of financial statements by examining the path coefficient values, T-statistics, and significance P-values:

Table 4 : Coefficient Path

<b>Relationship between variable</b>	<b>Original sample (O)</b>	<b>T-statistic</b>	<b>P-value</b>	<b>Notes</b>
<b>Accounting understanding → Quality of financial reporting</b>	0.439	3.964	0.000	Significant influence
<b>HR competence → Quality of financial reporting</b>	0.344	3.171	0.002	Significant influence
<b>Application of the internal control system → Quality of financial reporting</b>	0.359	2.745	0.006	Significant influence
<b>Accounting understanding* Information technology → Quality of financial reporting</b>	-0.211	1.817	0.070	No influence
<b>HR competence* Information technology → Quality of financial reporting</b>	-0.073	0.838	0.402	No influence
<b>Application of the internal control system* Information technology → Quality of financial reporting</b>	-0.067	0.485	0.628	No influence

Source: Processed primary data

Based on table 4, the results of the path coefficient test show that the effect of the variable understanding of accounting, HR competence, and the application of the internal control system on the financial report quality variable is positive (original sample column), T-statistics value of > 2,000, and P-Value of 0.05 at the alpha significance level of 0.05 (5%). This indicates that there is a positive and significant effect of a variable on the quality of financial reporting. This shows that the level of understanding of accounting, the level of HR competence, and the extent to which the application of the internal control system used is directly related to the quality of financial reporting. The results of the study provide evidence that supports the first, second, and third assumptions, indicating that the hypothesis can be considered to have been verified. The fact that the path coefficient obtained for the influence of the variable using information technology moderates accounting understanding, HR competence, and the application of the internal control system to the financial report quality variable was negative (original sample column), the T-Statistic value lower than 2,000, and the P-Value higher than 0.05 at the significance level of alpha 0.05 (5%) shows no effect on the use of information technology. This means that the use of information technology cannot replace accounting skills, HR competencies, or the application of the internal control system. They all are needed to produce accurate financial reporting. The findings indicate that the fourth, fifth, and sixth hypotheses do not have sufficient evidence. Thus, it is suggested that the hypothesis is ignored.

## Discussion

### **Effects of Accounting Understanding on the Quality of financial reporting**

An understanding of accounting principles may have a positive and quite significant effect on the quality of financial reporting if the concepts are applied correctly. This means that a person's level of expertise in accounting procedures is directly related to the quality of the financial reports produced. These findings suggest that a proper understanding of accounting is required to perform the duties successfully which then finally improves the quality of the financial report produced. The financial reports of SAK-ETAP are not the same as the financial reports of cooperatives in general. This is due to the existence of some different elements and differences in the composition of SAK used in the company. Therefore, providing correct information to consumers when compiling the SAK-ETAP financial accounts requires a better understanding.

The results of this study are in line with (Adiputra et al., 2017) and (Hanifah et al., 2020) that there is a fairly good relationship between SAK-ETAP-based accounting understanding and the quality of cooperative financial reports.

### **Effects of HR Competence on the Quality of financial reporting**

The level of expertise of the HR department has a beneficial and visible effect on the overall quality of financial reporting. This means that the HR competence level is directly proportional to the quality of the financial reports produced. A competent accounting staff is needed to contribute and produce good financial reporting. The majority of cooperatives include accounting staff as part of accounting to have appropriate HR competence level. This is because members of the accounting staff have a better understanding of their specific job compared to employees who do not have accounting competence with the help of other well-organized departments. This result is in line (Sapitri et al., 2015), (Raharjo, 2019), (Mardinan et al., 2018) and (Sa'adah et al., 2017) that there is a positive and substantial relationship between HR competence and quality of financial reporting. However, the result is different from (Dachi et al., 2019) and (Dewi & Hoesada, 2020) that there is no positive or substantial relationship between HR competence and the quality of financial reporting.

### **Effects of the Implementation of the Internal Control System on the Quality of financial reporting**

The application of the internal control system led to a significant quality improvement in financial reporting in general. This shows that the standard of financial statements produced by cooperatives will increase in direct proportion to the level of success achieved in the application of the internal control system. The application of the internal control system is quite good and effective in improving the quality of financial reporting. The establishment of a control system is vital because a cooperative will only be able to achieve its goals if all its members are actively involved in the day-to-day operation of the system. One of the main objectives of applying the internal control system is to provide adequate guarantees for the achievement of effectiveness and efficiency in the process of achieving cooperative goals and the reliability of financial reporting. This study is in line with previous studies by (Sapitri et al., 2015), (Adiputra et al., 2017), (Raharjo, 2019), (Aditya & Surjono, 2017), (Faishol, 2016), (Mardinan et al., 2018), (Dachi et al., 2019), (Widyaningsih, 2016), (Kewo & Afiah, 2017), (Bimo et al., 2019), (Bangsa, 2018), (Salameh, 2019), (Kusuma Wardani & Pulung Nugroho, 2018), (Sa'adah et al., 2017), (Dewi &

Hoesada, 2020) that there is a beneficial and statistically significant relationship between the application of the internal control system and the quality of financial reporting. However, it is in contrast with (Nurlinda et al., 2020) that there is no positive and significant effect of the application of the internal control system on the accuracy of financial reporting.

### **Effects of Information Technology Utilization in Moderating Accounting Understanding on the Quality of financial reporting**

As the use of information technology cannot lower or strengthen the relationship between accounting understanding and quality of financial reporting, there is no effect between the use of information technology to moderate accounting understanding and the quality of financial reporting. Although the use of information technology can make work easier, the expenses incurred are not small. Therefore, many cooperatives do not use technology in their administrative and recording processes, so that it does not affect the accountant's accounting understanding levels. As a result, the use of information technology to improve accounting understanding and financial reporting quality in cooperatives cannot utilize these resources efficiently. The results of this study contradict with (Klovienė & Gimzauskiene, 2015) that expanding the understanding of accounting concepts through the use of information technology can improve the quality of financial reporting.

### **Effects of Information Technology Utilization in Moderating Human Resource Competence on the Quality of financial reporting**

There is no effect of the use of information technology in moderating HR competencies and the quality of financial reporting. This indicates that the use of information technology cannot strengthen the relationship between HR competencies and the quality of financial reporting. Many cooperatives in DKI Jakarta have utilized information technology, but some others have difficulty obtaining technology due to inadequate financial resources. As a result, the level of expertise in human resources will not progress. The results of this study are in line with previous studies by (Dachi et al., 2019) and (Sa'adah et al., 2017) that the use of information technology cannot be an appropriate substitute for the use of knowledgeable human resources in the process of creating quality of financial reporting.

### **Effects of Information Technology Utilization in Moderating Internal Control System on the Quality of financial reporting**

There is no influence between the use of information technology in moderating the application of the internal control system on the quality of financial reporting. This means that the use of information technology cannot moderate or strengthen the relationship between the application of the internal control system on the quality of financial reporting. Cooperatives in DKI Jakarta already use information technology in their business activities, but some others still use traditional methods like using paper as the costs for creating SOPs or systems are quite expensive. Thus, they cannot maximize the use of technology in the application of the internal control system for financial reporting. Although the use of technology in the application of the internal control system has been emphasized, it has not been effectively applied in cooperatives. The results of this study are in line with (Sa'adah et al., 2017) that the use of information technology cannot strengthen the relationship between the application of the internal control system on the quality of financial reporting. This is in contrast with (Dachi et al., 2019) that the use of information technology can moderate the application of the internal control system to the quality of financial reporting.

## Conclusion

The findings of the study elaborate on the effect of accounting understanding, HR competence, and the application of the internal control system on the quality of financial reporting by utilizing information technology as a moderation tool.

The understanding of accounting principles may have a positive and quite significant effect on the quality of financial reporting if the concepts are applied correctly. A person will be able to get the job done well if he has a proper understanding of accounting, which then can improve the overall quality of the financial report produced.

HR competence has a positive and significant effect on the overall quality of financial reporting. As accountants, to provide high-quality financial reporting, it is important to have the necessary skills to function efficiently in the human resource field.

The use of the internal control system results in a great improvement and is beneficial for the overall quality of financial reporting. The implementation of the internal control system is quite good and effectively contributes to the production of high-quality financial reporting. As cooperatives will only be able to achieve their goals if all of their constituents participate in the operation of the control system, the implementation is vital.

The link between accounting understanding and quality of financial reporting quality cannot be weakened or strengthened through the application of information technology. Indeed, the use of information technology can make work easier, but the costs incurred are also not small. Therefore, many cooperatives do not use technology in carrying out their administration and recording. Thus, it does not have an impact on accountants' accounting understanding levels. Therefore, the use of information technology to improve accounting understanding and the quality of financial reporting is not effective.

The relationship between HR competence and the quality of financial reporting cannot be moderated or strengthened by the use of information technology. Many cooperatives in DKI Jakarta have implemented information technology, but some others have difficulty obtaining technology due to inadequate financial resources. As a result, the level of expertise of human resources in DKI Jakarta will not progress.

The use of the internal control system may provide a moderating or strengthening effect on the relationship between the use of information technology and the quality of financial reporting. Cooperatives in DKI Jakarta have used information technology in their business activities, but some still use traditional methods like using paper because the costs for making SOPs or systems are quite expensive. Thus, many cooperatives cannot maximize the use of technology in the application of the internal control system for financial reporting. Although the use of technology in creating financial reports has been emphasized, it has not been effectively implemented in cooperatives.

## SUGGESTION

Future studies focusing on cooperatives that have a NIK certificate are expected to cover more cooperatives in Indonesia. It aims to find independent factors and other moderating elements that might affect the quality of financial reporting. As information technology is considered advanced and developing in every human activity, researchers can conduct a more in-depth study related to information technology as a moderating variable. This is possible as information technology allows different results. Cooperatives are expected to pay attention to updated information related to the latest SAK regulations issued by the government and provide training and development for the employees to improve the quality of the cooperative's financial reports so that they can apply a good internal control system.

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