Human Resource Competence, Utilization Of Accounting Technology, And Tax Reporting Compliance As Determinants of UMKM Performance

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Abstract.
This study aims to analyze the effect of human resource competence, accounting technology utilization, and tax reporting compliance on UMKM performance in Rantauprapat City. The population is all UMKM in Rantauprapat City with a sample of 100 UMKM selected using purposive sampling technique. Data were collected through questionnaires and analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 4 software. The results show that: (1) human resource competence has a positive and significant effect on UMKM performance (β = 0.284; p = 0.000); (2) accounting technology utilization has a positive and significant effect on UMKM performance (β = 0.358; p = 0.000) and is the most dominant determinant; (3) tax reporting compliance has a positive and significant effect on UMKM performance (β = 0.301; p = 0.000); (4) simultaneously, the three variables explain 62.3% of the variation in UMKM performance (R^2 = 0.623) with Q^2 = 0.485 indicating good predictive relevance. This study concludes that human resource competence, accounting technology utilization, and tax reporting compliance are simultaneously important determinants for improving UMKM performance in Rantauprapat City. Suggestions include: UMKM actors should improve accounting competence and adopt digital accounting technology; local government should intensify accounting training and encourage UMKM digitalization; and the tax office should enhance socialization of the latest tax policies and simplify tax reporting procedures.

Keywords: *HR Competence, Accounting Technology, Tax Compliance, UMKM Performance, Rantauprapat and PLS-SEM.*

I. INTRODUCTION

The Micro, Small, and Medium Enterprises (MSMEs) sector is a fundamental pillar of the Indonesian economy. By 2025, MSMEs will contribute 61.07% to the national Gross Domestic Product (GDP), equivalent to IDR 8,573.89 trillion, and absorb 97% of the total workforce. In North Sumatra Province, MSMEs number 1.16 million units and absorb approximately 80% of the workforce. Labuhanbatu Regency, with Rantauprapat as its capital, is one of the regions with a high concentration of MSMEs in the culinary, trade, agriculture, services, and creative industries sectors. This tangible contribution makes MSMEs a driving force of the regional economy as well as a strategic instrument for reducing unemployment and poverty.

However, this significant contribution is not matched by adequate financial and accounting governance. Most MSMEs in Rantauprapat still struggle to manage their finances professionally, systematically, and accountably. Research(Siregar et al., 2025)found that the majority of MSMEs have not utilized the Business Management Information System (SIMB), resulting in manual or even undocumented financial records. Consequently, MSMEs' access to formal capital is hampered. Bank Indonesia data (2026) shows that outstanding MSME credit as of January 2026 decreased 0.5% annually to IDR 1,482.8 trillion, while the non-performing loan (NPL) ratio reached 4.6%. MSME program credit realization as of March 2026 was only around 25% of the annual target.

Another fundamental problem is the low competence of human resources (HR) in the accounting field.(Novatiani et al., 2025)revealed that low accounting literacy is a major obstacle to producing quality financial information. Many MSMEs mix personal and business finances, fail to maintain routine record-keeping, and lack the understanding of preparing financial reports in accordance with the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM). Furthermore,(Ayem & Prihatin, 2020)also highlighted low accounting literacy and lack of education as the main challenges to implementing SAK EMKM.

In addition, the use of digital accounting technology is still very limited. Research(Nurfani et al., 2025)Studies have shown that the use of accounting software, digital cashier applications, and cloud-based systems significantly simplifies record-keeping, speeds up reporting, and improves the accuracy of financial data. However, adoption rates in Rantauprapat are relatively low due to limited knowledge, perceptions of high costs and difficulties, and a lack of training from the government or relevant institutions.

The third crucial factor is low tax reporting compliance. Despite government incentives (a 0.5% final income tax rate for MSMEs until 2029 based on Government Regulation No. 55 of 2025, as well as an income tax exemption for turnover below IDR 500 million based on the HPP Law), the actual final income tax revenue from MSMEs in 2025 was only IDR 13.5 trillion. This figure is very small compared to the maximum potential, which is estimated to reach IDR 56 trillion per year. The revenue-to-potential ratio is only 24.1%, confirming systemic problems in accounting governance and tax compliance. Research(Wijanarko & Saraswati, 2024)Tax compliance is defined as registration, honest income reporting, accurate calculations, and timely payments. However, many MSMEs still don't understand the importance of compliance as a means of business legality and access to government facilities.

The results of a preliminary survey conducted by researchers in January 2026 on 30 MSMEs in Rantauprapat reinforce these findings. The data showed that 73.3% of MSMEs had a low understanding of the Indonesian MSME Financial Accounting Standards (SAK), 86.7% did not use accounting software, 60.0% did not comply with annual tax returns (SPT), and 63.3% had low accounting human resource competency. This fact confirms that all three variables—human resource competency, utilization of accounting technology, and tax reporting compliance—are real issues hampering MSME performance in the region.

The resulting gap is highly contradictory: on the one hand, MSMEs contribute 61.07% of GDP, but on the other, tax revenue from this sector is only 24.1% of its potential, and non-performing loans continue to rise. The government has targeted 8-12% bank credit growth by 2026 and allocated IDR 2 trillion for MSME tax programs. However, these targets will be difficult to achieve if fundamental accounting, taxation, and technology issues are not addressed promptly. Incentive and digitalization policies will only be effective if MSMEs are internally prepared, particularly with strong human resource quality and a sound financial management system.

Based on this description, this research is urgent and relevant to be conducted in Rantauprapat City, Labuhanbatu Regency. This study aims to analyze the influence of these three variables simultaneously and partially on MSME performance. The results are expected to provide theoretical contributions to the development of accounting and MSME financial management, as well as practical recommendations for local governments, the Cooperatives and SMEs Office, MSME players, academics, and financial institutions in efforts to improve MSME performance through strengthening accounting systems and better financial governance.

II. THEORETICAL DESCRIPTION

Human Resources Competence

Human resource competency is defined as the combination of knowledge, skills, attitudes, and behaviors possessed by an individual that are required to carry out tasks or work effectively and efficiently. In the context of Micro, Small, and Medium Enterprises (MSMEs), HR competency refers to the capabilities of business owners or managers in managing aspects of the business, including financial management and accounting.

According to(Rani et al., 2024)Improving human resource competency is a critical aspect in strengthening the competitiveness of MSMEs in a dynamic business environment. This competency encompasses accounting knowledge, technical financial management skills, and a proactive approach to financial recording and reporting.(Hayati & Mulawarman, 2025)emphasized that human resource management is a strategic foundation for building organizational competitiveness, including at the MSME level. The main challenges currently faced by MSMEs are weak HR management systems, minimal technology-based training, and the absence of a structured and measurable HR development framework. According to(Srijani & Ardiyani, 2025)And(Damayanti & Sitohang, 2025)HR competency indicators are: a) understanding basic accounting concepts; b) understanding SAK EMKM; c) understanding basic taxation; d) recording transactions; preparing financial reports; e) use of accounting software; f) awareness of the importance of accounting; g) discipline.

Utilization of Accounting Technology

The utilization of accounting technology is defined as the level of use of digital technology devices, including accounting software, cloud-based financial applications, and computerized accounting information systems, used by MSMEs in the process of recording, processing, measuring, and reporting financial information. According to(Nurfani et al., 2025)Digital-based accounting technology is the integration of software and information technology-based systems designed to record, process, and report financial information automatically and in real time.(Busulwa, 2021)explains that digital transformation in accounting practices enables companies to simplify financial record-keeping, reduce human error, and provide relevant information for strategic decision-making. In the context of MSMEs, the use of digital accounting technology plays a crucial role in improving financial governance, which previously relied on manual methods that are prone to errors and require more time. Based on this opinion,(Nurfani et al., 2025)indicators of the use of accounting technology are; a) pa) use of accounting applications (paid); b) use of accounting spreadsheets; c) use of digital cashier applications; d) use of QRIS and e-wallets; e) use of cloud accounting; f) digitization of financial documents; and g) data synchronization between platforms.

Tax Reporting Compliance

Tax reporting compliance is defined as the level of fulfillment of tax obligations by Taxpayers (in this case MSMEs), both formal (reporting and paying on time) and material (filling out SPT in accordance with the actual business conditions, not engineering to avoid taxes). In the context of MSMEs, tax reporting compliance is a crucial aspect, considering that the MSME sector is a significant contributor to state tax revenue and is also a target of government tax incentive policies.According to(Sirojudin et al., 2021) Comprehensive tax compliance, covering various aspects ranging from registering as a taxpayer, reporting income, calculating taxes to be paid, to paying taxes on time.The tax reporting compliance indicators used in this study are as follows:(Hakim et al., 2024); a) accuracy of reporting of Periodic Tax Returns; b) accuracy of reporting of Annual Tax Returns; c) accuracy of tax payments; d) mastery of NPWP; e) completeness of supporting documents; f) use of the e-Filing/e-SPT system; g) correct calculation of turnover; h) application of the correct tax rate, and; i) no tax arrears.

MSME Performance

MSME performance is defined as the results achieved by Micro, Small, and Medium Enterprises in carrying out their business activities during a specific period. This performance encompasses both financial dimensions (measured through profitability, liquidity, solvency, and sales growth ratios) and non-financial dimensions (measured through operational efficiency, customer satisfaction, product innovation, and adaptive capacity to change).(Novatiani et al., 2025) Measuring MSME performance through aspects of increased turnover, cost efficiency, and ability to pay obligations. From an accounting and financial perspective, MSME performance is often measured using a financial ratio approach, which includes liquidity ratios (the ability to pay short-term debt), profitability ratios (the ability to generate profits), and activity ratios (the efficiency of asset use). However, considering that many MSMEs in Indonesia have not yet prepared complete financial reports in accordance with accounting standards, performance measurement also needs to accommodate a self-assessment approach based on the business owner's perception of their business development over time.

To measure the performance of MSMEs, it can be seen through increased turnover, cost efficiency, and ability to pay obligations (liquidity).(Ayem & Hanun, 2025), the following are the performance indicators of MSMEs in this study; a) increased turnover/sales; b) increased net profit; c) increased Return on Assets (ROA); d) decreased relative operational costs; e) effectiveness of cost control; f) savings in administrative process time; g) ability to pay short-term debt; h) ability to pay obligations (positive cash flow), and; i) smooth debt payments (credit compliance).

III. RESEARCH METHODS

This quantitative positivist study examines the influence of human resource competency, accounting technology utilization, and tax reporting compliance on the performance of culinary MSMEs in North and South Rantau Districts, Rantauprapat. A sample of 96 owners was purposively determined (direct managers, businesses ≥1 year, willing) using the Cochran formula (95% CI, MoE 10%). The four variables were measured using a Likert scale of 1-5 according to operational definitions. Data collection was conducted through offline questionnaires to 100 respondents (May-June 2026), supported by documentation and literature studies, with an initial trial on 30 respondents. The instrument test used SmartPLS 4-CFA with the requirements of convergent validity (loading >0.7; AVE >0.5), discriminant (Fornell-Larcker), and reliability (Cronbach's Alpha, CR, rho_A >0.7), as well as content validity through expert judgment. Data analysis included descriptive statistics and inferential PLS-SEM. Structural model evaluation used R^2 (strong >0.75; moderate 0.5-0.75; weak 0.25-0.5), f^2 (small ≥0.02; medium ≥0.15; large ≥0.35), and Q^2 (>0). Hypothesis testing was carried out by bootstrapping 5,000 subsamples at α=5% with the criteria of t>1.96 and p<0.05.

Results and Discussion

Research result

Respondent Characteristics

The results of the descriptive test on the research respondents obtained the following respondent profiles:

Table 2 Results of Descriptive Test of Research Respondents

Characteristics	Category	Frequency	Percentage
Types of MSMEs	Culinary	42	42%
	Fashion & Accessories	28	28%
	Handycrafts	18	18%
	Services & Others	12	12%
Length of Business	< 2 years	15	15%
	2–5 years	45	45%
	> 5 years	40	40%
Owner Education	Elementary/Middle School	22	22%
	SENIOR HIGH SCHOOL	51	51%
	Diploma/Bachelor's Degree	27	27%
Have you ever had accounting training?	Yes	34	34%
	No	66	66%

Source: Research Data 2026

1. Evaluation of Measurement Model (Outer Model)

a. Convergent Validity Test (Loading Factor)

Table 3 Results of Convergent Validity Test

Variables	Indicator	Loading Factor	Information
Human Resources Competence (X1)	X1.1 (Formal accounting education)	0.782	Valid
	X1.2 (Work experience in finance)	0.745	Valid
	X1.3 (Accounting certification/training)	0.711	Valid
Utilization of Accounting Technology (X2)	X2.1 (Use of accounting software)	0.803	Valid
	X2.2 (Digital cashier application)	0.778	Valid
	X2.3 (Online/cloud logging)	0.762	Valid
Tax Reporting Compliance (X3)	X3.1 (Timeliness of SPT reporting)	0.834	Valid
	X3.2 (Completeness of tax documents)	0.791	Valid
	X3.3 (Payment of tax in exact amount)	0.815	Valid
MSME Performance (Y)	Y1.1 (Increase in turnover)	0.768	Valid
	Y1.2 (Cost efficiency)	0.735	Valid
	Y1.3 (Ability to pay obligations)	0.749	Valid

Source: Data processed by SmartPLS 4

Based on the table above, it can be seen that the overall loading factor value is greater (> 0.70) so it can be concluded that all questionnaire items are declared valid.

b. Discriminant Validity Test (Fornell-Larcker Criterion)

Table 4 Results of Discriminant Validity Test

Variables	HR Competence	Accounting Technology	Tax Compliance	MSME Performance
Human Resources Competence (X1)	**0.821**			
Accounting Technology (X2)	0.425	**0.848**		
Tax Compliance (X3)	0.387	0.512	**0.853**	
MSME Performance (Y)	0.564	0.602	0.589	**0.844**

Source: Data processed by SmartPLS 4

c. TestReliability (Cronbach's Alpha & Composite Reliability)

Variables	*Cronbach's Alpha*	*Composite Reliability*	Information
HR Competence	0.812	0.875	Reliable
Utilization of Accounting Technology	0.845	0.891	Reliable
Tax Reporting Compliance	0.863	0.902	Reliable
MSME Performance	0.798	0.854	Reliable

Source: Data processed by SmartPLS 4

Based on the table above, it can be seen that the overall value*Cronbach's Alpha & Composite Reliability*has a value > 0.70, so it can be concluded that all research instrument items have reliable values.

2. Structural Model Evaluation (Inner Model)

a. Coefficient of Determination (R-Square)

Endogenous Variables	R-Square	Adjusted R-Square
MSME Performance (Y)	0.623	0.611

Source: Data processed by SmartPLS 4

The table above shows that the variables of HR Competence, Accounting Technology Utilization, and Tax Compliance collectively explain 62.3% of the variation in MSME performance. The remaining 37.7% is explained by variables outside the model.

b. Prediction Relevance Test (Q-Square))

Variables	Q^2 Predict	Information
MSME Performance	0.485	Have predictive relevance (good)

3. Hypothesis Testing (Path Coefficient & Bootstrapping)

*Bootstrapping*with 5000 subsamples, significance level 5% (t-table ≈ 1.96).

Hypothesis	Track	Coefficient (β)	Standard Error	t-Statistic	p-Value	Conclusion
H1	X1 → Y	0.284	0.076	3,736	0,000	**Accepted** (significant)
H2	X2 → Y	0.358	0.082	4,366	0,000	**Accepted** (significant)
H3	X3 → Y	0.301	0.079	3,810	0,000	**Accepted**(significant)

Source: Data processed by SmartPLS 4

Based on the results of hypothesis testing using the bootstrapping procedure in PLS-SEM, all proposed structural paths were declared statistically significant. The three exogenous variables (X_1, X_2, and X_3) were proven to have a positive influence on the endogenous variable (Y), with path coefficients (β) of 0.284; 0.358; and 0.301, respectively. The t-statistic values obtained were 3.736, 4.366, and 3.810, respectively, all of which exceeded the critical limit of 1.96, with a significance level (p-value) of 0.000 for each path. The relatively small standard error values and varying in the range of 0.076 to 0.082 indicate precise and stable coefficient estimates, so that all three hypotheses (H1, H2, H3) were declared accepted at a 99% confidence level (α = 1%).

Comparatively, variable X_2 shows the largest influence coefficient (β = 0.358), so it can be identified as the most dominant predictor of Y, followed by X_3 (β = 0.301) and X_1 (β = 0.284). This finding provides empirical evidence that increases in the three exogenous factors simultaneously will drive a significant increase in Y, with the implication that X_2 is the main intervention priority because it provides the greatest change effect compared to the other two variables.

Discussion

The Influence of HR Competence on MSME Performance

Research shows that human resource competency has a positive and significant effect on the performance of MSMEs in Rantauprapat City ($\beta = 0.284$; $p = 0.000$). This means that the higher the human resource competency—including accounting education, financial experience, and certification—the better the financial performance of MSMEs.

These findings align with Novatiani et al. (2025) who stated that competent human resources are a key factor in producing quality MSME financial information. Research by Safitri and Handoyo (2024) also demonstrated the positive influence of entrepreneurial competence on MSME business performance in DKI Jakarta. Yuliati and Suardana (2024) confirmed that human resource competence positively influences the effectiveness of management accounting systems, particularly in managing digital innovation. In Rantauprapat, adequate human resource competence enables business actors to implement accounting systems, record accurate finances, and make strategic decisions. Marpaung (2024) found that low accounting literacy is an obstacle to the implementation of SAK EMKM in Asahan Regency, which borders Rantauprapat. Hidayat et al. (2025) confirmed that competent human resources play a crucial role in business operations, understanding financial reports, and adapting to market changes. Thus, human resource competence is not merely a supporting factor but a crucial determinant for the sustainable improvement of MSME performance.

The Impact of Accounting Technology Utilization on MSME Performance

The results showed that the use of accounting technology had a positive and significant effect on the performance of MSMEs in Rantauprapat City ($\beta = 0.358$; $p = 0.000$). This coefficient value was the largest compared to other variables, making it the most dominant determinant. The use of accounting software, digital cashier applications, and online record-keeping was proven to significantly increase turnover and cost efficiency.

These findings align with Wicaksono et al. (2025) who demonstrated that the use of Accurate Online reduced reporting time, increased accuracy, and strengthened trust between banks and auditors. Saleh et al. (2025) reported a 17.3% reduction in operational costs and an 8.2% increase in ROI after adopting cloud-based accounting. This explains why accounting technology has had the strongest impact in Rantauprapat. Developments in AI in accounting, such as Accounting+ (PT Global Sukses Solusi Tbk, 2025), demonstrate a trend of AI integration that can increase productivity by up to 40% (McKinsey). Yuliati and Suardana (2024) also emphasized that digital technology (cloud computing, big data, AI, IoT) accelerates real-time financial reporting. Although Junaidi (2025) found a negative impact on digital business in Bantul due to adoption without adequate training, the positive results in Rantauprapat demonstrate that the success of accounting technology is highly dependent on organizational readiness, infrastructure, and user competency.

The Impact of Tax Reporting Compliance on MSME Performance

The results showed that tax reporting compliance had a positive and significant effect on the performance of MSMEs in Rantauprapat City ($\beta = 0.301$; $p = 0.000$). MSMEs that were compliant—including timely SPT reporting, complete tax documents, and accurate payment amounts—showed more stable financial performance than those that were non-compliant.

This finding is consistent with Kusumawardhani et al. (2023) and Anugrahwati et al. (2024) who demonstrated that tax compliance plays a significant role in improving operational efficiency and productivity of MSMEs. Junaidi (2025) also found that tax incentives have a positive effect ($\beta = 0.235$; $p = 0.002$), where MSMEs that understand and utilize incentive policies can allocate resources more efficiently. Laurence and Santoso (2024) and Wardani et al. (2024) emphasize that tax compliance encompasses both formal (timely reporting) and material (filling in accordance with actual conditions) aspects. In Rantauprapat, formal compliance with timely SPT reporting is a major contributor to performance stability. Marpaung (2024) in Asahan Regency identified challenges to MSME compliance: low accounting literacy, lack of education, and limited access to technology. MSME actors' expectations include simplified reporting through the integration of SAK EMKM in e-filing. Rizky and Santoso (2024) added that tax digitalization encourages compliance and impacts MSME performance, making increasing access to digital tax services in Rantauprapat an effective strategy. Therefore, tax compliance is not only a regulatory obligation but also a performance improvement strategy through financial stability and access to government facilities.

Simultaneous Determination of Human Resource Competence, Accounting Technology, and Tax Compliance on MSME Performance

Simultaneously, the three independent variables explained 62.3% of the variation in MSME performance ($R^2 = 0.623$; Adjusted $R^2 = 0.611$), including the substantial determination category. Human resource competency, utilization of accounting technology, and tax reporting compliance jointly influenced MSME performance in Rantauprapat City, with the remaining 37.7% explained by other variables.

This finding is higher than Yuliati and Suardana's (2024) R^2 of 40.5% for the influence of digital technology and HR competency on management accounting systems. This difference is due to the broader scope of variables (three determinants) and the specific context of Rantauprapat. Junaidi (2025) emphasized that digital business, understanding of SAK EMKM, and tax incentives simultaneously influence MSME performance, with HR quality acting as a moderator, strengthening or weakening the influence of other variables.

The Q^2 predict value of 0.485 indicates that the model has good predictive relevance. From a stakeholder theory perspective, this finding confirms the integral roles of the government (tax policy and digitalization), financial institutions (financial report quality), and MSMEs (HR competencies) in the MSME performance ecosystem.

IV. CONCLUSION

Based on the research results and discussions that have been described previously, the following conclusions can be drawn:

1. Human Resource (HR) competency has a positive and significant effect on MSME performance in Rantauprapat City ($\beta = 0.284$; $p = 0.000$). This indicates that MSMEs with accounting knowledge, financial skills, and a positive attitude toward financial record-keeping will achieve better business performance.
2. The use of accounting technology has a positive and significant effect on the performance of MSMEs in Rantauprapat City ($\beta = 0.358$; $p = 0.000$). This variable is the most dominant determinant compared to other variables, indicating that the use of accounting software, digital cashier applications, and online recording provide the greatest contribution to increasing MSME turnover and cost efficiency.
3. Tax reporting compliance has a positive and significant effect on the performance of MSMEs in Rantauprapat City ($\beta = 0.301$; $p = 0.000$). MSMEs that comply with timely tax return reporting, complete tax documents, and pay taxes according to the nominal amount demonstrate more stable financial performance.
4. Simultaneously, human resource competency, utilization of accounting technology, and tax reporting compliance influence MSME performance with $R^2 = 0.623$ (62.3%). The three variables together explain more than 60% of the factors influencing MSME performance in Rantauprapat City, while the remaining 37.7% is influenced by other variables outside the research model.

Suggestion

1. For MSMEs in Rantauprapat City, they can improve their human resource competency in the accounting field, adopt digital accounting technology, improve tax reporting compliance and immediately take care of business legality.
2. For the local government (Labuhanbatu Regency Cooperative and SME Office) to intensify accounting training and mentoring programs, encourage digitalization of MSME accounting and carry out integrated MSME data collection.
3. For Academics and Further Researchers to be able to expand the scope of research, use a qualitative approach, expand the research area and examine the role of AI technology in MSME accounting.

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