
The Effect of Human Resources Management Competency and the Role of Culture on Accrual Accounting Implementation Effectiveness and the Impact on Quality of Accounting Information

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Abstract:

In order to improve the quality of performance, transparency and accountability of the government in the finance, the government issued Law number 15 in 2004 on Audit of State Financial Responsibility and Management. In this Act, it is stipulated that in 2015 the Central Government and the Regional Government should apply full accrual based accounting in the presentation of their financial statements.

The accrual basis of accounting is used for the measurement of assets, liabilities and equity funds which are an international best practice in modern financial management in accordance with the principles of New Public Management (NPM) that promote transparency and accountability of financial management.

The study aimed to examine the influence of human resources management competency and the role of culture on accrual accounting implementation effectiveness and the impact on quality of accounting information. The study is an applied research considering its aim, and a descriptive-survey research, considering data collection method; a structured questionnaire is used for data collection. To measure the validity of the questionnaire, content validity is studied and the reliability is estimated as 0.7 using Cronbach's alpha.

Data analysis was performed by using Partial Least Square (PLS). The results showed that human resources management competency had an effect on the accrual accounting implementation effectiveness while the role of culture had no effect on quality of accounting information.

Keywords: *Human resources management competency, role of culture, accrual accounting implementation effectiveness, quality of accounting information.*

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1. Introduction

In Law No. 15 (2004) regarding Audit of Responsibility and State Financial Management stipulate that in 2015 the Central Government and the Regional Government should apply full accrual based accounting in the preparation of financial statements as one of the provisions of Law No. 17 (2003) on State Finance requires the Governmental Accounting Standards as the basis of preparation of financial reports for government agencies. In one of the explanations on the Law of the State Treasury noted that Governmental Accounting Standards is set in a government regulation No. 71 (2010). One of the main features of these changes is the use of the cash basis of accounting into accrual basis

Accrual based accounting is the recording of transactions conducted in the period when the event occurred, not in the period when receiving or paying cash (Weygandt, 2012). Whereas according to Marshall B. Romney (2015) accrual accounting is a transaction entry made at the end of the accounting period to reflect events that have occurred either for cash that has not been received or not yet disbursed. The accrual basis of accounting is used for the measurement of assets, liabilities and equity of funds that are international best practice in modern financial management in accordance with the principle of New Public Management (NPM) that purpose for transparency and accountability of financial management.

The adoption of accrual based accounting is a key factor in the introduction of accounting practices in public sector organizations (Guthrie, 1998; Lapsley and Pallot, 2000; Baker and Rennie, 2006; Bogt, 2008; Christensen and Parker, 2010). The implementation of this accounting is also applied in Indonesia, with the issuance of new regulations on accounting and auditing in the public sector (Marwata and Alam, 2006; Harun, 2007; and Harun and Robinson, 2010). The accrual accounting implementation provides many benefits for the government such as being able to assess the effectiveness and performance of the organization, controlling the costs of organization (Kordestani and Iranshahri, 2010) to produce detailed financial data in order to tracking the economic transaction, thus achieving transparency, accountability and auditability for users of financial statements as information in making management decisions. Such information would be useful if it could support decision making and be easily understood by users (Huang *et al.*, 1999; Xu *et al.*, 2003).

The implementation of accrual accounting for all financial reporting entities has been done since 2015. But in practice has arisen many problems as shown in the results of audit on financial regulatory body (BPK) in 2016 findings concerning the implementation of accrual accounting occurred in local government. The problems in accrual accounting implementation is caused by local governments by 69%, having no strategy in implementing accrual-based government accounting standards (SAP), by local governments by 75% because they do not plan for human resources training needs. Some of the training held by local governments did not improve

human resource competence (Source: IHPS BPK, 2015). The phenomenon in the provincial government of Banten is minimal where human resources can manage the regional financial use of accounting system accrual based, especially human resources for understand and able to organize accrual-based accounting.

Prior research on the implementation of accrual accounting in government has been widely implemented, such as in the research by Ahn D. Paul *et al.*, (2014) the result being that the implementation of accrual accounting in South Korea can not be separated from the political context and self-interest of the perpetrator. Cohen Sandra *et al.*, (2013) explains that the implementation of accrual accounting in the Greek government is influenced predominantly by social and political factors, followed by technical review and institutional roles.

Meanwhile, according to Ari Pratama (2012) human resources competence, public finance and regulatory practices are the factors that determine the difficulties of accrual accounting implementation in Indonesia and other countries. Simanjuntak (2010) and Bastian (2006) argued the need for qualified human resources is very important in the application of accrual accounting by the government. In addition human resources competence can affect the implementation of accrual accounting, while the role of culture can also affect the implementation of accrual accounting. According to Ratifah and Mulyani (2015) the implementation of accrual accounting in local government areas of West Java and Banten is influenced by culture, power and environmental uncertainty.

Chow, Chau and Gray (1995) suggests that accounting development in China is influenced by culture. Dorota Kuchta Joseph Sukpen (2011) concludes that culture influences the variation of accounting systems with reference to the Hofstede and Gray concepts that reveal the cultural dimension affecting accounting values in general. Innah *et al.*, (2014) concludes that organizational culture has a significant effect on the practice of financial reporting in Nigeria. Companies with an ethical culture will be more committed to complying with regulations and producing the quality of financial reporting.

Based on the background issue, the problem of this study can be formulated as follow :

1. *Do the human resources management competency and the role of culture have effects on the accrual accounting implementation effectiveness ?*
2. *Does the accrual accounting implementation effectiveness has effect on quality of accounting information?*

The main objectivess of this study are :

1. *To examine if human resources management competency and the role of culture have effects on the accrual accounting implementation effectiveness.*
2. *To determine the effect of accrual accounting implementation effectiveness on quality of accounting information.*

3. Theory and Hypothesis

One of the theoretical frameworks used by accountants to understand accounting change is institutional theory. According to this theory, organizations tend to adopt certain systems, structures, or procedures assessed in their social and cultural environments (Ribeiro and Scapens, 2006). Therefore, the institution is defined as an established order consisting of social practices, restricted rules and standards (Dillard, Rigsby and Goodman, 2004). DiMaggio and Powell (1983) argue that there are three types of institutional pressures that make organizations adopt new rules or practices: (1) coercive (rules and regulations imposed by authorities), (2) normative (general public beliefs and norms, including professionalization), (3) mimesis (the tendency of organizations to copy successful behaviors of other organizations in the same field) as pointed out by DiMaggio and Powell, (1983).

3.1 Human Resources Management Competence

Competence is a collection of technical and non technical factors such as personality and behavior, soft skills and hard skills possessed by a person. Spencer and Spencer (1993) states that, competence is the underlying characteristic of a person related to the effectiveness of individual performance in the work or the basic characteristics of individuals who have a causal relationship or as a cause-effect with the criteria as a reference, that is effective. Competence is a key factor for determining a person in producing excellent performance. Competence is a key determinant of organizational success and a basic characteristic of a person to think, behave, act and draw conclusions that can be done and maintained by someone at a certain period (Moeheriono, 2012). Furthermore the level of knowledge can be explained by the cognitive competence and skill level for functional competence, meanwhile, social competence explains the behavior and attitudes of individual workers (Ismail and Abidin, 2010).

Competence can be measured through several dimensions and indicators. According to Seema Sanghi (2007) the dimensions of competence are as follows:

- 1) Motives are things that people do consistently think about or desire and things that cause certain actions or goals.
- 2) Traits are physical characteristics and responses that are consistent with the situation or information.
- 3) Self-concept is a person's attitude, values or self-image.
- 4) Knowledge is the information of a person in a particular field.
- 5) Skill is the ability to perform certain physical or mental tasks.

3.2 Definition of Culture

Hofstede (1984; 1991) defines culture as a collective programming of the mind that distinguishes one group from another, Cultures perform a number of functions within the organization. First, culture has the role of setting a boundary; That is, culture creates a clear distinction between one organization and another. Second, the

culture gives a sense of identity the members of the organization. Third, the culture facilitates the emergence of a commitment to something wider than one's self-interest. Fourth, the culture enhances the stability of the social system. Culture is a social glue that helps to unite the organization by providing precise standards on what employees should say and do. Finally, culture serves as the mechanism of meaning-making and control mechanisms that shape the attitudes and behaviors of employees (Robbins, 2003). Kondalkar (2007) suggests that culture is shaped by a value system implemented by all employees. If promotion is associated with performance, then the workers will try hard work. Conversely, if the promotion is based on seniority, individual efficiency will be reduced dramatically. Value and culture therefore play an important role in employee motivation and productivity.

Schein (2004) argued that culture in a group can be defined as a basic assumption pattern learned by the group to solve external adaptation problems and internal integration, therefore taught to new members as the correct way to understand, think and feel relation to the problem.

The four dimensions of cultural values identified by Hofstede (1984) are as follows:

1. Individualism and Collectivism

Individualism is a tendency to loose social frameworks in societies where individuals have to take care of themselves and their families alone. On the contrary, collectivism is a tendency for a closely knit social framework in which individuals can expect relatives, tribes, or other groups to protect them in exchange for unquestionable loyalty (it will become apparent that the word 'collectivism' is not used here to describe a particular political system). For example in Indonesia the existence of cooperation culture which facilitate the giving of task in comparison with giving individual duty.

2. Power Distance

The power distance concerns the equality of society in power. Distance power is a measure by which members of a society accept that power in an institution or organization is not evenly distributed. This affects the behavior of less powerful and powerful members of society. People who have great power accept the hierarchical order in which everyone has a place that no longer requires justification. While people who have small power spaces want the equation of power and demand justification. For example in Indonesia as an example of a culture, seniority has a higher power distance compared with juniors.

3. Uncertainty Avoidance

The avoidance of uncertainty implies a culture's sense of comfort towards discomfort. Community members are uncomfortable with uncertainty and ambiguity. Communities that have a strong sense of uncertainty will maintain strict trust and behavior and are intolerant of deviant people and ideas. Conversely people have a weak avoidance of uncertainty tending to maintain a more relaxed

atmosphere and the deviations that occur can be tolerated. For example the risks to be faced by entrepreneurs is a job that demands to be able to face uncertainty.

4. Masculinity and Femininity

Masculinity means a tendency in society to achievement, heroism, assertiveness of material success. While femininity means a tendency for relationships, simplicity, attention to friends and quality of life. In the masculine culture for example is the existence of firmness and competitive while the culture of femininity is courtesy and needs attention.

3.3 Accrual Accounting Implementation Effectiveness

Effectiveness can be assessed in various ways and has a close connection with efficiency. According to Etzioni *et al.*, (1985) effectiveness is the level of organizational success in an effort to achieve the goals and objectives that have been set. Effectiveness relates to the achievement of the specified targets relating to the quality, quantity and time achieved by management.

Mahmudi (2005) defines effectiveness, as the relationship between output and objectives, the greater contribution of output to achievement of the goal, it makes more effective the organization, program or activity of the organization. Effectiveness focuses on the outcomes, programs, or activities assessed. Effectiveness is very important in government science, because it is one of the criteria that must be considered.

According to Weygandt (2012) the accrual basis of accounting is the recording of transactions conducted during the period when the event occurred, not in the period when receiving or paying in cash. Romney (2015) states that accruals are entries made at the end of an accounting period to reflect events that have occurred either for cash that have not been received or disbursed. So it can be concluded that the accrual basis is used for measurement of assets, liabilities and equity of funds. Accrual-based accounting is an international best practice in modern financial management in accordance with the principle of New Public Management (NPM) which prioritizes transparency and accountability of financial management.

According to Martowardojo (2012), the implementation of accrual accounting should be done carefully with proper preparation and related structured with rules, systems, human resources, and commitment of the entire leadership, the adoption of accrual accounting in the first years of implementation does not significantly reduce the quality of the financial statements. The implementation of accrual accounting should be viewed as an important opportunity to improve the quality of information (Claudia and Carla, 2013).

The effectiveness of accrual accounting implementation is effectiveness in applying accrual accounting basis to government reporting entity expressed in terms of size of target in quantity, quality and time achieved by the government in the

implementation of accrual basis accounting system. Measurement of effectiveness indicators by Gibson *et al.* (1989) are as follows:

1. Productivity is the ability of the organization to produce the quantity and quality output in accordance with environmental demand.
2. Quality is a dynamic condition associated with products, services, people, processes, and environments that meet or exceed expectations.
3. Efficiency is a comparison between output and input.
4. Flexibility is a response to an organization or changes that occur in an organization.
5. Satisfaction is a measure to show the degree to which the organization can meet the needs of the community.
6. Excellence is the ability to compete from organizations and members of the organization against changes that exist.
7. Development is a measure of the ability of the organization to increase its capacity in facing the demands of society.

3.4 Quality of Accounting Information

Laudon and Laudon (2012) stated that data have been shaped into a form that is meaningful and useful to human being. Not all the results of processing the data is information, data processing that does not give meaningful and useful insights for someone is not an information (Azhar, 2008). Information should be viewed as a processed data to give value to the user (O'Brien, 1996). According to Hall (2011) information must be marked by a direct influence on users that use information to perform or not perform their actions.

Sri (2007) said that information is data that has been processed intended for someone, organization or anyone who needs. While Azhar (2008) argues that there are three important issues that must be considered as information: (1) information is the result of data processing, (2) information must give meaning, and (3) information must be useful.

Stair and Reynolds (2010) said that the value of information is directly linked to how it helps decision makers to achieve their organization's goals. Valuable information can help people and their organizations to perform tasks more efficiently and more effectively. Hirsch (1993) explains that the value of information for the user is determined by its reliability. The purpose of the information is to direct to user action wants, so the information must have certain attributes such as relevance, accuracy, completeness, summarizing and timeline. According to Hirsch (1993) dimensions of quality information is relevance, timelines, accuracy, and verifiability.

4. Hypothesis Development

Implementation of accrual accounting in government is influenced by various factors. One of the key factors in implementing the accrual accounting is the quality

of human resources. The quality of human resources can be considered as a wheel drive to carry out government activities in an effort to realize the government's goals. Nawawi (2001) argues that there are three important roles of human resources: (1) human resources is people who work in the environment of an organization known as personnel, labor, workers or employees, (2) human resources is a function as asset or non-material capital, which have potential in realizing the existence of an organization, and (3) human resources is a potential as the organizational captain.

Fard and Nazari (2012) concluded that managerial elements, human resources, rules and regulations, theoretical framework and accountability culture affect the use of accrual accounting in the public sector. Mcleod and Harun (2014) states that the number of accounting staff and leadership decisions significantly influence the implementation of accrual accounting in Indonesia.

H1: Human resources competence affect on accrual accounting implementation effectiveness.

Mueller *et al.*, (1994) stated that accounting is shaped by the environment in which it operates. In other words, different patterns of accounting are related to various cultural factors such as social values, religion, political systems, and historical backgrounds. The strong underlying human behavior and social values and its impact on accounting practices can not be underestimated. Hofstede (1990) stated that national culture represents a country, with heterogeneity in work and educational level. This heterogeneity can lead to successful implementation of accounting. Culture is a factor affecting the accounting system. Askary, Yazdifar and Askarany (2008) argued that the highest distance strength, uncertainty avoidance and lower individualism are positively associated with accounting uniformity.

However, a great distance of power, high uncertainty avoidance, and negative collectivism affect professionalism and financial disclosure. Ratifah & Mulyani (2015) conclude that implementation of accrual accounting in local government area of West Java and Banten is influenced by culture, power and environmental uncertainty. Thus it can be concluded that the role of culture affects the effectiveness of accounting accrual implementation in the Indonesian government.

H2: Role of culture affect on accrual accounting implementation effectiveness.

Mehr *et al.*, (2015) concludes that the implementation of accrual accounting has a significant effect on the transparency of financial reporting and service costing. Transparency reporting is one of the indicators of quality accounting information. While Heshmat *et al.*, (2015) concluded that the quality of accounting information and the usefulness of financial statements increases due to changes in accounting bases applied. The successful implementation of accrual accounting provides benefits to the Indonesian government as it is capable of producing quality

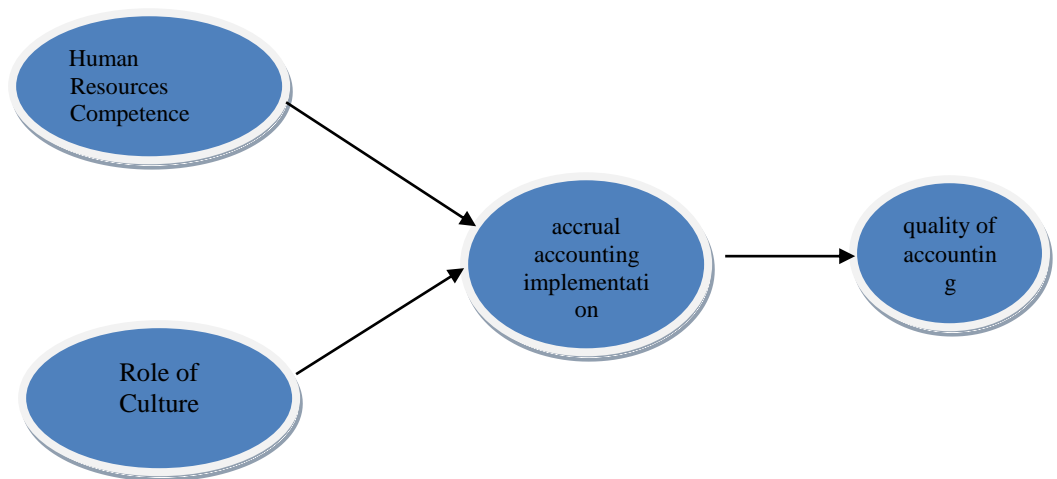
accounting information. The qualified information can provide information on the government's financial position and its changes, how the government finances its activities in accordance with its funding capabilities so as to measure the actual government capacity. From the above, it is concluded that the effectiveness of accrual accounting implementation influences the quality of government accounting information.

H3: Accrual accounting implementation effectiveness affect on quality of accounting information.

5. Theoretical Framework

The theoretical framework which examines the effect of the influence of human resources management competency and role of culture on accrual accounting implementation effectiveness and the impact on quality of accounting information is represented by the following figure.

Figure 1: *Theoretical Framework Resesarch*



6. Research Methodology

The objects used in this study are regional work unit (SKPD) in local government of Banten Province in Indonesia. Population of this research are all SKPD, thid study used a sample of census/saturated. This study uses primary data in the form of a questionnaire distributed to 84 accounting staff in 42 regional work unit in Banten Province. Hypothesis Testing was performed by using Partial Least Square (PLS) with software Smart PLS 3.0. Model fit test was conducted to test whether the hypothesized model can present good of the research results.

6.1 Analysis Validity and Reliability

PK	0.592
Q	0.710
R	0.769
RL	0.860
S	0.720
US	0.688

It can be seen at table that there are several dimensions that have discriminant validity (AVE) value is greater than 0.5. There is only one dimension (F) whose value is 0.492 where the magnitude is close to 0.5. Because the dimension is important it remains included in the model.

6.1.3 Test Reliability

Composite reliability aims to test the reliability of the instrument in a research model. If all values of latent variables have composite reliability or cronbach alpha ≥ 0.7 it means that the construct has good reliability, or the questionnaire used as the tool in this research has been reliable or consistent. In this research, there are several dimensions that have value of composite reliability and cronbach alpha less than 0,7. According to Hair *et al.*, (2011) in Ghozali and Latan (2015), the value of composite reliability or Cronbach alpha beeing ≥ 0.6 or 0.5 is still allowed. However, according to Cooper *et al.*, (2006) in Yogyanto (2011) internal consistency test is not absolutely to be done if the validity of the construct has been fulfilled, because a valid construct is a reliable construct, otherwise a reliable construct is not necessarily valid.

7. Testing Structural Model / Hypothesis Testing (Inner Model)

Inner model testing is the development of concept-based models and theories to analyze the relationship between exogenous and endogenous variables has been described in the conceptual framework.

7.1 Model Accuracy Test

To assess the goodness-fit model by looking at the R-square values found in the PLS Algorithm report, as shown in Table 2.

Based on the result of data processing, R2 value for effectiveness of accrual accounting implementation (EIAA) equal to 0,446 and value of adjusted R2 equal to 0,431. These results indicate that the competence of human resources (KSDM), and the role of culture (PB) can contribute to the effectiveness of accrual accounting implementation (EIAA) of 44.6%, the remaining of 55.4% contribution comes from variables not observed in this research model. Furthermore, the value of R2 on the quality of accounting information (KIA) of 0.640 and the value of adjusted R2 of 0.628. This means that the effectiveness of the accrual accounting implementation (EIAA) can contribute to the quality of accounting information (KIA) of 64%, while the remaining of 36% contribution comes from un-analyzed variables.

Table 2. Model Accuracy Test (R2)

	R Square	R Square Adjusted
C	0.835	0.829
E	0.459	0.442
EIAA	0.466	0.431
F	0.575	0.562
I&K	0.766	0.759
J	0.687	0.677
K	0.541	0.527
KIA	0.640	0.628
KKS	0.327	0.306
M	0.397	0.379
M&F	0.615	0.603
PD	0.719	0.711
PK	0.554	0.541

7.2 Hypothesis testing

The significance of the parameters coefficient can be calculated from the indicator that has been valid from t-table at alpha 0,05 (5%) = 1,96, then t-table compared with t-statistic. If t-statistic is greater than t table, then the hypothesis is accepted.

Table 3. Hypothesis testing

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
EIAA -> E	0.677	0.714	0.104	6.497	0.000
EIAA -> F	0.758	0.763	0.110	6.887	0.000
EIAA -> KIA	0.800	0.782	0.126	6.338	0.000
EIAA -> PD	0.848	0.847	0.103	8.205	0.000
EIAA -> Q	-0.757	-0.613	0.457	1.656	0.098
KIA -> C	0.914	0.912	0.039	23.177	0.000
KIA -> R	0.893	0.894	0.048	18.623	0.000
KIA -> RL	0.921	0.922	0.026	35.056	0.000
KIA -> US	0.708	0.700	0.130	5.454	0.000
KSDM -> EIAA	0.717	0.618	0.357	2.008	0.045
KSDM -> K	0.736	0.710	0.272	2.702	0.007
KSDM -> M	0.630	0.634	0.181	3.482	0.001
KSDM -> S	0.725	0.717	0.132	5.477	0.000

KIA -> US	0.708	0.698	0.136	5.214	0.000
KSDM -> EIAA	0.716	0.638	0.326	2.198	0.028
KSDM -> K	0.736	0.715	0.265	2.778	0.006
KSDM -> M	0.630	0.630	0.181	3.486	0.001
KSDM -> S	0.725	0.712	0.126	5.746	0.000
PB -> EIAA	-0.104	-0.027	0.217	0.478	0.633
PB -> I&K	0.877	0.877	0.060	14.725	0.000
PB -> JK	0.889	0.883	0.063	14.185	0.000
PB -> M&F	0.786	0.794	0.080	9.842	0.000
PB -> PK	0.744	0.758	0.085	8.742	0.000

The result of path coefficient as shown in Table 3, it can be seen that all the first order construct has a significant effect on the second order from each construct, where the statistical t value generated by all first order construct is greater than 1.96, or P value of all first order construct lower than 0.05.

The first hypothesis (H1) state that the competence of human resources affects the effectiveness of accrual accounting implementation. The result of hypothesis test is determining of P Value equal to 0,045 which is smaller than level of uncertainty 0,05. The results of this study provide empirical evidence that the better competence of human resources will be more effective application of accrual-based accounting in all SKPD in Banten Province. This study reinforces the results of BPK audit in 2016 on the findings of problems on the implementation of accrual accounting namely the lack of human resources competence. This research confirmed the previous research of Pratama (2012), McLeod and Harun (2014), Alfian and Sugiarto (2014), Fard and Nazari (2012) and Sudaryati and Heriningsih (2014) indicated that human resource competence influences the implementation of accrual accounting.

The second hypothesis (H2) is the role of culture has no effect on the effectiveness of accrual accounting implementation. The result of hypothesis test performed statistically shows P Value equal to 0,633 which is bigger than level of uncertainty 0,05. The great power distance between superiors and subordinates no longer affects behavior of people in power or not, it means that subordinates and superiors no longer have wide boundaries or spacing. Employees are more comfortable in working because superiors give more attention to their subordinates. The responsibility in the completion of the work can be technically distributed in accordance with the duties and authority. Employee work load is evaluated according to educational background through job analysis and if the employee performance is good then leader will give reward. This study disputes previous research of Fard and Nazari (2012), Katarzyna Kolesnik (2013), Ifa Ratifah and Sri Mulyani (2015), Tsakumis (2007) concludes that culture plays a role in the implementation of accrual accounting.

The third hypothesis (H3) is the effectiveness of accrual accounting implementation affect the quality of accounting information. The result of hypothesis test shows that P value equal to 0.000 which is smaller than the level of uncertainty 0,05. The results of this study provide empirical evidence that the application of accrual-based accounting effective on all SKPD in Banten Province will provide quality accounting information for stakeholders. This study confirms Heshmat *et al.*, (2015) which suggests that the quality of accounting information increases due to changes in the cash basis into accrual basis. Accrual accounting systems are better able to assess the effectiveness and results of organizational performance, and management may be sacrificing organizational activity in a better way. In addition, the accrual accounting system reflects the organization's long-term commitment and overall financial position in a better way. The adoption of accrual accounting systems in the public sector leads to increased government accountability to the public.

8. Conclusion

Accrual based accountancy must be implemented in the Indonesia government in global, especially in Banten local goverment of Banten. The implementation of

accrual accounting did not easily be implemented as in the private sector. There are several challenges faced by the government to implement such a human resources (HR) that are competent and professional in accounting, availability of accounting systems and information technology systems, political, therefore the culture inherent also affect the implementation of accrual based accountancy. The conditions in the local government of Banten tend to have a lack of human resources competence in accounting, while role of culture considerable power distance, uncertainty avoidance, femininity & masculinity and individualism vs collectivism did not influence implementation of accrual accounting.

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