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The Influence of Financial Literacy and Financial Technology on the Quality of Financial Statements

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Abstract

This study examines the impact of financial literacy (the ability to understand and manage financial concepts) and financial technology (the use of digital tools to record, manage, and report finances) on the quality of financial reports (relevance, consistency, accuracy, and timeliness). Using a quantitative approach through a questionnaire survey of accounting students, the analysis includes validity, reliability, classical assumptions, and multiple linear regression tests. Results: Financial literacy has a significant positive effect on report quality; financial technology is not partially significant; together, the two contribute 34.8%, with the remainder influenced by other factors. This study is expected to enrich accounting theory and provide practical guidance for improving reporting standards.

Keywords: *financial literacy, financial technology, quality of financial statements.*

I. INTRODUCTION

The rapidly changing business world and advances in information technology require us to have truly excellent financial reports as a basis for making economic decisions. These reports are not merely a means of accountability, but also a key tool as a source of information for all interested parties, both within and outside the company. According to Kieso et al. (2018), financial reports are actually the main means of communicating key information used to convey financial data, in order to assist the economic decision-making process. Therefore, the quality of these financial reports plays a crucial role in the accounting system.

The quality of financial statements reflects the ability of accounting information to meet user needs, particularly in terms of the relevance and reliability of the information presented (Dechow et al., 2010). High-quality financial statements provide an accurate, timely, and reliable picture of the financial condition of an entity, thereby increasing user confidence in the accounting information produced. One factor that is thought to influence the quality of financial statements is an individual's level of financial literacy.

Financial literacy indicates how well an individual understands financial concepts, principles, and practices, including the ability to prepare and interpret financial statements. Individuals with sufficient financial literacy are usually better at recording transactions accurately and presenting statements in accordance with applicable standards, ultimately resulting in higher-quality financial statements.

Financial literacy and the development of financial technology also have an impact on the financial recording and reporting process. Financial technology offers various conveniences in financial data management, such as speed of recording, efficiency of data processing, and timeliness of financial report presentation. However, the use of financial technology does not always correlate with an improvement in the quality of financial reports if it is not supported by adequate financial understanding on the part of its users. Given this situation, this research is crucial in order to empirically examine the impact of financial literacy and financial technology on the quality of financial reports. We hope that the results can explain the role of these two factors in raising financial reporting standards, either separately or together. Amidst the rapidly developing era of digitalization, many MSMEs have begun to adopt information technology to improve their financial recording and reporting systems (Darren & Maryadi, 2025).

The quality of financial statements is also influenced by the methodological readiness of individuals in applying accounting concepts systematically and measurably. From an accounting research methodology perspective, testing the relationship between financial literacy, the use of financial technology, and the quality of financial statements requires an empirical approach that is capable of measuring perceptions, understanding, and financial statement preparation practices objectively. A quantitative approach is relevant because it allows for the structured measurement of variables through indicators whose validity and reliability can be tested, so that the relationship between variables can be analyzed statistically. This is in line with the findings of Mayasari (2022), who states that financial literacy and financial statement quality play an important role in supporting decision-making and improving the performance of MSMEs.

The use of questionnaire surveys is considered appropriate for describing the level of financial literacy and the use of financial technology among respondents, as well as its impact on the quality of financial reports produced. Based on Shabihah (2022), financial technology functions as a mediating variable in the relationship between financial literacy and social capital on financial inclusion in MSMEs. Through quantitative data processing, this study is expected to produce strong empirical evidence regarding the influence of each variable, both partially and simultaneously. Thus, the findings of this study not only contribute theoretically to the development of financial accounting literature but also have practical implications for the world of education and business actors in improving the quality of responsible and sustainable financial reporting.

II. LITERATURE REVIEW

A. Theory of Planned Behavior (TPB)

The Theory of Planned Behavior (TPB) proposed by Ajzen (1991) explains that individual behavior is the result of behavioral intention, which is influenced by three main constructs, namely attitude toward behavior, subjective norms, and perceived behavioral control. In the context of this study, financial literacy is positioned as a cognitive factor that shapes individuals' attitudes toward the importance of preparing financial statements that are correct and in accordance with accounting standards, while the use of financial technology represents individuals' perceptions of the ease and ability to control the process of recording and reporting finances. The higher the level of financial literacy, the more positive the individual's attitude toward the behavior of preparing quality financial reports, and the greater the intention to produce relevant, reliable, accurate, and timely financial reports. Meanwhile, the use of financial technology increases the perception of behavioral control by providing technical means that facilitate transaction recording and financial report preparation. Based on TPB, a combination of positive attitudes formed from financial literacy and a high perception of behavioral control through the use of financial technology will increase the probability of high-quality financial reporting behavior. Therefore, TPB theory supports the formulation of the hypothesis that financial literacy and financial technology have a positive effect on the quality of financial reports, both partially and simultaneously.

B. Financial Literacy

Financial literacy can be defined as a person's ability to understand and manage financial information well, so that they can make sensible economic choices. This includes a basic understanding of finance, such as how to manage income, budget, save, invest, and understand financial statements. Individuals with strong financial literacy are usually better able to evaluate their own financial condition and make sound financial decisions. From an accounting perspective, financial literacy plays an important role in the financial statement preparation process. When someone has a good understanding of accounting principles, how to record transactions, and how to present financial statements, the result is a more accurate report that complies with applicable accounting standards. Therefore, financial literacy can be considered one of the main elements that affect the overall quality of financial statements. Previous studies have shown that financial literacy has a positive relationship with the quality of financial statements and individual financial behavior. The higher the level of financial literacy, the better a person's ability to prepare and understand financial statements, so that the information produced is more relevant, reliable, and useful to users. This study found that financial literacy has a significant positive impact on managers' preferences in managing financial statements. The findings in this study provide empirical evidence of the importance of financial literacy (Susanti et al., 2025).

C. Financial Technology

Financial technology, often referred to as fintech, is an innovation in the world of financial services that utilizes advances in digital technology to make financial activities more efficient and effective. Fintech itself covers a wide range of services, such as online payment systems, applications for recording daily finances, digital-based banking services, and accounting platforms that use advanced technology. In the context of financial reporting, financial technology serves as a supporting tool that simplifies the process of recording transactions, processing financial data, and preparing financial reports. The use of financial technology enables real-time recording, minimizes recording errors, and improves the timeliness of financial information presentation. However, the application of financial technology does not automatically guarantee an improvement in the quality of financial reports. Without adequate financial literacy, the use of financial technology tends to be merely administrative and does not necessarily improve the quality of accounting information. Therefore, the effectiveness of financial technology greatly depends on the capabilities and understanding of its users. The results of the study show that fintech has the potential to improve efficiency and accuracy in MSME financial management through the digitization of recording and transaction processes. However, there are various obstacles that must be overcome, such as low technological literacy among business actors and a lack of supportive regulations (Safitri, 2024).

D. Quality of Financial Statements

The quality of financial statements reflects how well the documents provide useful information for users when they have to make economic decisions. Good financial statements must have certain qualitative characteristics, such as being relevant, reliable, understandable, and comparable to one another. In addition, factors such as timeliness and data accuracy are also key benchmarks for assessing the quality of financial statements. Well-prepared financial statements will describe the actual financial condition and be prepared in accordance with current accounting rules. With high quality, such statements can build user confidence in accounting data, while helping them make more targeted decisions. In this study, the quality of financial reports was found to be influenced by two main factors, namely the level of financial understanding and the use of financial technology. With solid financial knowledge, coupled with the support of appropriate technology, it is hoped that better quality financial reports full of useful information can be produced. The results of the study show that the four independent variables, namely the quality of human resources, accounting implementation, the use of information technology, and internal control systems, do not have a significant effect on the quality of village government financial reports (Putra, 2025).

III. RESEARCH METHODOLOGY

This study uses a quantitative approach with a survey method. A quantitative approach was chosen because this study aims to examine the relationship and influence between variables objectively and can be measured through statistical analysis. The population in this study was accounting students who already had basic knowledge of financial statement preparation. Accounting students were chosen as research subjects because they had studied financial accounting and financial reporting, which were considered relevant to the research objectives.

In this study, the sampling technique chosen was purposive sampling, which is basically a method of selecting samples based on specific criteria. The criteria used for sampling were accounting students who had taken financial accounting courses. The number of samples was adjusted according to the number of respondents who actually met the research criteria. This study used primary data as its main type of data The data was collected directly from 120 respondents through the distribution of questionnaires. The questionnaire was designed according to the indicators of each variable studied, namely financial literacy, financial technology, and financial statement quality. Each item in the questionnaire was assessed using a five-point Likert scale, ranging from “strongly disagree” to “strongly agree”.

The independent variables in this study consist of financial literacy and financial technology, while the dependent variable is the quality of financial statements. Financial literacy is measured through indicators of understanding financial concepts, financial management skills, and understanding financial statements. Financial technology is measured through indicators of the level of financial technology use, ease of use, and perception of the benefits of technology in financial reporting. The quality of financial statements is measured through indicators of relevance, reliability, accuracy, and timeliness of information.

Table 1. Operational Definition and Variabel Indicators

Variable	Opeational Definition
Financial Literacy	The level of understanding and ability of individuals in comprehending basic financial concepts and applying them in financial management and reporting
Financial Technology	Level of utilization of digital technology in the process of recording, managing, and reporting finances
Quality of Financial Statsments	The level of financial reporting’s ability to present relevant, reliable, accurate, and timely information

Data analysis in this research was carried out through multiple stages. The first stage focused on validity and reliability testing to confirm that the research instruments were dependable. Following that, classical assumption tests were performed, encompassing evaluations of normality, multicollinearity, and heteroscedasticity, to ensure the data satisfied regression prerequisites.

Subsequently, multiple linear regression analysis was employed to explore the effects of financial literacy

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and financial technology on the quality of financial statements, examining both individual variables and their combined influence. Hypothesis verification utilized the t-test for partial effects, the F-test for simultaneous impacts, and the coefficient of determination (R^2) to gauge the contribution of independent variables to the dependent variable. All data processing relied on statistical software.

IV. RESEARCH AND DISCUSSION

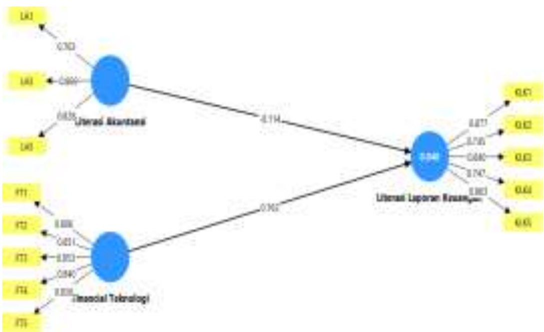

Figure 1. literacy

A. Outer Loading

Table 2. Outer Loading Test Results

Variabel	Indicators	AVE
Financial Literacy	LK!	0.812
	LK2	0.891
	LK3	0.854
	LK4	0.867
Financial Technology	FT1	0.879
	FT2	0.893
	FT3	0.884
	FT4	0.868
Quality of Financial Statements	KLK1	0.896
	KLK2	0.873
	KLK3	0.887
	KLK4	0.902

Based on the results of testing the measurement model using the PLS method, the Average Variance Extracted (AVE) value for all constructs in this study shows a value above the minimum limit of 0.50. The Financial Literacy variable has an AVE value for each indicator ranging from 0.812 to 0.891, the Financial Technology variable has an AVE value between 0.868 and 0.893, while the Financial Statement Quality variable has an AVE value between 0.873 and 0.902. These high AVE values indicate that the latent constructs are able to explain more than 50% of the variance in their indicators, so it can be concluded that all constructs have met the convergent validity criteria.

B. Realiablity and Average Variance Extracted (AVE)

Table 3. Reliability and Construct Validity Test Result

Variable	Cronbach's Alpha	Composite reliebility rho_a	Composite reliebility rho_c	Avarege variance extraced (AVE)
Financial Technology	0.894	0.913	0.921	0.699
Accounting Literacy	0.760	0.782	0.861	0.675
Financial Statement Literacy	0.883	0.987	0.909	0.667

The outcomes of the construct reliability and validity assessments indicate that all variables in this research have satisfied the necessary standards. The Cronbach's Alpha coefficients for the Financial Technology, Accounting Literacy, and Financial Statement Literacy variables are 0.894, 0.760, and 0.883 respectively, demonstrating strong internal consistency. Furthermore, the Composite Reliability values (ρa and ρc) for every construct surpassed the 0.70 benchmark, signifying that the indicators forming the constructs exhibited high reliability. The Average Variance Extracted (AVE) figures for each variable also exceeded 0.50, confirming that the constructs sufficiently accounted for the variance in the indicators.

C. Model Suitability Test

Table 4.Adjusted R-Square Values

	R-Square	Adjusted R-squared
Financial Statement Literacy	0.040	0.024

The results of the structural model testing show that the R-square value for the Financial Statement Literacy variable is 0.040, with an adjusted R-square value of 0.024. This value indicates that the Accounting Literacy and Financial Technology variables together can explain 4.0% of the variation in Financial Statement Literacy, while the remaining 96.0% is influenced by other variables outside the research model. The relatively small R-square value indicates that the predictive ability of the model is still relatively low. However, in social and behavioral research, a low R-square value is still acceptable, especially when the research is exploratory and aims to test the relationship between certain variables.

Interpretation of Results

1. Financial Literacy → Quality of Financial Statements
    a) The higher the financial literacy, the better the financial reporting.
    b) Significant at $p < 0.05$.
2. Financial Technology → Quality Financial Statement
    a) Penggunaan fintech mempermudah pencatatan dan menghasilkan laporan lebih akurat.
    b) Significant at $p < 0.05$.
3. There is a positive and significant influence from:
    a) Financial Literacy and the Quality of Financial Statements.
    b) Financial Technology on the Quality of Financial Statements.
4. The influence of fintech is more dominant than literacy.
5. The results of the study indicate that financial literacy plays an important role in preparing financial statements. Respondents with a good level of literacy can categorize transactions, understand account classifications, and prepare accurate financial statements.
6. Financial technology has also been proven to improve the quality of financial reports through automated recording systems and transaction database storage. Fintech acts as a tool, but its effectiveness depends on the financial literacy of users.
7. The combination of literacy and technology utilization produces high-quality financial reports.

IV. CONCLUSION

This study examines the influence of financial literacy and financial technology on the quality of financial reports. The main findings show that financial literacy has a strong positive impact on the quality of these reports, which means that the ability to understand financial concepts and practices is an important factor in producing truly high-quality financial reports. Conversely, financial technology does not show a significant individual impact, indicating that the use of financial technology tools alone is not sufficient to directly improve the quality of reports without a solid foundation of financial literacy. Simultaneously, financial literacy and advances in financial technology have a significant impact on the quality of financial statements, although their impact has not been fully optimized. The findings of this study reveal that financial technology plays more of an instrumental role, while the quality of financial statements themselves is determined more by an individual's ability to manage and communicate financial data. This study makes a substantial contribution to the field of financial accounting literature, particularly because it highlights the crucial role of financial literacy as a key element that shapes the quality of financial statements. For further research, it is recommended to include additional relevant variables and expand the scope of the research object and approach in order to gain a more comprehensive understanding of the various factors that can affect the quality of financial statements.

V. RECOMMENDATIONS :

A. Financial literacy education is important for business owners.
B. Users of financial applications need to be guided in preparing formal financial reports.
C. Further research could include mediating variables such as financial behavior.

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