

## **CHAPTER 2**

### **THEORETICAL FRAMEWORK**

#### **A. Theoretical Basis**

##### **1. Stewardship Theory**

According to Donaldson and Davis (1991) stewardship theory is designed for the researchers to test the situation where managers in the company, as a steward, can be motivated to act in the best way based on the principals. Seen from theoretical perspective, accounting as a medium of running transactions moves in increasingly complex directions and is followed by the growth of specialization in accounting and the development of public organization. Conditions are increasingly complex with the increasing demands for accountability in public sector organizations. This is because principals find it increasingly difficult to carry out management functions themselves. The separation between the ownership function and the management function is becoming increasingly apparent. Against various limitations, the owner of resources (capital suppliers or principal) entrusts the resource management mentioned to other parties (Steward = management) who are more capable and ready.

In this study, the function of stewardship theory is as a measure of performance employees where employees must work in accordance with regulations and have goals for the common good, which is not because of individual interests.

## **2. Theory of Planned Behavior**

Theory of planned behaviour (TPB; Ajzen, 1991) is developed as an expansion of the previous one, namely TRA (TRA; Fishbein and Ajzen 1975) which is based upon the explanation of interest in psychology Ajzen, (2002). Both models consider the deliberate processes carried out and their implications for individual behavior. Theory of reasoned action (TRA) originates from Fishbein's research on individual attitudes or positions caused by behavior. Ajzen, (2002) proposes disorder analysis to predict an individual's behavior towards his attitude. Theory of reasoned action (TRA) itself is often called Behavioral Intention Theory. This model uses a cognitive approach. (Subagiyo, 2015).

Theory of planned behavior is a theory that emphasizes the rationality of human behavior as well as the belief that the target behavior is under the control of individual consciousness. Behavior does not only depend on one's intentions but also depends other factors that are not under the control of the individual such as the availability of resources and opportunities to display the behavior (Ajzen, 2005).

The principle of this theory is the principle of conformity (principle of compatibility) which explains attitudes and behavior divided by four elements, namely action, target, context and time. The relationship between attitude and behavior will be maximum if each element functions optimally. This theory clearly illustrates the relationship between beliefs attitudes, willingness or intention, and behaviour.

### 3. **Organizational Theory**

The **Organizational Theory** refers to the set of interrelated concepts and definitions that explain the behavior of individuals or groups or subgroups who interact with each other to perform the activities intended towards the accomplishment of a common goal. (Subagiyo, 2015)

In other words, the organizational theory studies the effect of social relationships between the individuals within the organization along with their actions on the organization as a whole. Also, it studies the effects of internal and external business environment such as political, legal and cultural on the organization.

According to Ni'mah (2018), The term organization refers to the group of individuals who come together to perform a set of tasks with the intent to accomplish the common objectives. It is based on the concept of synergy, which means, a group can do more work than an individual working alone. Thus, the relationship between the individuals working together and their overall effect on the performance of the organization is well explained through the organizational theories.

### 4. ***New Public Management (NPM)***

According to Mardiasmo (2002), NPM is a new paradigm of public sector management. The concept of NPM theory has its roots in management theory which assumes that commercial business practices and sector management of the private sector are better than the practice

and management at public sector. Therefore, it is necessary to adopt some management practices and techniques that are applied at the private sector into the public sector such as the adoption of mechanisms market, tender competition, and privatization of public companies in order to improve public sector performance.

Similar to those of public sector, changes also occur in public sector accounting, i.e. changes in the accounting system from cash-based accounting which becomes accrual-based accounting. According to Mardiasmo, (2002) changes are necessary because the today's cash-based accounting system is considered no longer satisfying, especially because of its shortcomings in serving accurate financial depiction and in providing information useful and adequate management to facilitate planning and process performance.

In the context of NPM following the example several other countries in Europe and the world, the Indonesian government has also been experiencing a number financial accounting changes and reforms for almost a decade lately in order to meet the challenges of globalization.

Specifically, this study aims to describe and to objectively compare the adoption and actual implementation of the system Accrual accounting for the Indonesian government by measuring the extent of the application of accrual accounting and testing the effects of various factors which potentially influences the rate of adoption of accrual

accounting reforms.

## **5. Accountability Theory**

Accountability can be interpreted linguistically as liability. Public accountability is the responsibility of the holder mandate (agent) to provide accountability, present, report, and disclose all activities and activities that become its responsibility to the party that gives the mandate (principal) that has the right and authority to hold them In an accountable way. The realization of accountability is the main objective of public sector reform.

Accountability is the accountability of a person or group of people who are given the mandate to carry out certain tasks to trust parties both vertically and horizontally. The theory of accountability relates to the ability to give clear answers to higher authority over the actions of a person / group of people towards the wider community in an organization.

The relationship between accountability theory and this research is that the regional government is the public sector organization in charge of making the community prosper the community by fulfilling accountability aspects or accountability leading, and can be accounted for the central government and the community.

## **6. Human Resources**

Human resources are the driving forces of the organization in business to realize the vision and mission and goals of the organization. The failure of Human Resources of Regional Government in

understanding and applying accounting logic impacts on the lack of understanding in the application of accrual-based government accounting standards.

The implementation of accrual-based government accounting standards requires high quality human resources in order to increase the success of the implementation of accrual-based government accounting standards. Minimizing weaknesses in the preparation of financial statements is greatly supported by professional and understanding human resources. Accrual-based government accounting standards. Accrual-based government accounting standards can be well implemented if the quality of human resources involved in the government is good in the preparation of financial statements to understand the process and the implementation of accounting carried out by means of guidance in applicable conditions.

## **7. Organizational Commitment**

According to Subagiyo (2015), organizational commitment is a condition in which employees associate themselves with a particular organization and its goals and expect maintain its membership in the organization. The existence of organizational commitment leads to the employee's high concern and loyalty to the organization. Commitment of leaders who are supported by organizational members sustainable will facilitate the achievement of organizational goals.

The attitude of organizational commitment is determined by age, position in the organization and disposition such as effectiveness and

ineffectiveness as well as of the shape and structure of the organization itself. Organizational commitment is an important behavioral dimension that can be used for assessing the tendency of employees to stay as members of the organization. Therefore, organizational commitment is needed in all agencies including local government.

## **8. Information Technology**

Information technology is a general term that describes any technology that helps humans in making, changing, storing, and communicating information. According to Indriasari in Rosydiana (2018) information technology includes computers, *software*, *databases*, network (*internet*, *intranet*), *electronic commerce* and other types related to technology.

Information Technology is all forms of technology applied for processing and sending information in electronic form. Information technology helps employees who are required to understand and implement accounting standards based on accruals. To do so, employees can utilize existing information technology making it easier to learn and understand accrual-based government accounting standards.

## **9. Government Accounting**

Government accounting is the current field of accounting which is developing very rapidly. Demands for transparency and accountability public public funds managed by the government raises the need for the

use of accounting in recording and reporting governance performance. As one of the fields in accounting, the definition of government accounting will not be separated from understanding of accounting itself, including its development in Indonesia. Government accounting has standards and rules that must be followed and obeyed.

In PP No. 71 of 2010 SAP, an accounting principle is applied in composing and presents financial statements government. SAP is applied in the scope of government namely the central government, local government, and organization units in the government environment.

Government accounting specializes in keeping records and reporting transactions that occur in government agencies. According to Noerdiawan (2007), the government accountants provide accounting reports on the management aspects of state financial administration. In addition, this includes its appropriacy.

## **10. Accounting Basis and Government Accounting Standards**

According to Mustofa in Ni'mah (2018), accounting bases are accounting principles that determine when the effects of transactions or events must be recognized for financial reporting purposes. This accounting basis relates to the time when measurements are made. There are generally two accounting bases namely the cash basis and the accrual basis. In addition to the two accounting bases, there are many variations or modifications to both namely modification of cash-



based accounting, and modification of accrual-based accounting. Thus, it can be said that there are 4 kinds of accounting bases, such as:

1. Cash-based accounting (*cash basis of accounting*);
2. Modifications of cash based accounting (*modified cash basis of accounting*);
3. Accrual-based accounting (*accrual basis of accounting*);
4. Modifications of accrual-based accounting (*modified accrual basis of accounting*).

While liabilities are recognized when loan funds are received and or when obligations arise. The accrual basis provides the most comprehensive information because all resource flows are recorded, including internal transactions and other economic flows. In simple words, it is said that the application of accrual based accounting is intended to overcome the inadequacy of the cash base to provide more accurate data.

The purpose of applying the accrual basis of accounting is basically to get the right information for the services provided government with more transparency. The purpose of applying other accrual basis is to improve the quality of government decision making. Countries that apply the accrual basis of accounting, which demands the manager to be responsible for all costs produced, require not only the cash value paid. In short, when managers are given flexibility in managing the resources entrusted

to them, they are in charge providing such accurate information. Only on an accrual basis, actual costs can be informed and this will support effective and efficient decision making.

## **B. Hypothesis Development**

### **1. The effect of the quality of human resources on the usage of information technology**

Theory of planned behavior explain human resources are the unity of human labor in one organization and the actors to achieve organizational goals that include educational backgrounds obtained by respondents in understanding their duties and their readiness in making changes in the process of preparing financial statements. Human Resources are inadequate to be an important issue in a financial management of a country. An example of this can be the quality of human resources are incompetent and tend not to care to changes that exist. Theory of planned behavior supports this hypothesis because this theory explains the attitude or the quality of human resource. Then the higher the quality of human resources, the higher will be their understanding in the using of information technology. Thus, it will help the work of employees and also the improvement of employee performance.

According to Purwaningrum (2017) more advanced information technology may be more applicable new management accounting systems rather than organizations with information systems which are less sophisticated because of lower processing and measurement costs.

Information technology supported by human resources help improve employee performance because the high quality of human resources will increase a better understanding of information technology. Then, the hypothesis can be formulated as follows:

H1: The quality of Human Resources has a positive effect towards the usage of Information Technology

## **2. The effect of organizational commitment on the usage of information technology**

Stewardship theory is as a measure of performance employees where employees must work in accordance with regulations and have goals for the common good, which is not because of individual interests. Organizational commitment is as a condition where an employee is on the same side with a particular organization and his goals and desires to maintain membership in the organization. According to Luthans in Hasibuan, et al (2015) organizational commitment is often interpreted as a strong desire to remain as a member of a particular organization, the desire to strive according to organizational desires, certain beliefs, and acceptance of values and goals. The existence of organizational commitment makes employee attitudes showing high concern and loyalty to the organization. In this hypothesis, it is expected that with high commitment is supported by good information technology will improve employee performance. The description can be supported by Stewardship Theory because employees must work in accordance with the rules and have goals for

the common interest aside from individual interests so that employee performance will improve.

Changing the habit of recording cash-based transactions to accrual-based transactions is not that easy. Thus, a strong commitment is needed from the organization to make changes to employee performance so that they apply accrual basis accounting effectively and efficiently. The commitment of leaders who are supported by organizational members sustainable will facilitate the achievement of organizational goals.

In an organization, an employee must have a high commitment. When it is implemented in an organization, a good commitment is needed and it should be supported by using information technology. By so doing, the performance will increase. Then, the hypothesis can be formulated as follows:

H2: Organizational Commitment has a positive effect towards the usage of Information Technology.

### **3. The effect of the quality of human resources on the perception of the implementation of accrual-based government accounting standards**

Theory of planned behavior is a theory that emphasizes the rationality of human behavior as well as the belief that the target behavior is under the control of individual consciousness. Behavior does not only depend on one's intentions but also depends other factors that are not under the control of the individual such as the availability

of resources and opportunities to display the behavior (Ajzen, 2005). Human resources are the unity of human labor in one organization to achieve organizational goals that include educational backgrounds obtained by the respondents understanding their duties, readiness, in formulating changes in the financial reporting process. The quality of human resources are one of the factors that influence the perception of the implementation of accrual-based government accounting standards. Therefore, this hypothesis is also supported by the Theory of planned behavior because this theory explains the attitude or the quality of human resource. Thus, the good quality of Human Resource will support the good perception of the implementation of accrual based government accounting standards.

This research is supported by another study conducted by Putra (2015) found that the quality of human resources affects the level of implementation of accrual-based government accounting standards. Furthermore, the research of Sugiarto and Alfian (2014) discovered that human resources had a positive effect on the level of implementation of accrual-based government accounting standards. A similar result was also found in Kristiawati (2015) which explains that human resources have a very strong relationship as an influencing factor local government in applying accrual-based government accounting standards. In the study of Widyastuti, et al (2015), human resources have not fully understood the accrual basis.

The results of the study indicate that the higher the quality of human resources, the higher the perception in the implementation of accrual-based government accounting standards. The perception of implementation of accrual-based government accounting standards is then increasing. Based on the description above, the hypothesis can be formulated:

H3: The quality of the Human Resources has a positive effect towards  
the perception of the Implementation of accrual-based  
Government Accounting Standards.

#### **4. The effect of organizational commitment on the perception of the implementation of accrual-based government accounting standards**

Stewardship theory is as a measure of performance employees where employees must work in accordance with regulations and have goals for the common good, which is not because of individual interests. Organizational Commitment is a condition where an individual sides with the organization and their goals desires to maintain membership in the organization. Organizational commitment is one of the work attitudes because it reflects a person's feelings (like or dislike) towards the organization where he works. Organizational commitment is one of the factors that influence the perception of the implementation of accrual-based government accounting standards. Therefore, this hypothesis is also supported by the Stewardship theory because the employees must work in accordance with the rules and

have goals for the common interest aside of individual interests, so that employee performance in implementation of accrual based will improve. When it is implemented in an organization having a good commitment, the performance will increase and this can support the perception of the implementation of accrual-based government accounting standards. In implementing accrual-based government accounting standards, commitment is needed from each apparatus accompanying with adequate information so that it can help implement the standard.

This research is in line with the research conducted by Apriliani and Dina (2015) which discover that organizational commitment has a positive effect on the implementation of accrual-based government accounting standards. According to Putra (2015), there must be commitment and support politics of decision makers in government, because application efforts of accrual-based accounting requires large funds and long period of time. Furthermore, the research done by Iznillah and Lutfi (2015) found that commitment has a significant effect on government readiness regions in applying government based accounting standards accruals. In her research, Rizkianci (2016) also states that organizational commitment has a positive effect on the implementation of accrual-based government accounting standards.

The results of this study indicate that employees who have high organizational commitment will support the perception of the

implementation of accrual-based government accounting standards. Thus, the perception of implementation of accrual-based government accounting standards is increasing. Based on the description above, the hypothesis can be formulated as follows:

H4: Organizational Commitment has a positive effect towards the perception of the Implementation of accrual-based Government Accounting Standards.

**5. The effect of the usage of information technology on the perception of the implementation of accrual-based government accounting standards**

Information technology theory explain a general term for any technology that helps people create, change, store, communicate and / or disseminate information. IT brings together high-speed computing and communication for data, voice and video. Information technology is not only limited to computer technology (software & hardware) that is used to process or store information, but also includes communication technology for sending information. The usage of information technology is one of the factors that influences the perception of the implementation of accrual-based government accounting standards. So this hypothesis is also supported by the Information technology theory because Information technology is not only limited to computer technology (hardware or software) that is used to process and store information, but also includes communication technology to send information so that information



technology influences the implementation of accrual basis.

The usage of information technology is very influential on the speed and quality of one's performance. Advanced information technology will further facilitate the performance of regional apparatus in accordance with regulations and assist the government in implementing accrual-based government accounting standards in the preparation of financial reporting. Based on Ajhar (2015), the impact of information technology is significant to the readiness of applying accrual-based government accounting standards. Similar research was conducted by Ni'mah (2018) which found that that information technology has a significant effect on the readiness of applying accrual-based government accounting standards. The usage of information technology supporting the perception of the implementation of accrual-based government accounting can then improve its application. Based on the description above, the hypothesis can be formulated as follows:

H5: The usage of Information Technology has a positive effect  
towards the perception of the Implementation of accrual-based  
Government Accounting Standards.

**6. The effect of the quality of human resources on the perception of the implementation of accrual-based SAP with the usage of information technology as an intervening variable**

Adequate information technology will certainly have a good impact on all information needs relating to the scope in the office. As

what has been explained above that high quality human resources will greatly affect the implementation of accrual-based government accounting standards because it will better understand the use of information technology. Quality human resources is very important for effectiveness of any group or organization. This hypothesis is also supported by Theory of planned behavior, due high quality human resources with the influence of good information technology will increase the understanding of the implementation of accrual-based government accounting standards so that it can create financial reports in transparency and accountability.

This research is supported by research conducted by Putra (2015) which found that the quality of human resources affects the perception of implementation of accrual-based government accounting standards. Based on Ajhar (2015) the impact of information technology is significant to the readiness of applying accrual-based government accounting standards. Based on the description above, the hypothesis can be formulated as follows:

H6: The quality of Human Resources has a positive effect towards the perception of the Implementation of accrual-based Government Accounting Standards with the usage of Information Technology as an intervening variable.

## **7. The effect of organizational commitment on the perception of the implementation of accrual-based SAP with the usage of information technology as an intervening variable**

As explained above, adequate information technology will improve the quality of accrual-based government accounting standards implementation. Likewise, organizational commitment in a regional government will facilitate the perception of the implementation of accrual-based government accounting standards. A high employee's commitment to the organization will make them feel their belonging. Hence, employees will do everything that can contribute for the organization and can better understand the use of information technology because of cooperation between employees. This research is also supported by Organizational Theory, due employees who have high organizational commitment with the influence of good information technology will increase the perception in the implementation of accrual-based government accounting standards so as to create financial statements in a transparency and accountability.

In Rizkianci (2016), he states that organizational commitment has a positive effect on the implementation of accrual-based government accounting standards. Ni'mah (2018) states that information technology has a significant effect on the readiness of applying accrual-based government accounting standards. Based on the description above, the hypothesis can be formulated:

H7: Organizational Commitment has a positive effect towards the

perception of the Implementation of accrual-based Government Accounting Standards with the usage of Information Technology as an intervening variable.

### C. Research Model

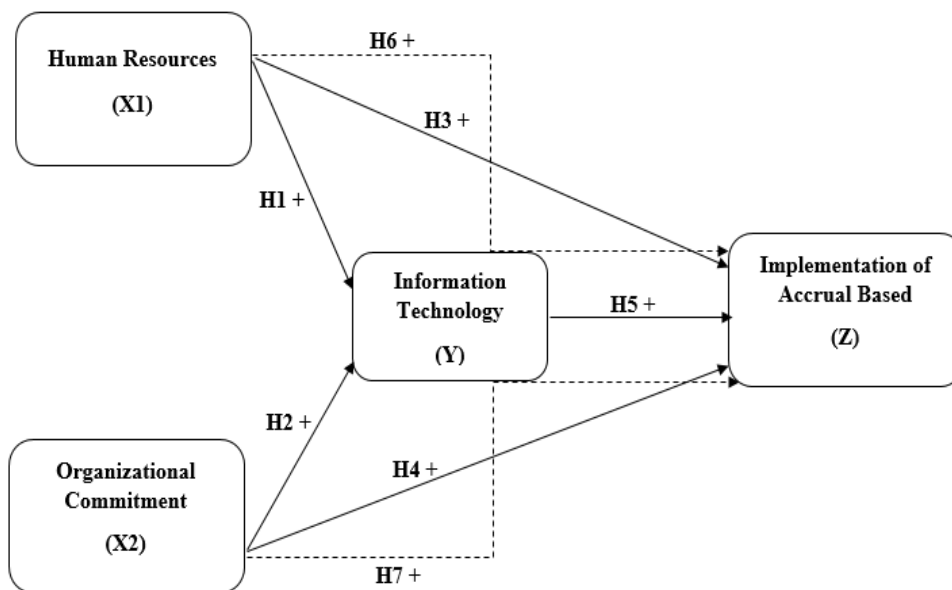


Figure 2.1  
Research Method