

## **THE EFFECT OF AUDIT QUALITY, HUMAN RESOURCE MANAGEMENT, COMPETITIVE ADVANTAGE, ON FINANCIAL DECISIONS AND FINANCIAL PERFORMANCE ON EXPEDITION SERVICES**

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### **Abstract**

The importance of financial management is to ensure a regular and adequate supply of funds. Optimum utilization of the company's organizational finances is of course through financial management. Financial management is an important part of the management financial governance process which includes resource mobilization, program priorities, the budgeting process, all of these activities reflect economic activity and are certainly in accordance with an economic perspective and information systems. For the continuity of good financial governance, it is hoped that appropriate analysis and evidence will be used in making financial decisions or management decisions with economic variables from the economic system through financial performance, competitive advantage, human resource management and audit quality. In a company there are elements that need to be understood such as actions, behaviors that describe everything related to financial management in making decisions in companies with logical considerations. In this study is an overview of the shipping service companies listed on the Indonesian stock exchange with financial governance and boundaries so that problems that arise in financial governance can be observed and narrowed down for a management decision. When patterns are carried out in financial governance through studies of audit quality, human resources, competitive advantage of financial performance, it is hoped that there will be influences that are closely related to each other to support each other in order to achieve a more advanced corporate financial decision, as well as an overview for making a decision that is good and right..

**Keywords:** audit quality; human resources; competitive advantage; financial performance; financial decisions

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### **INTRODUCTION**

Efficient resource management and exercise control, should require the collection of sufficient data of economic resources in a proper manner along with the efficient and effective allocation of resource use for good financial management. Resource allocation and management of financial expenditure or utilization of resources are important components of a public financial management system (Armstrong, 2009).

The purpose of financial statements is to provide information about the financial position, performance and changes in the financial position of a company that is useful to various users in making economic decisions (Hasanaj & Kuqi, 2019). Financial statements show the results of management and preparation. Through financial statements, management shows accountability of the resources entrusted to them. Financial management is a term used to encompass all activities within an organization related to the use of resources that have a positive impact. For most of its history, internal audit has served as a simple administrative procedure consisting primarily of document inspection, asset counting, and reporting to the

Board of Directors, Management or External Auditors. But in recent times, the combination of different forces has led to a quiet revolution of the profession. The organization must demonstrate accountability in the use of shareholder money and efficiency in service delivery (Shaoul, Stafford, & Stapleton, 2012).

Despite the unsatisfactory financial performance, the Company remains optimistic that the shipping and logistics business remains promising in the future. This is reflected in the seriousness of the government which continues to prioritize infrastructure development such as toll roads, ports and airport interconnections. The same thing was also revealed from various analyses conducted by research institutions related to the business prospects of shipping and logistics services.

To face challenges and competition and to increase sales accompanied by positive profits, here are the strategic steps to be taken by the Company (Capobianco & Nyeso, 2018):

1. Diversification of shipping products in the package and logistics sector (same day and cargo service).
2. Development of Trucking Services both in terms of first mile and middle mile.
3. Development of warehousing services.
4. Development of a target-segmented based-on distribution network.
5. Penetration of retail segment based-on social media and e-commerce

The Board of Directors hopes that with the enthusiasm and support of employees as well as the trust of shareholders, the Company's performance can be much better in the future (Hodge, 2014). Ideally, the Audit function as part of the company's internal control system, can assess the efficiency, effectiveness, economy, and fairness of task implementation, provide consulting services to the Company's Management, and promote the effectiveness of risk management with the aim of creating added value and increasing business growth. Suffice it to say that high-quality financial reporting depends on the role of audits in supporting the Quality Audit of financial reporting. It is an important part of regulatory and surveillance infrastructure, and as such is a significant public benefit activity Abdulshakour (2020).. Audits conducted in accordance with high quality auditing standards can promote the application of accounting standards to reporting entities and help ensure that their financial statements are reliable, transparent, and useful. According to Cohen, Krishnamoorthy, & Wright, (2017) Audit laws can strengthen trust because auditors are expected to provide an objective opinion on the preparation and presentation of financial statements

There is a common perception that proper institutions and enforcement of internal control systems will always lead to better financial performance. It is also a common belief that a properly institutionalized system of its internal controls improves the reporting process and also produces reliable reports that enhance the accountability function of the entity's management. Nevertheless, the available literature is still offensive and shows that despite the complicated control systems in organizations, financial performance has been elusive in most of these organizations.

The assumption of human resources is that people are the main source of the organization and the performance of the organization depends primarily on those people. Then various

appropriate policies on the human resource process are developed and implemented effectively, Human resources will substantially influence the management of the company. Using human resource practices effectively, of course, companies can survive traditional practices that are ineffective or inefficient which greatly disrupt the company to achieve maximum objective values. From a more specific perspective, human resource management involves financial management and the responsibility of financial management rests with the people in the organization and focuses on policies and systems.

Thus, human resource management can be considered as a system of practices and policies related to the management of financial management and the effective use of human resources to achieve the goals of organizational goals. Based on the description above, then some of the motivations underlying this study. Previous researchers examined corporate governance with corporate values and certainly have not considered corporate financial management governance. With the methods used such as audit committee, board independence, institutional ownership, this method is still using partial measurements, not yet using comprehensive governance measurements. This partial measurement has not been able to measure financial management. And have not been able to know the role of Audit Quality externally and internally, as well as the relationship between Human Resource Management, and Competitive Advantage., therefore to be able to assess how well or poorly the performance of financial statements in making the right decisions for the company, thus impacting the value and sustainability of the company. So this study will test and analyze corporate governance, and financial performance still shows inconsistent results, so this research is important. The results of research published in international journals on the variables of Audit Quality (X1), X2 Human Resource Management, X3 Competitive advantage, which in conclusion the results of the research are still diverse. There are several research results that have proven to have a significant effect on Financial Performance and there are also research results that are not significant on Financial Decisions.

Purpose the research To analyze and prove Audit Quality has a significant effect on Financial Performance in expedition service companies on the stock exchange. The benefits of this research can be reading material and literature for those who will conduct research on the same topic. The benefit of this study is to determine whether there is an influence of Audit Quality, HRM, Competitive Advantage on Financial Performance through Financial Decisions in the company's organization.

## **METHOD RESEARCH**

This type of research is descriptive quantitative, the purpose of choosing this type of research is because researchers want to know how much influence variables (X) and variables (Y). This study consists of 5 variables, namely, independent variables (X) namely Audit Quality, Human Resource Management, and Competitive Advantage, bound variables (Y) namely Financial Performance and Financial Decisions in expedition companies on the stock exchange (Sugiyono, 2018).

This research is quantitative research conducted by conducting hypothesis tests that have been prepared on the variables to be tested. This study uses secondary data because it is carried out by taking samples from a population that publishes publications on the data needed in this study.

The types of data used are secondary data and purposive sampling methods as sampling techniques. In this study, it is secondary data to determine how the influence of audit tenure, KAP size, KAP industry specialization and client importance on Audit Quality in all transportation companies listed on the IDX for the 2017-2021 period. The secondary data used is obtained from the official website of IDX and the official website of the company.

Audit quality measurement uses the earning surprise benchmark method (Wibowo & Rossieta, 2009) which conditions the earnings surprise benchmark model with conditions in Indonesia. Audit quality is measured related to profit management carried out by the company, whether it is able to disclose and report the existence of profit management or not (Carey & Simnett, 2006). The formula used for loss reporting avoidance is earnings/total assets or ROA (Return on Assets). The earnings benchmark used is between  $\mu - \sigma$  and  $\mu + \sigma$ . The average ROA ( $\mu$ ) is calculated by summing the ROA of all sample companies and dividing by the number of samples.

## **RESULT AND DISCUSSION**

Based on the results of data analysis and testing that shows the significant value of each variable whose detailed discussion can be put forward such as the feasibility of the model that has been stated above, the discussion that will be revealed, which is as follows :

### **The Effect of Audit Quality on Financial Performance**

The discussion related to audit quality directly answers the problem formulation and hypothesis that states a significant and positive value on financial performance because it has good audit quality as many as 68 samples or 80% while the rest have poor audit quality as many as 17 samples or 20%. On the basis of this comparison, H0 is not proven or means that the Audit Quality variable (X1) has a significant influence on the Financial Decision variable (Y2). H1 Proven.

This indicates that the quality of audits focused on Asstets, Liabilities, and Profit in this study is able to encourage good improvement in financial performance so as to provide an overview that will be used as a decision by management to invest.

This research is also to prove previous research conducted by Umurerwa (2016) The Impact Of External Audit On The Financial Management In Public Organizations: A Case Study Of Rwanda Development Board that Findings reveal financial performance as illustrated by audit quality plays a very important role and positive correlation In ensuring financial reporting standards and guidelines for investment decisions.

### **The Effect of Human Resources on Financial Performance**

In Human Resource Management there are negative and unproven results with the description of the HR variable (X2), the significance level is 95% ( $\alpha = 0.05$ ). The significance number (P Value) is  $0.460 > 0.05$ . On the basis of this comparison, it means that the HRM variable (X2) does not have a significant influence on the Financial Performance variable (Y1). H2 is not proven. Research on human resource management above has not been able to encourage increased financial performance. In this case, the company is likely to take a policy whether there will be changes in the system costs incurred or whether to continue to wait for the time process to run due to the impact of the previous Covid-19 pandemic season.

Previous research conducted by Mulolli & Boskovska (2020) The Role of Human Resource Management Practices on Financial Performance in Firms had different results from the data analysis above, in this study researchers assume that human resource management is not significantly proven due to global changes in the covid period so that when research is carried out in that period there are years affected by global changes and affect performance, psychology of workers, employees who are the noblest assets of the company.

### **The Effect of Competitive Advantage on Financial Performance**

In the variable Competitive Uggulan (X3) with a significance level of 95% ( $\alpha = 0.05$ ). The significance number (P Value) is  $0.000 < 0.05$ . On the basis of this comparison, H0 is not proven or means that the competitive Advantage variable (X3) has a significant influence on the Financial Performance variable (Y1). H3 Accepted

With the proven analysis of H3 to Y1 according to statistical output, this competitive advantage has higher profitability than competitors. This is in accordance with research conducted by Nguyen et al. (2021), The Influence of Competitive advantage on Financial Performance: A Case Study of SMES in Vietnam which The results show that competitive advantage has a positive relationship with financial performance.

### **The Effect of Audit Quality on Financial Decisions**

On the Audit Quality variable (X1) with a significance level of 95% ( $\alpha = 0.05$ ). The significance number (P Value) is  $0.03 < 0.05$ . On the basis of this comparison, H0 is not proven or means that the Audit Quality variable (X1) has a significant influence on the Financial Decision variable (Y2). H4 proven

In the value of the regression coefficient in Audit Quality (X1), with Financial performance (Y1) is positive so that it can be said that the variable has a positive relationship with the financial decision variable (Y2). This means that if the Audit Quality, with Financial performance has increased by one variable unit, it results in variable Y (2) also increasing by the value of the regression coefficient. Audit quality has a positive effect on financial decisions that become management decisions

Fan & Wong (2002) show the role of external audit for corporate governance in developing countries, this study also proves previous research where there is a significant relationship between X1 and Y2.

### **The Influence of Human Resources on Financial Decisions**

In the HR variable (X2) with a significance level of 95% ( $\alpha = 0.05$ ). The significance number (P Value) is  $> 0.05$ . On the basis of this comparison, H0 Proven or means the HR variable (X2) does not have a significant influence on the Financial Decision variable (Y2). H5 is not proven.

With no evidence of the influence of HRM on financial decisions, the study is different from previous studies that described a significant influence. The lack of evidence that HRM has an influence on financial decisions to invest according to researchers is because the research period is still under turbulent global influence due to the pandemic. Human resources can influence investment decisions through management thinking through appropriate qualifications for financial analysis. With the right qualifications, human resources are really useful for the company so that company management can make financial decisions in investing.

From this previous research, it is also not in line with the evidence of this research where human resource management indirectly has a positive and significant effect on financial decisions.

### **The Effect of Competitive Advantage on Financial Decisions.**

Competitive Advantage is negative so it can be said that the variable has a positive relationship with the financial decision variable (Y). This means that if HRM, and Competitive Advantage experience a decrease in one variable unit, it results in variable Y also decreasing by the value of the regression coefficient. In the variable Competitive Uggulan (X3) with a significance level of 95% ( $\alpha = 0.05$ ). The significance number (P Value) is  $0.002 < 0.05$ . On the basis of this comparison, H0 is not proven or means that the variable Competitive Advantage (X3) has a significant influence on the variable Financial Decision (Y2). H6 Proven

According to Kamukama et al. (2011) when a company can do something or have something desired by competitors, then the company represents a Competitive Advantage. According to the theory of Competitive Advantage, it is known that a company to be superior to other companies must have certain strategies and pay attention to the company's performance so that it increases every day, every month, and every year. If this is achieved, the company has a Competitive Advantage that can influence financial decisions to invest

In this case, the researcher added that to gain a competitive advantage in terms of finance is that the Company seeks to make itself a producer with the highest level of efficiency with the characteristics of this low cost strategy, among others: the construction of efficiently scale facilities aggressively. Strive to reduce costs based on previous experience, strict costs and control of overhead costs, avoid burdens on managerial customers, and minimize costs in all activities in the company's value chain

### **Effect of Financial Performance on Financial Decisions**

On the Financial Performance variable (Y1) with a significance level of 95% ( $\alpha = 0.05$ ). The significance number (P Value) is  $0.709 > 0.05$ . On the basis of this comparison, H0 is

proven or means that the Financial Performance variable (Y1) does not have a significant influence on the Financial Decision variable (Y2). H7 is not proven.

Based on the purpose of this study, researchers find out whether financial performance and company value have an influence on financial decisions in terms of investment. From several series of processes from data processing to testing, it was concluded that financial performance has a significant effect on investment decisions. This is based on the higher the financial performance, the more interested investors will be to invest in the company. However, good financial performance does not necessarily describe the real condition of the company, in this study although the company's financial performance is good, it reduces investor interest in investing because high financial performance is expensive stock prices so that if you want to invest according to calculations, it turns out that the company has not been able to share profit returns that exceed its stock price.

## **CONCLUSION**

Based on the descriptions that have been revealed in the analysis and discussion of the research results above, the author can provide conclusions, which are as follows Audit Quality directly has a positive and significant effect on the financial performance of Expedition and Transportation Services Subsector Companies listed on the Indonesia Stock Exchange. This means that the quality of presentation of the audit report which is a picture of financial performance reflected in the proxy of Asset Liabilities found in Return of Asset (ROA) is very good so as to encourage improvement in financial performance which is used as the basis for management decisions in investing.

Human resource management does not have a significant effect on Financial Performance variables or negatively affect them. And of course the management decision policy on the Expedition and Transportation Services Subsector Company listed on the Indonesia Stock Exchange. This means that human resource management with proxy payments of employee salaries, benefits, bonuses has not been able to encourage increased profits and financial performance which will be used as a reference in management decisions.

Competitive Advantage directly has a positive and significant effect on the financial performance of Expedition and Transportation Services Subsector Companies listed on the Indonesia Stock Exchange. This means that the Competitive Advantage factor reflected in the proxy of net profit and capital invested is able to encourage improvements in financial performance presented to the company and used as the basis for management decisions.

Financial performance indirectly has a positive and significant or insignificant effect on financial decisions or management decisions in Expedition and Transportation Services Subsector Companies listed on the Indonesia Stock Exchange. This means that the better the financial performance of this subsector company, the more implications for financial decisions in investing

That in the next hypothesis through the analysis of the data above, it was found that a significant influence on financial decisions was through Audit Quality and Competitive

Advantage. These two variables are a good correlation for management in decision making in business development or investment

Human resource management presents an insignificant influence on financial decisions. Therefore, HRM as a complement to the company's operational system is not significant to the company's management decision in investing.

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