

The Organization's Commitment Modernizes the Competence of Human Resources and Leadership Style on the Quality of Financial Statements in the TTU

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Abstract

The aims of this research is to know the partial effect from the competence of Human Resources Development (X1,) Leadership Style (X2) for the Quality of Financial Statements (Y), the partial effect among the competence of Human Resources (X1), leadership style (X2); Commitment organization (X3) for the quality of financial statement; Human Resources competence (X1) and style leadership (X2) for the organization commitment (X3); Effect of Human resources for financial statement quality (Y) that moderation by organization commitment (X1) dan the effect of leadership style for the quality of financial statement (Y) that moderated by organization commitment (X3). The Result showed that competence variable SDM (X1) was not affected for the commitment organization (X3) whereas leadership style (X2) was affected by organization commitment for the quality of financial statement (Y) The Competence of human resources variable (X1), leadership style and organization commitment (X3) were not moderating among the effect of human resources competence (X2) for the quality of financial statement as well as the effect of leadership style (X2) to Financial statement (Y). If it was comparted, the direct effect from human resource for the quality financial statement there was more if when it was moderated by organization commitment. The same way what happening for the effect of leadership style for the quality of financial statement. The information which given from this research can be used to increase the human resources competence by financial management and applying the good leadership style and more careful the quality financial statement.

Keywords

financial report quality; hr competence; leadership style; organizational commitment



I. Introduction

The quality of local government financial reports is the result of an administrative process in the government structure. The measurement of the quality of a local government financial report is the fulfillment of the elements of the government's financial report by the demands of the legislation applicable to local governments.

The quality of a financial report is very important for a local government organization because the financial information contained in financial reports can be used by local governments for strategic decision-making and can encourage accelerated development and poverty alleviation in an area.

The quality of a financial report can be seen based on the opinion of the Supreme Audit Agency. Opinions on the assessment of financial statements from the results of the Audit Board's audit are as follows; 1). Unqualified (WTP), 2). Fair With Exceptions (WDP), 3). Not Fair (TW), and Disclaimer of Opinion (TMP).

Regional Government Financial Reports are prepared following Government Accounting Standards (SAP), which contain financial information that does not deviate from the laws and regulations, and is presented promptly by the laws and regulations. Financial statements are basically a source of information for investors as one of the basic considerations in making capital market investment decisions and also as a means of management responsibility for the resources entrusted to them (Prayoga and Afrizal 2021). Financial performance is a measuring instrument to know the process of implementing the company's financial resources. It sees how much management of the company succeeds, and provides benefits to the community. Sharia banking is contained in the Law of the Republic of Indonesia No.21 of 2008 article 5, in which the Financial Services Authority is assigned to supervise and supervise banks. (Ichsan, R. et al. 2021)

Government Regulation Number 71 of 2010 concerning Government Accounting Standards part of the Government Accounting Conceptual Framework, consists of 1) relevant, 2) reliable, 3) comparable, and 4) understandable. Financial statements are said to be relevant if the information contained in them can influence user decisions by helping to evaluate past or present and future events; Reliable if it is free from misleading understanding and material errors, present every fact honestly, and can be verified; Can be compared with the financial statements of the previous period and can be understood by its users.

The phenomenon that occurred in North Central Timor Regency obtained information that the quality of regional financial reports in the last ten years was not so encouraging where the average report quality was still dominated by the Fair with Exception (WDP) status.

This condition is certainly a series of impacts on financial management which are still far from the financial standards mandated by law. Poor regional financial performance certainly has implications for many things. One of the indicators is the growing trend of funds remaining more than the use of the budget (SILPA) in the North Central Timor Regency. More details can be seen in the following tables and diagrams:

Table 1. Realization of Regional Revenue and Expenditure of TTU Regency Fiscal Year 2002-2015

Fiscal year	Reception	Expenditure	Difference	Percentage
2002	176.759.297	164.135.772	12.623.525	7,14%
2003	198.639.060	193.149.758	5.489.302	2,76%
2004	200.436.842	189.506.755	10.930.087	5,45%
2005	203.506.154	191.854.149	11.652.005	5,72%
2006	301.445.002	268.629.841	32.815.161	10,8%
2007	349.649.914	347.166.576	2.483.338	0,71%
2008	393.162.161	402.505.767	(9.343.606)	102,38%
2009	412.691.473	423.239.695	(10.548.694)	102,56%
2010	415.415.564	403.752.896	11.662.668	2,80%
2011	495.344.253	474.223.651	21.120.602	4,26%

2012	549.015.092	545.827.276	3.187.816	9,58%
2013	608.393.454	546.435.860	61.957.594	11,34
2014	688.661.451	643.791.663	44.869.788	6,97
2015	783 648 995	725.723.544	57.925.451	7,98

Source: TTU Regency Central Statistics Agency 2019

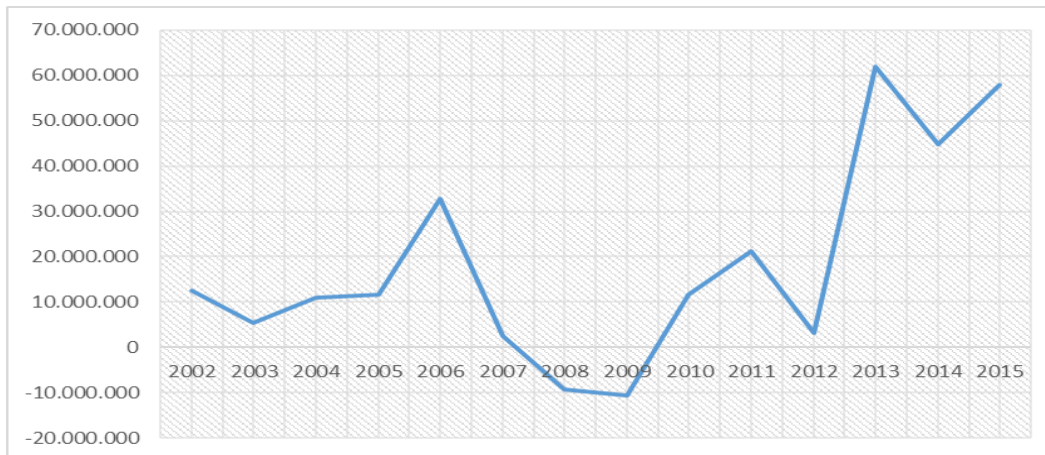


Figure 1. Trend of Silpa Fund Kab. TTU 2002-2015

Based on the data above, information can be obtained that during the observation period starting from 2002 to 2015 the trend of SILPA funds in North Central Timor Regency has always experienced a significant increase. The condition shows that our regional financial performance is quite poor due to poor budget absorption in each implementation of the work program in each regional work unit. If you want to observe, poor financial reports are an accumulation of a series of poor quality planning, implementation, monitoring, and evaluation of the resulting outputs and outcomes.

To overcome this, the local government must make a strategic plan to provide quality services to the community so that it can affect the organization's competitive performance, quality, and high productivity in local governments.

The level of quality of local government financial reports can be determined by several factors, namely; human resource competence, leadership style, and organizational commitment.

Competence of Human Resources is one of the factors that affect the quality of financial reports. Human Resource Competence is the knowledge, skills, and attitudes of an employee in carrying out their duties. Regional Apparatus Organizations as regional government organizations require competent human resources. Financial administration employees at regional offices must be able to prepare financial reports according to accounting methods. A person cannot be said to understand the preparation of financial statements if he does not understand accounting. Knowledge and skills in accounting are needed to manage accounting information. Therefore, the competence of human resources is important in managing and presenting financial information so that the financial statements prepared can be of high quality.

Leadership style is the way that each leader has to influence and move his subordinates in such a way that his subordinates can work more enthusiastically, are willing to work

together, and can work with high discipline on the tasks that have been given. The leadership style of a leader in certain situations and conditions can increase the effectiveness of his leadership. The more effective the leadership style is, it is expected to be able to improve the managerial performance of the organization.

It can be explained that the leadership style used by a leader of Regional Apparatus Organizations can improve the performance of their employees in carrying out each of their responsibilities, including the responsibility to make quality financial reports.

Organizational commitment describes the extent to which an employee supports a particular organization and its goals, and intends to maintain membership in the organization. High commitment to make individuals care more about the organization than personal interests and strive to make the organization better. Low organizational commitment will make people do things for their own sake (Suwanda, 2015).

Low organizational commitment will tend to love high individualism in an organization. It can be explained that each employee will prioritize each of his interests compared to the interests of the organization.

Based on the description above, the problems in this study include: (1). Is there an influence of human resource competence on the quality of regional financial reports in North Central Timor Regency?, (2) Is there an influence of leadership style on the quality of regional financial reports in North Central Timor Regency?, (3) Is there an influence on the quality of human resources on organizational commitment in North Central Timor Regency?, (4) Is there an influence of leadership style on organizational commitment in North Central Timor Regency?, (5) Is there an influence of organizational commitment on the quality of regional financial reports in North Central Timor Regency?, (6) Can organizational commitment moderate the influence of human resource competence on the quality of financial reports in North Central Timor Regency?, 7) Can organizational commitment moderate the influence of leadership style on the quality of financial reports in North Central Timor Regency?

II. Research Methods

2.1 Place and Time

This research was conducted in the Regional Government of North Central Timor Regency from April 2019 to October 2019.

2.2 Data

The data used are primary data obtained from the object under study (respondents) based on the questionnaire given, and secondary data, namely additional data obtained through documents, official records, and archives of instructions and various documents, encyclopedias, scientific journals, books, magazines, newspapers and other similar sources related to the theme of this research.

2.3 Population and Sample

The population used is all employees in each Regional Apparatus Organization (OPD) in the North Central Timor Regency Government, amounting to 2420. The sample in this study was employees in the finance department, treasurer, and staff involved in financial reporting at the Timor Reg

2.4 Descriptive Analysis

Descriptive Analysis; aims to obtain a description of the phenomena that occur in the research location and identify the characteristics of each variable in the form of the frequency of sample answers and presentations and see sample responses by calculating the category of population perception (Levis, 2013: 170): Descriptive analysis is presented through tables, graphs, diagrams circle, and percentage.

$$Ps - p = \left[\frac{XPs - p}{5} \right] \times 100\%$$

Information:

Ps-p : Population Perception Category

XP- p : Average score for perception

Population

5: Highest score Likert scale

The calculation results will be categorized using the score interpretation criteria according to Levis (2013:110) as follows:

20 – 36 : very bad

>36 - 52 : bad

>52 - 68 : not good

>68 - 84 : good

>84 - 100 : very good

To manage data assisted by the SPSS for Windows V. 21 program.

2.5 Inferential Statistical Analysis:

The Path Analysis model in this study is as follows:

1. Formal Model

a) Block I: causal relationship between X1, X2 and X3

$$X3 = P31X1 + P32X2 + z.Pz$$

Information:

P31 = Path coefficient X1 with X3

P32 = Path coefficient X2 with X3

z.Pz = Coefficient of residual

$$z.Pz = \sqrt{1 - R^2}$$

b) Block II: causal relationship between X1, X2, X3 with Y

c) $X4/Y = P41X1 + P42X2 + P43X3 + y.Py$

Information:

P41 = Path coefficient X1 with Y

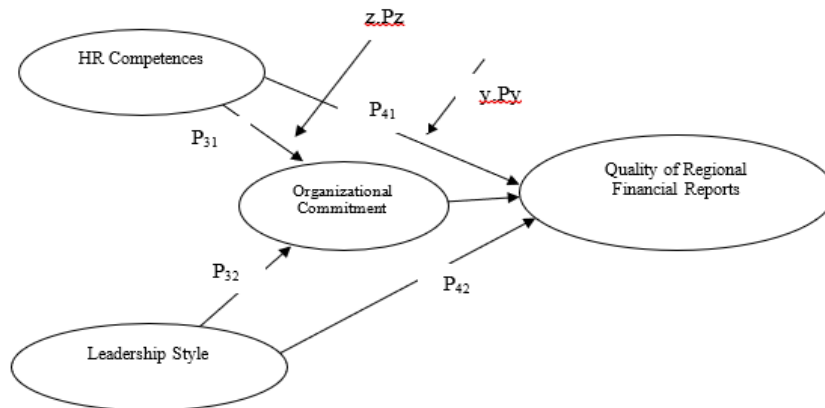
P42 = Path coefficient X2 with Y

P43 = Path coefficient X3 with Y

y.Py = Coefficient of residual

$$y.Py = \sqrt{1 - R^2}$$

2.6 Model Informal



Interpreting the results of data processing by taking into account:

- The standardized regression coefficient (standardized coefficient) or Beta which serves as the path coefficient (P)
- The t-count value for each Beta (path coefficient), which indicates the significance of the path coefficient in question.
- The value of F-count as a model test at a significant level = 5%

2.7 Hypothesis Testing Techniques

T-test

$$t_{\text{count}} = \frac{r}{\sqrt{\frac{1-r^2}{n-2}}}$$

Information:

t = t_{count} / partial test

r = Regression coefficient

r² = Intercept

n = number of samples

F-test

$$F = \frac{R^2(n - m - 1)}{m(1 - R^2)}$$

Information:

R² = Coefficient of Determination

n = Number of samples

m = number of variables

III. Result and Discussion

3.1 Vision, Mission of the Regent of TTU Regency

The Regional Medium-Term Development Vision for 2016-2021 is The realization of a prosperous, just, democratic, and independent North Central Timor society through the Empowerment of the Potential of Human Resources and Natural Resources in a Sustainable manner.

"Prosperity" implies the fulfillment of the basic needs of the community, such as clothing, food, housing, clean water, health, education, employment, security, the environment and natural resources, and the availability of adequate public facilities and infrastructure.

"Fair" means that all citizens of North Central Timor, both men, and women, have equal rights to government services, community development, and empowerment as well as equal rights under the law. "Fair" also refers to conditions when there is less gap between rich and poor, between rural and urban areas.

"Democratic" implies that the people have the freedom and equal rights to participate in the administration of regional and village governance within the corridors of applicable norms and rules.

"Independent" indicates the condition in which development in North Central Timor rests on the potential and strengths possessed in this area. "Empowerment of the potential of human resources and natural resources" reflects two main potentials that should be developed. Humans as subjects of development and natural resources are used as capital for improving human welfare. "Sustainably" describes sustainable development in which the exploitation of natural resources is carried out with due regard to the carrying capacity of the environment and the availability of resources for the next generation.

3.2 Missions

To realize this vision and be able to encourage effectiveness and efficiency in utilizing its potential, the mission of the North Central Timor Regency RPJMD for 2016-2021 is as follows:

1. Empowering a people's economy based on the regional superior potential that is environmentally sound synergistically and sustainably.
2. Improving the quality of human resources through the development of quality, equitable, and accessible education and health.
3. Increasing accessibility through development and equitable distribution of regional infrastructure.
4. Realizing good and clean governance.
5. Developing regional strategic areas by managing Kefamenanu City, developing coastal areas, border areas, and empowering disadvantaged rural communities Through this mission, the Regional Government has prioritized.

3.3 Characteristics of Respondents

a. By Age

The results of the age grouping of respondents can be seen in Table 2 below:

Table 2. Characteristics of Respondents by Age

No	Age	Total	Percentage (%)
1	18 – 35 yeas	14 people	15 %
2	36 – 44 years	32 people	35 %
3	45 – 53 years	38 people	41 %
4	54 – 62 years	8 people	9 %
Total		92 people	100 %

Source: Processed results of primary data, 2019

The number of respondents who are in the 45-53 year age group is 38 people with a percentage (of 41%), followed by 36 to 44-year-old respondents with a percentage of 32 people with a percentage of 35%; respondents in the age group 18-35 years amounted to 14 people with a percentage of 15%, and respondents in the age group 54-62 years amounted to 8 people with a percentage of 9%.

b. Based on Education Level

The composition of respondents based on education level is categorized from high school to postgraduate education level

Table 3. Characteristics of Respondents Based on Education Level

No	Educational Level	Total	Percentage (%)
1	SMA	45 People	49 %
2	Bachelor	40 people	43%
3	Magister	7 people	8%

The largest number of respondents were respondents with a high school education level, namely: 45 people with a percentage of 49%, the most respondents with a bachelor's education level amounted to 40 people with a percentage of 43%, respondents with a postgraduate education level totaled: 7 people with a percentage of 8%, from these data it can be seen that the number of respondents who have a high school education level is more than the respondents with undergraduate and postgraduate educational levels.

c. By Rank and Group

The composition of respondents based on rank and class is categorized as follows:

Table 4. Characteristics of Respondents by Rank and Group

No	Educational Level	Total	Percentage (%)
1	II/d	5 people	5 %
2	III/a/ Young stylist	13 people	14%
3	III/b/ Young Stylists of Kindergarten I	10 people	11%
4	III/c/ Stylist	-	-
5	III/d/ Kindergarten Manager. I	32 people	35%
6	IV/a/ Coach	32 people	35%
7	IV/b/ Kindergarten builder	-	-
Total		92 People	92 people

Source: Processed results of primary data, 2019

Based on table 4, it can be seen that the highest number of respondents are respondents with rank level and group IV/b/Tk.I coach, namely: 32 people with a percentage of 35%, the most respondents with rank level and class IIIId/Tk. I administrators amounted to 35 people. with a percentage of 35%, respondents with rank level and class III/a/Young stylists amounted to 11 people with a percentage of 14%, respondents with rank level and class III/b/ Young stylists Tk. I amounted to 10 people with a percentage of 11%, and respondents who rank and group IId amounted to 5 people with a percentage of 5%.

3.4 Descriptive Statistics Analysis

a. Financial Report Quality Variable

The results showed that the average score obtained by respondents regarding the quality of financial reports was 88.65% with the "very high" category, namely the maxim score >84-100. It indicates that the average respondent perceives the quality of their financial statements in the very high category. The score obtained for the variable quality of financial reports is spread over four indicators with each indicator achievement: relevant 90.49 (very high); reliable 89.13 (very high), comparable 87.77 (very high), and understandable 87.23 (very high). Thus, the indicator that gets the highest score is the relevant indicator.

b. HR Competency Variables

The results showed that the average score obtained by respondents regarding the quality of human resources was 81.30% with the "good" category, namely the maxim score >68-84. It indicates that the average respondent perceives the quality of human resources in the good category. The score of the variable quality of human resources is spread over three indicators with each indicator achievement being: knowledge 79.08 (good), skills 83.97 (good), and attitude 80.84 (good). Thus, the indicator that gets the highest score is the skill indicator.

c. Leadership Style Variables

The results showed that the average score obtained by respondents regarding leadership style was 80.58% with the "good" category, namely the maxim score >68-84. It indicates that the average respondent perceives the leadership style in the good category. The leadership style variable scores are spread across four indicators with each indicator achievement: directive type 80.77% (good), supportive type 80.57% (good), participatory type 81.61% (good) and achievement-oriented type 79.35% (good). Thus, the indicator that gets the highest score is the participatory type indicator.

d. Organizational Commitment Variable

The results showed that the average score obtained by respondents regarding leadership style of 81.52% was in the "good" category, namely the maxim score >68-84. It indicates that the average respondent perceives organizational commitment in the good category. The score obtained for the internal control system variable is spread over three indicators with each indicator achievement being: enthusiasm at work 81.66 (good), obedience to rules 80.43 (good), and cooperation 82.47 (good). Thus, the indicator that gets the highest score is the indicator of cooperation.

3.5 Inferential Statistic Analysis

a. HR competence does not affect Organizational Commitment

The results of the study indicate that HR competence does not affect a person's commitment to a particular organization. This means that one's commitment to the organization's vision and mission is not determined by one's competence. This also means that the level of competence of a person is not determined by organizational commitment. Someone who has good knowledge about his job, skills in managing financial statements, and his attitude to maintain financial management accountability are not solely because that person has a strong commitment to being loyal to the organization.

b. HR Competencies affect the Quality of Financial Reports

One of the findings in this study is that the competence of human resources has a positive and significant effect on the quality of financial reports. Thus, the theoretical assumption that can be developed is that whether or not the financial reporting model is good is largely determined by one's mastery of the theoretical foundations of the financial reporting system. This finding confirms the theoretical truth expressed by Winidyaningrum (2010), that human resources directly related to the system will be required to have adequate accounting expertise or at least have the will to continue learning and adding expertise in the field of accounting.

c. Leadership Style Affects Organizational Commitment

By basing theoretical assumptions on the results of this study, it can be said that a participatory leadership style can increase one's commitment to the organization. As explained by Robbins (2008), leadership plays a role in influencing a person's behavior, because it is the leader who can direct people to achieve goals. So, if a leader plays the role to influence subordinates, then the commitment of a subordinate to survive in the organization is the role of a leader.

d. Leadership Style Affects the Quality of Financial Reports

The leadership style of a leader is very influential on the performance of his subordinates. The more effective the leadership style of a leader will be able to improve the performance of his employees in making quality financial reports.

e. Organizational commitment affects the quality of financial reports

Organizational commitment shows strong belief and support for the values and goals to be achieved by the organization. Thus, the existence of organizational commitment will maintain compliance with government presentations of financial statements by reliable SAP.

f. Organizational Commitment does not mediate the influence between HR Commitment and Financial Report Quality

Competence is an ability based on skills and knowledge supported by work attitudes and their application in carrying out tasks and work in the workplace that refers to the requirements of the work performed. In facing the influence of the organizational environment, it demands the readiness of the organization's human resources to have the ability to respond to challenges by showing their performance through activities in the field of tasks and work within the organization.

g. HR commitment does not mediate the influence between Leadership Style and the Quality of Financial Reports

Leaders who have an effective leadership style in leading their organization, and have competent subordinates in compiling financial reports and those subordinates who have a strong commitment to their organization and are supported by a good internal control system within the organization, will be able to prevent and detect fraud so that it will achieve the goal of good governance, in this case, reflected in reliable financial reporting.

IV. Conclusion

Based on the results obtained through this research, it can be concluded several things, as follows:

The results of the descriptive analysis showed that all the variables measured in this study were in a good category. The details are the quality of the financial statements of 88.65%; the quality of human resources by 81.30%; leadership style by 80.58%; organizational commitment of 81.52%.

This study shows that the variable of human resource competence does not affect the strength or weakness of the commitment of employees working in the field of financial reporting. Unlike the HR competency variable, the leadership style variable affects increasing organizational commitment. This indicates that organizational commitment will get stronger because of the approach style of a leader, not the other way around on the competencies possessed by each employee. This finding shows that HR competence and leadership style are the determinants of the high and low quality of financial reports.

Organizational commitment does not moderate the influence between HR competence and the quality of financial reports or between leadership style and the quality of human resources. This shows that the influence between the variables of HR competence and leadership style on the quality of financial reports is direct and does not require organizational commitment as a mediator variable.

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