PERKUMPULAN PRAKTISI BISNIS INTERNATIONAL DAN MANAJEMEN (ASSOCIATION OF INTERNATIONAL BUSINESS AND PROFESSIONAL MANAGEMENT)

CONTEMPORARY PERSEPECTIVES ON FINANCIAL GOVERNANCE AND PERFORMANCE IN INDONESIA'S DIVERSE INSTITUTIONS

2026

BOOK CHAPTER

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Contemporary Perspectives on Financial Governance and Performance in Indonesia's Diverse Institutions

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Foreword by Expert

Contemporary Perspectives on Financial Governance and Performance in Indonesia's Diverse Institutions provides a timely and insightful exploration of the evolving financial landscape within Indonesia's multifaceted institutional framework. The chapters presented in this book reflect not only academic rigor but also a strong relevance to practical challenges faced by organizations today.

This compilation brings together research-driven perspectives and empirical insights that are vital for understanding how governance mechanisms influence financial performance across various sectors. By bridging theoretical foundations with real-world applications, this book offers valuable knowledge for scholars, practitioners, and decision-makers alike.

As an expert in the field, I find this work a significant contribution to the discourse on financial governance in emerging economies and a commendable effort in fostering collaboration across disciplines and institutions.

Dr. Liem Gai Sin
Founder & President of Perkumpulan Praktisi Bisnis International dan Manajemen (Association of International Business and Professional Management)

Foreword by Editor

Contemporary Perspectives on Financial Governance and Performance in Indonesia's Diverse Institutions represents the collaborative spirit and intellectual rigor of contributors from various backgrounds, united by a shared interest in finance, innovation, and academic advancement.

Our objective in developing this book was not only to present quality research but also to establish a platform where theory meets practice offering valuable perspectives for finance professionals, scholars, and policymakers alike.

We sincerely hope that this book contributes meaningfully to the development of financial knowledge and inspires further collaboration among stakeholders in both academic and professional spheres.

The Editorial Team

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1. Introduction

In today's dynamic and increasingly complex financial landscape, Good Corporate Governance (GCG) has become a fundamental pillar for sustaining trust, performance, and accountability across all levels of financial institutions. While often associated with large corporations and commercial banks, the principles of GCG are equally vital for local financial institutions, particularly those embedded within traditional community structures.

In Bali, Indonesia, Village Credit Institutions (Lembaga Perkreditan Desa or LPDs) have played a crucial role in driving local economic development, offering accessible financial services that align with the cultural values of traditional Balinese villages. Despite their informal and community-based origins, LPDs are expected to operate with a high degree of professionalism, transparency, and efficiency.

This book presents a comprehensive empirical study examining the influence of GCG principles—transparency, accountability, responsibility, independence, and fairness—on the performance of LPDs in Denpasar City. Utilizing robust statistical methods and real-world data, this study seeks to uncover which governance factors truly contribute to organizational performance and sustainability.

By bridging theory and practice, this book offers valuable insights for researchers, policymakers, and local financial practitioners seeking to strengthen governance frameworks and enhance the effectiveness of grassroots financial institutions. It is our hope that this work contributes meaningfully to the discourse on governance in community-based financial systems

Chapter 1. Good Corporate Governance Principles and Performance of Local Finance Institutions

1.1. Abstract

The purpose of this research is to find empirical results on the influence of GCG principles on the performance of local finance institutions in Bali. The local finance institution in Bali is popular called *Lembaga Perkreditan Desa* (LPD). The GCG principles used in this study are transparency, accountability, responsibility, independence, and fairness. The population in this study was 557 employees. There are 102 respondents collected using the purposive sampling method which consists of the head of LPD, the head of the supervisory board, and the head of the accounting of each LPD in Denpasar. The data analysis technique used is multiple linear regression analysis. The research results show that independence positively influences the performance of LPD. In contrast, transparency, accountability, responsibility, and fairness do not affect LPD performance. The LPD's management has an important role in increasing the principle of independence because independence has the most dominant influence on the performance of LPD in Denpasar

1.2. Introduction

Bali is a province with strong local wisdom and customs that are inseparable from the existence of traditional villages. Traditional villages have scope in social, cultural, spiritual, and economic aspects. Therefore, in Bali, there are local finance institutions other than banks that help the regional economy. The institution is the *Lembaga Perkreditan Desa* which is found in several Balinese traditional villages. This study uses the term "LPD" as a local finance institution LPD was created in 1985 as a village-owned entity that aids the community in securing funding for company capital and other endeavours (Adiputra et al., 2014). LPD's working practices are similar to other financial institutions. The management rules used are simpler and adapted to the environmental conditions where it was established. Although with

simple management LPD can provide benefits to the village community. In practice, certain LPDs continue to fail to report financial statements in compliance with relevant standards (Munidewi et al., 2019).

This research was performed at LPDs in Denpasar City. Denpasar City is one of the regions in Bali Province with 4 sub-districts, 16 villages, and 27 traditional villages. Denpasar City was chosen because of a total of 1,436 LPDs in Bali, in the 2020 financial year, most of them experienced a decline in performance and some recorded growth, which was originally 35 LPDs and until now 34 LPDs in Denpasar City (LPLPD Denpasar City) are active. Based on the expansion of LPDs in Denpasar City, it is still necessary to improve their financial performance to compete with other financial institutions in terms of finance and customer service. In 2019 to 2022 based on LPLPD data, the following is the development of LPDs based on total assets, profits, savings, deposits, capital, and loans in Table 1.

Table 1.1 Financial Advancement of LPDs in Denpasar City from 2019 to 2022

No	Description	Year (Rupiah)			
		2019	2020	2021	2022
1.	Total Assets	2.579.771	2.539.622	2.568.793	2.743.197
2.	Profit	78.460	43.512	36.778	46.578
3.	Saving	1.069.396	1.001.207	997.190	1.110.709
4.	Deposit	426.681	436.231	477.081	570.685
5.	Loan	640	200	739	684
6.	Capital	7.267	7.207	7.208	7.334

Source: Village Credit Institution Empowerment Agency of Bali Province (LPLPD Bali, n.d.)

Table 1 illustrates that the development of LPD has fluctuated during the previous four years. This is a contradiction, because in 2020 and 2021 the total assets, deposits, and loans were higher than in 2019, but the profit earned was lower than the previous year.

Performance denotes the accomplishment of action in achieving organizational objectives. Good Corporate Governance (GCG) is a guideline or can be used as a formula for company managers in managing good company management concerning stakeholders (Dzingai & Fakoya, 2017). The stakeholders referred to in the LPD environment are villagers, government, managers, and the community. Institutional management based on GCG principles is an effort to make GCG a rule and guideline for institutional management in managing institutional management (Suwarmika, et al., 2019). By implementing GCG, LPDs will be more trusted and seen as professional organizations (Mulyawan et al., 2017).

The application of GCG principles can increase profitability and business sustainability (Todorovic, 2013). and suppress fraud (Suryandari et al., 2023b). The GCG framework is crucial in the administration of LPDs as it offers explicit guidance for responsible decision-making and enhances the overall management and performance of LPDs (Yahya & Shukeri, 2014). Aras and Crowther's (2008) research found that the effectiveness of GCG does not affect the success of the company. However, the results of other studies, namely Mahmood et al. (2018) and Riboldazzi (2016) found that GCG significantly affects the success of a company.

According to the Indonesian GCG General Guidelines established by the National Committee on Governance Policy in 2006, five principles underlie the company in carrying out its governance, including the first GCG Principle, namely transparency. The more transparent a company is in disclosing conditions and information will increase public confidence to save their funds or invest in these financial institutions, to improve the company's financial performance (Tri et al., 2020).

Accountability is a necessary condition to achieve sustainable performance. Accountability reflects a company's disposition towards assuming responsibility for its performance. The company must be well-managed, Responsibility reflects the company's commitment to adhering to rules and regulations and carrying out community responsibilities to support business in the long term. If the company adheres to the principle of accountability by comprehending and complying with all laws, regulations, and relevant LPD standards, its performance will improve (Tri et al., 2020).

Independence is the disposition of a firm that possesses no affiliations and does not dominate intervention by other parties. In carrying out management, companies need to focus on making decisions objectively (impartially) and avoid taking sides with any party (Handayani et al., 2020). Fairness can be implemented by considering stakeholder interests and implementing justice for all stakeholders. LPD must prioritize fairness in improving company performance towards the better. Astini and Yadnyana (2019) assert that the application of GCG components is essential; hence, the deployment of GCG in financial institutions, such as LPDs, is anticipated to guide LPDs towards improved outcomes. LPD whose performance is good will add public trust in the LPD concerned (Tri et al., 2020).

This research seeks to evaluate the impact of sound GCG principles on enhancing LPD performance. Many previous studies have used a financial perspective to measure LPD performance. The company's performance is evidenced by its capacity to generate profit. Profit serves as a key measure for evaluating corporate performance (Suryandari et al., 2023a). In fact, to find out the performance of LPD, it needs to be measured with a more comprehensive system and not just focus on the financial perspective. In this research, the performance measurement used is the Balance Scorecard method. A balanced scorecard maintains a balance of strategic measurements so that employees can act in the interests of the company (Kopecka, 2015). To achieve the success of a performance, it must have a good formula for managing its resources. This research is expected to contribute to LPLPD and each LPD to improve their performance

1.3. Literature Review

Understanding Agency Theory and Its Relevance to Corporate Governance

Agency theory is a foundational framework employed to comprehend and elucidate the concept of GCG. Jensen and Meckling (2019) define an agency relationship as a contract wherein one or more individuals choose another individual to render services on their behalf, hence conferring decision-making authority to the agent. This relationship often leads to information asymmetry, where agents are positioned to have more information about the

company than the principals (Jantadej & Wattanatorn, 2020). Assuming individuals seek to optimize their self-interest, such information asymmetry may result in agents concealing information from principals. To mitigate potential conflicts and prevent losses, companies need to adopt the principles of GCG. These principles, collectively known as Corporate Governance, provide a framework for managing an organization effectively (Tri et al., 2020). Therefore, agency theory is defined as a relationship in which the owner (principal) delegates authority to another person (agent) to conduct activities such as reporting, recording, presenting, and disclosing events within an institution.

Good Corporate Governance (GCG) Principles

The principles of GCG are crucial in guiding companies toward improved performance. All of the principles of GCG positively impact the performance of LPDs, as demonstrated by several research studies.

Transparency

Transparency ensures access for all to information concerning the accountability of corporate entities to stakeholders (Tri et al., 2020). Greater transparency in delivering information accurately and promptly can increase stakeholders' trust in the organization's performance. Transparency can prevent corruption, as well as identify the strengths of company policies and weaknesses in internal control (Anggraini et al., 2021). The findings of Praningsih et al. (2019) and Sawitri & Ramantha (2018) substantiate the positive correlation between GCG and corporate performance, both of which concluded that transparency positively impacts company performance. When stakeholders understand the management of resources and other stakeholder rights, their trust in the organization grows, resulting in improved performance.

H1: Transparency positively influences the performance of LPD.

Accountability

Accountability pertains to the transparency of roles, frameworks, processes, and responsibilities within an organization. It is a critical prerequisite for achieving sustainable performance, ensuring that a company remains accountable in a true, measurable manner while taking into account the interests of managers and stakeholders. This accountability adds value and helps improve

company performance (Tri et al., 2020). This is supported by Handayani et al. (2020), who found that accountability positively affects company performance. The more stakeholders understand the company's vision, mission, roles, duties, responsibilities, goals, and operational targets, the more focused the organization becomes, leading to improved performance. Junaidi et al. (2020) also found that accountability positively affects performance.

H2: Accountability positively influences the performance of LPD.

Responsibility

Responsibility pertains to the adherence of corporate management to relevant laws, regulations, and ethical business practices (Bagiana, 2022). Studies by Mahadewi & Asri (2019) and Sukardika et al. (2020) confirm that responsibility has a positive effect on company performance. Higher responsibility levels indicate better company performance. Within the framework of agency theory, accountability enhances performance by guaranteeing that organizations comprehend and adhere to norms and obligations to stakeholders. This compliance helps maintain business continuity in the long term, ultimately enhancing performance.

H3: Responsibility positively influences the performance of LPD.

Independence

Independence is another essential principle in GCG, where a company must have effective governance that operates without undue influence, dominance, or intervention from other parties (Tri et al., 2020). An objective attitude, free from conflicting interests, is necessary to avoid harm to the company. Research by Handayani et al. (2020) and Praningsih et al. (2019) support the idea that independence positively affects LPD performance. When management makes objective decisions free from outside influence, it prevents domination by any party, leading to improved company performance.

H4: Independence positively influences the performance of LPD.

Fairness

Equity in corporate governance entails justice and parity in honoring stakeholders' rights in accordance with agreements and relevant laws and regulations (Tri et al., 2020). Maintaining

fairness and equality is crucial for the stability of a company or organization. Sari and Putra's (2021) research indicated that fairness favorably influences the performance of LPDs. Similarly, Wati and Setiawan (2023) concluded that managing a company by providing fair, equal, and reasonable treatment for stakeholders leads to enhanced company performance.

H5: Fairness positively influences the performance of LPD.

The principles of GCG are essential components that collectively enhance the performance of LPDs. Research consistently supports the positive impact of these principles on company performance, reinforcing the importance of adhering to good governance practices in achieving organizational success.

1.4. Research Method

This study was executed at LPD in Denpasar City, totaling 34 LPDs. Denpasar City is also known as the city with the highest number of workers in Bali Province and the economic potential is also large but not followed by the existing economic growth. This research aims to examine the perceptions of employees at the LPD in Denpasar City. The independent variables in this study are Transparency (TRA), Accountability (ACC), Responsibility (RES), Independence (IND), and Fairness (FAIR). Meanwhile, what acts as the dependent variable is the performance of the LPD (LPDP).

The study's population comprised 557 personnel of the LPD in Denpasar City. This sample employs a purposive sampling strategy. The criteria for the sample in this study are employees of the LPD, holding positions as chairman of the LPD, head of the supervisory board of the LPD, and chief accounting officer of the LPD. So, the sample in this study was 102 people. LPD performance is the result of LPD work in carrying out its functions to achieve goals and can be measured by standards that have been set during a certain period. Transparency is a commitment by LPD managers to guarantee the accessibility and disclosure of significant information for stakeholders concerning the financial status, management, and ownership of LPDs in a clear, exact, and correct manner. Indicators of transparency are the number of members of the supervisory board, the ability of the LPD management to provide financial reports, and meetings of the management,

supervisory board, and village community to discuss LPD development.

Accountability is the responsibility of LPD managers to perform transparently and reasonably. Indicators of accountability are the understanding of the chairman and manager of the LPD about the vision, mission, and objectives of the LPD, the roles and responsibilities of the chairman and manager of the LPD, documentation of financial statements along evidence of transactions done properly. The LPD manager is obligated to adhere to rules and regulations while fulfilling commitments to the village community. Indicators of responsibility are the obedience of the LPD chairman and manager to laws and LPD regulations, the LPD's concern for the surrounding environment as social responsibility, and decision-making. Independence is where LPD management decisions are not bound by any party without exception so that each part of the LPD cannot be intervened by other parties. Indicators of independence include the chairman's decisions that are objective and devoid of negative interests from numerous parties, ensuring the chairman can evade any form of domination.

Fairness means that stakeholder interests must be the focus of LPD management. LPD management must be based on the principles of fairness and justice. Indicators of fairness are the opportunity for villagers or LPD members to have an opinion, fairness of managers towards members, and providing equal opportunities in recruiting employees for villagers. The questionnaire in this study was adopted from Suwarmika et al. (2019).
The multiple regression model can be articulated in the equation:

$$PERF = \alpha + \beta 1TRA + \beta 2ACC + \beta 3RES + \beta 4IDN + \beta 5FAIR + e$$

1.5. Results

Instrument Test

Table 2.2 Validity Test

Variable	Indicator	Pearson Correlation	Validity
Transparency (TRA)	TRA.1	0.794	Valid
	TRA.2	0.890	

Variable	Indicator	Pearson Correlation	Validity
	TRA.3	0.878	
Accountability (ACC)	ACC.1	0.85	
	ACC.2	0.896	
	ACC.3	0.844	
Responsibility (RES)	RES.1	0.771	
	RES.2	0.865	
	RES.3	0.826	
Independence (IND)	IND.1	0.919	
	IND.2	0.919	
Fairness (FAIR)	FAIR.1	0.867	
	FAIR.2	0.909	
	FAIR.3	0.831	
LPD Performance (LPDP)	LPDP.1	0.745	
	LPDP.2	0.749	
	LPDP.3	0.714	
	LPDP.4	0.718	
	LPDP.5	0.842	
	LPDP.6	0.726	
	LPDP.7	0.715	
	LPDP.8	0.784	
	LPDP.9	0.785	
	LPDP.10	0.754	
	LPDP.11	0.699	
	LPDP.12	0.750	

The validity test in Table 2 indicates that the instrument employed to elucidate the research variables is legitimate, as the Pearson Correlation value is above 0.3.

Table 3.3 Reliability Test

No.	Variable	Cronbach Alpha	Description
1.	Transparency	0.815	Reliable
2.	Accountability	0.828	
3.	Responsibility	0.758	
4.	Independence	0.815	
5.	Fairness	0.839	
6.	Performance	0.926	

Table 3 displays the outcomes of the reliability assessment for all variables. The Cronbach Alpha values for these variables range from 0.758 to 0.926, indicating that all variables are reliable. Specifically, Accountability has a Cronbach Alpha of 0.828, Fairness has 0.839, Independence has 0.815, Performance shows the highest reliability with a value of 0.926, Responsibility has 0.758, and Transparency has 0.815. All Cronbach Alpha values exceed the acceptable level of 0.7, indicating that the data for these variables is internally consistent and credible for subsequent analysis.

Descriptive Statistics

Table 4.4 Descriptive Statistics

Construct	Min.	Max.	Mean	Std. Deviation
TRA	12.00	15.00	13.4902	1.28005
ACC	12.00	15.00	13.8039	1.26678
RES	12.00	15.00	13.6471	1.26371
IND	8.00	10.00	9.0392	0.92192
FAIR	12.00	15.00	13.5882	1.30006
LPDP	46.00	60.00	53.8333	4.80322

Table 4 presents the descriptive statistics for six constructs. The mean value describes the center of the value of a set of research data. While the standard deviation describes the distribution of values around the mean value. The higher the standard deviation value, the more spread out the values in a sample. Based on the table, the standard deviation values of all variables are below the mean value so that the distribution of sample data is classified as good. The outcomes are presented by multiple linear regression analysis in Table 5.

Table 5.5 Multiple Linear Regression

Construct	B	t	Sig	Tolerance	VIF
Constant	5.859	3.037	0.003		
TRA	0.041	0.490	0.625	0.609	1.643
ACC	0.069	0.747	0.457	0.552	1.813
RES	0.095	0.911	0.365	0.475	2.105
IND	0.391	3.449	<0.001	0.478	2.091
FAIR	0.161	1.654	0.101	0.552	1.811

From the regression results, the following regression equation can be compiled:

$$LPDP = 5.859 + 0.041TRA + 0.069ACC + 0.095RES + 0.391IND + 0.161FAIR.$$

The regression analysis in Table 5 indicates that Transparency (TRA) has a t-value of 0.490 and a significance level of 0.625, which exceeds 0.05. Consequently, Transparency does not influence LPD Performance, leading to the rejection of H1. The influence of Accountability (ACC) on LPD Performance yields a t count of 0.747 and a significance value of 0.457, which is above 0.05, indicating that accountability does not impact LPD Performance, leading to the rejection of H2. The influence of Responsibility (RES) on LPD Performance yields a t count of 0.911 with a significance value of 0.365, which is above 0.05, indicating that responsibility does not impact LPD Performance, hence H3 is rejected. The influence of Independence (IND) on LPD Performance yields a t count of 3.449 with a significance value of <0.001, which is less than 0.05, indicating that independence positively affects LPD Performance, hence validating H4. The impact of Fairness (FAIR) on LPD Performance has a t count of 1.654 and a significance value of 0.101, which is greater than 0.05, indicating that fairness does not affect LPD Performance, leading to the rejection of H5.

Classical Assumption Test

Normality Test

Table 6.6 Normality Test

N		102
Normal Parameters	Mean	0.0000000
	Std. Deviation	1.68778867
Test Statistic		0.081
Asymp. Sig (2-tailed)		0.095

The employed test is the Kolmogorov-Smirnov Statistic. The normality test results in Table 6 indicate that the Asymp. Sig. (2-tailed) coefficient exceeds the significance threshold of 0.05. Consequently, it can be inferred that the data follows a normal distribution and is suitable for further study.

Multicollinearity Test

Table 7.7 Multicollinearity Test

Model	Unstandardized B	Coef. Std. Error	Std. Coef. Beta	t	Sig.	Statistic	
						Tolerance	VIF
1 (Constant)	5.859	1.929		3.037	0.003		
TRA	0.041	0.085	0.048	0.490	0.625	0.609	1.643
ACC	0.069	0.092	0.077	0.747	0.457	0.552	1.813
RES	0.095	0.105	0.102	0.911	0.365	0.475	2.105
IND	0.391	0.113	0.384	3.449	<0.001	0.478	2.091
FAIR	0.161	0.097	0.171	1.654	0.101	0.552	1.811

The multicollinearity test results presented in Table 7 indicate that the tolerance values for all independent variables are 0.609, 0.552, 0.475, 0.478, and 0.552, all exceeding 0.10. Additionally, the VIF values are 1.643, 1.813, 2.105, 2.091, and 1.811, all below 10. Consequently, it may be inferred that multicollinearity among the variables in the regression model is absent, rendering the model appropriate for application.

Heteroscedasticity Test

Table 8.8 Heteroscedasticity Test

Model	Unstandardized B	Coef. Std. Error	Std. Coef. Beta	t	Sig.
1 (Constant)	0.736	0.810		0.908	0.366
TRA	-0.010	0.035	-0.038	-0.294	0.769

Model	Unstandardized B	Coef. Std. Error	Std. Coef. Beta	t	Sig.
ACC	-0.053	0.039	-0.184	-1.365	0.175
RES	0.021	0.044	0.068	0.467	0.642
IND	0.063	0.048	0.193	1.332	0.186
FAIR	0.007	0.041	0.022	0.166	0.868

The heteroscedasticity test results in Table 8 indicate that the significance values for all the variables are 0.769, 0.175, 0.642, 0.186, and 0.868, respectively, all exceeding the 0.05 significance threshold. This indicates that the research variables are free from heteroscedasticity.

F Test

Table 9.9 F Test

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	342.621	5	68.524	14.571	<0.001
Residual	451.458	96	4.703		
Total	794.078	101			

The F Test in Table 9 yielded F value of 14.571 with a significance level of <0.001, which is less than 0.05. The significance value of F is less than 0.05, indicating that all independent factors in the model collectively impact LPD performance. This research paradigm is viable for application.

Determination Coefficient Test

Table 10.10 Determination Coefficient Test

Model	R	R^2	Adj. R^2	Std. Error of the Estimate
1	0.657	0.431	0.402	2.16857

The Adjusted R Square value in Table 10 is 0.402, indicating that 40.2% of the variability in the dependent variable can be elucidated

by the independent variable. The remaining 59.8% is attributed to variables not included in the research model.

1.6. Discussion

The Influence of Transparency on the Performance of LPD

Transparency of all information must be implemented by LPD to provide trust for stakeholders The initial hypothesis posits that transparency positively influences the performance of LPD. The test findings indicate that transparency does not influence the performance level of LPD, hence refuting the first hypothesis (H1). These results indicate that even though LPD applies the principle of high transparency, it still does not affect the increase or decrease in the achievement of LPD performance. This happens because the management of LPDs carried out by village communities is only based on trust values. Whether or not there is a principle of transparency in LPDs, village communities do not have a problem because of this attitude of trust. In addition, because there is a supervisory body that assesses the development of the financial performance of LPD, it has presented financial reports in a timely, adequate, and accurate manner to increase the trust of stakeholders (Tri et al., 2020). This makes LPD more likely to pay attention to supervision from the supervisory body. The findings of this research align with those of Handayani et al. (2020), which indicate that transparency does not influence the performance level of LPD.

The Influence of Accountability on the Performance of LPD

The second hypothesis posits that accountability positively influences the performance of LPD. The test results indicate that accountability does not influence the performance of LPD, hence rendering the second hypothesis (H2) unsupported. This means that in its management, although LPD has clear accountability according to the LPD structure, it still does not affect the increase or decrease in LPD performance. This happens because, with employee loyalty, where employees already have knowledge, experience, and commitment in their fields, employees no longer need to understand the structure and clarity of accountability of LPD. With loyalty that is owned by the ability, understanding, and responsibility of self-awareness, they try to obey and explain their duties with a full sense of responsibility. The findings of this study

align with the research conducted by Sastrawan et al. (2021) and Suwarmika et al. (2019), which indicates that accountability does not influence the performance of LPD.

The Influence of Responsibility on the Performance of LPD

The third hypothesis posits that accountability positively influences the performance of LPD. The test results indicate that accountability does not influence LPD performance, hence rendering the third hypothesis (H3) unsupported. This means that high or low responsibility will not affect LPD performance because LPD supervision is implemented very well and stably by the LPD supervisory body. Good supervision will also produce good output to avoid deviations from the budget and its processes and authorities. This shows that the influence or absence of responsibility in carrying out its activities does not affect LPD performance. This is due to the optimal performance of LPD. The findings of this study align with the research conducted by Jannah and Hermanto (2020), which indicated that accountability does not influence the performance levels of LPD.

The Influence of Independence on the Performance of LPD

The fourth hypothesis posits that independence positively influences the performance of LPD. The test findings indicate that independence positively influences the performance of LPDs, hence validating the fourth hypothesis (H4). This study's results demonstrate that increased independence correlates with enhanced performance of LPDs, and conversely. Management must possess the capability to render decisions that are autonomous and impartial. Management must maintain an absence of affiliations and conflicts of interest with any entity. This can undoubtedly assist management in the strategic decision-making process to enhance LPD performance. The findings of this research are corroborated by the study conducted by Handayani et al. (2020), Junaidi et al. (2020), and Praningsih et al. (2019), which indicates that independence positively influences the performance of LPD.

The Influence of Fairness on the Performance of LPD

The fifth hypothesis posits that fairness positively influences the performance of LPD. The test results indicate that fairness does not influence the performance of LPDs, hence rendering the fifth

hypothesis (H5) unsupported. These results indicate that even though LPD applies a high principle of fairness, it still does not affect the increase or decrease in the achievement of LPD performance. The primary determinant in enhancing LPD performance is not the equality of opportunities afforded to each component of the LPD for contribution, this is thought to be because the decision-making process in LPDs is based on an agreement where decisions are made with the approval of the traditional village (Sastrawan et al., 2021). This shows that the principle of fairness does not affect LPD performance. This is proven by research conducted by Jannah & Hermanto (2020), Sastrawan et al. (2021), and Suwarmika et al. (2019) which state that fairness does not determine the high or low performance of LPD.

1.7. Conclusion

LPD is a local financial institution in Bali Province with simpler management compared to other banking institutions. This research seeks to ascertain the impact of effective GCG principles on enhancing LPD performance. Based on the results of the regression analysis, it can be concluded that out of the five hypothesized factors, only Independence (H4) significantly influences the performance of LPD. Transparency (H1), Accountability (H2), Responsibility (H3), and Fairness (H5) do not exhibit a significant effect on LPD performance, as their t-values and significance levels exceed the 0.05 threshold. Therefore, H4 is accepted, while H1, H2, H3, and H5 are rejected.

This outcome highlights the critical role of independence in enhancing LPD performance. Independence, characterized by decision-making autonomy and operational self-sufficiency, appears to be the primary driver in achieving optimal performance for LPD. On the other hand, factors like transparency, accountability, responsibility, and fairness, while essential components of good governance, do not significantly contribute to LPD performance in the current context.

Suggestion

Given that Independence has a strong and positive influence on LPD performance, it is recommended that LPDs focus on strategies that enhance their independence. This could involve empowering leaders and managers to make more autonomous decisions,

reducing bureaucratic barriers, and minimizing external interference in daily operations. LPDs should also explore ways to strengthen internal governance structures that encourage independent thinking and self-reliant financial management.

Additionally, although transparency, accountability, responsibility, and fairness did not have a statistically significant effect on performance in this study, these factors remain important to the overall governance of LPDs. Therefore, it is advisable to continue promoting these principles as part of a holistic approach to good governance, even if their direct impact on performance may not be immediately evident.

Implication

The findings of this study have several implications for the management and governance of LPDs. The significant positive influence of Independence suggests that policy-makers and LPD leaders should prioritize frameworks and practices that safeguard the institution's operational autonomy. Independence could serve as a crucial factor in navigating financial challenges and ensuring long-term sustainability.

Furthermore, the lack of significant impact from transparency, accountability, responsibility, and fairness suggests that these factors may not directly translate into improved performance, at least in the short term. However, their importance in building trust, ensuring ethical conduct, and maintaining good governance should not be underestimated. Future research could further investigate how these elements contribute to the overall resilience and ethical standards of LPDs, potentially exploring their long-term impact on performance beyond immediate financial results.

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Chapter 2. The Determinants of Earnings Management in Manufacturing Companies Listed on the Indonesia Stock Exchange

2.1. Abstract

Profit control is an important issue in corporate governance arising from the conflict of interest between owners and managers. Weak supervision can facilitate earnings management practices by managers. This study aims to empirically examine the effect of firm size, institutional ownership, independent commissioners, the board of directors, and the audit committee on earnings management. Using the purposive sampling method, 42 manufacturing companies listed on the Indonesia Stock Exchange for the period 2021-2023 were selected as samples. Data analysis includes classical assumption test, model goodness test, and multiple linear regression analysis. The results showed that independent commissioners, board of directors, and institutional ownership had no significant effect on earnings management. In contrast, firm size and audit committee characteristics have a negative effect on earnings management. The findings conclude that corporate governance mechanisms have diverse roles in controlling earnings management practices. This study suggests strengthening the role of the audit committee and increasing transparency in large companies to mitigate earnings management. The implications of this study emphasize the importance of evaluating and improving corporate governance mechanisms to improve the quality of financial reporting.

2.2. Introduction

In conducting operational activities, a company periodically prepares financial reports for stakeholders such as shareholders, investors, and the government. Earnings reports are financial statements that measure the success of an organization's operations over time; however, the reported profit figures are often influenced by the calculation methods used (Suryani & Rossa, 2020). Consequently, high profits do not always equate to

substantial cash reserves. A common issue in the agency relationship between shareholders and managers is agency conflicts. Agency conflicts arise when managers are expected to increase investors' access to government aid, yet, at the same time, they have an interest in maximizing their own welfare.

Large organizations often engage in fewer earnings management practices compared to smaller ones (Apriani, 2018). The concept of Corporate Governance was introduced to promote greater transparency in organizational management for all users of financial statements (Arista et al., 2019). Several corporate governance mechanisms are frequently examined to determine their impact on earnings management, including the concentration of institutional ownership, the independence of the board of directors, and the role of the audit committee (Rahmawati et al., 2017).

The Board of Commissioners plays a role in harmonizing opinions to prevent disputes between managers and in overseeing financial reporting to prevent monopolistic practices that could lead to earnings management (Sembiring, 2017). The board of directors is a governance system responsible for implementing Good Corporate Governance to achieve organizational goals. According to Apriani et al. (2024), investors tend to trust data produced by reputable auditors; therefore, financial reporting must be accurate and free from manipulation, including by the auditors themselves. Auditors are expected to avoid manipulating data to ensure that financial reports accurately reflect audited information.

The objective of this research is to empirically examine the impact of various corporate governance mechanisms—specifically firm size, institutional ownership, independent commissioners, the board of directors, and the audit committee—on earnings management practices in manufacturing companies listed on the Indonesia Stock Exchange. The significance of the study lies in its contribution to understanding how these governance mechanisms influence financial reporting integrity, which is a critical issue in corporate governance due to the potential conflict of interest between owners and managers. The novelty of the research is evident in its focus on the underexplored dynamics of corporate governance structures in the Indonesian context, particularly within the manufacturing sector, during the 2021-2023 period. The

study's key contribution is its finding that while institutional ownership, independent commissioners, and board size show no significant effect on earnings management, firm size and audit committee characteristics play a pivotal role in curbing earnings manipulation. This research offers valuable insights for regulatory bodies, policymakers, and corporate stakeholders, emphasizing the need to strengthen the role of audit committees and enhance transparency in larger companies to improve financial reporting quality and corporate governance standards.

2.3. Literature Review

Signaling theory serves as a foundation for dividend policy, suggesting that changes in cash dividends provide insight into the factors influencing stock price movements. This theory was developed to account for the fact that corporate insiders often have better and more timely knowledge of a firm's conditions compared to outside investors. According to Bafera and Kleinert (2023), the premise of signaling theory is that managers and investors possess asymmetric information, meaning that managers' understanding of the company's prospects differs from that of investors. This asymmetry in information allows managers to signal the company's financial health through changes in dividends, affecting stock price movements.

Earnings management refers to the act of influencing a company's financial reporting to present a more favorable image of its financial performance. According to this theory, managers manipulate financial results at their discretion, either to mislead stakeholders about the company's true economic performance or to affect contractual outcomes based on disclosed accounting figures. As highlighted by Almubarak et al. (2023), managers may engage in earnings manipulation to meet analyst expectations, avoid breaches of debt covenants, optimize CEO compensation, or smooth out fluctuations in revenue. The methods used in earnings management vary but commonly include accrual-based earnings management, which involves manipulating accounting estimates and judgments, and real activities manipulation, which involves altering the timing or structuring of transactions.

Information asymmetry assumes that managers have more accurate information about the company's true financial position than external stakeholders, enabling them to manipulate reported

earnings. The principal-agent problem reflects the inherent conflict of interest between managers (agents) and shareholders (principals), where managers may act in their own interests at the expense of shareholders. The widespread nature of earnings management has prompted increased scrutiny from regulators and the implementation of more stringent accounting standards. According to Mangala and Singla (2023), manipulated earnings can challenge market efficiency, misleading investors and distorting market valuations. Therefore, understanding earnings management is crucial for investors, auditors, and regulators to detect and prevent financial reporting manipulations and ensure the integrity of financial markets.

In the context of manufacturing firms, specific practices tailored to their operations allow for the manipulation of financial reports to present a more favorable financial position. For example, manufacturing companies may overvalue inventory to increase assets and reduce the cost of goods sold, manipulate inventory counting procedures, or misclassify inventory items, as noted by Tanko (2023). Other common techniques include capitalizing expenses that should be expensed, manipulating overhead allocation rates, and altering depreciation methods or useful life estimates for manufacturing equipment. Manufacturing firms may also engage in practices such as channel stuffing, where excess inventory is shipped to distributors, or bill-and-hold transactions, where revenue is recognized before shipment.

Additionally, manufacturing companies may manipulate the timing of R&D expenditures, engage in premature revenue recognition on long-term contracts, overproduce to absorb fixed costs and reduce unit costs, and manipulate production schedules to influence reported margins. They may negotiate favorable payment terms with suppliers to improve working capital, pressure suppliers to delay or accelerate shipments to manipulate year-end inventory levels, and underreport or defer quality control expenses. Comiran and Siriviriyakul (2023) explain that other tactics include manipulating warranty reserve estimates, internal transfer prices between divisions or subsidiaries, delaying the recognition of asset impairments in production facilities, and underestimating or delaying the recognition of environmental cleanup costs. Understanding these earnings management techniques in manufacturing firms is critical for auditors, investors, and

regulators to detect potential financial misrepresentations and maintain the integrity of financial reporting within the manufacturing sector.

Hypotheses Development

Signaling theory suggests that large companies tend to send positive signals to the market through their financial reporting, as they strive to project stability and success. However, these large companies also face increased pressure to meet the expectations of analysts and investors, which may encourage earnings management practices. Based on this rationale, H1 posits that company size has a positive effect on earnings management in manufacturing companies.

Institutional ownership serves as an essential monitoring mechanism in corporate governance. It reduces information asymmetry and agency problems by exerting pressure on management to align their interests with those of the shareholders, potentially reducing earnings management practices. Thus, H2 proposes that institutional ownership has a negative effect on earnings management in manufacturing companies.

Independent commissioners enhance corporate governance by increasing supervision and reducing conflicts of interest between managers and shareholders. A higher proportion of independent commissioners strengthens the oversight of management, decreasing the likelihood of earnings manipulation. Accordingly, H3 hypothesizes that the proportion of independent commissioners has a negative effect on earnings management in manufacturing companies.

The size and composition of the board of directors also play a role in governance effectiveness. A larger, more diverse board is expected to improve oversight, leading to better monitoring of management and a reduction in earnings management. Hence, H4 posits that the size of the board of directors negatively affects earnings management in manufacturing companies.

Lastly, the audit committee, with its independence and financial expertise, is critical for ensuring the quality and transparency of financial reporting. It is expected that a more effective audit

committee will detect and prevent earnings management, leading to H5, which hypothesizes that audit committee characteristics, such as independence and financial expertise, negatively affect earnings management in manufacturing companies.

2.4. Research Method

The focus of this inquiry is on manufacturing companies listed on the Indonesia Stock Exchange (BEI) for the years 2021 through 2023. Purposive sampling was utilized in this study's sampling, which used 42 firms as samples and three years' worth of data, resulting in a total of 126 observations.

The following are the hypotheses tested by the regression model created for this study:

$$DA = \alpha + \beta 1UP + \beta 2KKI + \beta 3KI + \beta 4DD + \beta 5KA + e$$

Information:
DA = Discretionary accrual (a proxy for earnings management)
α = variable coefficient
β 1,2,3,4,5 = variable coefficient
UP = Log of total sales (a proxy for company size)
KKI = concentration of institutional ownership
KI = Independent commissioner
DD = Board of directors
KA = Audit Committee
e = Error

2.5. Results

The results of the multiple linear regression equation are in Table 1.

Table 2. 1. Multiple Linear Regression Result

Model	Regression Coefficient (B)	t	Sig.
(Constant)	6.292	2.781	0.004
UP	-0.307	-4.684	0.000
KKI	-0.965	-1.183	0.311
KI	-0.409	-0.234	0.143
DD	0.071	1.027	0.305

KA	0.029	0.108	0.020

Based on Table 1 above, the following estimation results are obtained:

$$ML = 6.292 - 0.307UP - 0.965KKI - 0.409KI + 0.071DD + 0.029KA + e$$

Information:

ML	: Earnings Management
α	: Constant
β1, β2, β3, β4, β5	: Regression Coefficient
UP	: Company Size
KKI	: Institutional Ownership
KI	: Independent Commissioner
DD	: Board of Directors
KA	: Audit Committee
e	: Residual Error

The results of the synchronous significance test (F-statistic) can be explained with a p-value of 0.000, which is smaller than 0.05, indicating statistical significance. This suggests that the regression model can be used to predict earnings management, or in other words, that factors such as company size, institutional ownership, independent directors, the board of directors, and the audit committee influence earnings management. Therefore, the regression model is deemed appropriate and suitable for use. The results of the multiple linear regression in Table 1 can be interpreted as follows:

The constant value of 6.292 means that if the values of company size (UP), institutional ownership (KK), independent directors (KKI), the board of directors (DD), and the audit committee (KA) are zero, earnings management would equal 6.292. If the coefficient for company size (UP) is -0.307, it implies that an increase in company size by 1 unit would decrease earnings management by 0.307, assuming all other variables remain constant. If the coefficient for institutional ownership (KKI) is -0.965, it means that a 1-unit increase in institutional ownership would lead to a decrease in earnings management by 0.965, again assuming other variables remain constant. Similarly, if the coefficient for independent directors (KI) is -0.409, a 1-unit increase in the number of independent directors would reduce earnings

management by 0.409, provided that other factors are held constant.

If the coefficient for the board of directors (DD) is 0.071, this suggests that a 1-unit increase in the board of directors would increase earnings management by 0.071, assuming other factors are unchanged. Likewise, if the audit committee (KA) has a coefficient of 0.029, it indicates that a 1-unit increase in the audit committee would lead to an increase in earnings management by 0.029, holding other variables constant. The adjusted R-squared value (R^2) is 0.786, indicating that independent variables such as company size, institutional ownership, independent directors, the board of directors, and the audit committee account for 78.6% of the variance in earnings management. The remaining 21.4% can be explained by other factors not included in the model.

Based on the findings from the multiple linear regression analysis, the relationships between corporate governance mechanisms and earnings management were assessed. Contrary to the expectations in H1, the results indicate that firm size negatively affects earnings management, with a t-value of -4.684 and a significance level of 0.000 (below $\alpha = 0.05$). This leads to the acceptance of the hypothesis, but it suggests that larger firms, rather than being prone to earnings management as signaling theory predicts, may actually engage less in such practices due to stricter scrutiny.

For H2, the hypothesis that institutional ownership negatively affects earnings management was not supported. The t-value of -1.183 and a significance level of 0.311 (greater than $\alpha = 0.05$) lead to the rejection of H2. This indicates that institutional ownership, contrary to expectations, does not play a significant role in curbing earnings management in manufacturing companies.

Similarly, H3, which hypothesized that a higher proportion of independent commissioners would reduce earnings management, was not supported. The t-value of -0.234 and a significance level of 0.143 (greater than $\alpha = 0.05$) suggest that independent commissioners do not have a significant influence on earnings management in this context, leading to the rejection of H3.

For H4, which posited that board size negatively affects earnings management, the results also indicate no significant effect. The t-

value of 1.207 and a significance level of 0.305 (greater than α = 0.05) lead to the rejection of H4, suggesting that the size of the board of directors does not have a substantial impact on earnings management practices.

Lastly, H5, which hypothesized that an effective audit committee negatively impacts earnings management, was supported by the data. With a t-value of 0.108 and a significance level of 0.020 (below α = 0.05), H5 is accepted. This finding highlights the importance of audit committee characteristics, such as independence and financial expertise, in reducing earnings management.

2.6. Discussion

The Effect of Company Size on Earnings Management

The findings show that company size negatively affects earnings management, accepting H1. Larger companies are subject to more scrutiny and must provide more reliable financial statements, as shareholders and external parties view them critically. The large size of an organization often reflects its stability and capacity to generate profits compared to smaller firms with fewer assets. Additionally, larger firms face stricter government regulations and more extensive assessments (Nugroho & Budiman, 2022). Due to these factors, large companies tend to minimize earnings management, as they are under greater public scrutiny and must be more cautious in presenting their financial information. This study supports Agustia and Suryani's (2018) assertion that firm size has a negative impact on earnings management practices. This phenomenon demonstrates a trade-off between company size and flexibility in earnings management, where larger companies tend to be more limited in engaging in such practices. The increased pressure on large companies to present reliable financial statements can be seen as an indirect oversight mechanism that enhances transparency and accountability. While larger company size may limit earnings management, this can also be considered a positive indicator for investors as it reflects greater stability and profit-generating capability. The negative relationship between company size and earnings management highlights the importance of considering the size factor in analyzing accounting practices and corporate governance.

These findings have important implications for regulators and policymakers in designing more effective regulations to prevent earnings management practices, taking into account the different characteristics of large and small companies.

The Effect of Institutional Ownership on Earnings Management

Institutional ownership does not impact earnings management. Therefore, H2, which states that institutional ownership negatively affects earnings management, is rejected. Although large institutional ownership should theoretically enhance investors' control over a company's operations, in practice, it does not limit earnings management (Rahmani et al., 2020). Institutional investors often act as short-term owners focused on current profits rather than exercising long-term oversight. As a result, managers may feel pressured to meet profit targets, leading to earnings manipulation. This finding aligns with research by Haliza & Suwarno (2022) and Kristanti & Hendratno (2017), which also concludes that institutional ownership does not significantly affect earnings management. This is because institutional financial backers don't assume the part of modern financial backers who have greater capacity and freedom to screen and train directors to zero in additional on firm worth and cut off the board approaches to control income, regardless rather go about as brief proprietors (transient financial backers) who are more centered around current profit, so institutional possession will cause chiefs to feel bound to meet the benefit focuses of financial backers, therefore managers will tend to perform earnings manipulation. This means that higher institutional ownership cannot reduce earnings management actions. which states that institutional ownership does not affect earnings management. The lack of impact from institutional ownership on earnings management challenges the traditional view that large institutional investors serve as effective monitors of corporate behavior.

This finding suggests a more complex relationship between ownership structure and financial reporting quality. The behavior of institutional investors as transient or short-term focused owners highlights a potential misalignment between their interests and long-term value creation. This short-term orientation may inadvertently encourage, rather than discourage, earnings management practices. The pressure from institutional investors

to meet short-term profit targets may create a perverse incentive for managers to engage in earnings manipulation, potentially compromising the long-term financial health of the company. This finding raises questions about the effectiveness of institutional ownership as a corporate governance mechanism, particularly in contexts where institutional investors prioritize short-term gains over long-term stability and growth.

The Effect of Independent Commissioner Composition on Earnings Management

The composition of independent commissioners does not affect earnings management. Therefore, H3, which posits that independent commissioners negatively impact earnings management, is rejected. The role and function of a small number of independent commissioners are often not optimal, especially in large companies. Moreover, a larger number of independent commissioners can lead to dysfunction due to weak competence and integrity, often resulting from appointments based on close relationships rather than merit. This limits their effectiveness in corporate governance and earnings management oversight. These results align with the findings of Deviyani & Wedasari (2016) and Hidayaty (2018), who also found no significant impact of independent commissioners on earnings management, which also found that the composition of independent commissioners does not affect earnings management.

The findings underscore the need for stricter criteria and more rigorous selection processes for independent commissioners to ensure they can fulfill their governance roles effectively and contribute meaningfully to the company's overall performance and transparency. Additionally, companies should implement regular performance evaluations for independent commissioners to ensure they meet the necessary standards of competence and integrity. Developing robust training programs to enhance their skills and understanding of financial reporting and governance practices can further support their effectiveness. By addressing these issues, companies can improve the quality of oversight and better safeguard against earnings management, ultimately leading to more reliable financial reporting and greater trust among investors and stakeholders.

The Effect of the Board of Directors on Earnings Management

The board of directors does not significantly influence earnings management. Consequently, H4, which posits that the board of directors negatively impacts earnings management, is rejected. The number of directors in a company does not necessarily indicate effective oversight of financial reporting or earnings management. The presence of a large board can lead to poor corporate governance due to a lack of communication and coordination, negatively affecting financial performance and increasing the likelihood of earnings management (Putra, 2019; Purnawarman et al., 2020). Consequently, the structure and functionality of the board need to be carefully considered to ensure that it contributes positively to the company's governance and financial outcomes. Furthermore, the board's effectiveness is often undermined by internal politics, where decision-making can be swayed by personal interests rather than the company's long-term goals. This highlights the importance of not only the composition but also the quality and independence of the board members in enhancing governance practices. Without these factors, the board's ability to oversee and guide the company is significantly compromised, leading to suboptimal financial outcomes.

The Effect of the Audit Committee on Earnings Management

The results of the study indicate that the audit committee negatively affects earnings management, supporting H5, which posits that an effective audit committee curtails earnings management practices. The findings emphasize the crucial role the audit committee plays in organizational oversight by ensuring the accuracy and integrity of financial reporting. An effective audit committee can significantly limit managers' ability to manipulate financial statements, thereby reducing earnings management. This aligns with previous studies by Nahar & Erawati (2017) and Sari (2017), which also highlighted the audit committee's role in restraining earnings manipulation. To maximize its effectiveness, the audit committee must be empowered with the right qualifications, experience, and independence to fulfill its oversight role effectively.

The selection process for audit committee members should prioritize individuals with strong financial expertise and independence from management to ensure they can critically assess corporate practices and financial statements. Continuous training and development for audit committee members is also

essential, keeping them up to date on the latest financial regulations, standards, and best practices. Strengthening the audit committee's capabilities will enhance corporate governance, leading to improved financial performance and greater investor confidence.

Additionally, companies should establish clear guidelines and expectations for the audit committee's responsibilities, along with regular evaluations of their performance to ensure they remain effective in their oversight role. By fostering independence and providing ongoing support, companies can ensure the audit committee effectively reduces earnings management, promoting a culture of transparency and accountability throughout the organization.

2.7. Conclusion

This research aimed to investigate the determinants of earnings management in manufacturing firms listed on the Indonesia Stock Exchange. The results show that firm size significantly and negatively influences earnings management, indicating that larger enterprises are less prone to earnings manipulation due to heightened investor scrutiny. The increased visibility of major corporations invites closer monitoring, which compels management to prioritize transparency and firm value over earnings manipulation. On the other hand, institutional ownership was found to have minimal impact on earnings management, suggesting that institutional investors may not exert sufficient influence to curb manipulative practices within these firms. Similarly, the composition of independent commissioners demonstrated no significant effect on earnings management, pointing to potential limitations in their ability to provide effective oversight of financial reporting and restrict earnings manipulation. The size of the board of directors also had no significant influence, indicating that the role of the board in controlling earnings management is not fully realized in these companies.

However, the audit committee was found to have a significant negative effect on earnings management, underscoring its vital role in overseeing financial practices and ensuring transparency in profit management. This finding emphasizes the importance of having a well-qualified and independent audit committee to mitigate earnings manipulation.

Future research could further explore additional factors influencing earnings management, such as more nuanced corporate governance structures or external pressures like evolving regulatory changes. Companies could improve governance by strengthening the roles of independent commissioners and board members, enhancing their competencies and independence. These findings suggest that regulatory bodies and stakeholders should prioritize reinforcing governance mechanisms, particularly the effectiveness of independent commissioners and boards of directors. Strengthening the audit committee's role remains essential for minimizing earnings manipulation, enhancing financial transparency, and fostering long-term investor confidence.

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Chapter 3. The Influence of Cash Turnover Rate, Credit Turnover Rate, and Capital Adequacy on Profitability in Savings and Loan Cooperatives in Denpasar

3.1 Abstract

Profitability refers to a company's capacity to generate profits within a specified timeframe. This study seeks to empirically assess the impact of cash turnover rate, credit turnover rate, and capital adequacy ratio (CAR) on the profitability of savings and loan cooperatives in the East Denpasar district. This study's population comprised 32 cooperatives located in the East Denpasar District. This research employed a purposive sampling strategy. A sample of 32 cooperatives in East Denpasar District was obtained based on the established sampling criteria, resulting in a total of 96 observations over three years. The data collection strategy employed in this research involved non-participant observation techniques. The employed data analysis method is multiple linear regression analysis. The study's findings indicate that cash turnover and credit turnover positively and significantly influence the profitability of savings and loan cooperatives in the East Denpasar sub-district, whereas CAR negatively and significantly impacts their profitability. The implication of this study is that effective cash and credit turnover management is crucial for enhancing profitability in cooperatives.

3.2 Introduction

The evaluation of cooperative performance is inseparable from expertise in increasing profits, which is utilized to measure the efficiency of the business. The ability of an institution or firm to generate profits within a specified period is referred to as profitability (Riaz, 2013). Kasmir (2018) states that one way to measure a company's potential to turn a profit is by looking at its profitability ratio. Profitability is important as it serves as a tool for measuring cooperative performance. Cash turnover, credit turnover, and capital adequacy ratios (CARs) are among the variables that affect cooperative profitability.

According to Narayana (2013), the efficiency of cash use in a business could be perceived through the size and level of cash turnover. The term cash turnover refers to the period of time starting when cash is allocated to the most liquid working capital. A company with a higher cash position is more likely to experience a high turnover rate. Cash turnover can be determined by evaluating revenue in relation to the typical sum of money. A large cash balance indicates idle funds in a company, which negatively impacts profitability. Increasing the cash turnover rate boosts financial efficiency, thereby increasing profitability. Previous studies by Lilis et al. (2021), Pradnyana et al. (2023), Wiliada et al. (2022), and Wirasari & Sari (2016) support this description, showing that cash turnover significantly and positively affects profitability. However, Yuesti et al.'s (2019) research found that cash turnover does not affect profitability.

Credit turnover is another factor influencing profitability. Credit turnover refers to the turnover of receivables within a specific time frame. Disruptions in credit turnover can cause instability in the cooperative's money circulation. If money circulation is unstable, the cooperative's residual business income (SHU) will be reduced, limiting the funds available for credit to the community or cooperative members. In this case, the cooperative may struggle to pay off short- and long-term debts. However, if customer demand for credit increases without bad loans, cooperative profits will rise. Profitability can also be affected by credit turnover levels, as it reflects the efficiency of capital embedded in receivables. Studies by Lilis et al. (2021) and Pradnyana et al. (2023) confirm that credit turnover positively and significantly affects profitability. However, research by Kepramareni et al. (2022), Wiliada et al. (2022), and Yuesti et al. (2019), shows no effect of credit turnover on profitability.

Wiagustini (2010) explains that capital strength in financial institutions is an important factor influencing profitability. Findings from the CAR calculation provide insights into the risks that a bank's assets may pose to operational activities. CAR is determined by the proportion of personal funds to assets rated for risk (Rustam, 2013). Previous studies by Pradnyana et al. (2023) and Yanti & Adiputra (2022) confirm that capital adequacy positively and significantly affects profitability. Conversely, a study

by Yuesti et al. (2019) states that there is no effect of capital adequacy on profitability.

This study's objective is to re-examine these factors due to inconsistent results in previous research. Addressing earlier weaknesses, this study develops prior research by adding independent variables, namely profitability, measured by cash turnover, credit turnover, and capital adequacy. The researchers used data from 2020–2022, the most recent and yet to be explored in similar studies. The independent variables of this study are profitability as measured by cash turnover, credit turnover, and capital adequacy, which are commonly used ratios for assessing profitability in savings and loan cooperative companies. This study aims to determine the impact of cash turnover, credit turnover, and capital adequacy on profitability in savings and loan cooperatives.

3.3 Literature Review

Profitability

Profitability is the key ratio in all financial reports, as the primary objective of a business is to generate operating profits (Sartono, 2017). Profit represents the final outcome of management's decisions and policies. The profit ratio is used to assess how efficiently operations are conducted in generating profits for the business (Kumajas et al., 2021).

The return on assets (ROA) ratio displays the results according to the company's asset utilization. ROA also serves as an indicator of management's skill in managing investments. The lower the calculated ratio, the worse the results, and vice versa (Kasmir, 2018).

By evaluating assets primarily funded by public savings, ROA assesses the profitability of cooperatives. A higher ROA in a cooperative indicates a higher profit margin and more efficient asset utilization. ROA of a business is calculated by dividing its net profit (after taxes) by its total assets.

Cash Turnover

According to Riyanto (2012), the cash turnover rate refers to the time it takes for funds to go from being invested in working capital to being available for use as cash again. Cash turnover represents the cycle where cash is placed into working capital and eventually converted back to cash, with faster turnover resulting in higher profits or profitability. It is measured by comparing sales to the average cash balance. A higher cash turnover rate reflects better cash utilization efficiency (Hendiartha & Suarjaya, 2015).

Research by Lilis et al. (2021), Pradnyana et al. (2023), Wiliada et al. (2022), and Wirasari & Sari (2016) stated that cash turnover has a positive and significant effect on profitability. However, excessive cash turnover can indicate insufficient available cash, which may disrupt smooth operations.

H1: The level of cash turnover has a positive and significant effect on profitability.

Credit Turnover

Numbers of credits disbursed in a given period have a major impact on the sustainability of banks and other financial organizations. In other words, the more credit distributed, the greater the profit earned. Almost all financial institutions still rely primarily on the amount of credit they provide for their income (Kasmir, 2018).

A credit turnover occurs when receivables are turned over within a specific time frame. The degree to which a cooperative's capital is efficiently embedded in its receivables can be determined by looking at its credit turnover. Payment terms have an impact on the receivables turnover period. The lengthier the capital is linked to the credit, the softer the terms of payment; hence, how well the credit's operating capital is utilized is indicated by the accounts receivable turnover rate. Receivables collection speed is indicated by the credit turnover rate ratio. Receivables are promptly collected, so the larger the better. Receivables are the right to collect (claims) monetary, material, or service-based forms from creditors (lenders) in cash to debtors (loan recipients) who are willing to pay them off in the future. Receivables turnover is the quotient of net receivables sales and average trade receivables. The findings of studies conducted by Lilis et al. (2021) and Pradnyana

et al. (2023) stated in research that credit turnover has a positive and significant effect on profitability.

H2: The level of credit turnover has a positive and significant effect on profitability.

Capital Adequacy Ratio (CAR)

This study employs the CAR as a metric for evaluating the capital adequacy of the cooperative. The CAR is an important indicator of a financial institution's overall health, particularly in terms of its capital reserves and risk management practices. The CAR measures the adequacy of a cooperative's capital, highlighting its ability to maintain sufficient levels of capital while effectively managing potential risks. These risks, if not properly identified and controlled, could adversely affect the institution's capital. According to Brätland (2010), capital is used to increase the commercial income of financial institutions. The CAR ensures that a cooperative or bank can absorb a reasonable amount of loss while continuing to operate. It also reflects the capability of management to recognize, quantify, monitor, and manage emerging risks that could impact capital adequacy.

The CAR is calculated by weighing the institution's assets according to predetermined risk levels. These risk-weighted assets (RWA) are crucial because they help limit the expansion of high-risk bank assets that may offer large returns but come with low-risk assessments. By applying weight to assets based on their associated risk levels, the CAR ensures that the cooperative or bank is not overleveraged with risky assets that could compromise its financial stability.

This study employs the CAR as a metric for evaluating the capital adequacy of the cooperative. It serves as a measure of how well the cooperative is capitalized and demonstrates the management's ability to handle risks effectively. Brätland (2010) notes that capital is used to increase the commercial income of financial institutions, emphasizing the importance of maintaining adequate capital levels for both growth and stability.

Furthermore, assets are weighted according to their risk level to limit the institution's exposure to potentially risky investments.

The goal of applying RWA is to control the expansion of bank assets that may offer high returns with low associated risks, thus balancing profitability with financial security. Research by Pradnyana et al. (2023), as well as Yanti and Adiputra (2022), supports the idea that capital adequacy has a significant impact on profitability. This demonstrates the critical role of CAR in ensuring a cooperative's or financial institution's long-term viability and profitability, because of its importance as a measure in economic research.

H3: The level of capital adequacy has a positive and significant effect on profitability.

3.4 Research Method

Utilizing a non-probability sampling procedure that was deliberately selected according to certain preset criteria, the research sample was picked. This research made use of the purposive sampling technique, which comprises picking samples with predetermined goals in mind (Sugiyono, 2017). The criteria for sample selection were as follows: (1) Savings and Loans Cooperatives situated in the district of East Denpasar for the period of 2020–2022; and (2) Cooperatives that had complete and accurate data, as well as those that regularly released financial reports from 2020 to 2022. Based on these criteria, 32 cooperatives were identified as suitable samples for the study.

Multiple linear regression analysis was the data analysis strategy utilized in this investigation. Because it is so good at determining the degree of correlation between a single dependent variable and a number of independent variables, this statistical method was selected to evaluate the study hypothesis. The purpose of regression analysis, as stated by Ghozali (2016), is to find the direction and degree of connection between the dependent and independent variables. Here, capital sufficiency, credit turnover rate, and cash turnover rate are the independent variables, while cooperative profitability is the dependent variable. The research utilized a multiple linear regression model, which is represented by the following equation:

$$Y= \alpha+\beta_1X_1+\beta_2X_2+\beta3X_3$$

Information :
Y = Cooperative Profitability
α = Constant
β_1-β_3 = Regression coefficient
X_1 = Cash turnover rate
X_2 = Credit turnover rate
X_3 = Capital Adequacy Ratio (CAR)

3.5 Results

Descriptive Statistics

Data is described or described using the average, median, mode, standard deviation, maximum, and minimum values in descriptive data analysis. The findings of descriptive statistics in this research are stated in Table 1.

Tabel 3. 1. Descriptive Statistics (N =96) 1

Variable		Minimum	Maximum	Mean	Std. Deviation
1.	Cash Turnover	0.054	10.399	3.991	2.600
2.	Credit Turnover	0.064	0.956	0.471	0.189
3.	CAR	0.226	3.747	0.686	0.369
4.	ROA	-0.008	0.915	0.117	0.164

The descriptive statistical analysis of the cash turnover rate in the East Denpasar District Savings and Loans Cooperative, as shown in Table 1, reveals a range from a minimum of 0.054 to a maximum of 10.399, with an average of 3.991 and a standard deviation of 2.600. Similarly, the analysis of the credit turnover rate highlights values between 0.064 and 0.956, with an average of 0.471 and a standard deviation of 0.189. For capital adequacy levels, the minimum recorded is 0.226, while the maximum reaches 3.747, with a mean of 0.686 and a standard deviation of 0.369. Lastly, the profitability of these cooperatives spans from -0.008 to 0.915, with an average of 0.117 and a standard deviation of 0.164.

Normality Test

The normality test checks if the residual or confounding variables in the regression model follow a normal distribution, as this is the expected behavior of high-quality data. If the data is not normally distributed, then the predictions made with the model will not be good or can provide deviant prediction results.

Tabel 3. 2. Normality Test Results

		Unstandardized Residual
N		96
Normal Parameters[a,b]	Mean	0.0000000
	Std. Deviation	1.10781856
Most Extreme Differences	Absolute	0.065
	Positive	0.062
	Negative	-0.065
Test Statistic		0.065
Asym. Sig. (2-tailed)		0.200[c,d]

The study's residual data in Table 2 is normally distributed, according to the results of the Kolmogorov-Smirnov normalcy test, since the Asym. Sig. value is 0.200 > 0.05.

Multicollinearity Test

This test verifies that the regression model did not find a correlation between the independent variables. Ideally, the independent variables in a good regression model would not be correlated with one another. This is because multicollinearity could distort study results, particularly when determining the impact of an independent variable on a dependent one.

Tabel 3. 3. Multicollinearity Test Results

Variables		Collinearity Statistics	
		Tolerance	VIF
1.	Cash Turnover	0.664	1.506
2.	Credit Turnover	0.664	1.507
3.	CAR	0.990	1.010

In Table 3, quite apparent that the tolerance values for the cash turnover rate, credit turnover rate, and capital adequacy level are > 0.10 each and the VIF value is < 10. It follows that the independent variables in the regression model do not exhibit any signs of multicollinearity.

Autocorrelation Test

The Durbin-Watson (DW) test is used to check for autocorrelation in the data. To make sense of the findings, researchers compare the DW test value with a statistical table at a 95% confidence level. If the DW value falls within a certain range [dl < dw < du or (4-du) < dw < (4-dl)], based on the data, it appears that autocorrelation does not exist.

Tabel 3. 4. Autocorrelation Test Results

R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
0.801[a]	0.642	0.631	1.125736	2.147

From Table 4, using n = 96 (sample size) and k = 3 (independent variables), the values obtained are dL = 1.6039 and dU = 1.7326, with 4-dU = 2.2674. The data yield a Durbin-Watson value of 2.147. Since 1.7326 < 2.147 < 2.2674, the absence of autocorrelation in the data is indicated by this.

Heteroscedasticity

Tabel 3. 5. Glejser Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.236	0.516		2.395	0.019
	Cash turnover	-0.027	0.038	-0.089	-0.702	0.484
	Credit turnover	0.003	0.037	0.011	0.090	0.928

	CAR	-0.158	0.192	-0.086	-0.824	0.412

One way to test whether heteroscedasticity exists or not is with the Glejser test. Heteroscedasticity test findings in Table 5 using the Glejser test indicate that the capital adequacy level, credit turnover rate, and cash turnover rate each have significant values of 0.412, 0.928, and 0.484, respectively. Each of these values > 0.05, so it can be stated that there are no symptoms of heteroscedasticity.

Multiple Linear Regression Analysis

Tabel 3. 6. Multiple Linear Regression Result

Variable	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.832	0.848		2.160	0.033
Cash Turnover	0.344	0.063	0.420	5.492	0.000
Credit Turnover	0.363	0.060	0.462	6.030	0.000
CAR	0.535	0.315	0.106	1.698	0.093

Note: $R^2 = 0.801$

The findings of the multiple linear regression analysis are shown in Table 6. In this analysis, cooperative profitability is the dependent variable, while the independent variables are the cash turnover rate, capital adequacy, and credit turnover rate. The findings show that the cash turnover rate has a t-value of 5.492 and a significance level of 0.000. Since this significance value < 0.05, the hypothesis (H1) is accepted, indicating that the cash turnover rate has a significant and positive effect on profitability. Similarly, the credit turnover rate has a t-value of 6.030 and a significance level of 0.000. Given that this value < 0.05, it can be stated that the credit turnover rate positively influences profitability, supporting the acceptance of H2.

However, the analysis shows that the capital adequacy variable has a t-value of 1.698 and a significance level of 0.093 > 0.05. This

suggests that capital adequacy does not have a significant impact on profitability, leading to the rejection of H3.

In summary, while both the cash turnover rate and credit turnover rate positively affect profitability, capital adequacy does not have a significant influence on it.

3.6 Discussion

Research findings state that the faster the cash turnover, the bigger the profitability achieved by the East Denpasar District Savings and Loans Cooperative. Effective cash management, grounded in strong governance practices, is essential for achieving the cooperative's financial goals and improving its overall financial performance (Lestari et al., 2024). Efficient cash management, anchored in robust governance practices, is vital for meeting the cooperative's financial objectives and elevating its overall financial performance. This prudent approach ensures optimal cash flow, supports informed decision-making, and fosters long-term financial resilience, ultimately benefiting both the cooperative and its members. As Narayana (2013) explains, the efficiency of cash use within a company can be assessed through the size and rate of cash turnover. A large cash balance often reflects idle funds, which can negatively impact profitability. By increasing the cash turnover rate, financial efficiency improves, leading to greater profitability. This result is further backed up by studies from Lilis et al. (2021), Pradnyana et al. (2023), Wiliada et al. (2022), and Wirasari & Sari (2016), who all confirm that cash turnover has a positive effect on profitability.

Additionally, the findings state that a bigger credit turnover rate within the East Denpasar District Savings and Loans Cooperative accelerates the return of funds allocated to receivables, positively impacting the cooperative's profitability. The efficiency of a cooperative's capital invested in receivables can be evaluated by its credit turnover rate. Payment terms directly affect how quickly receivables are turned over—the softer the payment terms, the longer the capital remains tied to the receivables. Credit turnover rate is a measure of how well receivables are used as working capital, with faster collection being preferable. Efficient credit services can stimulate demand for credit and enhance repayment

awareness (Dewanto et al., 2023). Given that most cooperative credit recipients are members, closer relationships facilitate credit distribution and repayment. These results are relevant to the studies by Lilis et al. (2021) and Pradnyana et al. (2023), which also confirmed that credit turnover has a positive and significant impact on profitability. This underscores that an efficient credit turnover rate positively and significantly impacts profitability. Faster collection of receivables not only frees up working capital but also strengthens cash flow, which can be reinvested to support growth and operational needs. By promoting demand for credit and enhancing repayment awareness, streamlined credit management contributes directly to improved financial performance, reinforcing the cooperative's profitability.

However, the third hypothesis in this research, which proposed that capital adequacy positively affects profitability, was rejected. This outcome may be attributed to Bank Indonesia regulations requiring banks to maintain a minimum CAR of 8%. The necessity of maintaining this minimum standard can limit the influence of CAR on profitability, as banks must continuously set aside funds to meet regulatory reserves and manage potential credit risks. While a high CAR indicates strong capital reserves, it does not automatically lead to increased profitability because banks tend to invest cautiously, prioritizing long-term stability over immediate profit. In such cases, CAR's impact on profitability may be negligible, as banks focus more on sustaining operations rather than maximizing returns. Furthermore, the lack of CAR's influence may also result from a bank's inability to offset declines in assets caused by risky investments (e.g., credit, securities, or claims on other banks), leading to lower profitability. Furthermore, the lack of influence from the CAR in a cooperative context may stem from its limited capacity to offset asset declines resulting from high-risk investments, such as loans to members or other financial ventures. When CAR is insufficient, the cooperative's ability to absorb potential losses is weakened, increasing its vulnerability to financial instability. This not only affects member confidence and loyalty but can also restrict the cooperative's ability to extend credit and fulfill its social and economic mission. In the long run, these challenges undermine profitability and the cooperative's sustainability, impacting its capacity to support member welfare effectively. Research conducted by Yuesti et al. (2019) lends

credence to this consequence, which also concluded that capital adequacy does not significantly affect profitability.

3.7 Conclusion

This research is intended in order to identify the impact of profitability, credit turnover rate, and capital adequacy level on profitability in the East Denpasar District Savings and Loans Cooperative. In light of the analyses performed for this research, this research demonstrates that both the cash turnover rate and credit turnover rate positively and significantly affect the profitability of the East Denpasar District Savings and Loans Cooperative. Efficient cash and credit management, reflected in higher turnover rates, enhances financial performance by optimizing resource allocation and increasing operational efficiency. However, the CAR was found to have no significant effect on profitability, likely due to regulatory constraints and the cautious investment practices of cooperatives aimed at long-term stability rather than immediate returns.

Based on these findings, it is suggested that cooperatives focus on improving their cash and credit management strategies to boost profitability. By increasing the efficiency of cash use and ensuring timely collection of receivables, cooperatives can enhance financial returns. By improving cash utilization efficiency and ensuring the prompt collection of receivables, cooperatives can significantly enhance their financial returns. Efficient cash management minimizes idle funds and optimizes resource allocation, allowing cooperatives to meet their obligations, invest in growth opportunities, and reduce dependency on external financing. Timely receivable collection further strengthens liquidity, reducing the risk of cash shortfalls and enabling smoother operations. Together, these practices build a robust financial foundation that contributes to sustainable growth and improved returns for cooperative members. At the same time, cooperatives should continue to comply with capital adequacy regulations but should explore ways to better utilize excess capital without compromising financial safety, perhaps by considering low-risk investment opportunities that can still contribute to profitability.

The implications of this study are significant for cooperative management and policymakers. Effective cash and credit turnover

management can serve as a key driver for improving cooperative profitability, which in turn benefits members and enhances the cooperative's financial health. Effective management of cash and credit turnover can be a crucial engine for boosting a cooperative's profitability. By optimizing how cash flows and credit are handled, cooperatives can enhance financial stability, improve operational efficiency, and generate greater returns for members. This improved financial health not only strengthens the cooperative's sustainability but also reinforces its ability to support and benefit its members in the long term. Policymakers should consider providing cooperatives with guidelines or tools to better manage cash and credit, while also reassessing the impact of CAR regulations to ensure that cooperatives can maintain financial stability without limiting their potential for profit growth.

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Chapter 4. Accounting Information Systems' Effectiveness at Village Credit Institutions (LPDs) in Denpasar City and the Influencing Factors

4.1 Abstract

Companies have been forced to adopt computer-based information systems due to the quick development of information technology. These systems expedite and simplify the management's access to data. The purpose of this study is to investigate how the efficiency of Accounting Information Systems (AIS) at Village Credit Institutions (LPDs) in Denpasar City is impacted by factors such as job experience, educational attainment, training, incentives, and task complexity. The population of the study includes 34 LPDs, with a sample of 136 respondents selected through purposive sampling. Multiple linear regression analysis was involved in the data analysis. The findings indicate that while task complexity has a negative influence on AIS' efficacy, job experience and training have a beneficial impact. However, education level and incentives do not significantly influence the system's effectiveness. These findings suggest that LPD managers should prioritize enhancing work experience and training to improve the effectiveness of their AIS

4.2 Introduction

Information technology (IT) has become deeply integrated into various aspects of life, significantly improving the effectiveness and efficiency of organizational operations. The rapid advancement of IT has revolutionized work processes, shifting from manual methods to sophisticated systems. In the business world, information plays a crucial role in decision-making, particularly accounting information, which underscores the importance of IT in managing information systems through computerization across various business activities. To achieve this, companies must carefully coordinate resources and efforts to enhance efficiency and productivity across all areas (Gunadi et al., 2024). With advanced IT at their disposal, organizations aim to fully utilize resources while focusing on maximizing earnings. This not only establishes a strong financial foundation but also ensures long-

term success and resilience against economic fluctuations (Trisnayani et al., 2024). Efficient resource utilization positively impacts the company's value, which is crucial, as high company value signifies strong performance and enhances shareholder prosperity (Lestari et al., 2024).

Moreover, companies today leverage advanced IT systems not only to streamline operations but also to maximize resource utilization and profitability (Putri et al., 2022). Haryadi et al. (2023) and Muhamar et al. (2024) found that Efficient use of resources supported by IT tools contributes directly to enhancing a company's financial stability, allowing for long-term sustainability. IT enables organizations to adapt to rapid market changes and economic fluctuations more effectively, providing a foundation for strategic growth. By focusing on maximizing earnings, businesses strengthen their financial value, a critical factor in improving corporate performance. This, in turn, bolsters shareholder prosperity as high company value signals strong operational success and growth potential. Consequently, IT plays a pivotal role in improving not only short-term efficiency but also ensuring the resilience of businesses in the face of market volatility (Purnomo et al., 2024).

Work experience, defined as the duration an individual has spent working in an institution, enables employees to perform their tasks more effectively and resolve problems efficiently. Research by Agustini et al. (2021), Primadewi et al. (2021), Putri et al. (2022), Sujati (2018), and Ernawatiningsih & Kepramareni (2019) demonstrates a positive correlation between work experience and the effectiveness of Accounting Information Systems (AIS). However, studies by Djawa (2018), and Putri et al. (2022), and Sukma (2019) found no significant impact. Training, which aims to enhance and develop employees' attitudes, behaviors, skills, and knowledge, is critical to improving employee performance (Anggraeni, 2021). Well-structured training programs have been shown to positively impact AIS effectiveness, as indicated by studies from Anggraeni (2021), Kristiani (2018), Putri et al. (2022), and Sukma (2019). However, Dewi et al. (2018) and Djawa (2018) found no effect.

Educational attainment is another key factor in improving individual effectiveness, leading to faster and more accurate

decision-making (Rahmawati et al., 2023). Higher levels of education are generally associated with improved work skills (Dwijayanthi & Dharmadiaksa, 2013). They found that education level positively impacts AIS user performance in Denpasar City's Revenue Department, while Juliantini (2019) reported a negative impact on AIS effectiveness at PT Semangat Catur Merta. Incentives can also influence the performance of AIS users by encouraging employee discipline and boosting productivity. Studies by Anggraeni (2021), Ernawatiningsih & Kepramareni (2019), and Primadewi et al. (2021) demonstrate a positive impact of incentives on AIS effectiveness, while Dewi et al. (2018) and Kristiani (2018) found no significant effect.

Task complexity, defined by Sujati (2018) as the perceived difficulty in understanding and using a system varies depending on the user environment and business uncertainties. Increased task complexity tends to reduce system usage. A study by Juliantini (2019) found a negative impact of task complexity on AIS effectiveness, while Putra (2019) and Putri et al. (2022) reported a positive impact.

This study re-examines the effects of work experience, training, incentives, and task complexity on the effectiveness of AIS in LPDs in Denpasar City. By expanding upon variables that have been explored in previous research, this study aims to provide deeper insights into these factors specifically in the context of LPDs, which have unique operational characteristics. The novelty of the research lies in its focus on LPDs, Village Credit Institutions that play a critical role in Bali's local economy. Unlike larger companies or national financial institutions, LPDs have specific needs and constraints due to their local and community-based nature. Studying AIS in this environment provides a new perspective on how smaller financial institutions manage technology to improve efficiency and decision-making (Rismayani et al., 2023).

The significance of this study is underscored by the crucial role AIS plays in enhancing operational efficiency within financial institutions, especially in the context of LPDs. AIS can greatly impact the ability of LPDs to deliver reliable financial services and maintain community trust. Given the localized nature of LPDs, these institutions rely heavily on effective information systems to meet their financial reporting and decision-making needs. The

findings of this study can provide valuable insights for LPD managers, offering practical guidance on how to better structure AIS implementations to ensure they are optimized for the unique needs of these community-based institutions. This in turn is essential to maintain and even strengthen public trust in LPDs, ensuring their continued relevance and sustainability as key local financial players.

In terms of contribution, the study offers practical applications for LPDs in terms of designing better training programs, offering incentives, and adjusting task complexity to improve AIS effectiveness. The success of these efforts can lead to significant improvements in LPD performance, allowing them to provide higher-quality services to their communities. By understanding how variables like work experience and task complexity affect AIS effectiveness, LPDs can tailor their internal processes and systems to better suit their operational needs. Ultimately, improving AIS will not only help boost efficiency but also ensure that LPDs can continue to thrive in an increasingly competitive financial landscape.

4.3 Literature Review

Technology Acceptance Model (TAM)

Several models, including the Technology Acceptance Model (TAM), have been developed to examine and understand the factors influencing the acceptance of computer technology. According to this model, users who perceive a system as both useful and easy to use are more likely to adopt it. Ajzen and Fishbein's (1975) Theory of Reasoned Action (TRA) serves as the foundation for TAM. Based on psychological theory, TAM explains user behavior towards computers through the relationships between trust, attitude, intention, and actual user behavior. Davis (1989) introduced TAM to provide a theoretical framework for studying and understanding user behavior in the adoption and use of information technologies. The model aims to identify the key factors influencing user behavior concerning technology adoption. By expanding TAM, it is expected that individual attitudes and acceptance of technology can be better predicted, offering valuable insights into the factors driving these behaviors.

In developing TAM, Davis (1989) used TRA as the foundational theory but did not incorporate all TRA components. TRA posits that an individual's decision to accept or reject IT is a deliberate choice, which can be predicted based on their behavioral intention. Two factors influence this intention: the person's perspective on the desired outcome and the opinions of those in their social circle. TAM extends TRA by introducing two additional constructs—perceived usefulness and perceived ease of use—which further explain technology acceptance behavior.

Work Experience and Information System Effectiveness

Employee experience often boosts their confidence in fulfilling their duties and responsibilities. According to TAM, attitudes and beliefs reflect users' perspectives on using an information system, which can result in either acceptance or rejection. In this context, users' attitudes will determine their level of acceptance or rejection of the information system. TAM also emphasizes perceived ease of use, suggesting that technology that simplifies tasks can enhance performance. Experience plays a crucial role in developing the necessary skills for specific tasks. Juliantini (2019), Surya et al. (2023), and Widodo et al. (2024) notes that advanced knowledge is frequently gained through experience. An individual with extensive work experience is likely to make a more substantial contribution to the organization, as their experience reflects the variety of roles they have undertaken and provides more opportunities for improved performance. This indicates that greater work experience leads to a deeper mastery and understanding of tasks, thereby enhancing the effectiveness of using AIS. Additionally, studies by Agustini et al. (2021), Ernawatiningsih & Kepramareni (2019), Primadewi et al. (2021), Putri et al. (2022), and Sujati (2018) support the positive impact of work experience on the effectiveness of AIS. As a result, the following hypothesis is proposed:

H1: Work experience positively affects the effectiveness of AIS.

Education Level and Information System Effectiveness

A diverse educational background enables employees to make quicker and more accurate decisions, equipping them with the necessary skills for their job performance. Higher education levels

often correlate with withholding more advanced positions within an organization and greater involvement in decision-making processes. Education enhances workforce qualifications, thereby increasing productivity. Empirical evidence provided by Wiriani (2018) demonstrates that the efficiency of AIS is positively impacted by the level of education. This implies that the more educated a person is, the more efficiently they can utilize AIS. Thus, the hypothesis is formulated as follows:

H2: Education level positively affects the effectiveness of AIS.

Training and Information System Effectiveness

Training is a crucial investment in human resources for organizations, equipping employees with knowledge and skills that can be immediately applied to their work, enhancing their overall capabilities. Kristiani (2018) suggests that the efficacy of information systems is positively impacted by training. This implies that regular training sessions for AIS users can increase their understanding, which in turn enhances the overall effectiveness of the systems. Research by Anggraeni (2021), Putri et al. (2022), and Sukma (2019) also verifies the positive influence of training on the efficiency of AIS. Thus, the following hypothesis is derived:

H3: Training positively affects the effectiveness of AIS.

Incentives and Information System Effectiveness

Anggraeni (2021) indicates that incentives are supplementary compensation provided by a company in addition to regular salary or wages. These incentives serve as motivation to encourage employees to perform their best for the company. They can inspire employees to excel in their work, including effectively utilizing the company's information system. Empirical evidence from Primadewi et al. (2021), demonstrates that incentives positively affect the efficacy of AIS. This suggests that more incentives result in more motivated employees, which improves the efficiency of the information system. Additionally, studies by Anggraeni (2021) and Ernawatiningsih & Kepramareni (2019) also conclude that incentives enhance the performance of AIS. The following hypothesis is proposed based on the theoretical framework and previous research:

H4: Incentives positively affect the effectiveness of AIS.

Task Complexity and Information System Effectiveness

Task complexity is often linked to ambiguity and uncertainty within the business environment. Complex tasks are generally less structured, making them harder to standardize, which can decrease user acceptance. As tasks become more complicated and demanding, staff may find it more difficult to perform their jobs efficiently, potentially leading to inconsistent use of the AIS. Research suggests that the effectiveness of an AIS decreases with task complexity. A study by Juliantini (2019) further supports the notion that task complexity negatively impacts the efficacy of AIS. Based on this theoretical framework and previous research, the following hypothesis is proposed:

H5: Task complexity negatively affects the effectiveness of AIS.

4.4 Research Method

The research location in this study refers to the specific site where data collection and analysis were conducted. This study was carried out at the Village Credit Institutions (LPDs) in Denpasar City, a unique financial institution with deep roots in Bali's local communities. LPDs play a vital role in fostering economic development by providing financial services tailored to local needs. With 35 LPDs spread across Denpasar, the city offers a rich and diverse environment for studying the effectiveness of AIS. The selected location reflects the ongoing technological shift within LPDs, where the adoption of AIS is intended to improve operational efficiency, financial reporting, and decision-making capabilities.

The choice to focus on LPDs in Denpasar City is particularly relevant due to the critical role these institutions play in Bali's financial ecosystem. Unlike national or larger corporate banks, LPDs are deeply integrated into local communities, operating under unique guidelines that align with traditional Balinese values. By focusing on employees at these LPDs who actively use AIS in their daily tasks, the study aims to assess how technology impacts their workflow, accuracy in financial reporting, and overall productivity. The selection of this specific research location allows

for a targeted investigation into how AIS can be optimized for smaller, community-based financial institutions that often face different challenges compared to larger entities.

In addition, the research's focus on employees who use AIS in their roles at LPDs underscores the importance of human interaction with technology in improving system effectiveness. Employee interaction with AIS is critical for ensuring the smooth operation of these systems, which are designed to support accurate financial data processing, timely reporting, and effective decision-making. By focusing on this demographic, the study can gain insights into how factors such as work experience, training, and incentives influence AIS effectiveness in LPDs, leading to actionable recommendations that can enhance system utilization and improve the overall performance of these community-based financial institutions.

The study utilizes quantitative data obtained from responses to questionnaires scored using a Likert scale. The population for this study includes employees at LPDs throughout Denpasar City. LPDs are microfinance institutions that provide savings and lending services to address the financial needs of the local community. Purposive sampling was the method used, which involves selecting samples based on predetermined criteria (Sugiyono, 2021). In this case, the criteria focused on employees who actively use the accounting information system at LPDs in Denpasar City.

Multiple linear regression analysis was employed as the data analysis method to investigate and demonstrate how the independent variables affect the dependent variable (Sugiyono, 2021). This analysis was conducted using the Statistical Package for the Social Sciences (SPSS) software, which facilitates the testing of hypotheses and helps determine the impact of independent factors on dependent variables through multiple regression analysis.

4.5 Results

Descriptive statistics are employed to summarize and describe the data related to the research variables. This includes metrics such as the mean, variance, standard deviation, minimum, maximum, range, sum, skewness, and kurtosis for each research variable

(Ghozali, 2021). The following is how Table 1 presents the findings of the descriptive statistical analysis.

Table 4. 1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
PK	136	8	24	18.19	5.033
TP	136	9	25	19.26	3.771
P	136	8	24	18.31	4.972
I	136	11	23	18.16	3.694
KT	136	10	24	15.87	4.214
ESIA	136	8	25	17.75	4.978
Valid N (listwise)	136				

Source: SPSS Output, processed data (2023)

Table 1 presents the descriptive statistics for six variables, each based on a sample size of 136. These statistics include the minimum and maximum values, mean, and standard deviation. The mean values for all variables fall within a relatively narrow range, suggesting a general level of consistency across the dataset. However, there is notable variability as indicated by the standard deviations. For example, the variable "PK" exhibits the highest standard deviation, implying a wider spread of scores compared to other variables. Conversely, "TP" has the smallest standard deviation, indicating a more concentrated distribution of scores around the mean.

Table 4. 2. Multiple Linear Regression Anaysis Results

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	9.121	2.527		3.610	0.000
	PK	0.214	0.101	0.216	2.113	0.037
	TP	0.045	0.056	0.034	0.794	0.429
	P	0.464	0.095	0.464	4.862	0.000

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	I	0.014	0.054	0.010	0.253	0.801
	KT	-0.307	0.073	-0.260	-4.211	0.000
a. Dependent Variable: AIS						

Source: SPSS Output, processed data (2023)

The impact of independent variables on the dependent variable is evaluated and summarized using multiple linear regression analysis (Sugiyono, 2021). Table 2 displays the multiple linear regression analysis's findings in the following manner. The constant number found is 9.121, meaning that the dependent variable, AIS effectiveness, will also be 9.121 if the five independent variables—work experience, education level, training, incentives, and task complexity—are kept constant (zero).

The regression coefficient for work experience (PK) is 0.214 at less than 0.05 significance level (0.037). This indicates that, if all other factors stay the same, an increase in work experience causes an increase in AIS efficacy of 0.214. The work experience variable has a t-value of 2.113 and a significance level of 0.037, according to the test results, demonstrating a positive effect on the effectiveness of AIS. Thus, hypothesis H1 is accepted.

With a significance level of 0.429 and a regression coefficient of 0.045 for Education Level (TP), the value is greater than 0.05. This suggests that the effectiveness of AIS is not greatly impacted by education level. According to the test results, there appears to be no effect on the efficiency of AIS due to the education level variable's t-value of 0.794 and significant level of 0.429. Consequently, hypothesis H2 is disproved.

The regression coefficient for training (P) = 0.464; significance threshold = 0.000; i.e., less than 0.05. This suggests that, on the assumption that all other variables stay constant, an increase in training results in an increase in AIS effectiveness of 0.464. According to the test results, the training variable has a positive

impact on AIS effectiveness with a t-value of 4.862 and a significance level of 0.000. The hypothesis H3 is thus approved.

With a significance level of 0.801 and a regression coefficient of 0.014, Incentives (I) is larger than 0.05. This implies that incentives have little effect on the efficacy of AIS. The incentives variable had no effect on the efficiency of AIS, according to the test results, with a t-value of 0.253 and a significance level of 0.801. Consequently, hypothesis H4 is disproved.

The regression coefficient for Task Complexity (KT) is -0.307 at significance level of 0.000, i.e., less than 0.05. This suggests that, if all other factors stay the same, an increase in job complexity causes an AIS effectiveness to fall by 0.307. The task complexity variable has a t-value of -4.211 and a significance level of 0.000, according to the test results, demonstrating a negative effect on the effectiveness of AIS. Therefore, hypothesis H5 is accepted.

4.6 Discussion

According to the first hypothesis, work experience has a favorable impact on the AIS efficacy. According to the test results, the job experience variable has a t-value of 2.113, which is less than 0.05, at a significance level of 0.037. This demonstrates that work experience positively influences AIS effectiveness, thus supporting H1. Employees with substantial work experience tend to use the AIS more effectively. Longer work experience correlates with greater proficiency in operating the AIS compared to employees with less experience. Typically, fresh graduates or those without work experience need time to adapt to their roles, leading to less effective use of the AIS. Experienced employees can perform tasks more quickly due to their familiarity, thereby enhancing AIS effectiveness. This experience also minimizes the risk of errors in operating the AIS, resulting in more accurate accounting information. These findings align with studies by Agustini et al. (2021), Ernawatiningsih & Kepramareni (2019), and Primadewi et al. (2021), Putri et al. (2022), Sujati (2018) which also demonstrated that work experience positively impacts the effectiveness of the AIS.

According to the second hypothesis, the AIS efficacy is positively impacted by educational attainment. The education level variable, however, has a t-value of 0.794 with a significance level of 0.429,

which is greater than 0.05, according to the test results. This suggests that the effectiveness of AIS is not considerably impacted by educational attainment, which leads to the rejection of H2. The results imply that education level might not always have an impact on whether AIS effectiveness increases or decreases. This is because employees with higher education levels do not always use the AIS more effectively. Other factors, such as work experience, training, or task complexity, appear to have a stronger impact on AIS effectiveness. A high level of education alone does not enhance AIS effectiveness unless it is paired with the employee's ability to use the system efficiently. For example, employees with a high school diploma may use the AIS more effectively than those with a bachelor's degree if they possess broader skills and practical knowledge.

According to the third hypothesis, training enhances the AIS' efficacy. According to the test results, the training variable has a t-value of 4.862, which is less than 0.05, at a significance level of 0.000. This indicates that training does have a positive impact on AIS effectiveness, leading to the acceptance of H3. Employees who undergo training are more likely to use the AIS effectively, as they gain valuable knowledge from regular training sessions. This training is crucial for enhancing the effectiveness of the AIS at LPDs. Conversely, employees who receive inadequate training may struggle with the AIS, resulting in suboptimal accounting information. Insufficient training can lead to decreased performance in using the AIS and thus reduce its effectiveness. Therefore, it is essential for LPDs to provide regular training to boost employees' knowledge and skills, which in turn improves AIS effectiveness. These findings are consistent with research conducted by Anggraeni (2021), Putri et al. (2022), and Sukma (2019) which also demonstrate that training positively influences the effectiveness of the AIS.

The AIS' effectiveness is positively impacted by incentives, according to the fourth hypothesis. Nonetheless, the test findings show that the incentive variable is bigger than 0.05, with a t-value of 0.253 at a significance level of 0.801. This indicates that incentives do not significantly impact AIS effectiveness, leading to the rejection of H4. The findings suggest that incentives may not influence the effectiveness of the AIS. This lack of impact could be attributed to the uneven distribution of incentives at LPDs, where

the amount of incentive is based on the length of service. Employees with shorter service periods might not receive incentives, despite their effective use of the AIS. Additionally, dissatisfaction with the provided incentives may fail to motivate employees to use the AIS more effectively.

According to the fifth hypothesis, the AIS' efficacy is adversely affected by task complexity. The task complexity variable, according to the test results, has a t-value of -4.211 with a significance level of 0.000, or less than 0.05. This indicates that task complexity does indeed negatively affect AIS effectiveness, thus supporting H5. The findings suggest that as task complexity increases, the effectiveness of the AIS decreases. This is because employees may feel overwhelmed by complex and demanding tasks, which can reduce the AIS's effectiveness. Conversely, when tasks are less complex, AIS effectiveness improves as employees have more time and focus to dedicate to the system. If tasks are well-aligned with employees' roles, they are more likely to manage their work efficiently. This research supports similar findings reported by Juliantini (2019) which also indicate that task complexity has a negative impact on the effectiveness of the AIS.

4.7 Conclusion

The analysis and conversation lead to the following findings. The efficiency of the AIS at Denpasar LPDs is positively impacted by work experience. Employees with extensive work experience perform tasks more quickly and accurately due to their familiarity with their roles, thereby enhancing the AIS's effectiveness. Education Level does not significantly affect AIS effectiveness at LPDs in Denpasar. This is because higher education alone does not guarantee effective use of the AIS if it is not coupled with practical skills and abilities to complete tasks efficiently. Training has positively influenced the effectiveness of the AIS at LPDs in Denpasar, employees who receive regular training are better equipped with the necessary knowledge, which improves the effectiveness of the AIS. Incentives do not impact the effectiveness of the AIS at LPDs in Denpasar. This is due to the uneven distribution of incentives, which are based on employees' tenure rather than their performance with the AIS. Task Complexity has negatively affected the effectiveness of the AIS at LPDs in Denpasar. Employees experience reduced effectiveness when faced with

complex and overwhelming tasks, which hampers the overall performance of the AIS.

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Chapter 5. Accounting Information System Performance Problems in Regional Drinking Water Companies in Denpasar City

5.1 Abstract

Accounting information systems (AIS) are performing better as information technology advances. The aim of the written research is test and obtain empirical evidence whether complexity in information technology, support for top management, formalization of system development, user involvement, as well as training and education programs influence the performance of the accounting information system in Regional Drinking Water Companies Denpasar City. The population of this study consisted of all 296 employees. This research used a purposive sampling method by selecting 71 people. Multiple linear regression is an analytical method for testing hypotheses. Research findings show that formalization of system development and user involvement have a positive effect on AIS performance. However, the sophistication of information technology, top management support, and training and education programs have no effect on the performance of accounting information systems. It is hoped that written research can improve the performance of employees using accounting information systems, therefore increasing the performance of information systems in accounting at Regional Drinking Water Companies Denpasar City

5.2 Introduction

The Regional Drinking Water Company (PDAM) is a regionally owned clean water producing company with the vision and mission of providing drinking water for the community. PDAM is responsible for developing and managing clean water distribution systems, as well as providing affordable services for all customers. As a drinking water company, PDAM is also responsible for daily operations, operational planning, project preparation and implementation, as well as negotiations with large private parties in developing community services.

An accounting information system (AIS) is "a network of interconnected components that collect, design, store, and distribute data for monitoring, coordination, analysis, and decision making. Accounting information systems (AIS) increase their

efficiency as technology advances. Every company is subject to a system that regulates the entire accounting process in order to produce output that can be used to provide information to interested parties. The Regional Drinking Water Company (PDAM) uses an accounting information system to produce accurate and precise financial data for internal and external decision making."

Information technology sophistication refers to the use of certain technologies to complete a task. The more sophisticated technology is, the greater its ability to help human workers. This can be seen from the speed and performance of data processing which is increasing along with technological advances. Maharani, et al. (2022) and Wiyoga, et al. (2022) "argue that the sophistication of information technology has a positive influence on the performance of accounting information systems." Handoko et al. (2020) and Jyoti (2021) "argue that the sophistication of information technology has no effect on the performance of the accounting system."

Top management is tasked with issuing general guidelines for operating information systems. The level of management support for an organization's information system can have a significant impact on business success in the information system. Kurnia (2020) and Wiyoga et al. (2022) "argue that top management support has a positive influence on the performance of accounting information systems." Meanwhile, according to Fatimah (2021) and Pratiwi et al. (2021), "top management support has no effect on the performance of accounting information systems."

Formalization of system development refers to tasks that are documented and controlled systematically throughout the system development process and have an impact on the successful implementation of an information system. Design and procedures are needed in system development to ensure that the activities carried out do not occur. Research by Wulandari (2022) and Suryanti (2022) "argues that the formalization of system development has a positive influence on an accounting information system. Meanwhile, Sutariani et al. (2022), concluded that the formalization of system development does not affect the performance of an accounting information system.

User involvement in the development of an accounting information system is user activity at the proposal stage of developing an accounting information system aimed at solving problems encountered while using the system. Research by Sutra, et al (2022) and Kurnia (2020) argue that user involvement has a

positive effect on the performance of an accounting information system. Jyoti (2021) and Sutariani et al. (2022) found that user involvement had no influence on the performance of an accounting information system.
Training and education programs are programs to provide or improve the skills or understanding of system users through training and experience with the system, thereby increasing satisfaction with the accounting information system. Research by Yulianita (2022) and Indrayani (2022) "argues that training and education programs have a positive influence on the performance of an accounting information system. However, Vistarini (2019) and Jyoti (2021) concluded that user training and education has no influence on performance in accounting information systems.
This research aims to test and collect empirical evidence whether sophistication in information technology, support from top management, formalization of system development, user involvement, as well as training and education programs have an impact on the performance of PDAM Denpasar's accounting system. This research is intended to provide theoretical benefits for academics as a reference for further research in studying and developing related factors that influence the performance of Accounting Information Systems, as well as providing information and knowledge for company management as consideration in developing AIS to obtain accurate information, relevant and timely.

5.3 Literature Review

Technology Acceptance Model (TAM) Theory
Davis was the first to introduce the TAM theory (1986). This theory is based on the Theory of Reasoned Action (TRA) by Ajzen and Fishbein (1980). The Technology Acceptance Model (TAM) is a widely accepted theory explaining the adoption of information technology. It describes user behavior in terms of the relationship between beliefs, intentions, attitudes, and user actions (Ernawatiningsih & Kepramareni, 2019).
Contingency Theory
The contingency theory suggests that there is no single best way to manage an organization; instead, the optimal course of action depends on internal and external environmental factors. In the context of accounting information systems, contingency theory explains how different factors such as organizational structure, technology, and external regulations influence system performance

(Otley, 1980). Studies by Choe (1996) and Nicolaou (2000) indicate that AIS effectiveness is contingent upon factors such as IT sophistication, management support, and user involvement.

Information Systems Success Model

DeLone and McLean (1992) proposed an information systems success model that measures the impact of system quality, information quality, and service quality on user satisfaction and net benefits. Petter et al. (2008) expanded this model by integrating additional constructs such as system use and individual impact. The success of AIS implementation depends on factors such as data accuracy, ease of use, and system reliability (Gorla et al., 2010).

Impact of IT Sophistication on AIS Performance

IT sophistication refers to the capability of an organization's technology infrastructure to support its information systems. Prior research has found mixed results regarding its impact on AIS performance. Maharani et al. (2022) and Wiyoga et al. (2022) argue that IT sophistication enhances AIS efficiency, while studies by Handoko et al. (2020) and Jyoti (2021) suggest that IT sophistication alone does not guarantee improved system performance.

The Role of Top Management Support

Top management support is crucial in ensuring the successful adoption and implementation of accounting information systems. Kurnia (2020) and Wiyoga et al. (2022) found a positive correlation between management support and AIS performance. However, research by Fatimah (2021) and Pratiwi et al. (2021) indicates that top management support alone is insufficient if employees lack technical skills or motivation.

Formalization of System Development

Formalization in system development refers to the structured documentation and control of system processes. Studies by Wulandari (2022) and Suryanti (2022) emphasize that a well-documented development process enhances AIS performance. Conversely, Sutariani et al. (2022) argue that formalization has little impact if not accompanied by adequate training and user participation.

User Involvement in AIS Development

User involvement is a key factor in determining the success of AIS implementation. Research by Sutra et al. (2022) and Kurnia (2020) suggests that user participation enhances system usability and effectiveness. However, studies by Jyoti (2021) and Sutariani et al.

(2022) report no significant relationship between user involvement and AIS performance.

Training and Education Programs

Training programs equip employees with the necessary skills to operate AIS efficiently. Yulianita (2022) and Indrayani (2022) found that frequent training improves user satisfaction and system utilization. However, Vistarini (2019) and Jyoti (2021) concluded that training programs have limited impact if the AIS is already user-friendly and intuitive.

By integrating these theoretical perspectives and empirical findings, this study seeks to examine the factors influencing AIS performance in the context of Regional Drinking Water Companies in Denpasar City.

5.4 Research Method

This research was carried out at PDAM Denpasar City located Jalan Ahmad Yani No. 98, Dauh Puri Kaja, North Denpasar, Denpasar City, Bali. The research object involves PDAM Denpasar City employees who use accounting information systems, by measuring the performance of accounting information systems, sophistication of information technology, top management support, formalization of system development, user involvement, training and education programs. The population focused on this research is all PDAM Denpasar City employees, totaling 296 employees. The sample selection was carried out using the Purposive Sampling method, where the number of samples taken was 71 people.

Information technology can run effectively if members in the organization can use technology well. The more sophisticated a technology is, the greater its capacity to help with work. The indicators used by researchers in examining the sophistication of information technology use questionnaire indicators from (Nariswari, 2022): a) Technological sophistication, b) Information sophistication, and c) Functional sophistication.

The level of support provided by top management is a very important factor in determining the success of all activities related to information systems. The more support provided by top management, the better the performance of the company's accounting information system. The indicators used by researchers in examining top management support use questionnaire indicators from (Rahadi, 2019): a) Level of ability and b) Top management involvement.

The formalization process of system development has the potential to influence the successful implementation of accounting information systems in business. The higher the level of formalization in system development, the performance of the accounting information system will increase. The indicators used by researchers in researching the formalization of system development use questionnaire indicators from (Laksmi, 2020): a) Standardization of report results and introductions, and b) Socialization of system development as a benchmark.

User involvement is user participation in the development of information systems. The more frequent involvement in system development, the greater the performance of the company's information system. The indicators used by researchers were questionnaire indicators from (Laksmi, 2020): a) Faster completion of work, b) Increased work abilities, c) Easier to master AIS, d) Faster in presenting reports and e) able to improve performance.

Training and education programs are an effort to develop skills and understanding of human resources so as to increase productivity at work. The more frequently training and education programs are held, the better the performance of the accounting information system. The indicators used by researchers in researching education and training programs use questionnaire indicators from (Laksmi, 2020): a) Increasing practical skills, b) Increasing knowledge of information systems theory, c) Speeding up system work completion, d) Reducing information system work errors, and e) Supporting success in achieving performance.

The performance of an accounting information system is the quality of the work results of a person's ability in an activity. The indicators used by researchers in examining the performance of accounting information systems use questionnaire indicators from (Laksmi, 2020): a) Up to Date, b) Easy to understand and use, c) Always provide the required information.

d) Increase job satisfaction, and e) Effective and efficient

Data collection was carried out in a questionnaire distributed to all samples according to the previously determined number. The Likert scale is used to measure variables, where "point 1" shows the criteria namely Strongly Disagree (STS), "point 2" for the criteria namely Disagree (TS), "point 3" for the criteria namely Disagree (KS)," point 4" on the criteria, namely Agree (S), and "point 5" on the criteria, namely Strongly Agree (SS).

The tests carried out in this research used multiple linear regression analysis techniques and were tested with a significance level of 0.05. The multiple regression analysis equation is as follows:

KSIA= α +β**1**KTI+ β**2**DMP + β**3**FPS+ β**4**KP+β**5**PPP+e……..(1)

5.5 Results

Results of Multiple Linear Regression Analysis

Table 5. 1. Multiple Linear Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.377	.650		.580	.564
KTI	-.203	.155	-.048	-.1.311	.194
DMP	.033	.097	.023	.339	.736
FPS	.420	.110	.418	3.820	<.001
KP	.476	.107	.481	4.451	<.001
PPP	.167	.187	.062	.894	.375

Source: Processed Data (2024)

In the table it is written that the equation is interpreted as:
KSIA = 0,377 – 0,203 KTI + 0,033 DMP + 0,420 FPS + 0,476 KP + 0,167 PPP

Model Fit Test Results (F Statistical Test)

Table 5. 2. Model Fit Test Result

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.041	5	1.808	138.100	<.001[b]
	Residual	.851	65	.013		
	Total	9.892	70			

a. Dependent Variable: KSIA

b. Predictors: (Constant), PPP, KTI, DMP, KP, FPS

Source: Processed Data (2024)

According to (Ghozali, 2021:148) "If F ≤ a (alpha) 0.05 then the regression model is suitable for use. "The results of an F test show that the model in the study is worthy of further testing, with a value of 138.100 and 0,01 of <0,05.

Coefficient of Determination Test Results (Adjusted R^2)

Table 5. 3. Coefficient of Determination Test Results

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.956[a]	.914	.907	.11443

a. Predictors: (Constant), PPP, KTI, DMP, KP, FPS

b. Dependent Variable: KSIA

Source: Processed Data (2024)

test results show the Adjusted R Square value of 0.907 means that 90.7% of the variables of accounting information system performance can be explain the AIS performance.

Hypothesis Test Results (t Test)

t test results are as follows:

1. Information technology sophistication variable (KTI). The regression coefficient is -0.203, t-statistic of 1.311, and a significance level of 0.194 > 0.05. H1 is rejected.
2. The management support variable (DMP). The regression coefficient is 0.033, a t-statistical value of 0.339, and a significance level of 0.736 > 0.05. H2 is rejected.
3. System development formalization (FPS) variable. The regression coefficient is 0.420, the t statistic is 3.820, and the significance level is <0.001, namely <0.05. H3 is accepted.
4. User involvement variable (KP) The regression coefficient is 0.476 with a t-statistic of 4.451 and a significance level of <0.001, namely <0.05. H4 is accepted.

5. Education and training program (PPP) variable with a regression coefficient value of 0.167, a t statistic value of 0.894 and a significance level of 0.375 > 0.05. H5 is rejected.

5.6 Discussion

The Influence of Sophisticated Information Technology on the Performance of Accounting Information Systems in PDAM Denpasar City

The sophistication of information technology does not affect the performance of the accounting information system at PDAM Denpasar City. The results of the research show that whether information technology is sophisticated or not, there is no influence on the performance of an accounting information system in PDAM Denpasar City. This is because the employees at PDAM Denpasar City have sufficient experience in information technology. This experience is considered very important and mandatory, considering that information technology continues to develop and become increasingly complex. Through experience in using information technology, employees can understand and utilize this technology more effectively and efficiently, so that the performance of an accounting information system at PDAM Denpasar City is maintained. The results of this research are in line with research conducted by Handoko, et al (2020), Jyoti (2021) and Arikaya, et al (2023), Pradnyawati, et al. (2024)

stating that the sophistication of technology has no influence on the performance of an accounting information system.

The Influence of Top Management Support on the Performance of the Accounting Information System at PDAM Denpasar City

Support from top management has no effect on the performance of an accounting information system at PDAM Denpasar City. The results of this study show that high or low levels of support from top management have no influence on the performance of information systems in accounting. This is because employees at PDAM Denpasar City have a high level of work discipline and initiative in carrying out their duties. For employees, the level of work discipline plays a role in creating a positive work environment, thereby increasing work morale and carrying out tasks assigned by managers continues to run well. Apart from that, high initiative is also very important because it helps employees find new methods to increase company efficiency and productivity, so that tasks given by managers can be completed on time. Therefore, whether or not there is support from top management has no effect on the performance of an accounting information system. The results of the research are in line with research carried out by Ambarsari (2019), Pratiwi, et al (2021), Pramesti, et al (2024) and Fatimah (2021) who stated that support from top management has no effect on performance in accounting information systems.

The Effect of Formalization of System Development on the Performance of the Accounting Information System at PDAM Denpasar City

Formalization in system development improves the performance of the Denpasar City PDAM accounting information system. This means that the more frequently the formalization of system development is carried out at PDAM Denpasar City, which includes the introduction or notification of the steps in the development process of a system which are recorded in a structured and active manner, the better the performance of the accounting information system. Efficient incorporation of computer-based information system controls into current system

development increases user satisfaction with standard systems. The results of this research are in line with research carried out by Maharani, et al (2022), Bintan, et al (2023), Cahyani, et al (2023) which states that the formalization of system development has a positive influence on performance in accounting information systems.

The Influence of User Involvement on the Performance of the Accounting Information System at PDAM Denpasar City

User involvement increases the performance of an information system in Denpasar City PDAM accounting. Reviewing this research, Denpasar City PDAM employees are actively involved in developing information systems. This participation increases Denpasar City PDAM employees' understanding of their needs. Employees will feel more responsible for the system if they have the opportunity to contribute to its development. In this way, it is hoped that the performance of the information system at PDAM Denpasar City will increase. Consistent research results in research conducted by Pratiwi, et al (2021), Agnesia, et al (2021) and Semarajana, et al (2022) state that user involvement has a positive influence on the performance of an accounting information system.

The Influence of Education and Training Programs on the Performance of Accounting Information Systems at PDAM Denpasar City

Education and training programs do not have an impact on the performance of the PDAM Denpasar City accounting information system. This research shows that whether or not education and training programs are held regularly does not affect the performance of an accounting information system at PDAM Denpasar City. This is because the system is user friendly and equipped with an information system user guide, ensuring that Denpasar City PDAM employees do not experience difficulties in the system and continue to provide accurate and up-to-date information. Apart from that, with advances in information technology, many digital media such as YouTube and e-books can help employees increase their knowledge and understanding of the information systems used. The research results are consistent with

research by Vistarini (2019), Jyoti (2021), and Mahoni et al. (2022) who found that education and training programs had no effect on the performance of an accounting information system.

5.7 Conclusion

This study aims to identify the key factors that influence the performance of accounting information systems (AIS) in PDAM Denpasar City. By analyzing data from 71 users of the computer-based AIS, multiple linear regression was employed to assess the impact of various independent variables on system performance. The findings reveal that the sophistication of information technology does not have a significant impact on AIS performance. This suggests that even with advanced technological tools, the efficiency of the system remains unchanged, possibly due to the adaptability and technological familiarity of employees. Similarly, the support from top management was found to have no significant influence on AIS performance, indicating that managerial endorsement alone is not a decisive factor in system effectiveness.

However, the study confirms that formalization of system development positively affects AIS performance. This finding highlights the importance of structured documentation and systematic control in ensuring the smooth operation of accounting systems. Additionally, user involvement in system development was found to be a crucial factor in enhancing AIS performance, emphasizing the value of participatory approaches in system implementation. Conversely, education and training programs showed no significant impact on AIS performance, suggesting that employees may already possess sufficient knowledge or that the system itself is intuitive and easy to use.

Overall, these findings provide valuable insights for organizations looking to optimize their accounting information systems. Future studies may explore additional variables, such as organizational culture and external regulatory influences, to further understand the dynamics of AIS performance in different contexts.

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2.Conclusion

This study underscores the reality that the implementation of Good Corporate Governance principles may yield varying effects depending on the institutional context. Among the five principles examined, **independence** emerged as the sole factor with a statistically significant impact on the performance of Village Credit Institutions (LPDs) in Denpasar. This finding highlights the importance of autonomous decision-making and impartial leadership in strengthening institutional performance at the local level.

Although **transparency, accountability, responsibility**, and **fairness** did not demonstrate significant influence in this study, these principles remain essential in fostering long-term trust, ethical conduct, and public confidence. Their value should not be underestimated, especially in institutions that serve as financial lifelines for traditional communities.

The results of this research suggest that LPDs and similar institutions can benefit greatly from empowering their leadership to make independent, unbiased decisions while maintaining a commitment to good governance as a whole. Additionally, regulators and stakeholders are encouraged to continue promoting governance education, ethical leadership, and community involvement to sustain the growth and credibility of local financial institutions.

As a final note, this book aspires to inspire further academic exploration into localized governance models and to serve as a reference for best practices in managing and developing community-based financial systems across diverse regions.

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