

Preparation Of Quality Financial Reports In Village Credit Institutions: A Study In Kuku Customary Village

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Abstract

Purpose: This study aims to enhance the competence of human resources in preparing high-quality financial reports at the Village Credit Institution (LPD) of Kuku Traditional Village. As a microfinance institution, LPD plays a crucial role in the local economy, and good financial reporting is essential for implementing Good Corporate Governance (GCG) and increasing stakeholder trust.

Method: The research was conducted through community service activities involving interviews, training, and evaluations. A pre-test and post-test approach was used to measure the effectiveness of the training.

Practical Applications: The training provided practical knowledge and skills that are directly applicable to the daily financial reporting tasks of LPD staff, supporting the institutional goal of better governance and transparency.

Conclusion: The evaluation showed a 64% increase in competence among the participants, indicating that the training program was effective and beneficial for improving human resource capacity at the LPD of Kuku Traditional Village.

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Introduction

Village economic growth is one of the factors that can influence the development of national economic growth. Economic growth in villages is influenced by several sources of village income, one of which is from financial institutions in the village known as the Village Credit Institution (LPD). LPD is a Village Credit Institution (LPD) is a microfinance institution operating in traditional village areas in Bali, established with the aim of improving the welfare of local village communities through independent fund management. LPD was established based on Bali Provincial Regulation No. 8 of 2012 and local policies (awig-awig) (Sadiartha, 2017). LPD is managed by traditional villages and functions as a financial intermediary institution that provides savings and loan services, small business loans, and various other financial products. Based on cultural values and local wisdom, LPD plays an important role in supporting the village economy through services close to the community, as well as helping maintain local economic stability amidst competition from larger financial institutions. Village Credit Institution (LPD) is a financial institution owned by traditional villages in Bali that carries out its operations within the traditional village environment. LPD is an asset and source of income for traditional villages that is very important for the progress of the village economy so it needs to be managed well (Budiasni, 2021).

As a financial institution in traditional villages, several village credit institutions (LPDs) in Bali have been affected by several cases, including corruption cases involving several LPDs (Regional Development Banks) in Bali, both due to bad debts and poor governance. Based on this phenomenon and to prevent financial embezzlement, LPDs require high-quality financial reports as a form of accountability to the community and stakeholders. An internal control system serves as a means of directing and supervising, and plays a crucial role in detecting and preventing fraud. Therefore, high-quality reports are one way to provide assurance of reliability (Pramesti, 2021).

A quality financial report is one that contains financial information that is not misleading, timely, understandable, and comparable, which is useful for evaluating performance and decision-making (IAI, 2015). High-quality reports also serve as a control mechanism to discipline and encourage managers to ensure the efficiency of the financial reporting process (Bushman, et al., 2004). An important factor that cannot be separated is good corporate governance (GCG) as a process of maintaining the company's long-term business continuity and prioritizing stakeholders (Mulyanti, 2020). Several studies have shown that the quality of financial reports is influenced by several factors. The level of accounting understanding and the quality of human resources have a positive effect on the quality of financial reports (Dewi, 2019; Isnaen, 2021; Dewi, 2024; Permana, 2022).

The Kuku Traditional Village LPD (Lembaga Pembangunan Daerah Adat Kuku) is a financial institution that supports the economy of the Kuku traditional village community. In 2022, the Kuku Traditional Village LPD ranked among the top five LPDs with significant assets in Tabanan Regency. (Sari, 2024). Currently, the Kuku Traditional Village LPD has experienced increasingly rapid development, which can be seen from the number of assets it currently owns.

In carrying out its operational activities, the LPD of Kuku Traditional Village faces several challenges, namely how to produce financial reports that can provide reliable information to all stakeholders of the LPD of Kuku Traditional Village. Good quality financial reports will increase the trust of all stakeholders in the LPD. Based on the results of interviews with LPD administrators, there is still a need to improve accounting understanding and the quality of human resources in the LPD to produce quality financial reports.

Based on these priority issues, this community service activity was carried out to help address partner issues through accounting training. This training activity aims to improve the accounting understanding of human resources at the LPD of Kuku Traditional Village. Partner participation, in this case the LPD of Kuku Traditional Village, is the partner's willingness to provide a training venue, equipment used, and follow the training schedule prepared by the community service team. This community service activity was attended by

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all LPD organs, namely supervisors, administrators, and employees at the LPD of Kukuh Traditional Village.

The training was conducted by the community service team of the Master of Accounting study program at Mahasaraswati University, Denpasar, in collaboration with the LPD (Lembaga Pembantuan Desa Adat Kukuh) in Marga District, Tabanan Regency. This activity was carried out in July 2025, involving LPD supervisors, administrators, and employees. The implementation method included implementation and publication stages. The implementation stage included interviews, training, and evaluation. The next stage was to publish the results of this community service in a national scientific journal to provide information to the wider community.

Method

The training implementation method for this community service program includes implementation and publication stages. During the implementation stage, interviews were conducted with LPD managers to explore and obtain information on priority issues currently faced by partners, in this case the LPD of Kukuh Traditional Village. In addition, interviews and observations were conducted to gain a deeper understanding of the problems faced by partners. In this training activity, pre- and post-tests were given to participants to determine whether there was an increase in participant understanding, especially related to accounting knowledge.

This community service activity involves providing training on good accounting practices, from transaction analysis to recording transactions through the accounting cycle to producing financial reports. This is intended to improve the quality of the financial reports they produce. The training activities are shown in the image below:

Figure 1. Training activities at the LPD of Kukuh Traditional Village



Source: Private Documentation, 2025.

In this training activity, the community service team, acting as resource persons, also presented material related to the types of financial reports required by an institution, including the statement of changes in financial position, profit and loss statement, cash flow statement, statement of changes in equity position, and notes to the financial statements (Saputri, 2023). These various types of financial reports will provide information on a company's financial condition. LPDs are expected to adjust their financial reports accordingly.

This training also provided information on the importance of producing quality financial reports. Quality financial reports are crucial because they will serve as the basis for decision-making by stakeholders and also to maintain stakeholder trust in the management of the Kukuh Traditional Village LPD. The training activities are shown in Figure 2 below:

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Figure 2. Accounting training activities



Source: Private Documentation, 2025.

To evaluate the effectiveness of the community service program, participants were asked to complete a pre-test questionnaire before the activity began. They were also asked to complete a post-test questionnaire after the training to gain information on the benefits of the training, as shown in Figure 3 below:

Figure 3. Evaluation activities



Source: Private Documentation, 2025.

Results

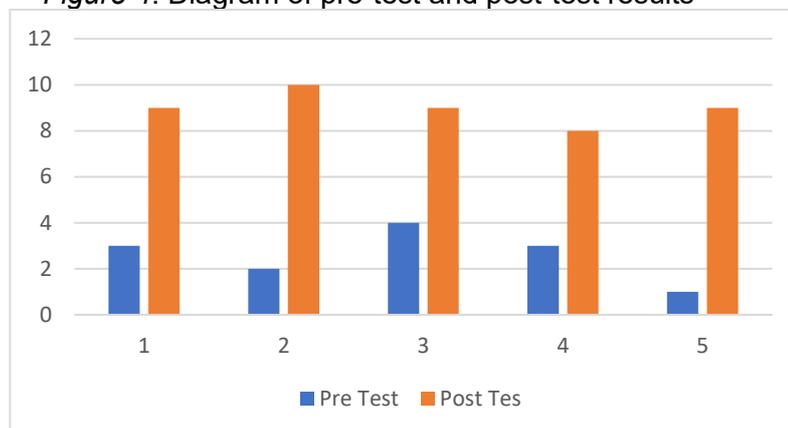
The observations revealed that many institutions still struggle to produce high-quality financial reports, which are essential for conveying accurate information about their financial performance. Poor reporting practices can lead to significant consequences, including misguided decisions by stakeholders and potential financial losses. This issue often stems from inadequate knowledge and skills among human resources responsible for preparing these reports. Without proper understanding of accounting principles and processes, institutions cannot ensure transparency and accountability in their financial statements.

Recognizing this challenge, the community service program focused on improving the competence of LPD staff through targeted training. The training emphasized the importance of systematic accounting processes, from transaction identification to the preparation of comprehensive financial statements. By equipping participants with practical skills and theoretical knowledge, the program aimed to bridge the gap between current practices and the standards required for high-quality reporting. This approach was expected to enhance the reliability of financial information and strengthen stakeholder trust in the institution.

To measure the effectiveness of the training, a structured evaluation was conducted using pre-test and post-test questionnaires. These assessments consisted of five questions designed to gauge participants' understanding of key accounting concepts and practices. The pre-test results indicated a low level of comprehension, with only 26% of answers being correct, while 74% were incorrect. This finding confirmed the initial assumption that there was a significant need for capacity building among the LPD staff.

Following the training, the post-test results demonstrated a remarkable improvement in participants' knowledge. Correct responses increased to 90%, while incorrect answers dropped to just 10%. This substantial progress highlights the success of the training program in enhancing participants' accounting skills and understanding. The improvement also reflects the effectiveness of the interactive and practical approach adopted during the sessions, which allowed participants to apply concepts directly to real-world scenarios.

Figure 4. Diagram of pre-test and post-test results



Source: Author's Work, 2025.

Overall, the evaluation results underscore the critical role of continuous education and training in improving financial reporting quality. By investing in human resource development, institutions like LPD can ensure better governance, transparency, and accountability. The positive outcomes of this program not only benefit the Kukuh Traditional Village LPD but also serve as a model for similar institutions seeking to strengthen their financial management practices. This initiative demonstrates that targeted interventions can significantly impact organizational performance and stakeholder confidence.

Conclusion

LPD, as a microfinance institution owned by a traditional village, must implement good corporate governance in carrying out its activities. One form of good governance is the ability to produce quality financial reports as a form of accountability and transparency. By implementing good governance, it is hoped that stakeholders will have the highest level of trust in LPD, considering that LPD is a financial institution with stakeholder trust as a primary factor that must be maintained. The phenomenon that occurs is the need to improve the accounting understanding of existing human resources to be able to produce quality financial reports. Based on the existing phenomena and problems, accounting understanding training was carried out with the aim of improving the capabilities of existing human resources related to the preparation of quality financial reports. The methods used were interviews, training, and evaluation. The evaluation results of this training activity showed an increase in human resource competency by 64%. This percentage increase indicates that the training provided has benefited the human resources in the LPD of Kukuh Traditional Village.

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