

# 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 affect 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 approach. 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. 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.

**Abstrak:** Penelitian ini bertujuan untuk menemukan variabel-variabel yang akan berpengaruh kepada peningkatan kualitas laporan keuangan Badan Usaha Milik Desa (Bumdesa) di Provinsi Sumatera Utara. Variabel-variabel yang menjadi obyek penelitian ini adalah teknologi informasi, kompetensi SDM, dukungan manajemen puncak dan kualitas laporan keuangan. Metode penelitian yang digunakan dalam penelitian ini adalah metode penelitian kuantitatif melalui survei dengan alat bantu kuesioner Populasi dalam penelitian ini adalah seluruh Bumdes yang ada di Provinsi Sumatera Utara. Sampel dipilih melalui metode random terpilih 33 (tiga puluh tiga) BumDes. Hasil penelitian ini adalah teknologi informasi dan kompetensi SDM tidak mempengaruhi kualitas laporan keuangan Bumdes di Sumatera Utara. Hanya dukungan manajemen puncak yang mempengaruhi kualitas laporan keuangan Bumdes di Provinsi Sumatera Utara.

**Kata kunci:** Teknologi; Kompetensi; Manajemen Puncak; Kualitas; Laporan Keuangan.

## INTRODUCTION

The stakeholder needs the financial statement as a periodic responsibility by management (Mardiasmo, 2017) and 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 piece of high-quality financial information: 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 need to completely understand the village's autonomy concerning the village's economic management. (3) The



village's weakness in human resource development impacted the low institutional and entrepreneurship competencies. (4) The placement of human resources only occurs by the competencies. (5) Fraud behaviour that still exists in the village. (6) The wrong mindset related to the village's fund (Dana Desa) as a charity fund. (7) The need for managerial's knowledge in the village. (8) The young generations are interested in something other than 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).

North Sumatera Utara has 2.921 village-owned enterprises, but only 21 (twenty-one) VOEs are classified as advanced village-owned enterprises. 124 VOEs are classified as developing village-owned enterprises. And the rest of it is still in apprehensive condition. Based on the Performance Report of BPKP Sumatera Utara in 2020, 140 (one hundred and forty) Bumdes (village-owned enterprises) are already capable of preparing responsibility reports, including financial statements.

Recent phenomenon showed that many villages that received the village fund's grant from the Village Ministry need help with 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). Desa Ponjong and Kabupaten Gunung Kidul are other phenomena associated with developing village-owned enterprises. In this village, there are many problems related to the management of Dana Desa: communication, community access, transparency and accountability, managerial capacity, sanitation infrastructure, access to clean water, and legal standing (<http://www.keuangandes.com>, 2019).

The development of village-owned enterprises in North Sumatra also had a tense situation. Based on the observation conducted in Financial Management Training for village-owned enterprises in North Sumatra in 2020, these are the problems that village-owned enterprises faced: (1) Low quality of financial statement. The management of village-owned enterprises needed to gain proper knowledge of 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 behaviours 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 exposure, dis-accordance with the standards, and 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 financial statements can mislead users of financial statements in decision-making (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, and 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 finish a specific job quickly. In the end, the information will be available fast and controllable—the role of the used technology in utilizing 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 use technologies that are addressed to enhance the ability of local government financial governance, including Desa (villages).

These technologies will make the financial reporting process more effective and efficient. On the other hand, technology will also impact financial data processing, and the financial statement presentation 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 affect 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 produce a low-quality financial statement—the knowledge and experience to understand job descriptions will be essential in preparing high-quality financial statements. Formal education and training become turning points for human resources institutions should have to prepare a high-quality financial report. Human resource is one important thing in preparing high-quality financial statements. (Dewi and Yuniasih, 2021) The level of education and work experience positively and significantly affect the quality of financial information.

Conversely, management involvement and division of tasks, also a clear responsibility, become indicators of good management support. The leader of village-owned enterprises is top management with authority over decision-making (Setyawan, 2018). As top-management, VOE's leader should support compliance to prepare financial statements. Top management support had a significant effect on the quality of financial accounting information (Darma et al., 2018)

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

## **THEORETICAL REVIEW**

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

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

The efficiency of information technology is related to (1) Information technology gives a fast response to information needs. (2) Information technology is rarely in trouble. (3) Information technology compatible with the users' needs. (4) Information technology integrated with other technologies in the organization.



The economics of information technology is related to (1) The use of information technology can reduce the information process's cost. (2) The use of information technology impacted the reduction of the product's price. (3) Information technology declines the repairing and maintenance costs.

**Competency.** Competency is all characteristics embedded in a person that comes from knowledge, skill, ability and motivation that reflect the way of thinking and actions (Puspitawati, 2021). (Indahwati, 2020) mentioned that competency is an individual's characteristic related to performance achievement.

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

**Top-Management Support.** (Darma, 2018) Top management support is the support of top management to provide all resources needed to operate financial accounting information systems properly. (Novianty, 2019) defined top-management support as a type of motivation, attention, and 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 related to management support to achieve the objective of information systems: (1) Planning means that the management plans the objectives and actions that will be implemented in the company's information systems. (2) Organizing means that managers should coordinate humans and other resources in an organization to achieve the objective of planned information systems. (3) Directing means that managers direct and influence their subordinates to do the jobs that align with the objective of information systems. (4) Controlling means that managers try to determine whether the implementation of the information systems is 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 the planning process, (2). Top-management support in the organizing process, (3). Top-management help in directing the process, and (4). Top-management use 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 Statements.** The quality of financial statements reflects the accordance of financial information with the accepted standards and is valuable in decision-making (Firmansyah, 2022). (Nagara and Mulyani, 2019) it was stated that the quality of financial statements could be analyzed by the qualitative characteristics dimensions and that reliable, relevant, comparable, and understandable dimensions could measure the quality of financial statements.

Qualitative characteristics of financial statements are defined as normative standards that need to be established in accounting information that will perform its objective. Peraturan Pemerintah No.24 tahun 2002 stated that a financial statement should be prepared to provide relevant information about the financial position and all transactions an entity conducts. High-quality financial reports reveal responsible leaders that conducted their authority (Setyowati et al., 2016). Concerning qualitative characteristics of the financial statements mentioned in PP No. 71 in 2010, as below:



Relevant. A relevant financial statement is defined as a set of information that can affect users' decisions and help all the users to evaluate the past and current situation and predict the future.

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

Comparability means that all information in the financial statement will be more helpful if we compare it with the previous period's or other entities' financial statements. Understandability means that all information in a financial report can be understood by its users and stated in a form and term customized to 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

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

Source: Peraturan Pemerintah No.24 tahun 2002

**Table 1** shows that the dimensions of the qualitative characteristics of government financial statements are; relevant, accurate, comparable and understandability. That the table also shows the indicators of each size. The relevant financial information is represented by 4 (four) indicators: feedback value, predictive value, timeline and completeness. An accurate financial statement is represented by 3 (three) indicators: representational faithfulness, verifiability and neutrality. The comparability dimension is represented by 3 (three) indicators: internal comparability, external comparability and consistency. Meanwhile, the understandability dimension is represented by 2 (two) indicators, which are easy to understand and use the symbol and languages that the users understand.

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

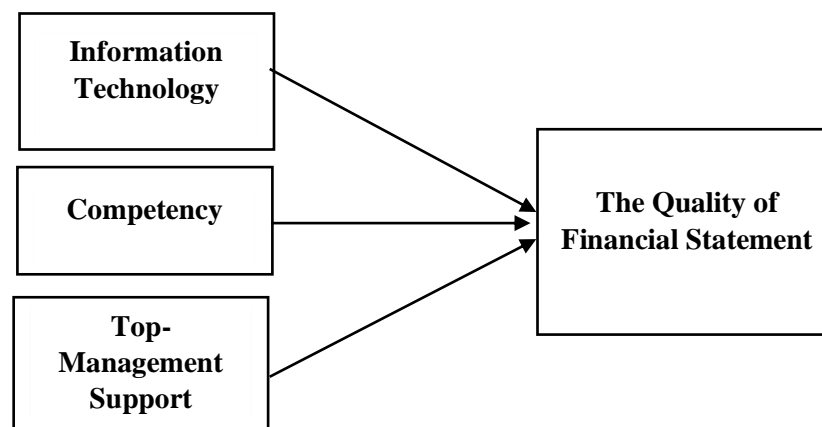
**H1:** Information technology will affect the quality of financial statements.

(Ikhsan and Bustamam, 2016) Found that top-management support influenced the quality of financial statements at LKM in Banda Aceh. Next, (Lestari et al., 2017) found that the top-management support variable significantly and positively affects the accounting information systems' performance at LPD Buleleng District and, in the end, will affect the quality of the financial statements. Another researcher (Novianty, 2019) found that top management support positively impacted the quality of management accounting information systems. And also (Khusaini et al., 2022) found that utilizing 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 the Government Special Region of Yogyakarta's financial statement. Next, (Harnoni et al., 2016) revealed that human resources capacity impacts government financial statement quality. Further, (Dewi and Yuniasih, 2021) found that the level of formal education affects the quality of financial statements. (Khusaini, 2022) found that the level of education influenced the quality of Bumdes' financial statement.

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



**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 statements. The usage of information technology will help to maintain the accuracy of financial statements. Competency will enhance the financial statement's relevancy, accuracy, comparability and understandability. Top-management support will elevate the quality of financial statements through accuracy and understandability.

## METHODS

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

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

(2) Accurate measured by 5 (five) indicators, which are: faithfulness representation, accuracy and verifiable, in-line with the needs of users, free from bias and neutrality 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 understood by users, presented in the form of simple information, presented in simple terms, users had proper knowledge about the financial statements, and users had adequate knowledge in accounting and financial field

Information technology variable is 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 a financial report for decision making

(2) Efficiency measured by 4 (four) indicators, which are: IT suitable to the need of management, IT is easily adjusted for the need of management, IT is 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 is easily repaired and maintained, and IT is routinely repaired

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

(1) Knowledge is the ability to organize implemented information 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 variables can be measured by:

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

(2) Organizing means managers coordinating human and other resources to achieve information systems objectives. 2 (two) indicators measure this dimension: the process of preparing a financial statement involves all the organization's members, management contributes the proper resources,

(3) Directing means that managers direct and influence their subordinates to perform tasks in line with the objective of information systems. This dimension is measured by 4 (four) indicators: human resources trained well, management motivated employees to

prepare financial statements, management communicated routinely with all employees, management gave attention to the repairing and maintenance process of devices used for financial reporting, and management supported all the technical needs for the financial reporting process

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

**Location of the research.** The research was 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.** The 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 2020. The sample was determined using the Slovin formula, and 33 (thirty-three) village-owned enterprises were selected as the sample of this research.

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

Research data was also collected through 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 was conducted by the face-to-face method. 3 (three) Informants will have an interview with the researcher.

For data analysis, firstly, we had a descriptive study. 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 needs to dig deeper.

(Sekaran and Bougie, 2016) It was stated that there are 2 (two) tests to ensure the accuracy of the research result, which are a test of validity and the 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

No	Description	Frequency	Percentage	
1	Gender	Man	18	54.500 per cent
		Woman	15	45.500 per cent
2	Education Level	SMA	16	48.500 per cent
		D3	3	9.100 per cent
		S1	13	39.400 per cent



		N/A	1	3 percent
		Bendahara	15	45.500 percent
		Direktur/Ketua	10	30.300 percent
		Kaur Keuangan	1	3 percent
3	Position in VOE	Ketua Unit	1	3 per cent
		Operator	1	3 per cent
		BUMDes	1	3 per cent
		Sekretaris	4	12 percent
		N/A	1	3 per cent
		1 Month	3	9.100 per cent
		4 Months	3	9.100 per cent
		5 Months	4	12.100 per cent
		6 Months	1	3 per cent
		12 Months	4	12.100 per cent
		13 Months	1	3 per cent
		14 Months	1	3 per cent
4	Work Experiences	19 Months	1	3 per cent
		20 Months	6	18.200 per cent
		24 Months	1	3 per cent
		25 Months	1	3 per cent
		26 Months	1	3 per cent
		30 Months	2	6.100 per cent
		31 Months	2	6.100 per cent
		50 Months	2	6.100 per cent

Source: processed data from the questionnaire

**Table 2** shows that, in gender, most of the respondents are men (54.500 per cent). Meanwhile, the rest of the respondents are women, about 45.500 per cent. Based on the education level, most respondents are senior high-school graduates (48.400 per cent). Only about 39.400 per cent graduated from university.

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

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

A 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 3.** Mode (Information Technology Variable)

No	Indicators	Mode				
		1	2	3	4	5
1	It helps the management of VOE to ease the financial data processing	2	13	16	1	1
2	IT in VOE utilize in the preparation process of the financial statement	1	10	20	1	1

3	So far, IT has produced financial statements that help in the decision-making process	1	10	20	1	1
4	IT that had been used in VOE was already suitable for the need of the management	1	13	16	1	2
5	The set of IT that had been used in VOE can be adjusted easily with the need of management for financial information	1	10	18	2	2
6	Application (IT) that the management had used can reduce the cost and time in the financial reporting process	1	10	20	1	1
7	Application (IT) that had been used by the management easy to learn and easy to use	1	10	18	3	1
8	Accounting Application (IT) used by the management of VOE can be compatible with other technology (for example, printer, scanner, internet, etc.)	1	10	20	1	1
9	The Accounting Application (IT) that the management of VOE had used has already been repaired and maintained by a technician when it was in trouble	1	22	8	2	2
10	The Accounting Application (IT) that the management of VOE had used is routinely repaired so it's free from the disasters such as viruses and other trouble.	1	24	7	2	1

Source: processed data from the questionnaire

**Table 3** shows that information technology is measured by 10 (ten) indicators explained by the question and answered by respondents. Most of the respondents stated that IT in VOE utilizes in the preparation process of financial statements, produces financial statements that help in the decision-making process, can reduce the cost and time in the financial reporting process, and is compatible with other technology (for 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 use and already suitable with the lack of management.

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

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

**Table 4.** Mode (Competency Variable)

No	Indicators	Mode				
		1	2	3	4	5
1	The process of preparing financial statements in VOE is in line with the job description.	3	13	13	2	2

2	The process of preparing financial statements in VOE is in line with the training already given by the organization.	3	13	12	2	2
3	Your job in preparing financial statement had in line with your formal education.	3	16	11	2	1
4	The process of preparing financial statements in VOE in line with your ability and skill	3	13	13	2	2
5	The accounting application used in VOE produced an accurate financial statement that was in line with your ability	2	13	15	1	2

Source: processed data from the questionnaire

**Table 4** shows the description of the competency variable. The respondents answered that the accounting application used in VOE had produced an accurate financial statement that was in line with their ability. Respondents also stated that the process of preparing financial statements in VOE is in line with the job description, line with the training 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)

No	Indicators	Mode				
		1	2	3	4	5
1	The process of preparing financial statements in VOE had been planned before	1	20	10	1	1
2	Preparing financial statements in VOE fulfilled all the needs of management and helped in the management task's completion.	1	15	15	1	1
3	The process of preparing financial statements in VOE helped the management performance's achievement	1	15	15	1	1
4	The process of preparing financial statements in line with the needs of management and all the organization members get involved in this process	3	23	3	2	2
5	Management contributed the proper resources in the financial statement preparation process.	1	20	10	1	1
6	The human resources involved in the financial reporting process are already trained with the accounting knowledge	1	18	12	1	1
7	Management motivated employees to prepare financial statement	2	10	18	1	2
8	Management communicates routinely to all the employees related to the financial reporting process	1	14	16	1	1

9	Management gave attention to repairing and maintaining the devices related to the financial reporting process.	2	18	10	1	2
10	Management support all the technical needs for the financial reporting process	8	18	4	2	1
11	Management controlled all the processes related to the financial reporting process.	1	18	12	1	1
12	Management evaluated the process of financial reporting in the organization	1	14	16	1	1

Source: processed data from the questionnaire

**Table 5** shows the description of the top-management support variable. Respondents agree that top management motivated employees prepare financial statements communicate routinely to all the employees related to the financial reporting process, and evaluate the organization's financial reporting process. Respondents also stated that the process of preparing financial statements had fulfilled all the needs of management and helped in the management task's completion. The method of preparing financial statements in VOE allowed management performance achievement.

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

Some problems still need to be solved in the top-management issue. The problems are the process of preparing financial statements is not in line with the needs of management, and all the organization members should have gotten involved in this process. Another problem is that top management needed to support all the technical requirements of 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 is in line with the need of the top management and motivating the organization members to get involved in the financial reporting process.

**The Quality of Financial Statement.** The quality of financial statement variables is measured by 4 (four) dimensions: relevance, accuracy, comparability and understandability.

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

**Table 6.** Mode (Relevant Indicators)

No	Indicators	Mode				
		1	2	3	4	5
1	The financial statements can be used as a basis for the projected budget in VOE.	1	10	20	1	1
2	So far, financial statements can be used as the basis to predict future budget	1	8	22	1	1

3	So far, the financial statement has presented the information just in time for the decision-making process.	1	5	24	1	2
4	So far, the financial statement has explained the financial numbers.	1	5	24	1	2
5	So far, the financial statement presented with financial analysis and performance analysis	1	14	16	1	1

Source: processed data from the questionnaire

**Table 6** shows respondents' answers related to relevant indicators. The relevancy of the VOE financial statement for the users is in good condition. The table above shows us that a financial statement presents the information just in time for the decision-making process, the financial statement explains an explanation of the financial numbers, the financial statement can be used as the basis to predict future budgets, 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 management's decision-making process.

**Accuracy. 5** (five) Indicators measure the accuracy of the financial statement. There are presented with faithfulness, verified by an independent auditor, in line with the users' needs, free from bias, material error, and neutral. Respondents were asked to answer the question in the questionnaire. The table below shows the mean of the answer from all respondents:

**Table 7.** Mode (Accuracy Indicators)

No	Indicators	Mode				
		1	2	3	4	5
1	So far, the VOE's financial statement has presented faithfulness in all the transactions.	1	5	24	1	2
2	So far, financial statements have presented accurate information that an independent auditor has already verified.	1	8	22	1	1
3	So far, financial statements reported in line with the needs of the users	1	3	13	15	1
4	So far, the financial statements reported by VOE free from bias and material error	2	3	18	8	2
5	So far, the financial statement has presented neutral information for all the parties in VOE.	2	3	18	8	2

Source: processed data from the questionnaire

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

Also, all the respondents answered that the financial statement reported by VOE was free from bias and material error and also financial statement presented neutral information for all the parties in VOE. All around, the accuracy of the VOE financial statement in North Sumatra Province is satisfactory.

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

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

No	Indicators	Mode				
		1	2	3	4	5
1	VOE Financial Statement presented in comparison with the previous budget and realization	1	12	16	2	2
2	VOE Financial Statement, presented in comparison with the realization of current and previous financial conditions	2	10	15	5	1
3	Balance sheet presented in comparison with previous balance	1	3	18	10	1

Source: processed data from the questionnaire

**Table 8** shows the respondents' answers related to comparability indicators. Respondents agreed that the balance sheet in VOE was already presented as a comparison with the previous balance. Respondents also stated that the VOE Financial Statement was demonstrated compared to realizing current and past financial conditions. And VOE Financial Statement is presented in comparison with the budget earlier and realization.

**Understandability.** Understandability dimensions are measured by 5 (five) indicators, which are easily understood, straightforward information, simple terms, users have proper knowledge about financial transactions, and users have adequate knowledge in accounting and the financial field.

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

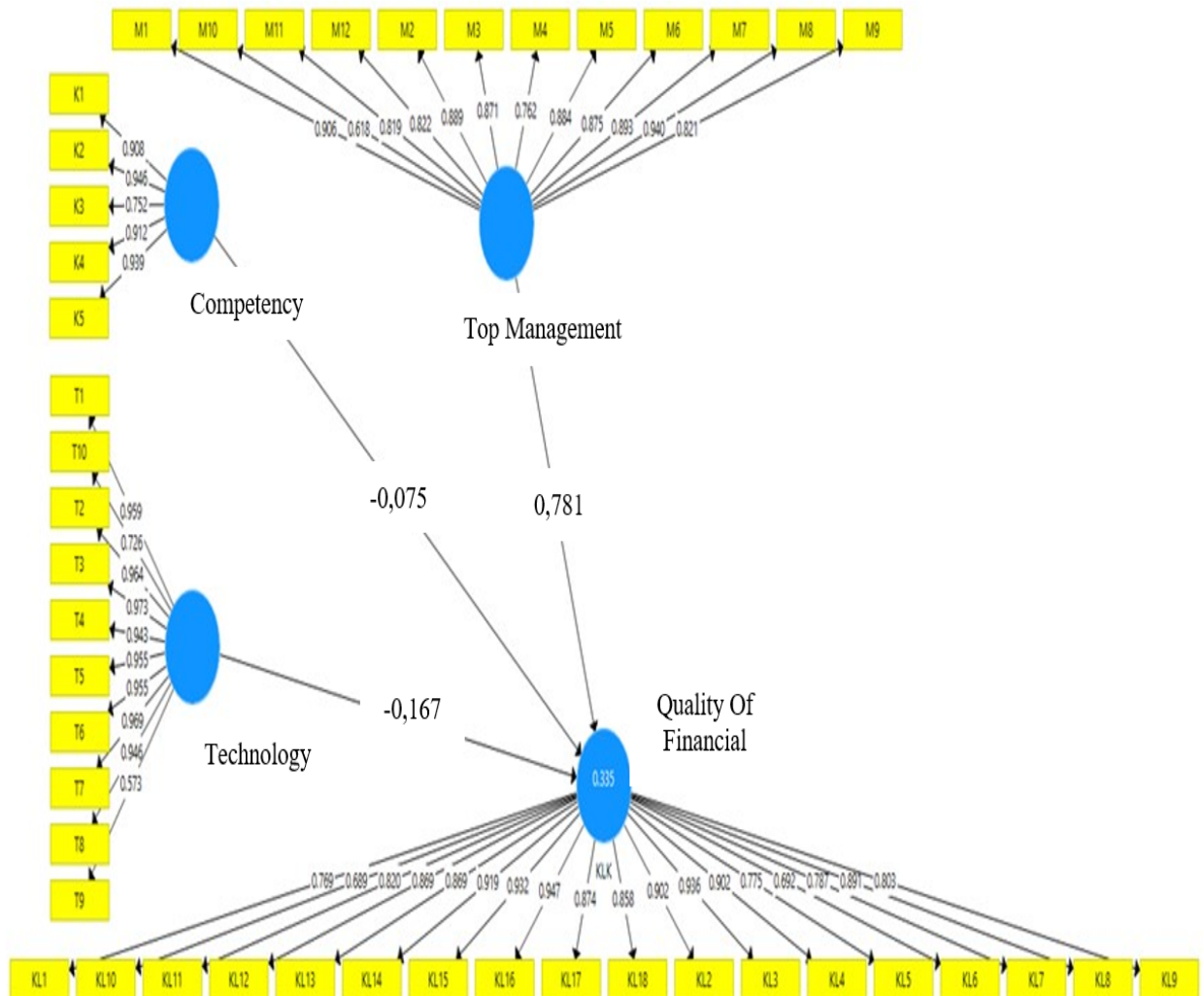
No	Indicator	Mode				
		1	2	3	4	5
1	VOE Financial Statement presents all information that quickly understands by the users	1	12	18	1	1
2	VOE Financial Statement is presented in the form of simple information that will easily understand by the users	2	12	16	1	2
3	VOE Financial Statement is presented in simple terms that will easily understand by the users	1	12	16	2	2

4	The users of VOE Financial Statement had proper knowledge about financial transactions in VOE.	2	10	18	1	2
5	The users of VOE Financial Statement had proper knowledge of accounting and the financial field	1	2	11	18	1

Source: processed data from the questionnaire

**Table 9** shows the mean for respondents' answers related to understandability indicators. For the understandability dimension of the quality of financial statements, all the respondents agreed that the users of VOE Financial Statement had proper knowledge in the accounting and financial field. Also, VOE Financial Statement presents all information that quickly understands by the users and VOE Financial Statement is explained in simple terms that the users will easily understand. Furthermore, all respondents agreed that the users of VOE Financial Statement had proper knowledge of the financial transactions in VOE. The lowest score for the understandability indicator is "The users of VOE Financial Statement had a proper knowledge about a financial transaction in VOE".

**Data Quality Test.** (Sekaran and Bougie, 2016) stated that there are 2 (two) tests to ensure the accuracy of the research result: an examination of the validity and a 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 concerning one or more sources of inconsistency—the selection of specific questions, the selection of raters, and 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 is shown in **Figure 2**.



**Figure 2.** Validity Test

Source: processed data from the questionnaire

**Figure 2** shows the result of validity testing. Based on the validity test, it can be seen that all indicators of the variables are valid and have validity values higher than 0.500. For information technology, the figure showed that indicators 1 to 10 had a validity value of more than 0.500. The lower validity value is 0.573 for indicator T9, which means the IT used by the management of VOE is already **repaired and maintained** by a technician when it's in trouble. The highest validity value is for T3, which is IT had **to produce a financial statement that helps in the decision-making process** (0.964).

For the top-management support variable, the highest value for the indicator is M8 (0.940), which is management **communicating routinely to all the employees related to the financial reporting process**. Meanwhile, the lowest value is for indicator M10 (0.618), which is management **support for all the technical needs of the financial reporting process**. All the indicators for the top-management support variable had a validity value higher than 0.500

The validity values for the competency variable are all valid based on the test. The lowest validity value for the competency variable is K3 (0.752), which is the employee's



job description in preparing a financial statement **aligned with her formal education**. In contrast, the highest validity value for the competency variable is K2 (0.946), which is the process of preparing financial statements in VOE **in line with the training** the organization already gives.

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

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

**Table 10.** Reliability Test

Variable	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Information Technology	0.937	0.952	0.800
Competency	0.977	0.979	0.723
Top-Management Support	0.966	0.970	0.748
The quality of FS	0.957	0.964	0.771
	0.982	0.985	0.880

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 statements. The result of the hypothesis testing can be seen in the table below:

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

The Impact of:	T Statistics	P-Values
IT » The Quality of FS	0.691	0.495
Competency » The Quality of FS	0.521	0.605
Top-Management Support » The Quality of FS	2.503	0.017

Source: processed data

**Table 11** explains (1) T-Statistics for the effect of information technology on the quality of financial statements is 0.691. Meanwhile, the t-table value is 1.960. It means that t-statistics are less than the t-table. In other words, p-values more than 0.050. From these numbers, information technology did not affect the quality of financial statements. (2) T-Statistics for the effect of competency on the quality of financial statements is 0.521. Meanwhile, the t-table value is 1.960. It means that t-statistics are less than the t-table. In other words, p-values more than 0.050. From these numbers, competency did not affect the quality of the financial statement. (3) T-Statistics for the effect of top-management support on the quality of financial statements is 2.503. Meanwhile, the t-table value is 1.960. It means that t-statistics are more than t-table. In other words, p-values less than 0.050. From

these numbers, top-management support significantly affects the quality of financial statements.

## DISCUSSION

### **The Effect of Information Technology on The Quality of Financial Statements.**

The data analysis showed that information technology did not affect the quality of financial statements in village-owned enterprises. This result indicated that the usage of information technology in village-owned enterprises, especially in North Sumatra, needed help to elevate the quality of financial statements. Based on the descriptive statistics, it is known that information technology in village-owned enterprises needs to be routinely maintained and repaired. This result indicated that technology information in village-owned enterprises needs to be updated or far from the updated technology. Further explanation of this condition based on the descriptive statistics shows that the utilization of information technology in village-owned enterprises is unable to ease the data processing process and is rarely used in the financial reporting process. Most village-owned enterprises prepare their financial statement manually. Further findings from the descriptive statistics were that information technology does not help the village-owned enterprises to produce financial statements for decision-making. In other words, a financial statement is an optional report to village-owned enterprises. Further findings revealed that information technology used by village-owned enterprises only partially corresponds with their needs. It means that information technology is not the priority. It relates to the lower education and competencies of the village-owned enterprises' management. This finding has the opposite side to previous research. (Nadir and Hasyim, 2017) Found that using information technology will affect the quality of financial statements in Barru Residence. Also, the conclusion of (Mene et al., 2018) stated that the utilization of information technology significantly affects the quality of financial statements.

The finding that information technology did not affect the quality of financial statements supported the conclusion (Ratmasari et al., 2021) that using information technology did not affect the quality of financial reports. The reason for this finding is that the employee in charge of preparing the financial statement needed to have the proper capability to operate the technology and the adoption process to operate the technology.

For the advanced analysis, we interviewed 3 (three) informants to confirm this finding. The first informant stated that information technology did not affect the quality of financial statements because they had yet to find accounting information that is easy to operate in VOE. Also, the fact on the ground showed us that in VOE, most of the management needed to become more familiar with technologies even had never worked with technology before.

The second informant stated that it is hard for VOE's management to find the technology that fits their competencies. Most of the management needed an accounting or financial educational background. Another finding from the second informant was that a standard for accounting application or technology should be implemented in village-owned enterprises.

From the third informant, it can be stated that the management of VOE has yet to find suitable technology that will be implemented in their organization. The management needed to have proper knowledge and skill in utilizing information technology. Also, there is no such regulation related to the obligation to adopt technology for the financial reporting



process. There is no need and no interest associated with technology related to the quality of financial statements.

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 statements because the majority of VOE management in North Sumatera Province did not familiar with information technology and did not propose the usage of information technology to enhance the quality of financial statement. The acceptance of technology information needs to be higher.

**The Effect of Competency on The Quality of Financial Statement.** Based on the data, more than human resource competency is needed to 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 is not in line with the job description. There is no specific job description arranged in the financial reporting process. The following explanation for this finding is that the employee in charge of the process of financial reporting needed to have proper formal education in accounting. Most of the village-owned enterprise's employees in North Sumatera needed a business or accounting educational background.

Furthermore, most of the employees required more ability, skill, and experience in preparing finances. This finding was different from the result of (Pujanira and Taman, 2017), which found that competencies had a significant positive effect on the quality of the financial statements of the Yogyakarta Special Regions' Government. It also needs to be more suitable with the finding (Harnoni, 2016), which revealed human resources capacity impact the quality of government financial statement. And also unsuitable to the conclusion from (Dewi and Yuniasih, 2021) that the level of formal education affects the quality of financial statements.

Competency could have also improved the quality of financial statements (Ratmasari, 2021). She found that the level of education did not affect the quality of financial reports in Bumdes. The reason for this finding is that the proper placement of the employee should support the level of education. Suitable formal education also be the reason for the high qualification for competent employees. In addition, training and development programs in Bumdes are still rare.

Based on this finding, we interviewed 3 (three) informants to reveal the actual condition on the ground. The first informant from Dolok Masihul stated that competency would not affect the quality of their financial statement. It is because the management of VOE had no accounting background, and most of the management only held the certificate of senior high school (SMA). On the other hand, the management is not competent in preparing financial statements.

Furthermore, the second informant revealed that many graduated from a technical background rather than an accounting one. They were not interested in the financial reporting process because it needed to be simpler, pushing down the motivation to prepare financial statements. It is also a character that will obstruct the quality of financial statements in VOE that the management felt that their performance could have been better with a financial statement.

The third informant stated that even though the VOE management did not have an accounting background, they could learn it. But the motivation to learn about the financial



statement preparation process still needs to improve. That is why most of the VOE management thinks they should not have training related to the financial reporting process.

Based on the quantitative analysis through Partial Least Square and the interview process, the level of competency in the accounting and financial reporting process for the management of VOE should be improved. The inability to prepare a financial statement becomes the main reason for the low quality of the financial report in VOE, especially in North Sumatra Province.

**The Effect of Top-Management Support on The Quality of Financial Statements.** Based on data, top-management support affects the quality of financial statements in village-owned enterprises. This finding reveals that support from the village's government will enhance the quality of the financial statement. But, based on the descriptive statistics analysis, 2 (two) indicators have a low score, which are the involvement of the management in the financial reporting process and support from management to solve the problem in the financial reporting process. In other words, if problems occur in the financial reporting process, the top management cannot give the best solution. And this situation is caused by the knowledge limitation of the top management related to accounting matters. These findings align with the research finding from (Ikhsan and Bustaman, 2016), which found that top-management support affects the quality of financial statements in LKM of Banda Aceh. Also in line with the finding of (Lestari et al., 2017), which found that the top-management support variable positively affects the performance of accounting information systems in LPD Buleleng District. (Novianty, 2019) found that top management support positively impacted the quality of management accounting information systems.

From the interview process, it can be concluded that all the VOE in North Sumatra had proper support from top management to prepare financial statements. Top management already planned to improve the quality of financial statements in village-owned enterprises. Top management also committed to allocating resources in the financial reporting process and 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 statements in village-owned enterprises. (2) Competency did not affect the quality of financial statements in village-owned enterprises. (3) Top-management support affects the financial statement quality in village-owned enterprises.

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

Further, based on the conclusion, some can be proposed some recommendations to enhance the quality of financial statements, especially in village-owned enterprises: (1) It is recommended to conduct regular maintenance and maintenance specialists to the information technology in village-owned enterprises and also have a technician to solve the problem regarding the information technology that used by village-owned enterprises. (2) Facilitating the management of village-owned enterprises with easy-to-use technology to prepare financial statements. (3) Increasing intensity of information technology

utilization in village-owned enterprises. (4) Choose the right technology that will fit the management of village-owned enterprises. (5) Related to the compatibility with other technology, it suggests that the management of village-owned enterprises utilize a technology compatible with the printer, scanner and internet connection. (6) All the village-owned enterprises should design clear job-description documents to ensure all the management performs well. (7) The management of village-owned enterprises should follow the training related to financial statement preparation. (8) Formal education should be given immediate attention in village-owned enterprises with the slogan: Right Man in The Right Place.

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