

Influence of Human Resource Competence and Role of Culture on Accrual Accounting Implementation Effectiveness (Survey: Work Unit of Local Government Area in Banten Province)

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Abstract

Law Number 15 Year 2004 regarding Audit of Responsibility and State Finance Management. The Act stipulates that in 2015 the Central Government and the Regional Government shall apply full accrual based accounting in the presentation of their financial statements. This study aimed to examine the influence of human resources management competency and the role of culture on accrual accounting implementation effectiveness. 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 the accrual accounting implementation effectiveness

JEL Classification: M10, M14, M41

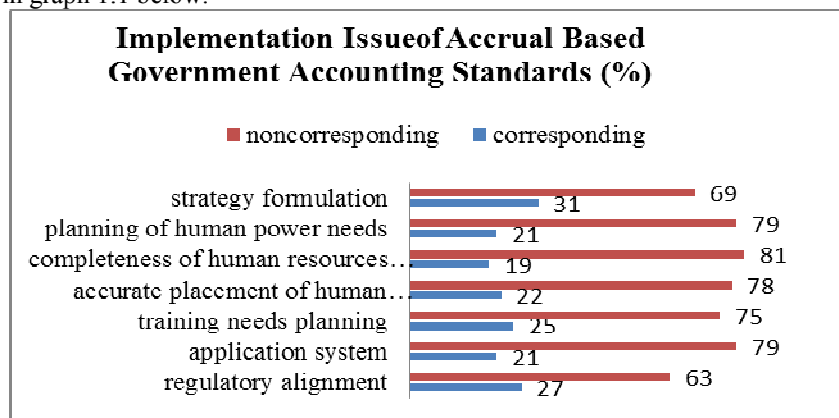
Keywords: Human resources management competency, role of culture, accrual accounting implementation effectiveness,.

1. INTRODUCTION

Accrual based accounting is the recording of transactions conducted in the period when the incident, not in the period when receiving or paying cash (Weygandt, 2012). According to Romney (2015: 479), accrual accounting is a transaction entry made at the end of an accounting period for what has happened either for cash that has not been received or has not been cashed. The accrual basis of accounting is used for the measurement of assets, practices and equity funds that are 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.

Implementation of the accrual basis in government accounting affects the presentation of financial statements. This is because the accrual accounting implementation provides many benefits for the government such as assessing the effectiveness and performance of the organization, controlling the costs of the better organization (Kordestani & Iranshahri, 2010) and producing detailed financial data in terms of tracking the economic occurrence of a transaction, thus achieving a transparency level, accountability and auditability are desired by end-users of financial statements as information to make management decisions. The full implementation of accrual accounting in all financial reporting entities has been done since 2015. Practice many problems arise.

The problems of accrual accounting implementation in local government are grouped into 7 (seven) causal factors, detailed in graph 1.1 below:



Graph 1 Accrual implementation problems in Local Government
 Source: BPK RI, has been reprocessed (2016)

The number of implementation problems that have been described above is a phenomenon facing Indonesia today. This phenomenon can not be solved automatically simply by applying a private sector style accounting system (Arnaboldi & Lapsley, 2009; and Christensen, 2007).

According to Hoesada (2010) the implementation of accrual accounting in the Indonesian government is not as easy as the implementation of the private sector there are a number of challenges faced by the government to implement the system, namely (1) availability of accounting systems and information technology systems, (2) political commitment and support from leaders and decision makers by the government, (3) the availability of competent and professional human resources in financial management. Prior research on the implementation of accrual accounting in government has been widely implemented, such as Ahn and Jacob (2013) research that the implementation of accrual accounting in South Korea can not be separated from the political context and self-interest of the perpetrator. Cohen and Karatzimas (2013) explain that the implementation of accrual accounting in Greek government is influenced predominantly by social and political factors, followed by technical pengusahaan as well as institutional roles. Whereas according to Primary (2012) human resource 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) the need for qualified human resources is very important in the application of accrual accounting in government.

In addition to the competence of human resources that may affect the implementation of accrual accounting, the role of culture can also affect the implementation of accrual accounting. Research Ratifah and Mulyani (2015) states the implementation of accrual accounting in local government areas of West Java and Banten is influenced by culture, power and environmental uncertainty. Culture Banten community which is famous for kinship and highly appreciate kyai and jawara figures who have influence over geographical boundaries because of the charisma it has. Dorota (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. Furthermore Hofstede et.al (2010, 318-319) states behind the symbols, heroism, and rituals in accounting there are values. Accounting activities are determined by technical needs, all governed by values and influenced by cultural differences. Research Egu U Innah et.al (2014) reveals 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 quality financial reporting. Another study from Hafiza Aishah Hashim (2012) on organizational culture that influences financial reporting in Malaysia reveals that the quality of financial reporting can not be free from the influence of organizational culture and directly influence government policy broadly. Culture affects every single interaction in the workplace and human interaction is the most important event that determines the competitiveness of an organization. Most of the relevant decisions within the organization are taken based on the intense interaction of all team members. According to Hofstede (1980), the relationship of value of accounting is based on the relationship of cultural dimension, so that culture influences accounting. While according to Douppnik and Tsakumis (2004), basically, accounting values will affect the accounting system; therefore cultural factors directly affect the development of accounting and financial reporting systems in the State.

2. Theory and Hypothesis

Human Resources 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. Definitions of competence in the dictionary and the following experts are as follows:

- a) According to Antoinette Blunt et.al. (2014: 4) competence is a collection of knowledge, skills, abilities, and characteristics associated with aspects that significantly affect the practice of the profession.
- b) According to Seema Sanghi (2007: 12) competence is the knowledge, skills, abilities, talents, suitability of personal behavior reflected in the behavior observed in the workplace and impact on workplace performance.

Competence is a key factor for determining a person in producing excellent performance. Together competence is a key determinant of organizational success. Competence is a basic characteristic of a person to think, behave, act and draw conclusions that can be done and maintained by a person at a certain period (Moeheriono 2012: 5). Furthermore the level of knowledge can be explained by the cognitive competence and skill level for functional competence, meanwhile, the social competence explains the behavior and attitudes of individual workers

The Role of Culture

Hofstede et.al (2010) Culture performs 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 to 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 unify the organization by providing precise

standards on what employees should say and do. Cultural dimensions can build relationships between cultures and accounting values (Gray, 1988). The Hofstede cultural pattern model was further developed by Gray (1988) by introducing a framework for analyzing the development of accounting systems using a system of accountants' values (accounting subcultures of a country), derived from social values. These social values are formed by external and ecological influences such as trade, investment, geography, economic systems, history, etc. The value of accounting will further affect the accounting system, due to cultural factors that impact on development and financial systems at the national level.

Effectiveness of Accrual Accounting Implementation

Accrual-based accounting has many advantages over the Cash accounting basis and the cash accounting base for Accruals, and this is in line with international best practices developments. Reporting in accrual accounting is one of the business processes in the framework of accountability for the implementation of activities and financial management by the accounting and reporting entity. The business process of reporting is basically done in order to realize the creation of transparency, effectiveness and accountability in government financial reporting.

Based on the above description, in this research, the effectiveness of accrual accounting implementation is effectiveness in applying accrual accounting basis to government reporting entity expressed in measure how far target in quantity form, quality and time that have been reached by government in implementation of accounting system based accruals. According to Weygandt (2012) Accrual accounting basis is the recording of transactions conducted in the period when the event occurred, not in the period when receiving or paying in cash. While Romney (2015: 479) states that accruals are entries made at the end of the 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 principles of New Public Management (NPM) which prioritizes transparency and accountability of financial management.

Influence of Human Resources Competence on Accrual Accounting Implementation Effectiveness

Implementation of accrual accounting in government is influenced by various factors. One of the key factors in implementing the accrual accounting system is how the quality of human resources is. 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. Ari Pratama (2013) indicates that human resources competence, Public Finance Practices and Regulations affect accruals implementation in Indonesia. Another study conducted by Mcleod and Aaron (2014) states that the number of accounting skill staff and leadership decisions significantly influence accrual accounting implementation in Indonesia. This competency factor is also closely watched by Adventana (2014) research conclusion that human resources, organizational commitment, information technology and communication simultaneously have a positive effect on the readiness of accounting system implementation of government based on accrual in local government yogyakarta. Problems of competence and other factors also examined by Fard & 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.

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

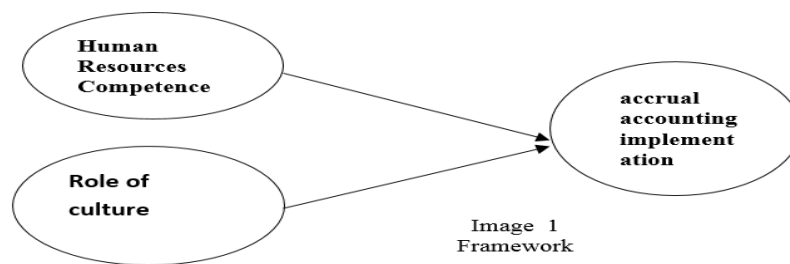
Role of Culture affect on Accrual Accounting Implementation Effectiveness

Accrual accounting Implementation in government is influenced by quality of human resources also influenced by role of culture that can support the success of government goals in implementing the accrual system. Mueller et al. (1994: 1) "Accounting is shaped by 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 Culture is a powerful influence which underlie human behavior and social values, and its impact on accounting practices can not be underestimated Hofstede (1990), national culture represents a country, with heterogeneity in work and education level. This heterogeneity can lead to successful implementation of accounting choices application.

The above statement is in accordance with some previous studies as revealed by Askary, Yazdifar and Askarany (2008) 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. Ifa Ratifah, Sri Mulyani (2015). 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 role of culture has an effect on accrual accounting implementation effectiveness in Indonesian government Culture is a strong influence underlying human behavior and social values, and its impact on accounting practices.

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

Based on the previous research and the theories described above, the next research model is developed as follows:



3. Research Methodology

This research is kind of explanatory research, researcher tries to determine relation between variables based on the data obtained from specified sample in a population through survey on observation unit.

Research object is the event, phenomenon or research problem that has been abstracted into a concept or variable (Arikunto, 2006: 118). Research object in this research is the concept of Human Resources Competence, Role of Culture, and Effectiveness of accrual accounting implementation. Research methods are the methods used in the study (Junjun, 2005: 328), or all of methods or techniques used to carry out research or operational research (Kothari C.R., 2004: 7-8). population (theoretical population) in this study is to take all unit work in Banten Province which amounted to 42 SKPD then data collection used by census.

Target population (Grove et al, 2004) is a group of populations that can be covered or covered. Target population, according to Sekaran (2010: 245), can be expressed in elements terms, boundaries, and time. The data used in this research is primary data that is data or information collected by researcher through questionnaire of questionnaire addressed to the respondents with the aim to obtain facts and factual information from responder. Metode data analysis using PLS.

4. Result Analysis

Measurement (Outer) Model Test

1. Validity test

a. Convergent Validity

Convergent Validity testing of measurement model with reflexive indicator is judged by correlation between item score / component score with construct score calculated by PLS. Individual indicators are considered valid if they have correlation values above 0.70. However, in the scale scale research, loading factor 0.50 to 0.60 is still acceptable. By looking at the output of correlation between the indicator with the construct as shown in the table and the structural picture below:

Table 1 Convergent Validity (modification 1)

| Indicator | Outer Loading | information |
|-----------|---------------|-------------|
| KSDM2 | 0.771 | Valid |
| KSDM4 | 0.687 | Valid |
| KSDM5 | 0.580 | Valid |
| KSDM7 | 0.540 | Valid |
| PB1 | 0.613 | Valid |
| PB2 | 0.747 | Valid |
| PB4 | 0.742 | Valid |
| PB5 | 0.699 | Valid |
| PB6 | 0.495 | Valid |
| PB7 | 0.659 | Valid |
| PB8 | 0.646 | Valid |
| EIAA1 | 0.649 | Valid |
| EIAA2 | 0.682 | Valid |
| EIAA5 | 0.519 | Valid |
| EIAA6 | 0.791 | Valid |
| EIAA7 | 0.682 | Valid |
| EIAA8 | 0.795 | Valid |

Source : output PLS

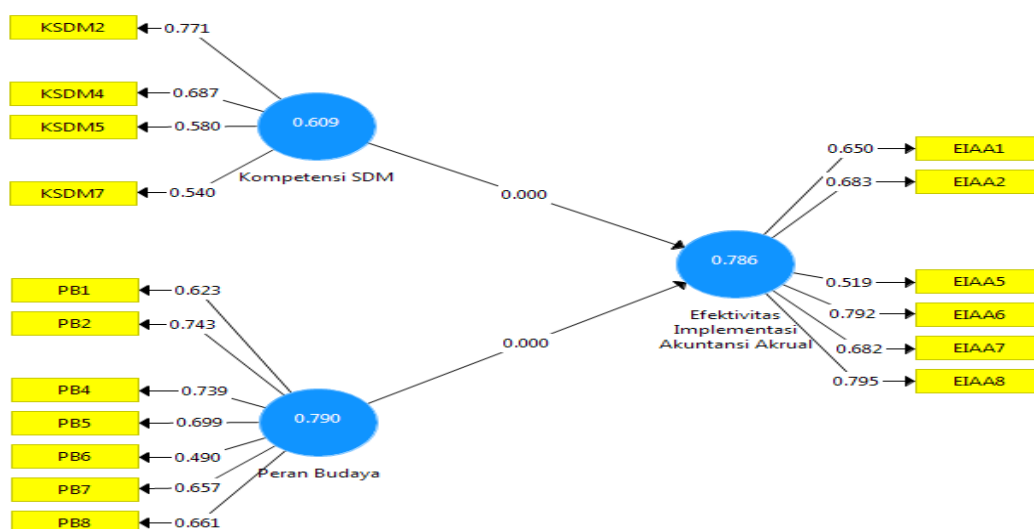


Image 2
PLS Algorithm Result

Result of latest convergent validity test modification shown in image 2 above, that the factor loading value is already above 0.40. As already explained earlier that the value factor loading more than 0.70 can be analyzed. then the research data can be said to have been valid.

2. Reliability Test

Composite Reliability dan Cornbachs Alpha

Testing composite reliability and cornbachs alpha aims to test the reliability of the instrument in a research model. Or measure internal consistency and its value should be above 0.60. 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 a tool in this research has been reliable or consistent. The following table 2 CR test results :

Table 2 Composite Reliability Test result

| Variable | Composite Reliability | Information |
|--------------------------------------------------------|-----------------------|-----------------|
| <i>Human resources competence</i> | 0,742 | Reliable |
| <i>Role of Culture</i> | 0,845 | Reliable |
| <i>Accrual Accounting Implementation Effectiveness</i> | 0,845 | Reliable |

Sumber : output PLS

On the results if data above can be concluded that the data in this study has a CR value above 0.7 so it can be said this data reliabel.

Inner Model

Inner model testing is concept-based models and theories development in order to analyze relationship between exogenous and endogenous variables has been described in conceptual framework. The testing stage of the structural model (inner model) is done by the following steps:

1. R-square Value

R-square value which is a goodness-fit test model.

Table 3 Nilai R² Variabel endogen

| Endogen Variable | R-Square |
|--------------------------------------------------------|----------|
| <i>Accrual Accounting Implementation Effectiveness</i> | 0.475 |

Source : Output PLS

Structural model indicates that the model on Accrual Accounting Implementation Effectiveness is said to be moderate because it has a value above 0.33. Model of influence of independent latent variable Human Resource Competence and Role of Culture on Accrual Accounting Implementation Effectiveness gives R-square value of 0.475 which can be interpreted that constructive variability Effectiveness of Accrual Accounting Implementation which can be explained by constructive variability of Human Resource Competence and Cultural Role 47.5% , 5% is explained by other variables outside of the studied.

2. Hypothesis Testing Results

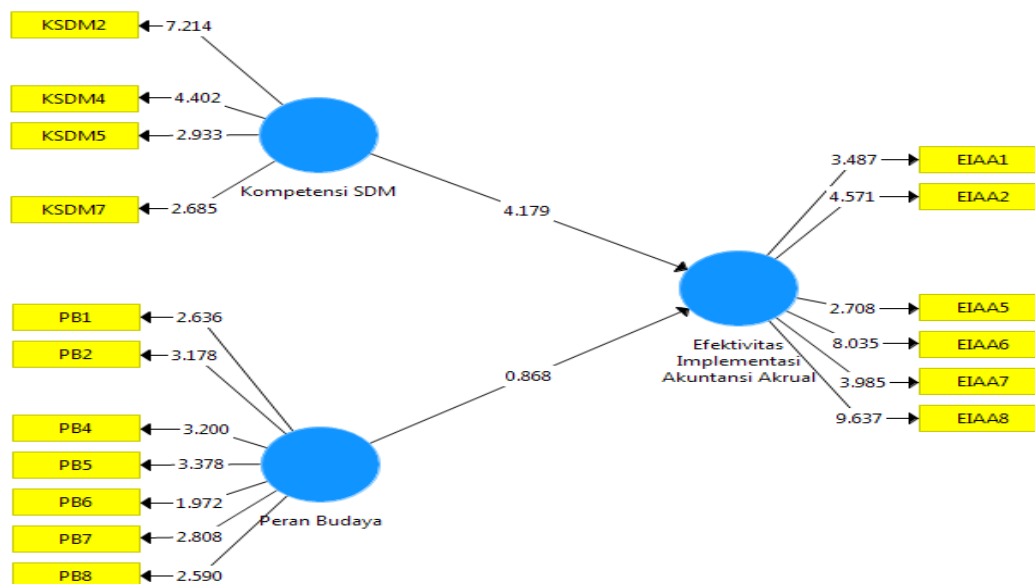
Estimated value for path relation in structural model should be significant. This significance value can be obtained by bootstrapping procedure. See the significance of the hypothesis by looking at the of parameter coefficient value and significance value of T-statistics on the algorithm bootstrapping report. To know significant or not significant seen from T-table at alpha 0,05 (5%) = 1.96, then T-table compared by T-hitung (T-statistic). Or it can also compare the value of P-value with alpha 0.05, if P-value is smaller than alpha (0.05) then the hypothesis is accepted.

Table 4.7 Hypothesis Testing Results

| | | <i>Original Sample</i> | <i>T Statistics</i> | <i>P Values</i> | <i>Information</i> |
|----|-------------------------------------------------------------------|------------------------|---------------------|-----------------|--------------------|
| H1 | HR Competence – Accrual Accounting Implementation Effectiveness | 0.611 | 4.179 | 0.000 | Positive sig. |
| H2 | Role of culture - Accrual Accounting Implementation Effectiveness | 0.163 | 0.868 | 0.386 | Not sig. |

Source : output PLS

**Image 4.5
 Structural Bootstrapping Model**



3. Discussion

Influence of Human Resource Competence on Accrual Accounting Implementation Effectiveness

The first hypothesis in this study is Human Resource Competence Effect on Accrual Accounting Effectiveness. Hypothesis test results are done to determine the amount of P Value of 0.000 is smaller than the level of uncertainty 0.05. This study results provide empirical evidence that the better competence of human resources in the field of accounting will support accrual accounting implementation effectiveness that has been applied by the government in generating financial reports on all unit work in Banten Province. This study reinforces the findings of the BPK audit which states that there are problems in the regions in the implementation of accrual accounting, such as lack of planning for human resource competency, unsuitable placement of employees and lack of training of human resources to improve the competence of human resources in accounting and others, effective implementation of accrual accounting.

This research confirmed the previous research of Ari Pratama (2012), McLeod & Harun (2014), Muh Alfian & Evan S Sugiarto (2014), Fard & Nazari (2012) and Sudaryati & Heriningsih (2014) that Human Resource Competencies affect accrual accounting implementation.

Role of Culture Affect on Accrual Accounting Implementation Effectiveness

The second hypothesis in this study is the role of culture has no significant effect on accrual accounting implementation effectiveness. Hypothesis test result performed statistically shows the amount of P Value equal

to 0,386 which is bigger than level of uncertainty 0,05, meaning there is no influence of cultural role on accrual accounting implementation effectiveness. This study results provide empirical evidence that the role of culture has no significant effect in the application of accrual-based accounting in all unit work in Banten Province. Culture does not significant affect every interaction in the workplace and human interaction in any decision related to financial reporting. Most of the relevant decisions within the organization taken based on the intense interaction of all members of the work team must be adjusted to the existing rules. This is reinforced by the rule made by the government namely the three packages of law that is Law No. 17 of 2003 on State Finance , Law No. 1 of 2004 on State Treasury, and Law Number 15 of 2004 on Audit of Responsibility and State Financial Management. The Act stipulates that in 2015 the Central Government and the Regional Government shall apply full accrual basis accounting in the presentation of their financial

This study disputes previous research by Katarzyna Kolesnik (2013), Ifa Ratifah & Sri Mulyani (2015), George T Tsakumis (2007) that the accrual accounting implementation is influenced by culture, power and environmental uncertainty.

4. Conclusion

Human Resources Competence Affects on Accrual Accounting Implementation Effectiveness. Phenomenon is still lack of competent Human Resource needs in implementing accrual-based accounting in financial statements, especially in the provincial government of Banten. The competent Human Resources will be able to understand the accounting method changes from the cash base to the accrual basis well. The lack of human resources, especially in Local Government in understanding and implementing accrual accounting basis, will have an impact on the non-conformity of financial statements made with government standard which is Government Accounting Standard which has been implemented since 2015. Cultural role has no effect on Accrual Accounting Implementation Effectiveness. The phenomenon of ineffective implementation of accrual accounting in financial reporting especially in local government is not influenced by cultural role (power distance, individualism and collectivism, power avoidance, masculinity and femininity). Individualism and Collectivism from the interview result concluded that basically every employee in Banten local government has limited responsibility which becomes its duty but if there is problem then its settlement tends to lead to collective settlement. The avoidance of power does not occur because of the existence of the Standards, but not to anticipate changes to the things that have not been regulated.

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