Factors Affecting The Quality Financial Statement of Badan Usaha Milik Desa (Bumdes)

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Abstract. Effective and efficient financial management plays an important role in the sustainability of BUMDes (village-owned enterprises). Unfortunately, most of BUMDes financial statements quality vary and not in accordance with the standards. As a result, BUMDes does not run well as it should. This study aims to identify factors causing a different level of quality of financial statements and is conducted using descriptive and verification methods. The population of this research is 150 BUMDes and it applies Slovin's formula sampling technique to obtain 109 BUMDes research samples spread in various villages in Majalengka Regency, West Java Province, Indonesia. Data analysis tools used are research instrument test, classical assumptions, correlations, determination, and hypothesis testing. The results show that the use of information systems, the understanding of accounting standards, and the role of assistance/companion have a significant effect both partially and simultaneously on the quality of financial statements with contributions of 77%.

1. Introduction

Financial statements are used as a guide in decision making. Therefore, they should have a high level of quality information. If the level of financial statements quality is low, then the decision making would become inappropriate. BUMDes managers need to have knowledge about factors causing different level of quality of financial statements to be able to make the right decision making. BUMDes financial statements are a form of responsibility for the management of economic resources used by managers for one period. HR quality, top management support, and data quality are the variables studied. BUMDes should write honest and transparent financial reports. Village economy is one of the important factors in assessing the success of village development by Moh. Hudi Setyobakti [1].

The financial statements must meet the qualitative characteristics as stipulated in Government Regulation No. 71 Year 2010 that is relevant, reliable, comparable, and understandable. However, in practice not all local governments (LGs) in Indonesia presents its financial statements as expected in accordance with Regulation No. 71 The Year 2010 [2]. The financial report into a tool that is used to show the gains and the implementation of the accountability functions within an entity [3]. Although one should expect that “better” corporate governance leads to improved financial reporting, there is a lack of consensus as to what constitutes “financial reporting quality” [4].

Financial quality reporting signifies the degree to which financial reports provide truthful and unbiased information about core financial positions and financial performance (FASB). Thus,
understanding financial reporting quality is worthwhile to the investor, who needs to effectively evaluate investment risk in the international capital markets [5]. Company's financial reporting quality measured as accruals quality and absolute discretionary accruals [6]. And then, We regress our factor variables again st common measures of financial reporting quality [7]. There are indicators of the quality of financial statements that are relevant, reliable, comparable, and can be understood by IAI [8].

Information system helps a company to work effectively and efficiently so that the productivity increases (Ellyhalimatusadiah [9] et al). It is a comparative advantage if a company gives higher level in the term of accessibility of financial information [10].

This research is different from previous studies. Many researchers focus their research on MSMEs and other regional apparatus organizations but only a few are studying about BUMDes which is currently experiencing problems in terms of financial management. If there is any research on BUMDes, the variables being studied are still general. Meanwhile, this research focuses on research variables in the field of accounting studies.

The results of this study will be useful as a material for government policies and managers of BUMDes to maintain their existence. Given the current BUMDes as one of the government's efforts to improve the economic welfare of the community, thus, it is important for researchers to conduct a study of the quality of BUMDes financial statements since it will have an impact on decision making.

The goal is to improve financial statements and provide the qualified financial statement information. The researcher finds out there are inconsistencies with the results of previous studies. Aside from being used as a material for monitoring and evaluation, it will also be used as a guide for BUMDes development steps. A good report will facilitate self-development to be able to become a larger business institution.

Issues relating to financial management in BUMDes must be considered by the government and other stakeholders to maintain the existence of BUMDes. One solution to the problem is to look for significant factors that affect the quality of BUMDes financial statements based on previous research. It is hoped that this research will strengthen the opinion of any significant factors that influence the quality of BUMDes financial statements.

2. Literature Review
The rise of agency theory is due to a conflict of interest between a principal and an agent. Agency theory explain the relationship between the two parties, the owner as principal and management as agent [11]. In the theory, it assumes that each individual is motivated by his or her own self-interest so that it leads a conflict of interest between both parties. The principal contracts the agents to manage the company's resources, while the agents are obliged to manage the resources of the company and responsible for the tasks the company has assigned to them [12]. In the implementation of the village fund.

The principal wants the agents to produce quality financial reports. Management, the principal has to adhere to some general principles which govern revenues and expenditures [13]. This will be the basis for the government to make the right policy so that BUMDes will be more professional in terms of management. The quality of financial statements reflects the level of financial health of an institution. This is why the government should pay attention to the level of quality of BUMDes financial statements, considering that the government has great hopes to grow BUMDes in Indonesia.

Many factors affect the level of quality of an institution's financial statements. This study focuses on looking for factors that cause the quality level of BUMDes financial statements. Utilization of accounting information systems is a benefit for users of information systems to carry out their obligations. The measurement is conducted based on the intensity of use, frequency of use, and the amount of software used. The effectiveness and efficiency of the use of financial information systems is measured with indicators of accuracy level, security level, the cost efficiency level, and the quality of results level.
Accounting understanding indicators are assessed from the level of one's knowledge in understanding the accounting cycle, including the understanding of journals, ledgers, summarizing into the trial balance, making adjusting journal entries, and writing financial statements. The companions/assistances play a role as direct implementers of family-based elderly social services and helps provincial/district/city-level implementers in performing their activities, among others, conducting observation, recording, and reporting the progress of family-based elderly handling to implementers at the district/city-level/province by PP No. 22-23 Kementerian Sosial/Social Ministry [14]. The roles aforementioned are a defender (advocacy), facilitator, an enabler, outreach workers, supervisor, activator (dynamist), motivator, catalyst, mediator, and elaborator.

3. Materials Dan Method
According to Sugiyono [9] a research method is a scientific method used to obtain data with specific goals and uses. This research uses an explanatory survey. Explanatory survey is a method aims to explain the position of variables studied and the influence of one variable on another. While data analysis being used is descriptive and verification method.

The verification method is an analysis that basically carried out using statistical calculations and testing the effect of variable X on Y (Underpricing) in question. In this study, a test was conducted to measure the contribution of accounting information systems utilization, understanding of accounting standards, and the role of a companion to the quality of financial statements.

The population in this study is 330 BUMDes in Majalengka Regency, West Java Province. This study chose a sample from the population using a questionnaire as a basic data collection tool. The questions were compiled based on the literature of previous studies and developed according to the responses of the respondents when filling out the questionnaire. The sampling method used in this study was random sampling. The number of respondents involved was 109 BUMDes in Majalengka Regency, West Java Province.

4. Results And Discussion
The results of questionnaires for the information system utilization variable (X1) consisting of six statements which showed respondents' perceptions, the variable of understanding of accounting standards (X2) consisting of six statements, and the companion role variable (X3) that deals with the use of information systems were all in the high category.

4.1 The Influence of Utilization of Information Systems on the Quality of Financial Statements
Result of the first hypothesis test regarding the effect of the use of information systems on the quality of financial statements indicates that the coefficient value is 0.512 with a t-value of 3.132. It means that the t-value is greater than t-table (1,659). Whereas, the p-value is 0.000 which indicates that it is smaller than the significant level of 0.05. These results reveal the H1 which predicts that the utilization of information systems has a significant influence on the quality of BUMDes financial statements. This is consistent with the first hypothesis saying that H0 is the utilization of information systems that affect the quality of BUMDes financial statements. Therefore, H1 must be accepted, while H0 must be rejected. These results imply that the use of information systems has a significant impact on the quality of BUMDes financial statements. Thus, the results have to be noted by village government officials that the use of information systems should become one of the requirements when recruiting prospective BUMDes staff in order to maintain the quality of financial reports. To deliver the information quickly and accurately, it is necessary to use information systems. Utilization of an appropriate information system will assist users in carrying out their obligations. The indicator is based on the intensity of use, frequency of use, and the amount of software used.

4.2 The Influence of Understanding Accounting Standards on the Quality of Financial Statements
Result of the first hypothesis test regarding the effect of understanding accounting standards on the quality of financial statements indicates that the coefficient value is 0.423 with a t-value of 2.832. It means that the t-value is greater than t-table (1.659). Whereas the p-value of 0.012 indicates that it is smaller than the significant level of 0.05. These results reveal the H1 which predicts that understanding accounting standards has a significant effect on the quality of BUMDes financial statements. This is consistent with the first hypothesis saying that H0 is the understanding of accounting standards affecting the quality of BUMDes financial statements. Therefore, H1 must be accepted, while H0 must be rejected. These results imply that the understanding of accounting standards has a significant impact on the quality of BUMDes financial statements. Thus, the results have to be noted by village government officials that the understanding of accounting standards should become one of the requirements when recruiting prospective BUMDes staff in order to maintain the quality of financial reports. To be able to produce quality financial reports, the attention should be focused on the quality of the people who prepare the financial statements. Employees involved in this activity have to understand the process and implementation of accounting and it must be carried out in accordance with applicable regulations.

4.3 The Influence of Companion's Role on the Quality of Financial Statements

Result of the first hypothesis test regarding the effect of companion's role on the quality of financial statements indicates that the coefficient value is 0.441 with a t-value of 3.320. It means that the value of t is greater than t-table (1.659). Whereas, the p-value is 0.000 which indicates that it is smaller than the significant level of (0.05). These results reveal the H1 which predicts that companion's role has a significant influence on the quality of BUMDes financial statements. This is consistent with the first hypothesis saying that H0 is companion's role that affect the quality of BUMDes financial statements. Therefore, H1 must be accepted, while H0 must be rejected. These results imply that the companion's role has a significant impact on the quality of BUMDes financial statements. Thus, the results have to be noted by village government officials that companion's role should become one of the requirements when recruiting prospective BUMDes staff in order to maintain the quality of financial reports. To support the village financial system, the role of a companion or facilitator is very important in helping the village government to produce quality financial reports. The active role of the companion is needed to help the successful implementation of BUMDes financial system. This is in line with research by Deva, et al. (2017).

4.4 The Influence of the Utilization of Information Systems, Understanding Accounting Standards, and the Role of Companions on the Quality of Financial Statements

The results showed that the use of information systems, understanding of accounting standards, and the role of companions affect the quality of financial statements by the contribution value of 77%. Of the three variables, the highest coefficient value is obtained by the role of companions variable.

5. Conclusions And Suggestions

Based on the results obtained from data processing and analysis, it can be concluded that respondents' perceptions of the use of information systems, of understanding of accounting standards, and of the role of companions are in the high category. It means that the quality of financial statements will also improve since the three variables above affect the quality of financial statements. It is expected that by improving the BUMDes financial statements and providing qualified reports will encourage the BUMDes to perform better in enhancing the economy of people.

Suggestions

1. In this industrial revolution of 4.0 era, there are still many BUMDes that have not optimized the use of information systems. Therefore, the village government should pay close attention to the recruitment of BUMDes staff that has the capability of using information systems.
2. Improving understanding of accounting standards in BUMDes because it will affect the quality of financial statements. The government can help through the training programs for BUMDes manager and fund assistance.

3. The government can use this research as a reference in improving the quality of BUMDes financial statements which is related to the utilization of information systems, understanding of accounting standards, and the role of companions.

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