

# **The Effect of Competence of Human Resources, Utilization of Information Technology and Implementation of Good Corporate Governance Principles to Quality of Financial Statements (Survey on Conventional Rural Banks in Indonesia)**

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**ABSTRACT:** *This study aims to obtain empirical evidence about the Effect of Competence of Human Resources, Utilization of Information Technology and Implementation of the Principles of Good Corporate Governance to the Quality of Financial Statements. The study sample was 34 rural banks in Indonesia which are in the ganda group. Data analysis using path analysis. The PLS Implementation is used to test the hypothesis. The overall results of the study state that the competence of human resources affects the quality of financial statements. The utilization of information technology affects the quality of financial statements. The Implementation of the principles of Good Corporate Governance affects the quality of financial statements.*

**KEY WORD:** *Competence of Human Resources, Utilization of Information Technology, Implementation of the Principles of Good Corporate Governance, Quality of Financial Statements; Rural Banks.*

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## **I. INTRODUCTION**

This Era globalization needs an accountability as a form of accountability to the public or interested parties to the performance of the company to become a common demand. As a form of accountability, the effort that can be made is to convey accountability in the form of financial statements. There are many parties who rely on financial information presented and published with different uses and interests, so the report presented is required to be of high quality. The growing phenomenon is still quite a lot of companies that have inadequate quality of financial statements.

The phenomenon is that there are many problematic and inadequate financial reports that occur such as in government, state-owned companies, and companies in Indonesia. The emergence of similar cases raises questions for many parties, especially on corporate governance or better known as good corporate governance that has not been implemented, or the lack of competent resources used in managing financial recording and reporting, or inadequate infrastructure such as technology. information used.

According to the Financial Accounting Standards issued by the Indonesian Institute of Accountants 2015, the purpose of financial statements is to provide information regarding financial position, performance, and changes in the financial position of a company that is beneficial to a large number of users in decision making. However, financial statements do not provide all information that may be needed by the user in making economic decisions because they generally describe the financial effects and past events, and are not required to provide information.

Financial statements are products produced by accounting fields or disciplines. To be able to produce competent financial reports, which can fulfill qualitative characteristics, it is inseparable from the role of employees who work on it, the competence of human resources who implement accounting systems or who manage and conduct financial reporting is very important. This has been investigated by Yudiantara & I Gede Agus. (2012), that "Human resource capacity, has a positive effect on the quality of financial reporting accounting information "

The second thing that might affect the quality of financial statements is the use of advances in information technology. Technology is seen as a very helpful tool that is used by individuals to complete their tasks. In general, there are many known benefits offered by an information technology such as speed of transaction processing and report preparation, calculation accuracy, large amount of data storage, lower processing costs, multiprocessing capabilities. The influence of information technology on the quality of financial statements has also been investigated by Nuryanto and Nunuy (2013), the results of which state that "Partially, there is a positive and significant influence of the use of information technology on the quality of financial reports in local government work units."

What also might affect the quality of financial statements is good governance. Corporate Governance is corporate governance that explains the relationship between various stakeholders in the company that determines the direction of the company's performance. Good corporate governance is increasingly important for companies, namely as a management control tool in improving the performance of healthy companies. Theoretically, the implementation of Good Corporate Governance can increase the value of the company, by increasing their financial performance, reducing risks that might be carried out by the board of commissioners and directors with decisions that benefit themselves and generally Good Corporate Governance can increase investor confidence. By applying the principles of good governance, the work will also be easier to implement. Research conducted by Gemala (2008), states that "There is a significant positive effect of the Implementation of the principles of good corporate governance to the quality of financial statements."

Poor corporate governance can lead to fraud as happened in several banks in Indonesia. The need to apply the principles of good corporate governance (GCG) is felt to be very strong in the banking industry because the external and internal situations of banking are increasingly complex and the risks of banking business activities are increasingly diverse. In addition to increasing competitiveness also to provide protection to the community, the implementation of good corporate governance (GCG) is a necessity considering the banking sector is managing public funds.

Rural Banks in Indonesia are interested banks for micro and small entrepreneurs as well as for rural communities to obtain banking financial services both from the aspect of financing and depositing funds. Directors and commissioners have an important role to play in implementing the principles of good corporate governance (GCG) so that the directors and commissioners appointed must have certain conditions that must be fulfilled. This is an effort to realize corporate governance by reducing the possibility of bank operational irregularities carried out by directors, commissioners and shareholders.

From the description above, the topic is interesting to be used as research material, and the title of this research is: "The Effect of Competence of Human Resources, Utilization of Information Technology and Implementation of Good Corporate Governance Principles to the Quality of Financial Statements."

## **II. LITERATURE REVIEW**

### **2.1 The Human Resource Competence**

According to Wibowo (2016) Competence is the ability to carry out work or tasks that are based on skills and knowledge and are supported by work attitudes set by the job. Competence shows the knowledge, skills and certain attitudes of a profession in the characteristics of certain skills, which characterize a professional.

According to Malayu (2016), Definition of Human Resources is an integrated ability of the power of thought and physical power of the individual. Actors and their characteristics are carried out by their offspring and environment, while their performance is motivated by the desire to fulfill their satisfaction. So that Human Resource Competence includes Humans who have basic traits, profound and inherent personalities and predictable behavior in various situations and work tasks as an impetus to have achievements and desires to try to carry out tasks effectively.

### **2.2 The Utilization of Information Technology**

Definition of Information Technology is according to Sutabri (2014: 3) is: Information Technology is a technology used to process data, including processing, obtaining, compiling, storing, manipulating data in various ways to produce quality information, namely relevant, accurate information and on time, which is used for personal, business and government purposes and is strategic information for decision making.

Utilization of Information Technology According to Sutarman (2012: 19) states that the benefits of applying information technology are:

- 1) Speed : Computers can do complex calculations in seconds, very fast, far faster than humans can do.
- 2) Consistency: The results of processing are more consistent, not changing because the format (the shape) is standard, even though it is done repeatedly, while humans are difficult to produce exactly the same.
- 3) Precision: Computers are not only fast, but also more accurate and precise (precision). Computers can detect a very small difference, which cannot be seen with human capabilities, and can also do difficult calculations.
- 4) Reliability: What is produced is more reliable than done by humans. Errors that occur are less likely to use a computer.

### **2.3 Principles of Good Corporate Governance**

Definition of Good Corporate Governance (GCG) according to Arief (2016) is an internal control system of the company that has the main goal of managing significant risks in order to fulfill its business objectives through safeguarding company assets and increasing shareholder investment value in the long run.

And according to AkhmadSyakhroza, (2013) Corporate Governance is a system that is used "Board" to direct and control and oversee the management of organizational resources efficiently, effectively, economically, and productively.

JohnySudharmono, (2004) In essence the basic principles of GCG consist of five aspects, namely: 1) transparency; 2) Accountability; 3) Responsibility; 4) Independence; 5) Fairness.

For Rural Banks in Indonesia (BPR), it is mandatory to implement Good Corporate Governance (GCG) in each of its business activities at all levels of the organization. The implementation of Good Corporate Governance (GCG) which is regulated in the Financial Services Authority (OJK) Regulation No. 4 / POJK.03 / 2015 concerning Implementation of Governance for Rural Banks (BPR). This POJK is the foundation of OJK to supervise and evaluate BPR for the implementation of good corporate governance (GCG) in BPR.

Implementation of Governance as referred to in the Financial Services Authority (OJK) Regulation No. 4 / POJK.03 / 2015, the minimum must be realized in the following forms:

- a. Implementation of duties and responsibilities of the Board of Directors;
- b. Implementation of duties and responsibilities of the Board of Commissioners;
- c. Completeness and implementation of duties or functions of the committee;
- d. Handling conflicts of interest;
- e. Implementation of compliance, internal audit and external audit functions;
- f. Implementation of risk management, including the internal control system;
- g. The maximum credit limit;
- h. BPR business plan;
- i. Transparency of financial and non-financial conditions.

## 2.4 Quality of Financial Statements

Watiet. Al (2014), financial statements are a tool of accountability for the financial performance of management of a government to the public entrusted to it. Financial statements are the final result of the process of accounting activities or a summary of financial transactions. Whereas according to ZakiBaridwan, (2004) Financial reports are a summary of a recording process, a summary, and financial transactions that occur during the financial year concerned.

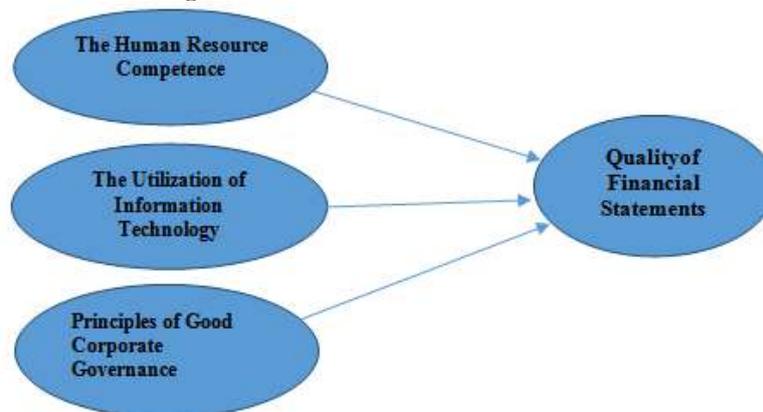
Kasmir (2014: 10), reveals that financial statements aim to: a) provide information about the type and amount of assets (assets) owned by the company at this time. b) provide information about the type and amount of liabilities and capital owned by the company at this time. c) provide information about the type and amount of income obtained in a given period. d) provide information about the amount of costs and types of costs incurred by the company in a certain period. e) provide information about changes that occur in assets, liabilities, and company capital. f) provide information about the performance of company management in a period. g) provide information about notes to financial statements.

According to SofyanSyafriHarahap (20), in the book Critical Analysis of Financial Reports that the Qualitative Characteristics (quality) of Financial Statements are: 1) Understandable; 2) Relevant; 3) Materiality; 4) Reliability; 5) Honest Presentation; 6) Substance outperforms; 7) Neutrality; 8) Healthy Considerations; and 9) Completeness.

## 2.5 Theoretical Framework

The theoretical framework can be illustrated in Picture 1 below :

**Figure 1: Theoretical Framework Model**



**2.6 Development of Hypotheses**

The research hypothesis based on these theoretical frameworks, the authors propose hypotheses partially and simultaneously as follows:

- H1: There is the influence of human resource competencies (HR) on the quality of financial statements. The same result with Hari& Diah (2015) that the Competence of Internal Accountants (in this case is human resources) has a positive effect on the quality of financial statements.
- H2: There is an influence on the use of information technology on the quality of financial statements. In line with Irfan (2016) that the use of information technology has a significant positive effect on the quality of financial reports in local governments.
- H3: There is an influence on the Implementation of the principles of good corporate governance (GCG) to the quality of financial statements. The same result with Bilel Ben Attia (2016) that governance has a positive impact on transparency of financial information (level disclosure).

**III. RESEARCH METHODS**

**3.1 Types of research**

The type of research used is descriptive quantitative research, where this study aims to explain or describe phenomena. This research not only provides an overview of the phenomena discussed, but also explains, discusses hypotheses, makes predictions, gets meaning, and implications of some of the problems to be solved, and collects the data needed by obtaining data techniques.

**3.2 Research Population and Samples**

The population in this study is the subject that discusses the research conducted, namely the bookkeeping section of the companies in the study, namely the Conventional Rural Bank (BPR) in Indonesia. The population used is based on statistical data issued by the Financial Services Authority (OJK) in September 2018 as many as 1,589 Rural Banks (BPR).

In this study the authors took samples by using purposive sampling technique with the criteria of research samples, namely:

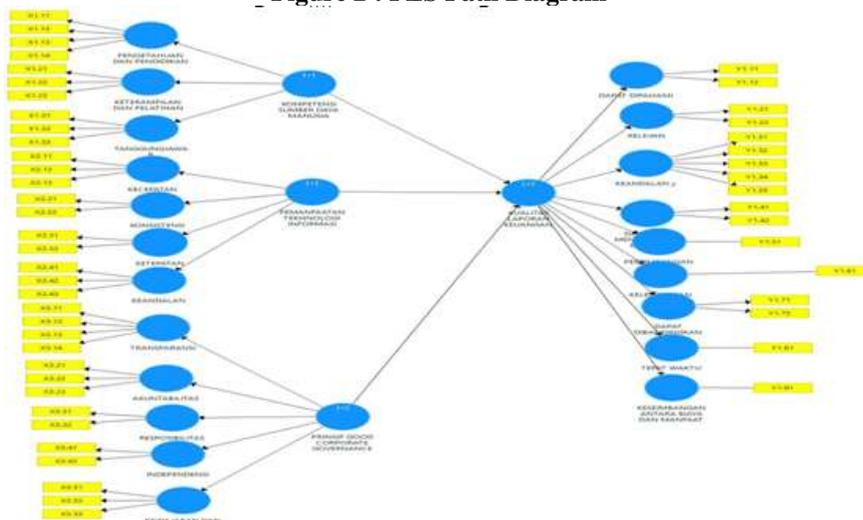
1. Conventional Rural Banks (BPR) that have Total Assets < 50 M.
2. Conventional Rural Banks (BPR) that have Paid-in Capital > 6 M.
3. Conventional Rural Banks (BPR) that have the same controlling shareholders on behalf of individuals namely Luseria Siagian. (In this study, researchers determined rural banks (BPR) under the auspices of the Ganda Group because the rural banks inGanda Group is spread in almost all provinces in Indonesia and has only implemented integrated information technology utilization in the last 3 years in all Rural Banks incorporated in the shade of the Ganda Group.)

Based on the criteria determined by purposive sampling technique, the obtained samples of the sample of 34 samples in this selection were rural banks in the gandagroup taken 34 rural banks as the study sample.

**3.3 PLS Models**

The construction of the PLS Path Diagram of this research model can be seen in Figure 1 below:

**Figure 2 : PLS Path Diagram**



## IV. RESULTS AND DISCUSSION

### 4.1 Description of Research Object

Dissemination of questionnaires to respondents distributed by 34 questionnaires according to the number of samples with a questionnaire return rate of 100%. The male respondents was more than female respondents, namely 21 respondents (61.76%) while women were 13 respondents (38.24%), while in terms of education level the majority of respondents were bachelor graduates, as many as 23 people (72.22%). For tenure, respondents who have worked more than 10 years and 5 - 10 years work period have a percentage that is close to those for those who are over 10 years of work 14 respondents and those who have 5-10 years work period are 16 respondents. It means that almost all respondents surveyed already had enough experience in working in the scope of Conventional Rural Banks so that respondents knew well the financial information system in the company in this case Conventional Rural Banks.

### 4.2 Data analysis

#### 4.2.1 Statistics Description

##### 4.2.1.1 Description of Variables of Human Resource Competence.

Variable The competence of Human Resources has 3 dimensions, which are described in the following table:

**Table1: Description of Variables of Human Resource Competence.**

No.	Dimension	Score	Deviation Standard
1.	Knowledge / Education	3.88	0.71
2.	Skills and Training	4.25	0.69
3.	Responsibilities	4.40	0.57
Total		12.52	1.97
Average		4.17	0.66

Based on the table above, it can be seen that the variable of Human Resources Competence which consists of 3 dimensions of research which has an average score of 4.17 with a standard deviation averaged 0.66 so that it can be interpreted that Competence of Human Resources in Conventional Rural Banks (BPR) those who are members of the Ganda Group are already good.

##### 4.2.1.2 Description of Variables of The Utilization of Information Technology

Variable Information Technology Utilization has 4 Reliability dimensions which are described in the following table:

**Table2: Description of Variables of The Utilization of Information Technology**

No.	Dimension	Score	Deviation Standard
1.	Speed	4.59	0.61
2.	Consistency	4.34	0.63
3.	Accuracy	4.34	0.61
4.	Reliability	4.48	0.51
Total		17.75	2.37
Average		4.44	0.59

Based on the table above it can be seen that the Information Technology Utilization variable which consists of 4 research dimensions which have an average score of 4.44, it can be interpreted that the Utilization of Information Technology in Rural Banks (BPR) incorporated in the Ganda Group is good .

##### 4.2.1.3 Description of Variable The Implementation of The Principles of Good Corporate Governance

Variable Implementation of the Principles of Good Corporate Governance has 5 described in the following table:

**Table3: Description of Variable The Implementation of The Principles of Good Corporate Governance**

No.	Dimension	Score	Deviation Standard
1.	Transparency	4.21	0.62
2.	Accountability	4.29	0.60
3.	Responsibility	4.44	0.57
4.	Independency	4.19	0.54
5.	Fairness and Equality	4.15	0.53
Total		21.28	2.86
Average		4.26	0.57

Based on the table above, it can be seen that the Implementation of the Principles of Good Corporate Governance Variable which consists of 5 research dimensions which have an average score of 4.26, which can be interpreted as the Application of Principles of Good Corporate Governance in Conventional Rural Banks (BPR) those who are members of the Ganda Group are already very good.

#### **4.2.1.4 Description of Variable Quality of Financial Statements**

Variable Quality of Financial Statements has 9 dimensions outlined in the following table:

**Table 4: Description of Variable Quality of Financial Statements**

No.	Dimension	Score	Deviation Standard
1.	Understandability	4.59	0.57
2.	Relevance	4.44	0.55
3.	Reliability	4.43	0.63
4.	Substance surpasses form	4.34	0.56
5.	Healthy Consideration	4.44	0.60
6.	Completeness	4.56	0.60
7.	Comparability	4.31	0.67
8.	Timeliness	4.59	0.55
9.	Balance between Cost and Benefits	3.79	0.72
Total		39.49	5.45
Average		4.39	0.61

Based on the table above, it can be seen that the Quality of Financial Statements Variable which consists of 9 research dimensions that have an average score of 4.39 which means that the Quality of Financial Statements in Conventional Rural Banks incorporated in the Ganda Group is already very good.

#### **4.2.2 Validity test**

Based on the output on the path diagram of the Smart PLS application, the loading factor for each construct meets convergent validity, the indicator value is above 0.5, with all loading factors significant at the 5% level.

#### **4.2.3 Reliability Test**

Based on the results of the output reliability of the Smart PLS application, all constructs have a composite reliability value above 0.70 and and the cronbach's alpha value is above 0.60. So it can be concluded that the construct has good reliability. It means that from the reliability test results it can be concluded that all constructs representing all the question items used to measure are reliable and trustworthy.

#### **4.2.4 Evaluation of Goodness of Fit: Measurement Model (Outer Model)**

Evaluation of goodness of fit: The measurement model (Outer Model) is done by measuring values: Convergent Validity, Discriminant Validity and Composite Reliability.

For Convergence Validity and Composite Reliability have met the criteria based on the data quality test results. For Discriminant Validity, based on the output on the path diagram of the Smart PLS application, all variables have AVE values > 0.5 which means that it can be said that all variables have good discriminant validity.

#### **4.2.5 Evaluation of Goodness of Fit: Structural Model (Inner Model)**

Evaluation of Goodness of Fit Structural model (Inner Model) is measured using predictive-relevance (Q2) and determination coefficient (R2). Predictive-relevance value (Q2) is calculated using the following formula:

$$Q2 = 1 - (1 - R12)$$

$$Q2 = 1 - (1 - 0.685)$$

$$Q2 = 1 - (0.315)$$

$$Q2 = 0.685$$

R2 is the coefficient of determination which is part of the total variation in the dependent variable which is explained by variations in the independent variable. The following is explained the results of the analysis of the evaluation of Goodness of Fit structural models of the research variables:

**Tabel5: R Square dan Q Square**

Variable	R Square	Q Square
Quality of Financial Statements (Y)	0,685	0,685

Based on the table above, the value of R<sup>2</sup> for the Financial Statements Quality variable is 0.685, which means that the value indicates that the Financial Statements Quality variable can be explained by the variables of Competence of Human Resources, Information Technology Utilization, Good Corporate Governance Principles Implementation of 68.5% while the remaining 31.5% is influenced by other variables not found in the research model. Evaluation of the inner model is quite good in explaining the variable Quality of Financial Statements. The predictive-relevance (Q<sup>2</sup>) value for the structural model in this study is also equal to 0.685 or 68.5%, meaning that the model is able to explain the phenomenon of the Quality of Financial Statements associated with several variables, namely Human Resources Competence, Information Technology Utilization, Good Principles Corporate Governance Implementation . Therefore, the model can be said to be good, or the model has good predictive value. So the model can be used to test hypotheses.

#### 4.3 Research Results

To test the relationship between variables (hypothesis test), the Tstatistic value of Smart PLS output is used compared with the Ttable value. Testing the full hypothesis can be explained as follows:

##### 4.3.1 The competence of human resources affects the quality of financial statements.

To find out the significance of the influence of Competence of Human Resources on the Quality of Financial Statements, see the following table:

**Table6: Path Coefficients**

Inter-Variable Relationships	T Statistik	P Values	Information
The Competence of Human Resources => The Quality of Financial Statements	2.229	0.015	Significant

The path coefficient is with a T statistic value of 2.29 > 1.660 and p value (significance value) of 0.015 < 0.05 at the significance level  $\alpha = 0.05$  (5%), which means that there is a significant effect of Human Resource Competence on the Quality of Financial Statements.

The results of the study support the first hypothesis (H1), where there is an influence of the Competence of Human Resources (HR) on the Quality of Financial Statements.

##### 4.3.2 The utilization of information technology affects the quality of financial statements.

To find out the significance of the effect of Information Technology Utilization on the Quality of Financial Statements by looking at the values in the following table:

**Table7: Path Coefficients**

Inter-Variable Relationships	T Statistik	P Values	Information
The Utilization of Information Technology => Quality of Financial Statements	2.105	0.018	Significant

The path coefficient is with a T statistic value of 2.105 > 1.660 and p value (significant value) of 0.018 < 0.05 at the significance level  $\alpha = 0.05$  (5%) which means that there is a significant effect of the Use of Information Technology on the Quality of Financial Statements.

The results of the study support the second hypothesis (H2), where there is an influence of Information Technology Utilization on the Quality of Financial Statements.

##### 4.3.3 The Implementation of the principles of Good Corporate Governance affects the quality of financial statements

To find out the significance of the effect of the Implementation of the Principles of Good Corporate Governance on the Quality of Financial Statements by looking at the following table:

**Table8: Path Coefficients**

Inter-Variable Relationships	T Statistik	P Values	Information
The Implementation of the principles of Good Corporate Governance => Quality of Financial Statements	6.238	0.000	Significant

The path coefficient is with a T statistic value of  $6.238 > 1.660$  and p value (significance value) of  $0.000 < 0.05$  at the significance level  $\alpha = 0.05$  (5%) which means that there is a significant effect of the Implementation of Good Corporate Governance Principles on the Quality of Financial Statements. The results of the study support the third hypothesis (H3), where there is an influence of the Application of the Principles of Good Corporate Governance to the Quality of Financial Statements.

#### 4.4 Discussion

The first hypothesis proposed in this study is that the competence of human resources affects the quality of financial statements. This means that the better the competency of human resources, the better the quality of financial statements. Based on the results of the analysis, the competence of human resources has a positive and significant effect on the quality of financial statements. These results indicate that respondents generally realize that human resources who have adequate abilities in their field can complete the work well, it will have implications for improving the quality of financial statements. The majority of human resources in Conventional Rural Banks studied are having a working period of more than 5 years and having a Bachelor education (S1), this can be seen from the demographics of the respondents or the objects of the research. Which enables adequate levels of human resource competency because they have fully understood the description of each task, so that the financial statements produced are of high quality. The result are in line with the research of Setiyawati & Iskandar (2015) which states that the Competence of Internal Accountants (in this case is human resources) has a positive effect on the quality of financial statements. And also by Silviana & G. Zahara (2015) which states that officers' competencies (human resources) partially have a significant effect on the quality of local government financial reports. As well as research conducted by Hongjiang Xu (2003) with the results stating that: "Human resources, systems, organizations and external factors are critical factors determining the quality of accounting information"

The second hypothesis proposed in this study states that the use of information technology affects the quality of financial statements. Based on the results of the analysis show that the use of Information Technology has a significant positive effect on the Quality of Financial Statements. This means that the better the utilization of information technology, improving the quality of financial statements. The use of information technology can make the work produced faster and more accurate. The conventional Rural Credit Banks (BPR) studied have sufficient information technology to support the company's operations, including in the process of producing good quality financial statements. The use of information technology which includes computer peripheral technology and communication technology in the management of integrated financial transactions will improve transaction processing and other data, accuracy in calculations, and preparation of reports and other output that is more timely.

This is in line with Irfan's (2015) research which states that the use of information technology has a significant positive effect on the quality of financial reports in local governments. Also supported by Lawrence's research (2013) where the results of the study show that Information Technology improves accuracy, reliability, relevance and completeness of financial statements to a sufficient and sufficient level. Accuracy, reliability, relevance and comparability of financial statements can be improved by Information Technology to a satisfactory level.

Different results in the study by Dian (2014) which stated that the use of regional financial accounting information systems did not significantly influence the quality of financial reports in the Pariaman City government. The same thing was expressed in the study by Nurlis (2017) The use of Information Technology has no influence on the Quality of Financial Reporting

The third hypothesis proposed in this study states that the implementation of the principles of Good Corporate Governance influences the quality of financial statements. Based on the results of the analysis show that the implementation of the Principles of Good Corporate Governance has a significant positive effect on the Quality of Financial Statements. This means that the better the Implementation of Good Corporate Governance Principles, improving Quality of Financial Statements. This is supported by the existence of the Financial Services Authority Regulation (POJK) No.4 / POJK.03 / 2015 concerning the Implementation of Governance for Rural Banks, so that good governance such as more adequate supervision is strictly applied in the operations of all Rural Credit Banks (The conventional BPRs studied are BPRs under the ganda group. The Principles of Good Corporate Governance (GCG) have been applied quite well on the BPR studied under the conditions set by the regulator. This can be seen/reflected from the implementation/fulfillment that is very adequate in each

aspect namely Governance Structure and Infrastructure, Governance Implementation Process and Governance Implementation Results in 11 GCG assessment factors.

The results of this study are in line with the research conducted by Mondher (2016) where the results of this study indicate that governance has a positive impact on transparency of financial information (level disclosure). Likewise with research by Joseph & Ahmed (2017) The findings of this study reveal that there is a significant positive relationship between corporate governance mechanisms and the quality of financial reporting in Nigeria. This implies that the higher the level of board characteristics, audit committees, independent councils, board size and growth, the higher the quality of financial reporting in Nigeria. Similar results were also stated in the study by Mark A. Clatworthy (2010), which stated that the characteristics of corporate governance carried out such as the composition of the board of directors, external auditors, good account management and archiving and the latest updated regulations affect the timeliness of the release of financial statements more on time to the public. Likewise with the research by Ben Attia (2016) with the results of research showing that governance has a positive impact on transparency of financial information (level disclosure) is also in line with the results of this study.

## V. CLOSING

### 5.1 Conclusion

1. The Human resource competency significantly influences the quality of financial statements. This means that the better the competency of the human resources that are owned will produce quality financial statements as expected. There needs to be adequate competence regarding accounting and the system for human resources who make financial statements to produce quality financial reports.
2. The utilization of information technology significantly influences the quality of financial statements. This means that the better utilization of information technology will make the quality of financial statements better.
3. The Implementation of the principles of Good Corporate Governance has a significant effect on the quality of financial statements. This means that the better the Implementation of the principles of Good Corporate Governance will make the quality of financial statements better.

### 5.2 Suggestion

Based on the results of the discussion and conclusions above, the researcher can provide suggestions as follows:

1. In terms of the influence of competency of Human Resources on the Quality of Financial Statements, the Board of Directors as the head of a Conventional Rural Bank (BPR) continues to improve the competence of human resources that are owned specifically for human resources that make financial reports. To support this, it is expected to recruit resource human beings with a background in accounting education and effective training for human resources can be carried out so that the knowledge and understanding of accounting standards that apply is better and more adequate.
2. Conventional Rural Banks (BPR) must continue to improve the use of Information Technology in accordance with regulations to improve the quality of Financial Statements. Information technology that is always able to support regulations that regulate the application of applicable accounting standards in order to increase competitiveness between Conventional Rural Banks (BPR).
3. In the case of the Implementation of the Principles of Good Corporate Governance, it is always carried out to improve supervision that can support the performance of Conventional Rural Banks (BPR) so that the quality of the Financial Reports produced is of high quality.

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