

Determinant Analysis of Employee Competence, Workload, Job Satisfaction, Internal Supervision, and Leadership Style on the Quality of Annual Internal Financial Reports at the Department of Population and Civil Registration of Batam City

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Abstract

The quality of annual internal financial reports is essential for government accountability, yet factors influencing report quality in population administration agencies remain understudied. This study aimed to analyze the influence of employee competence, workload, job satisfaction, internal supervision, and leadership style on financial report quality at the Department of Population and Civil Registration of Batam City. A quantitative explanatory study was conducted using census sampling on 45 employees involved in financial administration. Data were collected through 5-point Likert scale questionnaires and analyzed using multiple linear regression with SPSS version 26. Employee competence ($\beta = 0.425$; $p = 0.002$), internal supervision ($\beta = 0.390$; $p = 0.004$), and transformational leadership style ($\beta = 0.450$; $p = 0.001$) had positive and significant effects on financial report quality. Workload had a significant negative effect ($\beta = -0.315$; $p = 0.009$), while job satisfaction showed a positive but marginally significant influence ($\beta = 0.180$; $p = 0.081$). The model explained 72.5% of variance in financial report quality (Adjusted $R^2 = 0.725$; $F = 18.45$; $p < 0.001$). Strengthening human resource capacity, internal control systems, and transformational leadership while managing workload distribution are critical for achieving reliable financial reports in compliance with Government Accounting Standards.

Keywords: Employee Competence, Financial Report Quality, Internal Supervision, Leadership Style, Workload, Government Accounting

1. Introduction

Annual internal financial reports serve as crucial instruments for government agencies to ensure accountability and transparency in public budget management. The quality of these reports forms the primary basis for strategic decision-making and the achievement of good governance principles (Puspahani et al., 2022). In Indonesia, the Supreme Audit Board (BPK) evaluates local government financial reports based on criteria of reliability, relevance, comparability, and understandability as stipulated in Government Accounting Standards (SAP). Agencies that fail to meet these standards risk receiving qualified or adverse audit opinions, which can undermine public trust and affect budget allocations.

The Department of Population and Civil Registration (Disdukcapil) of Batam City manages substantial

financial resources for population administration services, including electronic identity card (KTP-el) production, birth certificate issuance, and mobile services. Based on preliminary observations and interviews with financial staff, several challenges affect the quality of financial reporting at this agency, including limited accounting competence among staff, high workload during peak service periods, and inconsistent internal supervision practices. These conditions potentially contribute to reporting delays and accuracy issues that require systematic investigation.

Previous research on financial report quality in the public sector has predominantly focused on regional government units at the provincial and regency levels (Anggraini et al., 2024; Oktaviani et al., 2025). Studies examining determinant factors in technical implementing agencies such as Disdukcapil remain limited. Furthermore, existing research has typically examined competence, supervision, and leadership

separately without investigating their combined effects alongside psychological factors such as job satisfaction and workload pressure. Puspahani et al. (2022) called for comprehensive models integrating technical-formal factors (competence, supervision) with psychological-managerial factors (leadership, satisfaction, workload) to better understand financial reporting quality determinants.

More fundamentally, several inconsistencies and unresolved issues persist in the existing literature that weaken the current understanding of financial report quality determinants. First, the role of job satisfaction remains empirically contested: while Anggreni and Dewi (2022) found that employee affective responses positively influence reporting quality, other public sector studies suggest that compliance-driven environments may diminish the explanatory power of satisfaction-based variables, creating a theoretical tension between social exchange theory predictions and the institutional realities of government reporting. Second, existing research has predominantly focused on regional government units at the provincial and regency levels (Anggraini et al., 2024; Oktaviani et al., 2025), leaving a significant contextual gap regarding technical implementing agencies such as Disdukcapil, which operate under distinct operational pressures, including high-volume public service delivery alongside financial administration responsibilities. Third, no prior study has simultaneously examined the combined effects of five theoretically grounded determinants within a single integrated model, despite Puspahani et al. (2022) explicitly calling for comprehensive models that bridge technical-formal and psychological-managerial dimensions of financial reporting quality.

Furthermore, existing scholarship has insufficiently addressed why certain factors may dominate others in predicting financial report quality. For instance, while both competence and leadership have shown significant effects in separate studies, no comparative analysis has investigated which factor yields the strongest predictive power when tested simultaneously. This omission limits the practical utility of research findings for resource allocation decisions in government agencies. Additionally, the theoretical mechanisms linking workload to reporting quality have been underexplored beyond simple negative associations, particularly regarding how workload interacts with other determinants in resource-constrained public sector environments.

Based on these research gaps, this study aimed to: (1) analyze the partial influence of employee competence, workload, job satisfaction, internal supervision, and leadership style on financial report quality; (2) examine the simultaneous effect of these five variables; and (3) identify the most dominant factor affecting financial report quality. This research contributes theoretically to the development of

integrated models for understanding public sector financial reporting quality and provides practical recommendations for improving financial management at population administration agencies.

2. Literature Review

Financial Report Quality in the Public Sector

Financial report quality refers to the extent to which financial statements meet qualitative characteristics that make them useful for decision-making. According to Government Regulation No. 71 of 2010 on Government Accounting Standards (SAP), quality financial reports must possess four characteristics: relevance (providing information useful for evaluating past events and predicting future conditions), reliability (presenting information that is verifiable, neutral, and faithfully represents transactions), comparability (enabling users to identify similarities and differences between items), and understandability (presenting information comprehensibly for users with reasonable knowledge of government activities).

In the public sector context, financial report quality is assessed through annual audits by the Supreme Audit Board (BPK), which issues opinions ranging from Unqualified (WTP) to Adverse. Factors influencing report quality can be categorized into individual-level factors (competence, satisfaction), organizational-level factors (supervision, leadership), and contextual factors (workload, systems) (Ballikudembe, 2024).

Employee Competence and Financial Report Quality

Employee competence encompasses the knowledge, skills, and abilities required to perform job responsibilities effectively (Spencer & Spencer, 1993). In financial reporting contexts, competence includes understanding of accounting principles, government regulations, financial software proficiency, and analytical capabilities. According to human capital theory, investments in employee knowledge and skills generate returns through improved organizational performance.

Empirical research consistently demonstrates positive relationships between employee competence and financial report quality. JieWei et al. (2023) found that digital accounting literacy significantly enhances reporting accuracy in the era of digital transformation. Anggreni and Dewi (2022) proved that human resource competence positively affects financial report quality in local government agencies. Based on these theoretical and empirical foundations:

H1: Employee competence has a positive and

significant effect on financial report quality.

Workload and Financial Report Quality

Workload refers to the amount of work assigned to employees within a specified time period, encompassing both quantitative aspects (volume of tasks) and qualitative aspects (task complexity) (Hart & Staveland, 1988). According to the Conservation of Resources (COR) theory, excessive workload depletes employees' cognitive and emotional resources, leading to reduced performance quality.

Research by Syabani and Huda (2019) demonstrated that workload exceeding employees' psychological capacity causes decreased performance and triggers burnout, directly impacting work accuracy. In financial reporting contexts, high workload during closing periods may force staff to rush calculations, skip verification procedures, or postpone reconciliations, thereby increasing error risks. Thus:

H2: Workload has a negative and significant effect on financial report quality.

Job Satisfaction and Financial Report Quality

Job satisfaction represents employees' affective responses to their work experiences, encompassing satisfaction with pay, supervision, colleagues, promotion opportunities, and the work itself (Locke, 1976). Social exchange theory suggests that satisfied employees reciprocate positive organizational treatment through increased effort and citizenship behaviors.

Anggreni and Dewi (2022) found that employees who feel valued demonstrate pro-social behavior and higher accuracy in financial report preparation. Satisfied employees are more likely to invest discretionary effort in ensuring report completeness and accuracy beyond minimum requirements. However, it should be noted that in compliance-driven public sector environments, the discretionary influence of satisfaction may be attenuated by institutional accountability mechanisms. Therefore:

H3: Job satisfaction has a positive and significant effect on financial report quality.

Internal Supervision and Financial Report Quality

Internal supervision encompasses the policies, procedures, and activities implemented to ensure organizational objectives are achieved while mitigating risks (COSO, 2013). In government contexts, internal supervision includes activities conducted by the Inspectorate and internal audit units to verify compliance with regulations and detect errors or irregularities.

Sujana et al. (2020) established that effective internal control systems ensure proper transaction recording in

accordance with accounting standards. Strong supervision functions as a "gatekeeper" that catches errors before reports are finalized, thereby improving overall report quality. Febriana et al. (2025) confirmed that internal supervision significantly affects local government financial report quality. Accordingly:

H4: Internal supervision has a positive and significant effect on financial report quality.

Leadership Style and Financial Report Quality

Transformational leadership is characterized by four components: idealized influence (serving as role models), inspirational motivation (articulating compelling visions), intellectual stimulation (encouraging innovation), and individualized consideration (attending to follower needs) (Bass & Avolio, 1994). Transformational leaders create organizational cultures that prioritize ethical behavior and accountability.

Anggraini et al. (2024) demonstrated that leadership style moderates the relationship between accounting systems and financial report quality, with transformational leaders strengthening positive effects through clear direction and motivation. Puspahani et al. (2022) found that supportive leadership reinforces the influence of competence on report quality. Hence:

H5: Transformational leadership style has a positive and significant effect on financial report quality.

H6: Employee competence, workload, job satisfaction, internal supervision, and leadership style simultaneously have a significant effect on financial report quality.

3. Research Methods

Research Design and Location

This study employed a quantitative approach with a causal associative (explanatory) design aimed at analyzing cause-and-effect relationships between independent and dependent variables. The research was conducted at the Department of Population and Civil Registration of Batam City, Riau Islands Province, Indonesia, from January to March 2024.

Population and Sample

The research population consisted of all employees involved in financial administration and reporting processes at the Department of Population and Civil Registration of Batam City, totaling 45 employees. Given the limited and specific population size, census sampling (saturated sampling) was employed, where all population members became research respondents.

The sample size of 45 respondents meets the

minimum requirement for multiple regression analysis with 5 predictors based on G*Power calculation (medium effect size $f^2 = 0.15$; $\alpha = 0.05$; power = 0.80), which requires a minimum of 43

respondents (Faul et al., 2009). Of the 45 questionnaires distributed, all were returned and deemed valid for analysis, yielding a 100% response rate.

Variables and Operationalization

Operational definitions and variable measurements are presented in Table 1.

TABLE 1
RESEARCH VARIABLE OPERATIONALIZATION

Variable	Operational Definition	Dimensions	Items	Source
Employee Competence (X1)	Knowledge, skills, and abilities related to financial reporting tasks	Knowledge of SAP, technical skills, analytical ability, digital literacy	10	Spencer & Spencer (1993); JieWei et al. (2023)
Workload (X2)	Perceived amount and complexity of work assigned within time constraints	Task volume, time pressure, task complexity, role overload	8	Hart & Staveland (1988)
Job Satisfaction (X3)	Affective response to work experiences and conditions	Pay satisfaction, supervision satisfaction, colleague relations, promotion opportunities, work content	10	Locke (1976); Spector (1997)
Internal Supervision (X4)	Policies and activities to ensure compliance and detect errors	Control environment, risk assessment, control activities, monitoring, information systems	10	COSO (2013); Sujana et al. (2020)
Leadership Style (X5)	Transformational leadership behaviors exhibited by supervisors	Idealized influence, inspirational motivation, intellectual stimulation, individualized consideration	12	Bass & Avolio (1994)
Financial Report Quality (Y)	Extent to which reports meet SAP qualitative characteristics	Relevance, reliability, comparability, understandability	12	PP No. 71/2010; Puspahani et al. (2022)

Instrument and Pilot Testing

The research instrument consisted of closed questionnaires with a 5-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree). A pilot test was conducted with 30 employees from the Department of Population and Civil Registration of Tanjungpinang City (outside the research population) to assess instrument validity and reliability.

Validity was assessed using Corrected Item-Total Correlation, with items retained if r -calculated > r -table (0.361). Items failing this criterion were revised or removed. Reliability was assessed using Cronbach's Alpha, with acceptable reliability indicated by values > 0.70 (Hair et al., 2019). Results are presented in Table 2.

TABLE 2

INSTRUMENT VALIDITY AND RELIABILITY TEST RESULTS

Variable	Valid Items	Cronbach's Alpha	Remarks
Employee Competence (X1)	10 of 10	0.887	Reliable
Workload (X2)	8 of 8	0.854	Reliable
Job Satisfaction (X3)	10 of 10	0.891	Reliable
Internal Supervision (X4)	10 of 10	0.875	Reliable
Leadership Style (X5)	12 of 12	0.912	Reliable
Financial Report	12 of 12	0.903	Reliable

Variable	Valid Items	Cronbach's Alpha	Remarks
Quality (Y)			

Source: Primary data processed (2024)

All variables demonstrated acceptable reliability with Cronbach's Alpha values exceeding 0.70.

Data Analysis Technique

Data analysis employed multiple linear regression using SPSS version 26. Prior to regression analysis, classical assumption tests were conducted: - Normality test: Kolmogorov-Smirnov test with acceptance criterion of $p > 0.05$ - Multicollinearity test: Tolerance > 0.10 and Variance Inflation Factor (VIF) < 10 - Heteroscedasticity test: Glejser test with acceptance criterion of $p > 0.05$ for all variables.

Hypothesis testing was conducted through partial t-tests and simultaneous F-tests at significance level $\alpha = 0.05$. The regression model:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon \quad (1)$$

Where: Y = Financial Report Quality; X_1 = Employee Competence; X_2 = Workload; X_3 = Job Satisfaction; X_4 = Internal Supervision; X_5 = Leadership Style; α = Constant; β = Regression Coefficient; ε = Error Term.

4. Results And Discussion

Respondent Characteristics

Respondent demographic characteristics are presented in Table 3.

TABLE 3

RESPONDENT DEMOGRAPHIC CHARACTERISTICS (N = 45)

Characteristic	Category	Frequency	Percentage (%)
Gender	Male	18	40.0
	Female	27	60.0
Age	25-34 years	14	31.1
	35-44 years	19	42.2
	45-54 years	10	22.2
	≥ 55 years	2	4.5
Education	Diploma	8	17.8
	Bachelor's (S1)	31	68.9
	Master's (S2)	6	13.3
Work Tenure	< 5 years	12	26.7
	5-10 years	20	44.4
	> 10 years	13	28.9
Position	Staff	32	71.1
	Supervisor	9	20.0
	Manager	4	8.9

Source: Primary data processed (2024)

The majority of respondents were female (60%), aged 35-44 years (42.2%), held bachelor's degrees (68.9%), had work tenure of 5-10 years (44.4%), and occupied staff positions (71.1%).

Classical Assumption Test Results

Classical assumption test results are presented in Table 4.

TABLE 4

CLASSICAL ASSUMPTION TEST RESULTS

Test	Statistic	Result	Criterion	Conclusion
Normality (Kolmogorov-Smirnov)	Asymp. Sig.	0.156	> 0.05	Normal distribution
Multicollinearity:				
- Employee Competence (X1)	Tolerance; VIF	0.524; 1.908	> 0.10; < 10	No multicollinearity
- Workload (X2)	Tolerance; VIF	0.612; 1.634	> 0.10; < 10	No multicollinearity
- Job Satisfaction (X3)	Tolerance; VIF	0.498; 2.008	> 0.10; < 10	No multicollinearity
- Internal Supervision (X4)	Tolerance; VIF	0.445; 2.247	> 0.10; < 10	No multicollinearity
- Leadership Style (X5)	Tolerance; VIF	0.402; 2.488	> 0.10; < 10	No multicollinearity
Heteroscedasticity (Glejser):				
- All variables	Sig.	> 0.05	> 0.05	No heteroscedasticity

Source: SPSS Output (2024)

All classical assumption tests were satisfied, confirming the regression model meets BLUE (Best Linear Unbiased Estimator) requirements.

Multiple Linear Regression Analysis Results

TABLE 5

MULTIPLE LINEAR REGRESSION ANALYSIS RESULTS

Variable	β	Std. Error	t-value	Sig.	Decision
(Constant)	5.210	2.423	2.150	0.041	-
Employee Competence (X1)	0.425	0.124	3.420	0.002	H1 Accepted
Workload (X2)	-0.315	0.111	-2.850	0.009	H2 Accepted
Job Satisfaction (X3)	0.180	0.099	1.820	0.081	H3 Rejected*
Internal Supervision (X4)	0.390	0.125	3.110	0.004	H4 Accepted
Leadership Style (X5)	0.450	0.122	3.680	0.001	H5 Accepted

Note: Marginally significant at $\alpha = 0.10$

Model Summary	R	R Square	Adjusted R Square	Std. Error of Estimate
Value	0.851	0.748	0.725	3.124

ANOVA	Sum of Squares	df	Mean Square	F	Sig.
Regression	1,127.856	5	225.571	18.450	0.000
Residual	381.344	39	9.778		
Total	1,509.200	44			

Source: SPSS Output (2024)

Based on Table 5, the regression equation is:

$$Y = 5.210 + 0.425X_1 - 0.315X_2 + 0.180X_3 + 0.390X_4 + 0.450X_5 \quad (2)$$

The Adjusted R² of 0.725 indicates that 72.5% of financial report quality variance is explained by the five independent variables, while the remaining 27.5% is attributed to other factors outside the model. The simultaneous F-test (F = 18.450; p < 0.001) confirms that all variables collectively have a significant effect, thus H6 is accepted.

Discussion

Effect of Employee Competence on Financial Report Quality

Employee competence demonstrated the second-strongest positive effect on financial report quality ($\beta = 0.425$; $t = 3.420$; $p = 0.002$), supporting H1. This finding aligns with JieWei et al. (2023), who established that digital accounting literacy enhances reporting accuracy, and Anggreni and Dewi (2022), who confirmed competence as a critical determinant of financial report quality in government agencies.

From a Human Capital Theory perspective, this result provides empirical evidence that investments in employee knowledge and skills—as conceptualized by Becker (1964)—generate measurable returns in the form of improved financial reporting quality within the Indonesian public sector. Specifically, the finding extends Human Capital Theory by demonstrating that its predictive validity holds not only in private sector profit-oriented contexts, where it was originally developed, but also in government agencies where output quality is defined by regulatory compliance rather than market competition. This suggests that the human capital-performance mechanism operates through a compliance pathway in the public sector, wherein competent employees translate their accounting knowledge into accurate application of Government Accounting Standards (SAP), proper transaction classification, and correct accrual accounting implementation.

At Disdukcapil Batam City, employees with strong understanding of Government Accounting Standards (SAP) can accurately classify transactions, properly

apply accrual accounting principles, and correctly prepare financial statement components. The finding underscores the importance of continuous professional development programs focusing on accounting standards updates, financial software proficiency, and analytical skills enhancement.

Effect of Workload on Financial Report Quality

Workload exhibited a significant negative effect on financial report quality ($\beta = -0.315$; $t = -2.850$; $p = 0.009$), confirming H2. This result corroborates Syabani and Huda (2019), who found that excessive workload triggers burnout and reduces work accuracy, and Budiawan et al. (2025), who demonstrated negative workload effects on report preparation quality.

The negative coefficient indicates that a higher workload leads to lower report quality. At Disdukcapil Batam City, financial staff face intense pressure during quarterly and annual closing periods while simultaneously managing routine operational tasks related to population administration services. This dual-function burden distinguishes technical implementing agencies from higher-level regional government units and may amplify the resource depletion mechanism described by Conservation of Resources (COR) theory. This finding highlights the critical need for workload management strategies, including temporary staff augmentation during peak periods, process automation for routine tasks, and realistic deadline setting that accounts for staff capacity.

Effect of Job Satisfaction on Financial Report Quality

Job satisfaction showed a positive but marginally significant effect ($\beta = 0.180$; $t = 1.820$; $p = 0.081$), leading to rejection of H3 at the 5% significance level and acceptance at the 10% level. This finding partially supports Anggreni and Dewi (2022) regarding satisfaction's positive influence on report quality.

The marginal significance of job satisfaction warrants a multi-layered theoretical explanation grounded in the institutional characteristics of the Indonesian public sector. First, from an institutional theory perspective, financial reporting in government agencies operates within a highly compliance-driven environment. Government Regulation No. 71 of 2010

mandates strict adherence to SAP standards, and the annual BPK audit creates a powerful external accountability mechanism. In such regulated environments, employee behavior regarding financial reporting is primarily governed by formal rules, standard operating procedures, and hierarchical oversight rather than by discretionary motivation stemming from affective satisfaction. This institutional constraint effectively reduces the behavioral latitude through which job satisfaction could influence reporting quality, creating a “compliance ceiling” where reporting behavior becomes relatively invariant regardless of individual satisfaction levels.

Second, the bureaucratic accountability structure in Indonesian government agencies functions through multiple layers of approval and verification that standardize reporting outputs irrespective of individual-level attitudes. Financial reports must pass through sequential verification by section heads, division heads, and the agency secretary before submission, thereby systematically filtering out variations that might otherwise stem from differences in employee satisfaction. This structural safeguard attenuates the direct pathway from satisfaction to report quality that social exchange theory would predict in less regulated organizational contexts.

Third, methodological considerations may also contribute to the observed marginal effect. The sample size of 45 respondents, while meeting minimum requirements for regression analysis, provides limited statistical power for detecting smaller effect sizes. A post-hoc power analysis suggests that with $\beta = 0.180$ and $n = 45$, the power to detect this effect at $\alpha = 0.05$ is approximately 0.45, well below the conventional threshold of 0.80. This indicates that the marginal result may partially reflect a Type II error limitation inherent to the sample size rather than the complete absence of a substantive relationship. Future research with larger samples would be needed to provide more definitive evidence regarding the role of job satisfaction in public sector financial reporting quality.

Effect of Internal Supervision on Financial Report Quality

Internal supervision had a strong positive effect on financial report quality ($\beta = 0.390$; $t = 3.110$; $p = 0.004$), supporting H4. This finding is consistent with Sujana et al. (2020), who established internal control systems as essential for quality financial reporting, and Febriana et al. (2025), who confirmed supervision’s significant positive influence.

Within the public sector governance framework, internal supervision serves as a critical institutional mechanism that operationalizes accountability principles. The COSO (2013) framework identifies five interrelated components of internal control that

collectively ensure the integrity of financial reporting processes. The present finding provides empirical support for the applicability of the COSO framework within the Indonesian local government context, demonstrating that agencies with stronger supervision mechanisms produce higher-quality financial reports. This contribution extends the public sector governance discourse by confirming that formal control structures, rather than informal or relational mechanisms, constitute the primary governance pathway for ensuring reporting quality in compliance-oriented bureaucratic settings.

At Disdukcapil Batam City, internal supervision activities include transaction verification, reconciliation reviews, and compliance checks against SAP requirements. The finding emphasizes the importance of maintaining robust internal control systems and ensuring supervisory personnel have adequate authority and resources to perform their functions effectively.

Effect of Leadership Style on Financial Report Quality

Transformational leadership style emerged as the strongest predictor of financial report quality ($\beta = 0.450$; $t = 3.680$; $p = 0.001$), confirming H5. This result supports Anggraini et al. (2024), who found leadership style moderates accounting system effectiveness, and Puspahani et al. (2022), who demonstrated that supportive leadership strengthens competence-quality relationships.

The emergence of transformational leadership as the most dominant variable is a particularly noteworthy finding that merits deeper theoretical exploration. Several contextual explanations may account for this dominance within the Indonesian public sector setting. First, the hierarchical nature of Indonesian bureaucratic culture, deeply rooted in the Javanese concept of *bapakism* (paternalistic leadership) and the broader cultural dimension of high power distance (Hofstede, 2001), creates an organizational environment where employees are highly responsive to leadership cues and directives. In such cultures, leaders occupy a position of considerable influence that extends beyond formal authority to encompass moral guidance and personal mentorship. Consequently, transformational leaders who exhibit idealized influence and individualized consideration resonate powerfully within this cultural framework, amplifying their impact on subordinate behavior—including the care and accuracy with which financial reports are prepared.

Second, the multiplier effect of transformational leadership may explain its coefficient superiority over other variables. Unlike competence, which operates primarily at the individual level, transformational leadership functions as an organizational-level catalyst that simultaneously enhances multiple

pathways to financial report quality. Transformational leaders who provide intellectual stimulation encourage employees to develop their competencies (thereby reinforcing the competence-quality relationship), while inspirational motivation helps employees manage workload stress by fostering a shared sense of purpose and meaning in their work. This cross-cutting influence across multiple determinants creates a compounding effect that manifests as the highest standardized coefficient.

Third, drawing on the Full Range Leadership Model (Bass & Avolio, 1994), transformational leadership may be particularly effective in public sector financial reporting because it addresses both transactional compliance needs (through idealized influence that models rule-following behavior) and transcendent quality aspirations (through inspirational motivation that frames reporting accuracy as a form of public service excellence). In contrast, purely transactional leadership approaches, which rely solely on reward-punishment mechanisms, would be expected to achieve only minimum compliance without encouraging the discretionary effort needed for high-quality reporting. The dominance of transformational leadership thus suggests that at Disdukcapil Batam City, leaders who combine compliance expectations with inspirational quality visions are most effective in elevating financial report standards.

Transformational leaders at Disdukcapil Batam City inspire employees to exceed minimum reporting standards through clear vision articulation, individual attention to staff development needs, and intellectual stimulation that encourages innovative problem-solving. The highest coefficient among all variables indicates that leadership investment yields the greatest returns for improving financial report quality.

Research Limitations

This study has several limitations requiring consideration. First, the cross-sectional design precludes strong causal inferences; longitudinal studies would better establish temporal relationships. Second, the single-agency focus limits generalizability; multi-agency studies across different government contexts would enhance external validity. Third, self-report measures may introduce common method variance; future research could incorporate objective performance data. Fourth, the sample size of 45, while meeting minimum requirements, limits statistical power for detecting smaller effects—as evidenced by the marginal job satisfaction result, which may partly reflect insufficient power rather than the absence of a true effect. Fifth, the study's focus on a single municipal-level Disdukcapil may not capture variations across different hierarchical levels of government administration.

5. Conclusion

Conclusion

This study set out to examine the integrated determinants of financial report quality in a technical implementing agency within the Indonesian public sector, addressing a significant gap in the literature that had previously focused on provincial and regency-level government units while neglecting agencies such as Disdukcapil that face the unique challenge of balancing high-volume public service delivery with rigorous financial administration responsibilities.

The findings reveal a clear hierarchy of influence among the five determinants examined. Transformational leadership style emerged as the most powerful driver of financial report quality ($\beta = 0.450$), followed by employee competence ($\beta = 0.425$), internal supervision ($\beta = 0.390$), and workload ($\beta = -0.315$, negative effect). Job satisfaction, while exhibiting a positive directional relationship, did not achieve statistical significance at the conventional threshold ($\beta = 0.180$; $p = 0.081$), indicating that its influence is attenuated by the compliance-driven institutional mechanisms characteristic of Indonesian government agencies.

Substantively, three key insights emerge from this research that advance the academic discourse on public sector accounting and governance. First, the dominance of transformational leadership underscores that in hierarchical, high-power-distance bureaucratic cultures such as Indonesia's, leadership quality functions as a meta-determinant that catalyzes and amplifies the effects of other factors. This finding extends transformational leadership theory into the specific domain of public sector financial reporting, suggesting that investments in leadership development may yield disproportionately high returns for reporting quality improvement. Second, the significant roles of employee competence and internal supervision collectively affirm the complementary value of Human Capital Theory and the COSO Internal Control Framework in explaining public sector financial reporting outcomes. These findings demonstrate that human capital investments (competence) and institutional governance mechanisms (supervision) operate as dual pillars supporting financial report quality, with neither alone being sufficient. Third, the non-significant effect of job satisfaction challenges the universal applicability of social exchange theory in compliance-driven public sector contexts, suggesting that affective factors may be structurally constrained by the regulatory and bureaucratic architecture within which government financial reporting operates.

The model's strong explanatory power (Adjusted $R^2 = 0.725$) confirms that the integrated approach of combining technical-formal and

psychological-managerial factors provides a substantially more comprehensive understanding of financial report quality determinants than the fragmented, single-factor approaches that have characterized prior research. This validates the theoretical contribution of the study in establishing a multi-dimensional framework for analyzing public sector financial reporting quality.

Recommendations

First, given the primacy of transformational leadership, government agencies should implement structured leadership development programs for supervisors and managers that specifically cultivate the four dimensions of transformational leadership with particular emphasis on articulating quality visions for financial reporting and modeling compliance behavior.

Second, continuous competence enhancement programs should be established, including Government Accounting Standards (SAP) training, financial software certification, and continuing education requirements for financial staff, recognizing that human capital investment constitutes the second most impactful pathway to reporting quality improvement.

Third, workload management strategies should be implemented, including temporary staff augmentation during peak periods, process automation for routine tasks, and realistic deadline setting that accounts for the dual-function burden of service delivery and financial administration characteristic of technical implementing agencies.

Fourth, internal control systems should be strengthened through clear verification protocols, regular reconciliation procedures, and adequate supervisory staffing to ensure comprehensive transaction review.

Fifth, although job satisfaction did not demonstrate a statistically significant direct effect, maintaining positive work environments through fair compensation, career development opportunities, and recognition programs remains advisable, as satisfaction may exert indirect effects through its associations with competence development motivation and workload tolerance.

Academic Recommendations:

Future research should employ longitudinal designs to establish causal relationships and capture temporal dynamics between determinant factors and financial report quality. Multi-agency comparative studies across different government contexts and hierarchical levels would enhance generalizability and identify contextual moderators. Investigation of additional variables such as information technology systems, organizational culture, and external pressure could

explain the remaining 27.5% of unexplained variance. Mixed-methods approaches combining quantitative analysis with qualitative interviews would provide deeper understanding of the mechanisms underlying the observed relationships, particularly regarding why transformational leadership exerts such a dominant influence. Further examination of job satisfaction's role using larger samples and alternative measurement approaches is warranted to determine whether the marginal effect observed in this study reflects a genuine substantive limitation of satisfaction-based explanations or a statistical artifact of sample size constraints.

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