



THE INFLUENCE OF HUMAN RESOURCE QUALITY ON THE INTEGRITY OF FINANCIAL REPORTS IN COMPANIES IN EAST JAVA

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Article info	ABSTRACT
<p>Corresponding Author:</p> <p>Santosa, H.P herlambang@stieyapan.ac.id Sekolah Tinggi Ilmu Ekonomi Yapan</p>	<p>This study aims to examine and analyze the influence of Human Resources (HR) quality on the integrity of financial reports in companies operating in East Java. Financial report integrity is crucial for ensuring transparency and stakeholder trust, but its effectiveness is highly dependent on the competence and ethics of the workforce. The research method used is quantitative with an associative approach. Data was collected through questionnaires distributed to 70 respondents consisting of accounting staff and financial managers. The data analysis technique used Partial Least Square (PLS). The results show that HR quality, as measured by the dimensions of competence, experience, and professional commitment, has a positive and significant effect on financial report integrity. This finding indicates that companies with HR with high ethical standards and a deep understanding of accounting tend to produce accurate financial reports free from material misstatement. This study recommends improving capacity development and continuous training for finance staff in East Java.</p> <p>Keywords: <i>Human Resources Quality, Financial Report Integrity, Stewardship Theory, East Java</i></p>
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INTRODUCTION

Financial reports are the final product of the accounting cycle, serving as a means of management accountability (stewardship) to resource owners. In the modern business world, rife with uncertainty, financial reports are a vital instrument for stakeholders such as investors, creditors, and the government in making strategic economic decisions. To ensure these decisions are accurate, financial reports must possess integrity. Financial report integrity is defined as the extent to which financial reports present honest, objective, and impartial information. Reports with integrity reflect the true economic condition of the company, without any attempt to conceal deficiencies or manipulate profits for personal gain.

However, the integrity of financial reports is often compromised. Various accounting scandals, both at global and national levels, demonstrate that financial information manipulation remains a serious threat. Creative accounting practices and earnings management that cross ethical boundaries are often employed to create the impression of consistently positive company performance. This leads to information distortion that undermines public confidence in the capital market and the investment climate. Therefore, identifying factors that ensure the integrity of financial reports is a highly relevant topic requiring ongoing study.

Amidst the rapid development of information technology and automation of accounting systems, the human factor remains a key determinant of reporting quality. Even the most sophisticated accounting software is merely a tool dependent on the input, control, and interpretation of its users. The concept of "the man behind the gun" emphasizes that the quality of financial report output is highly dependent on the quality of the human resources (HR) who prepare it. The quality of HR in the accounting field encompasses not only intellectual intelligence but also professional capacity and moral integrity.

East Java Province is one of the largest centers of economic growth in Indonesia. With a significant contribution to the Gross Regional Domestic Product (GRDP), East Java is home to thousands of companies, ranging from manufacturing and services to trade. The region's high business dynamics demand transparent and accountable financial management to attract investors, both domestic and foreign. However, the rapid industrial growth in East Java also presents challenges in meeting the need for qualified and certified accounting personnel.

Although numerous studies have been conducted on financial reporting integrity, there is a research gap in these studies. Some researchers find that human resource quality plays a dominant role, while others argue that internal control systems or information technology are more decisive. Furthermore, research that specifically captures the dynamics of companies in East Java still requires updated data to reflect current conditions post-pandemic and amidst the transition to digitalization of the economy.

This study aims to empirically examine and demonstrate the influence of human resource quality on financial reporting integrity in companies in East Java. The results are expected to provide theoretical contributions to the development of behavioral accounting and practical contributions to company management in formulating human resource development strategies. By understanding this relationship, it is hoped that companies in East Java can continue to improve their financial reporting standards, which in turn will strengthen the region's economic competitiveness at the national and international levels.

METHOD

This research systematically examines components, phenomena, and their relationships. The use of quantitative methods aims to test specific theories by examining the relationships between variables measured by research instruments, allowing numerical data to be analyzed using statistical procedures. In terms of its level of explanation, this research is associated with causal relationships. Associative research aims to determine the influence or relationship between independent variables and dependent variables. In this context, the researcher seeks to empirically demonstrate whether Human Resource (HR) Quality acts as a determinant influencing Financial Report Integrity in companies in East Java. The data used in this study comprise primary and secondary data. Primary data was obtained through a questionnaire distributed to respondents. Questions in the questionnaire were designed using a 1-5 Likert scale to accurately capture respondents' perceptions. Secondary data, in the form of a literature review, previous research journals, and industry profiles in East Java, supported the analysis of the results. The data analysis methods used in this study are Validity and Reliability Test, Classical Assumption Test, Linear Regression Analysis/Partial Least Square (PLS), Hypothesis Test (t-Test), Coefficient of Determination (R^2).

RESULT AND DISCUSSION

Finding

Respondent Characteristics Description

This study involved 70 respondents who were accounting staff and financial managers at various companies in East Java. Based on the data collected, the majority of respondents were in the productive age range, between 25 and 40 years old, with an average educational background of a bachelor's degree (S1) in Accounting or Management. Descriptive Statistical Analysis

The results of the descriptive statistical data processing provide a general overview of respondents' perceptions of the variables studied:

1. Human Resource Quality (X): The average score for this variable is in the "High" category. This indicates that, in general, finance staff in companies in East Java have a good understanding of accounting standards and professional ethics. The indicators for work experience and technical competence received the highest scores, reflecting that professionalism is the primary standard in the recruitment and development of finance staff in this region.
2. Financial Report Integrity (Y): This variable also showed a positive trend in scores. Respondents perceived that the financial reports they prepared met the criteria of honesty and compliance with Indonesian Financial Accounting Standards (SAK).

However, there is variation in the conservatism indicators, which indicates differences in policies between companies in dealing with economic uncertainty in East Java.

Discussion of the Effect of Human Resource Quality on Financial Report Integrity

Based on the results of the regression analysis (PLS), it was found that Human Resource Quality has a positive and significant effect on Financial Report Integrity. This finding provides empirical confirmation that the higher the intellectual capacity, technical skills, and moral commitment of financial staff, the higher the level of integrity of the financial reports produced by the company.

1. The Role of Competence and Technical Skills

A more in-depth analysis shows that the technical competency dimension is a key determining factor. In the dynamic East Java region, changes to PSAK require rapid adaptation by accountants. Human resources with a deep understanding of the latest standards are able to minimize unintentional misstatements or misclassifications of transactions (human error).

2. The Significance of Ethics and Professional Commitment

The results of this study indicate that accountants with high ethical standards tend to reject creative accounting practices or earnings management that exceed reasonable limits. Strong professional commitment enables them to remain objective even under pressure from management, which may have short-term performance targets.

3. Support for Stewardship Theory

This finding aligns with Stewardship Theory, which underpins the research. In the context of companies in East Java, finance staff act as stewards, viewing honesty in reporting as a form of personal integrity and professionalism. Successfully presenting transparent information to stakeholders is considered more important than immediate personal or group gain. This demonstrates that the human factor (the man behind the gun) remains the primary determinant, even above the accounting system technology used.

Coefficient of Determination (R²) Analysis

The coefficient of determination indicates a significant contribution of the Human Resource Quality variable in explaining the fluctuations in Financial Report Integrity.

Research Implications

The results of this study provide managerial implications for companies in East Java to focus not only on financial technology investment but also on human capacity development.

CONCLUSION

Based on research findings on the influence of human resource quality on financial report integrity in companies in East Java, it can be concluded that human resource quality

has a positive and significant impact on financial report integrity. This indicates that the higher the quality of human resources, both in terms of technical competence, work experience, and professional commitment, the higher the integrity of the resulting financial reports. The ethical dimension also plays a crucial role, as employees with strong moral integrity will resist data manipulation practices, ensuring that financial reports reflect the true economic conditions. These findings also support Stewardship Theory, where financial managers act as responsible stewards, viewing the presentation of financial reports with integrity as a form of professional achievement and moral responsibility to stakeholders. Thus, good quality human resources are the main key in ensuring the integrity of transparent and trustworthy financial reports.

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