The Quality Of Village-Owned Enterprises’ Financial Statement

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Abstract: The aim of this research is to reveal the variables that will influence the quality of village-owned enterprises’ financial statements in North Sumatra. This research defined 3 (three) variables that will influence the quality of village-owned enterprise’s financial statements: information technology, competency, and top management support. The research method for this research was quantitative mixed with the qualitative method. The data collection method was a survey with questionnaires. The population of this research was all the village-owned enterprises in North Sumatra. The random sampling method chose the sample for 33 (thirty-three) village-owned enterprises. The result of this research showed that information technology and competency did not affect the quality of the village-owned enterprises in North Sumatra. Top-management support was the variable affecting the quality of the village-owned enterprises in North Sumatra.

Keywords: Technology; Competency; Top-Management; Quality; Financial Statement.

INTRODUCTION

The financial statement is needed by the stakeholder as a periodic responsibility by management (Mardiasmo, 2017), and also as a decision-making tool (Setyowati et al., 2016). This situation also happens in village-owned enterprises. The demand for responsibility and transparency aspects consider the trigger for the high-quality financial statement in village-owned enterprises. Based on Peraturan Pemerintah Nomor 71 Tahun 2010, 4 (four) indicators are needed to perform a high-quality financial statement which are: relevance, accuracy, comparability, and understandability.

In general, there are so many problems faced by village-owned enterprises according to Berdesa.com, which are: (1) Government personnel’s understanding of the function and the position of village-owned enterprises in their village, especially the Village Head. (2) All the personnel in the village’s government do not completely understand the village’s
autonomy in relation to the village’s economic management. (3) The weakness of human resource development in the village had impacts on the low institutional and entrepreneurship competencies. (4) The placement of human resources do not in accordance with the competencies. (5) Fraud behavior that still exists in the village. (6) The wrong mindset related to the village’s fund (Dana Desa) as a charity fund. (7) The insufficient managerial’s knowledge in the village. (8) The young generations are not interested in village-owned enterprises. (9) The wrong stigma that village-owned enterprises should earn a high profit compared to lever the village’s economy (http://www.berdesa.com, 2019).

In North Sumatera Utara, there are 2.921 village-owned enterprises, but only 21 (twenty one) VOEs that classified as advanced village-owned enterprises. There are 124 VOEs that classified as develop village-owned enterprises. And the rest of is still in apprehensive condition. Based on Performanve Report of BPKP Sumatera Utara in 2020, there are 140 (one hundred and forty) Bumdes (village-owned enterprises) that already capable in preparing responsibility report, including financial statement.

Recent phenomenon showed that many villages that received the village fund’s grant from the Village Ministry face the problem in the reporting process of this fund. As an example, a village in Kabupaten Parigi Moutong (PArimo) that received a grant from Village Ministry, after the examination process faced a bookkeeping problem related to the grant (https://paluekspres.fajar.co.id, 2019). Other phenomena related to the development of village-owned enterprises are found in Desa Ponjong, Kabupaten Gunung Kidul. In this village, there are many problems related to the management of Dana Desa, which are communication, community access, transparency and accountability, managerial capacity, sanitation infrastructure, access to clean water, and legal standing (http://www.keuangandesa.com, 2019).

The development of village-owned enterprises in North Sumatra also had an apprehensive situation. Based on the observation conducted in Financial Management Training for village-owned enterprises in North Sumatera in 2020, these are the problems that village-owned enterprises faced: (1) Low quality of financial statement. The management of village-owned enterprises had no proper knowledge related to the standard for financial reporting. (2) Low quality of human resources in the village. (3) The low ability to work with technology. (4) Understandability related to the procedure and accounting information systems. (5) The examination process showed that there are so many fraud behaviors and accounting standards discrepancies.

The quality of the financial statement is related to the disclosure by the preparer. Low-quality financial statements are caused by improper disclosure, dis-accordance with the standards, and also un-traceable invoices. The good quality of the financial statement revealed the good intent of the top-management’s accountability and transparency. In contrast, low-quality of financial statements can mislead users of financial statements in the decision-making process (Firmansyah et al., 2022).

In considering the importance of the financial statement in decision-making process, the stakeholder should think about a high-quality financial statement in an institution. The initial step that could be taken is using the technology in the financial reporting process, proper human resources, also support from top management.

The role of technology in producing high-quality financial statements related to the effectiveness and efficiency’s process. Technology helps the employee in finishing a specific job quickly, and in the end, the information will available fast and controllable.
The role of the used technology in the form of the utilization of computer technology. Regarding PP Nomor 56 Tahun 2005 about financial information systems in local government can be explained that an entity is required to develop and utilize technologies that are addressed to enhance the ability of local government financial governance, including Desa (villages).

These technologies will affect the process of financial reporting to be more effective and efficient. On the other hand, technology will also impact financial data processing and the presentation of the financial statement could be fast and lower the risk of error (Setyowati et al., 2016). Logically, better utilization of technology will impact the better quality of financial statements. But, some previous research found that information technology did not impact the quality of financial statements (Setyowati et al., 2016).

As good as the system in an institution, it was nothing if the human that operates the system did not have proper competency. And, in the end, the system will not produce a high-quality financial statement. The knowledge and experiences to understand job-description to be one important indicator in preparing high-quality financial statement. Formal education and trainings become turning points of the human resources that institution should have to prepare high-quality financial statement. Human resource is one important thing in preparing high-quality financial statement. (Dewi and Yuniasih, 2021) found that the level of education and work experience has a positive and significant effect on the quality of financial reports.

On the other side, management involvement and division of tasks, also a clear responsibility become indicators related to a good management support. The leader of village-owned enterprises defined as top-management that had an authority to a decision-making process (Setyawan, 2018). As top-management, VOE’s leader should support the compliance to prepare financial statement. Top management support had significant effect on the quality of financial accounting information (Darma et al., 2018)

Based on the phenomenon and previous research above, it can be stated that many factors will effect the quality of financial statement, also in the village-owned enterprises. It can be summarized into 3 (three) main factors that will be discussed more, which are information technology, competency and top-management support.

THEORITICAL REVIEW

Technology Information. Information technology (IT) included all tools that capture, store, process, exchange and use information (Reynolds, 2016). (Feoh et al., 2020) stated that information technology (IT) defined as all set of tools that capture, process, generate, storage, retrieval and transmit data become information. Information technology (IT) can be defined as a set of technology facilities in an organization that support information systems (Indahwati, 2020). It can be stated that information technology is a set of technology used to produce, record, replace and utilize information.

(Brien and Marakas, 2017) divided information technology to 3 (three) dimensions as below: The effectiveness of information technology related with: (1) Information technology used to support decision making in organization. (2) Information technology used to process products in order to create competitive advantages. (3) Information technology used in traditional business process.

The efficiency of information technology related with: (1) Information technology gave the fast response on the information’ needs. (2) Information technology rarely in
trouble. (3) Information technology compatible with the users’ need. (4) Information technology integrated with other technologies in organization.

The economical of information technology, related with: (1) The use of information technology can reduce the information process’s cost. (2) The use of information technology impacted the reduce of the product’s price. (3) Information technology decline the repairing and maintenance’s cost.

**Competency.** Competency is all characteristics that embedded to a person that comes from knowledges, skill, ability and motivation that reflected the way of thinking and actions (Puspitawati, 2021). (Indahwati, 2020) mentioned that competency is individual’s characteristics that related with performance achievement.

Dimensions of competency according to (Elliot et al., 2017) are effectiveness, ability, sufficiency, and success. (Indahwati, 2020) stated that dimensions of competency are knowledge and skills. According to (Puspitawati, 2021), to measure individual’s competency, there are 2 (two) dimensions, which are knowledge and skills.

**Top-Management Support.** (Darma, 2018) defined top management support as the support of top management to provide all resources that needed to operate financial accounting information systems properly. (Novianty, 2019) defined top-management support as a type of motivation, attention, participation/involvement of top management directed at the successful implementation of an information system through the authority.

(Pearlson and Saunders, 2016) mentioned that there are 4 (four) activities that related with management support in order to achieve the objective of information systems: (1) Planning means that manager planned the objectives and actions that will be implemented in company’s information systems. (2) Organizing means that manager should coordinate humans and other resources in an organization in order to achieve the objective of planned information systems. (3) Directing means that manager direct and influence their subordinates to do the jobs that in-line with the objective of information systems. (4) Controlling means that manager try to determine whether the implementation of the information systems already in-line with the objectives of the information systems.

(Puspitawati, 2021) mentioned that top-management support can be performed by: (1). Top-management support in planning process, (2). Top-management support in organizing process, (3). Top-management support in directing process and (4). Top-management support in controlling process. Meanwhile, (Novianty, 2019) stated that the dimensions of top-management support are resources, structural arrangements, communication, expertise and power.

**The quality of Financial Statement.** The quality of financial statement reflected the accordance of financial information with the accepted standards and useful in decision making (Firmansyah, 2022). (Nagara and Mulyani, 2019) stated that the quality of financial statement can be analyzed by the qualitative characteristics dimensions. (Rompas and Kindangen, 2022) mentioned that the quality of financial statement can be measured by reliable, relevant, comparable, and understandable dimensions.

Qualitative characteristic of financial statement defined as normative standards that need to be established in accounting information that will perform its objective itself. Peraturan Pemerintah No.24 tahun 2002 stated that financial statement should be prepared to provide relevant information about financial position and all transactions that conducted by an entity. High quality financial statement revealed about a responsible leaders that conducted their authority (Setyowati et al., 2016). In the relation with qualitative characteristics of financial statement mentioned in PP No. 71 in 2010, as below:
Relevant. A relevant financial statement defined as a set of information that can affect users’ decision and helping all the users to evaluate the past and current situation and also predict the future.

Accuracy. All information in a set of financial statement should be free from the misleading’s information and material error, report all the facts honestly and verifiable.

Comparability means that all information in financial statement will be more useful if we can compare it with the previous period financial statement or other entities’ financial statement. Understandability means that all information in financial statement could be understood by its users and stated in the form and term that customized with the level of users’ understanding.

The qualitative characteristics of government financial statement can be summarized as follow:

### Table 1. Qualitative Characteristics of Government Financial Statement

<table>
<thead>
<tr>
<th>No</th>
<th>Characteristics</th>
<th>Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Relevant</td>
<td>1. Feedback value</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. Predictive value</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3. Timeline</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4. Completeness</td>
</tr>
<tr>
<td>2</td>
<td>Accurate</td>
<td>1. Representational faithfulness</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. Verifiability</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3. Neutrality</td>
</tr>
<tr>
<td>3</td>
<td>Comparability</td>
<td>1. Internal comparability</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. External comparability</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3. Consistency in accounting principle</td>
</tr>
<tr>
<td>4</td>
<td>Understandability</td>
<td>1. Easy to understand</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. Using the symbol and languages that understood by the users</td>
</tr>
</tbody>
</table>

Source: Peraturan Pemerintah No.24 tahun 2002

Table 1 shows that the dimensions of the qualitative characteristics of government financial statement are; relevant, accurate, comparability and understandability. In that table, also shown the indicators of each dimension. Relevant financial statement represents by 4 (four) indicators, which are, feedback value, predictive value, timeline and completeness. Accurate financial statement represents by 3 (three) indicators, which are representational faithfulness, verifiability and neutrality. For comparability dimension, represented by 3 (three) indicators, which are internal comparability, external comparability and consistency. Meanwhile, for the understandability dimension represented by 2 (two) indicators, which are easy to understand and using the symbol and languages that understood by the users.

**Hypothesis Development.** (Nadir and Hasyim, 2018) found that the utilization of information technology had a significant impact on the quality of financial statement in (Mene et al., 2018) conducted research related to the quality of financial statement in North Halmahera and found that the usage of information technology had positive significant impact to the quality of financial statement. For further, (Abdelraheem et al., 2021) found that information technology impact accounting information quality (relevance, reliability, understandability, consistency, comparability).
**H1**: Information technology will affect the quality of financial statements.

(Ikhsan and Bustamam, 2016) found that top-management support influenced the quality of financial statement at LKM in Banda Aceh. For next, (Lestari et al., 2017) found that top-management support variable significantly and positively affects the accounting information systems’ performance at LPD Buleleng District, and at the end will affect the quality of financial statement. Other researcher, (Novianty, 2019) found that top management support had a positive impact upon the quality of management accounting information systems. And aldo, (Khusaini et al., 2022) found that the utilization of information technology affected the quality of Bumdes’ financial statement in Wonosobo.

**H2**: Top-management support will affect the quality of financial statements.

(Pujanira and Taman, 2017) found that human resources’ competency positively affects the quality of Government Special Region of Yogyakarta’s financial statement. Next, (Harnoni et al., 2016) revealed that human resources capacity impact the quality of government financial statement. For further, (Dewi and Yuniasih, 2021) found that the level of formal education affects the quality of financial statement. (Khusaini, 2022) found that the level of education affected the quality of Bumdes’ financial statement.

**H3**: Competency will affect the quality of financial statement.

**Figure 1. Research Model**

*Figure 1* figured about the relationship between independent variables (information technology, competency and top-management support) and dependent variable (the quality of financial statement). Information technology, competency and top-management support will affect the quality of financial statement. The usage of information technology will help to maintain the accuracy of financial statement. Competency will enhance the relevancy, accuracy, comparability and understandability of the financial statement. Top-management support will elevate the quality of financial statement through accuracy and understandability.
METHODS

The variables, dimensions and indicators of this research are: The quality of financial statement variable measured through these dimensions below:

1. Relevant measured by 5 (five) indicators, which are: information used as a basis of the projected budget, information used as the basis to predict future budget, timeline (just in time information), information presented with the explanation, information presented with financial and performance analysis

2. Accurate measured by 5 (five) indicators, which are: faithfulness representation, accurate and verifiable, in-line with the needs of users, free form bias and neutrality’s indicators.

3. Comparability measured by 3 (three) indicators, which are: internal comparability, external comparability and consistency in adopted accounting principles (3 indicators)

4. Understandability measured by 5 (five) indicators, which are: information easily understand by users, presented in the form of simple information, presented in the simple terms, users had proper knowledge about financial statement and users had proper knowledge in accounting and financial field

Information technology variable measured by 3 (three) dimensions, as follow:

1. Effectiveness that measured by 3 (three) indicators, which are: IT ease the financial data processing, IT utilize in the preparing process of financial statement, and IT produce financial statement for decision making

2. Efficiency measured by 4 (four) indicators, which are: IT suitable with the need of management, IT easily adjusted for the need of management, IT was easy to learn and easy to use, and IT compatible with other technology

3. Economics value measured by 3 (three) indicators, which are: IT reduce the cost and time, IT easily repaired and maintained and IT routinely repaired

Competency variable, can be measured by 2 (two) primary dimensions, which are:

1. Knowledge is the ability to organize implemented information in order to perform the performance, measured by 3 (three) indicators, which are: job-description, training, and formal education

2. Skill is the competency to perform psychomotor action, verbal and also data manipulation, measured by 2 (two) indicators, which are: ability and skills

Top-management support variable can be measured by:

1. Planning means that manager planned the objectives and actions in the company’s information systems. This dimension measured by 3 (three) indicators: process in preparing financial statement had been planned before, process in preparing financial statement had fulfilled all the needs of management, financial statement helped the management performance’s achievement

2. Organizing means that manager coordinate human resources and other resources in the organization to achieve information’s systems objective. This dimension measured by 2 (two) indicators: the process in preparing financial statement involved all the organization members, management contributed the proper resources,

3. Directing means that managers direct and influence their subordinate to perform the tasks in line with the objective of information systems. This dimension measured by 4 (four) indicators: human resources trained well, management motivated employee for preparing financial statement, management communicate routinely to all employee,
management gave attention to the repairing and maintenance process of devices that used for financial reporting and management support all the technical needs for financial reporting process

(4) Controlling means that manager set the standard and the compliance of the implementation compare with the plan. This dimension measured by 2 (two) indicators: management controlled all the process related to financial reporting process and management evaluated the process of financial reporting in organization.

**Location of the research.** The research conducted at village-owned enterprises in North Sumatera Province with the help of Community and Village Empowerment’s Institution of North Sumatera.

**Population and Sample.** Population of the research was all the village-owned enterprises in North Sumatera Province. There are 173 (one hundred and seventy-three) active village-owned enterprises in North Sumatera for period 2020. Sample determined using the Slovin formula and there are 33 (thirty-three) village-owned enterprises that selected as the sample of this research.

**Data Collection and Analysis.** Research data collected by questionnaire. All the questionnaire instrument measured by the Likert Scale. Likert Scale is a measuring scale that used to measure attitude, opinion and perception of person or group of person about social phenomena (Sugiyono, 2016). The measurement of research variable designed in 5 (five) weighted measurement, which are: (1) Never (Point 1). (2) Rarely (Point 2). (3) Often (Point 3). (4) Usually (Point 4). (5) Always (Point 5).

Research data also collected by the interview process. An interview is a conversation for gathering information. A research interview involves an interviewer, who coordinates the process of the conversation and asks questions, and an interviewee, who responds to those questions. The interview conducted by face to face method. There are 3 (three) informants that will have an interview with the researcher.

For data analysis, firstly we had a descriptive analysis. Descriptive analytics is the process of using current and historical data to identify trends and relationships. It's sometimes called the simplest form of data analysis because it describes trends and relationships but doesn't dig deeper.

(Sekaran and Bougie, 2016) stated that there are 2 (two) tests to ensure the accurateness of the research result which are test of validity and test of reliability. For the quantitative analysis, we conducted Partial Least Square (PLS) used in this research to analyze the research data and hypothesis testing.

**RESULT**

**Descriptive Data.** The description of the sample that had been chosen can be seen as follow:

**Table 2. Descriptive Data**

<table>
<thead>
<tr>
<th>No</th>
<th>Description</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Man</td>
<td>18</td>
<td>54.500 percent</td>
</tr>
<tr>
<td></td>
<td>Woman</td>
<td>15</td>
<td>45.500 percent</td>
</tr>
<tr>
<td></td>
<td>SMA</td>
<td>16</td>
<td>48.500 percent</td>
</tr>
<tr>
<td></td>
<td>D3</td>
<td>3</td>
<td>9.100 percent</td>
</tr>
<tr>
<td>2</td>
<td>Education Level</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>S1</td>
<td>13</td>
<td>39.400 percent</td>
</tr>
<tr>
<td></td>
<td>N/A</td>
<td>1</td>
<td>3 percent</td>
</tr>
</tbody>
</table>
Table 2 showed that, in gender, majority of the respondents are men (54.500 percent), meanwhile the rest of the respondents are women for about 45.500 percent. Based on the education level, the most of the respondents are senior high-school graduates (48.400 percent). Only for about 39.400 percent that graduated from university.

Regarding to the position in the VOE, most of the respondents are Bendahara (Treasurer) in village-owned enterprise. The table also showed that, based on the length of work experiences, most of the respondents had 20 months experience to work in village-owned enterprises (18.200 percent).

Descriptive Statistical Analysis. Descriptive statistics are brief informational coefficients that summarize a given data set, which can be either a representation of the entire population or a sample of a population. Every answer from the respondents can be measured in 5 (five) weighted measurement, which are: (1) Never (Point 1). (2) Rarely (Point 2). (3) Often (Point 3). (4) Usually (Point 4). (5) Always (Point 5).

Descriptive statistical analysis of the research can be seen in the table below:

**Information Technology.** The answer of the respondents related to the utilization of information technology can be summarized as follow:

<table>
<thead>
<tr>
<th>Table 3. Mode (Information Technology Variable)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>No</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>2</td>
</tr>
</tbody>
</table>

Source: processed data from questionnaire
So far, IT had produce financial statement that help in decision making process

IT that had been used in VOE already suitable with the need of the management
The set of IT that had been used in VOE can be adjusted easily with the need of management for financial information
Application (IT) that had been used by the management can reduce the cost and time in financial reporting process
Application (IT) that had been used by the management easy to learn and easy to use
Accounting Application (IT) that had been used by the management of VOE can be compatible with other technology (example: printer, scanner, internet, etc)
Accounting Application (IT) that had been used by the management of VOE already repaired and maintained by a technician when it’s in trouble
Accounting Application (IT) that had been used by the management of VOE routinely repaired so it’s free from the disasters such as viruses, and other trouble.

Table 3 shows that the information technology measured by 10 (ten) indicators that explained by the question and answered by respondents. Most of the respondents stated that IT in VOE utilize in the preparing process if financial statement, had produce financial statement that help in decision making process, can reduce the cost and time in financial reporting process, and compatible with other technology (example: printer, scanner, internet). Furthermore, A set of IT that had been used in VOE can be adjusted easily with the need of management for financial information, easy to learn and easy to use and already suitable with the need of the management.

But, in the other hand, respondents stated that there are some problems related to the use of IT in the financial reporting process. Accounting Application (IT) that had been used by the management of VOE not routinely repaired so it’s not free from the disasters such as viruses, and other troubles. Also, Accounting Application (IT) that had been used by the management of VOE did not repair and maintain by a technician when it’s in trouble.

Competency. The answer of the all respondent related to the competency variable can be seen as follow:

Table 4. Mode (Competency Variable)
The process in preparing financial statement in VOE in line with the training that already given by the organization

Your job in preparing financial statement had in-line with your formal education

The process in preparing financial statement in VOE in line with your ability and skill

The accounting application that used in VOE had produce an accurate financial statement that in-line with your ability

Source: processed data from questionnaire

Table 4 shows about the description of competency variable. The respondents answered that accounting application used in VOE had produce an accurate financial statement that in-line with their ability. Respondents also stated that the process in preparing financial statement in VOE in line with the job-description, in-line with the training that already given by the organization, in line with their ability and skill and also in-line with their formal education.

Top-Management Support. Respondents gave the answer related to the implementation of top management support in village-owned enterprises as follow:

Table 5. Mode (Top-Management Support Variable)

<table>
<thead>
<tr>
<th>No</th>
<th>Indicators</th>
<th>Mode</th>
<th>Mode</th>
<th>Mode</th>
<th>Mode</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The process in preparing financial statement in VOE had been planned before</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td>13</td>
</tr>
<tr>
<td>2</td>
<td>The process in preparing financial statement in VOE had fulfilled all the needs of management and helped in management task’s completion</td>
<td>1</td>
<td>1</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>3</td>
<td>The process in preparing financial statement in VOE helped the management performance’s achievement</td>
<td>1</td>
<td>1</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>The process in preparing financial statement in-line with the needs of management and all the organization members get involved in this process</td>
<td>3</td>
<td>3</td>
<td>23</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Management contributed the proper resources in the financial statement preparing process</td>
<td>1</td>
<td>1</td>
<td>20</td>
<td>10</td>
</tr>
<tr>
<td>6</td>
<td>The human resources that involved in financial reporting process already trained with the accounting knowledge</td>
<td>1</td>
<td>1</td>
<td>18</td>
<td>12</td>
</tr>
<tr>
<td>7</td>
<td>Management motivated employee for preparing financial statement</td>
<td>2</td>
<td>2</td>
<td>10</td>
<td>18</td>
</tr>
<tr>
<td>8</td>
<td>Management communicate routinely to all the employee related to the financial reporting process</td>
<td>1</td>
<td>1</td>
<td>14</td>
<td>16</td>
</tr>
</tbody>
</table>
Management gave attentions to the repairing and maintenance process of the devices that related to the financial reporting process. Management support all the technical needs for the financial reporting process. Management controlled all the process related to the financial reporting process. Management evaluated the process of financial reporting in organization.

Table 5 showed the description of top-management support variable. Respondents agree that top management motivated employee for preparing financial statement, top management communicate routinely to all the employee related to the financial reporting process and top management evaluated the process of financial reporting in organization. Respondents also stated that the process in preparing financial statement had fulfilled all the needs of management and helped in management task’s completion and the process in preparing financial statement in VOE helped the management performance’s achievement.

Furthermore, respondents answered that management contributed the proper resources in the financial statement preparing process, human resources that involved in financial reporting process already trained with the accounting knowledge, and management gave attentions to the repairing and maintenance process of the devices that related to the financial reporting process.

There are some problems that still exist in the top-management issue. The problems are the process in preparing financial statement not in-line with the needs of management and all the organization members did not get involved in this process. Other problem is that top-management did not support all the technical needs for the financial reporting process. The enhance the quality of the financial statement, top-management should improve their support in communicating to the subordinate about the kind of information that in-line with the need of the top-management and motivating the organization members to get involved in financial reporting process.

The Quality of Financial Statement. The quality of financial statement variable measured by 4 (four) dimensions, which are; relevant, accuracy, comparability and understandability.

Relevant. The answer of the respondents related to the relevant aspect of the financial statement in village-owned enterprises, can be summarized as follow:

<table>
<thead>
<tr>
<th>No</th>
<th>Indicators</th>
<th>Mode</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Financial statement can be used as a basis of the projected budget in VOE</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>So far, financial statement can be used as the basis to predict future budget</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: processed data from questionnaire
Table 6 shows respondents’ answer related to relevant indicators. We can see that the relevancy of the VOE financial statement for the users is in the good condition. The table above shown us that financial statement presented the information just in time for the decision-making process, the financial statement presented with the explanation of the financial numbers, financial statement can be used as the basis to predict future budget and financial statement can be used as a basis of the projected budget in VOE.

For more, the financial statement presented with financial analysis and performance analysis. According to the relevancy indicators, VOE financial statement in North Sumatera Province helped in the decision-making process of the management.

**Accuracy.** Accuracy of the financial statement measured by 5 (five) indicators. There are presented fairly faithfulness, verified by independent auditor, in-line with the needs of the users, free from bias and material error and neutrality. Respondents ask to answered the question in the questionnaire. This table below, show the mean of the answer of from all respondents:

Table 7. Mode (Accuracy Indicators)

<table>
<thead>
<tr>
<th>No</th>
<th>Indicators</th>
<th>Mode</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>So far, the VOE’s financial statement presented fairly faithfulness all the transactions</td>
<td></td>
<td>1</td>
<td>5</td>
<td>24</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>2</td>
<td>So far, financial statement presented accurate information that already verified by independent auditor</td>
<td></td>
<td>1</td>
<td>8</td>
<td>22</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>3</td>
<td>So far, financial statement reported in-line with the needs of the users</td>
<td></td>
<td>1</td>
<td>3</td>
<td>13</td>
<td>15</td>
<td>1</td>
</tr>
<tr>
<td>4</td>
<td>So far, financial statement reported by VOE free from bias and material error</td>
<td></td>
<td>2</td>
<td>3</td>
<td>18</td>
<td>8</td>
<td>2</td>
</tr>
<tr>
<td>5</td>
<td>So far, financial statement presented neutral information for all the parties in VOE</td>
<td></td>
<td>2</td>
<td>3</td>
<td>18</td>
<td>8</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: processed data from questionnaire

Table 7 shows respondents answer for accuracy indicators. All the respondents agree that financial statement reported in-line with the needs of the users, the VOE’s financial statement presented fairly faithfulness all the transactions and financial statement presented accurate information that already verified by independent auditor.

Also, all the respondents answered that financial statement reported by VOE free from bias and material error and also financial statement presented neutral information for
all the parties in VOE. All around, there is no problem related to the accuracy of the VOE financial statement in North Sumatera Province.

**Comparability.** Comparability dimensions reflected in 3 (three) indicators, which are presented in comparison with previous condition, presented in comparison with the current and previous financial condition and presented in comparison with previous balance. And, the respondents’ answer summarized in the table below:

**Table 8. Mode (Comparability Indicators)**

<table>
<thead>
<tr>
<th>No</th>
<th>Indicators</th>
<th>Mode 1</th>
<th>Mode 2</th>
<th>Mode 3</th>
<th>Mode 4</th>
<th>Mode 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>VOE Financial Statement presented in comparison with previous budget and realization</td>
<td>1</td>
<td>12</td>
<td>16</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>2</td>
<td>VOE Financial Statement, presented in comparison with the realization of current and previous financial conditions</td>
<td>2</td>
<td>10</td>
<td>15</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>3</td>
<td>Balance sheet presented in comparison with previous balance</td>
<td>1</td>
<td>3</td>
<td>18</td>
<td>10</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: processed data from questionnaire

**Table 8** shows the respondents’ answers related to comparability indicators. Respondents agreed that balance sheet in VOE already presented in the form of the comparison with previous balance. Respondents also stated that VOE Financial Statement, presented in comparison with the realization of current and previous financial conditions. And, VOE Financial Statement presented in comparison with previous budget and realization.

**Understandability.** Understandability dimensions measured by 5 (five) indicators, which are easily understand, simple information, simple terms, users had proper knowledge about financial transaction and users had proper knowledge in accounting and financial field.

**Table 9. Mode (Understandability Indicators)**

<table>
<thead>
<tr>
<th>No</th>
<th>Indicator</th>
<th>Mode 1</th>
<th>Mode 2</th>
<th>Mode 3</th>
<th>Mode 4</th>
<th>Mode 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>VOE Financial Statement presented all information that easily understand by the users</td>
<td>1</td>
<td>12</td>
<td>18</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>VOE Financial Statement presented in the form of simple information that will easily understand by the users</td>
<td>2</td>
<td>12</td>
<td>16</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>VOE Financial Statement presented in the simple terms that will easily understand by the users</td>
<td>1</td>
<td>12</td>
<td>16</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>4</td>
<td>The users of VOE Financial Statement had a proper knowledge about financial transaction in VOE</td>
<td>2</td>
<td>10</td>
<td>18</td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>
The users of VOE Financial Statement had proper knowledges in accounting and financial field.  

Table 9 shows the mean for respondents answers related to understandability indicators. For the understandability dimension of the quality of financial statement, we could say that all the respondents agreed that the users of VOE Financial Statement had proper knowledges in accounting and financial field. Also, VOE Financial Statement presented all information that easily understand by the users and VOE Financial Statement presented in the simple terms that will easily understand by the users. Furthermore, all respondents agreed that the users of VOE Financial Statement had a proper knowledge about financial transaction in VOE. The lowest score for the understandability indicator is “The users of VOE Financial Statement had a proper knowledge about financial transaction in VOE”.

Data Quality Test. (Sekaran and Bougie, 2016) stated that there are 2 (two) tests to ensure the accurateness of the research result which are test of validity and test of reliability. Validity refers to what characteristic the test measures and how well the test measures that characteristic. Meanwhile, Reliability is the extent to which test scores are consistent, with respect to one or more sources of inconsistency—the selection of specific questions, the selection of raters, the day and time of testing. Based on the validity test on the collected data, all the indicators are valid to reflect or form research variables. The validity test shown by the Figure 2.
Figure 2 shows about the result of validity testing. Based on the validity test, it can be seen that all indicators of the variables are valid and had validity value higher than 0.500. For information technology, the figure showed that indicator 1 until 10 had a validity value more than 0.500. The lower validity value is 0.573 for the indicator T9 which means IT had been used by the management of VOE already repaired and maintained by a technician when it’s in trouble. The highest value of validity is for T3, which is, IT had produce financial statement that help in decision making process (0.964).

For top-management support variable, the highest value for the indicator is M8 (0.940), which is management communicate routinely to all the employee related to the financial reporting process. Meanwhile, the lowest value is for indicator M10 (0.618), which is management support all the technical needs for the financial reporting process. All the indicators for top-management support variable had the validity value higher than 0.500.
Validity value for the competency variable all are valid, based on the test. The lowest value of validity for competency variable is K3 (0.752), which is employee’s job description in preparing financial statement had **in-line with your formal education**. In the contrast, the highest value of validity for competency variable is K2 (0.946), which is the process in preparing financial statement in VOE **in-line with the training** that already given by the organization.

The last variable, the quality of financial statement had 18 (eighteen) indicators. The highest value for validity is KL16, which is VOE financial statement **presented in the simple terms that will easily understand by the users**. Meanwhile, the lowest value for validity is for KL10 which financial statements is **presented neutral information for all the parties in VOE**.

**Table 10** shows Reliability of the data measured by Cronbach’s Alpha’s number. Other method to measure the reliability are through Composite Reliability and Average Variance Extracted (AVE). Based on the Cronbach’s Alpha test, it can be shown that all variables had the point above 0.900. At that point, all variables are reliable, as shown below:

**Table 10. Reliability Test**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Cronbach’s Alpha</th>
<th>Composite Reliability</th>
<th>Average Variance Extracted (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information Technology</td>
<td>0.937</td>
<td>0.952</td>
<td>0.800</td>
</tr>
<tr>
<td>Competency</td>
<td>0.977</td>
<td>0.979</td>
<td>0.723</td>
</tr>
<tr>
<td>Top-Management Support</td>
<td>0.966</td>
<td>0.970</td>
<td>0.748</td>
</tr>
<tr>
<td>The quality of FS</td>
<td>0.957</td>
<td>0.964</td>
<td>0.771</td>
</tr>
<tr>
<td></td>
<td>0.982</td>
<td>0.985</td>
<td>0.880</td>
</tr>
</tbody>
</table>

*Source: processed data*

**Table 11** shows **Hypothesis testing**. This test aims to measure the effect of the independent variables (information technology, competency, top-management support) on the quality of village-owned enterprises’ financial statement. The result of the hypothesis testing can be seen in the table below:

**Table 11. T-test (Hypothesis Testing)**

<table>
<thead>
<tr>
<th>The Impact of:</th>
<th>T Statistics</th>
<th>P-Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT » The Quality of FS</td>
<td>0.691</td>
<td>0.495</td>
</tr>
<tr>
<td>Competency » The Quality of FS</td>
<td>0.521</td>
<td>0.605</td>
</tr>
<tr>
<td>Top-Management Support » The Quality of FS</td>
<td>2.503</td>
<td>0.017</td>
</tr>
</tbody>
</table>

*Source: processed data*

**Table 11**, explained about: (1) T-Statistics for the effect of information technology on the quality of financial statement is 0.691, meanwhile t-table value is 1.960. It means that t-statistics less than t-table. In other words, p-values more than 0.050. From this numbers, it can be concluded that information technology did not affect the quality of financial statement. (2) T-Statistics for the effect of competency on the quality of financial statement is 0.521, meanwhile t-table value is 1.960. It means that t-statistics less than t-table. In other words, p-values more than 0.050. From this numbers, it can be concluded
that competency did not affect the quality of financial statement. (3) T-Statistics for the effect of top-management support on the quality of financial statement is 2.503, meanwhile t-table value is 1.960. It means that t-statistics more than t-table. In other words, p-values less than 0.050. From this numbers, it can be concluded that top-management support significantly affects the quality of financial statement.

DISCUSSION

The Effect of Information Technology on The Quality of Financial Statement. The data analysis showed that information technology did not affect the quality of financial statement in village-owned enterprises. This result indicated that the usage of information technology in village-owned enterprises, especially in North Sumatera, unable to elevate the quality of financial statement. Based on the descriptive statistics, it known that information technology in village-owned enterprise not routinely maintenance and repair. This result indicated that technology information in village-owned enterprises is so obsolete or very far from the up-date technology. Further explanation if this condition based on the descriptive statistics is the result shown that the utilization of information technology in village-owned enterprises unable to ease data processing process, and very rarely used in financial reporting process. It can be stated that most of the village-owned enterprises prepare their financial statement manually. Further finding from the descriptive statistics was the fact that information technology not absolutely help the village-owned enterprises to produce financial statement for decision making. In other words, financial statement is not an important report to village-owned enterprises. Other finding revealed that information technology that used by village-owned enterprises not fully corresponding with theirs needs. It means that information technology not the priority. It has relationship with the lower education and competencies of the village-owned enterprises’ management. This finding has an opposite side with previous research. (Nadir and Hasyim, 2017) found that the usage of information technology will affect the quality of financial statement in Barru Residence. Also, the finding of (Mene et al., 2018) stated that the utilization of information technology significantly affects the quality of financial statement.

The finding that information technology did not affect the quality of financial statement supported the finding from (Ratmasari et al., 2021) that the use of information technology had no effect on the quality of financial reports. The reason for this finding is because of the employee that in charge in preparing financial statement did not have proper capability to operate technology and the adoption process to operate the technology.

For the advanced analysis, we interviewed 3 (three) informants to confirm this finding. First informant stated that information technology did not affect the quality of financial statement because they have not found the accounting information that easy to operate in VOE. Also, the fact on the ground showed us that in VOE, most of the management did not familiar with technologies, even had never worked with technology before.

The second informant stated that it is hard to VOE’s management to find the technology that will fit with their competencies. Most of the management had no accounting or financial educational background. Other finding from second informant was, there is no standard for accounting application or technology that should be implemented in village-owned enterprises.
From the third informant, it can be stated that the management of VOE have not found suitable technology that will implemented in their organization. The management did not have proper knowledge and skill related to the utilization of information technology. Also, there is no such a regulation related to the obligation to adopt technology for the financial reporting process. There is no need and no interest related to the usage of technology related to the quality of financial statement.

Based on the hypothesis testing analysis and the interview process, it can be underlined that the adoption or utilization of technology information in village-owned enterprises did not affect the quality of financial statement because of the majority of VOE management in North Sumatera Province did not familiar with information technology and did not proposing the usage of information technology to enhance the quality of financial statement. The acceptance of technology information is still remains low.

**The Effect of Competency on The Quality of Financial Statement.** The human resource’s competency, based on the data, cannot improve the quality of the financial statement in village-owned enterprises. The descriptive data explained the reason for this condition. Based on the descriptive statistical analysis, it can be shown that the financial statement reporting process not in-line with the job-description. It could be say that, there is no specific job-description that arranged in the financial reporting process. The next explanation for this finding is the employee that in charge in the process for financial reporting, did not have proper formal education in accounting. Most of the village-owned enterprises employee in North Sumatera did not have business or accounting educational background. Furthermore, most of the employees had no ability and skill, also experience in preparing financial. This finding did not in-line with the finding of (Pujanira and Taman, 2017), which found that competencies had a positive significant effect on the quality of financial statement of Yogyakarta Special Regions’ Government. It also unsuitable with the finding of (Harnoni, 2016) that revealed human resources capacity impact the quality of government financial statement. And also unsuitable with the finding from (Dewi and Yuniasih, 2021) that the level of formal education affects the quality of financial statement.

Competency did not improve the quality of financial statement also found by (Ratmasari, 2021). She found that level of education had no effect on the quality of financial reports in Bumdes. The reason for this finding is that the level of education should be supported by the proper placement for the employee. Suitable formal education also be the reason for the highly qualification for competence employee. In addition, trainings and development program in Bumdes still rare.

Based on this finding, we conduct an interview with 3 (three) informants to reveal the real condition in the ground. The first informant from Dolok Mashiul stated that competency will not affects the quality of their financial statement. It because of the management of VOE had no accounting background, and majority of the management only hold the certificate of senior high school (SMA). In the other hand, we could say that the management not competent in preparing financial statement.

Furthermore, second informant revealed that many of them graduated from technical background rather than accounting background. They did not interest in financial reporting process, because it so complicated and it push-down the motivation in preparing financial statement. It also a character that will obstruct the quality of financial statement in VOE, that the management had a feeling that their performance was already good enough without financial statement.
The third informant stated that even tough, the VOE management did not had accounting background, they can learn it. But the motivation to learn about financial statement preparing process is still low. That is the reason why most of the VOE management think that they should not had training related to financial reporting process.

Based on the quantitative analysis through Partial Least Square and interview process, it can be summarized that the level of competency in accounting and financial reporting process for the management of VOE should be improved. The incapability to prepare financial statement become the main reason for the low level of the financial statement quality in VOE, especially in North Sumatera Province.

**The Effect of Top-Management Support on The Quality of Financial Statement.**

Top-management support, based on data, affects the quality of financial statement in village-owned enterprises. This finding reveals that the support from the village’s governmental will enhance the quality of financial statement. But, based on the descriptive statistics analysis, there are 2 (two) indicators that has a low score, which are the involvement of the management in the financial reporting process and supporting from management to solve the problem in the financial reporting process. In other words, we can state that if there are some problems occur in the financial reporting process, the top-management cannot give the best solution. And this situation caused by knowledge limitation of the top-management related to the accounting matters. This findings in-line with the research finding from (Ikhsan and Bustaman, 2016) which found that top-management support affects the quality of financial statement in LKM of Banda Aceh. Also, in-line with the finding of (Lestari et al., 2017) which found that top-management support variable positively affects the performance of accounting information systems in LPD Buleleng District. (Novianty, 2019) found that top management support had a positive impact upon the quality of management accounting information systems.

From the interview process, it can be concluded that all the VOE in North Sumatera had proper support from top-management to prepare financial statement. Top-management already had a planning to improve the quality of financial statement in village-owned enterprises. Top-management also committed to allocate resources in financial reporting process, conducted monitoring and evaluation related to these processes.

**CONCLUSION**

Based on the phenomena, literature review, data collection and analysis, it could be concluded that: (1) Information technology did not affect the quality of financial statement in village-owned enterprises. (2) Competency did not affect the quality of financial statement in village-owned enterprises. (3) Top-management support affect the quality of financial statement in village-owned enterprises.

Information technology cannot improve the quality of financial statement in North Sumatera Village-owned enterprises. Next, competency also did not improve the quality of financial statement in village-owned enterprises. But, to improve the quality of financial statement in village-owned enterprises can be realized with the top-management support.

For further, based on the conclusion, it can be proposed some recommendations to enhance the quality of financial statement, especially in village-owned enterprises: (1) It recommended to conduct regular maintenance and repairmen to the information technology in village-owned enterprises and also having a technician to solve the problem regarding to the information technology that used by village-owned enterprises. (2)
Facilitating the management of village-owned enterprises with an easy to use technology in order to prepare financial statement. (3) Increasing intensity of information technology utilization in village-owned enterprises. (4) Choose the right technology that will fit with the management of village-owned enterprises. (5) Related to the compatibility with other technology, it suggests to the management of village owned enterprises to utilize a technology that compatible with the printer, scanner and internet connection. (6) All the village-owned enterprises should design clear job-description’s document to ensure all the management perform a good performance. (7) The management of village-owned enterprises should follow the trainings that related to financial statement preparation. (8) Formal education should be a primary attention in village-owned enterprises with the slogan: Right Man in The Right Place.

REFERENCES


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