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The Effect of Accountability, Responsibility, Independence, and Fairness on the Performance of Klungkung LPDs

Putu Kepramareni[1], Sagung Oka Pradnyawati[2]
Universitas Mahasaraswati Denpasar[1,2]
Jl. Kamboja No. 11A Denpasar-Bali 80233 Indonesia
Correspondence Email: sagungoka@unmas.ac.id
ORCID ID: https://orcid.org/0000-0002-4800-0814

ABSTRACT

The progress of a country can be seen from its economic growth level. One of the financial institutions that helps the economic sector at the traditional village level in Bali Province is the Village Credit Institution (LPD). LPD performance describes its goal achievement. This research aims to determine the LPD performance of Klungkung with several variables such as accountability, responsibility, independence, and fairness tested using multiple linear regression analysis. The findings show that accountability does not affect LPD performance while responsibility, independence, and fairness positively affect LPD performance.

Keywords: Accountability, Fairness, Independence, Performance and Responsibility, Village Credit Institution (LPD)

INTRODUCTION

The development of a country is associated with the role of its financial institutions. Indonesia, especially Bali Province, has one financial institution occupying significant roles within the sustainable development of rural/traditional village economy, namely the Village Credit Institution (LPD). As with other financial institutions, it serves as financial intermediation. What separates it from other financial institutions is that it is located in a traditional village owned by a *krama* or customary village residents and is bound by the customary village customs and culture.

The LPD performance is believed to illustrate the extent to which its success in achieving its goals. Also, it deals with how the LPDs achieve their objectives (Putra, Sunarwijaya, & Gunadi, 2021). The more successful it is, the more benefits it provides to customary villages since some of the profits can be used to fund customary activities and increase the loan ceiling. Along with its development and trustworthiness in managing customer funds, the Village Credit Institution Empowerment Institution (LPLPD) was formed to implement empowerment through LPD guarantees management.

LPD accountability must be correctly and measurably carried out. It is of importance since it deals with company attitude in being accountable for its performance. This highlights the value of proper management under the company's interests while considering shareholder and other stakeholder interests. The LPD has responsibility for the traditional village where it is located. Dewi (2014) contended that accountability has positive effects on LPD's financial performance in Gianyar.

Responsibility is an obligation for companies to comply with laws and regulations. The LPDs must comply with statutory regulations and carry out responsibilities towards the community and the environment, especially to the customary villages or village *Krama*s. However, in their operations, they must remain independent allowing them to run well and each company organ does not dominate and intervene the others. Despite their independence, reasonableness runs as a form of their attention to interested parties.

Setyawan (2013) highlighted responsibility's positive effect on LPD's financial performance in Mengwi, Badung.

In addition to being accountable and responsible, LPD must also be independent. Independence deals with the attitude of a company free from any relationship with any party. To expedite the implementation of good corporate governance, companies must be independently managed to ensure that each organ does not dominate and intervene in other parties (KNKG, 2006). Sandraningsih (2015) contended that independence has positive effects on LPD's performance in Abiansemal, Badung.

The interests of other parties must be considered as fairness affects the LPD performance. They must devote themselves to shareholder interests by virtue of fairness and equality (KNKG, 2006). Sari (2017) found positive influences between fairness on Village Credit Institution (LPD) performance in North Badung Regency.

This research was conducted in Klungkung based on the management failure of one of LPDs in Klungkung Pakraman Tusan Village LPD. The LPD was managed separately from the village manners as the LPD manager acted as the owner agent allowing agency conflicts to occur. Shill (2008) stated that agency conflict arises when people in different positions sacrifice company-wide goals to realize personal interests. To minimize the occurrence of agency conflicts and similar cases, LPDs need to pay attention to several factors that influence LPD performance.

On the basis of the aforementioned discussion, the problem formulation of the study is:

1. Does accountability affect LPD performance?
2. Does responsibility affect LPD performance?
3. Does independence affect LPD performance?
4. Does fairness affect LPD performance?

RESEARCH METHOD

This research was conducted in Klungkung Bali Province. We investigated the LPDs' accountability, responsibility, independence, fairness, and performance. This research involved 119 LPDs in Klungkung with a sample of 54 LPDs selected with the Slovin formula. For the data collection, we used a questionnaire given to the head of the LPDs, staff of the bookkeeping section, and the supervisory.

The accountability variable indicators are 1) the understanding of the LPDs' chairmen and managers towards the vision, mission, and objectives, 2) the chairmen roles and responsibilities, 3) well documented financial reports and proof of transactions, and 4) LPDs' managers' duties and obligations of adhering to existing regulations.

The responsibility variable indicators are 1) the LPDs' chairmen and manager obedience to the laws and regulations, 2) the LPD's concern for the community and environmental sustainability, and 3) decision-making.

The independence variable indicators are 1) the LPD chairmen's decision objectivity and independence, 2) the LPD chairmen avoidance of any party's domination, 3) the LPD chairmen suggestions on existing problems, 4) the chairmen and staff ability to develop the LPDs, and 5) The LPD managers' ability to solve problems independently.

The fairness variable indicators are 1) the opportunity for LPD members to argue, 2) the manager's fairness to members, 3) equal opportunities in recruiting employees for village karma.

The performance indicators are 1) financial statement timeliness, 2) financial statements accordance with financial accounting standards, 3) financial statement audit by independent auditors, 4) ROE analysis result accordance with management expectations, 5) cost efficiency, 6) customer service of a first-come, first-served basis, 7) working capital allocation, 8) targeted profit and income, 9) document well preparation, and 10) clean, neat and orderly service rooms. The questionnaires were adopted from Dewi (2018). The answers were scaled by a 5-point Likert scale of 1 (Strongly Disagree (STS)) to 5 (Strongly Agree (SS)).

Instrument Testing (Validity and Reliability)
We conducted a validity test to measure the questionnaire validity. Questionnaires are valid when the questions reveal what will be measured (Ghozali, 2016, p. 52). Reliability is a tool to measure the indicator of a variable or a construct. Questionnaires are reliable when the answers to particular questions are consistent (Ghozali, 2016, p. 47).

Descriptive Analysis
Descriptive statistics deal with statistics for data analysis by describing the data as they are without generalized conclusions or generalizations Sugiyono (2019, pp. 238-239).

Multiple Linear Regression Analysis
We used this analysis tested with a significance level of 0.05. It is to describe the effect of independent variables on the dependent variable (Sugiyono, 2019, p. 200). The multiple linear regression model is formulated as follows:

$$KL = \alpha + \beta 1AK + \beta 2RP + \beta 3IN + \beta 4KW + e \quad (1)$$

where,
KL : LPD performance
α : Constant
β : Regression Coefficient
AK : Accountability
RP : Responsibility
IN : Independence
KW : Reasonableness
e : Error Level

Classical Assumption Test
Normality Test
It aims to examine the normal distribution of the residual of confounding variables within the regression model. To test the residuals' normal distribution, graphical analysis and statistical analysis could be used (Ghozali, 2016, p. 154). To test the data normality, we applied the most frequently used, the Kolmogorov-Smirnov formula. The data distribution is declared normal if the significance value of the One-Sample Kolmogorov-Smirnov Test > 0.05 and vice versa.

Multicollinearity Test
We conducted a multicollinearity test to determine the correlation between the independent variables within the regression model. The non-existence of a correlation between the independent variables indicates a regression model. The tolerance or Variance Inflation Factor (VIP) is to determine the multicollinearity presence. If the tolerance is 0.10 (VIF 10), there is no multicollinearity (Ghozali, 2016, p. 103).

Heteroscedasticity Test
The heteroscedasticity test is to determine the inequality of variance from the residual of one observation to another in the model of the regression. If the variance is different, heteroscedasticity exists. A good regression model is without heteroscedasticity (Ghozali, 2016, p. 134). We applied the Glejser method for the heteroscedasticity test by

creating a regression involving the absolute residual value, namely regressing the independent variable to the absolute residual. If the significance value is 0.05, there is no heteroscedasticity and the regression model is good to use.

Model Feasibility Test
Coefficient of Determination Test
The coefficient of determination evaluates whether the model can explain the existing variations in the dependent variables, the value of which is between zero and one. According to Ghozali (2016, p. 95), a coefficient value close by one provides the signal that the independent variables furnish almost all information to predict the independent variables. In this research , the coefficient used is the value of adjusted R2 since it can increase or decrease if a variable is added to the model (Ghozali, 2016, p. 95).

F Test
The F statistical test is to determine the joint effect of the independent variables on the dependent variable in the model. It was carried out to determine the significance value in the annova table with SPSS program. If the annova significance value is 0.05, the model is said to be fit with observational data or the independent variable is able to explain the dependent variable (Ghozali, 2016, p. 96).

T Test
The t-statistical test highlights the effect of one independent variable partially in explaining the dependent variable variation (Ghozali, 2016, p. 97). This test is to prove the hypothesis in this research . The t table will be compared with a significance value of 0.05.

The test criteria are:
a) H1 is accepted and H0 is rejected if the significance of t = 0.05. This shows that the independent variable partially has a significant effect on the dependent variable.
b) H0 is accepted or H1 is rejected if the significance of t > = 0.05. This indicates that the independent variable partially has no effect on the dependent variable.

RESULTS AND DISCUSSION

Our respondents were the heads/chairmen of the LPDs, the employees of bookkeeping, and the LPD supervisory body spread across Klungkung. Each LPD was given 3 questionnaires. The total was 162 questionnaires with a return rate of 100 percent. The questionnaires show that respondents were dominated by males (112 respondents) and the rest are females (50 respondents). By respondent's last education, they were dominated by high school graduates (112 respondents), followed by diploma graduates (10 respondents), undergraduate graduates (37 respondents), and postgraduate graduates (3 respondents). By age, the majority of the respondents were over 30 old (139 respondents), followed by under 30 years (23 respondents).

Table 1. Validity Test

	Variable	Instrument Code	Pearson Correlations Value	*Sig*.	Validity
1	Accountability (AK)	AK1	0.739	0,000	Valid
		AK2	0.753	0,000	Valid
		AK3	0.722	0,000	Valid
		AK4	0.798	0,000	Valid
2	Responsibility (RP)	RP1	0.796	0,000	Valid
		RP2	0.754	0,000	Valid

		RP3	0.772	0,000	Valid
3	Independence (IN)	IN1	0.797	0,000	Valid
		IN2	0.691	0,000	Valid
		IN3	0.766	0,000	Valid
		IN4	0.483	0,000	Valid
		IN5	0.587	0,000	Valid
4	Fairness (KW)	KW1	0.791	0,000	Valid
		KW2	0.826	0,000	Valid
		KW3	0.790	0,000	Valid
5	LPD Performance (KL)	KL1	0.676	0,000	Valid
		KL2	0.773	0,000	Valid
		KL3	0.444	0,000	Valid
		KL4	0.588	0,000	Valid
		KL5	0.568	0,000	Valid
		KL6	0.604	0,000	Valid
		KL7	0.669	0,000	Valid
		KL8	0.614	0,000	Valid
		KL9	0.671	0,000	Valid
		KL10	0.567	0,000	Valid
		KL11	0.623	0,000	Valid

Table 1 shows the validity test results of each statement item contained in the questionnaire. The correlation value of factor shows a positive total score (Pearson Correlation) with the magnitude above 0.3. This concludes that the instruments have good construction validity and are declared valid.

Table 2. Reliability Test

Variable	***Cronbach's Alpha***	Information
Accountability (AK)	0.808	Reliable
Responsibility (RP)	0.712	Reliable
Independence (IN)	0.707	Reliable
Fairness (KW)	0.761	Reliable
LPD Performance (KL)	0.848	Reliable

As indicated in Table 2, the Cronbach's Alpha value is higher than 0.7. This concludes that all statements in the questionnaire are reliable for use.

Table 3. Descriptive Statistics

	N	Min.	Max.	*M*	*SD*
Accountability	162	13.00	20.00	17,4753	1.64638
Responsibility	162	11.00	15.00	12,9938	1,16628
Independence	162	15.00	25.00	20,9321	2.09147
Fairness	162	8.00	15.00	12,7160	1,35348
LPD Performance	162	35.00	55.00	47,0123	3,69990

The minimum value of LPD Performance Variable (KL) is 35.00, its maximum value is 55.00, the average value is 47,0123, and its standard deviation is 3,69990.

The accountability variable (AK) minimum value is 13.00. Its maximum value is 20.00. The average value is 17,4753, and its standard deviation value is 1.64638.

The responsibility variable (RP) has a minimum value of 11.00. Its maximum value is 15.00. The average value is 12,9938, and its standard deviation value is 1,16628.

The independence variable (IN) value is 15.00 (minimum value), 25.00 (maximum value), 20,9321 (average value), and 2.09147 (standard deviation value).

The Fairness Variable (KW) minimum value is 8.00, and its maximum value is 15.00. The average value is 12,7160, and its standard deviation value is 1,35348.

Table 4. Multiple Linear Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig
	B	Std.Error	Betta		
1 (Constantan)	11,936	2,698		4,424	0,000
AK	-0.011	0.160	-0.005	-0.067	0.946
RP	0.725	0.259	0.229	2,797	0.006
IN	0.302	0.128	0.171	2,359	0.020
KW	0.894	0.189	0.327	4,733	0,000

Table 4 shows the results of multiple linear regression analysis. Based on the results, the multiple linear regression equation model is:

$$KL = 11,936 + 0,385TR – 0,011AK + 0,725RP + 0,302IN + 0,894KW$$

A constant value of 11,936 implies that if transparency (TR), accountability (AK), responsibility (RP), independence (IN), and fairness (KW) are zero (0), LPD performance (KL) is 11,936. The regression coefficient of accountability (AK) of -0.011 means that accountability has no effect on LPD (KL) performance. If the accountability decreases by one unit, the LPD performance will decrease by -0.011 with the assumption that the variables are not constant.

The regression coefficient of responsibility (RP) is 0.725, which means that responsibility has a positive effect on LPD (KL) performance. This indicates that if the responsibility increases by one unit, LPD performance will increase by 0.725 assuming the other variables are constant.

The regression coefficient of independence (IN) is 0.302, which means that independence has a positive effect on LPD (KL) performance. This signifies that if the independence increases by one unit, LPD performance will increase by 0.302 with the assumption that other variables are constant.

The regression coefficient of fairness (KW) is 0.894, which means that fairness has a positive effect on LPD (KL) performance. This implies that if the fairness increases by one unit, the LPD performance will increase by 0.894 assuming the other variables are constant.

Table 5. Normality Test

	Unstandardized Residual Ed
N	162
Normal Parametersa, b Mean	.0000000
Std.deviation	2.490559209
Most Extreme Absolute	.098
Positive Differences	.066
Negative	-.098
Kolmogorov-Smirnov Z	1,243
Asymp.sig. (2-tailed)	.091

Table 5 shows the Asymp coefficient. Sig (2-tailed) of 0.091 is greater than 0.05. It highlights normal distribution of the data in this research.

Table 6. Multicollinearity Test

Model	*Collinearity Statistics*	
	Tolerance	VIF
Accountability	0.574	1,743
Responsibility	0.435	2,299
Independence	0.554	1,804
Fairness	0.609	1,643

Table 6 above indicates that all the models used have a tolerance value greater than 0.1 and a VIF (Variance Inflation Factor) value of less than 10. This draws a conclusion that no multicollinearity exists between the independent variables.

Table 7. Heteroscedasticity Test

Variable	**Sig**
TR	0.110
AK	0.365
RP	0.287
IN	0.087
KW	0.844

Table 7 shows that the Sig value of the accountability variable (AK) is 0.365, the responsibility variable (RP) is 0.287, the independence variable (IN) is 0.087, the fairness variable (KW) is 0.844. The results show a greater significance value of 0.05 underlining that the regression model has heteroscedasticity symptoms.

Table 8. Coefficient of Determination Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	$0{,}740^a$	0.547	0.532	2,53019

Table 8 shows the coefficient of determination (Adjusted R Square) is 0.532 or 53.2%. This indicates that 53.2% of the LPD performance variables are influenced by transparency, accountability, responsibility, independence, and fairness. While the remaining 46.8% is influenced by other factors outside the model.

Table 9. F Test

Model	**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig**
1 Regression	205,284	5	241,057	37,654	$.000^a$
Residual	998,691	156	6,402		
Total	2203,975	161			

Table 9 signifies that the significance value is 0.000. It is smaller than the value of α (0.05). This indicates that the multiple linear regression model is suitable for the analytical tool to examine the effect of the independent variable on the dependent variable.

Table 10. T Test

Variable	**Regression Coefficient (B)**	**t**	**Sig.**
TR	0.385	3,227	0.002
AK	-0.011	-0.067	0.946
RP	0.725	2,797	0.006
IN	0.302	2,359	0.020
KW	0.894	4,733	0,000

Table 10 shows that the t value of -067 with a significance level of the accountability variable of 0.946 (higher than 0.05) indicates that accountability has no effect on LPD performance. This is in line with Sari (2017) contending that measurable and good performance accountability does not affect LPD performance.

The t value of 2.797 with a significance level of the responsibility variable of 0.006 (smaller than 0.05) indicates that responsibility has a positive effect on LPD performance. This corroborates Bulandari (2015) proposing that responsibilities to stakeholders have a good influence on LPD performance.

The t value of 2.359 with the significance of the independence variable of 0.020 (smaller than 0.05) indicates that independence has a positive effect on LPD performance. The more independent the LPD is in carrying out operations, the better the LPD's performance.

The t value of 4.733 with the significance of the fairness variable of 0.000 (less than 0.05) indicates that fairness has a positive effect on LPD performance. If the LPD maintains fairness to all members, the LPD performance will increase. This is in line with Suryani (2018).

CONCLUSIONS

Our research aims to scientifically investigate the effect of accountability, responsibility, independence, and fairness on LPD performance in Klungkung Regency. Our analysis contended that accountability did not affect LPD performance. However, responsibility, independence, and fairness have a positive effect on LPD performances.

This research contributes to helping the LPDs improve their performance by considering the factors (variables) in our analysis. The future researcher shall expand the scope of the research by involving other variables and other research to generalize the results.

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