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THE INFLUENCE OF ACCOUNTING LITERACY ON THE QUALITY OF FINANCIAL STATEMENTS AT THE UPPKA IN PASIR IMPUN VILLAGE, MANDALAJATI DISTRICT, BANDUNG CITY

PENGARUH LITERASI AKUNTANSI TERHADAP KUALITAS LAPORAN KEUANGAN DI UPPKA DESA PASIR IMPUN, KECAMATAN MANDALAJATI, KOTA BANDUNG

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ABSTRACT

This study aims to analyze the influence of accounting literacy on the quality of financial statements at UPPKA in Pasir Impun Village, Mandalajati District, Bandung City. The research background is based on the phenomenon of low accounting understanding at UPPKA which often has an impact on the preparation of financial statements that are not in accordance with standards. In fact, quality financial statements are an important instrument in decision making, access to capital, and business sustainability. The research method used is a quantitative approach with a type of causal associative research. The data was collected through a questionnaire distributed to UPPKA in Pasir Impun Village, Mandalajati District, Bandung City, which has been established for at least two years and compiled financial statements. The number of samples was determined using a census of 30 respondents. The collected data were analyzed using correlation coefficients, determination coefficients, simple linear regression and hypothesis testing. The results of the study showed that accounting literacy had an effect on the quality of financial statements at UPPKA in Pasir Impun Village, Mandalajati District, Bandung City. The higher the level of accounting literacy that UPPKA has, the better the quality of the financial statements produced, especially in terms of relevance, reliability, comparability, and comprehension. These findings strengthen the theory that accounting literacy is an important competency for UPPKA in improving business transparency and accountability. This research makes a practical contribution to UPPKA to improve accounting understanding through training and mentoring, as well as for local governments in formulating policies that support the improvement of the quality of UPPKA's financial statements. In addition, this research also provides novelty in the local context, because it specifically researches UPPKA in Pasir Impun Village, Mandalajati District, Bandung City.

***Keywords**: Accounting Literacy, Financial Report Quality, Acceptor Family Income Increase Business (UPPKA), Financial Management*

ABSTRACT

Penelitian ini bertujuan untuk menganalisis pengaruh literasi akuntansi terhadap kualitas laporan keuangan di UPPKA di Desa Pasir Impun, Kecamatan Mandalajati, Kota Bandung. Latar belakang penelitian didasarkan pada fenomena rendahnya pemahaman akuntansi di UPPKA yang sering berdampak pada penyusunan laporan keuangan yang tidak sesuai dengan standar. Faktanya, laporan keuangan berkualitas merupakan alat penting dalam pengambilan keputusan, akses modal, dan keberlanjutan bisnis. Metode penelitian yang digunakan adalah pendekatan kuantitatif dengan jenis penelitian kausal asosiatif. Data dikumpulkan melalui kuesioner yang dibagikan kepada UPPKA di Desa Pasir Impun, Kecamatan Mandalajati, Kota Bandung, yang telah beroperasi minimal dua tahun dan menyusun laporan keuangan. Jumlah sampel ditentukan melalui sensus sebanyak 30 responden. Data yang dikumpulkan dianalisis menggunakan koefisien korelasi, koefisien determinasi, regresi linier sederhana, dan pengujian hipotesis. Hasil penelitian menunjukkan bahwa literasi akuntansi memiliki pengaruh terhadap kualitas laporan keuangan di UPPKA di Desa Pasir Impun, Kecamatan Mandalajati, Kota Bandung. Semakin tinggi tingkat literasi akuntansi yang dimiliki UPPKA, semakin baik kualitas laporan keuangan yang dihasilkan, terutama dalam hal relevansi, keandalan, keterbandingan, dan keterpahaman. Temuan ini memperkuat teori bahwa literasi akuntansi merupakan kompetensi penting bagi UPPKA dalam meningkatkan transparansi dan akuntabilitas bisnis. Penelitian ini memberikan kontribusi praktis bagi UPPKA untuk meningkatkan pemahaman akuntansi melalui pelatihan dan pembimbingan, serta bagi pemerintah daerah dalam merumuskan kebijakan yang mendukung peningkatan kualitas laporan keuangan UPPKA. Selain itu, penelitian ini juga memberikan keunikan dalam konteks lokal, karena secara khusus meneliti UPPKA di Desa Pasir Impun, Kecamatan Mandalajati, Kota Bandung.

Kata Kunci: Literasi Akuntansi, Kualitas Laporan Keuangan, Usaha Peningkatan Penghasilan Keluarga Penerima Bantuan (UPPKA), Manajemen Keuangan

INTRODUCTION

MSMEs (Micro, Small, and Medium Enterprises) have a strategic role in improving the local and national economy. In Indonesia, MSMEs, including UPPKA (Acceptor Family Income Improvement Management Unit) are one of the important instruments in community empowerment programs, especially in the management of productive businesses of acceptor families. The Acceptor Family Income Improvement Business (UPPKA) will be successful if it is supported by UPPKA's human resources that have the ability to prepare accurate and accountable financial statements.

The quality of financial statements is very important for UPPKA, not only for internal purposes in decision-making, but also for external purposes such as access to banking financing, cooperation with investors, and compliance with tax obligations. Reliable, relevant, complete, and timely financial statements are prerequisites for UPPKA to compete sustainably. Unfortunately, most of the UPPKA in Pasir Impun Village, Mandalajati District, Bandung City, still rely on very simple manual recording, and even some only rely on memory without adequate transaction records. This has an impact on the low accuracy of reports and hinders UPPKA's ability to plan business strategies.

Accounting literacy is one of the factors that is believed to affect the quality of financial statements. Accounting literacy includes a basic understanding of accounting, the ability to prepare simple reports, and the skills to read and interpret reports. Previous studies have found that low levels of financial literacy are related to the low quality of UPPKA transaction recording and reporting. However, some studies emphasize financial literacy in general, not more specific accounting literacy, even though accounting skills have a direct role in the preparation of formal financial statements.

Previous research on the MSME sector shows that accounting literacy has a significant influence on the quality of financial statements (Suryani & Hidayat, 2021; Rahmawati et al., 2021). However, research related to accounting literacy at UPPKA is still very limited, especially those that focus on the direct influence on the quality of financial statements of government program managers. This is the research gap that this research wants to fill.

The research gap arises because most of the previous research focused more on the relationship between financial literacy and MSME business performance, while studies that link accounting literacy specifically with the quality of financial reports at UPPKA are still limited. Especially those that focus on the direct influence on the quality of managers' financial statements.

In addition, previous research has often emphasized external factors such as technology adoption or access to capital, but has paid less attention to internal factors in the form of accounting literacy capabilities of business actors. Therefore, this study fills this gap by paying the main attention to accounting literacy as a determinant of the quality of financial statements.

The novelty of this research lies in three aspects. First, this study specifically examines the influence of accounting literacy (not just general financial literacy) on the quality of financial statements, so that it focuses more on formal recording and reporting aspects. Second, this research is focused on UPPKA in Pasir Impun Village, Mandalajati District, Bandung City, so that the results of the research can provide more contextual policy recommendations. Third, this study also proposes an instrument for measuring the quality of financial statements that is not only perception-based (self-assessment) but can also be verified through simple documents owned by UPPKA, so that the results are more valid and applicable. Fourth, it lies in its focus on UPPKA, which is a non-profit institution with a high accountability function, thus making new scientific and practical contributions in accounting literacy and public financial management.

Based on observations, there are still several existing problems, including not fully understanding basic accounting principles, inconsistent transaction recording, inaccurate financial statements, and financial analysis carried out tends to be limited by UPPKA. This condition has the potential to reduce the quality of financial statements, making decision-making and program evaluation less effective. Therefore, this study focuses on the influence of accounting literacy on the quality of UPPKA's financial statements.

Based on the background and research gaps that have been described, the formulation of this research problem is:

1. What is the level of accounting literacy of UPPKA in Pasir Impun Village, Mandalajati District, Bandung City?
2. What is the quality of the financial statements produced by UPPKA in Pasir Impun Village, Mandalajati District, Bandung City?
3. Does accounting literacy influence the quality of financial statements at UPPKA in Pasir Impun Village, Mandalajati District, Bandung City?

The objectives of this research are to:

1. Analyzing the level of accounting literacy of UPPKA in Pasir Impun Village, Mandalajati District, Bandung City.
2. Evaluating the quality of financial statements produced by UPPKA in Pasir Impun Village, Mandalajati District, Bandung City.
3. Testing the influence of accounting literacy on the quality of financial statements at UPPKA in Pasir Impun Village, Mandalajati District, Bandung City.

Thus, this research is expected to be able to make a theoretical contribution to the development of UPPKA accounting studies, as well as practical contributions in the form of recommendations for strategies to improve accounting literacy for UPPKA in Pasir Impun Village, Mandalajati District, Bandung City. In addition, the results of this research can also be a reference for local governments, financing institutions, and accounting application providers in designing financial service assistance and innovation programs that meet the needs of business actors.

LITERATURE REVIEW

Accounting literacy

According to Christanty et al. (2023), "accounting literacy is a more specific part of financial literacy, focusing on the ability to prepare formal financial statements based on simple standards (e.g. SAK EMKM), which includes understanding the recording, classification, and preparation of income and balance sheet statements". This is in line with Suryani & Hidayat (2021) who explain that "accounting literacy is an understanding of basic accounting knowledge that allows business actors to record transactions correctly, present accountable reports, and increase business accountability and transparency". In addition, Hidayat & Saputra (2023) emphasized that "accounting literacy includes technical, conceptual, and practical skills in using accounting information as the basis for business strategy". Lestari & Nurhayati (2020) added that accounting literacy is not only related to recording, but also related to the attitude and awareness of business actors regarding the importance of financial statements as a tool for business control and the basis for performance evaluation.

Based on some of the opinions above, it can be concluded that accounting literacy is an individual's ability to understand the basic concepts of accounting, record transactions, compile simple financial reports, and analyze financial information to support business decision-making.

In the study , Christanty et al. (2023) stated that the literacy indicators are:

a. Basic accounting knowledge
   Ability to understand basic accounting concepts, such as assets, liabilities, equity, revenue, and expenses.
b. Recording of transactions
   The ability to record transactions systematically and in accordance with simple accounting principles.
c. Classification and summarizing
   Ability to group transactions into appropriate accounts and organize them in the form of structured records.
d. Preparation of financial statements
   The ability to prepare income statements, balance sheets, and simple cash flow statements based on transaction recording.
e. Analysis of financial information
   Ability to interpret financial statements to assess business performance and support decision-making.

According to Suryani & Hidayat (2021), explaining the indicators of accounting literacy, namely;

a. Basic knowledge of accounting
   It is the ability to understand fundamental accounting concepts, such as assets, liabilities, equity, revenue, and expenses. Without this understanding, MSMEs will have difficulty recording and interpreting financial statements.
b. Transaction recording capabilities
   The ability to record daily financial transactions systematically, both with manual cash books and digital accounting applications. It is important to monitor the flow of money in and out.
c. Classification & transaction overview
   The ability to group transactions into accounting accounts (e.g. cash, inventory, debt, capital) and summarize the results in a structured record.
d. Financial statement preparation ability
   Ability to prepare simple financial statements such as income statements, financial position statements (balance sheets), and cash flow statements. This preparation is the basis for assessing the financial performance of the business.
e. Financial information analysis and evaluation ability
   Ability to interpret financial data to assess business performance, profitability, liquidity, and sustainability. This improves the quality of decision-making.
f. Cash flow management capabilities

Focus on recording cash receipts and expenditures regularly so that there is no cash deficit.

According to Hidayat & Saputra (2023), accounting literacy in MSMEs has five main indicators:

a. Technical knowledge of accounting
It is a practical skill in recording transactions using a cash book, a simple journal, or a digital accounting application. MSMEs are required not only to rely on memory, but also to have an orderly recording system.
b. Conceptual understanding
Ability to understand basic accounting principles, such as the relationship between assets, liabilities, equity, income, and expenses. This understanding makes MSME actors able to interpret the meaning of financial transactions.
c. Practical skills in financial statement preparation
The ability to prepare simple financial statements according to accounting standards (e.g. SAK EMKM), including income statements, financial position reports, and cash flow statements.
d. Financial information interpretation ability
Ability to read, analyze, and interpret financial statements to understand the financial position and performance of the business. This is important so that the report is not only limited to formalities, but is actually used for evaluation.
e. Strategic ability in business decision making
Ability to use accounting information as a basis for planning, controlling costs, managing risk, and making long-term strategic decisions.

Quality of financial statements

The quality of financial statements refers to the extent to which the financial information presented is able to reflect the economic conditions of the entity reliably and relevantly so that it can be used by users in decision-making. According to the IASB (International Accounting Standards Board, 2018), quality financial statements must meet fundamental characteristics, namely *relevance* and faithful representation, *as well as* enhancing qualitative characteristics *such as* comparability, verifiability, timeliness, and understandability.

According to Budai (2021), the quality of financial statements in MSMEs is highly determined by the ability of business actors to compile reports according to applicable accounting standards, although in practice there are still many who only rely on simple recording.

Meanwhile, Suryani & Hidayat (2021) stated that the quality of financial statements is not only related to compliance with standards, but also to the ability of the report to increase transparency, accountability, and reliability of information for business owners and external parties.

The IASB (International Accounting Standards Board, 2018) divides the qualitative characteristics of financial statements into two groups:

1). Fundamental qualitative characteristics
   a. Relevance
   - The information in the financial statements must be able to influence the economic decisions of the user.
   - Relevance includes predictive value and confirmatory value.
   - Information must also be material, meaning it affects user decisions.

   b. Faithful representation

- The information must describe economic conditions correctly, completely, and free from bias.
- Important elements: completeness , neutrality , and free from error .

2). Enhancing qualitative characteristics

a. Comparability
The information allows users to compare reports between periods and between entities.

b. Verifiability
Information can be verified, resulting in confidence that the report is accurate, either through direct or indirect verification.

c. Timeliness
Information must be presented in a timely manner to be relevant in decision-making.

d. Understandability
The information is presented clearly and concisely so that it is easy to understand by users who have a reasonable knowledge of business, economics, and accounting.

According to Budai (2021) in his article Financial reporting quality at SMEs: A systematic literature review, the quality of financial reports in MSMEs is greatly influenced by limited resources, accounting literacy, and compliance with accounting standards. He grouped the quality indicators of MSME financial statements into several important aspects:

1) Compliance with accounting standards
The quality of financial statements is influenced by the extent to which MSMEs prepare reports in accordance with applicable accounting standards, such as SAK EMKM in Indonesia or IFRS for SMEs at the international level.

2) Relevance of information
Financial statements must provide relevant information for MSME owners, creditors, and external parties (e.g. investors or financial institutions).

3) Reliability and honesty of information
The information presented must be trustworthy, reflect the true financial condition, and be free from manipulation or material errors.

4) Comparability
MSME financial statements need to allow comparisons between periods to assess performance and financial position consistently.

5) Timeliness
Financial statements must be presented on time to keep the information relevant and can be used as a basis for business decision-making.

6) Understandability
Financial information is presented in a simple and easy-to-understand format, considering that most users of MSME financial statements are not accounting experts.

In the research of Suryani & Hidayat (2021), it is explained that the quality of MSME financial statements is determined by:

1) Relevance
Financial information must be in accordance with the decision-making needs of MSME owners and external parties.

2) Reliability/Faithful Representation
Financial statements must present honest, complete, and trustworthy information.

3) Comparability
Reports can be compared between periods or with other MSMEs, so that consistency can be maintained.

4) Understandability
Information is presented simply and clearly, so that it can be understood

by MSME owners who generally have limited accounting literacy.

5) Accountability
Financial statements are not only a record of transactions, but also a form of financial management accountability to business owners, partners, and external parties.

The Influence of Accounting Literacy on the Quality of Financial Statements

Accounting literacy is the ability of individuals or business actors to understand, record, classify, compile, and analyze financial information so that it can be used as a basis for appropriate decision-making (Christanty et al., 2023). A good level of accounting literacy will help MSME actors in producing financial statements that are in accordance with standards and beneficial to internal and external parties.

According to Hidayat & Saputra (2023), accounting literacy serves as a fundamental skill that affects the accuracy of transaction recording and the quality of financial information reported. When business actors have an adequate understanding of accounting, they can present financial statements that are more relevant, trustworthy, and meet the principles of accountability.

The quality of financial statements themselves is determined by qualitative characteristics such as relevance, reliability, comparability, comprehensibility, and timeliness (IASB, 2018; Budai, 2021). Research by Suryani & Hidayat (2021) found that low accounting literacy in MSMEs causes financial statements to be often incomplete, inconsistent, and less usable as a basis for decision-making.

Several empirical studies support the existence of a significant relationship between accounting literacy and the quality of financial statements. For example, Putra & Dewi (2022) found that accounting literacy has a positive influence on the quality of MSME financial statements in Bali. The same thing is also emphasized by Rahmawati et al. (2021) who show that business actors with high accounting literacy are able to compile financial reports according to SAK EMKM standards so that they are more relevant for information users.

Thus, it can be concluded that the higher the accounting literacy of MSME actors, the better the quality of the financial statements produced. On the other hand, low accounting literacy has the potential to reduce the credibility of financial statements because the information presented is inaccurate, less relevant, and difficult to understand.

Frame of mind

Accounting literacy is one of the important factors that affect the quality of financial statements. Accounting literacy theory (Christanty et al., 2023; Hidayat & Saputra, 2023) explained that accounting skills include basic knowledge, recording, report preparation, analysis, and strategic decision-making. If UPPKA actors have good accounting literacy, then they can prepare financial statements that are more relevant, reliable, comparable, and accountable (IASB, 2018; Budai, 2021).

On the other hand, previous research has shown that there are still many MSMEs that only rely on simple recording so that financial statements do not meet quality standards (Suryani & Hidayat, 2021). This research gap shows the importance of re-examining the accounting literacy assessment on the quality of financial statements, especially in UPPKA in Pasir Impun Village, Mandalajati District, Bandung City.

Imar & Effendi (2019) emphasized the importance of the quality of financial statements in improving corporate accountability and transparency, which can be achieved through a good accounting understanding by managers.

Conceptually, accounting literacy functions as an independent variable that is expected to have a positive effect on the quality of financial statements as a dependent variable. It can be described as follows;

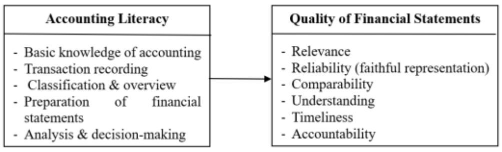

Figure 1. Frame of Mind

Based on the framework of thought that has been explained, a research hypothesis can be formulated, namely "Accounting literacy influence the quality of financial statements at UPPKA in Pasir Impun Village, Mandalajati District, Bandung City".

RESEARCH METHODS

Research design is a plan or strategy used by researchers to answer research questions and achieve predetermined goals. According to Creswell & Creswell (2018), research design is a framework that connects research philosophy, data collection strategies, analysis, and interpretation of results. With the right design, research can produce findings that are valid, reliable, and scientifically accountable.

In this study, a quantitative approach with the type of causal associative research was used. The quantitative approach was chosen because this study focuses on hypothesis testing using numerical data processed through statistical methods (Sugiyono, 2021). The type of causal associative is used to determine the influence or cause-effect relationship between independent variables, namely accounting literacy (X), on dependent variables, namely the quality of financial statements (Y).

The research method used is the survey method, which is a research technique that is carried out by collecting data from respondents through questionnaires. According to Sekaran & Bougie (2020), the survey method is effective for collecting large amounts of data in a relatively short time, as well as allowing researchers to obtain direct information from respondents regarding their perceptions, attitudes, and accounting literacy levels.

Thus, the design of this study is expected to be able to provide a clear picture of the influence of accounting literacy on the quality of financial statements at UPPKA in Pasir Impun Village, Mandalajati District, Bandung City. This design is in accordance with the purpose of the research, which is to empirically test whether accounting literacy affects the quality of financial statements produced by UPPKA.

Population and research sample

Population is a generalized area consisting of objects or subjects that have certain characteristics that are determined by the researcher to be studied and then drawn conclusions (Sugiyono, 2021). In other words, the population encompasses the entire element of the study's concern.

In this study, the population is all UPPKA in Pasir Impun Village, Bandung City in 2025. The reason for choosing UPPKA is because previous research conducted research focused on MSMEs,

Samples are a fraction of the number and characteristics that the population has (Sekaran & Bougie, 2020). The selection of samples was carried out to make the research more efficient, both in terms of time, cost, and effort, but still be able to represent the characteristics of the population as a whole.

This study uses the census method because the population is relatively small and it is possible to reach it completely. According to Sugiyono (2022), the census or saturated sampling method is a sampling technique in which all members of the population are used as samples. This method is used when the population is relatively small and it is possible to reach it entirely. Thus, there was no random sample selection or based on specific criteria of all individuals in the population were involved in the study. This method is included in the category of nonprobability sampling, which is a sampling technique that does not provide the same opportunity for each element (member) of the population to be selected as a member of the sample. The sample size already meets the requirements of simple regression analysis, where the minimum recommended sample count is ≥ 30 (Hair et al., 2019). The population of UPPKA in Pasir Impun Village, Mandalajati District, Bandung City is 30.

Research variables and operational definitions

According to Sugiyono (2021), research variables are everything in the form of anything that the researcher sets to be studied so that information about it is obtained, then conclusions are drawn. In this study, there are two variables:

a. Independent variable (X): Accounting Literacy
   Accounting literacy is the ability of MSME actors to understand, record, classify, compile, and analyze accounting information as a basis for decision-making (Christanty et al., 2023; Hidayat & Saputra, 2023).

b. Dependent variable (Y): Quality of Financial Statements
   The quality of financial statements is the level of ability of financial statements to present information that is relevant, reliable, comparable, understandable, timely, and accountable according to standards (IASB, 2018; Budai, 2021; Suryani & Hidayat, 2021).

To avoid differences in interpretation, each research variable is described into an operational definition.

Table 1. Variable Operationalization

Variable	Operational Definition	Indicators	Scale
Accounting Literacy (X)	The ability of MSME actors to understand basic concepts, record, classify, prepare, and analyze financial statements (Christanty et al., 2023; Hidayat & Saputra, 2023).	1. Basic knowledge of accounting 2. Transaction recording 3. Classification & overview 4. Preparation of financial statements 5. Analysis & decision-making	Ordinal
Quality of Financial Statements (Y)	The level of conformity of financial statements with accounting standards and the extent to which they are relevant, reliable, comparable, easy to understand, timely, and accountable (IASB, 2018; Budai, 2021).	1. Relevance 2. Reliability (faithful representation) 3. Comparability 4. Understanding 5. Timeliness 6. Accountability	Ordinal

Measurement scale

This study uses a Likert scale with five levels of answers (Sugiyono, 2021), namely:

1 = strongly disagree,
2 = Disagree,
3 = Neutral,
4 = Agree,
5 = Strongly agree.

The Likert scale was chosen because it is suitable for measuring respondents' attitudes, perceptions, and levels of understanding related to accounting literacy and the quality of financial statements (Sekaran & Bougie, 2020).

Data Collection Techniques

Data collection is an important step in research, as the quality of the data obtained will affect the validity and reliability of the research results. According to Sekaran & Bougie (2020), data collection techniques are systematic procedures used by researchers to obtain the information needed to answer the formulation of research problems.

In this study, two types of data sources were used, namely:

a. Primary Data

Primary data is data obtained directly from the first source in the field (Creswell & Creswell, 2018). In this study, primary data was collected through a questionnaire distributed to UPPKA owners in Pasir Impun Village, Mandalajati District, Bandung City.

The questionnaire instrument was prepared based on the indicators of research variables, namely accounting literacy and the quality of financial statements. The questionnaire uses a 5-point Likert scale (1 = strongly disagree to 5 = strongly agree) to make it easier for respondents to provide answers and to facilitate data analysis.

The use of questionnaires was chosen because it has several advantages, including:

1) Efficient to capture data from large amounts of respondents.
2) Provide standardized answers so that they are easy to analyze statistically.
3) It can reduce researcher bias because respondents fill in on their own (Sekaran & Bougie, 2020).

b. Secondary Data

Secondary data is data obtained from pre-existing sources, either in the form of reports, publications, or official documents (Sugiyono, 2022). Secondary data in this study include:

1) Data on the number and profile of UPPKA in Pasir Impun Village, Mandalajati District, Bandung City.
2) Scientific literature in the form of books, journals, articles, and previous research reports that are relevant to research variables.
3) Accounting standards and regulations related to the preparation of UPPKA's financial statements.

Secondary data is used to strengthen the analysis, support the theory, and provide context to the research results.

The use of a combination of primary data (questionnaires) and secondary data (documents and literature) aims to:

1) Obtain empirical data that can be tested quantitatively.
2) Ensuring the objectivity of research through triangulation of data sources.
3) Strengthen the external validity of research results.

In this study, data collection techniques are carried out in several ways, namely:

a. Questionnaire

The main instrument in this study was a questionnaire given directly to respondents, namely UPPKA in Pasir Impun Village, Mandalajati District, Bandung City.

- Reason for use: Questionnaires were chosen because they were able to collect large amounts of data, relatively quickly, and efficiently (Creswell & Creswell, 2018).
- Form: using a Likert scale of 1–5 to measure the variables of accounting literacy and the quality of financial statements.
- Content: questions are arranged based on variable indicators, such as accounting comprehension,

transaction recording, relevance of financial statements, and timeliness.

b. Documentation

In addition to questionnaires, this study also uses documentation, namely the collection of secondary data in the form of official documents.

- Types of documents: UPPKA data in Pasir Impun Village, Mandalajati District, Bandung City, simple financial statements from several UPPKAs, as well as regulations related to accounting standards.
- Objective: to support and strengthen primary data, as well as provide a clear picture of the condition of UPPKA's financial recording and reporting.

c. Literature study

Data collection is also carried out through literature studies, namely reviewing relevant literature such as books, scientific journals, research reports, and government publications.

- Function: strengthen theoretical foundations, find research gaps, and compare previous research results.
- Sources: indexed international and national journals, methodology books, and accounting regulations such as the Conceptual Framework for Financial Reporting (IASB, 2018).

The combination of the three techniques (questionnaire, documentation, literature study) was chosen in order for the research to obtain comprehensive data. Questionnaires provide primary quantitative data, documentation provides supporting data, and literature studies reinforce the theoretical framework.

Test research instruments

The research instrument used in the form of a questionnaire must go through a testing process to ensure that the measuring instrument can produce valid and reliable data. According to Sugiyono (2022), a good research instrument must meet two main requirements, namely valid and reliable.

a. Validity test

Validity is the level of accuracy of an instrument in measuring what should be measured. According to Hair et al. (2019), the instrument is said to be valid if each question item has a significant correlation with the total construct score.

- Method: using Pearson Product Moment correlation.
- Criteria: if the value r is calculated > r of the table (at a significance level of 0.05) then the question item is declared valid.

With the following formula:

$$r = \frac{N(\sum XY)-(\sum X)(\sum Y)}{\sqrt{[N\sum X^2-(\sum X)^2][N\sum Y^2-(\sum Y)^2]}}$$

Information:

rxy : correlation coefficient between x and y

n : number of subjects

ΣXY : the sum of multiplications between x score and y score

ΣX : total number of X scores

ΣY : total number of X scores

ΣX^2 : sum of squares X

ΣY^2 : the sum of squares Y

Validity is divided into two types:

- Content validity: ensuring that the questionnaire item is in accordance with the theoretical concept (confirmed through expert judgement).
- Construct validity: ensuring that the indicator actually forms the variable being measured, usually tested through Confirmatory Factor Analysis (CFA) (Hair et al., 2019).

b. Reliability test
   Reliability shows the consistency of an instrument in measuring a concept. According to Sekaran & Bougie (2020), instruments are said to be reliable if the measurement results are consistent when used at different times.
   - Method: using Cronbach's Alpha.
   - Criteria: Cronbach's Alpha value ≥ 0.70 indicates good reliability (Nunnally & Bernstein, 1994).
   - Application: each variable in the study was tested for reliability based on the results of the respondents' fill in.
     Reliability was also tested using Composite Reliability (CR) with a ≥ value criterion of 0.70 (Hair et al., 2019).

The use of these validity and reliability tests aims to ensure that the research instrument:

a. Measure appropriately (validly).
b. Measure consistently (reliably).
c. Increase the credibility of research results so that they can be accounted for academically.

Data Analysis Techniques

Data analysis techniques are methods used by researchers to process, interpret, and draw conclusions from the data obtained. According to Hair et al. (2019), the selection of data analysis techniques must be adjusted to the research objectives, data type, and hypotheses proposed.

In this study, the data analysis technique was carried out through the following stages:

a. Descriptive Statistical Test
   Descriptive statistics are used to provide an overview of the research data. These statistics include minimum, maximum, *mean*, and standard deviation values. The goal is to look at the distribution of data from accounting literacy and the quality of financial statements (Sekaran & Bougie, 2020).
b. Classic Assumption Test
   Before the regression analysis is carried out, a classical assumption test is first carried out to ensure that the data meets the parameters of parametric analysis. Classic assumption tests include:
   1) Normality Test; to find out if the data is distributed normally.
   2) Multicollinearity Test; to ensure there is no too high a relationship between independent variables.
   3) Heteroscedasticity Test; to see if there is variance from residual variance in all predictor values.

   According to Ghozali (2021), the fulfillment of classical assumptions is important so that the results of regression analysis are not biased.
c. Correlation Analysis
   Correlation coefficient analysis according to Sugiyono (2019) is "a number that reflects the direction and strength of the relationship between two or more variables. The direction of the relationship can be both positive and negative, while the strength of the relationship is measured by the magnitude of the correlation coefficient." Then Sugiyono (2019) added about the correlation function, namely "the correlation technique is used to identify the relationship between two variables when the data of the two variables is in the form of interval or ratios and the data source of two or more variables is the same." In this study, Pearson Product Moment Correlation is used, with the following formula:

$$r = \frac{N(\sum XY) - (\sum X)(\sum Y)}{\sqrt{[N\sum X^2 - (\sum X)^2][N\sum Y^2 - (\sum Y)^2]}}$$

Information:

rxy : Correlation coefficient between x and y
n : Number of subjects
ΣXY : The sum of multiplications between x score and y score
ΣX : Total number of x scores
ΣY : Total number of y scores
ΣX^2 : Sum of squares X
ΣY^2 : The sum of squares Y

To provide an interpretation of the strength of the relationship, the guidelines used refer to the table below as a reference in assessing the level of relationship between the variables tested.

Table 2. Correlation Coefficient Interpretation

Interval Coefficient	Relationship Level
0,00 – 0,19	Very low
0,20 – 0,39	Low
0,40 – 0,59	Keep
0,60 – 0,79	Strong
0,80 – 1,00	Very Powerful

Source: Sugiyono (2022)

d. Coefficient determination analysis

To reveal the degree to which the influence of variable X on Y can be determined by the formula of the determinant coefficient used to calculate the determinant coefficients can use the following formula:

KD = r2x 100%

Information:

KD : Coefficient of determination

r^2 : Correlation coefficient

To find out how much variation in the quality of financial statements can be explained by accounting literacy. An r^2 value close to 1 indicates strong predictive ability (Hair et al., 2019).

e. Linear Regression

The main technique used is simple linear regression, because this study only involves one independent variable (accounting literacy) and one dependent variable (financial report quality). A simple linear regression model is formulated as follows:

$Y=\alpha+\beta X+\varepsilon$

Information:

Y = quality of financial statements

α = constant

β = regression coefficient

X = accounting literacy

ε = error (interference factor)

This regression analysis was used to find out how much the influence of accounting literacy on the quality of financial statements at UPPKA in Pasir Impun Village, Mandalajati District, Bandung City.

f. Hypothesis Test

To test the hypothesis, a t-test (partial) was used, to find out whether an independent variable (accounting literacy) had a significant effect on the dependent variable (the quality of financial statements). If the significance value is < 0.05, then the hypothesis is accepted (Ghozali, 2021).

The formula for the t-test is as follows:

$$t = \frac{r\sqrt{n-2}}{\sqrt{1-r2}}$$

Information:

t : The t test (t calculated) which is then consulted with the ttable

r : Partial correlation found

n : Number of samples

r^2 : Squared correlation (determination).

According to Sugiyono (2019) "The basis for decision-making in the t-test can be explained as follows:

- Test the hypothesis (rejected/accepted) by comparing the calculated value with the ttable value.
- If the t count value is < t-table, then Ho is accepted and Ha is rejected, meaning that there is no real (significant) positive relationship between the two correlated variables.
- If the value of the t count > is t-table, then Ho is rejected and Ha is accepted, meaning that there is a real

(significant) positive relationship between the two correlated variables.

Hypothesis testing criteria as follows: if the t-test value < from the t-table value, then Ho is accepted if the t-test value > from the t-table value, then Ha is accepted. To find out the t-table, the provision of degrees of freedom = n-2 at the level of significance (α) of 5 % (error rate of 5 % or 0.05) or the level of confidence of 95 % or 0.95. So if the error rate of a variable is more than 5%, it means that the variable is not significant.

RESULTS AND DISCUSSION

Based on the results of descriptive statistical analysis, the average score of UPPKA accounting literacy was obtained of 4.53 (scale 1–5), while the quality of financial statements obtained an average score of 4.55. These results show that in general, UPPKA has a good level of accounting literacy and the quality of financial statements, but in its implementation the quality of financial statements has not reached the optimal level. The distribution of values shows a variation between UPPKA owners who are proficient in financial recording and analysis and those who still need assistance.

Accounting literacy in this study is measured through five main indicators: (1) basic accounting knowledge, (2) transaction recording, (3) classification, (4) report preparation, and (5) financial analysis (Christanty et al., 2023; Hidayat & Saputra, 2023). A more detailed analysis of each indicator provides a more comprehensive picture of the contribution of each aspect to the quality of UPPKA's financial statements.

1) BasickKnowledge of accounting
   This indicator includes an understanding of accounting principles such as journaling, debit-credit, and accounting cycles. The results of the study show that most managers have a fairly good understanding of accounting theory. However, implementation in practice is sometimes still inconsistent, for example in the proper use of accounts or end-of-period adjustments. This shows the need to refresh accounting theory periodically through workshops or training modules.
2) Transaction recording
   Transaction recording is the indicator that has the most dominant influence on the quality of financial statements. The findings show that managers who are able to record transactions completely, systematically, and on time are able to produce more accurate financial reports. Conversely, errors in record-keeping, such as transactions that are not recorded or recorded in the wrong account, lead to inaccuracies in reports and degrade the reliability of the information. This is in line with Putra & Dewi (2022), who emphasized that proper recording is the main foundation of quality financial statements.
3) Classification
   Classification is concerned with the manager's ability to group transactions according to the correct category, such as revenue, operating expenses, or assets. Research shows that managers who are able to classify correctly produce more transparent and easy to analyze reports. However, some respondents still have difficulty distinguishing similar transaction categories, so there is a need for a standard transaction classification guide for UPPKA.
4) Report Preparation
   The preparation of reports includes the ability to prepare balance sheets, income statements, and cash flow statements in accordance with

applicable accounting principles. The analysis shows that managers who are proficient in compiling reports can present financial information comprehensively and easily understand. The weaknesses found are the lack of consistency in the format of the report and the use of proper accounting terminology, so that reports are sometimes difficult to compare between periods.

5) Financial Analysis

This indicator includes the manager's ability to interpret financial statements and make decisions based on available information. The results of the study show that financial analysis is still the indicator with the lowest score compared to other indicators. Many managers are able to compile reports, but they are still limited in analyzing financial trends, liquidity ratios, and efficiency in the use of funds. This indicates the need for simple analysis training that is in accordance with the capacity of UPPKA managers.

Of the five accounting literacy indicators, transaction recording and report preparation have the most significant influence on the quality of financial statements. Basic knowledge of accounting and classification supports accuracy, while financial analysis strengthens decision making abilities. Thus, increasing structured accounting literacy on all these indicators will directly improve the quality of UPPKA's financial statements, both in terms of accuracy, comprehension, and accountability in the use of funds.

Regarding the quality of financial statements in this study, it is measured using six main indicators: **(**1) relevance, (2) reliability, (3) comparability, (4) comprehensibility, (5) timeliness, and (6) accountability (IASB, 2018; Budai, 2021; Suryani & Hidayat, 2021). An in-depth analysis of each indicator provides a comprehensive overview of aspects that have been good and that still need improvement in UPPKA owners.

1) Relevance

Relevance refers to the extent to which the information in the financial statements is useful for decision-making. The results of the study show that the financial statements prepared by the UPPKA manager are generally relevant, because they contain information about income, expenses, and remaining funds in full. However, there are several reports that do not display detailed information related to the use of funds per program, so that decision-making by internal and external parties is less than optimal.

2) Reliability (Faithful Representation)

Reliability means that financial statements reflect actual financial conditions and are free from material errors. Data analysis shows that reliability is still an indicator that needs to be improved. Some managers record transactions inconsistently or do not reconcile at the end of the period, so the reports produced do not fully reflect the actual financial condition.

3) Comparability

Comparability emphasizes the ability of financial statements to be compared between periods or between units. The findings of the study show that UPPKA managers often use different report formats between periods, thus limiting the ability to compare financial performance over time. Standardization of financial statement formats needs to be implemented to improve comparability.

4) Understandability

The comprehension indicator shows the extent to which the report can be understood by internal and external parties. The results of the study show that the reports compiled are generally easy to understand, because the managers use simple language and clear report structure. This is one of the strengths of UPPKA's management, which helps stakeholders understand financial conditions quickly.

5) Timeliness

Timeliness refers to the extent to which financial statements are presented in a timely manner for decision-making. The results show that most managers prepare reports on time, according to the reporting schedule determined by the local government or donor institutions. This timely delivery supports responsive decision-making to the program's financial condition.

6) AccountabilityAccountability measures the extent to which financial statements can be accountable to relevant parties, including local governments and donors. The analysis shows that the financial statements prepared are quite accountable, but still require more complete supporting evidence of transactions. Some managers have not fully documented every transaction, so external supervision is less than optimal.

Of the six financial report quality indicators, comprehension and timeliness are already strong aspects, while reliability, comparability, and accountability still need improvement. This shows that although UPPKA owner are able to present reports that are easy to understand and on time, improving overall accounting literacy, including accurate recording and standardization of reports, will further improve the quality of overall financial statements.

This study closes several research gaps that were previously found in the literature related to accounting literacy and the quality of financial statements. Previous research has generally focused on commercial MSMEs that have a profit orientation and simpler financial structure (Suryani & Hidayat, 2021; Rahmawati et al., 2021). Meanwhile, UPPKA is a non profit institution with the characteristics of public fund management, where accountability, transparency, and program sustainability are the main factors. Therefore, the findings of previous research cannot be fully generalized to the context of UPPKA.

Another gap is that most previous studies only emphasized the relationship between accounting literacy and the quality of financial statements in general, without assessing the influence per literacy indicator and per financial report quality indicator. This study fills the gap by conducting a detailed analysis of five indicators of accounting literacy (basic accounting knowledge, transaction recording, classification, report preparation, and financial analysis) as well as six indicators of financial report quality (relevance, reliability, comparability, comprehension, timeliness, and accountability).

The novelty of this research lies in:

1) Focusing on government non profit institutions such as UPPKA, which manages public funds and has a social purpose, the contribution of this research is relevant to public policy and financial management of community empowerment programs.
2) Analyze the indicators of accounting literacy and the quality of financial statements in detail, so as to identify which aspects of accounting literacy have the most influence on the quality of financial statements.
3) Clear practical implications for UPPKA's capacity building through training, mentoring, and standardization of financial statements, which differ from the

previous research's focus on profit-oriented MSMEs.

4) Provides new empirical evidence that accounting literacy is not only relevant for MSMEs, but also very important for non-profit government agencies in order to improve accountability in the use of public funds.

The results of this study show that accounting literacy has a significant influence on the quality of financial statements, especially in the aspects of transaction recording, report preparation, comprehension, and timeliness. This confirms that improving accounting literacy as a whole can strengthen financial governance and support more appropriate decision-making for UPPKA.

Thus, this research provides new scientific and practical contributions, expands the accounting literature, and provides a basis for capacity building for the management capacity of non-profit government institutions, especially in the preparation of transparent, accountable, and high-quality financial statements.

The results of a simple linear regression analysis show that accounting literacy has a positive and significant effect on the quality of UPPKA's financial statements, as seen in the table below;

Table 3. Regression

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	21.562	8.288		2.602	.015
	Accounting literacy	.767	.091	.846	8.401	.000

a. Dependent Variable: Quality of financial reports

Source : data from processed research, 2025

From the table above, the regression equation Y = 21.562 + 0.767X was obtained with a coefficient value of $\beta = 0.767$ and $\rho < 0.05$. This indicates that increasing accounting literacy directly improves the quality of financial statements, both in terms of accuracy, comprehension, relevance, and accountability.

And the determination coefficient of 71.6% means that the influence of accounting literacy affects financial quality by 71.6% while the remaining 28.4% is influenced by other variables that are not studied. The results of the analysis of the correlation coefficient obtained at 0.846 means that the relationship between accounting literacy and the quality of financial statements is very strong, which can be seen in the table below;

Table 4. Coefficient of Determination

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.846[a]	.716	.706	3.06971

a. Predictors: (Constant), Accounting literacy

Source : data from processed research, 2025

And the results of hypothesis testing with the t-test as in table 3 above obtained a tcount of 8.401 with a significance level of 0.000, which means that accounting literacy has an influence on the quality of financial statements at UPPKA in Pasir Impun Village, Mandalajati District, Bandung City.

A more detailed explanation is described as follows:

1) Influence on the Relevance of Financial Statements
Accounting literacy allows UPPKA owner to understand which financial information is important for internal and external decision-making. Managers who have high accounting literacy are able to present data that is appropriate to the context of the program and the needs of stakeholders.

2) Influence on Reliability (Faithful Representation)
Good accounting literacy encourages managers to record transactions systematically, conduct end-of-period reconciliation, and adjust reports

according to financial facts. The reliability of reports is reflected in reports that are free of material errors, transparent, and trustworthy by internal and external parties (Budai, 2021). The results of the study show that managers who have low accounting literacy tend to produce inconsistent or inaccurate reports.

3) Influence on Comparability
Owner with good accounting literacy tend to apply reporting standards and formats consistently from period to period. This makes it easier to compare between periods and between units, making it easier to evaluate the program's financial performance. This study found that report variations still occur in managers whose accounting literacy is limited, so the comparability of reports needs to be improved through standardization of report formats.

4) Influence on Understandability
Accounting literacy influence the ability of managers to compile easy to understand financial statements. The report is prepared in simple, clear, and systematic language to improve understanding for stakeholders, including program managers, local governments, and donors. The results of the study show that managers who have high accounting literacy are able to present complex information in an easy to understand way.

5) Effect on Timeliness
Owner with good accounting literacy tend to be able to complete financial statements on time, because they understand the accounting cycle and reporting procedures. This timeliness is important so that decision-making related to fund allocation, program evaluation, and accountability reporting runs effectively. Research data shows that the timeliness of reports increases along with the increase in managers' accounting literacy.

6) Influence on Accountability
Adequate accounting literacy enables owner to provide complete transaction evidence, properly record and classify, and compile transparent reports. Thus, financial statements are more accountable to the government, donors, and other related parties. The results of this study support the findings of Christanty et al. (2023) and Hidayat & Saputra (2023) that accounting literacy increases the financial accountability of non-profit institutions such as UPPKA.

Overall, accounting literacy plays a strategic role in determining the quality of UPPKA's financial statements. Managers who have a good understanding of accounting are able to compile financial statements that are relevant, reliable, comparable, easy to understand, timely, and accountable. This shows that increasing accounting literacy is not only important as a technical ability, but also as a determining factor in the quality of financial management of non-profit government programs.

Based on the results of the research, there are several practical and policy implications that can be taken regarding the influence of accounting literacy on the quality of financial statements at UPPKA:

1) Practical implications for UPPKA owner
   a. Capacity building of accounting literacy: UPPKA owner need to attend regular accounting training and workshops to strengthen their ability to record transactions, classify, prepare reports, and analyze finances. This will directly improve the quality of the financial statements prepared.

b. Implementation of recording and reporting standards: Owners are encouraged to use a standard format in recording transactions and preparing financial statements. With standardization, reporting is easier than between periods and between units, increasing the comparability and reliability of information.
c. Documentation and proof of transaction: Each transaction must be supported by complete supporting documents. This strengthens the accountability of financial statements and facilitates internal and external audits.

2) Practical implications for stakeholders and local governments
   a. Assistance and supervision: The local government or UPPKA coaching institution can provide routine assistance for managers, including financial statement review, accounting practice guidance, and transaction recording monitoring. This assistance will accelerate the improvement of the quality of financial statements.
   b. Use of accounting technology: The implementation of a digital-based accounting system can help managers in recording, classifying, and preparing financial statements more quickly, accurately, and standardized. It also supports timely and transparent reporting.
3) Policy implications
   a. Strengthening accounting literacy through education and training policies: Local governments can set policies to provide accounting literacy programs for UPPKA managers as part of the HR capacity building agenda.
   b. Standardization of UPPKA financial reporting: Standard regulations or guidelines regarding UPPKA financial reporting formats, cycles, and procedures are needed, so that financial statements can be compared, evaluated, and accounted for consistently.
   c. Evaluation and incentives based on report quality: The government or institutions can provide incentives for UPPKA that is able to prepare high quality financial reports, thereby encouraging a culture of accountability and transparency in the management of public funds.

Increasing accounting literacy not only influence the quality of financial statements, but also has significant practical implications for UPPKA and local government policies. The implementation of training, mentoring, report standardization, and the use of accounting technology can strengthen the quality of reports, increase the accountability of fund use, and support more effective decision-making. Thus, this study provides practical recommendations and policies that can be applied directly to the financial management of community empowerment programs.

CONCLUSIONS

Based on the results of the research on the influence of accounting literacy on the quality of financial Statements at UPPKA, it can be concluded that several things are as follows:

1) The accounting literacy of UPPKA owners influence the quality of financial statements. The regression results show that increasing accounting literacy directly improves the accuracy, comprehension, relevance, timeliness, and accountability of financial statements.

2) The most dominant indicator of accounting literacy affecting the quality of financial statements is transaction recording and report preparation. Owners who are able to systematically record transactions and compile reports according to standards produce more reliable and easy to understand financial reports.
3) The quality of UPPKA's financial statements is relatively good in terms of comprehensibility and timeliness, but there is still room for improvement in terms of reliability, comparability, and accountability. This shows the need to improve the competence of managers in consistent recording and complete transaction documentation.
4) The novelty of this research lies in focusing on government non profit institutions such as UPPKA and a detailed analysis of accounting literacy indicators and financial report quality indicators. These findings show that accounting literacy is not only important for profit oriented UPPKA, but also non-profit government institutions in order to increase accountability in the use of public funds.

Based on the results of the research, some suggestions that can be given are:

1) For UPPKA owners:
   a) Participate in accounting literacy training regularly to improve the ability to record transactions, prepare reports, and analyze finances.
   b) Implement consistent recording standards and report formats to facilitate the evaluation and comparison of reports between periods.
   c) Complement each transaction with adequate evidence documentation to strengthen accountability.
2) For local governments and supporting institutions:
   a) Providing routine assistance for UPPKA managers, including report review, accounting practice guidance, and transaction recording supervision.
   b) Providing a digital-based accounting system to facilitate recording, report preparation, and timely report submission.
   c) Establish standard guidelines or regulations related to UPPKA's financial reporting format, cycle, and procedures.
3) Suggestions for further research:
   a. Expand the research sample to other regions so that the results can be generalized to all UPPKAs in Indonesia.
   b. Combine questionnaire methods with audits of financial statements or direct observation to obtain more accurate data and reduce subjective bias.
   c. Examine other factors that can affect the quality of financial statements, such as internal control systems, managerial motivation, or technology support.
   d. With the implementation of these suggestions, it is hoped that the quality of UPPKA's financial statements can be improved, thereby supporting transparency, accountability, and sustainability of acceptor family empowerment programs.

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