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The Influence of Accounting Understanding and Education Level on the Quality of Village-Owned Enterprises' Financial Statements in Eris Sub-district

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ABSTRACT

The purpose of this study is to examine how accounting knowledge and educational attainment affect the caliber of financial reports produced by Village-Owned Enterprises (BUMDes) in the Eris Sub-district. The inadequate preparation of BUMDes financial statements, which are still completed in a straightforward manner and do not completely comply with the Financial Accounting Standards for Entities Without Public Accountability (SAK ETAP), is the driving force for this study. Forty respondents, who were BUMDes administrators from eight villages in the Eris Sub-district, were given questionnaires as part of the quantitative research procedure. The sampling technique employed was saturated sampling. Data analysis was carried out using the SPSS application version 27 through validity tests, reliability, classical consumptions, multiple linear regression analysis, t-tests, F-tests, and coefficient of determination. The results of the study indicate that accounting understanding has a positive and significant effect on the quality of BUMDes financial statements in Eris Sub-district. Education level does not affect the quality of financial statements; the effect is not dominant because most respondents have relatively the same level of education, namely high school graduates. Partially, accounting understanding has a big impact, while education level does not significantly affect the quality of BUMDes financial statements. This study concludes that improving accounting understanding and developing the competencies of BUMDes managers is essential to produce quality, transparent, and accountable financial statements.

Keyword: accounting understanding; education level; financial statement quality

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INTRODUCTION

The government has a program to improve the village economy and communal welfare through the independent oversight of existing available resources, namely through *BUMDes*. *BUMDes* stands for *Badan Usaha Milik Desa* (Village-Owned Enterprises). Through various business units managed professionally, transparently, and accountably, BUMDes are expected to become drivers of the village economy. In running in a business, BUMDes are not only required to generate profits, but also to prepare financial reports as a way to answer to the government and the community.

Financial reports play an important part in assessing the financial condition, business transaction, and the level of accountability of BUMDes management. Financial reports are created to offer details to the government and the community and also serve as a form of accountability to understand financial conditions, increase transparency, facilitate decision-making, and evaluate business management (Judijanto *et al.*, 2024).

In Eris Sub-district, located in Minahasa Regency, Village-Owned Enterprises play a crucial role in supporting small town economic development by controlling village potential. This role is further strengthened by the issuance of Law No. 3 of 2024 concerning the Second Amendment to Law No. 6 of 2014 concerning Villages and Government Regulation No. 11 of 2021 regarding Village-Owned Enterprises, which emphasizes that BUMDes must be carried out professionally, transparently, accountably, effectively, and efficiently. Therefore, in order to be accountable to the village administration and community, each BUMDes must prepare financial reports in compliance with accounting standards (Nurdiyawati & Munti'ah, 2024).

Preliminary observations made by researchers at BUMDes in eight communities in the Eris Sub-district revealed that the completed financial accounts still only included cash collections and disbursements. Meanwhile, the balance sheet, income statement, statement of changes in equity, and notes to the financial statements had not been systematically prepared in accordance with the Financial Accounting Standards for Entities Without Public Accountability (Indonesian: *Standar Akuntansi Keuangan untuk Entitas Tanpa Akuntabilitas Publik*, shortened to SAK ETAP). This condition indicates that the preparation of BUMDes financial statements in Eris Sub-district does not fully comply with applicable financial reporting standards; consequently, the resulting financial information is not able to describe the overall financial condition (Pangesti *et al.*, 2022).

This phenomenon aligns with the research findings of Pangesti, Yulinartati, and Maharani, which showed that the preparation of BUMDes financial statements is still dominated by recording cash inflows and outflows, thus failing to meet as the financial reporting requirements as stipulated in SAK ETAP. These findings suggest that limited accounting understanding and manager competency remain obstacles to producing quality financial statements. Therefore, this study is important to examine the factors influencing the quality of BUMDes financial statements, particularly accounting understanding and manager education levels (Pangesti *et al.*, 2022).

Incomplete financial statements directly impact the quality of the resulting information, as reports do not meet standards and lose their primary function as evaluation tools and decision-making bases (Khafid *et al.*, 2022). When managers' understanding of accounting is low, transaction recording becomes inconsistent, account presentation is unsystematic, and several important components are overlooked, resulting in reports that fail to accurately reflect the financial condition of the BUMDes. Lack of human resource competency, particularly in terms of educational background and the placement of

employess who are not qualified for their respective fields, are linked to the quality of the resulting financial statements, resulting in poor quality (Mitjo *et al.*, 2022).

Financial accountability and transparency play a crucial role in financial management, as they enable all parties involved in financial management to operate responsibly and openly in accordance with established procedures (Prasetya & Puspita, 2025). The results of previous research regarding the elements that affect the quality of BUMDes financial statements still show inconsistent results. Ningtyas and Saharsini's research showed that accounting understanding has a positive and significant effect on the quality of BUMDes financial statements (Ningtyas & Saharsini, 2024). In contrast, research by Posi and Putra (2021) showed that education level does not affect BUMDes financial reporting based on SAK ETAP, while accounting understanding has a big impact on BUMDes financial reporting. These differences in research results indicate that there are still inconsistencies regarding the factors influencing the quality of BUMDes financial reporting, so further research is needed on different BUMDes objects and characteristics (Posi & Putra, 2021). Furthermore, research by Annisa, Wiralestari, and Tiswiyanti also showed that the quality of financial statements was unaffected by school level, although accounting knowledge had a big impact. These differences in research results indicate that there are still inconsistent findings regarding the influence of accounting understanding and education level on the quality of financial statements, so further research is needed on different BUMDes objects and characteristics. Therefore, this study was conducted to re-examine the influence of accounting understanding and education level on the quality of BUMDes financial statements in Eris Sub-district (A *et al.*, 2020).

The quality of financial statements is a crucial aspect for Village-Owned Enterprises (BUMDes) because it is the basis for achieving transparency, accountability, and sound decision-making (Hapsari *et al.*, 2024). Financial statements arranged accurately and following accounting standards will increase public trust, while poor-quality financial statements can lead to incorrect decision-making, low accountability, and potentially lead to irregularities in the management of village (Ratmasari *et al.*, 2021). This urgency is increasing because BUMDes are required to manage village funds transparently and professionally. However, some BUMDes are still incapable of creating financial statements in accordance with regulations due to low accounting understanding and manager competency, resulting in suboptimal financial report quality (Ana & Ga, 2021). In light of these circumstances, this study was carried out to examine how accounting knowledge and educational attainment affected the calibre of BUMDes financial statements in Eris Sub-district. The novelty of this research lies in examining the influence of accounting understanding and education level on the quality of financial statements in BUMDes, which based on observations, have not yet fully implemented financial reporting following SAK ETAP. Thus, this research is expected to provide empirical evidence regarding the elements that affect financial statements' quality in conditions where the implementation of accounting standards is still not optimal and become a basis for increasing transparency, accountability, and the quality of BUMDes financial management.

Human capital theory, first introduced by Theodore W. Schultz (1961) and later developed by Gary S. Becker (1964), explains that the knowledge, skills, abilities, and experience possessed by individuals constitute a form of capital (human capital) that can increase productivity and performance. This theory emphasizes that investment in education, training, and competency development will improve the quality of human resources, thereby producing better performance. In the context of this research, BUMDes managers who have a better understanding of accounting and a better level of education are likely to be able to prepare higher-quality financial statements because they have adequate competence in understanding, processing, and presenting financial information.

The ability of managers to recognize transactions, document them methodically, and create financial reports improves with their level of accounting knowledge according to applicable standards. This also helps reduce recording errors, improve reporting accuracy, and ensure more specific, relevant, and trustworthy financial statements. Therefore, human capital theory asserts that the calibre of human resources has a major impact on the quality of financial statements in addition to systems and laws, particularly the level of accounting understanding possessed by BUMDes managers (Putri *et al.*, 2026).

This is aligns with human capital theory, which holds that individual's knowledge, skills, and abilities constitute human capital that has a crucial part in enhancing organizational performance. In the context of BUMDes management, the management's understanding of accounting is part of the human capital that determines the quality of the resulting financial statements. The ability of management to create methodical, accurate financial statements in compliance with relevant accounting standards increases with its level of accounting knowledge.

This is also supported by research by Hermayani and Dewi, which states that accounting understanding has a positive and big impact on the quality of financial reports. The quality of the ensuing financial statements increases with a manager's level of accounting knowledge, as it enhances accuracy, reduces recording errors, and presents more relevant and reliable financial information (Hermayani & Dewi, 2023).

Accounting understanding is an individual's ability to understand the processes of recording, classifying, and preparing financial reports in accordance with applicable standards. BUMDes managers with a good understanding of accounting will be more adept at appropriately preparing financial reports, systematically, and reliably. According to human capital theory, this ability is a form of human capital that determines the quality of an individual performance within an organization, including in the preparation of financial statements (Indrawan & Dewi, 2022).

Meanwhile, decision usefulness theory explains that the financial statements are meant to give people relevant information for making economic decisions. To achieve decision usefulness, financial statements must meet qualitative characteristics, such relevance, reliability, understandability, and comparability, so that the information presented can act as a foundation for making decisions by stakeholders (Sutisna *et al.*, 2024). Within the framework of this study, the quality of BUMDes financial statements is measured based on their ability to meet these characteristics. Therefore, BUMDes managers has an excellent knowledge of accounting will be better able to prepare relevant, reliable, and trustworthy financial statements, thus providing higher usefulness for decision-making. Based on this description, the research hypothesis is as follows:

H1: Accounting understanding has a positive and significant impact on the quality of BUMDes financial statements in Eris Sub-district.

Education level is the formal degree of education achieved by a single person in the learning process. However, within the framework of BUMDes financial management, education level is not always the primary factor determining the financial statements' quality. This is because the capacity to prepare financial statements is largely acquired through work experience, training, and direct practice in village financial management. Furthermore, not all managers have an educational background relevant to accounting; consequently, technical proficiency in preparing financial statements is determined more by experience and practical understanding than by formal education level. Therefore, education level is not considered to have a big impact on BUMDes financial statements' quality in Eris Sub-district (Posi & Putra, 2021). According to this description, the research hypothesis is as follows:

H2: Education level does not have a positive and significant effect on the quality of BUMDes financial statements in Eris Sub-district.

Based on the theoretical foundations described, a conceptual research framework can be developed that illustrates the connection between the independent and dependent variables. This conceptual framework shows how accounting understanding and education level relate to the quality of BUMDes financial statements in the Eris District. Therefore, this framework serves as the basis for formulating the research hypotheses mentioned earlier (Figure 1).

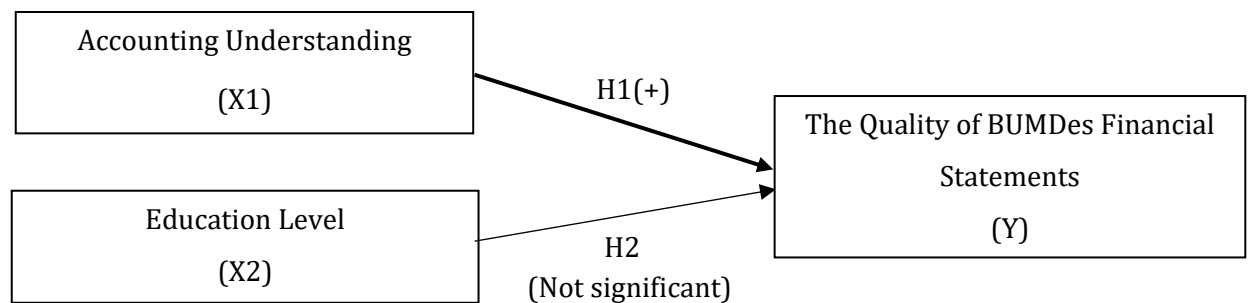


Figure 1. Research framework

RESEARCH METHOD

This study used a quantitative approach, focusing on objectively measuring variables by collecting numerical data and analyzing it with statistical methods. It was conducted in 8 villages within a sub-district in Minahasa regency. The participants were Village-Owned Enterprises (BUMDes) administrators from these villages, with 40 respondents in total-5 people from each village. Their roles include chairperson, secretary, treasurer, supervisor, and manager. The sampling technique was saturated non-probability sampling, meaning every member of the population was included resulting in 40 respondents overall.

Data were collected through library research and field research, with the primary instrument being a questionnaire developed using a 1–5 Likert scale, ranging from strongly disagree (1) to strongly agree (5). To facilitate the data measurement and analysis process in this study, each research variable was described in an operational definition along with indicators used as the basis for developing the research instruments. The variables in this study were operationalized to explain in detail how each variable was measured, thus providing a basis for developing research instruments and data analysis.

The accounting understanding variable (X) represents the capacity of BUMDes managers to comprehend basic accounting principles, including the processes of recording, classifying, and creating financial statements using the relevant accounting standards. This variable is measured based on several indicators: understanding the accounting cycle, understanding transaction recording, understanding account classification, understanding financial statement preparation, and understanding basic accounting principles. These indicators were developed from accounting concepts.

Meanwhile, the financial statement quality variable (Y) is BUMDes financial statements' quality level as seen from the qualitative characteristics of the financial statements in supporting decision-making. This variable is measured based on indicators of relevance, reliability, comparability, understandability, and timeliness.

The Statistical Package for the Social Sciences (SPSS) is software used for processing and analyzing statistical data in a number of scientific domains, particularly quantitative research in the social sciences. This program assists researchers in systematically processing data, from simple data testing to advanced analysis to draw research conclusions. The purpose of this analysis is to verify the hypothesis that independent variables have an impact on the financial report quality (Y). Multiple linear

regression analysis, data quality testing, classical assumption testing, and descriptive statistics are the steps of data analysis.

The operational definitions of the study's factors include the independent variables, namely accounting understanding (X1) and education level (X2), and the dependent variable, namely financial statement quality (Y). Accounting understanding is the ability of BUMDes managers to grasp accounting concepts, principles, and procedures involved in recording and preparing financial statements. This is measured through several indicators, including being able to interpret financial statements, performing accounting procedures, and comprehending the accounting cycle (Riyadi *et al.*, 2021). Education level refers to the formal education level attained by BUMDes managers, indicating the hierarchical order of educational attainment within the national education system. Formal education levels range Elementary School (Indonesian: *Sekolah Dasar*, shortened to SD), Junior High School (Indonesian: *Sekolah Menengah Pertama*, shortened to SMP), Senior High School (Indonesian: *Sekolah Menengah Atas*, shortened to SMA), to higher education. Therefore, education level refers more to the level of formal education attainment, which is hierarchical and structured (Law No. 20 of 2003).

Meanwhile, financial statement quality describes the degree to which financial reports present relevant, reliable, understandable, timely, and comparable information, in accordance with the characteristics of good financial statements. Financial statement quality is measured using the indicators to relevance, reliability, timeliness, understandability, and comparability. All indicators in this study were measured using five-point Likert scale.

The data in this study were analyzed using multiple linear regression analysis to ascertain the impact of accounting understanding and education level on the quality of BUMDes financial statements. The regression equation model used in this study is:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + e$$

Information:

Y = Financial statements quality

α = Constant

β_1 = Regression coefficient for accounting literacy

β_2 = Regression coefficient for education level

X1 = Accounting understanding

X2 = Education level

e = Error rate

RESULTS AND DISCUSSION

This study examines how accounting understanding and education level impact on the quality of financial statements for BUMDes in Eris Sub-district. Research data were obtained by giving out questionnaires to 40 respondents. Respondents were BUMDes administrators in 8 villages in Eris Sub-district, with one BUMDes per village. Each BUMDes has a management team consisting of a chairperson, secretary, treasurer, supervisor, and manager. The Statistical Package for the Social Sciences (SPSS) version 27 was then used to process the gathered data through a number of testing stages, including multiple linear regression analysis, data quality testing, classical assumption testing, and hypothesis testing to ascertain the impact of each research variable.

Before testing the hypotheses, a data quality test was first conducted to determine the suitability of the research instruments used for data collection. The data quality tests in this study consisted of validity and reliability tests. While reliability tests were performed to assess the degree of consistency

of the research instruments, validity testing were carried out to ascertain the statement items' capacity to measure the research variables appropriately. The results of the validity tests for the research instruments are shown in the following table.

Table 1. Results of the X1 validation test on accounting understanding

Statement	r count	r table	Description
X ₁ P1	0.874	0.312	Valid
X ₁ P2	0.827	0.312	Valid
X ₁ P3	0.798	0.312	Valid

Source: Results of data processed using SPSS 2026

The test results show that the variable (X1) accounting understanding has valid criteria for all question items based on the criteria where the calculated r is greater than the r table in this study of 0.312. Table 1 shows that each statement in the variable (X1) accounting understanding is reliable and feasible in this study.

Table 2. Results of the X2 validation test on education level

Statement	r count	r table	Description
X ₂ P1	0.769	0.312	Valid
X ₂ P2	0.575	0.312	Valid
X ₂ P3	0.698	0.312	Valid

Source: Results of data processed using SPSS 2026

It shows that the variable (X2) education level has valid criteria for all question items, based on the criteria where the calculated r is greater than the r table in this study of 0.312. This shows that each statement in the variable (X2) education level is reliable and suitable for research.

Table 3. Results of the Y validation test on quality of financial statement

Statement	r count	r table	Description
YP1	0.550	0.312	Valid
YP2	0.595	0.312	Valid
YP3	0.420	0.312	Valid
YP4	0.593	0.312	Valid
YP5	0.567	0.312	Valid

Source: Results of data processed using SPSS 2026

This indicates that the variable (Y) financial statement quality has valid criteria for all question items based on the criteria where the calculated r is greater than the r table in this study at 0.312. This indicates that each statement in the variable (Y) financial statement quality is reliable and feasible for research. The results of the validity test indicate that all statement items in the variables of accounting understanding (X1), education level (X2), and financial statement quality (Y) are declared valid. Validity testing was carried out by comparing the calculated r value with the r table of 0.312 at a significance level of 0.05. For the accounting understanding variable, all statement items have calculated r values are greater than the r table, namely 0.874, 0.827, and 0.798, respectively, so all items are declared valid. The education level variable also shows valid results with calculated r values of 0.769, 0.575, and 0.698,

respectively. Meanwhile, the financial statement quality variable had calculated r values of 0.550, 0.595, 0.420, 0.593, and 0.567, all of which were greater than r table. Thus, all research instruments were deemed capable of accurately measuring the variables studied and were suitable for use in research.

After the validity test was conducted and all statement items were declared valid, a reliability test was conducted to determine the level of consistency of the research instrument. The reliability test was conducted using the Cronbach's Alpha method to ensure that the research instrument can produce consistent results when used in repeated measurements. A variable is considered reliable if its Cronbach's Alpha value is greater than 0.60. The results of the reliability test in this study are presented in the following table.

Table 4. Reliability test results (X1)

Variable	Cronbach's Alpha	No Items	Description
X ₁	0.775	3	Reliable

Source: Results of data processed using SPSS 2026

Based on the test (Table 4), it can be seen that the Cronbach's Alpha value generated from variable X1 is $0.775 > 0.60$. Based on the provisions mentioned previously, the accounting understanding variable (X1) used for this study is reliable.

Table 5. Reliability test results (X2)

Variable	Cronbach's Alpha	No Items	Description
X ₂	0.721	3	Reliable

Source: Result of data processed using SPSS 2026

Based on the test (Table 5), it shows that the Cronbach's Alpha value generated from the X2 variable is $0.721 > 0.60$. Based on the provisions mentioned previously, the education level variable (X2) used for this study is reliable.

Table 6. Reliability test results (Y)

Variable	Cronbach's Alpha	No Items	Description
Y	0.725	5	Reliable

Source: Results of data processed using SPSS 2026

Based on the test (Table 6), the Cronbach's Alpha value for variable Y is $0.725 > 0.60$. Based on the aforementioned criteria, the financial statement quality (Y) variable used in this study is reliable. The reliability test results indicate that all research variables have Cronbach's Alpha values greater than 0.60, thus being considered reliable. The accounting understanding variable obtained a Cronbach's Alpha value of 0.775, the educational level variable a Cronbach's Alpha of 0.721, and the financial statement quality variable a Cronbach's Alpha of 0.725. These results indicate that all items in the questionnaire exhibit a good level of consistency, making them reliable data collection tools for this study. Therefore, the research instrument is considered consistent and suitable for further testing.

To make sure the research data satisfied the requirements for regression analysis, classical assumption checks were performed prior to performing multiple linear regression analysis. The normality, multicollinearity, and heteroscedasticity tests were among the traditional assumption tests

used in this investigation. The results of these tests were used to determine whether the regression model was suitable and free from derivation from classical assumptions.

The purpose of the normality test is to ascertain whether the residuals or cofounding variables in a regression model have a normal distribution. The data distribution of a good regression model is normal or nearly normal. This study used SPSS 27 for normality testing using the one-sample Kolmogorov-Smirnov test with an exact test approach. If the exact sig (2-tailed) value is > 0.05 , the data are normally distributed. However, if the exact sig (2-tailed) value is < 0.05 , the data are not normally distributed.

Table 7. Normality test results

<i>Description</i>	<i>Value</i>
N	40
Mean	0.000
Std. Deviation	1.000
Kolmogorov-Smirnov Z	1.093
Asymp. Sig. (2-tailed)	0.183
Exact Sig. (2-tailed)	0.163

Source: Results of data processed using SPSS 2026

The results of the normality test (Table 7) indicate that the research data are normally distributed. Normality testing was performed using the Kolmogorov-Smirnov test, assessing the significance value. The test results show a significance value greater than 0.05, indicating that the residual data in this study were normally distributed. Therefore, the regression model meets the assumption of normality and is suitable to further analysis.

In this study, the researchers conducted a multicollinearity test to determine whether the regression model found correlations between the independent variables by examining the tolerance and the VIF value. If the VIF < 10 and tolerance value is > 0.1 , multicollinearity is not present.

Table 8. Multicollinearity test results

Variable	Tolerance	VIF
Accounting Understanding	0.575	1.739
Education Level	0.575	1.739

Source: Results of data processed using SPSS 2026

The results of the multicollinearity test (Table 8) indicate that there are no signs of multicollinearity among the independent variables in the research model. The test was conducted by examining the Tolerance and Variance Inflation Factor (VIF) values. The test results show that all variables have a tolerance values greater than 0.10 and a VIF value less than 10. This indicates that there is no significant correlation between the independent variables, thus ensuring that the regression model is free from multicollinearity.

The researchers also conducted a heteroscedasticity test to determine whether there is unequal variance in the residuals from one observation to another in the regression model. The heteroscedasticity test use the Glazer test with a significance level of > 0.05 . If the result is greater than the t-test, heteroscedasticity is not present.

Table 9. Heteroscedasticity test results

Variable	Significant
Accounting Understanding	0.989
Education Level	0.531

Source: Results of data processed using SPSS 2026

The results of the heteroscedasticity test (Table 9) indicate that there are no symptoms of heteroscedasticity in the regression model. The test was conducted by examining the significance value of the Glejser test. The test results indicate that all independent variables have a significance value greater than 0.05. It can be concluded that the residual variance is constant. Therefore, the regression model in this study meets the assumption of no heteroscedasticity and is suitable for hypothesis testing.

After the regression model was declared to meet the classical assumptions, a multiple linear regression analysis was conducted to determine the effects of accounting understanding and education level on the quality of BUMDes financial statements in Eris Sub-district. The results of the multiple linear regression analysis are presented in the following table.

Table 10. Results of the multiple linear regression analysis

MODEL	Unstandardized coefficients	
	B	Std
(Constant)	9.554	2.650
Accounting Understanding	0.529	0.197
Education Level	0.426	0.238

Source: Results of data processed using SPSS 2026

The results of the multiple linear regression analysis (Table 10) indicate that the accounting understanding variable has a positive regression coefficient, meaning that the better the accounting understanding of BUMDes managers, the better the quality of their financial statements. Meanwhile, the education level variable also has a positive influence on financial statement quality, although it is not statistically significant. Based on the results of data processing using the Statistical Package for the Social Sciences (SPSS) version 27, the constant values and regression coefficients are as follows:

$$Y = 9.554 + 0.529X_1 + 0.426X_2 + e$$

The constant (α) of 9.554 indicates that if the accounting understanding (X_1) and education level (X_2) variables are held constant or zero, then the financial statement quality (Y) is estimated to be 9.554. The regression coefficient for the accounting understanding (X_1) variable is 0.529, indicating that every one-unit increase in accounting understanding, assuming other variables remain constant, will increase the quality of the financial statements by 0.529 units. A positive coefficient indicates that the better the accounting understanding of BUMDes managers, the better the quality of the resulting financial statements.

The regression coefficient for the education level (X_2) is 0.426, indicating that every one-unit increase in education level, assuming other variables remain constant, will improve the financial statements' quality by 0.426 units. Although the regression coefficient is positive, the partial test results indicate that the effect is not statistically significant, so education level has not been proven to have a

big impact on BUMDes financial statements' quality. Thus, the equation indicates the magnitude of the influence of each independent variable on the financial statements' quality.

After testing the classical assumptions and confirming that the research data met the requirements for regression analysis, the next step was to test the hypotheses using a partial t-test. Hypothesis testing examined the effect of accounting understanding and education level on the financial statements' quality. This study aimed to answer the hypothesis of whether there is a positive and significant influence between accounting understanding and education level on the quality of BUMDes financial statements in Eris Sub-district. The t-test was used to determine the influence of each independent variable, namely accounting understanding and education level on the dependent variable, namely the quality of BUMDes financial statements in Eris Sub-district. The results of the t-test in this study are presented in Table 11.

Table 11. Results of the T-test (Partial)

Variable	t count	Sig.	Description
X ₁	2.684	0.011	Significantly influential
X ₂	1.791	0.081	No effect

Source: Results of data processed using SPSS 2026

Accounting understanding (X₁) obtained a significance value of $0.011 < 0.05$ (Table 11), concluding that H₁ is accepted. The accounting understanding variable (X₁) has a positive and significant effect on the financial statement quality variable (Y). The education level variable (X₂) obtained a significance value of $0.081 > 0.05$, concluding that H₂ is rejected. Education level (X₂) does not have a significant effect on the financial statement quality variable (Y).

Next, a coefficient of determination (R^2) test was conducted to determine the extent to which the accounting understanding and educational level variables could explain the financial statement quality of BUMDes in Eris Sub-district. The results of the coefficient of determination test are shown in Table 12.

Table 12. Results of the coefficient of determination test

Description	Value
R	0.663a
R Square	0.439
Adjusted R Square	0.409
Std. Error	101.126

Source: Results of data processed using SPSS 2026

The results of the coefficient of determination test (Table 12) show an R-squared value of 0.439 and the adjusted R-squared value of 0.409. This indicates that accounting understanding and education level explain 40.9% of the quality of BUMDes financial statements in Eris Sub-district, while the remaining 59.1% is influenced by other variables outside this study that were not examined. Furthermore, the R value of 0.663 indicates a fairly strong relationship between the independent and dependent variables.

Next, a simultaneous test (F-test) was conducted to determine whether accounting understanding and education level jointly influence the quality of BUMDes financial statements in Eris Sub-district. The results of the simultaneous test (F-test) are presented in Table 13.

Table 13. Simultaneous test results

F	Sig
16.146	0.001

Source: Results of data processed using SPSS 2026

The results of the simultaneous test or F-test (Table 13) show a calculated F-value of 16.146 with a significance level of 0.001. This significance level is less than 0.05, indicating that accounting, understanding and education level simultaneously have a significant effect on the quality of BUMDes financial statements in Eris Sub-district. Therefore, the regression model in this study is suitable for explaining the influence of the independent variables on the dependent variable.

The results of the study regarding the effect of accounting understanding on the quality of financial statements indicate that accounting understanding has a significance level of $0.011 < 0.05$; thus, H1 is accepted. This means that accounting understanding has a positive and significant effect on the quality of BUMDes financial statements. These results of the study indicate that accounting understanding influences the quality of BUMDes financial statements. This indicates that the better the managers' understanding of accounting concepts, principles, and procedures, the better the quality of the resulting financial statements, both in terms of the accuracy of recording, preparation, and presentation of financial information. This condition demonstrates that the managers' technical skills in accounting play a crucial role in improving the quality of the prepared financial statements. A good understanding of accounting will enhance managers' ability to identify, record, and present financial information accurately, resulting in more accurate, reliable, and understandable reports. Thus, the resulting financial statements are truly useful for village governments and communities in evaluating performance and making decisions. The results of this study align with research conducted by Indrawan and Dewi, which stated that accounting understanding has a positive and significant effect on the quality of financial statements in BUMDes (Indrawan & Dewi, 2022). Furthermore, research by Hermayani and Dewi also stated that accounting understanding has a positive and significant effect on the quality of financial statements of Village Credit Institution (Indonesian: *Lembaga Perkreditan Desa*, shortened to LPD) in Denpasar City (Hermayani & Dewi, 2023). Therefore, in the context of BUMDes, improving accounting understanding is crucial because it directly impacts the quality of financial information used as a basis for decision-making.

The study's findings about how education level affects financial statement quality indicate that education level has a significance value of $0.081 > 0.05$; thus, H2 is not empirically proven in this study. This indicates that education level does not significantly influence the quality of BUMDes financial statements in Eris Sub-district. This condition indicates that the quality of financial statements is not solely determined by the level of formal education but is more affected by other factors such as experience.

The results of this study shows that education level does not significantly influence the quality of BUMDes financial statements. This indicates that the level of formal education of managers does not directly determine the financial statements' quality. In the context of BUMDes technical skills in preparing financial statements, work experience, and training obtained in financial management practices play a more important role in producing quality financial statements than formal educational background alone. This is because education level, technical understanding of accounting, and training previously attended by BUMDes managers are important factors in producing quality financial statements.

In this study, although education level can shape a more analytical mindset, it does not guarantee that individuals will be able to prepare relevant with reliable financial statements if they lack adequate accounting understanding. This suggests that formal education does not necessarily contribute directly to the quality of the information produced. The implication for BUMDes in the sub-district is that improving the financial statements' quality cannot simply be achieved by assessing the education level of managers. It must also focus on improving practical skills in processing financial information so that the resulting reports are truly useful for decision-making.

Education level essentially reflects an individual's capability to understand work concepts and procedures, including the preparation of financial statements. The results show that education level does not significantly influence the quality of BUMDes financial statements. This may be due to the characteristics of the participants in this study, where most participants had relatively homogeneous educational backgrounds. Based on the data obtained, 37 of the 40 participants were high school graduates, who generally lack specialized knowledge in accounting. This condition means that the respondents' formal education level has not significantly contributed to improving the financial statements' quality.

Furthermore, these results show that the ability to prepare financial statements are more influenced by practical understanding and experience in accounting than by formal education. Therefore, improving BUMDes financial statements' quality cannot rely solely on education level; it also requires support through training, mentoring, and technical competency development in accounting for BUMDes managers.

These results align with research by Aullah, Nandiroh, and Sudaryanti, which showed that education level does not significantly affect the quality of MSME financial statements. This indicates that improving the quality of financial statements is not solely determined by the level of formal educational, but it also influenced by other factors such accounting understanding and work experience (Aullah *et al.*, 2022).

Furthermore, research by Lontaan and Ratnasari also found that education level did not significantly influence the preparation of MSME financial statements. These findings reinforce the idea notion that formal education is not always the primary factor in determining the quality of financial statements, but rather is more affected by human resources competency (Lontaan & Ratnasari, 2025).

Research by Rahmadani, Rafidah, and Khairiyani also showed that education level did not significantly influence the quality of MSME financial statements. Therefore, the researchers drew a conclusion that other factors, such as accounting understanding and business management, are more dominant in determining the financial statements' quality (Rahmadani *et al.*, 2022).

CONCLUSION

Considering the findings of the study, the researchers come to a conclusion that accounting understanding has a positive and significant impact on the quality of financial reports. These results indicate that the higher the level of accounting understanding possessed by BUMDes managers, the better the quality of resulting financial statements. A good understanding of accounting enables the preparation of more accurate, relevant, and reliable financial statements, thus being useful in decision-making.

Meanwhile, education level does not significantly impact the quality of financial statements. Despite, its positive influence, education level does not significantly contribute to improving the quality of financial statements. This indicates that formal education alone is insufficient without being supported by practical understanding and skills in accounting.

The study's practical implications indicate that improving the quality of BUMDes financial reports is largely determined by the managers' understanding of accounting. Therefore, efforts are needed to improve human resource capacity through ongoing training, mentoring, and coaching so that BUMDes managers can prepare more accurate, relevant, and reliable financial statements. Furthermore, since education level does not have a significant impact, improving technical competency through training and work experience is more important than relying solely on formal education.

There are a number of limitations to this study that should be considered when interpreting the findings. First, the study was conducted only in BUMDes in eight villages in Eris Sub-district, with a total of 40 respondents. Therefore, the results reflect conditions in the study area and cannot be generalized to BUMDes in other regions with different characteristics. Second, the variables used in this study are limited to accounting understanding and education level, thus not covering all factors that can influence BUMDes financial statements' quality. Third, data collection was conducted through questionnaires, so respondents' answers are highly dependent on each individual's perception and understanding. However, the research instrument has undergone validity and reliability test, so the data obtained is considered valid and can be used as a basis for research analysis.

Considering the constraints, future research is advised to extend the research area to achieve more representative results. Additionally, other variables such use work experience, accounting training, human resource competencies, and information technology utilization could be added. Future research is also advised to utilize wider variety of methods, such as mixed methods with interviews, for more in-depth and comprehensive results.

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