

**FACTORS THAT INFLUENCE THE QUALITY OF COOPERATIVE FINANCIAL REPORTS IN OGAN KOMERING ILIR REGENCY, INDONESIA**

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**ABSTRACT**

**Purpose-** The factor that can encourage cooperatives to become better is good quality financial reports. The quality of financial reports is the extent to which the financial reports presented show correct and honest information. The quality of financial reports is useful as a basis for making economic decisions for interested parties. This research aims to determine the influence of education level, understanding of accounting, internal control systems, coaching methods, and information technology on the quality of cooperative financial reports in Ogan Komering Ilir Regency, South Sumatra.

**Methodology-** This type of research is quantitative research. Data obtained through a survey of the Management and Management of the Maju Jaya Cooperative, Mekar Abadi Mandiri Cooperative, Sido Makmur Cooperative, Tanjung Gading Cooperative, and Senuling Jaya Cooperative. The data analysis techniques used are Validity Test, Reliability Test, Multiple Linear Regression Test and Hypothesis Test.

**Findings-** The results of the research show that the level of education, understanding of accounting, use of information technology, internal control structure, and cooperative management influence the quality of cooperative financial reports in OKI Regency.

**Conclusion-** Based on the results of analysis and testing regarding the influence of education level, understanding of accounting, use of information technology, internal control, and cooperative management on the quality of cooperative financial reports in OKI district, it can be concluded that all the factors mentioned above have positive effects on the quality of cooperative financial reports.

**Keywords:** Education level, internal control systems, use of information technology, quality of financial reports.

**JEL Codes:** G32

**1. INTRODUCTION**

A cooperative is a business entity consisting of people or cooperative legal entities that bases its activities on cooperative principles as well as being a people's economic movement based on the principle of kinship (RI Law No. 25 of 1992 Article 1). Indonesian Cooperatives are people's economic organizations with a social character, consisting of people or cooperative legal entities which constitute an economic structure as a joint venture based on the principle of kinship. Cooperatives are one of the oldest financial institutions in Indonesia. According to Law Article 3 No. 9 of 2019 Cooperatives aim to advance the welfare of members in particular and society in general and participate in building regional economic order in order to create an advanced, just and prosperous society based on Pancasila and the 1945 Constitution of the Republic of Indonesia. Cooperatives are growing in Ogan Komering Regency Ilir (OKI) South Sumatra has quite a large number of cooperatives, as data from the Department of Cooperatives, SMEs and Industry recorded as many as 543 units, with 395 active units (72.74%). This cannot be separated from the role of the regional head, namely the Regent of OKI, who was given an award because he was considered successful and consistent in encouraging cooperatives and MSMEs in OKI to advance in class. In the online news Sumatra Bisnis.com on Monday, August 14, 2023, it was written that several programs implemented by Iskandar, namely One Village One Cooperative, revitalization of smallholder oil palm plantations reached 21,000 hectares since 2017, and the highest realization of KUR distribution in South Sumatra reached 92.8 percent or worth IDR 1,425 billion. Not only that, the OKI Regency Government also opens access to cooperative and MSME products to enter the modern retail market, through the support of halal products for MSMEs to move up in class. The one village, one cooperative program, which was initiated in 2014 by the Regent of OKI, is an original innovation that aims to support the people's economy. However, the successful development of cooperatives in OKI district requires financial structuring and management of cooperatives so that they can be stable and survive.

**Table 1: Data on Active and Inactive Cooperatives in OKI Regency for the Current Year 2022**

Districts in Ogan Komering Ilir Regency	Number of Active Cooperatives by District		
	2020	2021	2022
Air Sugihan	22	22	22
Cengal	13	13	13
Jejawi	19	19	19
Kabupaten Ogan Komering Ilir	396	395	395
Kayu Agung	69	69	69
Lempuing	26	26	26
Lempuing Jaya	22	22	22
Mesuji	23	23	23
Mesuji Makmur	25	25	25
Mesuji Raya	22	22	22
Pampangan	22	22	22
Pangkalan Lampam	16	16	16
Pedamaran	12	13	13
Pedamaran Timur	10	10	10
Sirah Pulau Padang	21	21	21
Sungai Menang	20	19	19
Tanjung Lubuk	17	17	17
Teluk Gelam	17	16	16
Tulung Selapan	20	20	20

Source: Department of Cooperatives, SMEs and Industry, Ogan Komering Ilir Regency

The factor that can encourage cooperatives to become better is good quality financial reports. Financial reports are the final process in the accounting process which has an important role in measuring and assessing a company's performance. Financial Accounting Standards Guidelines (PSAK) no. 1 of 2015 explains that Financial Reports are a structured presentation of the financial position and financial performance of an entity. A complete financial report usually includes a balance sheet, profit and loss statement, reports on changes in financial position, notes and other reports as well as explanatory material which is an integral part of the financial report. The quality of financial reports is the extent to which the financial reports presented show correct and honest information so that they are useful as a basis for decision making. Because financial reports are used as a guide in decision making, these financial reports must have information value. So that users of financial reports can make decisions effectively (Ngakil, 2020). Rosdiani (2013) stated that the quality of financial reports is the extent to which the financial reports presented show correct and honest information. The quality of financial reports is useful as a basis for making economic decisions for interested parties. The quality of financial reports, with its various measurements, is generally used in investment decisions, compensation agreements, debt terms and contract decisions based on the quality of financial reports.

Much research has been conducted on education levels and shows that employee education levels are one of the factors that influence the quality of financial reports. Sukarini's research (2018) found that the level of employee education influences the quality of financial reports. The same results were found by Wardani (2014) and Muzahid (2014) who found that the level of education influenced the quality of financial reports. Several researchers found consistent results regarding the level of education on the quality of financial reports (Setyowati, 2020).

Another factor that supports the good quality of financial reports is understanding accounting. Poerwadarminta (2006) said that understanding accounting is a process, a way of making sense or comprehending. The role of Human Resources (HR) in the development of the business world, which is currently increasingly rapid, is very important for every company. The quality of human resources in every company organization determines success in achieving every company goal. This means that people who understand accounting are smart and really understand accounting. Someone who is said to understand accounting means understanding and being clever about how the accounting process is carried out to produce a financial report guided by the principles and standards for preparing quality financial reports. In general, the qualitative criteria for financial reports are explained in SAK 2012. There are 4 components that must be fulfilled so that financial cooperatives can be presented in a quality manner, namely understandable, relevant, reliable and comparable.

Cooperatives as organizations in the economic sector are very vulnerable to the risk of loss or other risks arising from misappropriation and fraud in financial reports by employees. To maintain the quality of financial reports and prevent these risks, a good Internal Control System is needed. Research conducted by Sari (2016) states that the Internal Control System influences the quality of financial reports. Cooperatives are currently facing big challenges, especially from rapidly developing

technology. The use and utilization of technology can help accounting employees in the process of preparing financial reports and can minimize the risk of misstatements in financial reports. Optimal applications of information technology will have an impact on more accurate and faster transaction processing because through the use of information technology it can reduce material errors and save processing time (Sunsari, 2019). Research conducted by Zubaidi (2019) stated that information technology influences the quality of financial reports.

In the development and improvement of cooperatives' ability to prepare financial reports, coaching, education and training efforts are carried out. These three efforts are interrelated. Operationally, it can be formulated that coaching is a process that includes a series of efforts carried out deliberately in the form of providing assistance to cooperative management carried out by professional staff with the aim of increasing the effectiveness of productivity in a cooperative. The concept of providing assistance in this case is in the form of direction, guidance, facilities and delivery of information. Factor in the cooperative management's work experience as a bookkeeping officer, you will learn a lot about the accounting information needed. (Holmes and Nicholas). Because cooperative management will require more information to be prepared and used in decision making. The more experienced the cooperative management is, the easier it will be to prepare reliable financial reports. The objective to be achieved in this research is to determine the influence of education level, understanding of accounting, internal control systems, information technology and cooperative management on the quality of financial reports.

## 2. THEORY, LITERATURE REVIEW AND HYPOTHESIS

Grand's theory is the basis of agency theory and stewardship theory. Donaldson and Davis, (1991) quoted by Anton, (2010) stated that Stewardship theory explains that management (Cooperative administrators and management) are motivated and prioritize achieving the goals set by the organization rather than their own goals. Stewardship theory is a theory that can describe the condition of administrators and cooperative management who are more motivated to realize shared targets and goals rather than focusing on their own goals. So, this theory has a psychological and sociological basis which is designed so that leaders and management can achieve their organizational goals (Sanjaya, 2017).

Whereas in the case of this research, Cooperative Management and Management are able to produce good quality financial reports, so that they can be held accountable to all members. According to Gietsch & Davis, quoted by Tjiptono and Chandra (2016), quality is a dynamic state related to products, services, human resources and processes that meet expectations. In PSAK No.1 (2015:1) "financial reports are a structured presentation of the financial position and financial performance of an entity". Financial reports are reports that show the company's current financial condition or in a certain period (Kasmir, 2017:7). The quality of financial reports is the results of reports that show the company's financial condition which is presented in accordance with existing regulations. Individuals are said to understand accounting if they can carry out the accounting process until it takes the form of a financial report that is based on financial reporting principles and standards (Aniftahudin, 2019).

Holmen and Nicholaz said that management education has a relationship with the level of users of accounting information. The higher the educational level of the cooperative manager, the easier it will be to absorb accounting knowledge and mechanisms in producing financial reports. This is because they have broader knowledge and insight compared to managers who have only completed basic or advanced level education. Educational background also influences the success of cooperatives. Cooperatives that have administrators and management with a higher educational background will be able to bring the Cooperative towards better progress. The rate of progress will be faster if the Cooperative has resources with high education and the ability to manage the Cooperative. . Based on the thoughts and explanation above, the first hypothesis is:

*H<sub>1</sub>: Education level influences the quality of cooperative financial reports*

Individuals are said to understand accounting if they can carry out the accounting process to form financial reports that are based on financial reporting principles and standards (Aniftahudin, 2019). Study results from Aniftahudin (2019) and Dewi and Ernawatiningsih (2019) show that understanding accounting has a positive effect on the quality of financial reports. This indicates that the more someone understands how to prepare accounting, the better quality their financial reporting results will be. If a person's understanding of accounting is lacking, then the financial report results will not be of high quality. This is due to a lack of understanding of accounting, so the financial reports are of low quality and do not comply with specified standards. Based on the thoughts and explanation above, the hypothesis is:

*H<sub>2</sub>: Understanding accounting influences the quality of cooperative financial reports*

According to Cita and Kusumawati (2020) internal control is a way to direct, control and assess organizational resources. Sukmaningrum (2012) quoted by Chodijah and Hidayah (2018) stated that internal control is part of risk management that must be carried out by each agency in order to realize the agency's goals. Implementing good internal control can ensure the results of financial reports, as well as increasing the trust of those in power. The internal control system is a general way to regulate actions and activities carried out continuously by the leadership and all employees in achieving organizational goals through various effective and efficient activities, reliability of financial reporting, monitoring of state assets, and compliance with applicable regulations (Mene et al., 2018). Previous research by Cita and Kusumawati (2020) shows that internal control has a

positive effect on the quality of financial reports. Previous research by Dewi and Ernawatiningsih (2019) found that internal supervisory bodies have a positive effect on the quality of financial reporting. The internal control system is a general way to regulate actions and activities carried out continuously by the leadership and all employees in achieving organizational goals through various effective and efficient activities, reliability of financial reporting, monitoring of state assets, and compliance with applicable regulations (Mene et al., 2018). The results of studies from Mene, et al (2018) and Chodijah and Hidayah (2018) show that the internal control system has a positive and significant influence on the quality of financial reports, meaning that the better the implementation of the elements of the internal control system, the better the financial report results. Based on the thoughts and explanation above, the hypothesis is:

*H<sub>3</sub>: The Internal Control System influences the quality of Cooperative financial reports*

Technology includes a system that functions to facilitate the work of workers in completing their tasks, where this system can be in the form of hardware and software, while information is the result of processing, manipulating and organizing some data that can provide information and knowledge for its users (Sutabri 2014:2, in Mene et al, 2018). Information technology is the study, design, development, implementation, support or management of computer-based information systems, especially software and hardware applications (Aniftahudin, 2019). Previous research by Chodijah and Hidayah (2018), resulted in the conclusion that information technology and internal control systems have a significant influence on the quality of financial reporting. Previous research by Hasnidar (2016) shows that computer-based accounting information systems have no effect on financial quality. The research results of Aniftahudin (2019), Mene, et al (2018) and Chodijah and Hidayah (2018) show that information technology has a positive and significant influence on the quality of financial reports, indicating that the better the use of information technology, the better the quality of financial reports. Information technology plays an important role to optimize the quality of financial reports. Based on the thoughts and explanation above, the first hypothesis is:

*H<sub>4</sub>: Information technology influences the quality of cooperative financial reports*

To develop and improve the ability of cooperatives to prepare financial reports, coaching, education and training efforts are carried out. These three efforts are interrelated. Operationally, it can be formulated that coaching is a process that includes a series of efforts carried out deliberately in the form of providing assistance to cooperative management carried out by professional staff with the aim of increasing the effectiveness of productivity in a cooperative. The coaching method factor applied must be effective in order to implement healthy cooperative management which is reflected in the Cooperative Financial Report. Edwin B. Filipo stated that training is an action to improve a person's skills to carry out a job. According to Tohardi (2002) training methods play an important role in implementing coaching methods. Likewise with cooperatives, the more frequently implementing accounting training in practice means the more effective the method of fostering cooperative accounting implementation is implemented and the easier it is for cooperative management to provide accounting information. Management must combine the skills, experience, personality and motivation of each leader. Therefore, accepting a leader's instructions or requirements is very dependent on the expectations of their followers (Ivancevich, 2001). The better the leadership ethics of a chairman, the better the quality of financial reporting. (Desak Ayu, 2021). Based on the thoughts and explanation above, the hypothesis is:

*H<sub>5</sub>: Cooperative management influences the quality of cooperative financial reports*

### 3. RESEARCH METHODS

This research uses quantitative research methods. In this study, the research population was all cooperative administrators and management in 18 sub-districts in OKI Regency, South Sumatra. The sample in this research is the administrators and management of the OKI Regency sub-district cooperative with the criteria of administrators and management who are actively involved in the management and management of the cooperative. Of the 543 cooperatives recorded at the OKI Regency SME and Industrial Cooperatives Service, there are 395 cooperatives that are active and can be used as samples in this research. Data collection was carried out during training for cooperative administrators and management organized by the UKM and Industrial Cooperatives Service, namely in August 2023 by distributing questionnaires to the 87 cooperative administrators and management who attended. The quality variable of Cooperative financial reports is measured using the same instruments as those used by Brandy Septo Nugroho (2018) with indicators that are relevant, reliable, timely, comparable and understandable. According to Riana Nugrah Wardani, the educational level of Cooperative management can be measured through indicators of formal education, non-formal education and informal education. Accounting understanding is measured using the same instrument as that used by Juni Wismawati (2020) with indicators of understanding the accounting cycle, carrying out accounting processes, and being able to read financial reports. The use of information technology in cooperatives is measured using the same instruments as those used by Raga Solihantara (2021) with indicators of computer use, internet use and data processing software. According to Sulfiana (2019) internal control can be measured by indicators of compliance with regulations, separation of responsibilities and supervision. Cooperative management is measured by the process of planning, organizing, activating and controlling (George R. Terry).

**Table 2: Instrument Grid**

Variable	Indicator	Question Items
Level of Education (Riana Nugrah Wardani, 2014)	Formal Education	1
	Non-Formal Education	2
	Informal Education	3
Understanding Accounting (Ni Komang Juni Wismawati, 2020)	Understanding The Accounting Cycle	1
	Understand the Accounting Process	2,3,4,5
	Able to Read Financial Reports	6
Utilization of Information Technology (Riana Nugrah Wardani, 2014)	Computer Use	1,4
	Data Processing Software	2
	Internet Use	3
Internal Control System (Sulfiana, 2019)	Control Environment	1
	Risk Assessment	2
	Control Activities	3
	Communication Information	4
	Monitoring	5
Cooperation management (George R. Terry, 1993)	Planning	1
	Organization	2
	Activating	3
	Controlling	4
Quality of Financial Reports (Riana Nugrah Wardani, 2014)	Relevant	1
	Reliable	2
	Timely	3
	Comparable	4
	Understandable	5

This research is associative research that is causal or cause and effect in nature. According to Sugiyono (2014) associative research is research carried out with the aim of finding out the relationship between two or more variables. The test results will be used as a basis for drawing conclusions, whether they support or reject the hypothesis developed from theoretical studies. The population in this study consisted of Cooperative administrators and management in OKI Regency. Sampling used a random probability sample method. The data used in this research is primary data with data collection techniques using questionnaires. The form of questionnaire used is a closed questionnaire. The measurement of variables in this research is by using attitude measurement using the Likert method. The Likert method with an interval measurement scale uses five assessment numbers, namely with a score of 1 to 4, where score 4 (SS= Very Appropriate), score 3 (S= Appropriate), score 2 (TS= Not Appropriate) and score 1 (STS= Very Suitable). It is not in accordance with). The analytical method used in this research is multiple linear regression analysis. This research data was processed using the Statistical Package for Social Science (SPSS) program. The data analysis technique using data quality tests carried out in this research is the Validity Test and Reliability Test. The testing of linear regression assumptions or also known as classical assumption testing includes the normality test, multicollinearity test and heteroscedasticity test (Latan, 2013). The analysis used in this research uses multiple linear regression analysis using test tools including the Simultaneous Test (F), t Test (Partial) and Determinant Coefficient (R<sup>2</sup>).

#### 4. RESULTS AND DISCUSSION

Validity testing in this research uses a significant level of  $\alpha = 5\%$ . Questionnaire questions are said to be valid if the calculated  $r$  is greater than the table  $r$  and the significance value is smaller than alpha ( $\alpha$ ) 0.05. On the other hand, questionnaire questions are said to be invalid if the calculated  $r$  is smaller than the table  $r$  and the significance value is greater than alpha ( $\alpha$ ) 0.05.

**Table 3: Validity Test**

Variable	Corrected Item-Total Correlations	Description
Level of Education 1	0,831	Valid
Level of Education 2	0,859	Valid
Level of Education 3	0,866	Valid
Understanding Accounting 1	0,600	Valid
Understanding Accounting 2	0,703	Valid
Understanding Accounting 3	0,652	Valid

Understanding Accounting 4	0,700	Valid
Understanding Accounting 5	0,624	Valid
Understanding Accounting 6	0,733	Valid
Utilization of Information Technology 1	0,589	Valid
Utilization of Information Technology 2	0,730	Valid
Utilization of Information Technology 3	0,650	Valid
Utilization of Information Technology 4	0,768	Valid
Internal control 1	0,870	Valid
Internal control 2	0,841	Valid
Internal control 3	0,883	Valid
Internal control 4	0,880	Valid
Internal control 5	0,838	Valid
Cooperation management 1	0,720	Valid
Cooperation management 2	0,753	Valid
Cooperation management 3	0,686	Valid
Cooperation management 4	0,755	Valid
Quality of Financial Reports 1	0,791	Valid
Quality of Financial Reports 2	0,814	Valid
Quality of Financial Reports 3	0,809	Valid
Quality of Financial Reports 4	0,823	Valid
Quality of Financial Reports 5	0,896	Valid

Source: SPSS version 25 processed

Reliability Test is a test tool used to measure question items in a questionnaire which is a variable measuring tool. This reliability test is used to test the extent to which the instrument can be relied upon or trusted in measuring variables. A variable is said to be reliable if the Cronbach Alpha value is greater than 0.60.

**Table 4: Data Reliability Test**

Variable	Cronbach Alpha Value	Description
Level of Education ( $X_1$ )	0,811	Reliable
Understanding Accounting ( $X_2$ )	0,751	Reliable
Utilization of Information Technology ( $X_3$ )	0,623	Reliable
Internal Control ( $X_4$ )	0,914	Reliable
Cooperation Management ( $X_5$ )	0,710	Reliable
Quality of Financial Reports ( $Y$ )	0,882	Reliable

Source: SPSS version 25 processed

**Table 5: Normality Test**

**Descriptive Statistics**

	N		Skewness		Kurtosis		
	Statistic	Statistic	Std. Error	Zskew	Statistic	Std. Error	Zkur
Unstandardized Residual	87	-.301	.258	-1.146	-.909	.511	-1.731
Vslid N	87						

a. Dependent Variable: Quality of Financial Reports

Source: SPSS version 25 processed

Based on the results of table 5, it can be concluded that the results of the normality test by calculating the Z value for the five variables above are normally distributed. The Z value calculation can use the following formula.

$$Z_{skewness} = \frac{Statistic}{\sqrt{6/N}}$$

$$Zkurtosis = \frac{Statistic}{\sqrt{24/N}}$$

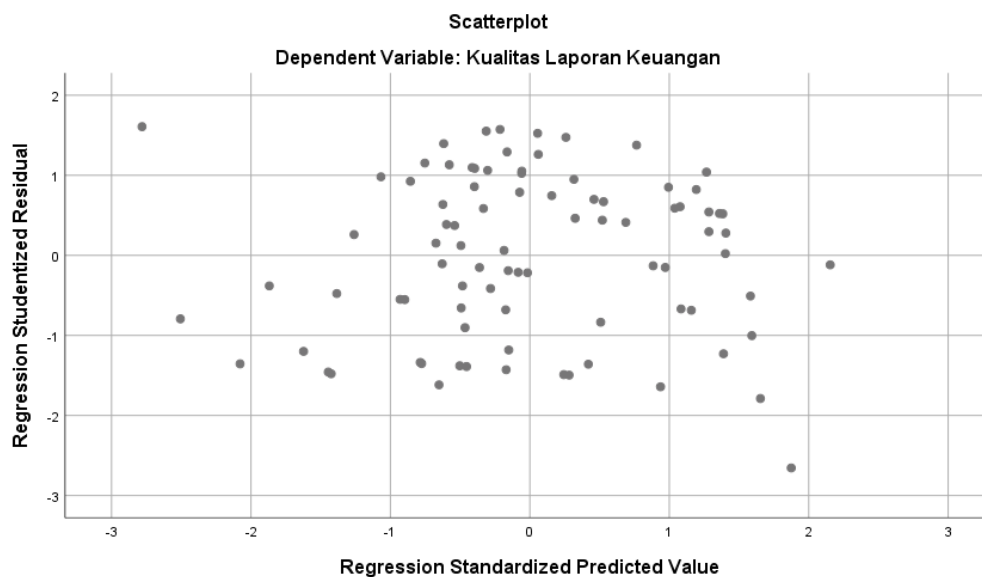
**Table 6: Multicollinearity Test****Coefficients<sup>a</sup>**

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Level of Education	.986	1.014
	Understanding Accounting	.980	1.020
	Utilization of Information Technology	.943	1.060
	Internal Control	.953	1.049
	Cooperation Management	.990	1.010

a. Dependent Variable: Quality of Financial Reports

Source: SPSS version 25 processed

Based on the results of table 6 above, the results of calculating the Tolerance value show that there are no independent variables that have a Tolerance value of less than 0.10 (Tolerance < 0.10), which means there is no correlation between the independent variables. The results of calculating the Variance Inflation Factor (VIF) value also show the same thing, there is not a single independent variable that has a VIF value of more than 10 (VIF > 10). So it can be concluded that there is no multicollinearity between each independent variables.

**Table 7: Heteroscedasticity Test**

Source: SPSS version 25 processed

Based on the results from table 7 of the Scatterplot graph above, it can be seen that the points are spread randomly and are spread both above and below the number 0 on the Y axis. This can be concluded that there is no heteroscedasticity in this model.

**Table 8: Multiple Linear Regression Analysis Test****Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	10.817	3.759		2.877	.005		
	Level of Education	.087	.173	.055	.502	.004	.986	1.014
	Understanding Accounting	.166	.108	.170	1.536	.003	.980	1.020
	Utilization of Information Technology	-.039	.173	-.026	-.229	.002	.943	1.060
	Internal Control	-.003	.102	-.004	-.032	.001	.953	1.049
	Cooperation Management	.021	.153	.015	.136	.003	.990	1.010

a. Dependent Variable: Quality of Financial Reports

Source: SPSS version 25 processed

Multiple linear regression analysis is carried out with the aim of testing or measuring the influence of the relationship between two or more variables and showing the direction of the relationship between the independent variable (independent) and one fixed variable (dependent). This research analyzes the influence of independent variables, namely education level, understanding of accounting, use of information technology, internal control systems, and cooperative management on the dependent variable, namely the quality of financial reports in OKI district. Based on the results of the table above, of the five independent variables included in the regression model, all variables were declared significant. This can be seen from the probability of significance being below 0.05. So the mathematical equation is:

$$\text{Quality of Financial Reports} = 10.817 + 0.087 \text{ LE} + 0.166 \text{ UA} - 0.039 \text{ UIT} - 0.003 \text{ IC} + 0.021 \text{ CM}.$$

**Table 9: Coefficient of Determination Test Results**

Model Summary <sup>b</sup>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.179 <sup>a</sup>	.032	-.028	4.13763

a. Predictors: (Constant), Level of Education, Understanding Accounting, Utilization of Information Technology, Internal Control, Cooperation Management

b. Dependent Variable: Quality of Financial Reports

Source: SPSS version 25 processed

Model R, R Square, Adjusted R Square, Std. Error of the Estimate 0,179<sup>a</sup> 0.032 -0,028 4,13763.

Based on Table 9, the adjusted R square value is 0.032 or 32%. This shows that the variable quality of financial reports can be explained by the variables of education level, understanding of accounting, use of information technology, and internal control, and cooperative management of 32%, while the remaining 68% was caused by other factors not examined in this study.

## 5. DISCUSSION

### 5.1. The Influence of Education Level on the Quality of Cooperative Financial Reports

Based on table 8, it shows that the level of education has a positive effect on the quality of the Cooperative's financial reports or H1 is accepted. This means that the higher the educational level of the Cooperative management and management, the more skilled they will be in making financial reports, so that they can improve the quality of the Cooperative's financial reports. The results of this research are in line with research by Luh Sukarini and Made Arie Wahyuni (2018) which states that the level of education has a positive and significant effect on the quality of financial reports. An adequate level of formal education with a background in financial or accounting education will make it easier for Cooperative administrators and management to carry out their work in producing financial reports. In this research, Cooperative administrators and management who have an educational background appropriate to their placement are able to produce quality financial reports. This is because in general the management and management of cooperatives have an adequate level of education, so they have good reasoning to be able to learn new things and attend training or seminars related to financial reports. For example, the board and management of the Tanjung Gading Cooperative are mostly dominated by high school graduates and once a month coaching is held regarding



Cooperative management. Cooperative administrators and management who have a high school education level will find it easier to process their thoughts and learn new things in this coaching, so that the higher the level of education possessed by cooperative administrators and management, the higher the quality of the financial reports produced by the cooperative.

### **5.2. The Influence of Accounting Understanding on the Quality of Cooperative Financial Reports**

Based on table 8, it shows that understanding accounting has a positive effect on the quality of cooperative financial reports or H2 is accepted. This means that Cooperative administrators and management who have a good understanding of accounting, such as having an understanding of the accounting cycle, carrying out the accounting process well, and being able to read financial reports, will find it easier for the Cooperative administrators and management to make quality financial reports. The results of this research are in line with research by Riyadi et al., (2021) which states that understanding accounting has a positive and significant effect on the quality of financial reports. To be able to produce quality financial reports, the quality of the people who carry out the task of preparing financial reports must be the main concern, namely the administrators or managers of BUMDes who are involved in preparing financial reports must understand and understand how the accounting process and implementation is carried out, guided by the provisions stipulated. applies. For example, the preparation of the financial reports of the Senuling Jaya cooperative is carried out by administrators who have an educational background in accounting and have a good understanding of accounting, so that the better understanding of accounting that the administrators and management of the cooperative have, the easier it will be to prepare quality cooperative financial reports.

### **5.3. The Effect of Using Information Technology on the Quality of Cooperative Financial Reports**

Based on table 8, it shows that there is a positive influence of the use of information technology on the quality of Cooperative financial reports or H3 is accepted. This means that information technology that is used effectively will help Cooperative administrators and management to access the information needed via the internet network and can make it easier to prepare financial reports using data processing software, so that the resulting financial reports are of high quality. These results are in line with research by Luh Sukarini and Made Arie Wahyuni (2018) which states that the use of information technology has a positive and significant effect on the quality of cooperative financial reports. The relationship between the use of information technology and the quality of financial reports is that the greater the use of information technology, the better the quality of the resulting financial reports. Timely information is part of the information value that can be achieved with the role of technology components. Information technology plays a role in providing useful information for decision makers within the organization, including in terms of reporting, thereby supporting the decision making process more effectively. Computers, networks and data processing applications are information technology used in preparing financial reports. For example, the preparation of financial reports at the Mekar Abadi Mandiri Cooperative has been carried out computerized using Microsoft Excel software and the available internet network is used to search and send the required information, so that the Cooperative administrators and management can utilize information technology effectively and efficiently, thus enabling the quality of the reports. The resulting finances will be better.

### **5.4. The Influence of Internal Control on the Quality of Cooperative Financial Reports**

Based on table 8, it shows that there is a positive influence of internal control on the quality of Cooperative financial reports or H4 is accepted. This means that if the management and management of the Cooperative implement an internal control system properly, characterized by compliance with regulations, separation of responsibilities, and supervision carried out by the management and management of the Cooperative, then fraud or material errors in financial reports can be prevented so that the quality of the financial reports produced by the Cooperative will improve. Good. The results of this research are in line with research by Ahmad Faishol (2016) which states that internal control has a positive and significant effect on the quality of financial reports. In preparing financial reports, the management and management of the Cooperative must comply with the regulations that have been set, this is implemented to prevent fraud in preparing financial reports and protect the assets owned by the Cooperative. Apart from that, proper separation of responsibilities must also be implemented so that each administrator and management of the Cooperative has responsibilities according to their respective expertise and it is necessary to monitor if errors or violations occur by the management and management of the Cooperative because this can guarantee the presentation of quality financial reports. For example, at the Maju Jaya Cooperative, sanctions have been implemented for those who violate the regulations, this can increase the compliance of the Cooperative administrators and management with the regulations. Apart from that, responsibilities have been separated in several areas so that no management holds concurrent positions and a supervisory body has been formed to supervise the management and management of the Cooperative during its work, so that the better the internal control system implemented by the Cooperative, the higher quality the financial reports produced will be.

### **5.5. The Influence of Cooperative Management on The Quality of Cooperative Financial Reports**

The cooperative management process has a positive impact on the quality of cooperative financial reporting in OKI district. These results are in accordance with the hypothesis expressed based on a significance value of  $0.021 < 0.05$  and the hypothesis can be

accepted. The existence of a process of planning, organizing, mobilizing or staffing and controlling cooperative activities and operations means that the goal of establishing a cooperative as a means of helping to create prosperity for its members can be achieved. This is reflected in the good quality of the financial reports produced. The financial reports prepared by the cooperative will not be manipulated as long as the cooperative management process is running well. Cooperative management is very important in determining the quality of the financial reports. The better the management process, the better the quality of the financial reports presented. Research supported by Ho *et al.*, (2019); Mabil (2019) ; and Yanti (2019).

## 6. FINDINGS AND CONCLUSION

Based on the results of analysis and testing regarding the influence of education level, understanding of accounting, use of information technology, and internal control, cooperative management on the quality of cooperative financial reports in OKI district, it can be concluded that the level of education has a positive effect on the quality of cooperative financial reports. This means that the higher the level of education of cooperative administrators and management, the better the quality of the cooperative's financial reports. Understanding accounting has a positive effect on the quality of cooperative financial reports. This means that the higher the accounting understanding possessed by the management and management of the cooperative, the better the quality of the cooperative's financial reports. The use of information technology has a positive influence on the quality of cooperative financial reports. This means that the more cooperative administrators and management can utilize information technology effectively and efficiently, the higher quality the financial reports produced by the cooperative will be. Internal control has a positive effect on the quality of cooperative financial reports. This means that the better the internal control system implemented by the cooperative, the better the quality of the financial reports produced by the cooperative.

## 7. IMPLICATIONS, LIMITATIONS AND SUGGESTIONS

Based on the research results, there are limitations, namely that the sample used in this research is only limited to administrators and management who actively participate in training organized by the OKI Regency Cooperative, SME and Industry Service, making it possible for differences in results and conclusions to occur if the research is conducted in other areas. There are limitations to research using questionnaires, namely that sometimes the answers given by respondents do not show the real situation. The number of respondents totaling 82 people is certainly still insufficient to describe the actual situation. Based on the research results, suggestions for future research agendas for further research should be carried out using observation and interview methods in order to get a true picture according to conditions in the field. For further research, researchers should add other variables such as the application of accounting information systems (Wulan Riyadi, 2020), HR competency (Tengko *et al.*, 2022); (Ismunawan & Septyani, 2020); (Mahmud *et al.*, 2021), and the function of the Supervisory Body (Bhegawati & Ni Nyoman Ari Novarini, 2021)

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