



## **Factors Affecting the Use of Accrual Based Financial Statements for Regional Device Organizations (OPD) of South Sumatera Province**

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### **ABSTRACT**

The purpose of this study was to examine and find out the influence of accrual accounting knowledge, administrative bureaucracy, and Regional Management Information System (SIMDA) on the Use of Accrual Accounting. The research method used is an explanatory research. The scope of this study is the public sector, especially in the accounting unit at the Regional Device Organization (OPD) in the Government of South Sumatera Province. The data used are primary data in the form of the results of the respondents' answers taken with a questionnaire instrument. The results of data analysis in this study are that Accrual Accounting Knowledge, Regional Management Information System (SIMDA) and Administrative Bureaucracy together influence the Accrual Accounting Knowledge. The interpretation that can be explained from these results is the Use of Accrual Accounting will be effective if there is a high level of Accrual Accounting Knowledge, a reliable Regional Management Information System (SIMDA) and a short or practical Administrative Bureaucracy.

**Keywords:** SIMDA, Financial Statements, Accrual Base, Regional Device Organizations

**JEL Classifications:** H80, H83, M41

### **1. INTRODUCTION**

The application of accrual accounting to the Financial Report presentation and reporting system has been mandated in Government Regulation Number 71 of 2010 for all regencies/cities in Indonesia since 2015. Public transparency and accountability in the era of regional autonomy have become the most important goal of public sector reform in Indonesia since the year 2005. In accordance with Government Regulation Number 105 of 2000 and Law Number 17 of 2003 which is the result of the revision of Law Number 33 of 2004, Government Accounting Standards become a tool to facilitate increasingly transparent and accountable reporting, so that the preparation of the presentation of financial statements central and regional based on Government Accounting

Standards (SAP). The conceptual framework of PP No. 71 of 2010 paragraph 24 is prepared to provide relevant information regarding the financial position and all transactions carried out by a reporting entity during one reporting period in accordance with the financial statements of the regional government which is a combination of the OPD financial statements in the local government.

In 2017 is the 3<sup>rd</sup> year for the central government and regional governments in implementing accrual-based accounting systems. The Provincial Government of South Sumatera for the third consecutive time obtained Unqualified Opinion (WTP), namely since 2015, 2016 and 2017. This is not independent of the joint efforts of reporting entities and accounting entities in the territory of South Sumatera Province. The Ministry

of State Apparatus Empowerment and Bureaucratic Reform from the results of the evaluation of Government Institutional Performance Accountability (AKIP) in 2017 stated that the Provincial Government of South Sumatera received the title A. As the winner of the A value, the Province of South Sumatera was designated as one of the pilot areas through effectiveness, efficiency, and achievement of bureaucratic reform. This condition is not accompanied by other performance, namely the level of absorption of budget realization in each OPD of the South Sumatera Provincial Government which is still low. This can be seen in the results of the Budget Implementation Evaluation (EPA) carried out by the Regional Office of the Directorate General of Treasury of the Province of South Sumatera which shows four OPD whose budget absorption is still nil, namely the Education Office, the Library Service, the Youth and Sports Service and the Secretariat of the Province of South Sumatera. The budget ceiling for deconcentration and auxiliary duties in South Sumatera was only realized at 18.9%, which should have reached 30% in the first quarter of the budget realization.

The implementation of public services generally has a chain of command with a pyramid shape, where more people are at a lower level than the upper level called bureaucracy (KBBI, 2008). The bureaucratic concept (the basic component of the rational system) is used for the purposes of efficiency, predictability, calculation, and control through non-human technology, a clear picture of the impact of accounting reforms on substantive efficiency improvements (Lapsley, 1999). Besides the existence of the administrative bureaucracy in the implementation of public service management, the ability of the competent organizers in the sense of having reliable knowledge in their respective parts is also supported by technology in the form of a proven management information system. Knowledge research conducted by Hepworth (2003) found that failure to understand accruals can endanger the entire transition process (from the cash basis to the accrual basis). This is in accordance with the objectives of SIMDA Finance application development, one of which is to produce comprehensive, precise and accurate information to local government management that can be used as decision-making material (BPKP, 2008). As Habermas (1984) views on communication action that the actions of the agents involved are coordinated through actions to achieve the understanding that helps agents in decision making. By using the concept of bureaucracy (the basic component of the rational system) that is applied for the purposes of efficiency, predictability, calculation, and control through non-human technology, a clear picture of the impact of accounting reforms on substantive efficiency improvement is obtained (Lapsley, 1999). In contrast to the results of Heywood's research, (2002) In this chain of command each position and work responsibilities are described and have strict rules and procedures that tend to be less flexible.

The following below are some studies that contradict the results, namely, in institutional theory in Andriani's et al. research (2010) found that the use of accrual accounting is intended to get training for internal and external users. Other studies also found similar results, namely that public sector managers consider accrual accounting information to be more useful than cash basis

accounting information in most decisions (Andriani et al., 2010). But in the study of Cohen and Karatzimas (2017) it was found that accounting changes did not lead to a high level of accounting information quality as expected by government officials. Meanwhile, according to Kobayashi et al. (2016) politicians do not recognize accrual-based accounting information more useful than cash-based accounting information. The existence of different research results about the usefulness of accrual accounting and the factors that influence it as well as the conditions of the implementation of public services by work units in the Government of South Sumatera Province in the process of carrying out public services carried out research problems, so it is necessary to do research on the factors of use of financial statements accrual based Regional Organization in the Government of the Province of South Sumatera.

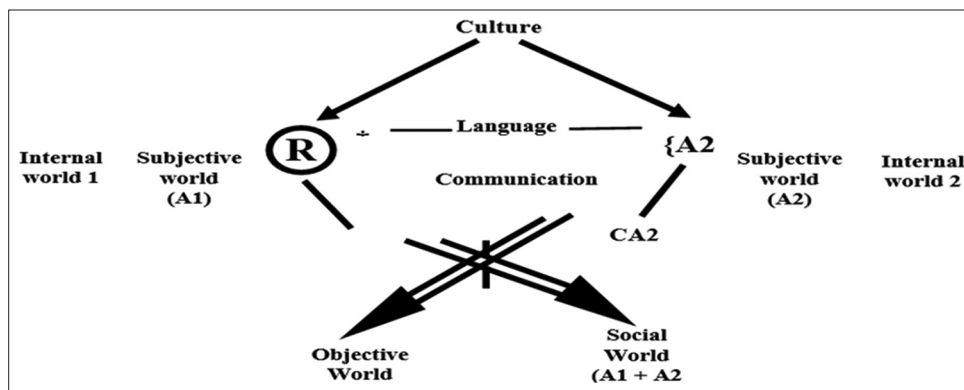
## 2. LITERATURE REVIEW

This research uses institutional theory based on Jurgen Habermas's point of view. In the book *The Theory of Communicative Action* Habermas analyzes social interaction and calls it Lifeworld. A concept originally used by Alfred Schutz where lifeworld refers to the world of everyday life. The argument used is that each logical structure of science is closely related to the pragmatic function of scientific knowledge (Habermas, 1973), then relates it to the interpersonal communication contained in the living world (lifeworld). The system refers to coordinated action through the existence of the institution described by Habermas. According to Habermas the concept of lifeworld is as follows Figure 1:

There are two essays delivered by Habermas about Rationalization theory. First, *Technology and Science as "Ideology"* (TSI), which explains the rationalization according to Weber as "the expansion of the area of society that is placed under the rules of rational decision" (Beilharz, 2005). Second, part of *The Theory of Communicative Action* is Max's *Theory of Rationalization* (MTR). There are two kinds of rationalization, namely Rationalization called Habermas (1984) as "occidental rationalism" and "The Disenchantment of Religious Metaphysical Worldviews and Emergence Modern Structures of Consciousness." The researcher gives an abbreviation for both types of rationalization in order to facilitate the repetition of writing, namely "OCD rationalization" and "MSC rationalization." OCD rationalization is a social interaction regulated by norms of rational action aimed at the form of bureaucratic and administrative behavior, while the rationalization of MSC is the level of the institutional framework of the social-cultural life-world realized in the medium of communication (language) with problem solvers science and technology.

Based on institutional theory in the view of Habermas (1984), namely the existence of lifeworld and rationalization in communicative action, in this study the process of using accrual accounting in the implementation of public services in OPD is a lifeworld. The institutional theory provides an explanation of how the mechanism of an organization conducts activities in accordance with the social and cultural norms surrounding it. The basic principle of this theory is that the survival of the organization

Figure 1: Concept of lifeworld



Source: Communication Vol. 2 (Habermas, 1981)

requires the organization to adjust to prevailing and acceptable social norms (Meyer and Rowan, 1977). The concept of lifeworld is seen in life in the process of organizing public services, based on previous explanations of culture, the norms applicable are in the form of Government Regulation No. 71 concerning Government Accounting Standards which will be the issue of the use of accrual accounting in Local Government Financial Statements. Bernard (2007) states that formal institutions can be in the form of regulations, regulations, legal and other laws, while informal institutions can be in the form of conventions, trends, culture and so on. Financial Reports as a language that functions as a tool used in communicating for the purpose of conveying what is planned with what will be carried out by the organization. Communication occurs between the compilers and users of the Financial Report as a process of Using the Financial Statements themselves. The process will be influenced by the rationalization of OCD in the form of administrative bureaucracy and MSC rationalization in the form of knowledge and technology (SIMDA).

### 3. RESEARCH METHOD

This type of research is causality research and the scope of this research is the public sector, especially in the accounting unit at the Regional Device Organization (OPD) in the Government of South Sumatera Province. The data used are primary data in the form of the results of the respondents' answers taken with a questionnaire instrument. The purpose of this study is to test and find the influence of accrual knowledge, Regional Management Information System (SIMDA) and administrative bureaucracy on the use of accrual accounting in OPD in South Sumatera Province. The unit of analysis that became the population of this study was the Regional Device Organization (OPD) within the work area of the Provincial Treasury Service Office (KPPN) in South Sumatera, while the respondents in this study were Budget User Proxies (KPA) and staff namely Head of Division, Section Head or Head of Sub Division at the OPD. This study uses four variables, namely, Accrual Accounting Knowledge, Regional Management Information System (SIMDA), Administrative Bureaucracy and Use of Accrual Accounting.

To get data that matches the goal, each of these variables has dimensions. The dimensions for the accrual accounting knowledge

variable are the preparation of the initial balance sheet, budget accounting and financial statement accounting. The dimensions for the Regional Management Information System (SIMDA) variable are the effectiveness of the Regional Management Information System (SIMDA), the quantity of the Regional Management Information System (SIMDA), the quality of the Regional Management Information System (SIMDA) and timeliness. Dimensions for the next variable administrative bureaucracy are rules, tasks, positions, documents, members of the organization and authority. The dimensions for the last variable using accrual accounting are achievements, values and interpretation of performance. Hypothesis testing uses inferential statistics with multiple regression analysis because it tests a model with more than one independent variable. Following below is a multiple regression formula for this study:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \mu$$

Where:

- $\beta_0$  : Constants
- $\beta_{1,2,3}$  : Regression coefficient
- $X_1$  : Accrual accounting knowledge (independent variables)
- $X_2$  : SIMDA (independent variables)
- $X_3$  : Administrative Bureaucracy (independent variables)
- $Y$  : Use of accrual accounting
- $\mu$  : Error term

### 4. RESULT AND DISCUSSION

The results of the statistical description are shown in the Table 1 below.

Classic assumption testing shows the following results; Normality Test results using the Kolmogorov Smirnov Method on Regression Equation is known that the significance value (Asym.sig 2 tailed) is more than 0.05, so the residuals are normally distributed for the regression equation. Autocorrelation test obtained Durbin-Watson values of >1 for all independent variables can be concluded that the regression model does not have autocorrelation. The results of multicollinearity testing obtained VIF values <10.00 and Tolerance >0.100 for all independent variables, it was concluded that the regression model did not occur multicollinearity problems. The next test is heteroscedasticity test which is done by looking

**Table 1: Results of statistical descriptive analysis**

Descriptive statistics				
Variable	n	Minimum	Maximum	Mean±SD
Accrual accounting knowledge ( $X_1$ )	204	19	65	50.98±8.294
SIMDA ( $X_2$ )	204	9	45	35.90±5.962
Administrative bureaucracy ( $X_3$ )	204	20	70	55.14±8.894
Use of accrual accounting (Y)	204	32	91	72.24±10.463
Valid N (listwise)	204			

Source: Authors calculation, 2018

**Table 2: t-test results (partial test) in equation regression**

Model	Unstandardized coefficients		Standardized coefficients	t	Sig.
	B	Standard error	Beta		
1 (Constant)	1.159	0.178		6.498	0.000
Accrual accounting knowledge ( $X_1$ )	0.205	0.093	0.233	2.198	0.029
SIMDA ( $X_2$ )	0.177	0.082	0.212	2.163	0.032
Administrative bureaucracy ( $X_3$ )	0.120	0.092	0.136	1.305	0.193

(a) Dependent variable: Use of accrual accounting (Y). Source: Authors calculation, 2018

at the patterns of points on regression scatterplots, it is known that the points spread with a clear pattern above and below the number 0 on the Y axis, for equation regression all the independent variables have a significant value of  $>0.05$  (not significant), so it can be concluded that there is no problem with heteroscedasticity in the regression model. The results of the t-test indicate that the use of accrual accounting can increase accrual accounting knowledge by 0.205 units, the use of accrual accounting can improve the Regional Management Information System (SIMDA) of 0.177 units and the last use of accrual accounting can increase administrative bureaucracy by 0.120 units, while for F test It can be concluded that the knowledge of accrual accounting, SIMDA and administrative bureaucracy together influence the knowledge of accrual accounting. The results of the tests are carried out in Table 2.

Based on Table 2 above obtained administrative bureaucracy variables that have no effect on the use of accrual accounting, for the use of accrual accounting and regional management information system (SIMDA) variables affect the use of accrual accounting. Accrual Accounting Knowledge Variables have a positive effect, namely the increasing Accrual Accounting Knowledge will increase the Use of Accrual Accounting. Partial testing results for Regional Management Information System (SIMDA) variables on the Use of Accrual Accounting are accepted. SIMDA variables affect the use of accrual accounting means the use of technology in the form of SIMDA program software will increase the use of accrual accounting. The test results for the Administrative Bureaucracy variable on the Use of Accrual Accounting "cannot be accepted, meaning that the administrative bureaucracy in the OPD service process to the community does not affect the use of accrual accounting. This shows that administrative bureaucracy is not a factor that can increase the use of accrual accounting in OPD.

## 5. CONCLUSION

Knowledge of Accrual Accounting, Regional Management Information Systems (SIMDA) and Administrative Bureaucracy together influence the Use of Accrual Accounting. These results indicate that the use of accrual accounting will be more useful if

supported by high accrual accounting knowledge, a reliable Regional Management Information System (SIMDA), and an administrative the bureaucracy that has a shorter or simpler command chain. Accrual accounting knowledge and Regional Management Information System (SIMDA) affect the use of accrual accounting after partial testing, but the administrative bureaucracy does not affect the use of accrual accounting. Knowledge of high accrual accounting from the party that organizes financial statements, especially in terms of understanding the concept of "basic accounting equations" will be more utilized by users if supported by the use of accrual accounting. The use of accrual accounting will also be more useful for users if supported by a reliable Regional Management Information System (SIMDA), especially if the information produced is easy to understand by users, but the use of accrual accounting is not dependent on the administrative bureaucracy. It states that the existence of the administrative bureaucracy is not a factor determined in increasing the use of accrual accounting.

By using the Lifeworld concept from Habermas to create a research model, it is expected to focus more on the Accrual Accounting Knowledge variable and the Regional Management Information System (SIMDA) which is a framework for building institutional structures on communicative actions. Use Accrual Accounting in OPD. Moderating which strengthens or weakens the relationship between the use of OPD accrual accounting can use the Administrative Bureaucracy variable. Suggestions for future researchers can use Habermas's thinking about the communication of its actions by using the concept of Lifeworld, while for further researchers can also evaluate the value of economic resources, assess financial conditions, evaluate the effectiveness and efficiency of reporting entities and tools to help determine compliance with the legislation, so that it can be seen that the use of accrual accounting in OPD is more useful as a tool in analyzing the use of accrual-based financial statements.

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