

# **The Effect of Rural Financial System, Human Resources Competence, and Organizational Commitment on Timeliness of Financial Reporting on Rural Government**

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## **ABSTRACT**

This study aims to determine the effect of the rural financial system, human resource competence and organizational commitment on the timeliness of rural financial reporting. The object of this research is the rural government in Tasikmalaya Regency. This study uses a data collection method using a questionnaire to rural officials that are directly related to the preparation of financial reporting, namely: the rural head, rural secretary, and the head of finance, and the distribution of questionnaires is done indirectly, through google form media. The number of samples in this study was 78 rural. The sampling method used proportional random sampling. The data analysis tool used is logistic regression analysis. Based on the results of the study, shows that: 1) The rural financial system has no effect on the timeliness of financial reporting, 2) Human resource competence has a positive effect on the timeliness of financial reporting, 3) Organizational commitment has a positive effect on the timeliness of financial reporting. This research implies that the rural government it can be used as evaluation material or consideration for the rural government related to optimizing the use of the rural financial system by providing a better and more stable internet network to facilitate the input and processing of data in the rural financial system. For BPKP to periodically update the version of the rural financial system application to improve the performance of the application.

**Keywords:** Rural financial system, human resource competence, commitment to the organization, timeliness of financial reporting.

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## **1. Introduction**

The government is currently required to carry out accountability in managing public resources, and planning and implementing government programs. The form of accountability is a financial report that is used as a form of accountability for use in managing resources and implementing a policy that the public has entrusted to the government to realize the achievement of the goals that have been set ([djb.kemenkeu.go.id](http://djb.kemenkeu.go.id)), so well the government Central or regional governments must submit their accountability in the form of financial reports.

The preparation of village government financial reports must comply with Government Accounting Standards. Based on Government Regulation No. 71 of 2010, explains that a quality financial report if it meets the qualitative characteristics of financial statements that are relevant, reliable, comparable and understandable. From 2015 to 2020, in the last six years, the village fund budget tends to increase every year. The allocation of village funds since 2015 has been distributed in the amount of IDR 400.1 trillion (detik.com, January 13, 2022). Due to the large amount of funds channeled to the village, there is a large expenditure flow so it is necessary to be accountable for protecting the assets owned by the village.

Tasikmalaya Regency is the fifth largest recipient of village funds in West Java Province with a total village fund of Rp 410,638,722,000, the village funds will be allocated to 39 sub-districts covering 351 villages. The more the amount of village funds channeled, the greater the risk that will be faced. There was an incident that occurred in Tasikmalaya Regency related to the delay in the disbursement of village funds for the 2021 budget period to some village governments due to delays in village fund administration reports (kompasiana.com, 15 June 2021).

In addition, there was a case in Neglasari Village, Jatiwaras District, Tasikmalaya Regency, where the village head burned the village office to destroy the village financial report file. The action taken by the village head was motivated by the inability of the village head to account for village financial reports in a prompt and timely manner and was not ready to face an audit by the Tasikmalaya Regency inspectorate (liputan6.com, February 18, 2020). The implementation of the village financial system in Tasikmalaya Regency began in 2018. The implementation of *siskeudes* in Tasikmalaya Regency in that year was not optimal, it faced many problems such as human resource factors and its supporting technological infrastructure (Ayotasik. 2018). From Aryani's research (2018) in one of the villages in Tasikmalaya Regency which states that the village financial system application when used often experiences so that there is a delay in data input and results in slower completion of report generation.

In public sector organizations, many users use published financial reports as a reference and accountability tool as the basis for making decisions. Ariyanto (2020). And to realize transparency, financial managers are obliged to submit financial reporting in a prompt and timely manner (Sarwono & Handayani, 2021).

The village government has the responsibility to submit financial reports in a prompt and timely manner. Based on the theory of *stewardship* which is not motivated by individual interests and more focused on the main goal for the benefit of the organization (Donaldson & Davis, 1 of 991). The role *steward* is played by the village government, which is mandated to provide timely financial reporting for organizations and users of financial statements that can be useful in making appropriate decisions. The timeliness

Timeliness of village government financial reporting can be influenced by various resources and facilities that support it. The first factor that can affect the timeliness of financial reporting is the use of information technology based on the village financial system application or *Siskeudes*. In managing village finances, the use of information technology can increase the level of effectiveness and efficiency. Previous research has been carried out by Muslihan & Santoso (2021) and Noviani & Hendarsyah (2020) which concluded that the regional financial accounting system

has a positive effect on the timeliness of financial reporting. Research conducted by A. Eristanti & Nugraha (2018) concluded that the regional financial account does not affect no effect on the timeliness of financial reporting.

The next factor that can affect the timeliness of village financial reporting is the competence of human resources. Human resources are part of an organization that is ready and able to contribute in achieving organizational goals (Soleh *et al.*, 2020). Previous research has been conducted by Dewanti & Riharjo (2020) and Kurniawati *et al.*, (2019) which concluded that human resource competence has a positive influence on the timeliness of financial reporting. Jaenudin's research (2019) states that human resource competence does not have a positive effect on the timeliness of financial reporting.

In addition to the competence of human resources, organisational commitment can also affect the timeliness of financial reporting. Organizational commitment is an attitude of loyalty to the organization with a strong desire to stay in the organization, and have confidence in helping to achieve organizational goals Yusuf & Syarif (2018: 32). Previous research has been conducted by A. Eristanti & Nugraha (2018) and Maharani & Agustin (2021) both of which have concluded that organizational commitment has a positive effect on the timeliness of financial reporting. However, the results are different from the research conducted by Nazilatul Ilmi (2020) whose conclusion states that organizational does not affect no effect on the timeliness of financial reporting. Based on the results of previous studies that are still inconsistent in the variables of the village financial system, human resource competence and organizational commitment due to differences in the objects and research samples used. This study aims to analyze several factors that can affect the timeliness of financial reporting at the village government in Tasikmalaya Regency.

## **2. Literature Review**

Stewardship theory states that managers as stewards focus more on the main goals for the benefit of the organization and are not motivated by individual interests/goals. And this theory is designed for researchers to examine a situation in which stewards are motivated to act in the best way for the principal (Donaldson & DaStewardship stewardship which can describe how to be able to produce financial reporting The rural government acts as a steward, who is entrusted with providing quality financial reports for organizations and users of village financial reports that are useful in making the right decisions.

Compliance is the motivation of a person, group or organization to take action in accordance with established regulations. Compliance theory has been studied in social sciences, especially in the fields of sociology and psychology, which emphasizes the importance of the socialization process to be able to influence one's compliance behavior.

Timeliness is the most important limitation in publishing financial statements. The accuracy or timeliness of financial reporting is the availability of decision-makers when needed before the information loses its power in influencing a decision (A. Eristanti & Nugraha, 2018)

Information technology-based application, namely the rural financial system, was designed by BPKP together with the Minister of Home Affairs as an application for rural financial management

in encouraging accountability in rural financial management and producing quality accounting information. With the implementation of the rural financial system, it can produce reports that can be timely so that in making decisions by users can be more precise and fast, and can increase public trust in the rural government. Steward theory assumes that there is a strong relationship between organizational success and principal satisfaction. Achieving organizational success, is done by protecting and maximizing the utility function of the principal and steward (Davis et al., 1997). Based on this explanation, a hypothesis can be formulated:

H<sub>1</sub>: The rural financial system has a positive effect on the timeliness of rural financial reporting

Competence is a person's ability that can be associated with performance improvements carried out by individuals or groups (Mathis et al., 2016:146). According to Dewanti & Riharjo (2020), human resource competence which includes its capacity is the ability possessed by individuals, organizations and institutions in carrying out their functions/authorities so that goals can be achieved effectively and efficiently. The preparation of financial reports requires competent resources so that they can minimize errors and understand what to do and can present financial reports promptly (Nazilatul Ilmi, 2020).

Based on this explanation, the hypothesis can be formulated:

H<sub>2</sub>: Human resource competence has a positive effect on the timeliness of rural financial reporting

Organizational commitment shows the extent to which a person believes in and accepts the goals of an organization and wants to remain in the organization (Mathis et al., 2016:173). Building the most important organizational commitment is the need for trust, willingness and loyalty. Because of the mental attachment to the organization, they will have high loyalty and responsibility so they will be encouraged to report all their accounting activities (Mutiana et al., 2017). With a strong commitment, you can maximize all of your abilities to carry out your duties so that you can present financial reports on time.

Based on this explanation, the following hypothesis can be formulated:

H<sub>3</sub>: Organizational commitment has a positive effect on the timeliness of rural financial reporting

### **3. Research Methodology**

This research is quantitative. The object of research in this study is the timeliness of financial reporting as the dependent variable and the rural financial system, human resource competence and organizational commitment as independent variables. Research data was obtained from the results of questionnaires distributed to respondents in this study. Measurement of variables using a Likert scale of 1-5 for the independent variable and the dependent variable using a dummy. The source of data used in this study is primary data. The population in this study is the village government in Tasikmalaya Regency, totalling 351 rural governments and covering 39 sub-districts. The sampling technique used in this study used the proportional random sampling method by producing 78 samples.

## **4. Results**

### *4.1 Validity and Reliability Test*

The validity test was measured using Pearson Correlation, where this test used a significance level of 5% or 0.05 with an r count compared to the r table. The questionnaire is said to be valid if r count > r table. Based on the 5% significance level, the r table used in this study is 0.349. The following are the results of the validity test;

Table 1. Validity Test

	<b>Pearson Correlation</b>	<b>N of Items</b>	<b>Results</b>
<b>X<sub>1</sub></b>	(0,635-0,676)	10	Valid
<b>X<sub>2</sub></b>	(0,720-0,788)	12	Valid
<b>X<sub>3</sub></b>	(0,461-0,681)	8	Valid

The reliability test was used to measure the consistency and stability of the respondents in answering the statements that the researcher had compiled in the questionnaire. The measurement uses Cronbach's Alpha statistical approach. If the value of Cronbach's Alpha on an instrument > 0.60 then the instrument is reliable. The following are the results of the reliability test based on the data obtained:

Table 2. Reliability Test

<b>Variable</b>	<b>Cronbach's Alpha</b>	<b>Criteria</b>	<b>Keterangan</b>
Rural Financial System (X <sub>1</sub> )	0,890	>0,60	Reliable
Human Resources Competence (X <sub>2</sub> )	0,922	>0,60	Reliable
Commitment Organization (X <sub>3</sub> )	0,845	>0,60	Reliable

The table above shows that Cronbach's Alpha value of all variables has a value > 0.60, so the questions in the questionnaire on each independent variable of this study are declared reliable.

#### 4.2 Logistic Regression Analysis

##### 4.2.1 Overall Model Fit

Table 3. Overall Model Fit Test

<i>Block Number = 0</i>	<i>Block Number = 1</i>
-2Loglikelihood	-2Loglikelihood
99,296	76,988

Table 3 shows that the value at the initial -2Loglikelihood (block number = 0) is 99.296. While at (block number = 1) it is 76,988. That way, the value of -2Logl (block number = 0) > -2Logl (block number = 1) or it can be said that there is a decrease in the -2Loglikelihood number of 22,308, which indicates that the regression model used is good or fit.

Table 4. The goodness of Fit Test

Chi-square	df	Sig.
9,251	8	,322

The Goodness of Fit Test in this test uses the Hosmer and Lemeshow test. Table 3 shows that the value of Hosmer and Lemeshow's Test is 9.251 with a significance probability value of 0.322 or 32.2% so it can be concluded that the logistic regression model used is good enough to describe

the relationship between the rural financial system, human resource competence, and organizational commitment to timely financial reporting to the rural government.

#### 4.2.3 Nagelkerke R Square

Table 5. Nagelkerke R Square

Cox & Snell R Square	Nagelkerke R Square
,249	,345

The table above shows that the Cox and Snell R<sup>2</sup> value is 0.249 and the Nagelkerke R Square value is 0.345 or 34.5%. This shows that in this study the independent variables can explain the dependent variable, namely the timeliness of financial reporting 34.5% while the other 65.5% is explained by other factors.

#### 4.2.4 Omnibus Test

Table 6. Omnibus Test

Chi-square	Sig.
22,308	,000
22,308	,000
22,308	,000

Table 6 shows that the calculated Chi-square value is 22.308 > Chi-square table is 7.185 and with a sig. 0.000 where the p-value <0.05, so it can be concluded that the variables of the rural financial system, human resource competence and organizational commitment together can affect the timeliness of financial reporting.

#### 4.2.5 Uji Wald dan Uji Hipotesis

Table 7. Wald Test and Logistic Hypothesis

Variabel	Koefisien Regresi	Wald	Sig.
Rural Financial System	-1,735	1,055	0,304
Human Resources Competence	4,000	6,661	0,010
Commitment Organization	2,316	3,891	0,049
Constanta	-17,313	10,586	0,001

From the logistic regression analysis test above, the logistic regression model equation is obtained as follows:

$$\ln \frac{p}{1-p} = -17,313 - 1,735 X_1 + 4,000 X_2 + 2,316 X_3 + \varepsilon$$

## 5. Discussion

### *5.1 The Effect of the Rural Financial System on Timeliness of Financial Reporting*

The results of the first hypothesis stated that the hypothesis was rejected. The wald value is 1.005 with a p-value of 0.688, in this study the significance level used is 5% or 0.05, which means that  $0.304 > 0.05$ . Thus, it can be concluded that the rural financial system variable hurts the timeliness of financial reporting. Based on the results of the analysis of research related to the rural financial system, it can be indicated that the rural financial system is still constrained by technical problems that cause delays in the completion of data processing. In addition, there is still a lack of human resource capabilities in operating the rural financial system. This is in line with Aryani's research (2018) in one of the villages in Tasikmalaya Regency which states that the rural financial system application when used often experiences errors so that there is a delay in data input and results in slower completion of report generation.

### *5.2 The Effect of Human Resource Competence on Timeliness of Financial Reporting*

The results of the second hypothesis state that the hypothesis is accepted. The wald value is 6.661 with a p-value of 0.010, in this study the significance level used is 5% or 0.05, which means that  $0.010 < 0.05$ . Thus, it can be concluded that the variable of human resource competence has a positive effect on the timeliness of financial reporting. This can indicate that the increasing competence of the village government will increase the timeliness of financial reporting. This study is in line with Dewanti & Riharjo (2020) and Kurniawati et al. (2019), which show that human resource competence positively affects the timeliness of financial reporting.

### *5.3 Effect of Organizational Commitment on Timeliness of Financial Reporting*

The result of the third hypothesis states that the hypothesis is accepted. The value of the Wald test is 3.891 with a p-value of 0.049, in this study the significance level used is 5% or 0.05, which means that  $0.049 > 0.05$ . Thus, it can be concluded that the organizational commitment variable positively affects the timeliness of financial reporting. This can indicate that the increasing organizational commitment will increase the timeliness of financial reporting. This study is in line with research conducted by A. Eristanti & Nugraha (2018) and Maharani & Agustin (2021) which show that organizational commitment has a positive effect on the timeliness of financial reporting.

## **6. Conclusion**

The research that has been conducted on the variables of the rural financial system, human resource competence, and organizational commitment in their influence on the timeliness of financial reporting results in the following conclusions: 1) The rural financial system has no effect on the timeliness of financial reporting to the rural government. This is because there are still obstacles in the application system used, supporting devices (strong internet network) and the low ability of human resources in technology. 2) Competence of human resources can improve the timeliness of financial reporting to the rural government. So that it can be explained that the higher the competence possessed by the resources in the rural government, the more timely financial reporting will be. 3) Organizational commitment can improve the timeliness of financial reporting to the rural government. So that it can be explained that the higher the organizational commitment of the rural government, the more timely financial reporting will be.

Based on these conclusions, there are implications from the results of this study: 1) This research can be used as evaluation material or consideration for the rural government related to optimizing the use of the rural financial system by providing a better and more stable internet network to facilitate the input and processing of data on village financial system. For BPKP to periodically update the version of the rural financial system application to improve the performance of the application. 2) The results of this study are expected to further improve the competence of the rural government related to its ability to technology in the use of the rural financial system by holding and re-participating in training in the preparation of financial reporting and the use of the rural financial system. 3) The results of this study are expected to further increase commitment to the organization by synergizing together among rural officials in the rural government to strengthen solidarity for the sustainability and progress of the organization in achieving organizational goals.

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