

Increasing Accounting Competency and Financial Reporting in Village Crediting Institution

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ABSTRACT

Lembaga Perkreditan Desa (LPD) are microfinance institutions in Bali that are based on local wisdom. One form of good LPD governance is reporting LPD performance transparently and consistently to indigenous communities. Intense competition between financial institutions motivates LPD managers to improve performance and develop human resource competencies continually. This service program aims to increase the accounting and financial reporting knowledge of LPD employees. This service activity uses four methods: interviews, counseling, mentoring, and evaluation. The evaluation results show increased accounting knowledge and understanding of financial reports.

INTRODUCTION

Good corporate governance is crucial in every organizational management, including microfinance institutions (Diatmika & Ramantha, 2021). Stakeholders demand that financial institution managers implement good corporate governance (Rustiarini et al., 2016). This condition is understandable, considering that financial institutions have the authority to collect and manage public funds. They must provide accountability for managing these funds. Lembaga Perkreditan Desa (LPD), or Village Credit Institution, is a microfinance institution that implements good corporate governance in its business management (Widhiastuti et al., 2023). LPD is a financial institution founded based on local wisdom in Bali Province (Ramantha, 2018). LPD is unique. LPD refers to local regulations, which form the fundamental bylaws. The LPD's capital comes entirely from the traditional village, so the profits are also returned to the traditional village. This concept becomes a social added value that strengthens the LPD's social pillars. Therefore, one form of good governance is reporting and communicating LPD performance consistently and transparently to indigenous communities (Junaedi et al., 2019).

Another unique characteristic is that there is a rule that LPD employees must come from the traditional village. The LPD grows in local communities, is developed by the community, and is dedicated to the community. Therefore, LPD managers are required to improve employee knowledge and competence on an ongoing basis continuously. Even though LPDs in Bali, on average, have pretty good performance, some LPDs are experiencing severe problems that can disrupt their business continuity (Noviyanti et al., 2021). LPD management is also inseparable from agency issues between capital owners and LPD managers (Wedasari & Sukawijaya, 2019). Capital owners certainly expect managers to improve their financial performance from year to year. However, this becomes a challenge if performance to increase profits is not balanced by the ability to detect and manage risks well. Therefore, LPDs must implement sound governance supported by human resource competence in accounting to present accountable financial reports (Oktapiyanti et al., 2022).

One of the LPDs that seeks to apply the principles of good governance in managing its business is the LPD of Kuku Traditional Village. LPD of Kuku Traditional Village is located in Marga District, Tabanan Regency, Bali Province. In 2022, this financial institution occupies the top five positions in achieving the most significant profits and asset ownership in Tabanan Regency (Bali Bank News.com, 2022). This achievement is encouraging, considering many financial institutions could not survive the Covid-19 pandemic. However, good governance must be balanced with adequate human resource competence to realize the LPD's vision and mission. Intense competition between financial institutions motivates LPD managers to improve performance and develop human resource competencies continually. Therefore, the problem that is a priority to be resolved is the low competency of human resources, especially in accounting and presenting financial reports. Based on this background, the service activities at the Kuku Traditional Village LPD focus on increasing human resource competency in accounting and presenting financial reports.

Specifically, this service activity aims to increase the accounting and financial reporting knowledge of LPD employees. Increased human resource competency will improve LPD performance and accountability in presenting financial reports, which will be used as a basis for decision-making.

IMPLEMENTATION AND METHODS

This community service activity was carried out by the entire academic community of the Master of Accounting Study Program, Mahasaraswati University Denpasar, in collaboration with Rotary International D3420. Rotary International D3420 is an international service organization committed to addressing global issues and the needs of local communities. This service activity aligns with one of the focuses of Rotary International D3420 activities: the development of local economic communities. The community service activity partner is the LPD of Kukuh Traditional Village. This service activity will be carried out in November 2023. This service activity involves several methods, namely:

1. Interview. The service team used the interview method to map existing problems. The team conducted preliminary interviews with two sources, namely the village head (perbekel) of Kukuh Village and the leader (pamucuk) of the LPD of Kukuh Traditional Village, regarding the problems microfinance institutions face in this village.
2. Counseling. The counseling was conducted by a team of service members from the Master of Accounting Study Program, Mahasaraswati University Denpasar, and Rotary International D3420. The material concerns increasing human resource competency in accounting and presenting financial reports. The supervisory body, management, and all LPD employees attended the counseling.
3. Mentoring. The service team also assists in recording accounting transactions and using the accounting system.
4. Evaluation. In this activity, the service team evaluated and sent post-test questionnaires to LPD employees who participated in the participating activities.

RESULTS AND DISCUSSION

LPD is an economic institution in every traditional village in Bali Province. LPD collects funds from traditional village communities and returns profits to the traditional village communities (Saskara et al., 2020). LPD has a significant role in helping the economy of indigenous communities. LPD is not only a savings and credit provider but also an intermediary institution in circulating money and a source of development financing in traditional village areas (Wilyadewi, 2023). Therefore, LPDs, as financial institutions, need special supervision because they have high risks (Suartana & Jati, 2017; Susandya & Suryandari, 2021). Therefore, LPDs must have unique strategies to reduce potential risks in managing public funds. One effort to reduce the risk potential is correctly implementing the accounting system. An accounting system is a group of interrelated elements to achieve specific goals (Ardianti et al., 2023). The LPD accounting system plays a vital role in increasing LPD accountability.

Implementing the correct accounting system will help managers provide quality information for decision-making (Susandya & Putra, 2023).

Based on the interviews with the perbekel of Kukuh Village and the pamucuk of LPD presented in Figures 1 and 2, the service team held discussions to determine priority problems to be resolved in this service activity. Determining this problem is also discussed with the traditional village head and supervisory body as the party that monitors LPD management internally. The supervisory board ensures that LPD managers have implemented accounting systems and procedures according to their responsibilities and authority.



Picture.1 Interview with Perbekel



Picture.2 Interview with Pamucuk LPD

The counseling was carried out by a team of service members from the Master of Accounting Study Program, Mahasaraswati University Denpasar, and Rotary International D3420, shown in Figures 2 and 3. The material presented was related to increasing human resource competency in accounting and presenting financial reports to achieve sustainable business. This service activity aligns with one of the focuses of Rotary International D3420 activities: the development of local economic communities. In this program, the service team emphasized that all human resources involved in LPD operational activities must correctly understand accounting. The service team reviewed essential topics in accounting, such as functions, accounting processes and cycles, and the concept of presenting financial reports specifically for LPDs.



Picture.3 Counseling about Sustainable Business



Picture.4 Counseling on Accounting Concepts and Financial Reports

In this program, the community service team also assists partners in the hope that partners will be able to apply the material presented correctly (see Figure 5). The final stage of this service activity is to evaluate by giving pre-test and post-test questionnaires to LPD employees who participate in outreach activities, which are presented in Figure 6.

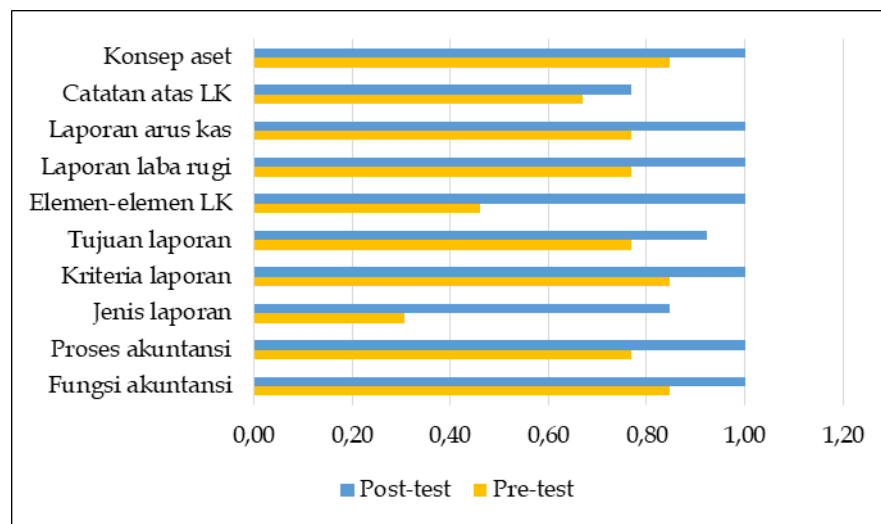


Picture.5 Accounting Practice Assistance



Picture.6 Participants Fill Out an Evaluation Questionnaire

The final stage for the community service program is to evaluate the program implementation. This assessment includes ten indicators, as presented in Figure 7.



Picture 7. Pre-Test and Post-Test Assessment Results

The results of the evaluation activities presented in Figure 7 show an increase in participants' accounting knowledge. Participants better understand the concepts and functions of financial reporting. Overall, the increase in participants' knowledge was 26.82 percent. Thus, this community service program has been effective, as demonstrated by the increased knowledge of accounting and financial reports from LPD employees.

CONCLUSIONS AND RECOMMENDATIONS

LPD has a significant role in helping the economy of indigenous communities. However, LPD is a financial institution synonymous with high risk, so human resources involved in LPD operational activities need good accounting and financial reporting knowledge. Specifically, this service activity aims to increase the accounting and financial reporting knowledge of LPD employees. This service program uses four methods: interviews, counseling, mentoring, and evaluation. In the evaluation activity, the assessment results showed increased accounting knowledge and understanding of financial reports.

Overall, the activity went well and smoothly. Participants actively participate in this program so that the objective program can be achieved.

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