

ENHANCING LPD PERFORMANCE TO STRENGTHENING THE RURAL ECONOMY

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Abstract

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LPD (village credit institution) is a non bank financial institution possessed by desa pekraman (customary village) in Bali. LPD performance becomes very essential because LPD support the role of desa pekraman as an economic institution and also a cultural institution. LPD provides social, economic and cultural benefits to its members therefore needs to be fostered and enhanced its performance. This means that improving the performance of LPD is crucial to strengthening the rural economy. In accordance with that increasing rural development is needed to further improve the economy, especially for people in Bali

This research conducted in Badung regency and aimed to determine the effect of Accounting Information System, Organizational Culture and Supervisory Agency Function in improving LPD Performance. Data was collected using purposive sampling technique where 105 LPD accountants were given a questionnaire as sample of respondents. Instrument test conducted to analyze validity and reliability, and then data were analyzed using multiple linear regression analysis technique.

This study reveals that the effectiveness of the application of accounting information systems, organizational culture and supervisory agency function have a significant positive effect on the LPDs performance in Badung regency. This indicates that three factors are able to improve LPD performance and should be considered by stakeholders in order to improving LPD performance.

Keywords: accounting information system, organizational culture, supervisory agency function, LPD performance

1. Introduction

As one of famous provinces in Indonesia with its culture, Bali also has a uniqueness through the existence of the desa pekraman(customary village) which has unity of Hindu tradition and manners of social life from generation to generation. Desa pekraman has certain territory and property which is entitled to self managed. In order to increasing rural development and further improve the economy, The Bali Government through Governor's Decree No. 972 of 1984 as first legal basis of the existence or legitimacy of LPD in Bali, established an economic institution that is expected to support and improve the village economy known as Lembaga Perkreditan Desa (LPD). LPD (village credit institution) is a non bank financial institution possessed by desa pekraman (customary village) in Bali. Generally, in Indonesia, financial institutions are grouped into two, i.e. bank financial institutions and

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non-bank financial institutions. Thus, operationally and functionally, LPD is actually the same as Rural Banks or society credit bank (BPR in Indonesia) (Ramantha, 2008), and (Artha, 1999: 1). Since then, LPD has been playing a big role in encouraging the economic development of society through effective capital sharing and supporting the government's program in poverty eradication.

However, LPD also faces some issues related to financial and managerial management aspects that could lead into low LPD performance. The low size of LPD performance can be seen from several cases of fraud and corruption by LPD management which is revealed to occur in some districts in Bali proving the level of fraud in LPD is quite high. A number of cases of fraud occurred in Lembaga Perkreditan Desa, such as cases of embezzlement of customer money up to 840 million in LPD Desa Pakraman Temega, Padang Kerta Village, Karangasem (Nusabali, 2015), amounting to 1.2 billion occurred in LPD Desa Gadungan, Selemadeg Timur Tabanan (Metrobali, 2011). The case of LPD Banyupoh, Buleleng Regency went bankrupt due to corruption committed by LPD management, where in this case funds amounting to Rp 80 million used for personal interests of the board (Antara Bali, 2012). Cases of embezzlement of about 10 billion also occurred in LPD Kapal Mengwi (Nusa Bali, 2016). In addition, at LPD Temukus also found a number of management irregularities, such as double saving book and loans where LPD employees use customer money for personal benefit as well (Suara Dewata, 2016).

Several cases above faced by LPDs indicated the importance of more efficient and professional LPD management in order to improve LPD performance. LPD performance becomes very essential because LPD support the role of desa pekraman as an economic institution and also a cultural institution. LPD provides social, economic and cultural benefits to its members, therefore needs to be fostered and enhanced its performance. This means that improving the performance of LPD is crucial to strengthening the rural economy.

The performance of LPD is influenced by many factors. Among others, the application of accounting information system, organizational culture and supervisory agency functions are three factors that could provide a better performance of LPD in order to achieve its expected goals.

An accounting information system (AIS) is a system that processes data and transactions to generate useful information for planning, controlling and operating businesses (Krisnaji, 2010: 4). Bodnar and Hopwood (2006:23) states that accounting information system as a collection of resources, such is people and equipment, designed to transform financial and other data into information. The advancement in information and communication technology (ICT) has made accounting information system (AIS) an essential tool in dealing with the complexity in the present day competitive market environment (Ogah, 2013). However, in line with Theory of Reasoned Action (TRA) developed by Azjen and Fishbein (1975) in Venkatesh et al., (2003), it should be noted that the effectiveness of AIS implementation in LPD should meet the "easy to use" criteria and is expected to improve employee performance. Since the success of an entity in achieving its goals is highly dependent on employee performance

Accounting information plays an important role in the business and a good system would enable management to improve decision-making, internal controls and produce financial reporting/statement to the stakeholders (Shuhidan, et.al, 2015). It means, applying accounting information systems as one effort to improve the performance and quality of LPD service to the community and gain public trust. The accounting information system would greatly influences the performance of LPDs in an organization. Kristiani (2012), Aditya and

Suardikha (2013), Astuti and Dharmadiaksa (2014) proves that the effectiveness of accounting information system has a significant positive effect to employee performance.

Implementation of a good organizational culture is also considered as one factor that may affect LPD performance. Organizational culture is a system of values, beliefs and habits in an organization that interact with the structure of formal systems to produce norms of organizational behavior. Crissida (2013) views corporate culture as values, symbols that are understood and obeyed together. LPDs in Bali are located in different areas with different custom traditions and customs, indicating that each institution has an organizational culture that differs from one institution to another. Organizational culture values are used as a guide in thinking and acting in achieving organizational goals, it can influence the attitudes and behavior of the staff because organizational culture reflects the values, beliefs and behavioral norms that are used by employees in an organization to give meaning to the situations that they encounter. It means, culture will greatly affect the performance of LPD in an organization. Prihayanto (2011), Anggiriawan (2015), Veriana and Budiarta (2016) proves that organizational culture has positive and significant impact on employee performance.

One of the management functions is supervision. The monitoring function on LPDs is important because many fraud cases are caused by lack of internal control. Therefore the function and role of the Supervisory Agency need to be strengthened. Siagian (2006) explains that supervision is an observation process of the entire implementation of organizational activities to ensure that everything is done correctly or being carried out in accordance with the plan that has been determined. The supervisory agency influences the performance of an organization. Dewi and Suryanawa(2015), Wahyudi and Damayanthi (2015) proves that supervisory agency function has a positive effect on organizational performance.

This research conducted in Badung regency and aimed to determine the effect of Accounting Information System, Organizational Culture and Supervisory Agency Function in improving LPD Performance. Badung regency was chosen based on consideration that it has strong appeal and competitiveness as a source of funding for small and medium enterprises, while 105 LPD also founds active as user of accounting information systems. At this moment, LPD has moved from manual system to computer based system and has applied accounting information system in its data processing. The excellence of this study focuses on how LPD performance is viewed from the use of information technology, cultural organizational and supervisory agency function.

2. Research Methods

The unit analysis of this research is 122 LPD from Badung regency. The data collection is carried out under purposive sampling and obtained of 105 LPD accountants as sample where 17 LPD were exclude from criteria (inactive and not AIS user). This research adopts the questionnaires of independent variables from Aditya and Suardhika (2013) for effectiveness of AIS; Crissida (2013) for organizational culture; Wedayani (2012) for supervisory agency function and from Sari (2017) for LPD performance as dependent variable. The analysis of data is carried out in three subsequent steps: the tests of validity and reliability, classical assumption and multiple regression analysis. The following model of multiple regression analysis is:

$$Y = a + b_1X_1 + b_2 X_2 + b_3X_3 + e \dots \dots \dots (1)$$

Note :

Y = LPD performance

a = Constant

b_1 = regression coefficient of X_1
 b_2 = regression coefficient of X_2

 b_3 = regression coefficient of X_3
 X_1 = Effectiveness of AIS application
 X_2 = Organizational Culture
 X_3 = Supervisory Agency Function
 e = error disturbances

3. Results and Discussion

The validity test is related to the extent to which a questionnaire is understandable for respondents. The coefficient for Pearson Correlation are greater than 0.03 indicating all variables are valid. For reliability, this research carried out Cronbach alpha test, where the coefficients of Cronbach's alpha for all variables are greater than 0.7, indicating a high level of internal consistency and implicates that all observed variables are reliable for further analysis under regression function.

The normality test with One-Sample Kolmogorov-Smirnov Test is showing value of Asymp. Sig. (2-tailed) 0.350 > 0,05, indicates that all variables are normally distributed. All variables are free from multicollinearity (tolerance value > 0.1 and VIF less than 10) and glejser test with value > 0.05 indicates there are no heteroscedasticity.

The F-test is 35.198 with sig. value 0.000 < 0.05 as shown in Table 1, suggesting that the three variables are simultaneously significantly affecting the LPD performance. Furthermore, the adjusted R2 value is 0.497 implying that the variation of the three independent variables explains only 49.7 percent of the variation in dependent variable.

Tabel 1. Multiple Regression Results

Variables	Unstandardized coefficients		Standardized coefficients	P - Value	Hyphotesis
	B	Std. Error	Beta		
Constant	2,414	4,051		0,553	
AAIS (X1)	0,433	0,127	0,263	0,001	Significant
Org. Culture (X2)	0,773	0,122	0,476	0,000	Significant
Supervisory AF(X3)	0,371	0,115	0,235	0,002	Significant
R-square					0, 511
Adjusted R-square					0, 497
F test					35,198
Sig.					0,000

Table 1 also presents the findings of multiple regression analysis for each variables. Firstly, it appears that H1 is accepted, the sig. value is 0.01 < 0.05 with positive (0,433) direction. This means the effectiveness of accounting information system application has positive significant impact on the LPD performance. This evident support Aditya and Suardikha (2013), Astuti and Dharmadiaksa (2014) and Kristiani (2012) finds that the more effective

application of accounting information system in LPD will increase stakeholders trust and improve LPD performance.

Secondly, H2 is accepted since the sig. value is $0.000 < 0.05$ with positive (0,773) direction. That means organizational culture has positive significant impact on the LPD performance. This evident consistent with argument of Crissida (2013), Tripambudi (2014), Veriana and Budiarta (2016) explains the existence of organizational culture in LPD will strengthen the confidence of stakeholders and improve relationships between employees with stakeholders and at the end improve its performance.

Another hypothesis is about the impact of supervisory agency function on the LPD performance. Apparently, H3 is also accepted, the sig. value is $0.002 > 0.05$, with positive (0,371) direction, it means supervisory agency function has also positive significant impact on the LPD performance. This indicates that the better function of the supervisory agency on doing guidance and supervision at LPD will further improve the performance of organizational. Same findings of Dewi and Suryanawa(2015) and Wahyudi and Damayanthi (2015)

4. Conclusion and Limitations

This study proves that three factors above has positive significant impact on the LPD performance. This is consistent with the mainstream reference about positive impact of AIS application, organizational culture and supervisory agency function on LPD performance. Based on this finding, it is expected that other LPD in Bali also applying accounting information system, creating a good organizational and better function of the supervisory agency through improvement in human resource competencies such as training to all LPD management to be more profesional. The supervisory agency should conduct a regular performance evaluations to assure LPDs health and performance.

However, this study also faces constraints regarding the timing of questionnaires distribution to LPD accountants due to the strict permission of LPDs. Further research may also consider other factors that can improve LPD performance such as work discipline, leadership style and Good Corporate Governance implementation.

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