

Original Research Article

The Analysis of Financial Report Effectiveness Through Berlo Communication Model: A Case Study of PT MegahSembada Industry, Indonesia

ABSTRACT

Aims: Effective communication is crucial in the delivery of the company's financial reports, to ensure that the reports produced can meet their objectives as receivers of financial information. This study aims to empirically investigate the determinants that affect the effectiveness of corporate financial reporting.

Study design: The research method employed in this study is descriptive qualitative research.

Place and Duration of Study: The study was conducted at PT MegahSembada Industry (MSI), a prominent nonwoven manufacturer specializing in disposable products and healthcare items in Indonesia.

Methodology: Data collection techniques was collected by observation, interviews, documentation, and distributing questionnaires.

Results: The results showed that the application of Berlo's SMCR model in accounting information communication at PT MSI provides positive results in creating an effective work environment and producing quality financial reports.

Conclusion: This study confirmed that PT. MSI is able to report on time and accurately every month according to the actual data. The implication of this finding can be a foundation for other companies in improving their accounting information communication process to achieve better goals.

Keywords: Berlo's communication model, Effectiveness, Financial report, PT MegahSembada Industries, Indonesia.

1. INTRODUCTION

Ineffective financial report is a common problem in many organizations and businesses [1]. Although financial reports aim to satisfactorily communicate important information to stakeholders [2], various factors can hinder effective communication. These factors include differences in education and job criteria, insufficient financial literacy, supervisor attitudes, limited facilities, and recipients' ignorance of financial terms [3]. These challenges can lead to confusion and misinterpretation of financial information, underscoring the need for organizations to address these issues. It is to ensure accurate and understandable financial reports that foster trust and informed decision-making.

The financial report is the final result of the accounting process that is used as information by investors, potential investors, management, creditors, regulators, and other users to make decisions [4]-[5].

Financial reports also have a function as an instrument to measure company performance. It provides

Comment [SK1]: This is a study report. Use past tense.

Comment [SK2]: Is this correct? Check!!!

Comment [SK3]: In full first tiem used!!

Formatted: Highlight

Comment [SK4]: Mixed methods: qualitative and quantitative???

Comment [SK5]: In full the first time used.

Formatted: Highlight

Comment [SK6]: Meaning????

Formatted: Highlight

Comment [SK7]: [4,-5].

Formatted: Highlight

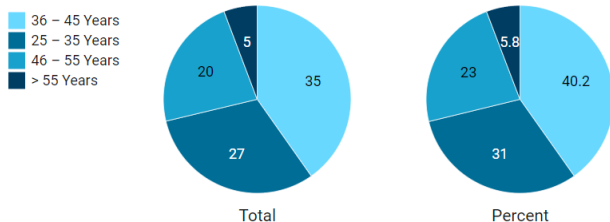
information about the entity's financial position, assets, liabilities, equity, revenues and expenses including gains and losses, contributions and distributions to owners in their capacity as owners, and cash flows. The reports will be useful to a wide range of users in making economic decisions. Financial reports also show the results of management's accountability for the use of resources entrusted to them. Financial reports are a medium of communication between management (internal company) and parties outside the company [6].

The desire to present financial reports on time is often faced with various obstacles. Among them, external commitments of the company that divert attention from key tasks lead to report delays. In addition, inadequate computer literacy was also an obstacle in completing financial reports and utilizing the accounting system effectively. These obstacles resulted in inaccuracies and confusion during data entry. In addition, delays exacerbate the backlog of tasks during book-closing procedures, in addition to problems such as corrections made to journals by the head of the accounting division and inaccuracies in the recording of transaction journals due to incomplete evidence. The lack of controlled and organized inventory management further exacerbates these challenges, resulting in discrepancies during stock-taking, especially when dealing with sizable inventory values. Addressing these issues underscores the importance of fostering efficient communication between company leaders and relevant departments to improve the accuracy and timeliness of the financial reporting process.

In addition, delays in submitting financial reports can cause information to become outdated, lose its relevance, and reduce its capacity to influence decision-making. Given these challenges, this study adopts Berlo's SMCR (Sender, Message, Channel, and Receiver) communication model to examine the financial reporting landscape. Thus, the main objective of this study is to assess the effectiveness of communicating financial reporting information to users at PT MegahSembada Industry (MSI).

2. MATERIAL AND METHODS

The research method employed in this study is descriptive qualitative research. The study was conducted at PT MegahSembada Industry (MSI), a prominent nonwoven manufacturer specializing in disposable products and healthcare items in Indonesia. The company's physical location is at Jl. Palm Manis III No.68, JatiUwung District, Tangerang Regency, Banten Province. The respondents of this research are the Manager of the Finance and Accounting / Finance Division and all employees of PT MSI, totaling 87 employees.



(a)

Formatted: Highlight

Formatted: Highlight

Formatted: Highlight

Formatted: Highlight

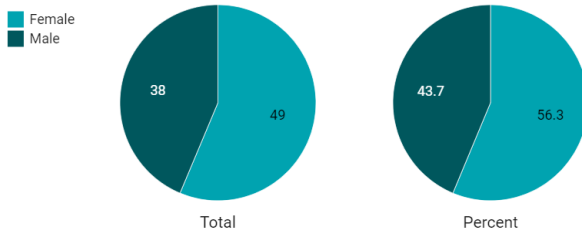
Comment [SK8]: Was??

Comment [SK9]: It is stated the study used qualitative methods. But it seems quantitative approach was deployed!!!

Formatted: Highlight

Formatted: Highlight

Comment [SK10]: Even for qualitative part of the study??



(b)

Figure 1. The respondent characteristics, Age range (a), Gender (b).

Figure 1 (a) provides an overview of the age distribution of respondents in the sample. A total of 27 respondents (31%) were in the age range of 25 to 35 years, 35 respondents (40.2%) were in the age range of 36 to 45 years, 20 respondents (23%) were in the age range of 46 to 55 years, and 5 respondents (5.7%) were older than 55 years. Figure 2 (b) also provides information about the respondents which consisted of 38 respondents (43.7%) were males, and 49 respondents (56.3%) were females. The total number of respondents in the sample was 87, which represents 100% of the total sample.

In analyzing the data, this research used Berlo's SCMR (Sender, Message, Channel, and Receiver) theory. This research examines the communication model because one of the advantages of Berlo's model that it is not limited to public communication or mass communication, but also interpersonal communication and various forms of written communication. The communication model of Berlo is shown in Table 1.

Table 1. The Communication Model of Berlo's SCMR Theory

Source	Message	Channel	Receiver
Communication Skills	Elements	Seeing	Communications Skills
Attitudes	Structure	Hearing	Attitudes
Knowledge	Treatment	Touching	Knowledge
Social System	Content	Smelling	Social System
Culture	Code	Tasting	Culture

Data collection was performed using interviews and questionnaires, enabling the researchers to gather relevant information from the respondents. Subsequently, the data analysis was conducted using scales and methods involving Ordinal scales to assess and interpret the responses obtained from the questionnaires. The use of ordinal scales involves categories like "Strongly Agree," "Agree," "Disagree," and "Strongly Disagree," and each associated with a numerical score ranging from 4 to 1. Then, the data were analyzed using descriptive statistical techniques which included mean, median, mode, standard deviation, variance, range, minimum and maximum.

Formatted: Highlight

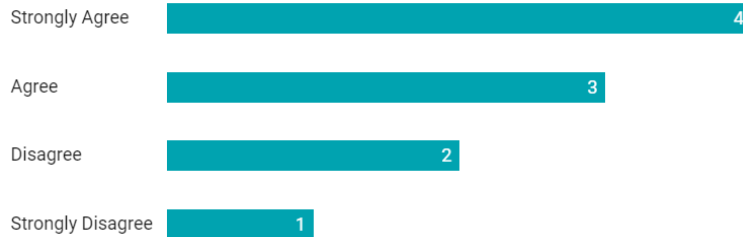
Comment [SK11]: Use standard age groupings.

Comment [SK12]: Stated all employees in the department participated in the study. Hence, no sample!!

Formatted: Highlight

Formatted: Underline

Formatted: Highlight



Figure

2. The ordinal scale for research questionnaire

3. RESULTS AND DISCUSSION

3.1 Result

This research presents key findings from the research conducted at PT MegahSembada Industry (MSI), focusing on communication dynamics using Berlo's SMCR (Sender, Message, Channel, and Receiver) theory as the analytical framework. The findings discuss the results obtained from the respondents through the implementation of a questionnaire and the use of an Ordinal scale for data analysis.

Formatted: Highlight

Comment [SK13]: What does this mean?

Table 2. The Descriptive Statistics of Berlo's SMCR Variables

Descriptive Statistic	Source	Message	Channel	Receiver
Mean	34.06	34.03	33.89	33.91
Median	31.00	31.00	32.00	32.00
Mode	30.00	30.00	30.00	30.00
Standard Deviation	4.21	4.23	4.068	4.08
Variance	17.70	17.87	16.55	16.64
Range	10.00	10.00	10.00	10.00
Minimum	30.00	30.00	30.00	30.00
Maximum	40.00	40.00	40.00	40.00

Based on the data in Table 1, it is known that Source variable gets a mean value of 34.06 with a median of 31.00 for the standard deviation is 4.21 and a variance value of 17.71 which has a data range of 10.00 with a minimum data value of 30.00 and a maximum of 40.00. The Message variable gets a mean value of 34.03 with a median of 31.00, for the std deviation is 4.23 and a variance value of 17.87 which has a data range of 10.00 with a minimum data value of 30.00 and a maximum of 40.00. The Channel variable gets a mean value of 33.89 with a median of 32.00, for the std deviation is 4.07 and a variance value of 16.55 which has a data range of 10 with a minimum data value of 30.00 and a maximum of 40.00. While the Receiver variable gets a mean value of 33.91 with a median of 32.00, for the std deviation is 4.08 and a variance value of 16.64 which has a data range of 10.00 with a minimum data value of 30.00 and a maximum of 40.00. Overall, the findings from Table 1 indicate relatively consistent and balanced communication patterns for Source, Message, Channel, and Receiver within PT MegahSembada Industry.

Comment [SK14]: Table 2??

3.1.1 Source

Table 3. The questionnaire's result on participants' perceptions of the source component

Dimension	Indicator	Strongly agree	Agree	Disagree	Strongly Disagree
-----------	-----------	----------------	-------	----------	-------------------

Communication	Source credibility	35,6%	64,4%	0%	0%
Skill	Equality of source and recipient	48,3%	51,7%	0%	0%
Attitude	Source credibility	37,9%	62,1%	0%	0%
	Equality of source and recipient	37,9%	62,1%	0%	0%
Knowledge	Source credibility	43,7%	56,3%	0%	0%
	Equality of source and recipient	40,2%	59,8%	0%	0%
Social System	Source credibility	36,8%	63,2%	0%	0%
	Equality of source and recipient	40,2%	59,8%	0%	0%
Culture	Source credibility	43,7%	56,3%	0%	0%
	Equality of source and recipient	41,4%	58,6%	0%	0%

Table 3 shows that the source component of Berlo's communication model has indeed been applied at PT. MSI, it can be seen from the answers of all respondents 100% answered the option Agree or Strongly Agree, while those who answered Disagree or Strongly Disagree were 0. To strengthen the results of the questionnaire distribution, in this study interviews were conducted related to source component.

Based on the results of interviews with Mr. HJ as Director of Finance, the conclusion can be drawn that in preparing financial statements and their components, qualified expertise and experience in the financial field are required. A relevant level of education is also the most important factor in preparing effective financial statements. In addition, it is important to achieve equal understanding and synergy between the source of information and the recipient of information so that the process of preparing financial statements runs well. Honesty is the main attitude that must exist in all individuals involved in finance. In a company, the finance department is very important because the success of the company depends on its financial factors. In making good and effective financial reports, equal knowledge of company finances must exist from superiors to subordinates. Good cooperation between superiors and subordinates in preparing financial reports is an important key. Cultural, religious, or belief factors do not really affect communication in preparing financial reports. The most important thing is synergy and cooperation between coworkers and superiors and subordinates to achieve accurate and effective financial reports.

Comment [SK15]: What is adequate education in this study context?

3.1.2 Message

Table 4. The questionnaire's result on participants' perceptions of the message component

Dimension	Indicator	Strongly agree	Agree	Disagree	Strongly Disagree
Elements	Content	35,6 %	64,4%	0	0
	Organization or Structure	46%	54%	0	0
Structure	Content	37,9%	62,1%	0	0
	Organization or Structure	37,9%	62,1%	0	0
Treatment	Code	43,7%	56,3%	0	0
	Treatment	40,2%	59,8%	0	0
Content	Code	36,8%	63,2%	0	0
	Treatment	40,2%	59,8%	0	0
Code	Treatment	43,7%	56,3%	0	0
	Message Elements	41,4%	58,6%	0	0

Formatted: Highlight

Table 4 shows that the message component in Berlo's communication model has been applied and understood by all employees, as evidenced by 100% of employees who answered agree or strongly agree, and those none who answered disagree or strongly disagree. In addition, based on the results of interviews with Mr. Handjoyo (HD), the main resource person from the Finance Department, it is stated that in the preparation of the company's financial statements, effective and collaborative communication between the finance department and superiors is very important. Key factors include relevant financial materials and management policies, accuracy, and thoroughness in the preparation process. Independence in solving problems and good communication with supervisors are key to the success of good and accountable financial reports. Appreciation and respect from superiors are also an encouragement for the finance department to perform better.

Formatted: Highlight

3.1.3 Channel

Table 5. The questionnaire's result on participants' perceptions of the channel component

Formatted: Highlight

Dimension	Indicator	Strongly agree	Agree	Disagree	Strongly Disagree
Seeing	Influence of the senses	35,6%	64,4%	0	0
	Opportunity for feedback	48,3%	51,7%	0	0
Hearing	Sense influence	37,9%	62,1%	0	0
	Opportunity for feedback	37,9%	62,1%	0	0
Thouching	Amount of receiver control	43,7%	56,3%	0	0
	Type of message code	40,2%	59,8%	0	0
Smelling	Number of receiver controls	36,8%	63,2%	0	0
	Type of message code	40,2%	59,8%	0	0
Tasting	Power of multiplication	43,7%	56,3%	0	0
	Message preservation	41,4%	58,6%	0	0

Table 5 shows that the communication model of Berlo's channel component has been applied and understood by the employees of PT. MSI, as evidenced by 100% of respondents who answered Agree or Strongly Agree, and no one who answered Disagree or Strongly Disagree. In addition, based on an interview with Mr. HD from the Finance Department, it is confirmed that the use of computers in financial reports requires the senses to function optimally, especially the observation of numbers. Listening to superiors' instructions is important to avoid miscommunication. Openness to obstacles and problems and flexible communication help quick solutions. The importance of collaboration, communication and flexibility in facing financial reporting challenges.

3.1.4 Receiver

Table 6. The questionnaire's result on participants' perceptions of the channel component

Formatted: Highlight

Dimension	Indicator	Strongly agree	Agree	Disagree	Strongly Disagree
Communication Skills	Audience Analysis	39,1%	60,9%	0	0
	Network Analysis	26,4%	73,6%	0	0
Attitudes	Audience Analysis	35,6%	64,4%	0	0
	Network Analysis	40,2%	59,8%	0	0
Knowledge	Audience Analysis	42,5%	57,5%	0	0
	Network Analysis	44,8%	55,2%	0	0
Social System	Audience Analysis	47,1%	52,9%	0	0
	Network Analysis	32,3%	67,8%	0	0

Culture	Audience Analysis	40,2%	59,8%	0	0
	Network Analysis	42,5%	57,5%	0	0

Table 5 shows that the communication of the receiver component has been implemented and understood by the employees of PT MSI. This is evidenced by 100% of respondents who answered Agree or Strongly Agree, and no one who answered Disagree or Strongly Disagree. Based on the interview with Mr. Hendra Jaya (HJ), Director of Finance, some important conclusions can be drawn. In the preparation of the company's financial statements, the main objective is to create accurate and accountable reports, which requires an understanding of the necessary steps. Good communication with superiors and subordinates is an important factor in this process, as it enables the exchange of information vital in the preparation of financial statements. In addition, awareness of the character and knowledge of superiors and subordinates is key; this understanding facilitates effective interaction and speeds up the completion of the financial statement process without compromising on quality. Overall, the interviews emphasized the importance of communication, individual understanding, and efficiency in achieving the goal of preparing quality financial statements.

3.2 Discussion

3.2.1 Source

Based on the findings of the research results, the process of preparing the financial statements of PT. MSI, there required components included the honest attitude of the individual, the ability or expertise and qualified experience in the financial field. It is also stated that the relevant level of education is the most important factor needed in the preparation of these financial report. In order to prepare these financial reports to be effective, it is also necessary to have an equal understanding or synergy between the source/provider of information and the recipient of the information. As indicated by [7], failure to implement this approach could potentially hinder the financial statement preparation process. Based on the findings of this study, there is conformity with Berlo's communication theory on the source element, which suggests that there are 3 factors that influence the credibility used by recipients in evaluating information sources, including; 1) Authoritativeness. A source of information is considered reliable depending on the level of credibility, notoriety and qualifications (reflected in titles and professions), intelligence, or level of expertise of the source perceived by the recipient; 2) Trustworthiness, A source of information is declared reliable depending on the safety, honesty, friendliness, pleasantness, and attractiveness of the source of information perceived by the recipient; 3) Dynamism, A reliable source is how aggressive, strong, bold, and energetic the source is perceived by the recipient.

Comment [SK16]: This sentence is not clear??

Comment [SK17]: Which is?

3.2.2 Message

Based on the findings of the research results in the field, financial material or information related to the management policy of PT MSI is an important factor in the process of preparing financial reports. Besides, there should be no discrimination of positions in this case and focus on the core of preparing good and accountable financial reports. Nonetheless, if the problems occur in the preparation of financial reports, they must be resolved independently first. The accuracy factor is also needed to produce good and accurate financial reports so that those who receive this information (superiors) feel happy to see the results of these financial reports and appreciate the results of good and responsible work. In addition, there is conformity with Berlo's communication theory on this message element which suggests that in general, message (message, content, information) is defined as the content of communication that has value and is conveyed by someone (communicator) [8]. Therefore, it can be said that the process of communicating accounting information to users using Berlo's SMCR Method is very effective at PT. MSI. Messages are entertaining, informative, educational, and persuasive. Messages can be conveyed either by verbal and/or non-verbal means, which can be done face-to-face or through communication media [9]-[10].

3.2.3 Channel

Based on the results of research findings in the field, in the process of making financial reports PT. MSI has entirely used a computer. Both data and calculations are required to use all five senses functioned properly, especially the eyes as the five senses of vision that must be careful of the numbers or calculations. Being a good listener when the recipient of information (superiors) provides instructions of inputs in connection with the preparation of the financial statements so that there is no miss communication. When encountering an obstacle, good communication must be carried out, flexible, body gesture both smiles and ways of speaking that must be really well organized, so that there is no tension with superiors, this is solely so that any obstacles or problems encountered can immediately find a way out. From the findings of the research results above, there is conformity with Berlo's communication theory on this channel element which suggests that communication channels are a means of channeling information. For example, computer facilities and accounting software (SAP) and W. Schramm also classify or differentiate channels into 6 dimensions, namely sensory influence, opportunities for feedback, the amount of recipient control, the type of message code, the strength of multiplication, and message preservation.

Comment [SK18]: Not in findings??

Comment [SK19]: Sentence not clear!!!

Formatted: Highlight

3.2.4 Receiver

Based on the results of research findings in the field, in the process of preparing financial statements PT MSI expects an accurate financial report result in accordance with the existing reality so that later it can be accounted for, between the source of the message and the recipient of the message can communicate well, because this is the most important main factor as an exchange of information in the process of preparing financial statements. Of course, with good communication and better understanding the character and level of knowledge or habits of the recipient of the message, it will save more time and speed up the completion of the preparation of the company's financial statements. From the findings of the research results above, there is conformity with Berlo's communication theory on this element of the message receiver (receiver) which suggests that in general the definition of a message receiver is a person who gets a message from a communicator through the media [11]. One example is the financial manager. The factors that must be considered in analyzing the situation in this communication element are: culture, knowledge, behavior patterns, and the social system or environment in which they use the information [12].

4. CONCLUSION

The result of this research showed that the source component of Berlo's communication model such as expertise, level of education, experience, equal understanding and good cooperation between supervisors and fellow employees have indeed been applied at PT MSI. In addition, there is no position discrimination in this company and every problem can always be discussed and resolved properly because superiors always accept suggestions submitted by subordinates. Likewise, the company's financial reports are always reviewed for correction so that the financial statements made are as expected. All work activities at PT MSI use computer facilities and programs, and PT MSI's financial statements are reported in a timely and accurate manner every month in accordance with existing reality. This is because they communicate well with their superiors and subordinates and understand each other's character and level of knowledge.

REFERENCES

N. S. Al Qadi, "The Impact of The Quality of Financial Reporting on Non-Financial Business Performance and The Role of Organizations Demographic' Attributes (Type, Size and Experience)," Academy of Accounting and Financial Studies Journal, vol. 22, no. 1, 2018.

Comment [SK20]: Year of publication ?

[2] Henderson, E. (2019). Users' Perceptions of Usefulness and Relevance of Financial Statement Note Disclosures and Information Overload. International Journal of Business, Accounting, and Finance, 13(1).

[3] F. Arfikriyana and Suhendi, "Analisis dan Implementasi Modul akuntansi pada Aplikasi ERP Berbasis Open Source," *Jurnal Informatika Terpadu*, vol. 8, no. 1, pp. 13–20, 2022, [Online]. Available: <https://journal.nurulfikri.ac.id/index.php/JIT>

Comment [SK21]: Year of publication?

[4] Irfani, A. S. (2020). *Manajemen Keuangan dan Bisnis: Teori dan Aplikasi*. In PT Gramedia.

[5] Timbate, L., & Park, C. K. (2018). CSR performance, financial reporting, and investors' perception on financial reporting. *Sustainability (Switzerland)*, 10(2). <https://doi.org/10.3390/su10020522>

[6] Rabuisa, W. F., Runtu, T., & Wokas, H. R. N. (2018). Analisis Laporan Keuangan Dalam Menilai Kinerja Keuangan Perusahaan Pada Bank Perkreditan Rakyat (BPR) Dana Raya Manado. *Going Concern: Jurnal Riset Akuntansi*, 13(02), 325–333. <https://doi.org/10.32400/gc.13.02.19518.2018>

[7] Husein, U. S. M. (2018). Islam, communication and accounting. *Journal of Islamic Accounting and Business Research*, 9(2). <https://doi.org/10.1108/JIABR-01-2016-0008>

[8] Turaga, R. (2016). Organizational Models of Effective Communication. In *The IUP Journal of Soft Skills: Vol. X (Issue 2)*.

[9] Fischhoff, B. (2019). Evaluating science communication. *Proceedings of the National Academy of Sciences of the United States of America*, 116(16). <https://doi.org/10.1073/pnas.1805863115>

[10] Merkl-Davies, D. M., & Brennan, N. M. (2017). A theoretical framework of external accounting communication. *Accounting, Auditing & Accountability Journal*, 30(2). <https://doi.org/10.1108/aaaj-04-2015-2039>.

[11] Riswanto, F. S. E., Prianto, A. A., & Aruan, A. M. (2020). The Use of Competition as A Communication Strategy (To Increase Engagement as a Form of Brand Awareness about Local Skateboarding Shoes in Jabodetabek Area). *Profetik: Jurnal Komunikasi*, 13(1). <https://doi.org/10.14421/pjk.v13i1.1759>

[12] Farivar, S., & Wang, F. (2021). Influencer Marketing: Current Knowledge and Research Agenda. *Springer Proceedings in Business and Economics*. https://doi.org/10.1007/978-3-030-76520-0_21