Investigation of Factors That Affect the Quality of Village Financial Statements in Buru District

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Abstract

This study aims to investigate the direct influence of the factors that influence the quality of village financial reports, including the competence of village financial managers, the use of information technology and the role of village facilitators. The target sample is village financial managers in Buru Regency, which are spread throughout the village. Data is collected through a questionnaire and then tested using the Smart Partial Least Square technique. The research results obtained were sufficient to provide moderate support for these goals. This is evidenced from the inner model test, the R Square value of 0.35 implies that 35% of the quality of financial statements can be explained by the competence of village financial managers, the use of information technology and the role of village facilitators, the rest is explained by other factors not examined. Of the three hypotheses proposed, 2 hypotheses that showed significant positive results. The hypothesis that supports this research provides the conclusion that the use of IT and the role of village facilitators are variables that affect the quality of village financial reports.

Keywords: Competence, Financial, Management, Technology

1. Introduction

Decentralization is the transfer of government affairs by the central government to autonomous regions based on the principle of autonomy. With decentralization, autonomy has emerged for a regional government. The regional government, in this case, the village has the authority to arrange, manage and regulate its territory without interference from the central government. With a decentralized government system, efforts can be made to encourage villages to innovate and work to advance their villages so that national development can be realized even in remote villages (Soleman and Latuconsina 2019).

To realize national development, the central government has allocated several budgets to each village. Funds channelled to each village will later be accounted for by the village head to government officials above the village (district government) (Hamiru and Umanailo 2019). As stated in the Ministerial Regulation concerning village financial management. Village financial management is an inseparable part of the entire village management process, which includes village financial planning, implementation, administration, reporting and village financial accountability. Given the amount of the budget managed by the village government from year to year has increased so that management must be carried out in an orderly and planned manner so that in village financial reporting can be accounted for as well.

Village financial management in Buru Regency can be said to be not as expected. Problems that arise related to village financial management often occur to date, including those related to administrative completeness that is not

well taken care of to trigger delays in financial disbursement and the delivery of village financial statements. There was a change of village officials before the end of the term of office. Besides, the poor quality of technical information technology systems (IT) is one of the failures in the use of IT. Utilization of IT will greatly help speed up the process of managing financial transaction data, presenting financial statements and can avoid mistakes in preparing financial reports.

Besides, there is still a lack of training in the context of community development and empowerment to offset the existing obstacles in the village government, especially those in Buru Regency. With these problems, of course, this will have an impact on the presentation of village financial statements. The quality of the financial statements that will be accounted for will be questioned. For the quality of financial statements to be achieved, financial statements must meet the qualitative characteristics of financial statements, including reports must be relevant, reliable, understandable and comparable. Report quality elements can be easily formed if balanced with supporting resource competencies and the availability of adequate technology. With this description, the formulation of the problem in this study is. 1) Does the competence of village financial managers affect the quality of village financial reports, 2) Does the use of IT affect the quality of village financial reports?, 3) Does the role of village assistance affect the quality of village financial reports?.

The purpose of this research is to empirically examine the factors that influence the quality of village financial reports in Buru Regency. These factors are the competence of village financial managers, the use of IT and the role of village assistance.

In addition to the above research objectives, the importance of this research was carried out because, on this research opportunity, there were factors that were rarely tested concerning similar research, namely the role of village assistants in each village whose function was to assist, assist and guide the village in village development and development. Both in terms of infrastructure development, social, cultural, economic, financial and others. The contribution of this research is that in previous studies no one has used the Smart Partial Least Square technique, hoping that the content of Smart Partial Least I can be used as a development material in statistical testing for further research.

Village Government is the administration of government affairs and the interests of the local community. The Village Government is the Village Head and is assisted by the village apparatus as an organizer of the Village Government (Tahir and Umanailo 2019). The village apparatus consists of the village secretary, regional executor and technical executive assigned to assist the village head. Besides, if village financial management is combined with local wisdom values, fraud can be avoided (Latuconsina and Soleman 2019).

Village finance is all village rights and obligations that can be valued in money that generates income, expenditure, financing and village financial management. Implementers of village financial management include The Village Head (the holder of the village financial management authority) and the village apparatus who carry out village financial management consisting of the Village Secretary, Head of Affairs and Section Head.

Government financial reports can be said to be quality if the reports are reliable, relevant, understandable and comparable. Quality financial reports indicate that the head of government is responsible according to the authority mandated to him. The quality that is accommodated in financial statements is its ease of being understood by users.

The Village Head plays an important role in realizing sustainable development, so a leader who can protect his devices is needed (Umanailo et al. 2019). Abdulmudy (2017) states that a leader is expected to be able to display a leadership style that depends on the style and challenges and subordinates in which a leader who only displays one style will be less effective. Besides, it is hoped that a leader will emerge as an inspirer in times of misery so that a sense of confidence will emerge in his subordinates (Potu et al. 2013).

Competence theory was introduced by David McClelland (1973) in his article entitled "Testing for competence rather than for intelligence", it is said that there are basic characteristics that are more important in assessing work success, namely competence. In the science of HR Management, competence is defined as a combination of knowledge, skills and personality that can improve employee performance so that it can contribute to the success of the organization.

2. Research Methods

This research is categorized as hypothesis testing which aims to explain the causal relationship between the variables studied. Hypothesis testing uses prediction models that aim to test the predictive effect between latent variables to see whether there is a relationship or influence between these variables. The data source in this study is primary data obtained through the application of questionnaire survey techniques by giving questions to respondents in writing. The questionnaire survey technique that will be applied is the physical paper questionnaire that is distributed directly to respondents. The reason for using this technique is first, to anticipate the lack of data needed to maximize the expected sample. Second, to make it easy to classify samples according to the village the sample

came from so that they provide clear conclusions regarding sample selection. The sample in question includes village officials spread across Buru Regency,

The sampling method in this study was done non-randomly or with nonprobability or nonrandom selection. The nonprobability method used is a purposive sampling that is taking a sample from the population-based on certain criteria in the form of judgment (judgment sampling). The reason for choosing the method is because the target or object of this study has a specific character, namely financial management. Of the 120 questionnaires distributed there were 96 questionnaires that were eligible to be tested.

The type of data used is quantitative data that uses interval scales, namely the Likert Scale. This study uses the Partial least Square (PLS) analysis tool used to test the proposed hypothesis. PLS is a variant-based Structural Equation Modeling (SEM) technique that can simultaneously conduct measurement model testing as well as structural model testing (Rigdon and Hoyle 1997). PLS places minimal demands on the measurement scale, sample size, variable distribution and residual distribution (Chin, Marcelin, and Newsted 2003).

3. Results and Discussion
3.1 Description of Research Object
The object of this research is the village financial apparatus or managers scattered in all districts. The distribution of questionnaires was distributed to 8 of 10 districts in the district. Buru. 2 sub-districts that were not reached due to unfavourable natural conditions from the time of the survey until the distribution of the questionnaire. So 59 villages can be reached from a total of 82 villages. The number of questionnaires distributed to each village was 2 expel, adjusted for the elements of the village administration. Total questionnaires given to respondents amounted to 120 questionnaires, but the total questionnaire that can be used in data processing is 96 questionnaires or 80%. The questionnaire that can not be used because it does not meet the criteria of respondents and the responses of incomplete respondents.

Table 1.
Characteristics of Respondents

Characteristics		amount	Percentage
age:	< 31years	17	18%
	31-40 years	42	44%
	41-50 years	30	31%
	> 50years	7	7.3%
	Amount	96	100 %
Gender: Male		85	89%
Female		11	11%
	Amount	96	100 %
Education:	S1	33	35%
	Diploma	4	4%
	SMU	59	61%
	Amount	96	100 %
Educational background			
	Akuntansi	3	3%
	Non Akuntansi	93	97%
	Amount	96	100%
Duration of work:	< 2 years	39	41%
	2 – 4 years	18	19%
	4 – 6 years	17	18%
	6 – 8 years	12	12%
	> 8 years	10	10%
	Amount	96	100 %
Experience in using a Computer-based IT			
System: < 2 years		15	16%
	2 – 4 years	15	16%
	4 – 6 years	20	21%
	6 – 8 years	28	29%
	> 8 years	18	18%
	Amount	144	100 %

<center>Source: Primary data processed, 2019.</center>

Based on the table above, it is known that the number of male respondents is greater than female respondents. The number of men is 85 people or 89% more than female respondents, namely as many as 11 people or by 11%. Most respondents aged 31 to 50 years with a percentage of 75%, while the education level of the majority of respondents at the level of High School (SMU) and its equivalent with a percentage of 61%. Besides, the characteristics of respondents indicate that most respondents have less than 2 years of work experience with a percentage of 41%. While the respondents' experience in using computer-based technology was mostly above 4 years at 68%.

3.2 Testing the Measurement Model / Outer Model
The outer model or also called the measurement model defines the relationship between indicators and their latent variables. Construct validity and construct reliability are the main focus in the outer model. Construct validity shows how well the results obtained from the use of measurement following the theories used to define a construct.

The convergent validity of the measurement model with the reflective indicator is assessed based on the correlation between the item score/component score estimated with PLS software. The size of the reflective indicator is said to be high if it correlates more than 0.70 with the construct measured. But according to Chin (1998) for the initial stage of research, the development of a measurement scale loading values of 0.5 to 0.6 is considered quite adequate. In this research, a loading factor limit of 0.60 will be used.

The results of convergent validity testing (in figure 1) show a high degree of accuracy. This can be seen from the loading factor score of the reflective indicators that measure the research construct. Based on the results of testing the measurement model all indicators that measure the construct in this study have a loading factor loading> 0.60.
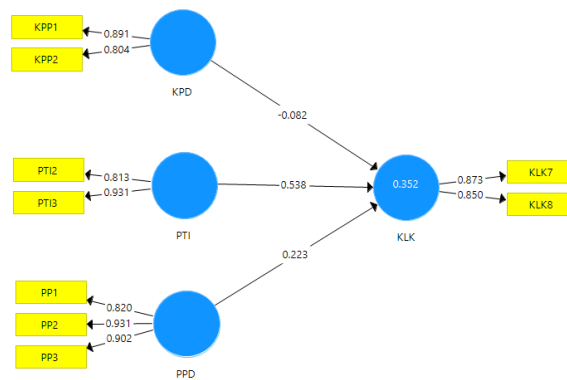

<center>Figure 1.
Output Measurement Model</center>

In addition to using the loading factor score, convergent validity parameters can also be seen from the AVE and Communality scores, each of which must be a value above 0.5 (Chin, 1995). The higher the AVE and Communality, the better the convergent validity of each construct. According to Hartono and Abdillah (2009, p. 80), the value of AVE and Communality that is above 0.5 implies that the probability of an indicator in a construct entering into another variable is low (less 0.5) and entering in the construct in question will be larger (above 50%).

<center>Table 2.
Output Overview of Algorithms</center>

	AVE	CRONBACH'S	CR
KLK	0.742	0.653	0.852
KPD	0.720	0.617	0.837
PTI	0.763	0.704	0.865
PPD	0.784	0.863	0.916

Source: output smartpls3.0

Based on Table 2 above, it shows that all constructs have met the prerequisite tests by obtaining AVE, Cronbach's and composite Reliability values above 0.5 so that it can be concluded that the indicators in this study have loading

factor values and AVE values and Communality that meets the criteria. From the table, it can also be said that the model in this study fulfils convergent and discriminant validity.

From table 1 can also be seen in composite reliability testing. The lowest value is 0.837 in the KPP construct and the highest is in the PPD construct. So, it can be said that the indicators used in this study are valid or have fulfilled convergent validity. the data used has met the reliability criteria or has shown accuracy, consistency and accuracy in measuring the concepts carried out in the development of the research model.

3.3 Structural Model Testing / Inner Model

Tests on structural models are carried out to test the relationship between latent constructs. There are several tests for structural models, namely: R Square in endogenous constructs. R Square value is the coefficient of determination in endogenous constructs. According to Chin (1998), the value of R square is 0.67 (strong), 0.33 (moderate) and 0.19 (weak). Besides, with Estimate for Path Coefficients, the path coefficient value or. Done with the Bootstrapping procedure. the magnitude of the relationship/effect of latent constructs.
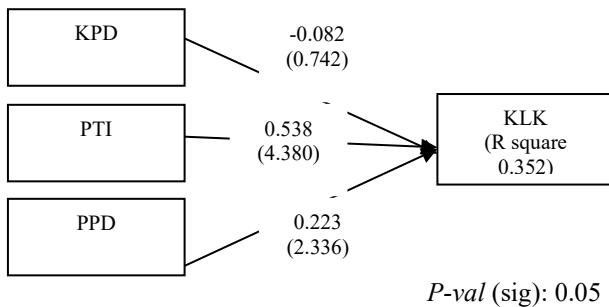

P-val (sig): 0.05
Figure 2. Display of the Structural Model

Figure 2 shows the influence of the determination of the independent construct on the dependent construct shown by the R-square value of 0.352. This means that 35% of the quality of village financial reports can be explained by the competence of village financial managers, the use of information technology and the role of village facilitators, the rest is explained by other factors not examined. The value of R square gives moderate results from the model under study.

Next is to do bootstrapping which can be seen in Table 2 below:

Table 3.
Total Effects

H	Path	Original Sample	T Static	P values
H1	KPD-> KLK	-0.082	0.785	0.433
H2	PTI -> KLK	0.538	4.499	0.000
H3	PPD -> KLK	0.223	2.488	0.013

Source: output smartpls3.0

Based on table 2 (Total Effects), the relationship between KPD and KLK is not significant with a t-statistic of 0.785 (> 1.96). The original sample estimate value is negative in the amount of -0.082, indicating that the direction of the relationship between the KPD and KLK is negative. Thus the H1 hypothesis is not accepted.

The above table shows that the relationship of PTI with KLK is significant with t-statistics of 4.499 (> 1.96). The original sample estimate value is positive, that is 0.538, indicating that the direction of the relationship between the KPD and KLK is positive. Thus the H2 hypothesis in this study states that 'the use of information technology affects the quality of financial statements' is accepted.

The above table also shows that the relationship of PPD with KLK is significant with a t-statistic of 2.488 (> 1.96). The original sample estimate value is positive, which is 0.223, indicating that the direction of the relationship between PPD and KLK is positive. Thus the H3 hypothesis in this study states that 'the role of village facilitators influences the quality of financial statements' is accepted.

Based on the original sample values, it is found that the highest value that affects the quality of financial statements (KLK) is the use of information technology (PTI) compared to the other 2 variables. Thus the use of information technology is the most dominant factor in influencing the quality of financial statements.

4. Conclusion.

The results of the study were moderate enough to provide strong support for the research objectives, this is evidenced from the inner model test, obtained an R square value of 0.35 means that 35% of the quality of financial statements can be explained by the competence of village financial managers, the use of information technology and the role of village facilitators, the rest is explained by other factors not examined. Besides, from the three hypotheses proposed, 2 hypotheses showed significant positive results. The hypothesis that supports this research provides the conclusion that the use of information technology and the role of village facilitators are variables that affect the quality of village financial reports. The procurement and use of technical facilities is very important in improving the quality of village financial reports. Likewise with the role of village facilitators, it also contributes to the quality of village financial reports. The hypothesis that does not provide support for this study can be concluded that the quality of village financial reports in regency. Hunting might be influenced by other factors apart from the competence of village financial managers.

Based on the results and conclusions above, some suggestions can be explained as follows. 1) For village governments to always utilize existing technology to further improve the quality of village financial reports. Likewise with the competence of the village apparatus to always be given an understanding of accounting and village financial management because this can be seen from the filled demographic data. Most respondents are not from accounting background (respondent characteristic data). 2) Structural model test results that show the influence of the determination of the independent variables on the dependent variable that is moderate by 35% so it can be suggested for further research to add new variables that are predicted to improve the quality of financial statements such as the application of SAP, work experience, understanding of accounting and the other. 3) The consequence of predictive model testing in this study is that testing can be carried out without a strong theoretical basis so that for subsequent studies it can do another model testing such as estimation model testing or can use other research techniques.

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