



The Influence of Length of Business, Business Scale and Human Resources Competency on the Quality of Financial Reporting in Creative Economy Based on MSMEs in Jambi City

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Abstract

The purpose of this study is to examine the effects of human resource competency, business size, and duration of operation on the caliber of financial reports produced by MSMEs in Jambi City that are based on the creative economy. The primary data used in this study was gathered by means of measurement techniques and questionnaire distribution. The Likert scale method is applied. Jambi City served as the site of this investigation. The participants in this study were all small business actors who were registered with the Jambi City Department of Manpower, Cooperatives, and SMEs, particularly in the Kota Baru District of Jambi City, where 776 MSMEs were registered as small business actors. Purposive sampling was used to select the sample, which consisted of 100 MSME actors in total. This study employed a quantitative approach using data analysis tools from Multiple Linear Regression. With the aid of SPSS version 26.0 for Windows, data analysis procedures include multiple line regression analysis, t test, coefficient of determination (R²) test, data quality testing, and classical assumption testing. The quality of financial reports is affected by the length of the business; instead, the quality of financial reports is influenced by the business's scale; and finally, the quality of financial reports is influenced by human resource competency. These findings stem from the outcomes of hypothesis testing. The length of the business, the size of the business, and the competency of the human resources all have a major impact on the quality of the creative-based MSME financial reports in Jambi City.

1. Introduction

During recent years, the national economic growth has been supported by Micro, Small, and Medium Enterprises (MSMEs). These MSMEs play a crucial role in providing employment opportunities, contributing to economic activity, and serving as a lifeline during economic crises that affect Indonesia. Currently, MSMEs require support from various stakeholders to pioneer and realize modern, sustainable, and independent businesses. Access to additional capital or funding is essential for MSMEs, and facilitating this access through the banking sector is imperative (Widakso et al., 2023).

Businesses in Indonesia have demonstrated resilience during past economic crises, such as the one in 1997–1998. Despite facing significant challenges, including the impact of the COVID-19 pandemic, swift government actions have helped MSMEs recover, albeit with limited progress, by mid-2021. Minister Teten Masduki of Cooperatives

and SMEs has expressed optimism about the MSME sector's recovery, with 22% of initially halted operations now resuming (Ulya, 2021).

MSMEs have recently shifted their focus to the creative economy, which emphasizes intellectual wealth and innovation. The creative industry, driven by innovative entrepreneurs, has proven its ability to withstand financial crises, making it an integral part of Indonesia's economic landscape (Tadjuddin & Mayasari, 2019).

However, MSMEs entering the creative economy often encounter challenges, including a lack of education, limited technological capabilities, and difficulties in financial reporting (Muchid, 2015). In financial management, the quality of financial reports is essential for decision-making processes. Characteristics such as comparability, clarity, consistency, and relevance determine the quality of financial reports, enabling MSME managers to formulate effective strategies and operational tasks efficiently (Devi et al., 2017).



The ability to produce high-quality financial reports becomes increasingly crucial for larger MSMEs. With greater resources and capabilities, larger businesses face more complex issues, necessitating precise data for decision-making (Yolanda et al., 2020). Human resource competency is pivotal in ensuring the accuracy and timeliness of financial reporting (Pujanira & Parks, 2017).

Therefore, this research aims to analyze: (1) the influence of business tenure, business scale, and human resource competency on the quality of financial reports in creative economy-based MSMEs, (2) the impact of business tenure on the quality of financial reports in creative economy-based MSMEs, (3) the influence of business scale on the quality of financial reports in creative economy-based MSMEs, and (4) the impact of elementary school competency on the quality of financial reports in creative economy-based MSMEs.

2. Literature Review

2.1 Length of Business

According to Solikah et al. (2017), the perception of the importance of financial reporting and bookkeeping naturally evolves over the course of a business's operations. Consequently, the duration of business operations also influences MSMEs' attitudes towards financial reporting preparation (Rukmini et al., 2020). Additionally, research by Hadi (2016) supports the notion that the duration of business operations impacts the quality of financial reporting. Conceptually, as a business operates for a longer duration, it undergoes various developments that can result in either positive or negative effects.

H1: The length of business operations influences the quality of MSME financial reporting.

2.2 Scale enterprises

Among several factors, one challenging aspect to isolate from the MSME environment is the business scale. This is because the scale of a business can influence how entrepreneurs perceive and handle problems, especially

regarding complexity and transaction levels in larger companies. Therefore, as the size of the business increases, MSME entrepreneurs are prompted to consider and learn solutions for managing financial transaction complexities through enhanced financial management skills. Previous studies have indicated that larger businesses yield more resources and opportunities for hiring talented employees (Lestari & Priyadi, 2017).

H2: Business scale influences the quality of MSME financial reporting.

2.3 Competence Source Power Man

HR competencies encompass a range of skills and expertise required to fulfill duties and responsibilities effectively. This includes having the necessary experience, training, and education to carry out tasks related to HR management and financial management efficiently. Therefore, managers and employees with strong competencies are believed to possess the necessary skills, supported by their level of education, participation in training programs, and practical experience in the field of finance (Princess, 2015).

H3: HR competency influences the quality of MSME financial reporting.

3. Research Methods

The method employed in this research adopts a quantitative approach, which involves converting data into numerical form. Primary data, obtained directly from the subjects under study, was collected through questionnaires distributed to respondents to gauge various factors influencing the quality of financial reports in creative economy-based MSMEs. The population of interest comprised all MSMEs in Jambi City, with those in the New City District selected as the sample. Purposive sampling was utilized, considering the 5,313 MSMEs registered in Jambi City as of 2022.

The sample size was determined using the Slovin formula, resulting in 99 respondents categorized as MSME owners, 60 as employees or workers other than cashiers, and 33 as part

of the finance department or cashiers (Researcher, Processed Data).

The dependent variable in this study is the quality of financial reports, while the independent variables include the length of business, business scale, and HR competency. Descriptive statistics were employed for data analysis, and data processing was carried out using the Windows SPSS version 26.0 program. To assess the quality of the data, classic assumption tests were conducted, including tests for normality, linearity, multicollinearity, and heteroscedasticity. Hypothesis testing was performed using t-tests, F-tests, and determination tests.

4. Results and Discussion

4.1 Test Assumptions Classic

a. Test Normality

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residuals
N		100
Normal Parameters a,	Mean	0E-7
	Std. Deviation	4.44037091
Most Extreme Differences b	Absolute	,070
	Positive	,070
	Negative	-,042
Kolmogorov-Smirnov Z		,702
Asymp. Sig. (2-tailed)		,708
a. Test distribution is Normal.		
b. Calculated from data.		

Source : Primary data (2023) processed

From the results testing , found that level significance hit 0.708, exceeding threshold limit 0.05. This matter show that the data analyzed in study This can considered own normal distribution .

Table 3. Linearity Test Results

			Sum of squares	df	Mean square	F	Sig.
Quality report finance * length of business	Between groups	(Combined)	257,344	3	86,182	2,317	,080
		Linearity	143,171	1	140,582	3,779	,055
		Deviation from linearity	116,876	2	58,982	1,586	,210
	Within groups		3571,243	96	37,200		
	Total		3829,790	99			
Quality report finances * business scale	Between groups	(Combined)	1511,789	14	107,985	3,960	,000
		Linearity	1231,042	1	1231,042	45,142	,000
		Deviation from linearity	280,747	13	21,596	,792	,667
	Within groups		2318,001	85	27,271		
	Total		3829,790	99			
Quality report finance * competency Source Power Man	Between groups	(Combined)	1511,789	14	107,985	3,960	,000
		Linearity	1231,042	1	1231,042	45,142	,000
		Deviation from linearity	280,747	13	21,596	,792	,667
	Within groups		2318,001	85	27,271		
	Total		3829,790	99			

Source : Primary data (2023) processed



Based on the results of the table analysis, it was found that the linearity between length of business and quality of financial reports has a significant level of 0.210. Meanwhile, the significance for the relationship between business scale and financial report quality, as well as the relationship between HR competency and financial report quality, both reached a value of 0.667. Linearity testing for

the three variables, namely length of business, business scale, and HR competency on the quality of financial reports, shows significance results that exceed the threshold of 0.05. In conclusion, it can be said that the relationship between the dependent variable and the independent variable is linear.

Test Multicollinearity

Table 4. Results Test Multicollinearity

Model		Collinearity Statistics	
		Tolerance	VIF
1	Length of Business	1,000	1,000
	Scale enterprises	1,000	1,000
	Competence Source Power Man	1,000	1,000

b. Dependant Variable: Quality Report Finance

c. Dependent Variable: Ln_Res2

Source : Primary data (2023) processed

Results test above show that tolerance for long periods of effort is 1,000 and VIF 1,000, business scale own mark tolerance 1,000 and VIF 1,000, and HR competency has mark tolerance 1,000 and VIF 1,000. All mark tolerance above 0.1 , and all VIF value is below

10. This shows that multicollinearity No happen Because No There is correlation in model regression .

b. Test Heteroscedasticity

Table 5. Results Test Heteroscedasticity

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std . Error			
1	(Constant)	2,179	1,360		1,602	,112
	Length of Business	,095	,176	0.54	,537	,592
	Scale enterprises	-0.28	,063	-0.45	-,445	,657
	Competence Source Power Man	,095	,063	0.54	-,445	,592

Source : Primary data (2023) processed

Based on the results of the heteroscedasticity test, none of the three variables exhibit significance above 0.05. Specifically, the p-values for the length of business variable, the business scale variable, and the HR competency variable are 0.592,

0.657, and 0.592, respectively. These findings indicate that heteroscedasticity does not occur with any of the three variables.

4.2 Hypothesis testing

a. T test

Table 6. Results T test

Independent Factors	t- count	t- table	Sig.
Length of Business (X1)	2,841	1.69	0.009
Business Scale (X2)	3,047	1.69	0.005
Competence Source Power Human (X3)	3,522	1.69	0.002

Source : Primary data (2023) processed



1) Effect of Length of Business (X1) on Quality Report Finance (Y)

Based on the data from Table 6, it can be concluded that the Length of Business variable (X1) exhibits a significance value of 0.009, which is less than 0.050. Furthermore, the t-value also exceeds the critical value in Table 2,841 compared to 1.69. Therefore, the conclusion is that H1 is accepted, indicating that the Length of Business variable (X1) partially and significantly influences the quality of financial reports (Y).

2) Influence of Business Scale (X2) on Quality Report Finance (Y)

According to Table 6, the Business Scale variable (X2) exhibits a significant value of 0.005, which is less than 0.050. Additionally, the t-value is greater than the critical value in Table 3,047 compared to 1.69. Therefore, it can

be concluded that H2 is accepted, indicating that the Business Scale (X2) partially and significantly influences the Quality of Report Finance (Y).

3) Influence Competence Source Power Human (X3) against Quality Report Finance (Y)

Based on the information provided in Table 6, it can be concluded that the HR Competency variable (X3) exhibits a significance level of 0.002, which is lower than 0.050. Moreover, the t-value of 3522 exceeds the critical value of 1.69. Therefore, the conclusion can be drawn that H3 is accepted, indicating that Competence Source Power Human (X3) directly and partially exerts a positive and significant influence on the Quality of Report Finance (Y).

b. F test

Table 7. Results F test

Model	Sum Of Squares	df	Mean Square	F	Sig.
1 Regression	1378,173	2	689,087	27,264	,000 ^b
Residual	2451,617	97	25,274		
Total	3829,790	99			

a. Dependent Variables : Quality Report Finance

b. Predictors : (Constant) Business Length , Business Scale , and HR Competency

Source : Primary data (2023) processed

The quality of financial reports may be jointly influenced by the length of business, business scale, and human resource competency, as indicated by the results presented in the table above. This conclusion is supported by the fact that the calculated F-value exceeds the F-table value (27.264 >

2.698), and the significance level is below 0.05 (0.000 < 0.005). Therefore, there is sufficient evidence to conclude that the joint influence of these variables is statistically significant.

c. Determination Test

Table 8. Results Test Determination

Model	R	R Squares	Adjust R Square	Std. Error of the Estimate
1	,600 ^a	,360	,347	5,027

Source : Primary data (2023) processed

a. Predictors : (Constant) Business Length , Business Scale and Competency Source Power Man

b. Dependent Variable : Quality Report Finance

The R-square (R²) value presented in Table 8 is 0.360, indicating that 36% of the variability in the quality of financial reports can be explained by the variables length of business, business scale, and HR competency. However, it's important to note that the remaining 64% of the variability in the quality

of financial reports is influenced by other factors not examined in this study.

4.3 Effect of Business Length To Quality Report Finance Umkm Based on Creative Economy



The findings of the test indicate that the duration of business operations significantly influences the quality of creative economy-based MSME financial reports in Jambi City. The Measure of Sampling Adequacy (MSA) value is 0.674, and the extraction value exceeds the threshold of 0.50, which is 0.666. Therefore, it can be concluded that the length of business operation contributes to the influence on the quality of MSME financial reports in Jambi City. These results are consistent with previous research findings, such as those conducted by Arisandi et al. (2022), which emphasize the important role of the business duration variable in determining the quality of financial reports of MSMEs in Bengkulu City.

4.4 Influence of Business Scale To Quality Report Finance Umkm Based on Creative Economy

The test results reveal that the size of the business significantly impacts the quality of MSME financial reports in Jambi City. Data from the table indicates that the Measure of Sampling Adequacy (MSA) value is 0.698, surpassing the threshold of 0.5, and the extraction value also exceeds 0.50, specifically at 0.635. This suggests that as the scale of the business increases, there is a greater demand for producing accurate financial reports.

The conclusion drawn is that larger-scale businesses require more effort to ensure the accuracy of financial reporting. The scale of a business is intertwined with the surrounding environment, influencing MSMEs in Jambi City. Given its correlation with the complexity and heightened levels of business transactions, the scale of operations can shape entrepreneurial thinking.

Therefore, larger-scale MSMEs may prompt entrepreneurs to explore various solutions through financial management skills to address intricate financial transactions. This finding aligns with previous research by Arisandi et al. (2022) in their study titled "Analysis of Factors Affecting the Quality of Financial Reports for MSME Players in

Bengkulu City," where the same variable, business scale, was identified.

4.5 Influence Competence Source Power Man To Quality Report Finance Umkm Based on Creative Economy

The results of this hypothesis test affirm the influence of human resource capabilities on the quality of financial reports, consistent with findings from previous research studies. For instance, research conducted by Yusnita et al. (2018) on the quality of SKPD financial reports in Langkat corroborates this finding. Similarly, Heksarini and Nadir (2014) found in their study in Samarinda that HR competency significantly affects the quality of financial reports.

Moreover, Synthia's research (2017) on SKPD Batam and studies on mosque financial reports in Batu City by Isviandari et al. (2019) both underscore the importance of HR capabilities in maintaining the quality of financial reports. These collective findings reinforce the notion that the competence of human resources plays a vital role in ensuring the accuracy and reliability of financial reporting across various organizational contexts.

5. Conclusion

The findings of this research highlight several important insights. Firstly, the duration of business operations significantly impacts the quality of financial reports for Creative Economy-Based MSMEs. Secondly, the scale of the business also plays a crucial role in influencing the quality of financial reports in this context. Thirdly, the competency of human resources is another significant factor that affects the quality of financial reports.

These relationships between the variables, as explored in this study, are supported by the conceptual model utilized and the examination of indirect effects. Moreover, the study suggests potential additional exogenous variables such as social and relational capital, which could further enhance our



understanding of Creative Economy-Based MSMEs.

By considering these suggestions for future research, scholars can delve deeper into the intricacies of factors influencing financial reporting quality in the context of MSMEs operating within the creative economy. This could ultimately contribute to a more comprehensive understanding of the dynamics and challenges faced by these businesses, thereby facilitating the development of more effective strategies and policies to support their growth and sustainability.

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