



The Role of Information Technology in Moderate The Relationship of Internal Control System, Organizational Culture, and Leadership Style on LPD Performance In Karangasem, Bali

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Abstract. The research in this study set out to determine how LPD performance in Karangasem District is affected by IT-related factors such as company culture, leadership style, and internal control system. The research included 82 Karangasem District residents who worked for Village Credit Institutions and were part of the Karangasem District LPLPD. Purposive sampling was used to determine the sample size in this study. The technique of data analysis that is used is partial least squares, or PLS analysis. The study's findings demonstrate that LPD performance is unaffected by the internal control system. The impact of organizational culture and leadership style on labor productivity is noteworthy and favorable. The impact of a leader's style on the performance of their LPD may be mitigated by information technology. When it comes to LPD performance, organizational culture, and internal control systems are the two biggest obstacles that IT can't overcome. The findings of this study suggest that the Village Credit Institution in the Karangasem District might expect increased performance after the implementation of a more robust internal control system. Training is required to ensure that information technology is used to its full potential in order to improve performance.

Keywords: Internal Control System, Organizational Culture, Leadership Style, Information Technology, and LPD performance.

1 Introduction

Profits decreased between 2019 and 2021, according to statistics from LPLPD Bali. Profits dropped dramatically from Rp 4.3 billion in 2019 to Rp 2.2 billion in 2021, a 50% decrease. The community's weak economy is impacting LPDs' (Village Credit Institutions') capacity to meet short-term commitments (liquidity), therefore in order to enhance LPD performance, LPD leaders and staff must be able to manage LPD operations effectively and efficiently. Of course, maximizing service is also necessary to improve LPD performance. Since an organization's behavior is a reflection of its culture, members of an LPD who have a positive organizational culture are also high-quality individuals. Workers must conduct themselves in a way that aligns with the current organizational culture. Organizational culture, then, is a collection of guide-

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lines that have shaped the culture inside the company and mandate that workers act in a way consistent with that culture without being actively urged to do so. The organizational culture may serve as a guide and a constraint for all corporate policies and operational needs in other domains. If rules are developed with the company's cultural values in mind, then LPD service quality is affected by corporate culture.

Workplace culture has an impact on how staff members act, finish tasks, and collaborate with one another. Putra & Arjani (2021) claim that organizational culture improves LPD performance. Adnyani and Julianto's research from 2021, which discovered that organizational culture improved LPD performance, lends credence to this study. In contrast, the research conducted by Asmara & Widanaputra (2017) asserts that LPD performance is unaffected by organizational culture.

A leader is someone who has been in a position of power and can influence the behavior of others around them, according to Siagian. Particularly their subordinates, so that through this constructive behavior they can meaningfully contribute to the achievement of objectives. Putra & Anjani (2021) claim that a leader's style improves LPD performance. This, however, contradicts a study by Asmara & Widanaputra (2017), which found no relationship between leadership style and LPD performance.

Technology is required to make information simpler to access in order to improve LPD performance, according to Wilkinson, Cerullo, Raval, & Wang-On-Wing (2000) and Arfianti (2011). Information technology encompasses electronic commerce, databases, software, networks (internet), computers (mainframe, mini, and micro), and other technological domains. According to Jogiyanto (2007), in order to aid in internal decision-making and supervision. Data is collected, processed, stored, and distributed by means of an information system's interrelated components. Modern information technology is essential to achieving optimal performance since it will facilitate workers and management in refining information and communicating the resultant information more precisely and correctly. Technology, like all other things, will sometimes evolve in tandem with society.

It is believed that information technology will aid the organization's performance by streamlining several processes, such as the processing of reports and the communication between managers and staff, both of which have the potential to enhance performance and save time. According to information from LPDP Karangasem, the LPD's assets decreased. In addition, the community's weak economy had an impact on the LPD's capacity to meet short-term commitments (liquidity). Thus, in order to sustain and enhance their current level of performance and assist future growth of the local economy and MSMEs in the Karangasem subdistrict, LPDs in that subdistrict need more attention.

The purpose of this study was to address the issues that arise in Bali Village Credit Institutions (LPD), particularly those located in Karangasem Regency, as well as the disparities in the results of other studies concerning organizational culture, leadership philosophies, and internal control systems. Thus, " Exploring the Impact of IT on the Relationship Between LPD Performance, Organisational Culture, Leadership Style, and Internal Control Systems in Karangasem, Bali " is the topic that motivates the author to do this research.

This study aims to investigate whether the following factors affect LPD performance in Karangasem, Bali: the internal control system, organizational culture, and leadership style; and if information technology can act as a moderator in the relationship between these factors and LPD performance.

The study uses agency theory as a theoretical framework to explain behavioral accounting, focusing on how LPD managers adhere to organizational culture and use technology to facilitate the creation of financial reports. LPD managers must balance their interests with those of the organization they oversee while doing their tasks. While some of these interests are in line with the agreed-upon contract, others are not. As a result, agency theory is seen to be pertinent in explaining member behavior.

Accordingly, my study and prior research share the testing and analysis of the impact of organizational culture, Leadership style, and internal control mechanisms affect the performance of Village Credit Institutions (LPD), as shown in the previous research description. In contrast to Good Corporate Governance, however, IT acts as a moderator in this study.

2 Literature Review and Hypotheses Development (Quantitative) or Literature Review (Qualitative)

The term "internal control" describes the methods used by an organization to achieve a predetermined objective. Several methodical rules and procedures make up these processes. There will be boundaries set by this internal control system on what can and cannot be done. The components of an effective internal control system include a risk analysis, control procedures, communication and information, monitoring, and a control environment. The LPD itself can operate more efficiently with the help of a trustworthy internal control system. To enhance LPD performance, a trustworthy internal control system is thus required. Conversely, poor internal control will result in decreased LPD performance.

The Internal Control System improved LPD performance in the Abiansemal sub-district, according to the previous study by Kresnayana, Putra, & Sunarwijaya (2020). Handayani, Suryandari, & Putra (2020) found that the Internal Control System increased LPD performance in the Gianyar subdistrict, which corroborated the results. The following study idea is based on the previously described phenomenon:

H1: The Internal Control System has a positive effect on LPD performance.

What we call "organizational culture" is just a set of rules and practices that everyone in the company follows. As such, organizational culture shapes the psychological climate in which employees operate, interact with coworkers and superiors, and solve problems. is a kind of culture that is exclusive to every company. According to Putra and Anjani (2020), organizational culture improves LPD performance. Adnyani & Julianto (2021) found similar outcomes in their study, suggesting that the Mengwi District's LPD performance was enhanced by the organization's culture. The following study idea is based on the previously described phenomenon:

H2: Organizational culture has a positive effect on LPD performance

Effective leadership is the capacity to persuade others, or subordinates, to do what they are told and to execute orders. Leadership may be defined as the process of influencing other people's attitudes and behavior to make them desire to do what they want. According to the idea of organizational behavior, a superior's leadership style may affect how well their subordinates achieve, which will boost the performance of the business and positively impact its financial performance. It is important for leaders to choose the most suitable leadership style. This style should optimize performance and be easily adjustable to any circumstance in order to bring about improvements inside the organization.

A number of academics believe that there is a favorable correlation between performance and leadership style. Both Putra & Arjani (2021) and Sedana & Sumadi (2021) found that a leader's style positively affects LPD performance. Given this background, one may postulate the following:

H3: Leadership style has a positive effect on LPD performance

In order to have an efficient system of internal controls, technology is essential. Keeping the company's money safe, making sure the books are in order, and running the company smoothly are the goals of developing an internal control system. The capacity of the system to keep data secure relies on sophisticated technology; The internal control system's performance for the firm improves as technology advances. The following may be hypothesized in light of this background:

H4: Information technology strengthens the relationship between the internal control system and LPD performance.

Employers will be more disciplined if they utilize modern technology, like fingerprint scanning, to penalize staff members. This will also change the working culture of the workforce and make it more productive. In addition, the use of technology will facilitate employee communication and help them come to consensus on issues. As a result of the COVID-19 epidemic, we must work remotely. Improved communication among coworkers and the development of a disciplined culture may boost business success. The following theory may be made in light of the previous description:

H5: Information Technology strengthens the relationship between organizational culture and LPD performance.

The success that employees achieve may be influenced by their superior's leadership style, which can also boost the organization's performance and positively impact financial performance. It is important for leaders to choose the most suitable leadership style. This style should optimize performance and be easily adjustable to any circumstance in order to bring about improvements inside the organization. In this instance, technology plays a crucial part in simplifying matters. When supervisors and subordinates communicate, modern technologies like computers and telephones may help to bring the quality of the information up to date. Effective use of technology by leaders allows them to quickly and efficiently communicate with their staff, enabling them to function at their best and produce quality work. Drawing from the aforementioned description, the research hypothesis that has been established is:

H6: Information Technology strengthens the relationship between Leadership Style and LPD performance.

3 Method

Institutions (LPDs) in the Karangasem District were used for this study, which was carried out at the LPD. All Karangasem District LPD personnel made up the study's population. Purposive sampling, a method for selecting samples with specific considerations, is the sampling approach used in this study (Sugiyono, 2016). Some things to think about are:

1. Workers registered with LPLPD Karangasem Regency who are employed by LPD in the Karangasem District.
2. Workers in the Karangasem District LPD who utilize information technology on a regular basis.

So the population in this study was 23 LPD with a sample of 85 LPD employees. Of the 85 questionnaires that we distributed, 82 questionnaires were returned and filled out completely. With the use of SmartPLS 3.0 software, partial least squares (PLS) are the data analysis approach used in this study. Response variables to explanatory variables are one example of the many things that may be dealt with concurrently using PLS, a multivariate analytic approach. PLS is regarded as a potent analytic technique as it does not need a lot of presumptions, including that the data be regularly distributed or that the sample size be substantial.

4 Results and Discussion

The 82 study participants from the Karangasem District's Village Credit Institutions (LPD) provided the data for this research by filling out a questionnaire. Characteristics of the people being studied: job title, age, gender, duration of employment, and greatest educational attainment. Table 1 displays the characteristics of the respondents in summary form.

Table 1. Respondent's Characteristic

| Information | Total | Percentage |
|--------------------|--------------|-------------------|
| Occupation | | |
| a) Chairman of LPD | 23 | 28% |
| b) Treasure | 21 | 26% |
| c) Admin LPD | 15 | 18% |
| d) Cashier | 12 | 15% |
| e) Credit section | 11 | 13% |
| Total | 82 | 100% |
| Age | | |
| a) 21-30 tahun | 22 | 27% |
| b) 31-40 tahun | 39 | 48% |
| c) 41-50 tahun | 19 | 23% |
| d) >50 tahun | 2 | 2% |

| | | |
|-----------------------|----|------|
| Total | 82 | 100% |
| Gender | | |
| a) Male | 31 | 38% |
| b) Female | 51 | 62% |
| Total | 82 | 100% |
| Length of Work | | |
| a) <5 tahun | 40 | 49% |
| b) 5-10 tahun | 38 | 46% |
| c) 11-15 tahun | 4 | 5% |
| Total | 82 | 100% |
| Last Education | | |
| a) SMP | 3 | 4% |
| b) SMA/SMK | 41 | 50% |
| c) Diploma | 24 | 29% |
| d) S1 | 14 | 17% |
| Total | 82 | 100% |

Source: Questionnaire (2022)

A validity test determines the validity of a research instrument and questionnaire. If there is a positive correlation with a value of more than 0.30 ($r > 0.3$) between the factor scores and the total, the instrument is considered genuine. Table 2 displays the findings of the validity test.

Table 2. Validity's Test Result

| Variable | Indicator | Correlation coefficient | Results |
|-------------------------|--------------------|-------------------------|---------|
| Internal Control System | SPI _{1,1} | 0,480 | Valid |
| | SPI _{1,2} | 0,470 | Valid |
| | SPI _{1,3} | 0,567 | Valid |
| | SPI _{1,4} | 0,546 | Valid |
| | SPI _{1,5} | 0,540 | Valid |
| Organizational Culture | BO _{2,1} | 0,513 | Valid |
| | BO _{2,2} | 0,464 | Valid |
| | BO _{2,3} | 0,404 | Valid |
| | BO _{2,4} | 0,403 | Valid |
| | BO _{2,5} | 0,533 | Valid |
| | BO _{2,6} | 0,456 | Valid |
| Leadership Style | GK _{3,1} | 0,496 | Valid |
| | GK _{3,2} | 0,396 | Valid |
| | GK _{3,3} | 0,587 | Valid |
| | GK _{3,4} | 0,521 | Valid |
| | GK _{3,5} | 0,514 | Valid |
| | GK _{3,6} | 0,492 | Valid |
| Information Technology | TI ₁ | 0,618 | Valid |
| | TI ₂ | 0,648 | Valid |
| | TI ₃ | 0,383 | Valid |
| | TI ₄ | 0,454 | Valid |
| | TI ₅ | 0,559 | Valid |
| LPD Performance | KLPD ₁ | 0,692 | Valid |
| | KLPD ₂ | 0,376 | Valid |
| | KLPD ₃ | 0,555 | Valid |
| | KLPD ₄ | 0,399 | Valid |
| | KLPD ₅ | 0,569 | Valid |

Source: SmartPLS Output Results, processed data (2022)

This section explains how to use the findings of a partial least square test to evaluate a research hypothesis:

Table 3. Hypothesis's Testing Result

| | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics (O/STDEV) | P Values |
|--------------------------|---------------------|-----------------|----------------------------|------------------------|--------------|
| SPI -> KLPD | 0,092 | 0,091 | 0,117 | 0,782 | 0,435 |
| BO -> KLPD | 0,429 | 0,432 | 0,127 | 4,013 | 0,000 |
| GK -> KLPD | 0,350 | 0,363 | 0,114 | 3,069 | 0,002 |
| TI*SPI -> KLPD | 0,201 | 0,190 | 0,117 | 1,710 | 0,088 |
| TI*BO -> KLPD | 0,129 | 0,122 | 0,113 | 1,144 | 0,253 |
| TI*GK -> KLPD | 0,228 | 0,229 | 0,110 | 2,256 | 0,018 |

Source: SmartPLS Output Results, processed data (2022)

The following explanation applies to research hypothesis testing that is based on the Partial Least Square test results:

1) According to the initial hypothesis test findings, there is no relationship between LPD performance and the internal control system. A negative correlation between internal control systems and LPD performance was suggested by the original sample estimate value of 0.092. According to the data, the variable does not impact LPD performance (T-statistic of 0.782, <1.96) and P-values of 0.435, >0.05). As a result, we reject H1. From this, we may deduce that the LPD's performance is independent of the ICS variables.

2) According to the findings of the second hypothesis test, LPD performance is positively impacted by leadership style. According to the findings, which demonstrate that the leadership style variable has a substantial impact on LPD performance (T-statistic of 3.069, >1.196 , P-value of 0.002, <0.05), Hypothesis H2 is supported. This finding is further supported by the positive correlation between leadership styles and LPD performance, which had an initial sample estimate value of 0.350. Finally, leadership style significantly impacts LPD performance for the better.

3) Results from the third hypothesis test indicate that a positive company culture has a positive effect on LPD efficiency. The influence of organizational culture factors on LPD performance is substantial, as shown by the T-statistic of 4.013 (>1.196) and P-values of 0.000 (<0.05). The first sample estimate value of 0.429 also points to a favorable association between organizational culture and LPD performance. Based on these findings, hypothesis H3 may be accepted. Consequently, it can be said that organizational culture significantly and favorably influences LPD performance.

4) The results of the fourth hypothesis test indicate that the relationship between LPD performance and the internal control system cannot be regulated by information technology. With an initial sample estimate value of 0.201, the results show that the relationship between LPD performance and IT is positively skewed. The T-statistic value is 1.710 (<1.98) and the p-values are 0.088 (>0.05). Rejecting H4 is the result of the t-statistic being less than 1.98. Finally, we find that IT cannot manage the connection between the ICS and LPD efficiency.

5) The sixth hypothesis test found that there is no relationship between organizational culture and LPD performance, and that information technology cannot mediate this correlation. The findings indicate a positive correlation between information technology, organizational culture, and LPD performance, as supported by a T-statistic of 1.144 (<1.98) and a p-value of 0.253 (>0.05), which differs from the initial sample estimate value of 0.129. With a t-statistic of 1.144, which is less than the critical value of 1.98, H5 is rejected. It might be concluded that IT is unable to mitigate the relationship between corporate culture and LPD performance.

6) The sixth hypothesis test found that IT may reduce the correlation between leadership style and LPD performance. The findings demonstrate a positive association between LPD performance, leadership style, and information technology, as shown by the T-statistic value of 2.256 (>1.98) and the p-value of 0.018 (<0.05). Not only that, but the first estimate from the sample was positive, coming in at 0.228. If the t-statistic is 2.256 and more than 1.98, then H6 is accepted. Our research shows that the correlation between leadership style and LPD performance is moderated by IT.

Based on research results which state that organizational culture and leadership style influence the performance of Village Credit Institutions (LPD) in the Ka-

rangasem District and the ability of Information Technology to strengthen the influence of leadership style on the performance of Village Credit Institutions (LPD), the effectiveness that we can suggest is that leaders must be able to direct and guide employee performance on a regular basis, as well as creating a good work climate (organizational culture) in order to improve employee performance. Apart from that, increasing the use of information technology in the work environment must continue to be maintained and improved because this can moderate leadership styles in improving the performance of Village Credit Institution (LPD) employees in Karangasem District.

5 Conclusion, Implication and Limitation

Following the examination and debate, the following conclusion may be made:

- 1) The effectiveness of Karangasem Regency's Village Credit Institutions (LPD) is unaffected by the Internal Control System.
- 2) In Karangasem Regency, organizational culture has a favorable impact on Village Credit Institutions' (LPD) performance.
- 3) The effectiveness of Village Credit Institutions (LPD) in Karangasem Regency is positively impacted by leadership style.
- 4) The association between internal control systems and Village Credit Institutions' performance cannot be moderated by information technology (LPD).
- 5) The association between organizational culture and Village Credit Institutions' (LPD) performance is not mitigated by information technology.
- 6) The association between a leader's style and Village Credit Institutions' performance may be moderated by information technology (LPD).

This study has limitations since it is extremely hard to obtain references for information technology moderating factors on LPD performance. As a result, researchers must employ logical thinking while generating hypotheses and conducting talks.

Issues that are still present include data collection issues and the fact that responses to surveys don't always accurately reflect respondents' genuine viewpoints. This happens as a result of variations in respondents' ideas, presumptions, and understanding, among other factors, such as the truthfulness of respondents' questionnaire responses and the fact that this research only included LPDs in the Karangasem District as Village Credit Institutions (LPDs).

To address these constraints and enhance the study's conclusions. The functions of supervisory authorities, work discipline, Good Corporate Governance (GCG), and other relevant factors should be considered by academics. Researchers hope that in the future, agencies will be used and added to studies in order to make the results more reliable.

Based on research results which state that organizational culture and leadership style influence the performance of Village Credit Institutions (LPD) in Karangasem District and the ability of Information Technology to strengthen the influence of leadership style on the performance of Village Credit Institutions (LPD), the effectiveness that we can suggest is that leaders must be able to direct and guide employ-

ee performance on a regular basis, as well as creating a good work climate (organizational culture) in order to improve employee performance. Apart from that, increasing the use of information technology in the work environment must continue to be maintained and improved because this can moderate leadership styles in improving the performance of Village Credit Institution (LPD) employees in Karangasem District.

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