

Aspects of the characteristics of financial reports from governments through organizational commitment

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ABSTRACT

The purpose of this research is to demonstrate that the capacity of the financial apparatus and the clarity of the objectives of the budget have an impact on the characteristics of government financial reports and the clarity of the objectives of the budget on the characteristics of government financial statements. Organizational commitment is capable of moderating the relationship between the capacity of the financial apparatus and the clarity of the objectives of the budget with the characteristics of the financial reports of the government. This is a quantitative study of primary data. The population in this study was responsible for making the financial reports of the Makassar City Regional Apparatus Organization using a purposeful sampling technique by the head of administration and accounting staff, so that the sample was fifty-four people. A questionnaire survey collected data and tested it through Partial Least Square (PLS) analysis. The results demonstrate that the capacity of the financial apparatus and the clarity of the budget objectives have a significant impact on the characteristics of government financial reports. The organizational commitment, however, was unable to moderate the relationship between the capacity of the financial apparatus and the clarity of the budgetary objectives with regard to the characteristics of government financial reporting.

INTRODUCTION

Details on financial reporting and the number of cases relating to budgetary violations committed by regional heads are currently being hotly debated (Rahim et al., 2020). It is important to verify the compliance of financial reports with the Government Accounting Standards as a form of government accountability to the users of the information, even though there is no assurance that regions whose views are honest, without the exception of the Financial Audit Board (FAB), will not be compromised by regional heads.

An overview of the semester audit results of the Audit Agency on Regional Government Financial Reports (LKPD) shows that the findings on weak Internal Control Systems (SPI) showed improvements of 19.80 percent down by 17.72 percent in 2019 from 2018. The results on non-compliance with statutory provisions also show a 35.57 percent improvement from 2018 to 31.48 percent in 2019. Inefficiency, inefficiency, and ineffectiveness findings show an increase in results from 44.63 percent in 2018 to 50.80 percent in 2019, which causes potential losses to the State treasury and is linked to the process of report preparation not by the regulations showing quality government financial reports (Source: www.bpk.go.id, 2020). Therefore, to minimize the Supreme Audit Agency's problematic findings, the government must pay attention to the characteristics of its financial statements (Basri, Mursalim & Ahmad, 2020). The government can not manage its finances properly without the support of financial officials who understand accounting. The ability of the financial apparatus is the ability of the financial management apparatus with the education, training, and experience they have to complete their work (Anwar & Amin, 2020).

The budget that the government compiles must be clear in its allocation in order to support the

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characteristics of financial reports. It is possible to use the clarity of budget objectives to measure whether or not local government performance has been achieved (Amin & Anwar, 2020). It will cause the budget to be ineffective and inefficient if the budget target is unclear. Conversely, if the objective is the clarity of the budget targets, then the performance of the government can be said to be well achieved. It requires a high degree of organizational commitment from government officials, particularly those related to budget management. Organizational commitment is one aspect that influences the characteristics of government financial reports. If the government apparatus has ties to the organization for which they work, their commitment to completing the budget activities prepared in that period will be essential (Lannai & Amin, 2020). Previous research related to the features of government financial reports, including (Zubaidi, Cahyono, & Maharani, 2019), found that the quality of financial reports is affected by HR competence. On the other hand, (Sardi, Rifa'i, & Husnan, 2016) found that the clarity of budget goals has a substantial impact on the quality of financial reports. In addition (Murapi 2020) found that the quality of financial reports is affected by organizational commitment. Because of the phenomena described above and previous studies' findings, researchers are motivated to conduct this research. Researchers refer to (Wulandari, 2018), which uses public accounting standards variables, human resource competence, organizational commitment, and financial report quality variables. This study, meanwhile, uses the variable capacity of the financial apparatus, clarity of budget targets, organizational commitment, and financial report characteristics.

Agency theory relating to the activities of local government authorities provides financial management information as a form of accountability according to the planned goals. The state is an agent, and the public is the principal agent (Falistina, 2011; Ningsih, Junaid & Mursalim (2020). Agency theory explains the ability of local governments to fulfill their responsibilities in this study by assuming financial responsibility according to the needs of the community to maintain public trust. For this reason, there is a need for human resources with financial management capabilities, so that the prepared budget contains clear public interest objectives with a strong organizational commitment, so that the organizational objectives can be achieved in defining financial reporting standards. Judging from the educational background or having received training on state financial management and still learning how to increase knowledge in accounting is the capacity of the financial apparatus. (Anwar & Amin, 2020). If the capacity of the financial apparatus is high, the ability to complete the financial reporting process according to the features will be easy. Research findings (Febriansyah, 2018; Abidin, Afifudin, & Junaidi, 2018; Garperz, 2019; Dewi & Dewi, 2020) state that the quality of financial reports is affected by human resource capacity. Different outcomes, however, have been shown (Ningrum, 2018; Animah, Suryantara, & Astuti, 2020) that human resource capacity does not significantly affect the quality of financial reports.

H1 : The capacity of the financial apparatus has a positive and substantial impact on the characteristics of government financial statements.

The clarity of the budgetary objectives as a reference point for the stated objectives of the budget is clear. It can be seen in the Regional Strategic Plan (Renstrada) and the Regional Development Program (Propeda) that the clarity of the budget prepared is, or is not, consistent with the objectives to be achieved by government agencies, so that the characteristics of the financial reports are shown (Jawadi, Basuki, & Efendy, 2016). The study (Sardi, Rifa'i, & Husnan, 2016) found that the quality of financial reports is significantly affected by the clarity of budget targets. In addition, (Mikoshi 2020) finds that the clarity of budget goals significantly affects the accountability of government performance (Yulianto & Muthaheer, 2019). The hypothesis, then:

H2: The clarity of budget targets is positive and has a significant impact on the characteristics of government financial statements.

The presentation of financial statements will be on time if their work can be completed on time by the financial apparatus (Rahim, Muslim & Leo, 2018). Officials who are able to process finances, however, do not necessarily have a high organizational dedication to their institutions. If the apparatus does not have it, the apparatus will not, in accordance with the stipulated rules and time, seriously present financial reports. The relationship between the capacity of the apparatus and the quality of financial reports, such as research results, can not be moderated by organizational commitment (Andrianto & Rahmawati, 2018) and (Pranata

& Rapina, 2019), showing that organizational commitment can not moderate the capacity of financial officers with the quality of financial reports. So, this hypothesis from research:

H3 : Organizational commitment to the characteristics of government financial reports is unable to moderate the capacity of the financial apparatus

Clarity of the budgetary objectives as a reference to the achievement or failure of the budget prepared in line with its objectives. For each period, the financial apparatus has to compile a budget and have a specific account so that the presented financial statements have good characteristics. In the preparation of budgetary targets, the apparatus is also serious, clearly in favor of the public interest when they have a high degree of commitment to their institution. The study (Melia & Sari, 2019) shows that managerial performance is affected by the clarity of budget objectives. In addition, (Handayani & Safitri, 2020) found that with the quality of financial reports, organizational engagement was able to moderate the clarity of budget targets. So, this hypothesis from research:

H4: Organizational commitment can moderate the clarity of the budget objectives against the characteristics of the financial reports of the government.

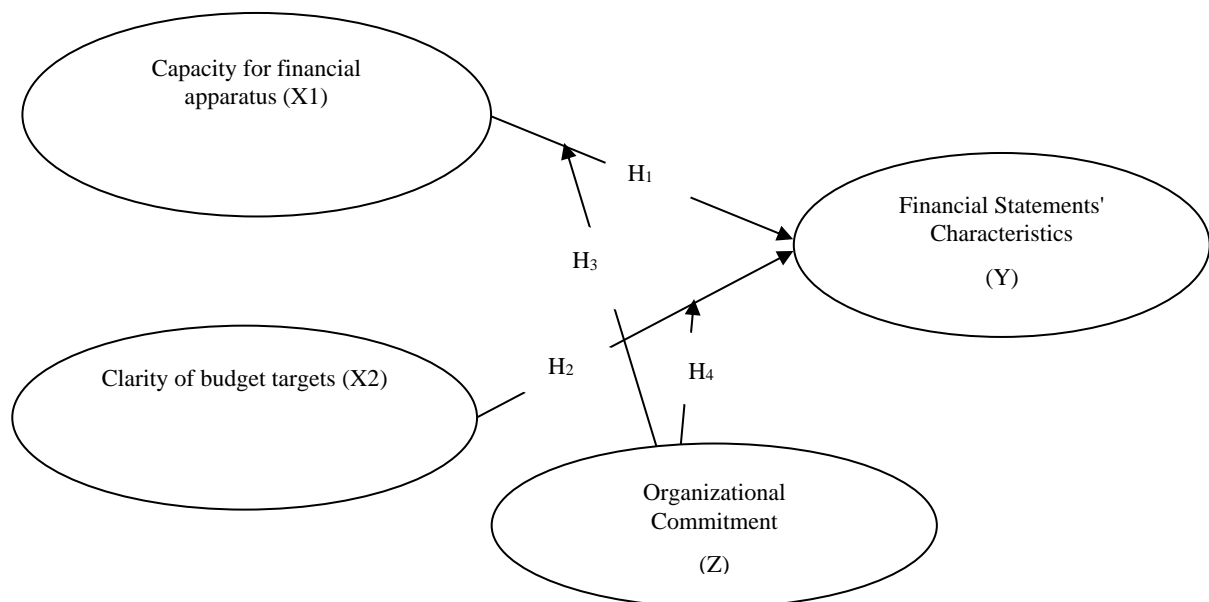


Figure 1. The Conceptual Framework

METHOD

An analysis of data and testing of the proposed hypothesis responded to the quantitative approach used in this study. The descriptive quantitative data type will respond to data from respondents who are then given a value or score-primary data distributed directly to the research location via questionnaires. The Regional Apparatus Organization (OPD) apparatus involved in the budget formulation process of the Makassar City government was the study population. The sampling technique uses purposeful sampling, that is, with 54 officers, the head of administration and accounting staff responsible for the financial reporting at the Dinas in Makassar City. The Partial Least Square (PLS) approach has been used to analyze data.

RESULT & DISCUSSION

Discussion

Figure 2 shows that the outer model value or correlation between the construct and the analysis of data via Smart PLS is above the loading factor value of 0.50. The Average Variance Extracted (AVE) value of all variables is > 0.50 on the basis of Table 1, it can be concluded that all constructs have become a fit measuring instrument. To test the reliability of this research instrument, Cronbach's Alpha and composite reliability coefficients were used. It is said to be reliable if the value of composite reliability and Cronbach alpha > 0.70 .

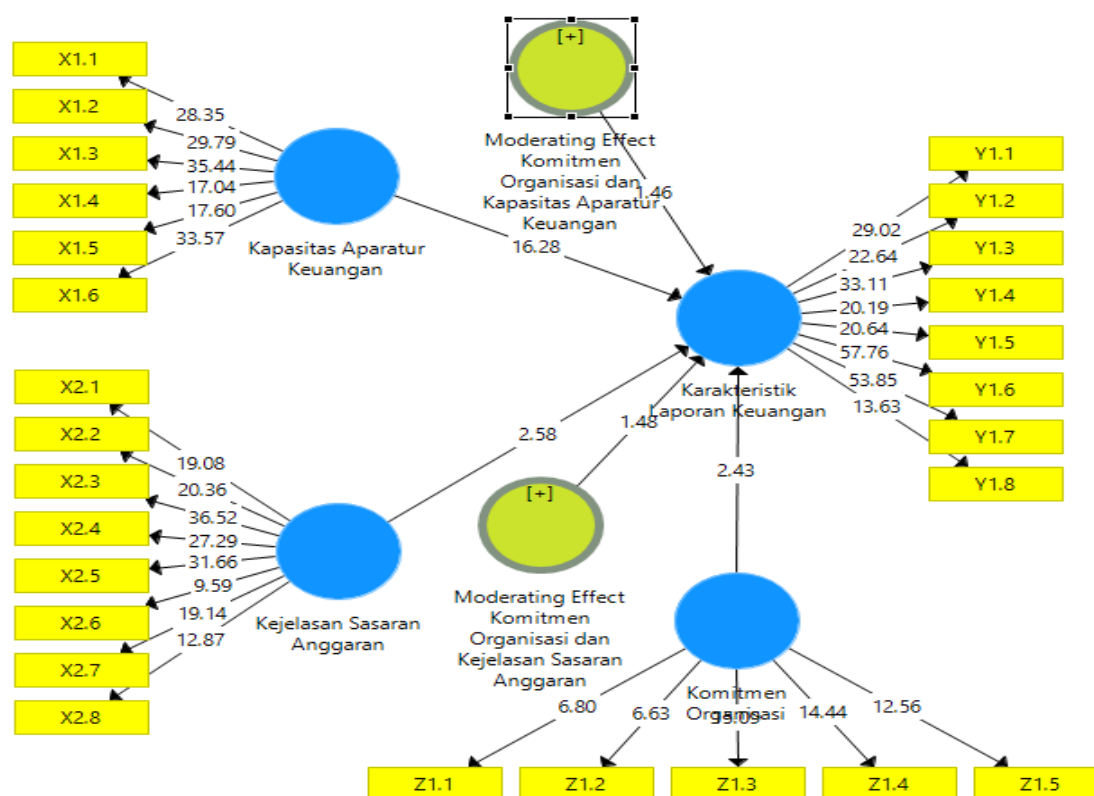


Figure 2. Outer Loading
Source: Output PLS (2020)

Table 1. Average Variance Extracted (AVE)

Variable	AVE
Capacity for financial apparatus	0.807
Clarity of budget targets	0.724
Organizational Commitment	0.774
Financial Statements' Characteristics	0.623

Table 2. Cronbach's Alpha dan composite reliability

Variable	Cronbach's Alpha	Composite Reliability
Capacity for financial apparatus	0.952	0.962
Clarity of budget targets	0.945	0.954
Organizational Commitment	0.848	0.892
Financial Statements' Characteristics	0.957	0.965

Table 3. R-Square

Variable	Cronbach's Alpha	Composite Reliability
Capacity for financial apparatus	0.952	0.962
Clarity of budget targets	0.945	0.954
Organizational Commitment	0.848	0.892
Financial Statements' Characteristics	0.957	0.965

Table 4. Hypothesis Results Test

Variable	Original Sample	Sample Mean	Standard Error	T Statistics	P Values
Capacity of financial apparatus -> Financial Statements characteristics	0,775	0,766	0,049	16.283	0,000
Capacity of financial apparatus -> Financial Statements characteristics	0,110	0,105	0,043	2.584	0,010
Organizational Commitment Moderation -> Financial Apparatus Capacity -> Financial Statements Features	0,083	0,086	0,056	1,456	0,146
Organizational Commitment Moderation -> Clarity of budget objectives -> Financial statement characteristics	-0,081	-0,083	0,055	1,484	0,138

The R-Square value of the Financial Statement Characteristics variable is 0.988 or 98.8 percent, meaning that the Financial Statement Characteristics variable can be explained as a moderating variable amounting to 98.8 percent by the variable of financial apparatus capacity and clarity of budget goals with organizational commitment. On the contrary, other variables not found in this study can explain the remaining 1, 2%.

The output of the study demonstrates that the coefficient value of the capacity variable of the financial apparatus is 0.775, a significant level of 0.000, which is greater than the level of significance of 0.05. Hypothesis 1 is thus accepted. This means that the better the capacity of the financial apparatus, the better the characteristics of the financial statements are. The clarity of the output of the budget target shows that the coefficient of the clarity of the target variable for the budget is 0.110, a significant level of 0.010, which is greater than the level of significance of 0.05. Hypothesis 2 is thus accepted. This means that the clearer the budgetary objectives are, the better the characteristics of the financial statements are.

The output of this study also found that the moderation coefficient value for the characteristics of financial statements between organizational commitment and financial apparatus capacity was 0.083, a significant value of 0.146, which is greater than the significance level of 0.05. Hypothesis 3 is thus accepted. It means that the capacity of the financial apparatus with the characteristics of financial statements can not be moderated by organizational commitment. Furthermore, this study's output shows that the moderation coefficient between organizational commitment and clarity of budget targets on the characteristics of financial statements is -0.081, has a significant level of 0.138, which is greater than the 0.05 significance level. Hypothesis 4 is thus rejected. It indicates that the variable organizational commitment with the characteristics of the financial statements can not moderate the clarity of the budgetary objectives

Discussion

The results of hypothesis testing found that the financial apparatus's capacity significantly affects the characteristics of financial statements. The ability of the financial apparatus to complete the preparation of financial reports with good characteristics is seen from the capacity of the apparatus. The capacity of the financial apparatus, both from formal education and from the training in which they have been involved, will support their enhanced performance in producing quality financial reports. The theory of the Agency is supported by research results that explain that local governments are required to be able to fulfill their responsibilities and to be accountable to the needs of the community for their finances in order to maintain public trust. To achieve standardized financial reporting features, human resources with financial management capabilities must perform government duties. This research, namely the quality of the report, supports the research outcomes (Febriansyah, 2018; Abidin, Afifudin, & Junaidi, 2018; Garperz, 2019;

Zubaidi, Cahyono, & Maharani, 2019; Dewi & Dewi, 2020). Finance is impacted by the capacity of resources. The findings of this study, however, differ from those (Ningrum 2018; Animah, Suryantara, & Astuti, 2020), which demonstrate that the capacity of human resources has no significant impact on the quality of financial statements.

The results of the hypothesis testing found that the clarity of budget objectives has a significant impact on the characteristics of the financial statements. As a reference for government agencies, a clearly defined budget for the public interest can be used to present financial reports with good features. The theory of the Agency is supported in this study on the ability of local governments to fulfill their obligations by assuming financial accountability from budgets that are prepared to maintain public trust according to the needs of the people. The clarity of the budget objectives is related to the characteristics of the presented financial statements when resolving government responsibilities. The research (Sardi, Rifa'i, & Husnan, 2016) is supported by this study, which finds that the quality of financial reports is significantly affected by the clarity of budget targets. The findings (Yulianto & Muthaher, 2019; Mikoshi 2020) have also supported that clarity of budget targets has a significant impact on government performance accountability.

The results of hypothesis testing found that organizational engagement with the characteristics of financial statements was unable to moderate the capacity of the financial apparatus. The capacity of the financial apparatus will complete their work in time, and this will have an effect on the timing of the presentation of financial statements. Officials who are able to process finances, however, do not necessarily have a high organizational dedication to their institutions. If the apparatus does not have it, the apparatus will not, in accordance with the stipulated rules and time, seriously present financial reports. The theory of the Agency is supported by research results that explain that local governments are required to be able to fulfill their responsibilities and to be accountable to the needs of the community for their finances in order to maintain public trust. Human resources with capacity related to financial management are needed in the resolution of government responsibilities. With high organizational commitment, the prepared budget has clear targets for the public interest so that organizational goals can be achieved to produce typical characteristics of financial statements. Research results (Andrianto & Rahmawati, 2018; Pranata & Rapina, 2019) support this study that organizational engagement with the quality of financial reports can not moderate the capacity of the financial apparatus. However, the results of the study (Septarini, 2016) found that organizational engagement with the quality of financial reports was unable to moderate the capacity of the financial apparatus.

The results of hypothesis testing found that organizational engagement with the characteristics of financial statements was unable to moderate the capacity of the financial apparatus. Clarity of the budgetary objectives as a reference to the achievement or failure of the budget prepared in line with its objectives. If the allocation of the budget is not transparent, the financial apparatus will be confused, even if the apparatus has a strong organizational commitment to compile it, in preparing the budgetary objectives for that period. The theory of the Agency is supported by research results that explain that local governments are required to be able to fulfill their responsibilities and to be accountable to the needs of the community for their finances in order to maintain public trust. Human resources with capacity related to financial management are needed in the resolution of government responsibilities. With a high organizational commitment to producing standardized financial reporting features, the prepared budget has clear targets for the public interest. The study (Handayani & Safitri, 2020) did not support this study, which found that organizational engagement with the quality of financial reports was able to moderate the clarity of budget goals.

CONCLUSION

Based on the results of this study, the conclusion is that the capacity of the financial apparatus and the clarity of the budget targets have a significant impact on the characteristics of government financial reports. Organizational commitment is unable to moderate the relationship between the ability of the financial apparatus and the clarity of budget goals with the characteristics of government financial reports. In order to be able to produce financial reports with features, it is suggested to the Makassar City Government to increase organizational commitment. Also, not all regional apparatus organizations in Makassar City have been represented by this research; it is suggested that all OPDs in Makassar City, even throughout South Sulawesi,

may be used in the next research.

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