

The Influence of Supervisory Board Function, Human Resources Quality and the Utilization of Information Technology on the Quality of Financial Reports in Denpasar Village Credit Institutions

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Abstract

Purpose – This study intends to determine the function of the supervisory board, the quality of human resources and the use of information technology on the quality of financial reports. Quality financial reports are very important for LPDs to be able to assist in making decisions regarding their operations.

Methodology – The population in this study were 175 employees in 35 LPDs in Denpasar City, consisting of the LPD Chair, Secretary, and Supervisory Board. The sampling technique used in this study is the saturated sampling method.

Findings – The results showed that the variables of the function of the supervisory board, the quality of human resources and the use of information technology had a significant positive effect on the quality.

1. Introduction

A non-bank financial institution is the Village Credit Institution (LPD). Bali Province Regional Regulation No. 2 of 1988 defines the Village Credit Institution (LPD) as a social institution that functions as a repository for money or other village assets. The LPD is required to provide good financial reports as a form of accountability to the chief of traditional villages and villagers. Quality financial reports are very important for LPDs to have in order to assist in making decisions regarding their operations. The resulting financial reports can reflect the success of

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management in managing their organization. Currently, many financial institutions managed by traditional villages have problems, one of the findings of the case that occurred at LPD Serangan around October 2020.

As is well known, the unrest within the Serangan LPD began in July 2020, when the 2019 LPD accountability report was distributed to community leaders, including the head of the Serangan traditional village, was submitted. In the form of fake loans, the research uncovered a number of irregularities. As for the modus operandi of the suspect, the finances of the LPD in Serangan Traditional Village were not used according to the work plan budget. The suspect also failed to record payments of receivables or interest in the LPD's cash book. Instead, the suspect submitted an accountability report, highlighting the fictitious operating profit. With the results of the distribution of the results of production services, the provisions are not followed. The two defendants made 17 false credits and altered cash book records in response to the improper use of money. This behavior increases the personal advantage of the suspect and others (<https://bali.tribunnews.com/>).

Financial reports reveal the LPD of a business. This study examines a number of elements that influence the production of high quality financial reports. The first factor is the function of the oversight body, in which the internal oversight body can work as an internal auditor to control financial reports so that the data is not falsified. Yulianingsih (2021) and Bhegawati (2021) conducted research on the effect of the function of the supervisory agency showing significant results on the quality of financial reports. However, research by Nudilah (2016), Pratiwi (2021), Pramesti (2021) shows that the role of supervisory bodies does not have an impact on the quality of financial reporting.

The second factor is the quality of human resources, which is the quality and Human Resources competence will improve the quality of financial reports (Riandani, 2017). Quality human resources have a large and substantial contribution to the results of financial reports according to Shintia (2017), Kiranayanti (2016). Meanwhile, Putri, et al (2017) state that the quality of human resources has a negative impact on the quality of financial reports.

The third factor is taking advantage of technological developments. According to (Soimah, 2014), the use of information technology will speed up the management of transaction data and prevent errors in inputting several files or financial data from account books, journals and ledgers to the financial reports section. Research conducted by Marisa, et al (2019), Saputra, et al (2022) shows the results that the use of technology has a substantial impact on the results of financial reports both in terms of quality. Unlike the opinion of Sukaesih (2017), Mariana (2019) shows that the use of IT does not have a substantial impact on the quality of financial reports.

From the previous context, the formulation of the problem is:

- How is the effect of Supervisory Board Function of the Quality of Financial Reports at LPD in Denpasar City?
- How is the influence of Human Resources Quality on the Quality of Financial Reports at LPDs in Denpasar City?
- How does the use of information technology influence the quality of financial reports at LPDs in Denpasar City?

2. Research Method

This is quantitative research. The independent variables in this study include supervision board (X1), human resources quality (X2), and utilization of information technology (X3). While the dependent variable of this study is the quality of financial statements (Y). Based on data obtained from the Denpasar City LPLPD on May 10, 2022, there were 35 LPDs that were still operating. The population in this study were 175 employees in 35 LPDs in Denpasar City consisting of LPD chairpersons, secretaries, and supervisory boards. The saturated sample method is utilized in the sampling technique in research.

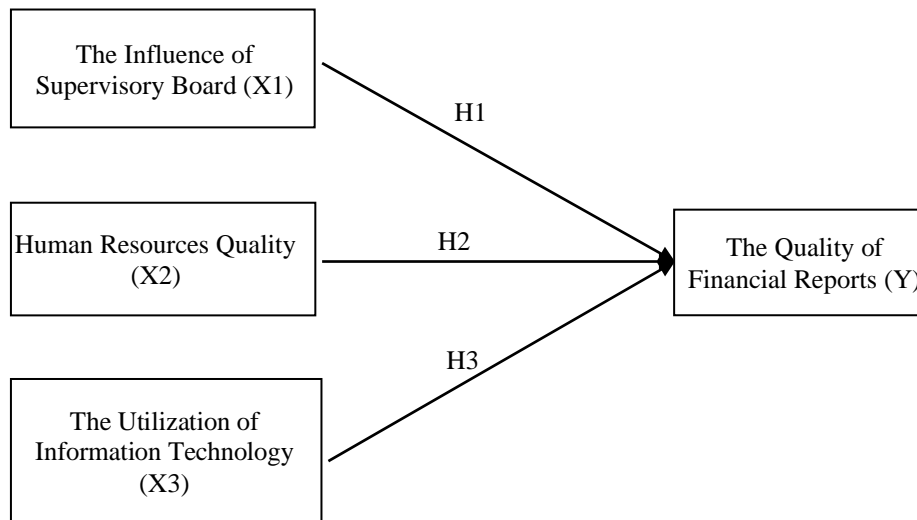


Figure 1. Researcher's conceptual framework

3. Results and Discussions

Data was collected by distributing questionnaires to 35 "Village Credit Institutions (LPD) throughout Denpasar City". Questionnaires were distributed to 175 respondents and all questionnaires were returned. Respondents who held positions as Chair of the LPD were 35 people, Secretary were 35 people, and Supervisory Board were 105 people. 93 male and 82 female respondents. Respondents who had "age 25-35 years were 74 people, ages 36-45 years were 27 people, ages 46-55 were 58 people and ages > 55 years were 16 people". Respondents with the last education from SMA/SMK were 79 people, 14 people had the last education level Diploma, 82 people had the last education level Bachelor degree. Respondents with "21 people working < 3 years, 42 people working 3-5 years, 112 people working > 5 years".

In this study, all data were declared valid with the value of each variable exceeding 0.30 and reliable because the alpha value was > 0.70. In the results of the classical assumption test, the research data was declared to be normally distributed, without symptoms of multicollinearity and free from symptoms of heteroscedasticity with a significance level exceeding 0.05.

Table 1. Summary of Multiple Linear Regression Test Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	7.914	2.459		3.218	0.002
The Influence of Supervisory Board (X1)	0.228	0.097	0.175	2.360	0.019
Human Resources Quality (X2)	0.184	0.053	0.250	3.469	0.001
The Utilization of Information Technology (X3)	0.171	0.078	0.160	2.176	0.031
Adjusted R ²			0,155		
F Value			11,626		
Sig. F			0,000		

a. Dependent Variable: Quality of Financial Statements (Y)
 Source: Primary data processed, 2022 (Appendix 10)

From Table 1. the regression equation can be arranged as follows:

$$Y = 7.914 + 0.228X1 + 0.184X2 + 0.171X3 + e.....(1)$$

Based on the equation (1), the following can be described:

1. A constant value of 7,914 indicates that if the value of the oversight body function (X1), the quality of human resources (X2), the utilization of information technology (X3) is equal to zero, then the value of the quality of financial reports (Y) increases by 7,914 units.
2. The coefficient value $\beta_1 = 0.228$ means that if the function of the supervisory agency (X1) increases by 1 unit, then the value of the quality of financial reports (Y) will increase by 0.228 units assuming the other independent variables are constant.
3. The coefficient value $\beta_2 = 0.184$ means that if the quality of human resources (X2) increases by 1 unit, then the value of the quality of financial statements (Y) will increase by 0.184 units assuming the other independent variables are constant.
4. The coefficient value $\beta_3 = 0.171$ means that if the utilization of information technology (X3) increases by 1 unit, then the value of the quality of financial reports (Y) will increase by 0.171 units assuming the other independent variables are constant.

The adjusted R square value is 15.5% which indicates that only 15.5% of the variable quality of financial reports can be explained by the variables of supervisory body functions, quality of human resources, utilization of information technology, the remaining 84.5% is explained by other factors. The sig F value is 0.000 <0.05. This shows the function of the supervisory body, the quality of human resources, the use of information technology is the same as the quality of financial reports (Y). This means that the model in this study is feasible to use (*fit*). The function of the supervisory body is 2.360 with a significance value of 0.019 (significant), this means that the function of the supervisory body (X1) has a significant positive effect on the quality of financial reports (Y).

The variable quality of human resources (X2) has a t value of 3.469 with a significance value of 0.001 (significant). This means that the quality of human resources (X2) has a positive effect on the quality of financial reports (Y). The information technology utilization variable (X3)

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has a t value of 2.176 with a significance value of 0.031 (significant). This means that (X3) has a positive effect on the quality of financial statements (Y).

4. Conclusions

Based on the results of the analysis and descriptions above, it can be concluded that the function of the supervisory body has a significant positive effect on the quality of financial reports. So, the better the function of the supervisory body in an LPD will improve the quality of the resulting financial reports. The quality of human resources significantly improves the quality of financial reports. The quality of financial reports at LPD will increase in accordance with the quality of its human resources. Utilization of information technology significantly improves the quality of financial reports. This means that the greater the use of information technology, the higher the quality of the financial reports produced.

The research suggestion is to improve the quality of LPD financial reports to improve the function of the supervisory body and be guided by the rules for presenting financial reports. And the use of information technology is also continuously improved so that the resulting reports are of higher quality because they have speed and accuracy in preparing financial reports. The quality of human resources, especially in the field of using information technology, needs to be improved because over time the information system will be updated. In addition to the function of the quality of human resources and supervisory board for the use of information technology, it is suggested that further research can analyze in more depth the elements that can affect the quality of financial statements and also to determine how to improve the quality of financial reporting in the future.

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