# The Effect of the Implementation of Good Governance and Accounting Information Systems on the Performance of Village Credit Institutions (LPD)

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**ABSTRACT:** Financial performance is not only supported by good governance but can also be supported by a good accounting information system. The population in this study is the LPD in Tabanan Regency, where the LPD is in Tabanan Regency. The method of determining the sample in this study is the proportionate stratified random sampling method and to determine the proportion of the sample will use the Slovin formula. The number of samples was 75 and each LPD was taken by three respondents, namely the head of the LPD, the administration section, and the LPD cashier section so that the total number of respondents numbered 225 people. The analysis technique used is multiple linear regression. The results of this study indicate that good governance and accounting information systems have a positive effect on LPD financial performance in Tabanan Regency.
**Keywords:** *Good governance*, SIA, Performance, LPD

## I.　　　INTRODUCTION

Perda Level I Bali Number 8 of 2002, LPD is a financial business entity owned by Pakraman village that carries out business activities in the village environment for village manners. LPDs in Tabanan Regency have a relatively small level of development and turnover. Tabanan Regency consists of 307 LPDs spread in ten subdistricts.The following are total assets, profits, and ROA (Return On Assets) of LPD in 2014-2018 in Tabanan Regency.

**Table 1.1**
**Total LPD assets, profits and ROA in Tabanan Regency in 2014 - 2018**

| No | Year | Assets | Profit | ROA |
|----|------|--------|--------|-----|
| 1 | 2014 | 966,930,579,000 | 33,606,819,000 | 0.035 |
| 2 | 2015 | 1,123,361,201,000 | 39,868,131,000 | 0.035 |
| 3 | 2016 | 1,128,687,193,000 | 45,779,553,000 | 0.040 |
| 4 | 2017 | 1,441,424,093,000 | 48,498,518,000 | 0.034 |
| 5 | 2018 | 1,673,068,646,000 | 51,265,314,000 | 0.031 |

Source: Tabanan Regency LPD

LPD in Tabanan Regency is the highest number in Bali but the total assets owned can be said to be lagging behind other districts which incidentally has a smaller number of LPDs (Antarabali 29/04/19 11:00). Table 1.1 shows the assets and profits of LPDs in Tabanan district from 2014-2018 continued to experience an increase but ROA (return on assets) did not experience a significant increase or even decreased from 2017 to 2018, this indicates that LPDs are not good enough in managing their assets.

LPD that did not report from 2014-2018 experienced a decline from 2014 to 2017 but increased again in 2018. One reason for not reporting their financial reports is that the LPD must have problems in the area of financial performance, not only in the financial sector but also has problems in the area of corporate governance and accounting information systems.

This research was conducted on the basis of where there are LPD problems in Bali. There are several problems currently threatening LPDs in Bali, namely the quality and effectiveness of governance in most LPDs is quite worrying and the quality and effectiveness of LPD regulation and supervision is very doubtful as evidenced by the large number of problematic LPDs (posbali.id). Not a total of 1,433 LPDs in Bali can develop properly. Based on data from the LPD Special Committee, recorded as many as 158 LPD declared no longer in operation (balitribune.co.id 12/2/18 at 10:00).

Good governance (GG) must be applied by the LPD to reduce conflicts of interest between LPD managers as agents and owners, namely village manners and between LPD managers and creditors, the Bali Regional Development Bank and maintain good relations and guarantee the full rights of the parties with an interest in the function and purpose of the LPD itself. According to Veronica (2004) revealed that the application of good corporate governance can be used to limit the actions taken by management, in order to produce better performance.

. Financial performance is important for the company, not only as a reference for decision making but can be used as a reference to improve the performance of the company itself. Financial performance is not only supported by good governance but can also be supported by a good accounting information system. A system can be said to be effective if it is able to produce quality information, so that information can improve company performance.

Good governance (good governance) and accounting information systems have a symmetrical relationship, both have mutually influential relationships and both have complementary relationships. Good governance and accounting information systems are thought to affect company performance because good governance and accounting information systems have a relationship with the agency itself.

Agency theory describes the management as an agent who knows more about the company and can use its position to his advantage(Ratih, 2011). Conflicts of interest can occur in business organizations because the principal as an owner cannot always monitor management activities to ascertain whether management has worked in accordance with the principal's wishes. The application of Agency Theory in LPD can be seen in the relationship between the LPD management and Pakraman Village. Where the LPD manager is an agent while the Pakraman Village is the principal. The LPD manager is the party who knows the most information compared to Pakraman Village and this has led to information asymmetry. Information asymmetry is information inequality held between agents and principals, this is because agents or company managers know more about governance and information systems compared to principals or pakraman villages.

Governance cannot be separated from the basic principles of good governance, namely transparency, participation, and accountability as key elements. Good governance cannot be denied because it has been considered as an important element to guarantee national welfare. According to Dewi and Asri (2014) the principle of good corporate governance has a positive effect on performance. Sianipar and Wiksuana (2019) stated that good corporate governance has a significant and positive effect on financial performance. Based on this description, the formulation of the first hypothesis in this study is:

H1: The application of good governance has a positive effect on the financial performance of the Village Credit Institutions (LPD) in Tabanan Regency.

It is difficult to get competitiveness advantages and survive the implementation of information technology. The main advantage of the optimal use of accounting information systems in an organization is better adaptation to environmental changes and increased competitiveness. (Grande, Estebanez, &Colomina, in Wilya, 2013). Accounting information systems produce information for each operation such as planning and controlling information and performance evaluation information. Research by Tyara Sari (2011), Wilya (2013) and Kadek (2014) states that accounting information systems affect performance. Based on this description, the formulation of the first hypothesis in this study is:

H2: The accounting information system has a positive effect on the financial performance of the Village Credit Institutions (LPD) in Tabanan Regency.

## II.          METHODS

This research was conducted at the Village Credit Institution (LPD) in Tabanan Regency by giving a questionnaire and looking for financial reports from 2014-2017 on the LPD which were used as research samples. The population in this study is the Village Credit Institution (LPD) in Tabanan Regency. Tabanan Regency consists of 307 LPDs spread over ten subdistricts, namely Kerambitan District with 27 LPDs, Pupuan District with 24 LPDs, Selemadeg Districts with 27 LPDs, West Selemadeg Districts with 30 LPDs, East Selemadeg Districts with 27 LPDs, 13 LPDs, Baturiti District is 43 LPD, Kediri District is 21 LPD, Marga District is 28 LPD, and Penebel District is 67 LPD.

Proportional stratified random sampling technique was used in order to obtain a representative sample by looking at the LPD population in the striking Tabanan District, which consists of several Subdistricts, so that researchers took samples from 10 Subdistricts and each sub-district took a number of LPDs with more than a sample. Tabanan Regency has 307 active LPDs and is registered in the Tabanan Regency LPLPD. So to determine the sample size of a known population, 307 LPDs are used using the Slovin formula according to Wirawan (2012):

$$n = \frac{N}{1 + Ne2}$$

Information :

n = Sample size
N = population size
e = error rate

Then the calculation of withdrawal of the number of samples with the Slovin formula is:
n = 307 = 75.4299 = 75
 1 + 307. 0.12

Based on the results of sample calculations, a sample of 75 LPD was obtained. Each LPD was taken by three respondents namely the head of the LPD, administration and cashier so that the total number of respondents numbered 225 people.
The analysis technique used in this study is multiple regression analysis. The following regression models in this study:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + e \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (2)$$

Information:
Y = LPD performance                    X1 = Effect of Good Governance
α = Constant                           $X_2$ = Accounting Information System
β = Regression coefficient       e = Standard error

### III.          RESULTS AND DISCUSSION

Data was collected by distributing questionnaires directly to 75 LPDs which were used as research samples. Table 2. Delivery and Return Questionnaire Details.

**Table 2. Delivery and Return Data Questionnaire**

| Information | total | |
|---|---|---|
| Questionnaire distributed | 225 | |
| Questionnaire that did not return | | 0 |
| Questionnaires returned and used 225 | | |
| The rate of return used (usability response rate) | | |
| 225/225 x 100% = 100% | | |

*Source:* Primary data processed, 2020

The classic assumption test is conducted with the aim of ensuring the results obtained meet the basic assumptions in the regression analysis. To test whether the data used is normal or not can be done using the Kolmogorov Sminarnov test. If the coefficient of Asymp. Sig. (2-tailed) is greater than 0.05 then the data is said to be normally distributed.

**Table 3. Normality Test Results**

| Klomogorov-Smirnov Z | *Unstandardized Residual* |
|---|---|
| N | 225 |
| Asymp.Sig. (2-tailed) | 0.056 |

*Source:* Primary data processed (Appendix 6), 2020

Based on Table 4.5 it can be seen that the value of Kolmogorov Sminarnov (KS) is 3.189, while the Asymp value. Sig. (2-tailed) of 0.056. These results indicate that the regression equation model is normally distributed. This test aims to test whether the regression model found a correlation between independent variables.

**Table 5. Results of the Multicolliniarity Test**

| Variable | *Tolerance* | VIF | Information |
|---|---|---|---|
| *Good governance* (X1) | 0.507 | 1,971 | Multicollinearity free |
| Accounting Information System (X2) | 0.507 | 1,971 | Multicollinearity free |

*Source:* Primary data processed, 2020

Based on Table 5 it can be seen that the tolerance and VIF values of all variables indicate that the tolerance value for each variable is greater than 10% and the VIF value is less than 10 which means the regression equation model is free from multicollinearity.
This test aims to determine whether in the regression model there is an inequality of variance from the residuals of one observation to another made by the Glejser test.

**Table 6. Heteroscedasticity Test Results**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | -1010 | .048 | | -.206 | .837 |
| | *Good governance* | .000 | .000 | .72 | .763 | .447 |
| | Accounting information system | .000 | .001 | .003 | .036 | .971 |

*Source:* Primary data processed, 2020

On Table 6. can be seen that the Significance value of the Good Governance variable is 0.447 and the significance value of the Accounting Information System variable is 0.971. This value is greater than 0.05 which means there is no influence between the independent variables on absolute residuals.

The data analyzed are good governance and accounting information systems and financial performance as measured by return on assets. Descriptive statistical results are presented in Table 7.

**Table 7 Descriptive Statistics Results**

| | N | Minimum | Maximum | The mean | Std. Deviation |
|---|---|---|---|---|---|
| *Good governance* | 225 | 61.00 | 100.00 | 90.0711 | 7.17351 |
| Accounting information system | 225 | 21:00 | 33.00 | 24,8089 | 2.64135 |
| Financial performance | 225 | .01 | .26 | .0363 | .02916 |
| Valid N (listwise) | 225 | | | | |

*Source:* Primary data processed, 2020

The average value of good governance is 90.0711 almost close to the largest value of 100.00 from the minimum value of 61.00, indicating that LPDs in Tabanan Regency have implemented good governance or good governance. The average value of the accounting information system is 24.8089 almost close to the largest value of 33.00 from the minimum value of 21.00, indicating that respondents provide opinions with a score close to the maximum which indicates that LPDs in Tabanan Regency have implemented the system accounting information well. The minimum value of LPD financial performance in Tabanan Regency is 0.01, the maximum value is 0.26, and the average value is 0.0363.

Calculation of multiple linear regression coefficients is done by regression analysis through SPSS 18.0 for Windows software, the results shown in Table 8 are obtained.

**Table 8. Results of Multiple Linear Regression Analysis**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | -.103 | .055 | | -1.883 | .061 |
| | *Good governance* | .001 | .000 | .209 | 2,252 | .025 |
| | Accounting information system | .003 | .001 | .231 | 2,488 | .014 |

*Source:* Primary data processed, 2020

Based on the results of the multiple linear regression analysis as presented in Table 8, then the structural equation is as follows:

$Y = -0{,}103 + 0{,}001 X1 + 0{,}003 X2 + e$

The regression coefficient value of each independent variable is positive with a significance value of t test less than 0.05. This shows that all independent variables have a significant positive effect on the dependent variable. Following is an explanation of the results of the multiple regression analysis, consisting of the coefficient of determination ($R^2$), the feasibility test of the model (F test), and the hypothesis test (t test).

The coefficient of determination ($R^2$) is used to determine and measure the ability of the model to explain the variation of independent variables. The magnitude of the effect of the independent variable on the dependent variable indicated by the value of total determination (R Square). The results of the coefficient of determination test in this study can be seen in Table 9.

**Table 9. Determination Coefficient Test Results ($R^2$)**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .17a | .029 | .021 | .02886 |

*Source:* Primary data processed, 2020

The results of the determination coefficient test in the Table show the value of adjusted R2 (the adjusted coefficient of determination) is 0.21. This means that 21% of the variation in LPD financial performance in Tabanan can be significantly influenced by variables*good governance* and accounting information system while the remaining 79% is explained by other factors outside the variables used in this study.

The feasibility test of the regression model aims to find out whether all identified independent variables (e-filling application, service quality, taxpayer awareness, and tax sanctions,) are appropriate to predict taxpayer compliance. This test is often also called the F test. The results of the F test can be seen in Table 10.

**Table 10. Test Results F**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|-------|------------|----------------|-----|-------------|-------|-------|
| 1 | Regression | .006 | 2 | .003 | 3,348 | .037a |
| | Residual | .185 | 222 | .001 | | |
| | Total | .190 | 224 | | | |

*Source:*Primary data processed, 2020

The results of the F test (Ftest) indicate that the significance value of P value 0.037 is less than α = 0.05, this means that the model used in this study is feasible. This result gives the meaning that all independent variables viz*Good governance* and Accounting Information System is able to predict or explain phenomena of LPD financial performance in Tabanan Regency in a real way.

The first hypothesis testing shows that good governance has a positive effect on the financial performance of the Village Credit Institutions in Tabanan Regency. This shows that the application of good corporate governance principles such as transparency, accountability, responsibility, independence and fairness will be able to improve the financial performance of LPDs in Tabanan Regency. This also shows that the more transparent the LPD in disclosing information about the state of the LPD causes an increase in stakeholder confidence in this case the members, the LPD's financial performance will also increase. In accordance with agency theory, this shows that the better the LPD's governance, the financial performance of the LPD will also improve. The results of this study reinforce the research conducted bySetyawan and Putri (2013), Dewi and Putri (2014), Bulandari and Damayanthi (2014).

The second hypothesis testing that the accounting information system has a positive effect on the financial performance of the Village Credit Institutions in Tabanan Regency. This shows the accounting information system used in the LPD can improve its financial performance. It also shows that with good and clear human resources, tools, data and information in carrying out its accounting information system, the LPD will obtain reliable information so that it can help managers make the right decisions. In accordance with agency theory, this shows the better application of the existing accounting information system in the LPD in Tabanan Regency, the financial performance of the LPD is increasing.

The results of this study reinforce the research conducted by Tyara Sari Research (2011), Wilya (2013) and Kadek (2014).

## IV.        CONCLUSION

Based on hypothesis testing, the results are obtained that good governance and accounting information systems have a positive effect on the performance of the Village Credit Institutions in Tabanan Regency. This happens because good governance helps LPD managers to regulate how the company is operated and run well, while the accounting information system helps managers to make financial reports easier based on the LPD's accounting program. Between the two independent variables tested, the good governance variable has the biggest influence on financial performance, therefore LPD managers are advised to increase the influence of good governance in LPD management.

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