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THE INFLUENCE OF INTERNAL CONTROL AND HR COMPETENCE ON FINANCIAL REPORTING QUALITY THROUGH DIGITALIZATION

By

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Abstract

This study investigates the influence of internal control systems and human resource competence on the digitalization of financial reporting, and their subsequent impact on financial reporting quality within the banking sector. The research was driven by observed weaknesses in the quality of financial reports, deICSte the growing adoption of digital technologies in financial systems.

A quantitative method was employed using survey data collected from 75 employees directly involved in financial reporting processes across various banks. The data were analyzed using Partial Least Squares–Structural Equation Modeling (PLS-SEM) with SmartPLS software.

Findings reveal that internal control significantly enhances the adoption of digital financial reporting. Similarly, human resource competence—especially in accounting and digital tools—positively influences digitalization initiatives. Furthermore, the study confirms that financial report digitalization improves financial report quality, particularly in timeliness, reliability, and inter-period comparability.

This research contributes to both theory and practice by identifying digital reporting as a crucial mediator that strengthens the effect of internal control and human capital on financial reporting quality. It offers strategic insights for bank management and regulators in optimizing control systems and human resource capabilities to support successful digital transformation.

Keywords: *Internal Control, Human Resource Competence, Financial Reporting Digitalization, Financial Report Quality, Banking Sector, PLS-SEM.*

INTRODUCTION

The global shift toward digital transformation in the financial industry has accelerated the adoption of technology-based systems in financial reporting. In Indonesia, regulatory bodies such as the Financial Services Authority (OJK) and Bank Indonesia have emphasized the importance of transparency, timeliness, and accountability in financial reporting through regulations such as POJK No. 21 and 22 of 2024. Despite these advancements, many banking institutions continue to face significant challenges in producing high-quality financial reports, particularly in areas of timeliness, reliability, and comparability (OJK, 2024; BPK, 2023).

One critical issue is the lack of synergy between internal control mechanisms and the adoption of digital financial systems. Inadequate internal control often leads to operational inefficiencies, data inaccuracies, and increased exposure to financial risk (Zarutska & Laptiev, 2024). Simultaneously, digitalization initiatives frequently fall short due to poor implementation and limited oversight, resulting in underutilized technological investments and continued weaknesses in reporting quality.

Another contributing factor is the competence of human resources. Financial reporting processes in the digital era demand not only accounting proficiency but also digital literacy. However, many financial personnel in the banking sector struggle to adapt to evolving technology due to insufficient training or experience (Sinosi et al., 2025; Lezhanina, 2025). As a result, even with access to sophisticated systems, reporting quality may remain

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suboptimal without the necessary human capital to operate and manage these tools effectively.

While numerous studies have investigated the individual impact of internal control and human resource competence on financial reporting outcomes, few have examined the role of digitalization as a mediating variable in these relationships. Particularly in the highly regulated and technologically complex banking sector, understanding how digital systems link organizational capabilities to reporting quality is essential (Xue, 2025; Suhardi, 2025).

This study addresses this research gap by integrating digitalization of financial reporting as a mediating variable in the relationship between internal control systems and human resource competence on financial reporting quality. By doing so, the study offers a more comprehensive understanding of how organizational factors contribute to reporting quality in the digital era and provides strategic insights for bank management and regulators to enhance governance and accountability through digital transformation.

LITERATURE REVIEW

Internal Control System

Organizations with well-established internal control systems typically experience enhanced operational effectiveness, whereas control deficiencies are frequently associated with inefficiencies and a heightened risk of operational errors (Hammond & Oppong, 2020). Addressing these deficiencies through targeted improvements in control mechanisms can lead to demonstrable gains in organizational efficiency (Hammond & Oppong, 2020). Furthermore, sound internal controls are closely linked to the production of accurate and dependable financial reports, as they reduce the incidence of errors, fraudulent activities, and the need for financial restatements (Igbojioyibo, 2024). In addition, internal control frameworks support compliance with regulatory standards, help mitigate legal exposure, and foster sustained confidence among stakeholders (Hammond & Oppong, 2020). For instance, digital reporting systems require stringent access control, audit trails, and error detection mechanisms—all of which fall under internal control responsibilities. Strong internal control systems provide a foundational framework that supports the successful implementation of digital technologies by promoting operational security, regulatory compliance, and system reliability throughout the digitalization process (Judijanto et al., 2024). Hence, internal control is a foundational enabler of successful financial reporting in a digital era.

Human Resource Competence

Human resource (HR) competence refers to the knowledge, technical skills, and behavioral capabilities that enable individuals to perform effectively in their roles (Salman et al., 2020). In financial reporting, this includes expertise in accounting principles, digital tools, and regulatory compliance. The banking sector, facing rapid digital transformation, demands employees who are not only financially literate but also tech-savvy. Proficiency in digital tools, accounting principles, and information technology—core aspects of human resource competence—plays a crucial role in enhancing the accuracy and credibility of financial reporting across both public and private organizations (Mulyani et al., 2025). Moreover, Personnel with strong competencies are more capable of adapting to technological advancements and are better positioned to analyze, interpret, and effectively communicate financial information in dynamic digital environments (Sinosi et al., 2025). Training and upskilling programs are thus essential to keep pace with the growing complexity of digital systems. Without competent personnel, digital tools alone cannot improve reporting outcomes. HR competence is therefore a critical driver that enhances both the adoption and effectiveness of financial reporting digitalization.

Digitalization of Financial Reporting

The digitalization of financial reporting encompasses the application of information and communication technologies to enhance the processes of preparing, presenting, and distributing financial information. This transformation involves the adoption of advanced digital tools—such as eXtensible Business Reporting Language (XBRL), enterprise resource planning platforms, cloud-based systems, and artificial intelligence—to automate and streamline reporting activities (Lombardi & Secundo, 2020). These innovations offer significant benefits, including increased reporting speed, improved accuracy, greater accessibility of financial data, and more sophisticated analytical capabilities. The integration of such technologies enables real-time access to financial information, fosters organizational transparency, and supports more informed and timely managerial decision-making by minimizing manual errors (Darmawati et al., 2025).

Nonetheless, the effective implementation of digital financial systems is contingent upon the presence of strong internal controls and a workforce equipped with relevant digital and financial competencies (Aldabbous & Riyath, 2024). Organizations must also navigate key challenges, such as cybersecurity risks, incompatibility with legacy systems, and gaps in digital literacy among employees. When successfully adopted, digitalization has been shown to significantly enhance the relevance, comparability, and timeliness of financial disclosures, thereby elevating the overall quality and credibility of corporate reporting (Alshehadeh et al., 2025). Ultimately, digital financial reporting serves as a transformative enabler that bridges organizational capabilities—such as internal control effectiveness and human capital quality—with improved financial reporting outcomes, positioning it as a pivotal mediating factor in the digital era.

Financial Reporting Quality

Financial reporting quality (FRQ) is the degree to which financial statements faithfully represent an entity's financial condition and provide useful information to stakeholders (Elliott et al., 2020; Eskin, 2021). Key dimensions include accuracy, timeliness, relevance, comparability, and understandability. High-quality financial reports reduce information asymmetry, enhance investor confidence, and support sound decision-making (Habib et al., 2020). In banking, FRQ is essential for regulatory compliance, risk

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management, and public trust. Digitalization has been shown to improve FRQ by enabling real-time data processing and minimizing manual errors (Kerrouche & Belouadah, 2025). However, the effectiveness of digital systems in enhancing FRQ depends on internal governance structures and the competency of reporting personnel. Alshehadeh et al. (2025) argue that digital tools improve transparency and comparability when paired with strong internal controls. Moreover, digital systems support standardized reporting formats and audit trails, which are key for accountability. Thus, FRQ is not only a reflection of output quality but also of the underlying systems and capabilities driving the reporting process.

Hypothesis

H1: Internal Control Systems Positively Affect the Digitalization of Financial Reporting

Internal control systems (ICs) serve as the foundation for ensuring secure, accurate, and efficient operational processes, particularly in sensitive environments such as financial reporting. In the context of digital transformation, strong internal controls are essential to govern access rights, data integrity, real-time validations, and audit trails. When internal control mechanisms are well-designed and effectively implemented, they provide a stable framework that facilitates the adoption and operation of digital reporting systems (Judijanto et al., 2024). Conversely, weak internal control can hinder technology adoption by increasing the risk of data loss, manipulation, and non-compliance. As digitalization becomes more complex with tools like ERP and AI-assisted analytics, ICs must evolve to include technological safeguards. The integration of digital technologies into internal control processes enables the automation of data gathering, monitoring, and evaluation activities, thereby enhancing the precision and dependability of financial reporting outcomes (Kotova et al., 2023). Therefore, organizations with effective internal controls are more likely to implement digital financial reporting systems successfully.

H2: Human Resource Competence Positively Affects the Digitalization of Financial Reporting

The successful implementation of digital financial reporting systems relies not only on infrastructure but also on the competencies of human resources (HR). Competent employees with strong technical and accounting knowledge are better equipped to operate, maintain, and adapt to digital tools used in financial reporting (Sinosi et al., 2025). HR competence includes familiarity with financial systems, analytical thinking, communication skills, and the ability to manage digital workflows. Inadequate staff training or limited understanding of digital tools often leads to errors, inefficiencies, and resistance to change. HR with strong digital skills and adaptive readiness facilitate seamless adoption of new technologies and processes, reducing resistance and confusion during digital transformation (Dermawan et al., 2025). Moreover, continuous professional development is key to keeping pace with rapid technological advancements. Therefore, high HR competence enables organizations to fully leverage digital tools, enhance efficiency, and ensure accurate and timely reporting, making it a key driver of successful digitalization.

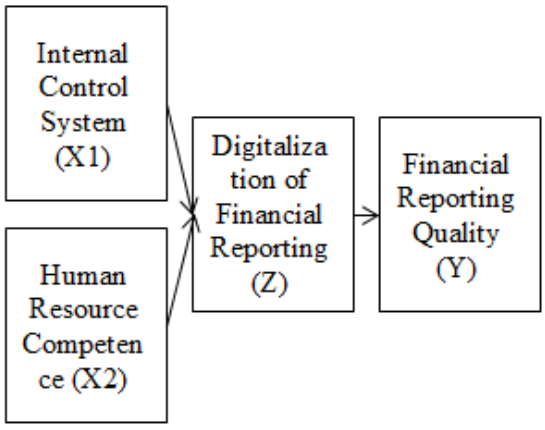
H3: Digitalization of Financial Reporting Positively Affects Financial Reporting Quality

Digitalization transforms the financial reporting process by replacing manual procedures with real-time, automated, and integrated systems. These systems enable faster data collection, improved accuracy, better consistency, and enhanced accessibility, all of which are central to high-quality financial reporting (Alshehadeh et al., 2025). Digital reporting tools reduce human error, streamline reconciliation, and facilitate timely disclosure, directly supporting key dimensions of reporting quality such as relevance, reliability, comparability, and timeliness (Kerrouche & Belouadah, 2025). Furthermore, digital platforms offer standardized reporting formats, greater traceability, and advanced analytics that empower stakeholders to make informed decisions. However, the benefits of digitalization are conditional on proper system design, user competence, and alignment with governance frameworks. When effectively adopted, digitalization ensures that financial reports are more transparent, compliant, and decision-useful. Thus, digitalization is not merely a technological upgrade but a transformative enabler of enhanced financial reporting quality in modern financial institutions.

Framework

Drawing upon the theoretical foundations and empirical evidence presented in the literature, the proposed conceptual framework suggests that internal control systems and the competence of human resources exert a significant influence on the quality of financial reporting. This relationship is not solely direct; rather, it is partially mediated by the degree of digitalization adopted within the organization. The framework underscores how internal organizational capabilities—such as effective control mechanisms and skilled personnel—interact with technological integration to enhance the accuracy, reliability, and timeliness of financial reporting outcomes.

Figure 1. Conceptual Model.



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METHODOLOGY

Research design

This study adopts a quantitative explanatory research design, which is well-suited for testing causal relationships between latent variables in a structured manner (Creswell & Creswell, 2022). The main objective of this research is to empirically assess the influence of internal control systems and human resource competence on the quality of financial reporting, with financial reporting digitalization serving as a mediating variable. A deductive approach was employed, drawing hypotheses from prior theoretical and empirical literature. This design enables the identification of both direct and indirect relationships between constructs and supports the generalization of findings within the context of the Indonesian banking sector (Sekaran & Bougie, 2020). The explanatory nature of the study allows for a nuanced understanding of how internal mechanisms and digital integration contribute to financial governance outcomes.

Population and Sample

The population of this study comprises employees working in Indonesian banking institutions, specifically those involved in the preparation and management of financial reports. A purposive sampling technique was utilized to ensure the inclusion of respondents with adequate experience and technical understanding, consistent with qualitative assumptions in SEM studies (Etikan et al., 2016). The inclusion criteria involved professionals who are part of accounting or finance departments and have direct involvement in financial reporting processes. To determine the minimum required sample size, the study refers to Cohen's power analysis, which states that for a model with three predictors and an anticipated R^2 of 0.25, a minimum of 59 respondents is needed to achieve 80% statistical power at a 5% significance level (Cohen, 1988). A total of 75 valid responses were collected, exceeding this requirement and ensuring sufficient power for the applied PLS-SEM analysis (Hair et al., 2022).

Data Collection

Data for this study were gathered through a structured, self-administered questionnaire disseminated online using Google Forms. The survey instrument was adapted from previously validated scales found in earlier studies and was carefully modified to reflect the operational and regulatory context of the Indonesian banking sector (Indrawan & Yaniawati, 2025). Participants were asked to respond using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree), capturing perceptions across four key constructs: internal control systems, human resource competence, digitalization of financial reporting, and financial reporting quality. Prior to large-scale distribution, a pilot test was conducted to assess item clarity, content appropriateness, and internal consistency of the instrument. This step was in accordance with established procedures in quantitative research aimed at ensuring construct validity and measurement reliability (Sugiyono, 2022; Arikunto, 2021). Ethical principles—such as informed consent, voluntary participation, and the confidentiality of respondents' data—were strictly observed throughout the data collection process.

Data Analysis

The data were analyzed using Partial Least Squares–Structural Equation Modeling (PLS-SEM) with the assistance of SmartPLS version 4.0 software. This analytical technique is particularly effective for small to medium sample sizes and is suitable for complex models with multiple indicators and latent constructs (Hair et al., 2022). The analysis was conducted in two stages. First, the measurement model was evaluated to ensure the reliability and validity of the constructs, using composite reliability (CR), Cronbach's alpha, and average variance extracted (AVE). Discriminant validity was evaluated by applying the Fornell–Larcker criterion alongside the Heterotrait–Monotrait (HTMT) ratio, in accordance with the methodological procedures outlined (Henseler et al., 2015). Second, the structural model was assessed through the analysis of path coefficients, R^2 (coefficient of determination), Q^2 (predictive relevance), and f^2 (effect size) to evaluate the strength and significance of the hypothesized relationships (Hair et al., 2022). This analytical approach provides robust insights into the causal pathways connecting internal control, HR competence, digitalization, and financial reporting quality.

RESULTS AND DISCUSSION

This study collected data from a sample of 75 professionals employed in the finance and accounting departments of banking institutions. Participants were purposefully selected based on their direct roles in financial reporting activities and their engagement with the implementation and use of digital financial systems. The analytical approach employed Partial Least Squares–Structural Equation Modeling (PLS-SEM) using SmartPLS version 4.0.

This technique facilitated comprehensive assessment of both the measurement and structural components of the model, allowing for robust evaluation of the hypothesized relationships among the study variables.

Descriptive Statistics

Descriptive analysis was conducted using measures of central tendency and measures of variability (Cooper & Schindler, 2014).

Table 1. Descriptive Statistics

Latent Construct	Mean	Std. Dev.	Realiability*
Internal Control System	4.46	0.64	0.914
Human Resource Competence	4.39	0.67	0.910
Digitalization of Financial Reporting	4.50	0.60	0.916

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Financial Reporting Quality	4.42	0.69	0.69

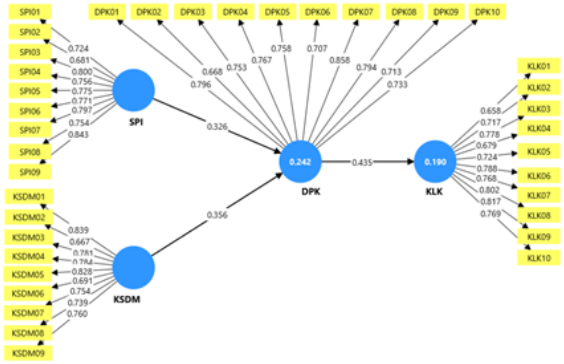
Source: SmartPLS3

The descriptive analysis indicates that all constructs received favorable evaluations from the respondents. The Internal Control System recorded a mean score of 4.46 with a standard deviation of 0.64, suggesting a strong level of agreement with the related statements. Human Resource Competence yielded a mean of 4.39 and a standard deviation of 0.67, reflecting respondents' overall confidence in their professional capabilities. Among the four variables, Digitalization of Financial Reporting achieved the highest mean score of 4.50 and the lowest standard deviation of 0.60, indicating a high level of consensus and consistently positive perceptions. Financial Reporting Quality reported a mean of 4.42 with a standard deviation of 0.69, signifying that respondents generally perceived the quality of their financial reporting to be satisfactory. Taken together, these results demonstrate a consistently high level of agreement and favorable perceptions across all measured variables.

Structural Equation Modeling

The data were analyzed using PLS-SEM to examine the relationships between variables. Model evaluation was done using SmartPLS, focusing on convergent and discriminant validity.

Figure 2. Full Model Path Diagram



Source: SmartPLS3

Convergent Validity

To confirm convergent validity within the measurement model, indicator loadings should ideally be above 0.70, indicating strong correlations between observed variables and their respective latent constructs. Indicators with loadings below 0.40 are typically removed due to insufficient contribution, while those falling between 0.40 and 0.70 require careful theoretical justification before retention. Furthermore, composite reliability values must exceed 0.70 to demonstrate internal consistency, and the average variance extracted should be greater than 0.50 to reflect sufficient convergent validity and construct reliability (Hair et al., 2022).

Table 2. Composite reliability (CR) dan average variance extracted (AVE)

Indikator	Loading Factor			
	ICS	HRC	DFR	FRQ
1	0.724	0.839	0.796	0.658
2	0.681	0.667	0.668	0.717
3	0.800	0.781	0.753	0.778
4	0.756	0.784	0.767	0.679
5	0.775	0.828	0.758	0.724
6	0.771	0.691	0.707	0.788
7	0.797	0.754	0.858	0.768
8	0.754	0.739	0.794	0.802
9	0.843	0.760	0.713	0.817
10	-	-	0.733	0.769
CR	**0.928**	**0.925**	**0.930**	**0.928**
AVE	**0.590**	**0.581**	**0.572**	**0.565**

Source: SmartPLS3

All indicator loadings were above 0.40, showing valid measures. CR values exceeded 0.70, indicating reliable constructs. AVE values were above 0.50, confirming good convergent validity.

Discriminant Validity

Discriminant validity was tested to ensure that each construct is distinct from others. The analysis used three approaches: cross-loading, Fornell-Larcker criterion, and the HTMT ratio, all of which showed acceptable results.

Table 3. Discriminant Validity-Cross Loading

Indicator	DFR	FRQ	HRC	ICS
DFR_{01}	**0.796**	0.416	0.397	0.231
DFR_{02}	**0.668**	0.283	0.231	0.123
DFR_{03}	**0.753**	0.223	0.241	0.205
DFR_{04}	**0.767**	0.351	0.266	0.301
DFR_{05}	**0.758**	0.280	0.185	0.312
DFR_{06}	**0.707**	0.313	0.324	0.302
DFR_{07}	**0.858**	0.392	0.278	0.301
DFR_{08}	**0.794**	0.294	0.336	0.286
DFR_{09}	**0.713**	0.355	0.245	0.270
DFR_{10}	**0.733**	0.330	0.230	0.193
FRQ_{01}	0.217	**0.658**	0.310	0.017
FRQ_{02}	0.270	**0.717**	0.295	0.108
FRQ_{03}	0.376	**0.778**	0.313	0.239

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FRQ_{04}	0.328	**0.679**	0.314	0.176
FRQ_{05}	0.380	**0.724**	0.254	0.142
FRQ_{06}	0.378	**0.788**	0.397	0.248
FRQ_{07}	0.333	**0.768**	0.445	0.351
FRQ_{08}	0.326	**0.802**	0.348	0.278
FRQ_{09}	0.321	**0.817**	0.257	0.258
FRQ_{10}	0.274	**0.769**	0.350	0.148
HRC_{01}	0.342	0.345	**0.839**	-0.007
HRC_{02}	0.159	0.283	**0.667**	0.032
HRC_{03}	0.382	0.360	**0.781**	0.018
HRC_{04}	0.280	0.285	**0.784**	0.122
HRC_{05}	0.320	0.281	**0.828**	0.191
HRC_{06}	0.213	0.362	**0.691**	-0.003
HRC_{07}	0.265	0.391	**0.754**	0.071
HRC_{08}	0.224	0.354	**0.739**	-0.145
HRC_{09}	0.227	0.365	**0.760**	-0.077
ICS_{01}	0.266	0.255	0.018	**0.724**
ICS_{02}	0.234	0.151	0.175	**0.681**
ICS_{03}	0.193	0.352	0.044	**0.800**
ICS_{04}	0.127	0.203	0.008	**0.756**
ICS_{05}	0.360	0.103	0.013	**0.775**
ICS_{06}	0.294	0.207	0.058	**0.771**
ICS_{07}	0.307	0.132	0.001	**0.797**
ICS_{08}	0.209	0.324	0.037	**0.754**
ICS_{09}	0.166	0.289	-0.122	**0.843**

Source: SmartPLS3

Discriminant validity may be compromised when an indicator exhibits a stronger loading on a non-target construct than on its intended one. In the present study, each indicator demonstrated higher loadings on its corresponding construct compared to any cross-loadings, thereby supporting the adequacy of discriminant validity (Hair et al., 2022).

Table 4. Fornell-Larcker Criterion

	DFR	FRQ	HRC	ICS
DFR	**0.756**			
FRQ	0.435	**0.752**		
HRC	0.369	0.437	**0.762**	
ICS	0.340	0.273	0.039	**0.768**

Source: SmartPLS3

Discriminant validity can be compromised if a construct's square root of average variance extracted (AVE) falls below its correlation with any other latent construct. In the present study, all constructs demonstrated AVE square roots that were greater than their respective inter-construct correlations, thus providing evidence that discriminant validity criteria were satisfactorily met (Hair et al., 2022).

Table 5. Heterotrait-monotrait ratio (HTMT)

	DFR	FRQ	HRC	ICS
DFR				
FRQ	0.459			
HRC	0.378	0.483		
ICS	0.336	0.321	0.153	

Source: SmartPLS3

HTMT values were all below 0.85, indicating strong discriminant validity. Together with cross-loading and Fornell-Larcker results, all four latent variables showed clear distinction from one another.

Structural Model

After validating the measurement model, the structural model was assessed to test the effect of exogenous latent variables on endogenous variables. The following section presents the summary of structural model evaluation results.

Table 6. Summary of Hypothesis Testing Results

Path	Coefficient	t-statistic	*p-value*	R^2	Q^2	f^2
ICS => DFR	0.326	3.101	0.001	0.242	0.119	0.140
HRC => DFR	0.356	2.848	0.002			0.167
DFR => FRQ	0.435	3.124	0.001	0,19	0,10	0.234

Source: SmartPLS3

The R^2 value shows that internal control and human resource competence explain 24.2% of the variance in financial reporting digitalization. In turn, digitalization explains 19.0% of the variance in financial reporting quality. A Q^2 value greater than 0 indicates that the model has predictive relevance. Effect sizes (f^2) are interpreted as large if >0.35, medium if >0.15, and small if >0.02 (Hair et al., 2022).

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Discussion

Internal Control System → Financial Reporting Digitalization

The results show a significant positive relationship between internal control and the digitalization of financial reporting ($t = 3.101$; $p = 0.001$). This confirms that stronger internal control systems support more effective implementation of digital processes. These findings provide empirical evidence that well-structured controls enhance organizational readiness for digital transformation in financial reporting.

Human Resource Competence → Financial Reporting Digitalization

Human resource competence also has a significant positive effect on financial reporting digitalization ($t = 2.848$; $p = 0.002$). This suggests that the more skilled and knowledgeable employees are, especially in digital and financial systems, the smoother and more effective the adoption of digital tools will be. Competent personnel play a key role in driving successful digital implementation.

Financial Reporting Digitalization → Financial Reporting Quality

The digitalization of financial reporting significantly improves financial reporting quality ($t = 3.124$; $p = 0.001$). This indicates that better use of digital systems leads to more timely, accurate, and reliable reports. The result highlights the strategic importance of digital transformation in strengthening transparency and decision-making in financial reporting.

Conclusion

This study investigated the influence of internal control systems and human resource competence on the digitalization of financial reporting, as well as the impact of digitalization on financial reporting quality within the banking sector. The empirical results, analyzed using PLS-SEM, indicate that both internal control and HR competence significantly affect the adoption and effectiveness of digital financial reporting systems. Furthermore, digitalization itself plays a critical role in enhancing the quality of financial reports by improving accuracy, timeliness, and transparency.

These findings underscore the importance of strengthening internal governance mechanisms and investing in employee competencies—particularly digital literacy and technical accounting skills—as part of a broader digital transformation strategy. The study provides practical implications for banking institutions seeking to enhance their financial reporting processes through integrated technological and human resource initiatives.

Limitations

Despite the valuable insights offered, this study has several limitations that should be acknowledged. First, the research employed a relatively limited sample size, with participants drawn exclusively from the banking industry within a specific geographic area. This narrow scope may constrain the generalizability of the findings to other sectors or regions. Second, the use of a cross-sectional survey design limits the capacity to establish causal inferences or observe long-term effects over time. Third, the study concentrated on three primary constructs—namely, internal control systems, human resource competence, and the digitalization of financial reporting—while omitting other potentially influential factors such as organizational culture, technological infrastructure, or regulatory pressures that could also affect financial reporting quality.

In addition, the data collected were based on self-reported responses from participants, which may be subject to biases arising from personal perceptions or the tendency to provide socially desirable answers. Finally, this research relied exclusively on quantitative methods; incorporating qualitative approaches could have offered deeper insights into the practical dynamics and contextual challenges of digital transformation in organizational settings.

Implications

Theoretical Implications

This study contributes to theory by reinforcing the relevance of the Technology-Organization-Environment (TOE) framework. It shows that internal control systems and human resource competence, as part of organizational factors, play an important role in digital adoption. In addition, the results support the Information Quality Theory, suggesting that digital tools help produce more accurate, timely, and useful financial information.

Practical Implications

The findings highlight that banking institutions should prioritize strengthening internal control systems to support digital financial reporting. They also need to improve the digital and financial competence of employees to ensure smooth implementation of digital tools. This means that successful digitalization requires not only technology, but also capable people and strong internal processes.

Policy Implications

Policymakers and regulators should consider developing guidelines that promote digital readiness in financial reporting.

These policies can include strengthening internal control standards and requiring ongoing training for financial staff. By encouraging institutions to invest in people and systems, regulatory bodies can support the long-term success of digital transformation in the financial sector.

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