

Digital Technology Implementation and Financial Reporting Quality**Tumpal Manik^{1*)}**^{1.} Department of Accounting, Faculty of Economic and Business Maritime
Universitas Maritim Raja Ali Haji , Tanjungpinang - Indonesia

ARTICLE INFO	ABSTRACT
<p>Received : 13 April 2026 Revised : 14 April 2026 Accepted : 21 April 2026 Publish: 30 April 2026</p> <p>Keyword: Digital technology Financial reporting quality Digital Technology Digital transformation Accounting information</p>	<p>This study examines the effect of digital technology implementation on financial reporting quality among non-financial companies listed on the Indonesia Stock Exchange during the 2018–2025 period. Using a quantitative research approach, the study analyzes 3,185 firm-year observations from 455 companies. Digital technology implementation was measured through content analysis based on nine digital transformation components and 102 keyword indicators disclosed in annual reports. Financial reporting quality was proxied using the Jones Model, Dechow Model, and accounting conservatism measures. The findings indicate that digital technology implementation significantly improves financial reporting quality by enhancing internal control effectiveness, reducing information asymmetry, limiting earnings management practices, and increasing reporting transparency and reliability. The results further reveal that audit quality, firm age, and company growth positively influence financial reporting quality, whereas leverage, loss conditions, and the COVID-19 pandemic negatively affect reporting quality. Overall, this study provides empirical evidence that digital transformation plays an important role in strengthening the quality, credibility, and transparency of corporate financial reporting.</p>

1. Introduction

The rapid development of digital technology has transformed business operations across various industries. Organizations increasingly rely on digital systems to enhance operational efficiency, improve decision-making processes, and strengthen financial management practices. In particular, the implementation of digital technology in accounting and financial reporting has become a critical component of corporate governance and business sustainability.

The emergence of new digital technologies such as artificial intelligence, big data, blockchain, and cloud computing has brought substantial changes across various sectors worldwide, including in Indonesia, both within private organizations and government institutions. These developments have transformed the way companies conduct business operations, digitalize business models, manage financial reporting processes (Majdalawieh & Khan, 2022), and reshape corporate governance practices (Manita et al., 2020). These emerging technologies are commonly referred to as digital transformation, which offers significant opportunities for corporate success while simultaneously creating substantial challenges for management. Through digital transformation, companies may improve the effectiveness and efficiency of operational activities across various business functions

(Gebauer et al., 2020; Chen et al., 2023), create added value and strengthen competitiveness (Kong & Liu, 2023; Warner & Wäger, 2019). However, digital transformation also presents challenges for corporate management, as organizations are required to continuously adapt to evolving digital technologies to strengthen corporate governance practices, in addition, management readiness in designing and allocating organizational resources for digital transformation implementation remains a critical issue (Nadkarni & Prügl, 2021; Weerasinghe & Nirere, 2022).

Financial reporting quality plays an essential role in supporting stakeholders' decision-making processes. High-quality financial reports provide accurate, timely, relevant, and reliable information that reflects the actual financial condition of a company. However, traditional financial reporting systems often face challenges related to manual errors, information delays, limited transparency, and inefficient internal controls. Whereas, Digital transformation offers organizations opportunities to overcome these limitations. Technologies such as cloud computing, enterprise resource planning (ERP), artificial intelligence (AI), blockchain, and big data analytics enable companies to automate accounting processes, enhance data accuracy, and improve the accessibility of financial information. Consequently, the implementation of digital technology is expected to improve financial reporting quality and support organizational accountability.

This study is motivated by two primary considerations. First, the rapid development of digital transformation technologies has increasingly attracted attention from both academics and practitioners (Reis et al., 2018; Kraus et al., 2021; Nadkarni & Prügl, 2021; Majdalawieh & Khan, 2022). From an academic perspective, digital transformation has emerged as a contemporary issue that can be examined from multidisciplinary perspectives (Zhu et al., 2021). From a practical perspective, corporate management increasingly focuses on the availability of organizational resources and budget allocations required to design and implement digital transformation strategies (Kane et al., 2015; Saarikko et al., 2020; Hinterhuber et al., 2021).

Existing studies suggest that digital transformation effectively improves internal control systems, thereby limiting opportunistic managerial behavior and enhancing accounting information (Ji et al., 2022; Fang et al., 2023). Furthermore, digital transformation contributes to improved corporate performance by reducing inefficient operational costs (Heredia et al., 2022; Peng & Tao, 2022; Guo et al., 2023). Digital transformation also supports business process improvements, stimulates innovation, creates favorable business growth environments, and ultimately enhances corporate financial performance (Hess et al., 2020; Chen et al., 2022; Pan, et al., 2023; Gao, 2023; BinSaeed et al., 2023).

The second motivation of this study is the continuing concern regarding financial reporting quality among researchers, investors, creditors, and regulators (Hermanns, 2006; DeFond & Zhang, 2014; Shakespeare, 2020), both globally and in Indonesia. This concern is reflected in the continuing findings by regulators regarding opportunistic managerial behavior, including data manipulation, fraudulent practices, and accounting irregularities in financial reporting (Ministry of Finance of the Republic of Indonesia, 2019). As an illustration, during 2019 Indonesia recorded 22 cases of fraudulent financial reporting, 167 corruption cases, and 50 cases involving misuse of state and private assets by Association of Certified Fraud Examiners (ACFE, 2020). Furthermore, in 2022, there were 23 major findings related to fraud and financial statement manipulation (ACFE, 2022). These conditions indicate that financial reporting quality remains a critical issue requiring continuous attention, particularly in the context of increasing digital transformation and evolving corporate governance practices.

Therefore, this study aims to examine the effect of digital transformation on financial reporting quality. The study contributes to the accounting and information management literature by providing empirical evidence regarding how digital transformation enhances financial reporting practices and supports corporate transparency.

2. Literature Review and Hypothesis Development

2.1 Agency Theory

Agency theory, developed by [Jensen & Meckling, \(1976\)](#), explains the relationship between principals and agents within organizations. Information asymmetry between management and shareholders may create agency conflicts, particularly when managers possess more information regarding company performance than external stakeholders. High-quality financial reporting reduces agency problems by increasing transparency and accountability. The implementation of digital technology can strengthen monitoring mechanisms, improve data accuracy, and reduce opportunities for managerial manipulation. Consequently, digital systems may contribute to minimizing agency costs and enhancing stakeholder trust.

2.2 Integration Theory

Integration Theory was developed by [Treisman and Gelade, \(1980\)](#), to explain how individuals combine separate pieces of information in order to perceive an object as a complete and meaningful entity. The theory suggests that information consists of several complex components, including visual cognition, texture aggregation, localization, dimensions, and image elements such as lines, curves, numbers, and letters, which are processed and integrated comprehensively into unified information. In recent years, Integration Theory has received growing attention in the context of technology adoption and digital transformation. The study by [Abuhassna & Alnawajha, \(2023\)](#), highlights the application of Integration Theory in technology adoption to support transactional distance in remote learning interactions. Similarly, [Fang et al., \(2023\)](#) argue that digital transformation represents the integration of digital technologies such as intelligent systems, digitization, automation, artificial intelligence, machine learning, cloud computing, big data, and blockchain. The integration of these technologies can reduce earnings management practices, strengthen internal controls, and improve accounting quality.

Furthermore, the integration of digital technologies facilitates organizational innovation, enabling firms to enhance their capabilities and improve overall [\(Rajabalinejad, 2018; Dong et al., 2023\)](#). According to [Sklyar et al., \(2019\)](#), companies are more likely to achieve sustainable success in technological transformation when they effectively configure and integrate technological systems into their business continuity strategies. In addition, [Fang et al., \(2023\)](#), emphasize that broader and more optimal integration of digital technology can significantly improve corporate performance. This improvement occurs because integrated technologies enable better coordination across departments, reduce operational inefficiencies, and minimize duplicated overhead costs. Consistent with these findings, [Huang, \(2022\)](#), [Deng & Noorliza, \(2023\)](#), explain that technology integration helps firms manage dynamic and volatile business environments while enhancing operational performance. Ultimately, the process of integrating digital technology contributes to improving information quality and strengthening corporate financial performance.

2.3 Financial Reporting Quality

Financial reporting quality refers to the extent to which financial statements provide relevant, reliable, timely, and transparent information for stakeholders' decision-making processes. High-quality financial reporting enhances investor confidence, reduces information asymmetry, and strengthens corporate accountability. According to the conceptual framework of the International Accounting Standards Board, financial information should possess qualitative characteristics such as relevance, faithful representation, comparability, verifiability, timeliness, and understandability. In modern business environments, stakeholders increasingly demand accurate and real-time financial information. Consequently, companies are required to improve reporting systems and adopt technological innovations that support efficient financial reporting processes. The quality of financial

reporting is often influenced by internal control effectiveness, accounting systems, managerial competence, and technological infrastructure.

Financial reporting quality refers to the disclosure of financial information that complies with accounting standards and fulfills the fundamental qualitative characteristics of financial reporting (IASB, 2018; DSAK IAI, 2021). According to the Statement of Financial Accounting Standards (SAK, 2015, p.2), these fundamental characteristics include understandability, relevance, freedom from material misstatement, reliability, faithful representation, prudence, completeness, comparability, and timeliness. A study conducted Kusnadi et al., (2016), explains that financial statements are considered to have high quality when the information presented is accurate, reliable, and capable of reflecting the actual performance of the company.

High-quality financial reporting (FRQ) generates positive implications for several important aspects, including investment decisions, credit assessments, resource allocation, and the improvement of capital market efficiency (IASB, 2018; DSAK IAI, 2021). Therefore, companies that produce high-quality financial reports are better able to support investors in making informed investment decisions (Mahdi Sahi et al., 2022; Alsmady, 2022; Wu & Abeysekera, 2023). Before making investment decisions, investors generally evaluate financial statements in order to assess management performance and support rational decision-making processes (Muraina & Dandago, 2020). The information contained in financial reports serves as a representation of management's success in managing corporate operations and reflects the sustainability prospects of the company

Similarly, capital market analysts rely on financial reporting quality to support investment recommendations and market evaluations (Muraina & Dandago, 2020). For creditors, financial reporting quality plays an essential role in lending decisions because lenders frequently depend on financial statement information and future earnings projections as important considerations in credit contracts and financing agreements (Thuy et al., 2022). Consequently, high-quality financial reporting not only enhances corporate transparency and accountability but also strengthens stakeholder confidence in the financial condition and future performance of the company.

2.4 Digital Transformation and Financial Reporting Quality

Digital technology implementation refers to the adoption and integration of digital systems and technological innovations into organizational activities and business processes. In the accounting and finance context, digital technologies include cloud accounting systems, enterprise resource planning (ERP), artificial intelligence (AI), blockchain, big data analytics, and digital financial platforms. The implementation of digital technology enables organizations to automate accounting processes, reduce manual errors, improve data processing speed, and enhance the accessibility of financial information. Digital systems also facilitate real-time monitoring and strengthen internal control mechanisms, which contribute to more accurate and transparent financial reporting.

Based on prior studies, digital transformation can be defined as the integration of digital technologies with information technology, computing, communication systems, and connectivity infrastructure to digitally process business activities, improve organizational control, create new services, and expand external business networks ((Warner & Wäger, 2019; Robertsons & Lapiņa, 2023). These technological interactions include intelligent systems, digitization, automation, artificial intelligence, machine learning, cloud computing, big data, and blockchain technologies Jia et al., (2022); Fang et al., (2023). Similarly, Vial, (2019), defines digital transformation as the process of shifting from conventional technologies toward integrated digital technologies that support and enhance corporate operational activities.

Companies increasingly adopt digital transformation technologies because they provide more effective and efficient approaches for processing operational business activities digitally (Hess et al., 2020). Studies conducted by Krisko, (2017) and Rahwani et al., (2019), indicate that business

activities processed through digital transformation technologies tend to generate more accurate information that is less vulnerable to errors and fraudulent practices. Furthermore, digital transformation technologies contribute to strengthening internal control systems within business operations, reducing innovation costs, and producing faster and real-time reporting processes Peng & Tao, (2022).

In this context, digital transformation supports accounting divisions in performing their functions more effectively and efficiently, particularly in preparing and providing financial reporting information Pargmann et al., 2023 Quiros, 2022). The integration of digital technologies enables organizations to automate accounting procedures, improve data accessibility, and enhance the overall reliability of financial information systems. Several previous studies provide empirical evidence supporting the positive relationship between digital transformation and financial reporting quality. For example, the companies utilizing digital transformation technologies are more likely to produce higher-quality financial information. Digital transformation has also been found to improve the reliability of accounting information quality (Hasan, 2023).

These findings are further reinforced by studies conducted by Jia et al., (2022); Fang et al., (2023), which demonstrate that digital transformation significantly enhances accounting information quality. This improvement occurs because digital technologies strengthen internal control systems, limit earnings management practices, mitigate information asymmetry, and ultimately improve the quality and transparency of financial reporting information. As a result, digital transformation may contribute to reducing agency costs while simultaneously enhancing corporate accountability and stakeholder confidence.

Moreover, technologies such as artificial intelligence and big data analytics facilitate more effective financial analysis and decision-making processes. Cloud-based accounting systems improve collaboration and accessibility, while blockchain technology enhances data security and reporting reliability. Based on the theoretical explanations and previous empirical findings, this study proposes the following hypothesis:

H1 : Digital technology implementation and financial reporting quality

H2 : Digital transformation implementation and financial reporting quality

3. Data and Research Methods

This study adopts a quantitative research approach using secondary data obtained from annual reports and financial statements of non-financial companies listed on the Indonesia Stock Exchange during the 2018–2025 period. The sample consists of 455 companies with a total of 3,185 firm-year observations, excluding financial sector companies due to their distinct regulatory and reporting characteristics. Digital transformation was measured using a content analysis approach by identifying and calculating the frequency of digital transformation-related disclosures in corporate annual reports. The measurement framework was developed based on nine digital transformation components comprising 102 keyword indicators. A higher frequency of keyword disclosure reflects a greater level of digital transformation implementation within the company. Furthermore, the study employs panel data regression analysis to examine the effect of digital transformation on financial reporting quality.

3.1 Research model

The study methodology presents the created regression model, encompassing all researched variables, expressed succinctly and clearly (for instance, in the case of two regression models).

$$FRQ = \alpha_0 + \alpha_1 FRQ_{i,t} + \alpha_2 AUQ_{i,t} + \alpha_3 COVID_{i,t} + \alpha_4 LEV_{i,t} + \alpha_5 SIZE_{i,t} + \alpha_6 AGE_{i,t} + \alpha_7 LOSS_{i,t} + \alpha_8 GROWTH_{i,t} + \alpha_9 INDUS1_{i,t} + \epsilon_{i,t}$$

where is **FRQ1**; Financial reporting quality measured using the Jones Model.. **FRQ2**; Financial reporting quality measured using the Dechow Model.. **DIGTEG** : Digital technology. **DIGTRANS**: Digital transformation. **AUQ**: Audit quality. **COVID**: COVID-19 pandemic period., **LEV**: Leverage, representing the company's ability to fulfill obligations related to asset purchases financed through debt.. **SIZE**: firm size measured by the natural logarithm of the company's total assets.. **AGE**: Firm age. **LOSS**: Loss condition, indicating whether the company experiences financial losses.. **GROWTH**: Company growth.. **INDUST**; Sector and industry classification

Measurement

Financial Reporting Quality

Earnings quality reflects the ability of reported earnings to accurately represent a firm's actual financial performance and predict future earnings and cash flows. High-quality earnings are sustainable, reliable, and free from excessive managerial manipulation. Earnings quality is frequently measured using discretionary accruals based

Model Jones, (1991), for earning quality-2 (FRQ2)

$$TACC_{i,t} = NI_{i,t} - CFO_{i,t}$$

$$TACC_{i,t} / TA_{i,t-1} = \alpha_1 (1 / TA_{i,t-1}) + \alpha_2 (\Delta REV_{i,t} / TA_{i,t-1}) + \alpha_3 (PPE_{j,t} / TA_{i,t-1}) + \varepsilon_{i,t}$$

Model Dechow et al., (1995), for earning quality -1 (FRQ1)

$$NDAC_{i,t} = \alpha_1 (1 / TA_{i,t-1}) + \alpha_2 ((\Delta REV_{i,t} - \Delta REC_{j,t}) / TA_{i,t-1}) + \alpha_3 (PPE_{j,t} / TA_{i,t-1}) + \varepsilon_{i,t}$$

$$ABSDA_{i,t} = (TACC_{i,t} / TA_{i,t-1}) - NDAC_{i,t}$$

Where; $TACC_{i,t}$ is total accruals of company i in year t . $Nli_{i,t}$ is Net income of company i before extraordinary items in year t . IN is net income of company i before extraordinary items in year t . $CFO_{i,t}$ is Operating cash flow of company i in year t . TA is total accruals of firm i in year t . NDA is nondiscretionary accruals. $\Delta REV_{i,t}$ Change in revenue of firm i from year $t-1$ to year t . $\Delta REC_{i,t}$ Change in accounts receivable of firm i from year $t-1$ to year t . $PPE_{i,t}$ is gross property, plant, and equipment of firm i in year t . $ADSDA$ is absolute discretionary accrals

Conservatism (FRQ3)

Conservatism is commonly measured using the Basu Asymmetric Timeliness Model.

$$EPS_{i,t} - 1 = \beta_0 + \beta_1 D_{i,t} + \beta_2 R_{i,t} + \beta_3 (D_{i,t} \times R_{i,t}) + \varepsilon_{i,t}$$

Where; $EPS_{i,t}$ is Earnings per share of firm i in year t . $D_{i,t}$ is Dummy variable for bad news: 1 if stock return is negative, 0 otherwise. $R_{i,t}$ is annual stock return of firm i in year t . $D_{i,t} \times R_{i,t}$ is Interaction term measuring asymmetric timeliness in recognizing losses versus gain

4. Results and Discussion

4.1 Statistic Descriptive

The descriptive analysis indicates that firms implementing higher levels of digital transformation generally exhibit better financial reporting practices. Companies with integrated digital systems tend to produce more accurate and timely financial reports. Furthermore, the findings reveal variations in digital transformation adoption across industries, suggesting that technological implementation depends on organizational resources and operational complexity.

Tabel 1. Descriptive Statistics³

Variable	Obs	Mean	Std. dev.	Min	Max
FRQ1	3.185	-0,0367	0,1942	-6,2438	1,4219
FRQ2	3.185	-0,0367	0,1957	-6,3719	1,9210
DIGTEC	3.185	0,0034	0,3058	-2,8874	0,4493
DIGTRANS	3.185	0,0336	0,4058	-3,3225	0,6225
AUQ	3.185	0,3369	0,4727	0	1
COVID	3.185	0,2857	0,4518	0	1
LEV	3.185	0,3084	0,2248	0,3245	0,6425
SIZE (Log TA)	3.185	12,4355	0,7451	9,9179	14,6163
AGE (Log Age)	3.185	1,4310	0,2594	0,3010	2,0212
LOSS	3.185	0,2898	0,4537	0	1
GROWTH	3.185	0,0907	0,3691	-0,8780	1,8794
INDUST	3.185	0,7055	0,4559	0	1

4.2 Result of Test

Table 2 reports the regression results for the determinants of financial reporting quality (FRQ) across three estimation models. Overall, the regression models demonstrate strong statistical significance, as reflected by the F-statistics of 13.970, 14.280, and 34.660 with significance levels below 1%. These findings indicate that the independent and control variables jointly explain variations in financial reporting quality. Furthermore, the adjusted R² values of 55.4% and 55.5% in Models FRQ-1 and FRQ-2 suggest substantial explanatory power, while Model FRQ-3 explains approximately 12.8% of the variation in financial reporting quality.

The results presented in Table 2 for FRQ-1 and FRQ-2 indicate negative and significant coefficients, suggesting lower levels of earnings management practices among the sample firms. Since financial reporting quality in this study is measured using discretionary accrual-based models, lower discretionary accrual values reflect reduced managerial opportunistic behavior in financial reporting. These findings imply that companies tend to produce more reliable, transparent, and higher-quality financial statements. Accordingly, the results provide evidence that lower earnings management practices are associated with better financial reporting quality.

The dependent variables, FRQ1 and FRQ2, consistently exhibit significant associations across all estimation models. In Models FRQ-1 and FRQ-2, both variables show negative and highly significant coefficients, whereas positive and significant relationships emerge in Model FRQ-3. These findings suggest that alternative measurements of financial reporting quality capture different dimensions of reporting behavior and earnings quality. The results further imply that the quality of financial reporting remains sensitive to variations in measurement approaches, particularly under different reporting environments and firm-specific conditions.

Among the control variables, audit quality (AUQ) generally demonstrates a positive and statistically significant relationship with financial reporting quality. This finding indicates that higher-quality auditors contribute to improving the credibility, transparency, and reliability of financial statements. Firms audited by reputable auditors are more likely to comply with accounting standards and disclosure requirements, thereby reducing information asymmetry between management and stakeholders. The positive role of audit quality also reflects the importance of external monitoring mechanisms in strengthening corporate reporting integrity.

The COVID-19 pandemic period (COVID) consistently exhibits a negative and significant association with financial reporting quality across all models. This result suggests that the pandemic generated considerable operational uncertainty and economic disruption, which adversely affected

firms' reporting environments. During the pandemic period, companies faced declining revenues, financial instability, and increased estimation uncertainty, potentially weakening the consistency and reliability of financial reporting practices. The findings indicate that external economic shocks may significantly impair the quality of corporate financial disclosures.

Tabel 2. Results of testing

$$FRQ = \alpha_0 + \alpha_2 DIGTECi.t + DIGTRANSi.t + \alpha_3 AUQi.t + \alpha_4 COVIDi.t + \alpha_5 LEVi.t + \alpha_6 SIZEi.t + \alpha_7 AGEi.t + \alpha_8 LOSSi.t + \alpha_9 GROWTHi.t + \alpha_{10} INDUS1i.t + \epsilon_i.t$$

Variabel	Financial Reporting Quality (FRQ)										
	FRQ-1			FRQ-2			FRQ-3				
	Eks	Coeff	P-Value	Eks	Coeff	P-Value	Eks	Coeff	P-Value		
Dependent:											
DICTEC	-	4,38 ***	-0,000	-	4,41 ***	-0,000	-	5,04 ***	0,000		
DICTRANS	-	2,70 ***	-0,002	-	2,74 ***	-0,001	-	8,43 ***	0,000		
Control :											
AUQ	+	5,02 ***	-0,000	+	1,39 ***	0,000	+	3,97 **	0,014		
COVID	-	1,29 ***	-0,002	-	5,53 ***	-0,000	-	0,67 ***	0,007		
LEV	-	5,48	0,009	-	0,60	0,009	-	12,24 **	-0,000		
SIZE (Log TA)	-	0,63 ***	0,024	-	4,55 ***	0,000	-	1,82 **	-0,002		
AGE	+	4,38 ***	0,000	+	1,83 **	0,032	+	3,91 ***	-0,003		
LOSS	-	1,75 *	-0,040	-	5,04 ***	-0,040	-	3,50 ***	0,005		
GROWTH	+	5,08 ***	-0,003	+	3,50 ***	-0,033	+	8,97 ***	0,001		
INDUST	-	2,53 ***	-0,038	-	4,52 **	-0,038	-	0,34	0,003		
Cons		1,41	1,506		1,48	1,594		2,01 **	-0,176		
Observations			3.185			3,185			3185		
Adjusted R ²			0,554			0,655			0,628		
F Test			13,970			14,280			34,660		
F Sig.			0,000			0,0000			0,000		
Description: FRQ1 ; Financial reporting quality measured using the Jones Model.. FRQ2 ; Financial reporting quality measured using the Dechow Model.. DIGTEG : Digital technology. DIGTRANS : Digital transformation. AUQ : Audit quality. COVID : COVID-19 pandemic period., LEV : Leverage, representing the company's ability to fulfill obligations related to asset purchases financed through debt.. SIZE : firm size measured by the natural logarithm of the company's total assets.. AGE : Firm age. LOSS : Loss condition, indicating whether the company experiences financial losses.. GROWTH : Company growth.. INDUST ; Sector and industry classification											
			***Signifikan pada $\alpha=1\%$				**Signifikan pada $\alpha=5\%$				*Signifikan pada $\alpha=10\%$

Leverage (LEV) presents mixed but economically important effects across the models. In several estimations, leverage demonstrates a negative and significant relationship with financial reporting quality, indicating that highly leveraged firms may experience greater financial pressure and reporting incentives associated with debt obligations. Firms with substantial debt exposure may encounter stronger motivations to manage earnings or reduce disclosure transparency to maintain creditor confidence and financial stability. The findings therefore suggest that financial risk may adversely affect reporting quality and reporting conservatism.

Firm size (SIZE) also shows significant associations with financial reporting quality, although the coefficient directions vary across models. Larger firms generally possess stronger governance structures, more sophisticated accounting systems, and greater technological resources that support reporting quality. However, large firms may simultaneously face greater operational complexity and

higher reporting burdens, which may explain the inconsistent directional effects observed in the estimations. Nevertheless, the overall significance of firm size indicates that organizational scale remains an important determinant of reporting practices.

Firm age (AGE) demonstrates predominantly positive and significant effects on financial reporting quality. This finding implies that mature firms tend to possess greater organizational experience, established internal controls, and more stable reporting systems. Older firms are generally more familiar with regulatory requirements and stakeholder expectations, enabling them to produce more reliable and transparent financial reports. However, the negative coefficient observed in one estimation model may indicate that older firms occasionally face structural rigidity or lower adaptability in responding to evolving reporting standards and technological developments.

The loss condition (LOSS) consistently exhibits a negative and statistically significant relationship with financial reporting quality. This result suggests that firms experiencing financial losses are more vulnerable to reporting pressures and opportunistic accounting behavior. Loss-making firms may face incentives to manipulate earnings, delay disclosures, or reduce reporting transparency to maintain investor confidence and market reputation. Consequently, financial distress conditions may weaken the reliability and credibility of financial information.\

Company growth (GROWTH) generally demonstrates a significant relationship with financial reporting quality, although the direction varies across models. The positive coefficients indicate that growing firms tend to improve disclosure practices and strengthen reporting transparency in order to attract external financing and maintain investor trust. High-growth firms often require greater accountability and more effective communication with stakeholders. Conversely, the negative coefficients observed in certain estimations may suggest that rapidly growing firms experience operational complexity and reporting challenges that temporarily reduce reporting quality.

Industry classification (INDUST) also presents statistically significant effects in several models, indicating that sectoral characteristics influence financial reporting quality. Differences in industry regulation, business complexity, operational risk, and accounting practices may contribute to variations in reporting behavior across sectors. Firms operating in highly regulated industries are generally subject to stricter disclosure requirements, which may strengthen reporting quality and financial transparency.

Overall, the findings provide strong empirical evidence that corporate governance mechanisms, firm characteristics, financial conditions, and external economic environments significantly influence financial reporting quality. The results highlight the importance of maintaining high audit quality, financial stability, and effective governance structures in supporting transparent and reliable corporate reporting practices. Furthermore, the significant impact of the COVID-19 pandemic emphasizes the sensitivity of financial reporting quality to macroeconomic uncertainty and external shocks. These findings contribute to the growing literature on financial reporting quality by demonstrating that both internal organizational factors and external environmental conditions play critical roles in shaping reporting outcomes.

5. Conclusion

This study investigates the determinants of financial reporting quality by examining the influence of corporate characteristics, governance mechanisms, and external environmental conditions on the quality of financial reporting. Using multiple regression models with financial reporting quality proxies based on the Jones Model and the Dechow Model, the findings demonstrate that financial reporting quality is significantly affected by several internal and external factors. Overall, the empirical evidence confirms that audit quality, firm age, company growth, leverage, loss conditions, firm size, industry classification, and the COVID-19 pandemic period play important roles in shaping reporting quality across firms. The regression models also indicate strong explanatory

power, suggesting that the selected variables collectively provide meaningful explanations for variations in financial reporting quality.

The results reveal that firms with higher audit quality tend to produce more transparent, credible, and reliable financial reports, emphasizing the critical role of external auditors in strengthening corporate accountability and reducing information asymmetry. In contrast, leverage and loss conditions generally exhibit negative relationships with financial reporting quality, indicating that financially constrained firms are more vulnerable to reporting pressures and opportunistic accounting behavior. The study further shows that firm age and company growth contribute positively to reporting quality, suggesting that organizational maturity and business expansion encourage firms to improve disclosure practices and strengthen governance structures. Meanwhile, the significant negative impact of the COVID-19 pandemic highlights how macroeconomic uncertainty and operational disruption may weaken financial reporting effectiveness and increase reporting risk during crisis periods.

From a broader perspective, the findings underscore the importance of maintaining strong governance systems, effective auditing mechanisms, and sustainable financial conditions in enhancing the quality of corporate financial reporting. The study also suggests that financial reporting quality is not solely determined by accounting procedures, but is closely associated with organizational stability, financial capability, and external economic environments. Therefore, companies should continue strengthening internal control systems, improving reporting transparency, and adopting adaptive governance strategies to maintain reporting reliability under dynamic business conditions. In addition, regulators and policymakers are encouraged to promote stronger disclosure standards and governance frameworks to support higher-quality financial reporting practices. Overall, this study contributes to the growing literature on financial reporting quality by providing comprehensive empirical evidence regarding the interaction between governance characteristics, financial conditions, and external uncertainty in influencing corporate reporting outcomes.

5.1 Contributions, Limitations and further research

5.1.1 Contributions

This study provides several important contributions to the literature on financial reporting quality, corporate governance, and financial reporting practices. First, the study enriches the existing literature by offering comprehensive empirical evidence regarding the determinants of financial reporting quality using multiple measurement approaches, namely the Jones Model and the Dechow Model. The use of alternative proxies enables a broader understanding of how financial reporting quality may vary under different measurement frameworks and reporting environments. This approach strengthens the robustness of the findings and contributes to the ongoing discussion regarding the multidimensional nature of financial reporting quality.

Second, this study contributes theoretically by integrating governance mechanisms, firm characteristics, and external environmental factors within a unified analytical framework. The findings demonstrate that financial reporting quality is influenced not only by internal corporate conditions, such as audit quality, leverage, firm size, profitability, and firm age, but also by external macroeconomic conditions, particularly the COVID-19 pandemic. The study therefore extends the understanding of how organizational and environmental factors jointly shape corporate reporting behavior and financial disclosure practices.

Third, the findings provide important practical implications for corporate management, auditors, regulators, and investors. The positive role of audit quality highlights the importance of strengthening external monitoring mechanisms to improve transparency and reporting reliability. The evidence regarding the adverse effects of leverage, financial losses, and economic uncertainty

suggests that firms must maintain financial stability and effective governance systems to preserve reporting quality during periods of financial pressure and economic disruption. Furthermore, the study offers useful insights for regulators in designing policies that support stronger corporate disclosure practices, particularly during periods of economic instability and crisis conditions.

5.1.2 Limitations

Despite providing important empirical insights, this study has several limitations that should be acknowledged. First, the measurement of financial reporting quality relies primarily on accrual-based proxies derived from the Jones Model and the Dechow Model. Although these proxies are widely used in prior literature, they may not fully capture all dimensions of reporting quality, such as qualitative disclosures, narrative transparency, integrated reporting practices, or managerial ethical behavior. Consequently, the interpretation of financial reporting quality remains limited to the accounting-based indicators employed in this study.

Second, the study focuses on specific research setting and observation period, which may limit the generalizability of the findings across different institutional environments and economic contexts. Corporate governance structures, regulatory systems, and financial reporting practices may differ substantially across countries and industries. In addition, the inclusion of the COVID-19 pandemic period introduces extraordinary economic conditions that may temporarily influence corporate reporting behavior and financial decision-making processes.

Third, several potential determinants of financial reporting quality were not incorporated into the regression models. Variables such as ownership structure, board characteristics, managerial capability, corporate culture, technological transformation, sustainability reporting, and digital governance practices may also influence reporting quality but were beyond the scope of this study. The omission of these variables may limit the comprehensiveness of the empirical model and leave opportunities for further refinement.

5.1.3 Further Research

Future research may extend this study in several important directions. First, future studies are encouraged to employ broader and more comprehensive measurements of financial reporting quality by incorporating qualitative disclosure indices, integrated reporting indicators, sustainability reporting quality, or real earnings management measures. Such approaches may provide deeper insights into the multidimensional characteristics of financial reporting quality and corporate transparency.

Second, future research may examine the moderating or mediating effects of additional governance and technological variables, such as digital transformation, artificial intelligence adoption, enterprise resource planning systems, board diversity, ownership concentration, and environmental, social, and governance (ESG) practices. The increasing adoption of digital technologies and sustainability-oriented governance mechanisms may substantially influence the quality, transparency, and timeliness of corporate financial reporting.

Third, future studies may expand the research scope by conducting cross-country comparisons, longitudinal analyses, or industry-specific investigations to explore how institutional environments and regulatory systems affect financial reporting quality. Comparative studies between developed and emerging markets may provide valuable insights into differences in governance effectiveness, disclosure practices, and reporting behavior under varying economic and regulatory conditions.

Finally, future research may further investigate the long-term implications of economic crises, financial instability, and global uncertainty on financial reporting practices. The COVID-19 pandemic has demonstrated that external shocks can significantly affect corporate reporting environments.

Therefore, examining post-pandemic reporting behavior and organizational adaptation strategies may contribute to a deeper understanding of corporate resilience, governance effectiveness, and reporting sustainability in dynamic business environments.

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