Assessing The Impact of Digital Leadership and Accounting System Optimization on Financial Reporting Transformation

Lilis Puspitawati[1*], Ristiaji Ari Wibowo[2], Elva Anggita Astiani[1],
Surtikanti Surtikanti[1]

[1] Universitas Komputer Indonesia, Bandung, Indonesia
[2] Universitas Negeri Surabaya, Surabaya, Indonesia
`lilis.puspitawati@email.unikom.ac.id*`

Abstract. The swift progress of digital technology has necessitated changes in financial reporting processes, making digital leadership and the efficiency of accounting systems crucial for a successful transformation. This study explores the impact of digital leadership and accounting system effectiveness on the success of financial reporting transformation in state-owned banks. Using a quantitative methodology, data were gathered from 115 financial and accounting professionals employed in state-owned banks. Respondents were selected through purposive sampling to ensure they possessed relevant experience and expertise in financial reporting and digital transformation. The findings highlight that digital leadership plays a pivotal role in driving digital transformation in financial reporting, while an effective accounting system enhances accuracy, efficiency, and reliability. This study offers valuable insights for policymakers and banking professionals to refine leadership strategies and optimize accounting systems for a successful financial reporting transformation.

Keywords: Digital Leadership, Accounting System Effectiveness, Financial Reporting Transformation, State-Owned Banks, Digital Transformation, Purposive Sampling.

1   Introduction

The transformation of financial reporting has become a strategic priority for organizations in the digital era, ensuring greater efficiency, transparency, and compliance with regulatory standards [1]. The swift evolution of digital technologies, including automation, artificial intelligence (AI), blockchain, and cloud computing, has revolutionized conventional accounting and financial reporting practices [2]. Consequently, organizations must embrace innovative leadership strategies and deploy efficient accounting systems to drive successful financial reporting transformation [3].

Digital leadership plays a vital role in driving organizational change by promoting a digital culture, innovation, and technology adoption. Leaders with strong digital com-

petencies can effectively navigate their organizations through technological disruptions, facilitating a seamless transition from traditional to automated and data-driven financial reporting [4]. Additionally, digital leaders shape how organizations utilize digital tools, optimize financial reporting systems, and improve decision-making processes. The transformation of financial reporting aims to enhance efficiency, accuracy, transparency, and speed through digitalization and information technology. However, in some instances, the success of this transformation remains moderate and has yet to reach its full potential[5].

In the era of digital transformation, artificial intelligence (AI) plays a crucial role in enhancing organizational efficiency and driving innovation [6]. In today's fast-paced and highly competitive digital business landscape, AI-driven decision-making has become essential [7]. Digital leadership has a significant impact on AI implementation, as leaders with strong digital expertise can strategically integrate AI into business operations [8]. Tech-savvy leaders can foster sustainable practices by leveraging data analytics, the Internet of Things (IoT), and AI, promoting both business innovation and long-term organizational competitiveness. Digital transformation aims to enhance business processes through the adoption of digital technologies, a necessity in the Fourth Industrial Revolution [9]. With digital transformation emerging as a top business strategy priority [10], leadership becomes a key factor in ensuring successful technological change [11]. Effective digital leadership is crucial, requiring leaders to continuously adapt to evolving technologies [10].

Digital technology enhances operational efficiency, fosters business model innovation such as digital servitization and supports varying stages of digital transformation maturity. Each stage requires a tailored strategy based on resources, organizational structure, and growth, particularly for companies in the early phases [12]. In this context, strong digital leadership with comprehensive IT expertise is essential for sustainable management [13]. Beyond leadership, the effectiveness of accounting systems plays a crucial role in financial reporting transformation. A well-integrated accounting information system (AIS) improves real-time financial data processing, enhances accuracy, and ensures compliance with financial regulations [14]. An efficient AIS minimizes human errors, strengthens financial report reliability, and supports informed financial decision-making [15]. However, challenges such as system adaptability, employee resistance, and cybersecurity risks can impede the success of financial reporting transformation [16].

This study contributes to existing research by examining the combined impact of digital leadership and accounting system effectiveness on financial reporting transformation. While previous studies have independently explored digital leadership [1, 4] and accounting system effectiveness [14, 15], limited research has investigated their joint influence.

Given these considerations, this study aims to assess how digital leadership and accounting system effectiveness contribute to financial reporting transformation success. By understanding these relationships, organizations can develop strategic approaches to optimize digital financial reporting, enhancing efficiency and competitiveness in the global market. The findings will not only expand the literature on digital leadership,

accounting system effectiveness, and financial reporting transformation but also provide practical recommendations for businesses adapting to digitalization.

2   Literature Review

2.1   Digital Leadership

Digital leaders are individuals who can establish a clear and meaningful vision for digital processes and implement effective strategies. Digital leadership shares many traits with general and multidimensional leadership, incorporating elements of transformational and authentic leadership [17]. It blends leadership culture with the ability to leverage digital technology to create organizational value and successfully implement a company's digital strategy within its business ecosystem [18]. As noted by Doyel, digital leadership empowers employees by maintaining their autonomy and granting freedom when necessary. Employees are encouraged to participate in critical decision-making processes. Additionally, digital leadership enhances team performance transparency and introduces result-oriented compensation structures [19].

Digital leadership represents a socially transformative process facilitated by advanced information technology, influencing individual behaviors, group dynamics, and organizational practices. Visionary and transformative digital leaders unify organizational objectives and create new opportunities through partnerships, joint ventures, or outsourcing. Strong digital leadership is essential for enhancing an organization's digital capabilities. Leadership in the digital age has evolved to emphasize (1) creativity, (2) in-depth expertise, (3) strong networking and collaboration, and (4) commitment to a long-term vision (Mihardjo et al., 2019). The adoption of digital technology significantly enhances sustainable digital transformation, revolutionizing the way environmental knowledge is gathered and disseminated [20].

In digital transformation, digital leaders play a crucial role in steering organizations through change. They align technology initiatives with overall business objectives and inspire employees to embrace digital innovation [21]. The significance of digital leadership lies in its ability to guide companies toward digital maturity. Leaders with a digital transformation mindset cultivate collaboration, build networks, and identify essential digital capabilities [22].

Digital leadership integrates transformational leadership with digital technology, fostering a productive digital environment and achieving strategic consensus across the organization. This approach enables companies to maximize digital technology utilization and remain competitive in the global market [23]. Effective digital leadership is critical for managing change, influencing employee performance, and ensuring overall business success. By connecting organizational-level factors, such as digital transformation capability, with individual factors, such as employee commitment, digital leadership bridges the gap between technological capabilities and organizational loyalty. This influence shapes digital transformation values by creating broader opportunities for employees, which in turn affects their attitudes, behaviors, and overall organizational commitment [24]. Given its adaptability, digital leadership is vital for corporate

survival in the digital era, as it reshapes business strategies, strengthens organizational capabilities, and fosters innovative work behavior.

Conceptually, digital transformation is a process aimed at driving significant improvements in an organization's performance by integrating information, computing, communication, and connectivity technologies. Companies that embrace digital technology gain a competitive edge, as it enhances productivity, value creation, and overall societal well-being [25]. Digital transformation involves leveraging advanced technologies such as artificial intelligence, cloud computing, the Internet of Things (IoT), and data analytics. These innovations optimize business operations, enhance decision-making, and support more agile and responsive organizational structures [26].

Digital innovation, which utilizes digital technology to redefine business value, leads to shifts in work practices and the emergence of new organizational identities. As a subset of information technology, digital technology plays a key role in value creation and serves as the central force behind business model transformation [24]. It enables organizations to restructure operations and achieve deeper engagement and collaboration with customers [27].

2.2   Digital Leadership to Successful Financial Reporting Transformation

Research on the impact of digital leadership and financial system effectiveness on the success of financial reporting transformation highlights the crucial role both factors play in enhancing the quality of financial statements. Digital leadership involves a leader's ability to leverage information technology to guide and manage an organization. Underscores the significance of digital leadership in driving digital transformation, particularly in the government sector. Leaders who effectively integrate information technology into workflows can accelerate decision-making processes and enhance operational efficiency.

Furthermore, that digital leadership, along with organizational support, has a positive and significant influence on employee satisfaction and engagement. This indicates that technology-adaptive leaders can boost team motivation and performance, ultimately contributing to improved financial reporting quality.

2.3   The Effectiveness of Accounting System to Successful Financial Reporting Transformation.

The effectiveness of accounting information systems is a crucial factor in generating high-quality financial statements. The demonstrates that the efficiency of accounting information systems, internal controls, and the use of information technology positively and significantly impact financial statement quality. Well-functioning systems ensure financial information is accurate, relevant, and timely.

Additionally, that transformative leadership styles, internal control mechanisms, and human resource competencies collectively enhance financial statement quality. While information technology alone may not directly improve reporting quality, the synergy of these factors fosters an environment conducive to financial reporting transformation.

Overall, existing research underscores the significant role of digital leadership and financial system effectiveness in the success of financial reporting transformation. Leaders who effectively integrate technology into organizational strategies and maintain a well-structured financial system can enhance the accuracy and reliability of financial statements. Consequently, organizations should focus on developing digital leadership capabilities and optimizing accounting information systems to achieve a seamless financial reporting transformation.

3 Methodology

This study employs a quantitative approach with an explanatory research method to analyze the relationship between digital leadership, financial system effectiveness, and the success of financial reporting transformation. The research population consists of financial managers, accountants, and executives responsible for managing financial systems within Company Sector X. The sampling method used is purposive sampling, based on the following criteria: a minimum of two years of experience in finance and accounting and the use of a digital-based financial system in company operations. The sample size includes 200 respondents, aligning with SEM.

The independent variables in this study are digital leadership (X1), measured by indicators such as the ability to adopt technology, innovation in ICT, and technology-based collaboration; and accounting information system effectiveness (X2), assessed through indicators including the accuracy and reliability of financial data, speed of processing and accessibility of information, and financial system security. The dependent variable, success of financial reporting transformation (Y), is evaluated based on reporting process automation, integration with big data, and real-time reporting.

A structured questionnaire using a 5-point Likert scale (1 = insufficient, 5 = excellent) is utilized as the research instrument. Validity and reliability are tested through Confirmatory Factor Analysis (CFA). The data analysis involves descriptive analysis to examine respondent characteristics and data distribution, as well as SEM-PLS (Partial Least Squares-Structural Equation Modeling) to evaluate both the Outer Model (Measurement Model) for indicator validity and reliability and the Inner Model (Structural Model) to assess the relationships between research variables.

4 Discussion

4.1 Descriptive Analysis Results

The descriptive analysis results for the Digital Leadership variable are presented in Table 1, as follows below.

Table 1. Descriptive Analysis Results for the Digital Leadership Variable.

Indicators	Answers					Real score	Ideal Scores	% Scores	Category
	5	4	3	2	1				
Agile Leadership & Digital Mindset		15	66	30	4	322	575	56%	Sufficient
Cybersecurity &Digital Governance		38	41	36		347	575	60%	Sufficient
Digital Communication & Collaboration		35	58	22		358	575	62%	Sufficient
Total		88	165	88	4	1027	1725	60%	Sufficient

According to the data in Table 1, 60% of respondents indicated that most leaders in the organization possess an adequate level of digital leadership. However, the findings also reveal that some leaders still lack sufficient digital skills, despite the Digital Communication & Collaboration indicator receiving a high score. This highlights the need for organizations to focus on enhancing digital leadership training and development.

The descriptive analysis results for the Accounting System Effectiveness variable are presented in Table 2, below

Table 2. Descriptive Analysis Results For The Effectiveness Accounting Information System.

Indicators	Answers					Real score	Ideal Scores	% Scores	Category
	5	4	3	2	1				
Accuracy and reliability of financial data		11	60	44		312	575	54%	Sufficient
Speed processing & accessibility Information		42	65	8		379	575	66%	Sufficient
security of financial systems		65	45			395	575	69%	Good
Total		118	170	52		1086	1725	63%	Sufficient

Source: Questionnaire Data Processing Results

According to Table 1, 63% of respondents rated the effectiveness of the accounting information system (AIS) as "fairly good", indicating that while the system is functional, it has not yet reached an optimal level. The findings suggest a significant variation in respondent perceptions, with some users considering the system effective, while others find it lacking in key aspects.

A notable number of respondents provided low ratings , suggesting that certain users perceive the AIS as ineffective, particularly in areas such as accuracy, processing speed, and ease of use. The "fairly good" classification implies that most respondents gave moderate to low ratings regarding the system's effectiveness within the company.

The descriptive analysis results for Accounting System Effectiveness are further detailed in Table 3, below:

Table 3. Descriptive analysis results for the successful financial reporting transformation.

Indicators	Answers					Real score	Ideal Scores	% Scores	Category
	5	4	3	2	1				
automation of reporting processes		25	85	5		365	575	63%	Sufficient
integration with big data		10	78	27		328	575	57%	insufficient
real-time reporting.		15	87	13		347	575	60%	Sufficient
Total		50	250	45	0	1040	1725	60%	Sufficient

According to Table 3, the success of financial reporting transformation is rated at 60%, placing it in the "sufficient" category, though it has not yet reached full optimization. The table also indicates that most respondents provided similar assessments, predominantly at a "moderate level".

The minimum respondent score of 57% suggests that big data integration in financial reporting remains inadequate, while the maximum score of 63% reflects that a small portion of respondents have experienced significant benefits from the transformation. These findings highlight that while financial reporting transformation is in progress, certain areas still require improvement to enhance overall effectiveness.

4.2 Verification Analysis Results

The structural equation model was evaluated using th Partial Least Squares (SEM-PLS) approach through two testing stages:
1. Measurement Model (Outer Model) Testing. Examines the validity and reliability of the indicators used in the study.
2. Structural Model (Inner Model) Testing. Analyzes the relationships between research variables.

The detailed results of these tests are presented in Table 4. The minimum respondent score of 57% suggests that big data integration in financial reporting remains inadequate, while the maximum score of 63% reflects that a small portion of respondents have experienced significant benefits from the transformation. These findings highlight that while financial reporting transformation is in progress, certain areas still require improvement to enhance overall effectiveness.

According to Table 4, the correlation value for each item across the three research variables exceeds 0.3, indicating that all items are valid. This confirms that the questionnaire as a measurement tool demonstrates a high level of validity, effectively measuring the intended variables.

Additionally, convergent validity testing was conducted for the examined variables, with the results presented in Table 5.

Table 4. Validity Assessment Results.

Variable	No Item	Correlation (r)	Value r_{kritis}	Decision
Digital Leadership (DL)	X1.1	0.769	0,3	Valid
	X1.2	0.786	0,3	Valid
	X1.3	0.843	0,3	Valid
Effectivity of Accounting Information System (EAIS)	X2.1	0.864	0,3	Valid
	X2.2	0.821	0,3	Valid
	X2.3	0.812	0,3	Valid
Successful financial reporting transformation (SFRT)	Y.1	0.912	0,3	Valid
	Y.2	0.869	0,3	Valid
	Y.3	0.827	0,3	Valid

Table 5. Convergent Validity Test Results.

Latent Variable	Indicator	Loading Factor (λ)	Indicator Reliability (λ^2)	tcunt	P value	Description	AVE
Digital Leadership (DL)	X1.1	0.769	0.912	5.805	0.000	Valid	0,625
	X1.2	0.786	0.869	4.963	0.000	Valid	
	X1.3	0.843	0.827	8.792	0.000	Valid	
Effectivity of Accounting Information System (EAIS)	X2.1	0.864	0.843	8.320	0.000	Valid	0,733
	X2.2	0.821	0.772	7.387	0.000	Valid	
	X2.3	0.812	0.781	6.463	0.000	Valid	
Successful Financial Reporting Transformation (SFRT)	Y.1	0.912	0.850	11.344	0.000	Valid	0,736
	Y.2	0.869	0.835	8.322	0.000	Valid	
	Y.3	0.827	0.946	5.928	0.000	Valid	

As shown in Table 5, all obtained loading factor values exceed 0.7, indicating that all indicators are valid. A loading factor above 0.7 confirms that no manifest variables need to be removed from the model, ensuring that each indicator effectively represents its respective latent variable.

Furthermore, based on the loading factor and t-statistics calculations, all indicators exhibit a positive and significant relationship in identifying their respective latent variables. The indicator reliability (R^2) for each of the three latent variables is also greater

than 0.5, demonstrating that them easurement model meets the requirements for convergent validity. The results of the Discriminant Validity Test or Cross Loadings are presented in Table 6, as follows:

Table 6. Discriminant Validity Test Results.

	Digital Leadership (DL)	Effectivity of AIS (EAIS)	Successful Financial Reporting Transformation (SFRT)
X1.1	0.769	0.536	0.315
X1.2	0.786	0.393	0.311
X1.3	0.843	0.516	0.573
X2.1	0.531	0.864	0.558
X2.2	0.402	0.821	0.395
X2.3	0.601	0.812	0.470
Y.1	0.525	0.549	0.912
Y.2	0.484	0.527	0.869
Y.3	0.390	0.262	0.827

Source: SmartPLS 4.0

Table 6 demonstrates that the loading value for each indicator of a latent variable is higher when compared to its loading values with other indicators. This confirms that each latent variable indicator possesses strong discriminant validity, as there is no significant correlation with unrelated constructs. The results of the correlation test are presented in Table 7, as follows:

Table 7. Correlation Test Results.

	X_1	X_2	Y
Digital Leadership (DL)	0.791		
Effectivity of Accounting Information System (EAIS)	0.546	0.856	
Successful Financial Reporting Transformation (SFRT)	0.552	0.546	0.858

The comparison of correlation between constructs and the AVE square root values in Table 7 reveals that the AVE square root value for each variable is greater than the correlation between research variable constructs. The square root of each construct's AVE should be greater than its highest correlation with any other construct. These findings confirm that the latent variables exhibit high discriminant validity, ensuring strong consistency across all constructs.

Furthermore, the reliability test results are presented in Table 8. Based on the reliability value calculations for the three variables, as shown in Table 8, the Cronbach's Alpha for each variable exceeds 0.7. These results confirm that the three questionnaires used as measurement tools for the research variables are reliable. The findings indicate

that the instruments measuring Digital Leadership (X1), Effectiveness of the Accounting Information System (X2), and Success of Financial Reporting Transformation (Y) consistently produce stable and reliable results.

Additionally, the results of the internal consistency test are presented in Table 9.

Table 8. Results of Reliability Test.

Variable	Number of Item	Coeficient of Reliability (*Cronbach's Alpha*)	Critital Value	Decision
Digital Leadership (DL)	5	0.855	0,7	Reliabel
Effectivity of Accounting Information System (EAIS)	6	0.927	0,7	Reliabel
Successful Financial Reporting Transformation (SFRT)	4	0.881	0,7	Reliabel

Table 9. Internal Consistency Test Results.

Latent Variable	Indicator	Composite Reliability	Cronbach's Alpha
Digital Leadership (DL)	X1.1 s/d X1.3	0.885	0.855
Effectivity of Accounting System (EAS)	X2.1 s/d X2.3	0.934	0.927
Successfull of Financial Reporting (SFR)	Y.1 s/d Y.3	0.900	0.881

Source: SmartPLS 4.0

As shown in Table 9, the Composite Reliability (CR) values for Digital Leadership (X1), Effectiveness of Accounting Information Systems (X2), and Successful Financial Reporting Transformation (Y) are 0.885, 0.934, and 0.900, respectively. Since all CR values exceed 0.7, the three latent variables meet the recommended measurement model assessment criteria, indicating a high level of internal consistency.

The inner model testing evaluates the relationships between the studied variables based on the established hypotheses. The structural model (inner model) is assessed using **R-square (R^2) and effect size (f^2) values. The results of this testing are presented in Table 11 and illustrated in Table 10 below:

Table 10. Efect Size of Structural Model.

No	Endogenous construct	f^2
1	Digital Leadership (DL)	0.605
2	Effectivity of Accounting Information System (EAIS)	0.836

Referring to table 10, the F2 value of Digital Leadership is 0.605 and Effectivity of Accounting Information System is 0,836. The F2 value exceeds 0.35, so it can be de-

termined that the effect size of Digital Leadership and Effectivity of Accounting Information System on Successfull of Financial Reporting is quite large. Furthermore, the results of Hypothesis Testing can be seen as follows:

Table 11. Hiphotheses Testing Result.

Consequence	Reason	Estimate	Std Error	z-value	p-value	Sig.
Digital Leadership (DL)	DL$_1$	0.769	0.112	5.805	0.00	Sig.
	DL$_2$	0.786	0.121	4.963	0.00	Sig.
	DL$_3$	0.843	0.152	8.792	0.00	Sig.
Effectivity of Accounting Information System (EAIS)	EAIS$_1$	0.864	0.108	8.320	0.00	Sig.
	EAIS$_2$	0.821	0.076	7.387	0.00	Sig.
	EAIS$_3$	0.812	0.082	6.463	0.00	Sig.
Successfull of Financial Reporting (SFR)	SFR$_1$	0,912	0.144	11.34	0.00	Sig.
	SFR$_2$	0,869	0.412	4	0.00	Sig.
	SFR$_3$	0,827	0.154	8.322	0.00	Sig.
				5.928		
SFR	**DL**	0,552	0.066	2,741	0.00	Sig.
	EAS	0,546	0.013	2.557	0.00	Sig.

Likewish, the test results of path coefficient and R-Square (R2) are shown in table 12 and 13, below:

Table 12. Path Coefficient.

	Original Sample (O)	T Statistics ($|O/STDEV|$)
X1_DL->Y_SFR	0.361	2.741
X2_EAIS -> Y_ SFR	0.349	2.557

Table 13. R-Square (R2) Value.

Endogen Variabel	R Square	R Square Adjusted
Successfull Of Financial Reporting (SFR)	0.694	0.688

Source: SmartPLS 4.

The calculation results indicate that the Digital Leadership variable has an influence coefficient of 0.361 on the Success of Financial Reporting, while the Effectiveness of Accounting Information Systems has an influence coefficient of 0.349 on the Success of Financial Reporting. The R-square (R^2) value for the Success of Financial Reporting

variable is 0.694, resulting in an error term of 1 - 0.694 = 0.306. The R² value reflects the accuracy of the model's predictions. An R² value of 0.688, which is above 0.5, suggests that the model demonstrates a moderate effect. The test results of the structural equation model are further detailed below:
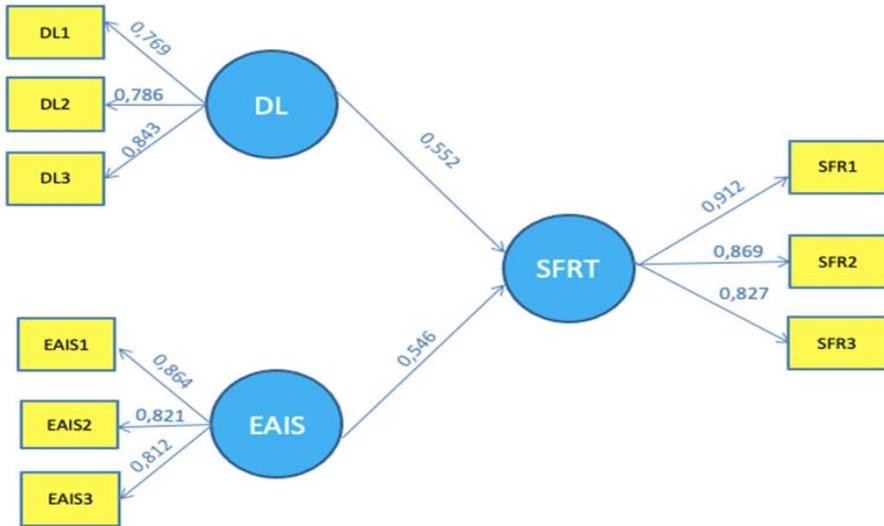

Fig. 1. Structural Equation model.

4.3   Digital Leadership to The Successfull Financial Reporting.

The results of the hypothesis testing indicate that the t-statistic value (2.741) is greater than the critical value (2.052), meaning that Human Resource Competence Quality has a significant effect on the Quality of Financial Reports at State-Owned Banks in Bandung City. This finding suggests that enhancing human resource competency will lead to improvements in financial report quality. The study confirms that human resource competency plays a crucial role in financial reporting quality.

Furthermore, the findings highlight that digital transformation serves as a key driver of growth and sustainable development in modern companies. It also fosters employee commitment to organizations, a topic that has been a continuous focus in research exploring the connection between company performance and employee development. Despite the strategic impact of digital transformation on industries, existing literature lacks a comprehensive perspective on its complex relationship with organizational change, calling for broader comparisons with innovation studies.

Higher levels of employee engagement contribute to better performance and stronger organizational commitment, aligning employees with company goals and increasing their willingness to remain with the organization. Successful digital transformation requires the integration of physical, technical, and social systems, with organi-

zational culture playing a crucial role in fostering commitment and embedding technological advancements into strategic frameworks. Deeply rooted in digitalization, digital transformation has become an essential aspect across various industries and remains a key focus in academic and business research.

At its core, digital transformation involves the innovation of production methods and processes through digital technologies. The extent of digital transformation within an organization is highly influenced by the cognitive abilities of managers and strategic decision-making, emphasizing the need for proactive leadership. These strategic decisions not only shape the organization's trajectory but also fuel corporate innovation, significantly improving overall performance.

Research by Saranya, P.C., and Vasantha suggests that digital transformation mediates the relationship between digital leadership and organizational commitment, demonstrating that leaders with digital expertise can effectively drive organizational change, enhancing employee loyalty and engagement. Similarly, [24] support this perspective, highlighting that digital transformation, when guided by effective digital leadership, fosters strong organizational commitment by instilling a sense of pride and ownership. Their study underscores the synergistic role of digital leadership, transformation capabilities, and continuous learning environments in strengthening organizational commitment.

4.4 The Effectiveness of The Accounting System to The Successfull Financial Reporting.

The hypothesis test results indicate that the Effectiveness of the Accounting Information System significantly influences the Quality of Financial Reports, with a t-statistic value of 2.557, which exceeds the critical value of 2.052. Since t-statistic > critical value (2.557 > 2.052), it confirms that Hypothesis 2 is significant, meaning that an effective accounting information system plays a crucial role in improving financial report quality.

Digital transformation in financial reporting is an organizational initiative aimed at enhancing the quality, accuracy, and efficiency of financial report preparation through digital technology. A key determinant of success in this transformation is the effectiveness of the financial system, which enables organizations to generate transparent, accurate, and compliant financial reports aligned with modern accounting standards.

The effectiveness of a financial system is measured by its ability to: Produce accurate and reliable financial data, Enhance the speed and efficiency of financial reporting, Ensure security and integrity of financial information, Provide easy access and transparency for stakeholders. A well functioning financial system does more than just record transactions it serves as a strategic tool for data-driven decision making and plays a critical role in improving the accuracy and quality of financial reports. A well functioning financial system guarantees that the generated financial data is accurate and reliable. Leveraging technologies like Artificial Intelligence (AI) and Big Data Analytics enhances anomaly detection and ensures that financial reports adhere to accounting standards such as IFRS or GAAP.

An efficient financial system contributes significantly to streamlining the reporting process. By implementing automation, companies can minimize reliance on manual

procedures that are susceptible to human error. Technologies such as Enterprise Resource Planning (ERP) facilitate real-time financial reporting, expediting the submission of reports to regulators, investors, and stakeholders.

Another key function of an effective financial system is enhancing security and regulatory compliance. Data security remains a critical component, and technologies like blockchain and data encryption provide robust protection against information breaches and financial data manipulation. Furthermore, a well-structured financial system ensures adherence to financial regulations, including the Sarbanes-Oxley Act (SOX) and other compliance standards.

Additionally, an effective financial system promotes transparency and informed decision-making. By making financial reports more accessible and easier to analyze, organizations can support data-driven decision-making, ultimately strengthening stakeholder confidence in the reliability of financial disclosures.

Despite these advantages, the implementation of an efficient financial system within the digital transformation of financial reporting presents several challenges. These include low technology adoption rates, particularly in companies that still depend on manual processes, limited digital skills among employees, which hinders the optimal utilization of modern financial systems, high initial investment costs for developing and integrating digital-based financial solutions, and cybersecurity risks, which may impact trust in digital financial platforms.

The effectiveness of a financial system is crucial for the successful digital transformation of financial reporting. A system that is accurate, fast, secure, and transparent enables organizations to generate high-quality financial reports and support strategic decision-making. However, to maximize this effectiveness, businesses must address challenges such as technological investment, workforce training, and data security. By adopting a robust financial system, organizations can enhance their competitiveness in the digital age and drive the success of financial reporting transformation.

5   Conclusion and Recommendation

The results of this study emphasize the crucial role of digital leadership and accounting system effectiveness in the successful transformation of financial reporting. Digital leadership is instrumental in fostering innovation, encouraging the adoption of digital tools, and ensuring a seamless transition during organizational change. Leaders who embrace technology and effectively communicate digital strategies contribute to enhancing financial reporting processes.

Moreover, the effectiveness of accounting systems is vital in maintaining data accuracy, reliability, and automation, which are key elements in financial reporting transformation. Organizations with well-integrated and efficient accounting systems benefit from better decision-making, increased transparency, and improved compliance with financial regulations.

However, challenges such as system adaptability, employee competency, and resistance to change pose significant barriers to achieving optimal transformation. To overcome these obstacles, organizations should prioritize continuous leadership development, system optimization, and employee training to enhance digital adoption and fully leverage the benefits of financial reporting transformation. By addressing these

factors, companies can improve financial reporting accuracy, efficiency, and overall organizational performance in the digital age.

Based on the research findings, several recommendations can be made to enhance the success of financial reporting transformation through digital leadership and accounting system effectiveness: Invest in digital leadership training to strengthen leaders' ability to drive technological advancements and manage digital change effectively; Adopt cloud-based financial reporting systems to improve data accessibility, enhance security, and increase operational efficiency; Implement change management strategies to minimize resistance and facilitate the seamless adoption of new financial reporting processes; Enhance cybersecurity measures to safeguard financial data against breaches and unauthorized access; Ensure compliance with international financial reporting standards (IFRS) and local regulations to uphold credibility and maintain transparency in financial reporting; Utilize blockchain technology and AI-powered analytics to improve the accuracy, reliability, and integrity of financial reports. By implementing these strategies, organizations can optimize financial reporting processes, strengthen regulatory compliance, and improve overall efficiency in the digital era.

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