

THE ANALYSIS OF OTORITAS JASA KEUANGAN POSITION IN THE ORGANIZATIONAL LIFE CYCLE

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ABSTRACT

This study aims to determine the conditions and problems, as well as alternative strategies that can be provided at the Head Office of the Financial Services Authority (OJK) using the Organizational Life Cycle theory. The population of this research is the Head of OJK Employees in Jakarta as many as 72 employees. The sampling technique used saturated sampling method which obtained 72 respondents. The data analysis technique used descriptive analysis assisted by Adizes Tools. The results of this study indicate that the Head Office of the Financial Services Authority (OJK) is in a prime position. This position shows that there is a balance between flexibility and control, structured and systematic functions and tasks, significant leadership, quality employees, visionary innovation, and stable liquidity. However, there are several problems, namely the lack of employees, the length of the bureaucracy, inefficient structures, and differences in perceptions between OJK and the public. This problem can be overcome with alternative strategies, namely, improving communication, expertise and knowledge, utilizing technology, eliminating deficiencies in every business process, and scheduling employee shifts to provide education to the community. The contribution of this research is expected to be able to become a frame work on organizational life cycle knowledge, especially in the government sector, and be able to provide information and considerations to form alternative strategies in overcoming problems experienced in the organizational life cycle. This research can be used as a new insight into the condition of the company from an internal perspective.

Keyword: Organization Life Cycle, Adizes Tools, Strategic Management

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ABSTRAK

Penelitian ini bertujuan untuk mengetahui kondisi dan permasalahan, serta strategi alternatif yang dapat diberikan pada Kantor Pusat Otoritas Jasa Keuangan (OJK) menggunakan teori *Organizational Life Cycle*. Populasi penelitian ini adalah Kepala Pegawai OJK di Jakarta sebanyak 72 pegawai. Teknik pengambilan sampel menggunakan metode sampling jenuh yang diperoleh sebanyak 72 responden. Teknik analisis data menggunakan analisis deskriptif yang dibantu dengan *Adizes Tools*. Hasil penelitian ini menunjukkan bahwa Kantor Pusat Otoritas Jasa Keuangan (OJK) berada pada posisi *prime*. Posisi ini menunjukkan bahwa terdapat keseimbangan antara fleksibilitas dan kontrol, fungsi dan tugas terstruktur dan sistematis, kepemimpinan yang signifikan, pegawai berkualitas, inovasi yang visioner, dan likuiditas yang stabil. Meskipun demikian terdapat beberapa permasalahan yaitu kurangnya pegawai, panjangnya birokrasi, struktur yang tidak efisien, dan perbedaan persepsi antara OJK dengan masyarakat. Masalah ini dapat diatasi dengan strategi alternatif yakni, meningkatkan komunikasi, keahlian, dan pengetahuan, memanfaatkan teknologi, menghilangkan kekurangan pada setiap proses bisnis, dan menjadwalkan shift pegawai untuk memberikan edukasi pada masyarakat. Kontribusi penelitian ini diharapkan mampu menjadi frame work tentang pengetahuan siklus hidup organisasi khususnya dalam sektor pemerintahan, serta mampu memberikan informasi dan pertimbangan untuk membentuk alternatif strategi dalam mengatasi masalah yang dialami dalam siklus hidup organisasi. Penelitian ini dapat digunakan sebagai wawasan baru tentang kondisi perusahaan dari perspektif internal.

Kata kunci: Siklus Hidup Organisasi, Alat Adizes, Manajemen Strategi

Introduction

The life cycle is a stage of organizational development and the conditions, difficulties, transitional problems and implications that follow from each of these stages. Like living organisms, growth and organizational decline are caused by two main factors, namely vulnerability in responding to any changes in the environment and the ability to control any changes (Adizes, 1996). The initial

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phase of the organization is one of the most difficult phases in the organizational life process. Birth is the earliest stage in an organization's life cycle and the period during which the company begins its efforts to become a viable entity. The second stage is growth, the period that occurs when the company has established unique competencies and enjoys success compared to the product or market it built. While the maturity stage occurs.

Organizations were created by humans to achieve a goal and we can understand organizations with a human perspective as the central point. According to Stephen (2018) organizational behavior investigates the impact that individuals, groups, and structures have on behavior in organizations, for the purpose of applying that knowledge to increase organizational effectiveness. One way to understand organizations behaviour is to use organizational life cycle theory.

The establishment of Law Number 21 of 2011 concerning the Financial Services Authority, resulted in an independent institution for the restructuring process of two institutions that carry out regulatory and control functions in the financial services sector, namely the Otoritas Jasa Keuangan (OJK). According to the law, OJK is engaged in finance, such as banking and the capital market. Therefore, the OJK brought in employees from the Capital Market and Financial Institution Supervisory Agency (Bapepam LK) to get stuck in the capital market and Bank Indonesia (BI) employees for banking insurance. As a result, OJK was formed from a combination of Bapepam LK and BI employees who are currently in a transition period. This clearly affects the life cycle of the organization. It is known that several factors such as organizational mission, technology, organizational structure, company ownership, market status and many other factors are directly involved in the formation of each stage of the organizational life cycle (Ahmadi in Rahmini, 2015). The two institutions combined are not possibly at the same stage in the life cycle. This makes adaptation is needed by employees who work at OJK. Currently there are three types of employees at OJK, namely LK Bapepam employees, BI employees, and OJK recruitment employees themselves. This certainly affects the stages of the organizational life cycle.

The stages of organizational development are repeatable and predictable. Therefore, understanding each stage of the organizational life cycle gives leaders the ability to proactively and preventively tackle future organizational problems, or if they are unable, how to avoid these problems as much as possible. According to research by Rezai and Samany in Golestani et al., (2016), the stages in the organizational life cycle are important factors that affect the performance of business units. At every stage that the organization goes through, difficulties or problems will always arise that require handling both internally and externally (intervention from outside parties). To overcome problems and joint activities within the company, companies must determine long-term policies and every part of the organization must develop programs comprehensive according to the perspective, mission, objectives and conditions as well as indoor facilities and

opportunities and external environmental threats (Nazari, 2012).

The biggest challenge that will be faced by OJK is to continue to improve significantly in developing internal capacity and in carrying out its main tasks and functions, especially with the plan to dissolve the OJK which was promoted by politicians in the DPR and the MPR. According to Bambang Soesatyo, Chairman of the People's Consultative Assembly (MPR), OJK has not been able to become a credible supervisor in securing public money in banks, capital markets, insurance, pension funds, financial institutions, pawnshops, and other financial service institutions. Previously, the Chairman of Commission IX DPR Dito Ganinduto also said that the OJK was too slow in mitigating economic pressure due to COVID-19 (Sembiring, 2020). It is known that up to now, OJK has recorded a steady and significant increase in the development of its internal organizational capacity.

Based on the 2014-2018 OJK performance report, in the implementation of the education and consumer protection functions in general, the level of completeness of inquiry services was 96.9% (19,907 services) and complete complaint services was 96.8% (30 complaints). In carrying out its investigative function and the Investment Alert Task Force, OJK has stopped the operational activities of 108 entities with indications of irregularities in permits granted by related agencies. Then there are 11 entities that have been processed by law. In carrying out its investigative function, OJK has developed an Investor Alert Portal (IAP) system and in implementing its anti-money laundering and counter terrorism functions, OJK has developed a SIGAP information system and examined the AML-CFT program on 478 banks in Indonesia.

In response to this, there are several opinions that do not agree if OJK is dissolved. Economist at the Institute for Development of Economics and Finance (INDEF) Bhima Yudhistira Adhinegara thinks it must be clarified why politicians want to dissolve the OJK, because there is no guarantee that dissolving OJK will create better supervision of the financial services industry. In addition, according to the Governor of BI (2003-2008 Period) Burhanudin also said that the OJK could not just be dissolved, especially in the midst of the ongoing COVID-19 pandemic. According to him, this can be considered later after things calm down again (Sembiring, 2020).

Therefore, it is important for OJK to analyze the organizational situation. According to Alizadeh (2008), one of the models applied in relation to organizational situation analysis is a method of determining the organizational life cycle. According to this model, every product / service, industry or business has a life cycle. Which states that a company is born and introduced over a period of time, grows, matures, and then reaches a stage of saturation and eventually becomes old and declines. Life cycle theory is applied in cases such as products, markets, services, technology and industry. With the problems and challenges faced by OJK, OJK needs to know what the current position of the company is. Then based on the company's position, alternative strategies can be formed that are in accordance with the circumstances and environment of the OJK. With these alternative strategies, OJK can face the challenges and problems it faces in order to maximize the performance and role of financial service authorities.

This organizational life cycle analysis can be used to help reduce the risk for the company in facing change, so that the results can be implemented in an effort to survive or to reach a peak. Currently, the topic of organizational life cycle is still very rarely used in analyzing company conditions. One company that is known to be studied using this theory is the Kian Isatis Pars Company in Iran by Kermani et al., (2016). Another motivation for conducting this research is to motivate further researchers to carry out similar research, especially in the government sector or service industry. Even in the previous research references, none of them used the government sector as an object. In Indonesia, this topic is still used in small and medium enterprises. Until now, there has been no research related to the organization life cycle on the same object. This can be seen from the absence of reputable secondary sources of information in the form of articles, journals, or previous research conducted at the Financial Services Authority.

In previous research, Rismayani and Ardiansyah (2019) researching the organization life cycle of coffee shop industry in Bandung city, in Aulia (2019), researching a small accessories shop in Bandung regency, in Iqbal (2020) The object of research was a printing company that was only one year old. None of them use a reputable company as an object of research. The government sector and combination of quantitative and qualitative methods in this study is a fundamental differentiator from previous research. Qualitative methods are used to justify the results of quantitative methods where the questions used for interviews are the same questions as the distributed questionnaires.

Currently, research with the same object tends to examine performance in the supervisory function. Research conducted by Astanti et al., (2017) examined the supervisory function of Islamic banking institutions. Likewise with research conducted by Hutapea (2014), namely the independence of the OJK in conducting mediation. Tunisia (2015) examines the role of OJK in supervising registration of fiduciary security. Another study conducted by Diba et al., (2012) examined the policy of OJK governance in Indonesia. Yet knowing the organizational situation is the foundation or basis for survival. Santoso et al., in Bunz and Maes (2003) stated that in an era like now where organizations can adapt to change, organizations will still survive. Therefore, an appropriate alternative strategy is needed to be able to formulate an organizational strategy in accordance with the objectives of the conditions and problems in order to survive.

The contribution given from the results of this research to OJK is that it can provide information and considerations to make alternative strategies in overcoming problems that can help in the organizational life cycle, then theoretically for researchers can help in the framework of thinking about the organizational life cycle, the field of government because, there is growing evidence that factors originating from the stages of the life cycle change organizational behavior and behavior. For the government sector, this research can be used as a new insight into the condition of the company from the internal perspective of the OJK, which is the only financial service authority.

In the description of the previous research, it can be noted that there are differences in the results in the direction of the positive and negative influence of the publicity variable of the president director and majority shareholder on corporate tax avoidance activities. Referring to these results, the researcher seeks to determine the effect of these factors on tax avoidance activities in public companies listed on the Indonesia Stock Exchange for the period 2013 to 2018, so that from the results of this study, a tax avoidance policy formula will be obtained. More appropriate to the conditions of public companies in Indonesia. The selection of the 2013 to 2018 period is intended for continuity in a better research sample and to find out how changes in tax avoidance activities in public companies after the signing of the Global Forum on transparency and exchange of information for tax purposes (Global Forum) by the Ministry of Finance as a forum for exchanging practical information - tax avoidance practices in other countries. The aspect of renewability in this research is related to the object of research, namely in public companies in Indonesia that have never previously been conducted research related to the publicity of the main director on the issue of tax avoidance. In addition, by using the object of the 50 richest people in Indonesia, it is hoped that the research results will be more focused and uniform in order to obtain good research results.

Based on the background and differences in the results of the influence of factors on tax avoidance behavior, especially in public companies, the researcher seeks to provide another illustration of how the influence of factors, including the publicity of the managing director and majority shareholder, on tax avoidance behavior that occurs in public companies listed on the Indonesia Stock Exchange, so that the results of this study are expected to be able to provide additional agents and principals as well as other stakeholders to formulate tax avoidance policies for public companies in order to sustain the sustainability of the company concerned.

Literature review

Organization behavior

Oorganizational behavior is a field of study that investigates the impact that individuals, groups, and structure have on behavior within organization, for the purpose of applying such knowledge toward improving an organization's effectiveness (stephen, 2018). Jennifer george and gareth jones in sobirin (2019) state that in addition to studying the factors that influence how a person as an individual and as a group member behaves and acts, the field of organizational behavior studies also studies how an organization manages its environment. it should be noted that several factors such as mission of organization, technology, organizational structure, corporate ownership, market status and many other factors are directly involved in the formation of each of the stages of lifecycle of the organization (Ahmadi, 2010).

Organizational life cycle

According to Adizes (2015), the Organizational Life Cycle is a process by which a company experiences phases of life like living things. A company will experience many challenges and difficulties that are normal or have been experienced by many other companies, which will continue to emerge if the

company will move up to the next phase of its development in the life cycle stage. Therefore, the Organizational Life Cycle is a tool that can be used to diagnose an organization or company, which can be used to create a strategy. The stages of organizational development in the life cycle are predictable and repetitive (Adizes, 1999). Therefore, understanding each life cycle development process gives organizational leadership the ability to be proactive and preventive and address future organizational problems, or if unable, how to avoid these problems as much as possible. Figure 1, show the stage of organizational life cycles.

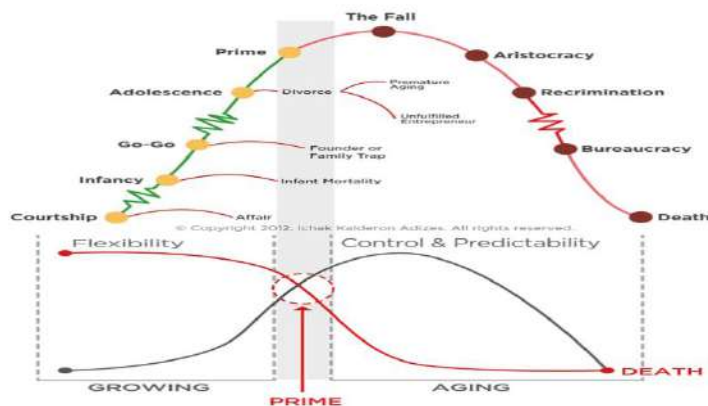


Figure 1. Organization Life Cycle
 Source: Adizesinstitute.org

There are 10 Stages of organizational life cycle namely; Infant, Courtship, Go-Go, Adolescence, Prime, Stable (The Fall), Aristocracy, Early Bureaucracy, Bureaucracy, and Death. As seen in Figure 1, the older the organization the higher the control it has, but the lower its flexibility. Organization can be considered prime when control and flexibility are balanced. The organization can be well controlled because the systems and procedures, as well as the decision-making mechanisms, are well structured and applied consequently. Even though, the organization strictly carries out systems and procedures, the organization remains flexible in the sense that it is still able to adopt various changes that occur in the environment (Raharja, 2010).

The period of decline or aging and or the period of death of the organization must be avoided, or in other words how to keep the organization in a top or stable position. Process of organizational decline is marked by the inability of the organization to handle the various problems it faces. Therefore, organizations need to do rejuvenation to return the organization to the top position and stay there. The key to success in overcoming these problems is not by reducing problems, but by focusing on organizational problems that arise at that time. Therefore, when the organization reaches a developmental stage or a top position, attention must be paid to things that will cause the organization to experience decline or aging, so that the organization can continue to stay at the top and continuously rejuvenate itself (Raharja, 2010).

Managerial Roles (PAEI)

For an organization to run effectively and efficiently in carrying out short- and long-term plans, four managerial roles must be performed. First, purpose (P). This role talks about the performance, goals, performance, and benefits of the organization. To be functional, that is, to be effective, an organization must from the very beginning determine who it is for, who its clients are, and which of their needs the organization will full fill. Second, administer (A). According to Adizes (2015) to be efficient in the short term, management must be able to systematize, program, and regulate all activities in the organization. Making sure that the right things happened at the right time, with the right intensity, in the right order. Third, entrepreneurial (E). Long-term effectiveness requires organizations to predict the future. Where the next problem in the organization will move and what are the needs of the next generation. Taking a position means taking risks. If done right, the organization will be effective in the long term. Fourth, integrate (I). The role (I) of integrating means changing organizational consciousness from mechanistic to organic. To fulfill their common goal, the components will support each other as needed, and no component is indispensable. The role (I) of integrating means changing organizational consciousness from mechanistic to organic. To fulfill their common goal, the components will support each other as needed, and no component is indispensable. The role (I) of integrating means changing organizational consciousness from mechanistic to organic. To fulfill their common goal, the components will support each other as needed, and no component is indispensable.

PAEI Code and Strategy Development

According to Adizes (2015), PAEI is a code or "Organizational DNA". Its code can be used to analyze managerial style, organizational structure, decision-making processes, and reward systems. This code can also be used to predict the order of problems that an organization will face throughout its future lifecycle. In addition, PAEI can also be used to design corporate strategies by balancing the four roles for success. Which roles are the strengths of the organization and which are its weaknesses and thus what should be the focus of management in the future.

Companies can have a strategy that takes advantage of all managerial roles. Better service than competitors (P); Cheaper production and shipping costs (A); High level of innovation (E); and a better organizational culture and maintaining better human capital (I). What should be noted is that no company can be the best in all four managerial roles. To be able to perform each managerial role requires a large cost, therefore it can be very expensive in aggregate.

According to Adizes (2015), organizations in which the four functions of management (P) performance, (A) administration, (E) entrepreneurship, and (I) integration are implemented, will be effective, efficient, proactive, and organic. They will be effective and efficient in the short and long term. However, their roles are interdependent and mutually debilitating, making goals extremely difficult, practically impossible, to achieve simultaneously.

Research methods

This research is combined quantitative and qualitative methods so that the resulting data is more comprehensive, valid, reliable, and objective. The qualitative method is used interview for justification of results of the quantitative method where the questions used for the interview are the same as the distributed questionnaires. The population in this study are 72 employees of the Financial Services Authority (OJK) Head Office who came from 4 Departments, 13 Directorates, and 45 Divisions with a minimum position of Head of Division. In this study, the sampling technique used was nonprobability sampling using saturated sampling. Saturated sampling is a sampling technique in which all members of the population are used as samples. The sample selected was all 72 Top Level Management employees at the OJK head office. There are six indicators that affect the organizational life cycle, shown in table 1.

Table 1. Variable Operational Table

Checked Indicators	Questionnaire Questions	Spectrum	Measurement
Organization System	2,3,4,11,12,13,23,30,33	Likert	Ordinal
Leadership Management	15,22,28,29,35,38,39,41,44		
Human Resources	8,9,10,16,20,21,24,27,40,43		
Risk Taking and Innovation	1,14,31,34,42		
Liquidity and Income	5,6,7,17,19,25,26,32,36		
Marketing Management	18,37		

Source: Rismayani, Risris; Ardiansyah, Fariz (2019)

The data analysis technique used is descriptive analysis, with some systematic testing, using questionnaires and interviews. The questionnaire consisting of 44 questions will be tested for validity and reliability using SPSS, then in conducting descriptive analysis, this study uses a frequency table adapted from previous research to obtain initial results from the life cycle questionnaire based on each question separately.

The results of respondents' answers in the form of ordinal data will be processed into descriptive data, level 4 = strongly agree, 3 = agree, 2 = disagree, 1 = strongly disagree as a form of the frequency of answers to "Yes" and "No". The answer choice Yes is obtained from the respondent's approval of the answers reflected at levels 3 and 4, while the answer choice No is obtained from the respondent's disagreement with the answers reflected at levels 1 and 2. Then, the result of the frequency of respondents' answers is called a descriptive statistical index. After the preparation of the frequency table is made, the researcher will enter a descriptive statistical index into the website adizes institute worldwide (www.adizes.com) to be processed into stages or stages of the organizational life cycle in the form of diagrams.

After knowing the results of the distributed questionnaires, the same questions were used again in interviews with 3 OJK experts who also filled out the questionnaires, to justify the results of the questionnaires distributed. This makes the data to be obtained is more comprehensive, valid, reliable, and objective. Data obtained after this will be used to formulate an alternative strategy to solve the problems experienced by the OJK Head Office.

Results

To ensure that the questionnaire that was prepared was really good at measuring symptoms and producing valid data, the validity and reliability were tested. Validity test and reliability test on the questionnaire using SPSS statistical software, the questionnaire contains 44 question items, using a likert scale 1-4 (1 = Strongly Disagree; 2 = Disagree; 3 = Agree; 4 = Strongly Agree). Respondents for this test were 30 people so that with a confidence level of 5% (= 0.05) the value of r table to be used was 0.3061. All result of r value > 0.361, the item is said to be valid. Cronbach's alpha was used to determine the reliability of research tools. A questionnaire will be reliable if the Cronbach alpha value is greater than 0.7 and because this value becomes closer to 1, which means that the reliability of the questionnaire is higher. The alpha value for all questionnaires for the analysis of the life cycle position of the OJK Head Office is 0.892.

The presentation of the results of this research is displayed in the form of tables, diagrams, and graphs of the position of the organizational life cycle. The following is the frequency table 2 for the OJK Head Office.

Table 2. Frequency Distribution of OJK Head Office

No.	Question	Response	Frequency	Percentage of Frequency	Mode
1	OJK always takes opportunities and risks to have long-term sustainability.	Yes	64	88.9%	Yes
		No	8	11.1%	
2	OJK frees employees to do activities that are not operational during working hours. (example: playing cellphone, smoking, etc.)	Yes	14	19.4%	No
		No	58	80.6%	
3	OJK severely restricts employees from doing activities that are not operational during working hours. (example: playing cellphone, smoking, etc.)	Yes	47	65.3%	Yes
		No	25	34.7%	
4	All activities that are not operational have been regulated (in written form or planting of understanding).	Yes	52	72.2%	Yes
		No	20	27.8%	
5	OJK is being consistent in achieving long-term targets, implementing its main duties and functions, and implementing the budget plan.	Yes	67	93.1%	Yes
		No	5	6.9%	
6	OJK is experiencing difficulties in achieving the long target, implementing its main duties and functions, and implementing the budget plan.	Yes	12	16.7%	No
		No	60	83.3%	
7	OJK is lowering its long-term targets, implementation of its main duties and functions, and implementation of the budget plan.	Yes	21	29.2%	No
		No	51	70.8%	
8	OJK places more focus on the implementation of work on the final result than on the process.	Yes	32	44.4%	No
		No	40	55.6%	
9	OJK places more focus on the implementation of the work on the process than on the final result his.	Yes	21	29.2%	No
		No	51	70.8%	
10	There is a balance in the focus of work implementation between the final result of the work completion and the process.	Yes	62	86.1%	Yes
		No	10	13.9%	

Table 2. Frequency Distribution of OJK Head Office

11	The strength in decision making currently lies in the members of the Board of Directors (BOD) and the Board of Commissioner (BOC) Executing Shared Function Operations only.	Yes	25	34.7%	No
		No	47	65.3%	
12	The power in decision making currently lies with the members of the Board of Directors (BOD) and the Board of Commissioner (BOC) Executing Operational Supervision activities only.	Yes	31	43.1%	No
		No	41	56.9%	
13	Decision making by members of the Board of Directors (BOD) and Board of Commissioner (BOC) Implementing Shared Function Operations & members of the Board of Directors (BOD) and Board of Commissioner (BOC) Executing Operational Supervision Activities, is determined according to certain conditions.	Yes	58	80.6%	Yes
		No	14	19.4%	
14	OJK always takes the opportunity to continue to grow.	Yes	69	95.8%	Yes
		No	3	4.2%	
15	If the Board of Directors (BOD) and Board of Commissioner (BOC) resign from the OJK, OJK will not be able to last long.	Yes	6	8.3%	No
		No	66	91.7%	
16	OJK does not have the time and opportunity to hold employee meetings.	Yes	12	16.7%	No
		No	60	83.3%	
17	OJK often experiences shortcomings in the financial budget.	Yes	10	13.9%	No
		No	62	86.1%	
18	OJK is often in a hurry to issue service products to the public before they are ready to accept it.	Yes	5	6.9%	No
		No	67	93.1%	
19	OJK's operational costs are limited.	Yes	42	58.3%	Yes
		No	30	41.7%	
20	Employees are still confused with several tasks whose priorities are not clear.	Yes	15	20.8%	No
		No	57	79.2%	
21	Employees are required to do multitasking on the job.	Yes	57	79.2%	Yes
		No	15	20.8%	
22	The Board of Directors (BOD) and the Board of Commissioner (BOC) have other work activities apart from matters not related to OJK	Yes	5	6.9%	No
		No	67	93.1%	
23	OJK employees do not have clarity about who is responsible for everything.	Yes	8	11.1%	No
		No	64	88.9%	
24	The job description in the OJK is unclear or changes frequently.	Yes	5	6.9%	No
		No	67	93.1%	
25	OJK benefits, but loses public trust.	Yes	3	4.2%	No
		No	69	95.8%	
26	OJK's revenue, either from fees, APBN, or other income, is currently stable.	Yes	39	54.2%	Yes
		No	33	45.8%	
27	There is a competition between senior employees and new employees.	Yes	17	23.6%	No
		No	55	76.4%	
28	Members of the OJK Board of Directors (BOD) and Board of Commissioner (BOC) do not fulfill OJK's long-term goals	Yes	6	12.5%	No
		No	66	87.5%	
29	OJK has difficulty finding competent employees.	Yes	11	15.3%	No
		No	61	84.7%	

Table 2. Frequency Distribution of OJK Head Office

30	OJK does not have a good office system and policy.	Yes	6	8.3%	No
		No	66	91.7%	
31	The employees are very comfortable with the current situation and conditions.	Yes	57	79.2%	Yes
		No	15	20.8%	
32	OJK has a good record of regulating and supervising the Financial Services Industry.	Yes	65	90.3%	Yes
		No	7	9.7%	
33	OJK has a strong work culture in carrying out operational activities	Yes	68	94.4%	Yes
		No	4	5.6%	
34	In OJK there is a culture of "no fraud"	Yes	68	94.4%	Yes
		No	4	5.6%	
35	In OJK there are too many internal conflicts, conflicts of authority, and betrayal	Yes	8	11.1%	No
		No	64	88.9%	
36	OJK may not survive without the support of government subsidies	Yes	5	6.1%	No
		No	67	93.1%	
37	Some important people in the OJK think that the people who use OJK services are a nuisance	Yes	1	1.4%	No
		No	71	98.6%	
38	"Personal interest" in OJK influences decision making	Yes	4	5.6%	No
		No	68	94.4%	
39	Members of the OJK Board of Directors (BOD) and Board of Commissioner (BOC) often spend their time "conflicting" with each other	Yes	2	2.8%	No
		No	70	97.2%	
40	In most cases, employees hide behind the excuse "this is OJK policy"	Yes	6	2.8%	No
		No	66	91.7%	
41	There have been changes of positions in the positions of members of the Board of Director (BOD) and Board of Commissioner (BOC)	Yes	31	43.1%	No
		No	41	56.9%	
42	There is a rejection of new or creative ideas within the OJK, especially from the staff/head of subdivision/head of the division	Yes	5	6.9%	No
		No	67	93.1%	
43	Senior employees are given more facilities and comfort than new employees.	Yes	16	22.2%	No
		No	56	77.8%	
44	Members of the OJK Board of Directors (BOD) and Board of Commissioner (BOC) sometimes reject most of the important decisions made by staff/head of subdivision/head of a division	Yes	13	18.1%	No
		No	59	81.9%	

Source: Processed data (2019)

Descriptive analysis of the questionnaire of 44 questions distributed among 72 senior officers at OJK Head Office shows that OJK Head Office is in the prime stage. Prime is the optimal point of the organizational life cycle curve. There is a balance between control and flexibility, because of that the organization will try to stay in this stage. Based on the indicators we know:

1. In the Organizational System Indicator, there is a balance between control and flexibility, supported by responsibility, work culture, and good system implementation.
2. In Leadership Management Indicators there is a balance between responsibility and authority, this is due to a clear, decentralized, and significant leadership role. As a result, long-term targets can be achieved

- independently without being followed by personal interests. It also shows good and effective employee qualifications.
3. In the Human Resource Indicator, there are expertise, skills, and knowledge that are already good but must be continuously improved. This can be seen from a balanced focus, consistency in pursuing targets, and the absence of confusion over the job description. Employee comfort is evidenced by supporting facilities and the absence of competition between employees.
 4. In the Risk-Taking and Innovation Indicator, it is visionary but still under control. Employees can express their creative ideas openly following the applicable POJK and careful consideration of long-term targets.
 5. In the Liquidity Indicator and income, it can be predicted along with financial stability, no excess, and no shortage, budgeting is done well and the OJK Head Office does not lose public confidence.
 6. In Marketing Indicators, marketing management must continue to educate the public, both from education to campuses and the use of social media. The results of the answer check are presented in the figure 2 below:

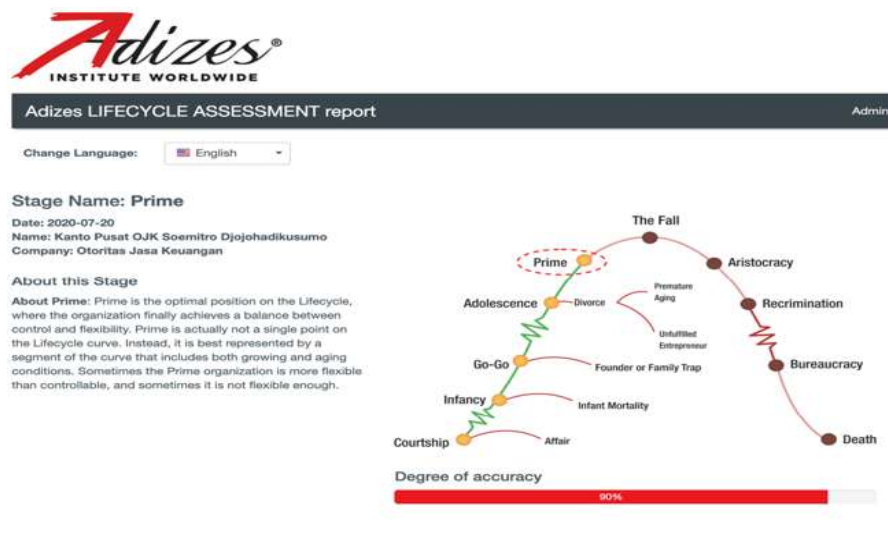


Figure 2. Processed data of Adizes tool's Result
Source:adizes.com

Based on the same questions with three experts in OJK Head Office the interview result shows that OJK Head Office is in the prime position and had several characteristics found in the prime position according to Adizes (2019), namely; The organization has clear goals, and knows what to do; There are plans for short-, medium-, and long-term goals. Organizations operate in a focused, energized and predictable manner; The priorities are clear, the organization knows what to do and what not to do; Controlled and profitable innovation; The organization can improve its capabilities in predictable ways; Organizations experience growth in achieving targets; Authority, power, and responsibility in decision making have been decentralized; The organizational structure works well. There is alignment between vision, strategy, structure, information, resource

allocation, and rewards; Decision making takes place in a healthy and constructive conflict environment; All members of the organization are relatively satisfied. It also shows that in this organization there are management style that is mostly in the category of (A) administrator, followed by (E) entrepreneur, and (P) performance, and last (i) integrator. Where the leadership and organizational authority have been structured and system according to the organizational structure.

The results of the interview at the OJK Head Office also shows that the OJK Head Office in this position has several problems. The problems faced by the OJK Head Office are as follows:

1. In managing human resources, the OJK Head Office still lacks the number of human resources, this is due to the policy adopted by the board of commissioners in 2017 that there is no recruitment except to replace employees who retire, die, and leave. So that all employees are required to multitask, especially in supervising and educating the public which causes some minor mistakes when doing a job.
2. Information technology is still not sufficient to keep up with the demands of a large number of jobs and must be completed quickly. This problem is also triggered by a lack of the number of employees because all technology facilities are created by OJK employees in the IT department one by one. After all, IT personnel outsourcing costs are very expensive. Also, OJK does not have a main portal that manages all of its activities so that many employees are confused or do not use the facility.
3. In the organizational system, OJK is currently looking for business patterns from all divisions or work units to eliminate weaknesses or deficiencies in existing business processes because OJK's biggest challenge is bridging each institution when it comes to working together so that there are no mistakes or miss communication that slow down the duration of work.
4. In providing education to the public, OJK is still limited to a small number of employees and a large number of job demands so that it is not optimal. Often when a work unit is asked to educate the public, no employee has free time because they are doing other tasks.

However, there are alternative strategies that can be applied to the OJK Head Office as seen from the position of the organizational life cycle occupied by the respondents. The results of the interview indicated that there were several alternative strategies, namely what the OJK Head Office could and are currently doing, which are:

1. Improve the management of human resources in terms of communication, expertise, and knowledge by opening training, seminars, promotions by transferring employees from different division.
2. Simplify the task of supervision in maintaining financial stability by utilizing technology that can cut bureaucracy so that employees can complete a lot of work quickly without errors
3. Strengthening the organizational structure and system with continuous monitoring of new officials or senior officers by eliminating deficiencies in

each business process for each sub-division and establishing effective and efficient business processes for all work units.

4. Work Units can schedule employee shifts to provide educational seminars and take advantage of social media platforms. Also, OJK can collaborate with campus brand ambassadors to campaign for its programs and create competitions that are likely to be followed and popular with themes that are under OJK regulations.

Discussion

Based on the result, it can be seen that leadership management proves a clear and significant role because of the balance between responsibility and authority. In human resource management, there are expertise, skills, and knowledge that must be continuously developed. Risk-taking and innovation indicator are visionary but still in control. Liquidity and income are predictable along with stable financial conditions; marketing management continues to educate the public; in the organizational system, the OJK Head Office has clear and structured duties and functions.

However, the OJK Head Office, which has a positive development, has experienced internal problems. These problems include, 1) Many divisions feel that there are shortages of staff, 2) unreliable information technology that makes bureaucracy lengthy, 3) inefficient organizational systems for all subdivisions that cause errors and prolong work duration, 4) community education inadequacy regarding financial service authorities so that there are different perceptions about the capabilities of the OJK.

Therefore, for a manager, knowledge of organizational behaviour involves an understanding of the relationship between humans and organizations and the relationship between organizations and their environment with the aim of increasing the choice of organization, but a necessity because the organizational life cycle is largely determined by humans. (Sobirin, 2019). The company's top-level managers at Prime are engaged in a constant struggle for balance and control. It only takes a little to guide the company in all directions. Companies can't just reach Prime, sit back, and rest. Management must work proactively to maintain Prime's vitality. The biggest problem could be staying at Prime. Another big problem they face is complacency. Keep in mind is a temporary condition. Taking the little things lightly is the first step to setbacks (Adizes, 2015).

It can be seen that in maintaining the organization to remain in the prime position at the OJK Head Office, is the greatest problem of *Prime*. It's necessary to understand the current position of the organization in the life cycle so that it can identify symptoms that can lead to a decline in employment or problems that will occur in the future. Through this research there are benefits for officials who lead the OJK Head Office, the following suggestions according to Adizes (1996), are expected to help top-level managers that were in prime position:

1. Maintain long-term and short-term effectiveness by maintaining 4 managerial roles (PAEI) to ensure the organization remains in the Prime position. Changing management ways of work is required because methods that produce success in one stage can create failure in another stages.

2. Recognizing and being aware of the characteristics of an organization that is experiencing decline or aging with the characteristics shown. Because, how well management leads a healthy transition from one stage to the next has impact on the success or failure of the organization.
3. Encourage Departments and Directorates that have not reached the Prime stage to reach Prime by doing organizational therapy, spin-off new infant, redirect to peak times with organizational refresher, personal upgrading of the organization and reaffirming the commitment of organizational members.
4. Understanding how life cycle works can help to watch out for risk and hazards to organization as it moves from one stage to the next.

Based on these suggestions, an alternative strategy can be formed that is adjusted to the problematic indicators at the OJK, namely:

1. Improving management of human resources in terms of communication, expertise, and knowledge by opening training, seminars, promotions by transferring employees from different division to fit the present needs of the organization and its future development
2. Simplify the task of supervision in maintaining financial stability by utilizing technology that can cut bureaucracy so that employees can complete a lot of work quickly without errors.
3. Strengthening the organizational structure and system with continuous monitoring of new officials or senior officers by eliminating deficiencies in each business process for each sub-division and establishing effective and efficient business processes for all work units.
4. Work Units can schedule employee shifts to provide educational seminars and take advantage of social media platforms. Also, OJK can collaborate with campus brand ambassadors to campaign for its programs and create competitions that are likely to be followed and popular with themes that are under OJK regulations. To be able to equalize perceptions between the public and OJK regarding the ability and role of OJK.

Conclusion

Descriptive analysis of the questionnaire which includes 44 questions distributed to 72 senior and middle managers of the ojk head office shows that head office ojk is in prime. Prime is the optimal point of the organizational life cycle curve where there is a meeting point between balance and control. It's shown in this stage that the system and organizational structure has clear, structured duties and functions. And there is a balance between flexibility and control ability; leadership and management play a clear and significant role because of the balance between responsibility and authority. The expertise, skills and knowledge of human resources must be significantly enhanced; risk taking and innovation are visionary but under control; liquidity and income are stable and predictable. Marketing management emphasizes the ability to respond effectively to community needs.

Even so, organizations that experience positive development also experience internal obstacles. These problems include human resource management, staff shortages, unreliable information technology, inefficient organizational systems for all subdivisions, and inadequate public education about financial services

authorities so that there are different perceptions about ojk's capabilities. There are several alternative strategies that can be used to overcome these obstacles, 1) improve communication, skills and knowledge by opening trainings, seminars, promotions with employees from different divisions. 2) simplify the task of supervision by utilizing technology that can cut bureaucracy so that a lot of work is completed quickly without errors. 3) strengthening the organizational structure and systems by eliminating deficiencies in each business process for each division and determining effective and efficient business processes for all work units. 4) schedule employee shifts to give educational seminars and take advantage of social media platforms, collaborate with campus brand ambassadors to campaign for the ojk program and create interesting competitions with themes regulated by OJK.

Limitation

In this study, the respondents used in this study were only employees who had senior and middle positions at the time of the research, so that if there was a change in position it could affect the results, because organization life cycle is not perfectly predictable. But they do have certain characteristic that are shared from company to company and undergo predictable and repetitive patterns of behaviour as they develop. Research was conducted only at the Head Office of the Otoritas Jasa Keuangan (OJK) which is located in the Sumitro Djohadikusumo building so that the results of the research cannot be generalized to the Regional Office of the Otoritas Jasa Keuangan (OJK).

Suggestion

For further research, To be able to conduct a stronger analysis, further research can conduct interviews with experts from outside OJK to provide insight and equate OJK's perceptions from the public's point of view. This is also to make it easier for researchers to find out the current position of the company so that the alternative strategies formulated are not subjective and have a strong theoretical attachment. In order for the research results to be broader and applicable to other OJK Regional Offices, further researchers can expand the scope of research areas. It would be nicer if further researchers could analyze OJK offices in regional areas such as regional 1 DKI Jakarta and Banten by taking regional representatives in each province so that the research results obtained have wider benefits.

Implication

The implications of the results of this study are, 1) To assist in the framework of thinking about organizational life cycle knowledge, especially in the government sector, because this research topic is often neglected based on simplifying presumptions like determinism of organizational development. On the other hand, there is a growing evidence that factors stemming from particular life cycle stages alter organizational characteristic and behaviour, therefore should be considered in research on an organizational level, 2) To be able to provide information and considerations for creating alternative strategies in overcoming problems experienced in the organizational life cycle, 3) This research can be used as a new insight into the company's condition from an internal perspective.

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INTERNAL CONTROL SYSTEMS IN MODERN AND BIBLICAL PERSPECTIVES: PREVENTING FINANCIAL FRAUD AT THE X CHURCH IN EAST JAVA

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ABSTRACT

This study aimed to determine the practice of internal control in modern and biblical perspectives in terms of minimizing irregularities and financial abuse at the X Church in East Java. This study used a qualitative (non-positivistic) approach by the type of case study research. Data collection was carried out by observation and interviews with the church pastor, treasurer, the Treasury Supervisory Agency (BPP) team, and church congregations to get information about the control system in X church. Data analysis in this study used a single site data model. The results of this study indicate that the practice of internal control systems in a modern perspective (COSO) at X church has not fully implemented the five components of the internal control system according to COSO because it assumes that the church is a religious organization that does not have rigid regulations such as profit-seeking organizations. So that it becomes a reproach for the church treasurer to commit fraud against the church. In addition, the internal control system in the Biblical perspective of X church found that church had applied a dual custody system and organizational ethical values taken from the Bible to be used as a foundation in serving God, but in reality, the church treasurers abuse their power or authority and act not in accordance with God's word. The theoretical contribution to this research is to contribute to strengthening and enriching the theory of triangle fraud and the practical contribution of this research can be used as knowledge so that the church can improve the existing internal control system to minimize financial abuse in the church.

Keyword: Internal Control System, Financial Fraud, Biblical

ABSTRAK

Tujuan penelitian ini untuk mengetahui praktik pengendalian internal dalam perspektif modern dan Alkitabiah dalam hal mengurangi penyimpangan dan penyalahgunaan keuangan pada Gereja X di Jawa Timur. Penelitian ini menggunakan pendekatan kualitatif (*non-positivistik*) dengan jenis penelitian studi kasus (*case study*). Pengumpulan data dilakukan dengan teknik observasi dan wawancara kepada gembala gereja, bendahara, tim BPP (Badan Pengawas Perbendaharaan), dan jemaat gereja untuk mendapatkan informasi mengenai sistem pengendalian pada gereja X. Analisis data pada penelitian ini menggunakan model data situs tunggal. Hasil penelitian ini menunjukkan praktik sistem pengendalian internal dalam perspektif modern (COSO) pada gereja X belum sepenuhnya menerapkan kelima komponen sistem pengendalian internal menurut COSO karena beranggapan bahwa gereja merupakan organisasi keagamaan yang tidak memiliki regulasi yang kaku seperti organisasi pencari laba. Sehingga menjadi celah bagi bendahara gereja untuk melakukan *fraud* pada gereja. Selain itu, sistem pengendalian internal dalam perspektif Alkitabiah pada gereja X ditemukan bahwa gereja X telah menerapkan sistem *dual custody* dan nilai-nilai etika berorganisasi yang diambil dari Alkitab untuk dijadikan pondasi dalam melayani Tuhan, namun kenyataannya bendahara gereja menyalahgunakan kekuasaan atau otoritasnya dan bertindak tidak sesuai dengan firman Tuhan. Kontribusi teoritis pada penelitian ini adalah untuk berkontribusi dalam memperkuat dan memperkaya teori *triangle fraud* dan kontribusi praktisnya penelitian ini dapat dijadikan sebagai pengetahuan agar gereja dapat memperbaiki sistem pengendalian internal yang sudah ada untuk meminimalisir penyalahgunaan keuangan pada gereja.

Kata Kunci: Sistem Pengendalian Internal, Kecurangan Keuangan, Alkitabiah

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Introduction

A church is a type of non-profit organization that is not targeted for a profitable purpose. The source of the church's wealth is received legally from offerings, voluntary assistance, and assistance from other parties without any ties (Anggaran Rumah Tangga GKBI, 2012). These offerings of donations can be in the form of money, goods, or services used for the development of the church, as shown in the letter 2 Corinthians 9: 7 that "*Let every man do after the purpose of his heart; not giving with grief, or by force: for God takes pleasure in a ready giver*". The verse explains that the offerings are given voluntarily by the congregation without stipulating the amount that must be submitted to the church.

A large number of church offerings without accountability and transparency in financial management can be the cause of fraud which is very complex and concerning (Simangunsong, 2018). Along with the development, the church as a non-profit organization has a low level of transparency and accountability in managing church finances (Wibowo and Kristanto, 2017). According to Pujiningsih (2013), accountability is a responsibility or state of being accountable for the success or failure to the trustees or those who delegate the authority are satisfied with the performance of the implementation of activities. There are two types of accountability, namely vertical accountability and horizontal accountability. Vertical accountability is an accountability based on stewardship theory (Sukmawati, et al., 2016). Stewardship theory assumes that humans can be trusted or trustworthy. This is done so that the church treasurer has responsibility for the financial management in the church. Therefore, they can be held accountable to the public or the church congregation without prioritizing personal interests. Hence, it can prevent financial abuse (fraud) in the church.

However, fraud (corruption) has taken hold and dangerous or venomous like a "snake" in a church organization. The church must have a high level of transparency and accountability to prevent financial abuse (fraud) in the church. In fact, activities and behavior in the church often show things that are contrary to the word of God. Some churches were trapped and dragged into corruption cases. For example, a corruption case of funds from the Ministry of Youth and Sports by the management of the Indonesian Methodist Church Education Foundation with a total of IDR 6.1 billion (Tribun Medan, 2016). A recent case that happens abroad is that of a Catholic bishop and several priests in Brazil who have been charged with misappropriation of church funds amounting to two million Brazilian real (approximately IDR 8 billion) (Okezonenews, March 24, 2018). These stories are only a small part of the corruption scandal that has occurred in the church organization that appears on the surface. The behavior of a church member on the news when committing deviant actions (fraud) is caused by several factors based on the fraud triangle theory. Cressey in Albrecht (2014) developed a fraud triangle theory which explains that three elements are often needed for fraud to occur, namely pressure, opportunity, and rationalization. Where one or even all of these factors can be the reason for perpetrators to commit acts of fraud in church organizations.

Cheating is very common at church. The church should care about the internal control system within the church to protect from various financial abuse. In this study, there are two perspectives of internal control systems including modern and biblical perspectives. Modern perspective using the concept of the Committee of Sponsoring Organizations (COSO) (2013), where internal control is a system and structure or process designed in an organization that aims to provide adequate assurance that the control objectives are achieved. Likewise, if the church board applies a good control system, the church's goals will be achieved, such as the reliability of the church's financial statements. Meanwhile, the internal control system according to the Bible describes the dual custody system (2 Chronicles 24: 11-12), the ten commandments of God (Exodus 20: 2-17), and the acceptance of professional church administrators (Exodus 18:21). God's words and commands can become a "scourge" and boomerang for the church board so as not to commit irregularities in the church. Thereby, the control system in the church will be effective and efficient so that it can prevent and/or reduce fraud. Because this internal control system aims to detect financial abuse and fraud (Myers, 2012, and Ahiabor and Mensah, 2013). However, in fact, the aspect of internal control in the church is not considered important for church management (Cornell et al., 2013), and therefore it can become an opening for church fraud.

Empirical studies have also been conducted to determine the role of internal control in the church to minimize fraud. A study conducted by Tanui (2016); Omare and Bitange (2016); Ojua (2016) proves that the internal control system can be used as effective financial management in the church. But many churches still have a lack of knowledge of the internal control system, large costs for its implementation, unqualified workers, and congregations feel confident in the church boards, as well as inadequate monitoring or supervision. A study by Mensah and Ahiabor (2013); Mensah (2016); Gachoka et al., (2012) explained that the implementation of an internal control system in the church will encourage the implementation of duties and responsibilities according to existing procedures or regulations to reduce or prevent fraud in the church. Previous research shows that internal control is extremely important in the church. However, internal control in the church is still weak and inadequate and therefore it can lead to fraud in the church.

Based on the explanation above, previous research (Mensah and Ahiabor 2013; Tanui, 2016; Omare and Bitange 2016; Ojua, 2016; Mensah, 2016; Gachoka et al., 2012) is still focused on an effective internal control system in the church from a modern perspective. While this research will also study the practice of internal control from a biblical perspective. It is important to conduct this research because X church is one of the largest churches in East Java with a fairly large offering of approximately IDR 120 million (without including tithe) per month, and it has a good organizational structure and segregation of duties or is also known as separation of duties. However, when the researcher conducted the initial observation, the researcher did not find any financial reports in the congregation's newsletter or oral announcements during worship activities. This condition raises the initial suspicion that X Church as a non-profit organization

had a low level of transparency in financial processing. The low level of transparency and accountability to God and the congregation in financial management is due to the implementation of an inadequate internal control system in the church. Therefore, it is extremely susceptible to fraud (Mensah, 2016, and Wibowo, and Kristanto, 2017). For that reason, the researcher is motivated to carry out this research with the objective to investigate and reveal the practice of internal control in a modern and biblical perspective in terms of reducing financial abuse and irregularities at X Church in East Java. This research also provides theoretical contributions to strengthen and enrich the fraud triangle theory. In this study, the practical contribution is as a source of knowledge for the X church boards and others to improve the internal control system in the church so that there is no irregularity and financial abuse in the church.

Literature review

Stewardship Theory

Stewardship theory explains a situation where management is not motivated by individual goals but rather aimed at their primary outcome goals for the benefit of the organization (Hernandez, 2012, and Segal and Lehrer, 2012). In this context, the theory assumes a strong relationship between church satisfaction and success. The church's success shows the maximization of the utility of the group principals and management of the church. So, the theory, in this case, shows that the church board is not motivated by individual goals but rather prioritize the interests of the church. The church boards have accountability or responsibility in managing the church both in terms of church finances and other church activities.

In this context, accountability to God is essential and this means that there is vertical accountability. Vertical accountability is an accountability based on stewardship theory (Sukmawati et al., 2016). Stewardship theory assumes that humans can be trusted or trustworthy. Stewardship theory explains that management is not motivated by individual goals but rather focused on the primary outcome goals for the benefit of the organization (Hernandez, 2012, and Segal and Lehrer, 2012). The church boards or church management team such as the church treasurer acts as a steward who serves to manage church resources and the congregation as the principal is the owner of these resources. This is carried out so that the church treasurer has responsibility for the management of church finances. Hence, they can be held accountable to the public or the church congregation. Therefore, it can reduce or prevent misuse (fraud) of church finances.

Triangle Fraud Theory

Cressey in Albrecht (2014) developed a fraud triangle theory which explains that fraud is caused by pressure (incentive or motivation), opportunity, and rationalization (justification or attitude). In this case, the pressure is related to the motivation of the perpetrator which leads to unethical behavior. For example, the perpetrator commits the act of stealing money due to financial pressure (Abdullahi et al., 2015). The opportunity factor occurs because of the low internal control system in the church results in the behavior of taking advantage of the

weak system and misappropriation of church money. Meanwhile, rationalization (justification) is related to the knowledge of management (church boards) about the fraud that has been committed. Hence, the perpetrators have justification for their actions (Reskino, and Anshori, 2016).

Modern Perspective Internal Control System

The internal control system in a modern perspective adopts the Committee of Sponsoring Organizations (COSO) (2013). Internal control is a system, structure, or process implemented by the board of commissioners, managers, and employees in the company that aims to provide adequate assurance that the control objectives are achieved including the effectiveness and efficiency of operations and reliability of financial reporting. According to COSO (2013), an effective internal system must fulfill the five main interrelated components. In the context of this study, the five components of internal control include the control environment which is the foundation of all components, risk assessment which is a process for analyzing risks in church organizations, control activities are policies and procedures in terms of reducing risks that occur, information and communication are the formations of the accounting information system in the church, and supervision is the activities of evaluating and ensuring that the five components exist and function. The implementation of internal controls is crucial to reduce the financial irregularities that occur in the church because the church is a non-profit organization that has weak internal control due to a lack of knowledge of the internal control system and an inadequate accounting system (Omare and Bitange, 2015).

Biblical Perspective Internal Control Systems

In this study, the internal control system in the biblical perspective is taken from and based on verses in the Bible. The Bible discusses how Israel practiced an internal control system, namely dual custody assets as a measure of internal control, where a job must be done together or under the responsibility of two people cooperation. This concept is explained in 2 Chronicles 24: 11-12 which reads:

“11 Whenever the chest was brought in by the Levites to the king’s officials and they saw that there was a large amount of money, the royal secretary and the officer of the chief priest would come and empty the chest and carry it back to its place. They did this regularly and collected a great amount of money. 12 The king and Jehoiada gave it to those who carried out the work required for the temple of the Lord. They hired masons and carpenters to restore the Lord’s temple, and also workers in iron and bronze to repair the temple”.

The verse explains that the king’s secretary and the officer of the high priest have dual custody of the funds that have been given. In the verse, it is interesting to note that the Levites were constantly exercising control to ensure that all funds were used properly. The Bible also addresses the fact that people of integrity must hold the funds.

The Apostle Paul knew that assigning responsibility to more than one (several) honest people would reduce the possibility of fraud and would reduce

public concern about fraud. Furthermore, the Bible also emphasizes that the Church must recruit or elect a church worker or church board who has a good and wise attitude. According to the Bible, acts 6: 3, which says, *“Brothers and sisters, choose seven men from among you who are known to be full of the Spirit and wisdom. We will turn this responsibility over to them”*. This is according to the principle of internal control which currently requires employees who are competent and honest in terms of financial accountability of the church.

The church should have a high level of transparency and accountability to reduce or prevent the misuse of church money (fraud) because fraud in the church is against the Word of God which is the foundation of church life as written in Exodus 20 verses 15 and 17 *“you shall not steal”* and *“you shall not covet your neighbor’s house or anything that belongs to your neighbor”*, this verse is part of the Ten Commandments. Morally, the church should be the guardian of honesty, justice, and transparency. The elected leaders and administrators of the church should understand and instill in their hearts the words of God from the Book of Exodus 18:21 which says that *“Moreover, look for able men from all the people, men who fear God, who are trustworthy and hate a bribe”*. Based on the word of God, church members such as the church board should fear God and be honest. Therefore, they are able and have the courage to uphold justice and protect the rights of others. This will reduce the financial irregularities and misappropriation in the church.

Vertical Accountability

Vertical accountability is accountability to a higher authority. In the context of religious entities, vertical accountability is a form of accountability to God (Yuesti, 2013). Where humans are given the mandate to take care and look after the earth based on the word of God. This means that humans have an obligation and must be accountable to God. This form of vertical accountability encourages church boards such as church treasurers to manage church finances in an honest, truthful, fair, and objective manner, as well as to avoid financial embezzlement or abuse in the church (Sukmawati et al., 2016).

In the context of managing church finances, church leaders and church administrators are similar to a church treasurer who expected to have high integrity, such as not stealing money, not tricking people into getting money, not engaging in any form of violence to get money, and will not accept bribes. All church boards are required to keep their hands clean in a financial context and be available at all times to be audited from beginning to end of their ministry.

Research methods

Approach and Type of Research

This study uses a qualitative (non-positivistic) approach and a case study type of research. The researcher chooses qualitative methods and a case study type of research because it is in line with the objectives of the researcher who wants to describe in detail according to the views of the informants regarding the practice of internal control in terms of reducing irregularities and financial abuse of X church in East Java.

Research Sites

The research was conducted at X church in East Java because it has a good organizational structure (board of directors), where there is a clear segregation of duties and transparent church organizational structure. Besides, X church is a large church because it has one central church and six branch churches. X church is the central church that has the authority to carry out the financial management of six branch churches and the central church. X church in East Java also receiving offerings amounting to approximately IDR 120 million each month. This calculation does not include the church's tithing offering.

Data Collection

The data collection procedure in this study used several methods that are useful to assist in obtaining comprehensive research data in terms of the research context. Data collection was conducted using observational techniques (participatory, hidden observation), interviews (semi-structured), and documentation. In this study, the researcher conducted in-depth interviews with the church pastor, treasurer, BPP (Financial Supervisory Agency) team, and church congregations based on the focus of the research. The researcher will go deeper to find out more information from the informants about the role of internal control in terms of reducing financial irregularities and abuse of church X in East Java.

Data Analysis

Data analysis in this study used a single site data model. Qualitative data analysis at a single site according to Miles et al., (2014) consists of interconnected components including data collection, data reduction (simplification), data presentation, and conclusion or verification. The data reduction is conducted because the researcher obtained a considerable amount of data from the field. Hence, the data reduction stage is conducted, namely: 1) making a summary; 2) coding; 3) searching for themes; 4) creating clusters of themes; 5) creating partitions; 6) writing memos for important notes during the research. Further, there are stages of presenting data with narrative text and this will make it easier to understand what happened. The last stage is drawing conclusions or verification. It is a stage of drawing conclusions or strong verification. The researcher can interpret, understand, and draw conclusions as a result of the research. This study also used data triangulation and methods to check the validity of the findings.

Results and Discussion

This study investigates and reveals the practice of internal control in a modern and biblical perspective in terms of reducing irregularities and financial abuse at X Church in East Java. The internal control system in a modern perspective is adopted from the Committee of Sponsoring Organizations (COSO) (2013). There are five components in COSO (2013) that will be associated with the results and discussion, namely the control environment, risk assessment, control activities, information and communication, and supervision. Furthermore,

this study also analyzes the internal control system in the church from a biblical perspective, the word of God which is written in 2 Chronicles 24: 11-12 about the concept of dual custody, Acts 6: 3; Exodus 18:21 about the acceptance of the church boards, and Exodus 20: 2-17 about the ten commandments of God. The following are the results and discussion of the internal control system in a modern and biblical perspective to reduce fraud in church X.

Internal Control Environment of the X Church

Ethical Values of X Church Correspond to the Word of God

According to COSO (2013), the first principle that shapes the internal control environment is a commitment to integrity and ethical values in the organization. Church X has implemented a commitment to integrity and ethical values that are in line with the goals of the church. The church board used biblical values stated in the ten commandments of God found in the Book of Exodus 20: 1-17, where one of the verses says “*you shall not steal*”. This is also the commitment of the treasurer in managing church finances. However, this was not in line with the actions of the church treasurer who did not act ethically. The treasurer sold scrap paper belonging to the church, which should be recorded on the financial statements. However, the money from the sale went to Treasurer I which she considered “extra money”. Treasurer I sold scrap paper of the church for her gain. Treasurer I had a “luxurious” life, therefore, the money from the sale of the paper was used to buy expensive branded bags. The treasurer's actions reflect that the church treasurer had no accountability in managing church finances. In this context, the church treasurer did not have vertical accountability or a form of accountability to God. The church treasurer ignored the ten commandments of God written in the Book of Exodus 20: 1-17, in which one of the verses says “*you shall not steal*”.

Vertical accountability is based on stewardship theory (Sukmawati, et al., 2016). The theory assumes that a person, in this context is a treasurer, is trustworthy or reliable. Stewardship theory explains that management (church boards) are not motivated by individual objectives but more focused on the primary outcome objectives for the benefit of the organization (the church) (Donaldson and Davis, 1991; Davis & Donaldson, 1997; Hernandez, 2012; Segal and Lehrer, 2012). According to the theory of Stewardship, the treasurer should behave according to the common interest or the interests of the church. The treasurer of the X church's behavior contradicted the stewardship theory. The treasurer committed the act of “stealing church money” from the sale of scrap paper of the church, which should go to the church treasury. However, the treasurer took the proceeds from the sale for personal use. Therefore, it is very contrary to the stewardship theory.

In the triangle fraud theory, according to Cressey 1951 in Albrecht (2014), three factors can encourage someone to commit fraud or deviant actions, including the factor of pressure, opportunity, and rationalization. In this context, the church treasurer committed deviant actions because of the opportunity so that the treasurer used the opportunity to commit deviant actions. The treasurer took advantage of the weak internal control system and legal sanctions on the X Church. The opportunity factor was created by an ineffective church control and governance system that

could support someone to commit fraud in organizations, including a religious organization (Abdullahi et al., 2015).

Accountability and Delegations of Authority: Culture of Seniority

In the control environment, there is a principle of the accountability of the governing board in managing the church to achieve the objectives of the organization of the X Church. The accountability of good church boards in church organization is highly necessary for the achievement of the objectives of the organization at the X Church. The accountability of the church board is still less because the Treasury Supervisory Agency (BPP) team that was in charge of auditing the financial statements at the X Church had a theological education background or was a pastor. Besides, the board of the X Church adhered to a “seniority” system. The governing board of the X Church felt “hesitate” and was afraid to reprimand unethical actions by treasurer I because treasurer I was the oldest church worker (senior) and in terms of age, treasurer I was older than other church boards. Seniority greatly affects the attitude of someone who in the end will always feel more than others (Katarina and Siswanto, 2018). It clearly affects the organization in achieving its objectives. In this context, the treasurer felt that she would be respected by the governing board of another church which in the end made the treasurer always felt superior to others. Therefore, she took actions that she thought were right but wrong in God’s eyes.

Motivation Giving from Church Governing Council: Spiritual Recreation

Church X had regular spiritual recreational activities held annually. Spiritual recreation is a fun activity outside the city to motivate church boards physically and spiritually (worship). In worship activities, the pastor provides a sermon about God’s commandments and God’s prohibitions that must be avoided as written in the Book of Exodus 20: 2-17. This activity is intended so that the church board can improve its performance to work for God. As it is written in the Book of Exodus 31: 17 which reads “...for in six days the Lord made the heavens and the earth, and on the seventh day he rested and was refreshed”. The verse explains that it is indeed necessary to rest after a long period of work. Therefore, the spiritual recreational activities conducted by the board of the X Church aimed to achieve the goals of the X Church.

Requirements for admission of Church Board: One faith

Besides, the controlling environment of the X Church also included a process of accepting workers of the X Church. This activity was done to get qualified church workers in faith in God and knowledge to serve God in His church. An absolute requirement in terms of acceptance of the church board is having the same faith, in other words, must be Christians. In addition to being good in science, there are absolute requirements, which must be Christian. As written in the Book of Exodus 18:21 that those who are worthy to be chosen as workers of God must be “Moreover thou shalt provide out of all the people able men, such as fear God, men of truth, hating covetousness” The verse illustrates that people who must be chosen to work in God’s house are those who fear God, can be trusted, and hate bribery or in this context are financial irregularities/abuse (fraud). The Bible also emphasizes

that the church must choose a church administrator with a good and wise attitude. Besides, in the Book of Acts 6: 3 which reads “*Wherefore, brethren, look ye out among you seven men of honest report, full of the Holy Ghost and wisdom, whom we may appoint over this business*”. This verse is very clear in line with the principle of internal control where the system requires employees or in this case, a competent and honest church board (Dzomira, 2014). The presence of church workers who are honest and competent is intended to minimize irregularities or misuse of church finances so that the objectives of church organization can be achieved.

Risk Assessment of the X Church

The BPP Team is Less Professional in Auditing Church Financial Statements

In practice, the Treasury Supervisory Agency (BPP) team was responsible for overseeing the church treasury and auditing the church’s financial reports. It was to consider the potential for fraud in assessing the fraud risk. The BPP team lacked knowledge in auditing financial reports because the BPP team’s educational background was a pastoral graduate. The BPP team’s educational background was highly different from their job as an auditor. The BPP team in charge of auditing the church’s financial reports was less skeptical and less thorough. This attitude was very contrary to the attitude of an auditor who should have a skeptical attitude in carrying out an audit assignment. The auditor should not only be following the audit procedures summarized in the audit program but must also be accompanied by an attitude of professional skepticism (Andriyani, 2016). This can put the church at risk of financial misuse. The head of the BPP team believed that God had a plan to have chosen him as the head of the BPP team, as written in the Book of Deuteronomy 7: 6 which reads “*For thou art a holy people unto the LORD thy God: the LORD thy God hath chosen thee to be a special people unto himself, above all people that are upon the face of the earth*”. The head of the BPP team believed that God always guides the steps in every process of auditing the church’s financial statements. Although the BPP team who served as auditors at the X Church did not know about auditing, they believed that the knowledge that the BPP team now had was far better than that of a reliable auditor.

God as a Fortress of Protection (Insurance)

Besides, the church board believed that God is a stronghold of protection for church assets. The church’s assets are not insured so that in case of political unrest or natural disasters, the physical assets of the church will be damaged. The reason the X Church did not apply for insurance was that the church board believed that God would be a stronghold of protection (insurance) for church assets. As written in Psalm 5: 11-12 which reads.

“But let all those that put their trust in thee rejoice: let them ever shout for joy, because thou defendest them: let them also that love thy name be joyful in thee. For thou, LORD, wilt bless the righteous; with favour wilt thou compass him as with a shield.”

This verse explains that God will spread His protection to those who want to take refuge in Him and will protect His people with His Grace like a shield.

Likewise, at the X Church, the board of the X Church believed and was convinced that God protects all assets owned by the church.

Controlling Activities of the X Church

Church Money Management Systematics: Flexible Rules

The governing board of the X Church had insufficient control activity for systematics of financial management for branch and central churches. Once a week or once biweekly depending on the flexible situation, the branch church treasurer deposited the offering money by transferring it to the central church. Surprisingly, the branch church treasurer did not make financial reports. In other words, the branch church treasurer was only helping the task of the central church treasurer to deposit the offering money of the branch church to the central church without having financial reports or transaction reports made by the branch church as documentation. It is highly unfavorable for the systematics of church financial management with a large enough revenue that can become an opportunity for misuse of church finances (Synder and Clifon, 2005). It contradicts the Word of God written in 1 Peter 5: 8, which reads “*Be sober, be vigilant; because your adversary the devil, as a roaring lion, walketh about, seeking whom he may devour*”. The verse explains that we as humans must always be vigilant and alert in all things so that we do not fall into the devil’s trap (negative things). In this context, it is the need for financial statement documentation for branch churches and patent regulations. These regulations must be obeyed to avoid irregularities or misuse of church finances. In the biblical context, God commands His children to always be vigilant and warned according to what is written in His Word to minimize the risk of misuse of church finances at the X Church so that the internal control system at the X Church can work well.

Church Financial Statements are Incompatible with Nonprofit Accounting Standards

The financial records of the X Church used a computerized system to avoid the risk of miscalculation or misrepresentation. However, the financial statements prepared by the church treasurer were not in accordance with non-profit accounting standards. The church treasurer found it difficult to create records based on non-profit accounting standards. The treasurer felt less knowledgeable about non-profit accounting standards. Therefore, the recording of financial statements made by the church treasurer was a simple format because the treasurer felt technologically illiterate. It is clearly not in line with the non-profit accounting standards contained in PSAK 45. The financial statements of non-profit organizations include the financial position report at the end of the reporting period, activity reports, cash flow reports for the reporting period, and notes to financial statements (Paragraph 09). However, the treasurer of the X Church did not make financial reports that are in accordance with non-profit accounting standards due to a lack of knowledge of these standards and was reluctant to study them (Omare and Bintange, 2016; Ojua, 2016; Tanui, 2016). The treasurer only made simple and easy financial reports.

Church Document Design: Signature Falsification of Church Pastor

The board of the X Church had a document design format of the X Church in terms of letter writing. It aims of having a design or document format that is unique to the X Church to avoid misuse or deviation. But interestingly, signing letters on behalf of the church pastor can be faked. The church pastor's signature can be represented or falsified by the treasurer if the church pastor is unable to attend the church office. It is not appropriate in the case of making church documents and there is a high risk of irregularities or misuse of the permit which will lead to misuse of church money. In the Book of Leviticus 19:11, God says "Ye shall not steal, neither deal falsely, neither lie one to another". This verse is contrary to the signing of a signature by the church treasurer when the church pastor is unable to attend church. The falsification of signatures is also against the law. It is dishonest and acts of fraud and is a matter of lying to fellow church workers.

Anti Fraud Control Program: The Book of Exodus 20: 2-17

Furthermore, the X Church had an anti-fraud control program which was taken from the Bible verses Exodus 20: 2-17 concerning the ten Words of God. Moreover, in the Book of Leviticus 19:11 the Lord says, "Ye shall not steal, neither deal falsely, neither lie one to another". The Word of God taken from the Bible is the anti-fraud control of the X Church. Therefore, the board of the X Church hoped that the anti-fraud control can be a "scourge" for God's workers who commit acts of irregularities. However, as seen from the actions of the treasurer who committed unethical actions, the anti-fraud control program for the X Church is not yet basic and has not been embedded in the hearts of God's servants. Therefore, when people commit deviant actions, they will not be afraid and try to justify themselves. The triangle fraud theory explains that humans commit acts of fraud because of three factors, including opportunity, pressure, and rationalization (Cressey, 1951 in Albert, 2014). In this context, cheating at the X Church occurred because of opportunity and rationalization. The factor of opportunity occurred because the control system in the church was not optimal. Therefore, the perpetrator took advantage of the weak rules and legal sanctions existing at the X Church. Meanwhile, the rationalization factor in this context occurred because the perpetrator felt that the behavior and actions taken were for the good of other church workers. The perpetrator tried to formulate various justifications so that it can be morally acceptable if the perpetrator's less ethical actions were correct (Abdullahi et al., 2015).

Forms of Accountability and Transparency: The Gospel of Matthew 6: 3

Another aspect that occurred to the X Church was the lack of financial transparency for church members. It was proven by the absence of verbal or written notification of church financial statements. Therefore, it proves that the X Church was not yet fully accountable. Accountability is responsible for the success or failure of the trustee or those who delegate the authority to be satisfied with the performance of the implementation of activities (Pujiningsih, 2013). It consists of two types, including vertical and horizontal accountability (Mardiasmo, 2009). Vertical accountability in this context is a form of

accountability by church workers or church financial managers to God, while horizontal accountability is a form of accountability to congregations or donors and other church workers. It shows that the church treasurer did not have horizontal accountability, which is financial accountability with the church congregation. It happened because the church board believed that what was given with the right hand, the left hand should not know. As written in the Gospel of Matthew 6: 3 which reads “*But when thou doest alms, let not thy left hand know what thy right hand doeth*”. The church board had a policy regarding the form of transparency to the congregation that the church did not distribute financial reports to the congregation. In the absence of verbal or written information, the congregation will focus more on worshiping God because they do not see the nominal value of the money of the X Church.

Information and Communication

“Feeling “Hesitate” to Report Misconduct

The X Church did not have an effective communication channel for church workers to report suspected irregularities. The board of the X Church also did not apply disciplinary action to church boards who commit acts of irregularities. The church board explained the absence of effective communication channels and disciplinary action was because the church is a sacred religious organization so it has a personal responsibility with God. As written in the Gospel of Matthew 7: 1-5, Jesus taught about “the matter of judging”, the Lord Jesus clearly forbade his people to judge or blame others who have carried out something wrong because judging is God. As fellow church workers, the board members of the X Church felt that they were also not free from sin. Therefore, judging is God’s business. Besides, the church board had inadvertently applied culture of shyness and seniority to the organization of the X Church. The existence of a clear separation of duties and organizational structure at the X Church did not guarantee that there will be no acts of irregularities in the church. Clear separation of duties and organizational structures can be shaken and defeated by a culture of “hesitant” in the church. Furthermore, the board of the X Church believed that God will punish church workers who commit deviant acts in God’s house.

In essence, the implementation of internal control in church organizations is highly dependent on the personal support of the church boards. No matter how good the division of duties and the organizational structure of the church and how good the design or model of the internal control system in the church, it will not be implemented without the personal support of the church board. Personal support for the implementation of an internal control system in an organization is affected by many factors. The factor found in this study was that the congregation or the church board trust (factor of trust) the treasurer’s job, and they even feel “hesitant” to reprimand if irregularities occur in the church. The factor of trust or the belief patterns of other church boards will affect the mindset of the church congregation (Booth, 1993). Therefore, it makes other church boards and church congregations trust the treasurer (Ojua, 2016).

Sifting Out External Information: Proverbs 17:4

Information is essential for any organization. In this context, information is also highly influential in the growth of God's church. Therefore, a person who believes in God must be able to sort out information. As believers, God does not want His children to swallow up the information. As it is written in the Book of Proverbs 17: 4 which reads "A wicked doer giveth heed to false lips; and a liar giveth ear to a naughty tongue". The verse explains that a person who can grip his tongue in receiving information or news is a person with good knowledge, is understanding, and wise in receiving incoming information. At the X Church, the church board monitored and sorted out external information that came into the church carefully. A Christian like the church board must be able to grip their tongue, sort out the existing information, receive information wisely so as not to damage the good relationship between church workers with one another, even not to destroy God's church. It can make the internal control system better. Because information is required to perform internal control responsibilities in supporting the achievement of financial reporting objectives (COSO, 2013).

Monitoring

Annual Meetings are just a formality

Meetings in an organization are essential activities to do, to evaluate activities in the organization. These evaluation activities are to determine whether all activity programs and internal controls in the organization are running and functioning (COSO, 2013). The X Church had a regular agenda for an annual meeting aiming to review, evaluate, communicate strategies and plans for updating the church activity program for the next year. When the annual meeting was held, interestingly, the board never evaluated the church's financial statements during the one year. The church board believed in the work that was performed by the treasurers. The church board felt that the financial statements that had been produced by the church treasurer were corrected and audited by the BPP team.

During the meeting, the treasurer gave a black and white photocopy of the hard file with a very small writing size so that it made church workers who attended the meeting rarely see the hard file. The treasurer explained that black and white copy is intended to save paper and ink (church supplies) so that it can make the equipment available at the X Church more efficient. It is surely very risky for financial irregularities because although the treasurer was transparent or open by distributing hard files to meeting participants, however, the small font size made people hard to see. Finally, they chose to trust the financial statements produced by the treasurer. Besides, the financial statements of the X Church were only submitted to the church board at the end of each year. With the huge amount of church financial receipts every month, it becomes very risky. It, surely, could be an opportunity to misuse church finances, if the period of the church financial reporting period meeting is held once a year (Tauni, 2016).

God as the Supervision of the Church

The central church pastor and the head of the BPP team had never conducted supervision to monitor and evaluate the performance of church workers, particularly the treasurer (Ojua, 2016). The activity performed by the BPP team to evaluate the church's financial statements only once per year with central church treasurers. This supervisory activity had never been performed because there was a trust in the treasurer of the X Church. The trust mindset is a factor that ultimately affects the mindset of the church congregation (Booth, 1993). The church board had a belief system because all church workers are those who believe in God and people who had been chosen by God, so the church board considered that the treasurer would be accountable for the work to manage the finances of the X Church. The pastor of the church and the head of the BPP team explained that all boards of the X Church are "servants of God" who have the same degree of work position, which is as God's service and their superiors are God, not church pastors or Head of the BPP team. Therefore, God is the supervisor with the right to monitor or supervise church workers in their performance. Hence, it becomes a "scourge" to deviate or commit acts of fraud, as has been written in Proverbs 15: 3 which reads "*The eyes of the LORD are in every place, beholding the evil and the good*". The Bible verse written in the Proverbs explained that God is always watching our every step and deed, both evil and good deeds.

Conclusion

Based on the discussion that has been explained, it can be concluded that the practice of internal control systems in a modern and biblical perspective at X church in East Java is not fully based on the theory of internal control according to COSO. The weak internal control system at X church is proof that the church treasurer can commit irregularities and financial abuse at X church. From a biblical perspective, the internal control system in X church implements a dual custody system and has applied ethical values in an organization based on the words of God in the Bible. This should be a basis for us to organize and serve God in His church. However, in its practice, the treasurer of X church abuses the power or authority that has been given to commit misappropriation of money at X church.

Limitations

Concerning the research that has been conducted, there are limitations to this research including the interviews with the BPP team (Financial Supervisory Agency) are only conducted with one person, namely the Head of the BPP Team because members of the BPP team are not allowed to conduct interviews with researchers. This made it difficult for researchers to obtain information about the church financial statement audit process conducted by members of the BPP team.

Suggestions

For church organizations, it is hoped that they can be firmer and impose penalties or sanctions for church workers who commit irregularities and financial abuse in the church. It is also hoped that the church will form a stronger system of

internal control and publish church financial reports as a form of accountability and transparency to the congregation.

For future researchers, it is hoped that they can examine good governance in church organizations from both a modern and biblical perspective. Besides, further researchers can add research sites (multi-case studies).

Implications

The practical implications of this study can be used as knowledge so that the church can improve the existing internal control system. This is necessary to be done so that there is no irregularity and financial abuse in sacred religious organizations such as churches. Therefore, there is no abuse of power/authority in the church because it is very risky to commit irregularities and financial abuse in the church. Furthermore, there are theoretical implications of strengthening and enriching the fraud triangle theory. The triangle fraud theory explains that fraud is caused by pressure, opportunity, and rationalization.

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THE FORMULATION OF TOUR SERVICE PRICE WITH ACTIVITY-COST PLUS PRICING METHOD (CASE STUDY AT PT. AIRLANGGA GLOBAL TRAVELING)

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ABSTRACT

This study aims to determine the formulation of the sell price for service of tour package at travel companies. This research was conducted at PT Airlangga Global Traveling Surabaya. The analytical method used in this study is a comparative descriptive, is the analysis of the currency selling price of tour package services, determining the cost method based on activity cost plus pricing, then comparing the selling price of tour package services based on current methods with activity cost plus pricing. The result of this research showed that the calculation of the selling price of the company method is too high when it compares with using the activity cost plus pricing method. This is due to the imposition of indirect cost on each of the tour package service products that have been able to allocate cost appropriately based on the consumption of each activity. This research contributes to PT Airlangga Global Traveling itself, that they could be allocate indirect cost using Activity Cost Plus Pricing to formulate the right selling price. Other than that, this research also contributes to the literature history regarding TDABC which is still very rarely written in detail case step-by-step.

Keyword: Activity Cost Plus Pricing, Tour Package, Selling Price

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ABSTRAK

Penelitian ini bertujuan untuk mengetahui bagaimana formulasi harga jual jasa paket wisata pada perusahaan travel. Penelitian ini dilakukan di PT Airlangga Global Travelling Surabaya. Metode analisis yang digunakan dalam penelitian ini adalah deskriptif komparatif yaitu analisis harga jual jasa paket wisata saat ini, penentuan metode biaya berdasarkan activity cost plus pricing, kemudian membandingkan harga jual jasa paket wisata berdasarkan metode yang ada dengan metode activity cost plus pricing. Hasil penelitian menunjukkan bahwa perhitungan harga jual dengan metode perusahaan saat ini terlalu tinggi jika dibandingkan dengan metode activity cost plus pricing. Hal ini disebabkan adanya pengenaan biaya tidak langsung pada setiap produk jasa paket wisata yang telah mampu mengalokasikan biaya secara tepat berdasarkan konsumsi masing-masing kegiatan. Penelitian ini berkontribusi pada PT Airlangga Global Travelling sendiri, sehingga mereka dapat mengalokasikan biaya tidak langsung dengan menggunakan Activity Cost Plus Pricing untuk penentuan harga jual yang lebih tepat. Selain itu, penelitian ini juga memberikan kontribusi terhadap literatur tentang TDABC yang dilanjutkan dengan activity cost plus pricing yang masih sangat jarang ditulis secara detail dalam bentuk kasus secara bertahap.

Kata Kunci: Activity Cost Plus Pricing, Paket Wisata, Harga Jual

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Introduction

The year of 2017 is one of the proud years for the Indonesian nation according to the idntimes.com website, in an article written by Willianingtyas (2018), Indonesia won 9 proud achievements throughout 2017. In September 2017 through the UNWTO (United Nations World Tourism Organization) event which was held in China, Indonesia lay aside other 63 countries through the video Wonderful Indonesia which shows the beauty of tourism in Yogyakarta, Bali,

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Lombok, Jakarta, Toraja, Raja Ampat and Wakatobi. Indonesia does have enormous potential in the tourism sector.

The increasing development of tourism in Indonesia will also have an impact on the business economy in Indonesia, one of which is the emergence of service companies, especially in the tourism bureau services. Various offers offered by travel service agencies are made at relatively lower prices compared to other travel companies, of course, with a specialization focus and satisfying service (Dolnicar and Laesser, 2007, and Menninger and Werly, 2014).

Pricing determination is very important in designing a tour in order to maximize profits without reducing the quality of the service. Before determining the rate for a service, the cost of the service is required first. In the cost system there are several methods to determine the selling prices, namely the Cost-Plus Pricing Method and the Mark-Up Pricing Method. Strategies in the efficiency of production cost formulation and determining the right price are needed in the problems faced by the company. According to Prcillia, (2014) The cost of goods which is too high can cause uncontrolled production costs, thereby reducing the competitiveness of other similar products.

One approach to calculate the cost elements in the production costs of a product or service is the activity-based costing method. Activity-based costing is a method where the cost determination imposes on goods and services based on resource consumption caused by activity (Narsa, 2011, and Chirenda et al., 2021). From the empirical point of view, some researchers concluded that activity-based costing brought good results. Pavlatos dan Paggios (2009) found that the activity-based costing system is considered as a costing system that produces satisfactory results. Service companies such as hotels and restaurants that have implemented activity-based costing experience benefits in terms of pricing decisions and customer profitability analysis (Raab et al.,2010). In a recent study by Vetchagool et al., (2020), by using survey method , also found that the extensive use of activity-based costing could directly improve operational and financial performance not only in manufacturing firms but also in non-manufacturing firms.

Lueg (2017) and Otley (2016) argue that the theory that can explain the reasons behind the successful implementation of activity-based costing to bring good benefits to the company is contingency theory. Based on this theory, it is explained that there is no universally appropriate accounting system which applies equally to all organizations in every situations. Thus, by utilize the contingency model of activity-based costing adoption, it will help the organizations to identify specific aspects of accounting system which are related with the situation faced by organizations and then they could demonstrate an appropriate matching.

Still from an empirical point of view, many researchers have discussed the application of activity-based costing in companies, but generally only in manufacturing companies. (Nota et al., 2020 ; Raab et al., 2010; Bagherpour et al.,2013). In service companies themselves, often the research subjects used are health services such as hospitals (Laurila et al.,2020; Blaschke et al.,2020, and Kaplan and Shah, 2018), restaurant (Raab et al., 2010), library (Siguenza-Guzman

et al.,2014). There are still very few studies that use research subjects in the form of travel service companies.

PT Airlangga Global Traveling is a service company engaged in travel services. So far, the company has only used a traditional costing system in which the pricing of service fees does not reflect specific activations such as indirect and fixed cost categories. This resulted in errors in making decisions on selling prices for services and for the continuity of the company. For this reason, PT Airlangga must make a selling price calculation by applying the pricing method to decide the selling price of the services offered to consumers so that consumers are interested in using this travel service. Looking back from what we learned from the empirical point of view, which is a contingency theory, the identification of problems and needs that have been carried out by PT Airlangga Global Traveling should be followed by corrective action in the form of a decision to apply a more accurate cost accounting system.

Based on the identification of problems that have been discussed, the research problem of this study is how to analyze the allocation of service cost calculations and apply the activity-cost plus pricing method in setting the selling price at PT Airlangga Global Traveling. The purpose of this study is to analyze the allocation of service cost calculations and to apply activity-cost plus pricing in setting the selling price at PT Airlangga Global Traveling. This research, which will use comparative descriptive analysis method, hopefully could contribute to PT Airlangga Global Traveling in providing enlightenment about the cost accounting system in accordance with the problems and needs of the organization. Other than that, empirically, this research hopefully will also contribute to the literature history regarding TDABC, especially in travel service companies which is still very rarely written in detail case.

Literature review

Cost Concept

Cost is a factor that has a relatively high degree of certainty that affects the determination of the selling price of a product or service. The process of tracking, recording, and analyzing the costs that have been issued for the company's operational activities in producing products, both goods and services, uses the concept of cost accounting. (Narsa, 2011). According to Mulyadi (2015) cost is an economic resource sacrifice measured in units of money, which has occurred, is happening or is likely to occur for a specific purpose. Cost object based on Mowen (2012) are items that include products, customer departments, projects and activities to be measured and charged which will affect the cost. For service companies, the cost itself is the amount of cost that occurs and is charged in the service production process. The method of determining the cost of goods services is a method of calculating the cost including the cost of goods services. Determination of the cost of tourism services only involves direct labor costs and overhead costs. The calculation can be done by one method, namely the activity-based costing approach.

Activity-Based Costing in Service Company

Products produced by service companies are products that are intangible dan varies, so that in the application of Activity-Based Costing in service companies cause difficulties in determining the cost of activities in producing these services. Basically service companies are more appropriate to implement an activity-based costing system compared to manufacturing companies because the proportion of indirect production costs to product costs owned by service companies is greater. (Cooper, and Kaplan, 2004). Furthermore, Cooper and Kaplan (2004) argue that service companies are generally ideal candidates for activity-based costing compared to manufacturing companies.

But regardless of the type of company, basically the company will always strive to reduce its costs in a sustainable manner by focusing on the analysis of activities, resources, and relevant cost drivers. (Bagherpour et al.,2013). By using a case study approach and descriptive-comparative analysis method, Bagherpour et al (2013) found that the use of activity-based costing can reduce production costs and increase the company's profitability index. In a study using radiology department subjects, Laurila et al. (2020) also found that compared to traditional costing methods, activity-based costing was more precise in allocating overhead costs. Similar studies in the health unit also found the same thing, as conducted by Blaschke et al. (2020), Suthummanon et al. (2005), Claesson and Edgren (2001).

Selling Price Determination

The selling price is some money that is used to obtain a number of goods and services from the seller (Ellsion dan Snyder, 2011). According to Mulyadi (2015), "In principle, the selling price must be able to cover the cost plus a reasonable profit. Selling price with production cost plus mark-up ". There are four methods in determining the selling price, namely:

1. Break-even Pricing is a price setting based on market demand and still considering the cost.
2. Cost Plus Pricing, which is a method of calculating the selling price by means of the selling price per unit of product calculated by adding up the entire cost per unit plus a certain amount as the desired profit or margin for the unit. The company uses this method aims to determine the unit product selling price, where all the costs that have been spent during the production process and the desired rate of return on investment can be covered in this method.
3. Mark-Up Pricing is a method of over-selling the product over the purchase price. Profits are made from partial mark-ups. Apart from that, it also issued a number of exploitation costs which were taken from part of the mark-up.
4. Determining the selling price of materials and time

Research Method

Types of Research

This type of research is a qualitative research method with a comparative descriptive analysis method because in its implementation it includes data, analysis of interpretation and comparison of the meaning and data obtained. This research took place at PT Airlangga Global Traveling which is located on Jl

Dharmawangsa No 1 Surabaya while the data collection and processing time is planned to start in June to August 2018.

Research Subjects and Objects

Research subjects in this study are people who are directly related to the providers of research information, namely company leaders, the financial department, the operational division. The objects to be researched are tour packages that have been sold during 2017 and all costs that affect the selling price of tour packages.

Types and Sources of Data

The types of data used by researchers in this study are: (1) Primary Data. Primary data is data obtained by making direct observations on the company and conducting direct interviews with parties related to the existing production process in the company. Interviews were conducted by the President Director of PT Airlangga Global Traveling to obtain data and information about the history of the company and its organizational structure. Meanwhile, interviews were also conducted with supervisors from the Tour and Mice divisions to obtain information about the preparation of tour service cost budget plans. (2) Secondary Data. Secondary data, namely data obtained by researchers by collecting and archiving documents related to this research. Researchers used data from the tour and cost budget plan reports and the company's 2017 income statement obtained from the company's administrative and finance supervisors to examine what costs are available at PT Airlangga Global Traveling.

Data Collection Technique and Data Analysis Technique

There are some data collection techniques that have been used in this study. First, is interview. Interview is a technique for obtaining data directly with research subjects in order to obtain the necessary data, namely about the general description of the company, the number of tour packages, the arrangement of the service fee budget plan, the expected profit percentage and so on.

Second, is observation. Observation is one way to obtain data with experience and a review of research subjects. This technique aims to strengthen the data obtained about the general state of the company. In this technique, direct observation of the object of research is carried out in order to obtain a real picture of the activities carried out by PT Airlangga Global Traveling. Includes the process of making travel packages, marketing and so on.

Third, is documentation. Documentation is a data collection method by studying the data inside the company that is related to the problem to be studied. In this technique, research is conducted and copies the records that are in the travel agency PT Airlangga Global Traveling, especially those related to the data needed to solve problems.

Furthermore, related to de data analysis technique used in this study are descriptive analysis technique and comparative analysis technique. The use of that analysis technique is because the implementation of this research includes analysis of interpretation and comparison of the data obtained, which is related to comparison between traditional costing and activity-based costing.

Results and Discussion

Research Object Overview

The research object in this study is PT Airlangga Global Traveling. The company was formed in Surabaya on February 3, 2016 in accordance with the Company Establishment Deed No. 8 of 2016, and was approved on February 4, 2016 according to the Decree of the Minister of Law & Human Rights of the Republic of Indonesia No AHU-0006444.AH.01.01. Until now, PT Airlangga Global Traveling with the trade name Airlangga Travel has served various tourist destination packages throughout Indonesia and other parts of Southeast Asia with 12 (twelve) employees.

Description of Research Data

PT Airlangga Global Traveling strives to provide services, especially tour tours that cover all levels of society. These services provide tour packages for both domestic and international tours. In this study, researchers focused on four types of domestic tourist tour packages that were most popular with customers in 2017, namely the explore Bali, explore Bandung, explore Lombok and explore Yogyakarta.

Based on research conducted by researchers at PT Airlangga Global Traveling, it is found that the company is still using a traditional accounting approach in calculating selling prices and determining the cost of tour package services. The company still has not detailed all the costs used for tour activities provided to customers. The following is the calculation of the selling price of a tour package at PT Airlangga Global Traveling can be seen in Table 1 below.

Next in 2017, it was known that the total number of tour participants who used the services of PT Airlangga Global Traveling was 1000 participants. This number is spread out in each tour package. Details of the number of tour package participants in 2017 can be seen in Table 2 below.

Table 1. Calculation of Tour Package Selling Price

Cost Description	Tour Package			
	Bali Explore	Bandung Explore	Lombok Explore	Yogyakarta Explore
Direct Cost				
Air transport	270,000,000	350,000,000	250,000,000	90,000,000
Hotel	142,500,000	166.350,000	118.750,000	47.500,000
Documentation	2,500,000	3,000,000	2,000,000	1,000,000
Consumption	45,000,000	52.500,000	37,500,000	15,000,000
Travel	60,000,000	70,000,000	50,000,000	20,000,000
Bus Tour	12,500,000	15,000,000	10,000,000	5,000,000
Entertainment	1,250,000	1,475,000	1,025,000	450,000
Tour Leader's Fee	2,100,000	2,520,000	1,680,000	840,000
Total Kos Langsung	535,850,000	660,845,000	470,955,000	179,790,000
Indirect Cost Allocation (50%)	267,925,000	330,422,500	235,477,500	89,895,000
Total Cost	803,775,000	991,267,500	706,432,500	269,685,000
Profit Target (10%)	80,377,500	99,126,750	70,643,250	26,968,500
Selling Price	884,152,500	1.090,394,250	777,075,750	296,653,500
Number of participants	300	350	250	100
Selling price/pack	2,947,175	3,115,412	3,108,303	2,966,535

Source: Data primer is processed

Table 2. Number of Tour Participants

No	Tour Package	Number of Participants
1	Bali Explore	300
2	Bandung Explore	350
3	Lombok Explore	250
4	Yogyakarta Explore	100
	Total	1000

Source Data primer is processed

Data Analysis

Based on the data that has been described by several tour data related to the selling price of tour packages obtained from interviews and direct observation, it is known that the selling price of each package is obtained from direct cost and indirect cost. According to the explanation from the interview results obtained from the company, they still have not identified in detail the activities that exist in the company.

Researchers will compare the formulation of the selling price of tour packages between the methods that have been used by the company with the activity cost plus pricing method. The steps taken by researchers in determining the selling price of tour packages using an activity approach are as follows:

- (1) First Step to Identify activity, Identify the cost related to that activity, Grouping the same activities into a homogeneous cost pool, Determine the cost driver, and Calculate the rate per unit cost pool
- (2) Second Step to Charge cost to each product using the rate per unit cost pool, Calculate the total cost of tour package services, Calculating the expected profit target then calculating the selling price per pack of tour packages

Identify Activity

The activities that have been identified by researchers during the PT Airlangga Global Traveling tour are as follows:

- (1) Tour Activity in the Field. This activity is carried out during the field tour. This activity consists of Trip Journey Activity, Lodging Activity, Documentation Activity, Consumption Activity, Travel Activity, Bus Tour Activity, Entertainment Activity, Remuneration Activity
- (2) Office Support Activities. This activity is carried out before the implementation of the tour in the field and several office activities to support tourist tour activities. This activity consists of Administration Activity, Payroll Activity, Marketing Activity, Repair & Maintenance Activity, Taxation Activity.

Activity Classification

The next step after identifying all existing activities in the company is to classify the use of the same activities into a homogeneous cost pool. Details of the use of activities in each tour package are presented in Table 3 below.

Table 3. Use of Tour Package Activities

Type of Activities	Bali Explore	Tour Package			Total
		Bandung Explore	Lombok Explore	Yogyakarta Explore	
A. Tour Activities in the Field					
Trip Journey	300	350	250	100	1000
Lodging	300	350	250	100	1000
Documentation	180	200	170	50	600
Consumption	300	350	250	100	1000
Travel	180	200	170	50	600
Bus Tour	180	200	170	50	600
Entertainment	180	200	170	50	600
Remuneration	300	350	250	100	1000
B. Office Support Activites					
Administration	115	145	110	30	400
Payroll	40	60	35	15	150
Marketing	115	145	110	30	400
Repair & Maintenance	40	60	35	15	150
Taxation	40	60	35	15	150

Source: Data primer is processed

Table 4 will present a breakdown of the resulting costs related to the use of activities in each of the following tour packages:

Table 4. Cost of Using Tour Package Activities

Type of Activities	Bali Explore	Tour Package			Total
		Bandung Explore	Lombok Explore	Yogyakarta Explore	
A. Tour Activities in the Field					
Trip Journey	288.000.000	336.000.000	240.000.000	96.000.000	960.000.000
Lodging	142.500.000	166.250.000	118.750.000	47.500.000	475.000.000
Documentation	2.550.000	2.805.000	2.380.000	680.000	8.500.000
Consumption	45.000.000	52.500.000	37.500.000	15.000.000	150.000.000
Travel	60.000.000	66.000.000	56.000.000	16.000.000	200.000.000
Bus Tour	12.750.000	14.250.000	11.900.000	3.400.000	42.500.000
Entertainment	1.260.000	1.386.000	1.176.000	336.000	4.200.000
Remuneration	2.142.000	2.499.000	1.785.000	714.000	7.140.000
Total	554.202.000	641.465.000	469.491.000	179.630.000	1.847.340.000
B. Office Support Activites					
Administration	1.871.290	2.322.981	1.742.235	451.691	6.452.724
Payroll	114.816.679	170.098.784	97.806.801	42.524.696	425.246.961
Marketing	15.360.147	19.067.768	14.300.826	3.707.622	52.966.023
Repair & Maintenance	11.171.656	16.550.601	9.516.595	4.137.650	41.376.502
Taxation	5.919.098	8.769.034	5.042.195	2.192.259	21.922.585
Total	149.138.870	216.809.168	128.408.653	53.013.917	547.964.795
Grand Total	703.340.870	858.274.168	597.899.653	232.643.917	2.395.304.795

Source: Data primer is processed

Homogeneous Cost Pool Grouping

After knowing the activity usage ratio along with the cost associated with these activities, the next step is to group activities that have the same activity usage ratio into a homogeneous cost pool. The following is presented in Table 5 activities which have been grouped into the following homogeneous cost pool.

Table 5. The Total of Homogen Cost Pool

Type of Activiyy	Activity Cost	Cost Pool
Trip Journey	IDR 960.000.000	Cost Pool 1
Lodging	475.000.000	Cost Pool 1
Documentation	8.500.000	Cost Pool 2
Consumption	150.000.000	Cost Pool 1
Travel	200.000.000	Cost Pool 2
Bus Tour	42.500.000	Cost Pool 2
Entertainment	4.200.000	Cost Pool 2
Remuneration	7.140.000	Cost Pool 1
Administration	6.452.961	Cost Pool 3
Payroll	425.246.961	Cost Pool 4
Marketing	52.966.023	Cost Pool 3
Repair & Maintenance	41.376.502	Cost Pool 4
Taxation	21.922.585	Cost Pool 4
Total	2.395.304.795	

Source: Data primer is processed

Before arriving at the step of calculating the rate per unit cost pool activity, it is necessary to determine the cost driver as a determinant of the cost drivers arising from these activities. The determination of the cost drivers in each cost pool can be seen in Table 6 below:

Table 6. Cost Driver Tour Activities

Cost Pool	Total Cost Pool	Cost Driver
Cost Pool 1	1.592.140.000	Number of Participants
Cost Pool 2	255.200.000	Number of Travel Destinations
Cost Pool 3	59.418.747	Number of Tour Documents
Cost Pool 4	488.546.048	Number of Days of the Tour

Source: Data primer is processed

The Calculation of Rate Per Unit Cost Pool

After determining the cost driver, the step is to calculate the rate for each grouped cost pool. Table 7 will present the tariff per unit of each cost pool below.

Table 7. Rates per Unit Cost Pool

Cost Pool	Cost Pool Rate	Total Cost Driver	Cost Driver
Cost Pool 1	1.592.140.000	1000	1.592.140
Cost Pool 2	255.200.000	600	425.333
Cost Pool 3	59.418.747	400	148.547
Cost Pool 4	488.546.048	150	3.256.974

Source: Data primer is processed

Cost Charging to Tour Packages

The next step after knowing the rates for each cost pool is to charge these rates to each tour package, namely the Bali Explore, Bandung Explore, Lombok Explore and Yogyakarta Explore. Cost charging for each tour package can be seen in Table 8 to Table 11 below.

Table 8. Cost of Tour Package Service Bali Explore

Cost Pool	Cost Pool Rate	Cost Driver	Total
Cost Pool 1	1.592.140	300	477.642.000
Cost Pool 2	425.333	180	76.560.000
Cost Pool 3	148.547	115	17.082.890
Cost Pool 4	3.256.974	40	130.278.946
		Total Cost	701.563.836

Source: Data primer is processed

Table 9. Cost of Tour Package Service Bandung Explore

Cost Pool	Cost Pool Rate	Cost Driver	Total
Cost Pool 1	1.592.140	350	557.249.000
Cost Pool 2	425.333	200	85.066.667
Cost Pool 3	148.547	145	21.539.296
Cost Pool 4	3.256.974	60	195.418.419
		Total Cost	859.273.382

Source: Data primer is processed

Table 10. Cost of Tour Package Service Lombok Explore

Cost Pool	Cost Pool Rate	Cost Driver	Total
Cost Pool 1	1.592.140	250	398.035.000
Cost Pool 2	425.333	170	72.306.667
Cost Pool 3	148.547	110	16.340.155
Cost Pool 4	3.256.974	35	113.994.078
		Total Cost	600.675.900

Source: Data primer is processed

Table 11. Cost of Tour Package Service Yogyakarta Explore

Cost Pool	Cost Pool Rate	Cost Driver	Total
Cost Pool 1	1.592.140	100	159.214.000
Cost Pool 2	425.333	50	21.266.667
Cost Pool 3	148.547	30	4.456.406
Cost Pool 4	3.256.974	15	48.854.605
		Total Cost	233.791.677

Source: Data primer is processed

Determination of the Selling Price of Tour Service Packages

The method used in determining the final selling price of each tour package is cost plus pricing. This method is done by adding the total cost of product services to the expected profit or profit target that has been agreed by the company. The following is the formulation for determining the selling price of tour service packages using the cost-plus pricing method which can be seen in Table 12 below.

Table 12. Selling Prices for Tour Package

Type of Activities	Tour Package Options			
	Bali Explore	Bandung Explore	Lombok Explore	Yogyakarta Explore
Cost Pool 1	477.642.000	557.249.000	398.035.000	159.214.000
Cost Pool 2	76.560.000	85.066.667	72.306.667	21.266.667
Cost Pool 3	17.082.890	21.539.296	16.340.155	4.456.406
Cost Pool 4	130.278.946	195.418.419	113.994.078	48.854.605
Cost Total	701.563.836	859.273.382	600.675.900	233.791.677
Profit Target (10%)	70.156.384	85.927.338	60.067.590	23.379.168
Selling Price	771.720.219	945.200.720	660.743.490	257.170.845
Number of Participants	300	350	250	100
Selling Price/Package	2.572.401	2.700.573	2.642.974	2.571.708

Source: Data primer is processed

Discussion

Based on the data analysis, the calculation of the cost of the tour package services for PT Airlangga Global Traveling, there is a difference which is shown from the calculation results between the current company method (traditional method) and the method that uses activity-cost plus pricing. This difference also results in differences in the selling price of PT Airlangga Global Traveling's tour package services which have been discussed in this study. The following is presented in the table 13 below the differences between the two methods.

**Table 13. The Comparison of Selling Price
 Current Company's Method- Activity-Cost Plus Pricing Method**

No	Tour Service Package	Current Company Method	Activity-Cost Plus Pricing Method	Overvalue Difference
1	Bali Explore	2.947.175	2.572.401	374.774
2	Bandung Explore	3.115.412	2.700.573	414.839
3	Lombok Explore	3.108.303	2.642.974	465.329
4	Yogyakarta Explore	2.966.535	2.571.708	394.827

Source: Data primer is processed

The four tour package products that have been discussed in this study show that all tour package products calculated according to the company's method have overcosted. This happens because the cost of tour package services according to the company is still guessing in charging indirect cost and not in accordance with the cost that should arise related to the production process of tour services. It is different when calculate the cost using an activity-based costing approach, this method allocates all costs to each service product by involving several cost drivers based on company activities related to tour and tour services. The company will be able to present an accurate and informative selling price for service packages and make it easier for management to make decisions about relevant cost information based on its function.

Conclusion

Selling price is an important thing for business people, that's how it is with PT Airlangga Global Traveling. The improvement of methods in determining the selling price of tour package service products should be considered by the management in order to provide a selling price that can still compete with other companies without reducing the quality of service to customers. Based on the results of the calculation of the selling price of tour package services which have been discussed in the previous part, the researcher can conclude that the calculation of the selling price of tour services using activity cost plus pricing is carried out not haphazardly and through several stages. The results of the formulation of the selling price of tour package services using activity cost plus pricing when compared to those currently used by the company show that the packages explore Bali, Bandung, Lombok and Yogyakarta produce lower selling prices.

Limitations

Although this study made a contribution to research in formulation of cost and price in travel companies, it still contains limitations that must be noted. First, this study was an exploratory and descriptive in nature also used a sample of a single travel company. Even though the activity-based costing method can be applied to any service company, the results of this study can not be generalized to all travel companies because it is indeed still depend on each characteristic of every company. Second, this study only conducted the activity-based costing method on the Bali, Bandung, Lombok, and Yogyakarta explore package service, and did not examine the other type service in PT Airlangga Global Travelling. Lastly, it is important to be noted that before applying the activity-based costing method in any company, the feasibility study must be conducted in order to analyze whether the company is appropriate or not to use activity-based costing as a basic step before formulate the selling price, but unfortunately this study did not include that explanation in detail even though the step-by-step procedure undertaken in this study has shown a convincing results.

Suggestions

Based on the research discussed by the researchers above, the suggestion to be conveyed is that PT Airlangga Global Travelling should use the activity-cost plus pricing method in formulating the selling price of tour service packages. The reason is that this method is able to provide an accurate indirect cost allocation based on existing activities in the company which furthermore will result in best profitability.

For future research could try other type of business, for example like beauty salon, garage shop, etc, which in case requires an activity-based costing system in determining its cost of product which in turn also resulted in whether the pricing is done correctly or not. Also, the next research could follow the step-by-step as has been done in this study or make a detail comparison with the current accounting cost system that currently in use by the organization. Lastly, next study could combine price sensitivity measures with activity-based costing method.

Implications

The implication of this study are, firstly it is provide the new knowledge and information not only to PT Airlangga Global Travelling itself but also to the

reader that activity-based costing method could be used as a costing system that will significantly affecting the formulation of selling price. And by that, secondly, activity-based costing could provides a good picture of overall profitability of the company. Activity-based costing could be used to determine which service item's price needs to be changed or even removed.

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LITERARY REVIEW ON THE ANTECEDENT OF ETHICAL DILEMMA IN MANAGEMENT ACCOUNTING PROFESSION

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ABSTRACT

This study aims to: 1) Describe a model expounding the inception of ethical dilemma management accountants are exposed to, delving to its antecedents; and 2) Formulate a strategy to combat ethical dilemma experienced by management accountants. The data is collected through literary study. Data analysis process is descriptive-and-qualitative in nature, consisting of data explication, data reduction, and concluding inference. The result showed that ethical dilemma of management accountants was rooted by two antecedent factors: internal and external. One of the many strategies to combat it and to produce ethical decisions was to orient one's intention to ethical deeds. The intent was affected by three elements, which were attitude towards behaviour, subjective norms, and perceived behavioral control. This study is expected to be a source of inspiration and strategy for management accountants in dealing with ethical dilemmas in decision making related to their profession. Its academic implications, hence, hopefully will be of an enriching and useful reference for accounting profession ethics study, as well as inspiring a deeper interest in research management accounting ethics.

Keyword: Management Accountant, Ethical Dilemma, Ethical Decisions

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ABSTRAK

Penelitian ini bertujuan untuk: 1) mendeskripsikan model terjadinya dilema etika yang dialami akuntan manajemen untuk mengetahui anteseden dilema etika; dan 2) merumuskan strategi menghadapi dilema etika yang dialami akuntan manajemen. Studi ini merupakan penelitian deskriptif kualitatif menggunakan data studi literatur dengan teknik kualitatif dengan tahapan analisis telaah data, reduksi data, dan penarikan kesimpulan. Hasilnya, dilema etika akuntan manajemen disebabkan dua faktor anteseden, internal dan eksternal. Sedangkan salah satu strategi yang dapat diterapkan untuk menghadapi dan menghasilkan keputusan etis adalah dengan menata niat untuk berperilaku etis. Niat itu sendiri dipengaruhi oleh tiga faktor yang terdiri dari sikap terhadap perilaku, norma subjektif, dan keyakinan terhadap kemampuan diri dalam mengendalikan perilaku. Studi ini diharapkan dapat menjadi sumber inspirasi dan strategi bagi akuntan manajemen yang menghadapi dilema etika dalam pengambilan keputusan terkait profesi mereka. Implikasi akademis penelitian ini diharapkan dapat memperkaya referensi perkuliahan etika profesi akuntan dan dapat digunakan sebagai acuan untuk mengkaji lebih mendalam studi yang berkaitan dengan etika akuntan manajemen.

Kata Kunci: Akuntan Manajemen, Dilema Etis, Keputusan Etis

Introduction

Accountant is an occupation which is vulnerable to issues related to ethics in profession. The stigma surfaced due to the growing number of prominent cases involving accountants which were proven to commit unethical behaviours by taking crucial decisions—from financial standpoint, not oriented to moral values—hence creating tremendous harms to related parties (Agung and Wijayanti, 2016). Several big impact scandals stemming from violations of accounting profession ethics are the manipulation of PT. Garuda Indonesia (Persero) Tbk's 2018 financial report, PT Bumi Resources Tbk's 2003–2008 consolidated reports, and Lippo Bank scandal of 2002. The pertinent stakeholders relied heavily to financial reports prepared by the accountants as one of the most important factors in deliberating their decisions.

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From the user of financial information perspective, accounting can be classified into two categories: financial and management. Financial accounting produces information directed to external parties, while management accounting generates one which is customized to internal audience to support managerial decisions (Rudianto, 2013). The difference in characteristics between the two is summarized in table 1.

Table 1. Difference between Management Accounting and Financial Accounting

Characteristics	Financial Accounting	Management Accounting
User of information	External party (creditors, governments, investors, etc.)	Internal party (management)
Guiding Principle	Generally accepted accounting principles	Not bound by accounting principles, leaning more towards the usefulness of information
Focus	Company as a whole	Departments within a company
Orientation	Past events	Past and future events
Type	Monetary information	Monetary and non-monetary
Accuracy	More accurate representation of data	Prioritize timeliness over data accuracy

Source: Indriani (2018)

Management accountants have a very different strategic role compared to financial accountants. Table 1 illustrates that other than having distinct user of information, management accounting provides a more comprehensive report than financial accounting since it covers a wide range of detailed department-specifics of a company. Moreover, its disclosure of accounting information demands timeliness, putting enormous pressure for the expected performance of the accountants to meet the often-unanticipated deadlines.

This high-pressure environment and contractual ties with the company make management accounting profession susceptible for ethical dilemma. The dilemma is defined as a situation in which a person faced in choosing the right decision towards certain appropriate behaviours in professional setting (Cohen, 1995). Eweje and Brunton (2010) mention that intervening factors to objectivity of the accountant, such as financial incentive and job security, will obfuscate the decision taken to certain condition laden with moral pressures on each course of alternative actions. Accountants are confronted by options to take the decision in line with the ethic code but having possible negative consequences for the business of the company, or the one which is unethical to divert the possible aforementioned prospect.

A reliable financial report is vital for the stakeholders as a guide to come to a reasonable decision, but in the real world, management accountants in the business world are increasingly found to so often formulate financial report engineering. A management accountant's capacity to formulate a decision in a dilemmatic situation depends on various elements since it will impact greatly in the organization where he/she resides (Bangun dan Asri, 2017). An organizational-vs- professional pressure is what often conjured up when such situation exists. Stress from this pressure is what makes accountants to be biased and not independent in serving their profession. As a consequence, the situation

Correlates to only one choice that is deviant behavior and unethical deeds.

An organizational-vs-professional conflict related to ethical behaviour has been explored in accounting literature. However, majority of these literatures center their attention to the employees of a public accounting firm or to the public accountants themselves, not the management accountants. Ethical behaviour displayed by management accountants is a hallmark of moral value creation every organization aspires. It is often assumed that this process will run smoothly without any challenges in implementation. Nevertheless, in reality, business rarely reflect on the possible organizational-vs-professional conflict a management accountant may experience. The source of this conflict generally are various pressures by a company's management to lean towards unethical behaviours, as previously mentioned, for instance in manipulating financial reports.

Arranya dan Ferris (1984) found out that management accountants eventually have a significantly higher level of organizational-vs-professional conflict if compared those who work in public accountant offices. It shows that management accountants often sense the differences between organizational and professional values, hence the pressure to perform unethical behaviour seems to be one of the sources of the conflict. A similar finding by Weaver (1995) exhibits that unethical behaviour by management accountant occurs because of the business owner as a shareholder has a stake at profit creation, so as to allow unethical deeds to be taken, for instance: data manipulation.

Various pressures posed to management accountants put them in a dilemma. When facing one, a management accountant may prone to take a decision which deviates from ethical behaviour. In line with the Theory of Reasoned Action by Fishbein and Ajzen (1980), intention is the major predictor of a behaviour. Therefore, in the context of management accountant's ethical dilemma, the main course of action that one may undergo to be able to take an ethical decision is by committing to an ethical intention. In conjunction with the narrated discourse in the previous part, this paper is therefore aimed at: 1) describing a model to expound the inception of ethical dilemma management accountants are exposed to, delving to its antecedents; and 2) Formulating a strategy to combat ethical dilemmas experienced by management accountants. The result hopefully contributes to form a guidance model to management accountants facing ethical dilemma. It also may enrich theoretical reference on the subject of management accountant's professional ethics.

Literature review

Theory of Reasoned Action

Theory of Reasoned Action (Fishbein and Ajzen, 1980; Fishbein and Ajzen, 1975) in simple term explains that intention (motivation) is the key to a person's action towards certain behaviour, the stronger the intention the bigger the chance to conduct a particular behaviour. Ajzen and Fishbein (1980) assume intention as a motivating factor affecting one to act out a behaviour, indicating how hard one will try, and how much effort one will one exert to manifest the behaviour. The intention to commit to a behaviour is based on the attitude towards behaviour and subjective norms. Intention is a direct antecedent of behaviour, which is under the control of will (Buchan, 2005). Positive intention will accrue if one is expecting positive results and

is in the environment where such behaviour is favored. If a management accountant expects a positive result from his/her work, and the company's environment supports it, then the ethical dilemma will be easily dealt with.

Theory of Decision Making

Theory of Decision Making by Duffy dan Atwater (2002) defines decision making as a process of integrating information of relevant alternatives and making the correct choice. De Janasz et al., (2002) defines it as the process of integrating relevant information to construct alternative options in order to make the correct choice. Decision making is a systematic approach to the core of a problem that should be previously preceded by the gathering of data and facts, since this will determine the quality of the decision taken (Chernev, 2003). One of the criteria of a correct decision is that when it takes into account ethical values (De Janasz et al., 2002).

Management accountants are not only responsible to themselves and their profession but also to the organization where they work and the society—where an error in decision making may implicate in negative consequences to the stakeholders and to the public as a whole. It is therefore of utmost important for management accountants to fully comprehend the ethical decision process, especially when being in the middle of a dilemma. A fundamental capacity to identify if one is involved in an ethical or unethical behaviour is a must have for a management accountant.

Research Method

This research is taken with the goal to analyze antecedents of ethical dilemma faced by management accountants in performing their professional duties. Specifically, it attempts to describe a model on how ethical dilemma happens at the first place and to formulate applicable strategies to deal with it. For that reason, it is descriptive in nature and taking a qualitative approach. Descriptive research, according to Arikunto (2016), is one which tries to describe a condition being the focus of the research based on the available data. Qualitative research, on the other hand, is an approach that employs inductive analysis model to examine the issue in question to subsequently disclose it verbally as interpreted by the researcher (Moleong, 2012).

Qualitative data gathered came from literary study. The sources used are publications on the subject of accountant's ethics from scientific journals, books (either hardcopy or electronic copy), academic papers and scientific reports. The term qualitative denotes that the data may be in the form of picture or words instead of numbers (Muri, 2014). It was gathered in a two-staged literary study: exploring published relevant materials on the internet, and subsequently categorizing them. Once it was adequately collected, it was then analyzed by going deep into the author's interpretation on management accounting's ethical dilemma issue, discussing and elaborating the details that reference the description of ethical dilemma model of management accountants, and from there formulating the strategy to cope with management accountant's ethical dilemma.

Result and Discussion

Management Accountant's Role

For Samryn (2012), management accounting is a field in accountancy that focuses on the supply, development, and interpretation of accounting information customized to the management as the basis to decision making in planning and control of a company. Subagyo et al., (2018) describe management accounting as a tool to support decision making on the future of a company, ranging from its design, planning, management, control, to performance measurement. Therefore, management accounting produces output in the form of important information which is essential to the internal audience of a company to form strategic decisions which will impact the future of the company.

On the relative role of accounting management in a company, the actor conducting accounting activity, or often dubbed as a management accountant, has a very important role in the process of information creation that is needed by the management of a company. Pratolo and Jatmiko (2015) posit that management accountants are the providers of vital information that is needed to achieve the organization's goal and to create competitive advantage. To be able to assume the role, a management accountant must possess a thorough knowledge and skills in system information and technology, aside of accounting information system, so that a more quality information be readily available and expectations of the internal management be met. As the business continues to develop, keeping up with the advance in technology, the role of management accounting has been more pronounced in the strategic decision-making process and company's operational control.

Furthermore, Pratolo and Jatmiko (2015) also predicts that a management accountant in the future will undertake a role more leaning towards analysis and full support to decision-making process taken by managers—from lower, middle, up to top manager in a company. In other words, a management accountant will act more like a high-level decision support specialist. Additionally, a management accountant will be more than just a business partner. It will evolve into a strategic partner for a management accountant should also take into account in his/her role the context in which a company operates: the market setting and competition in the industry. Suedi (2012) suggests that a management accountant has an assisting role to management and related internal parties that own the powers and responsibilities in strategic decision-making in achieving the stated goals of the company. Specifically, a management accountant is in charge of designing the information system, making sure that it efficiently runs, and feeding periodic information to the managers, as well as conducting custom analysis on special or requested information.

Management accounting role, according to Ngumar (1997), must keep up with the growth pace of a company. A management accountant should no longer be accounting information provider a sich, rather also be highly involved in decision-making process. In addition, a management accountant should assume a role as a manager support in operational control process. Ngumar (1997), citing Ronald W. Hilton, furthermore details the roles of an accounting management: as an information provider for managerial decision-making reference, supporting

managers in operational control process, giving motivation to all departments within a company to maximize the efforts to achieve company's goal, and evaluating the performance of divisions and the company's management. Ngumar (1997) also states that a management accountant is indeed a financial data analyst and the most important decision maker in matters related to financial information. Additionally, based on the analysis taken, a management accountant may also become a market (and company's business environment) observer, and a development strategist.

With all the important roles on his/her shoulders, a management accountant also bears enormous responsibilities, which eventually morphed into a high working pressure. This is reflected by the fact that the objective of management accounting is more towards timeliness than data accuracy, and also on the characteristics of the (financial and non-financial) reports that must be specific and detail, taking into account elements such as a company's division, product, department, area, etc. (Indriani, 2018). The pressure may also arise in the inner conflict a management accountant experiences when faced by situations requiring ethical decision-making, or as it is termed: an "ethical dilemma". (Wijayanti et al.,2017).

Ethical Dilemma Inception Model as Experienced by Management Accountant

Abdurrahman and Yuliani (2011) translate ethical dilemma as a situation which demands decision-making which is deemed ethical and proper. According to Okezie (2016), ethical dilemma is in itself an ethical issue. Robbins and Judge (2008) add that ethical dilemma is a perplexing situation for someone, where there is a request to take an action or a decision that each has a strong risk and moral burden. Wijayanti et al., (2017) states that ethical dilemma must be well overcome by a management accountant, so that ethical decision may be made to guarantee public trust towards the profession. Unethical decision will harm it, and management accountant as a profession will risk its credibility, even though in one hand it is due to the workload and pressure made by internal management of the company.

Ethical dilemma is often experienced by a management accountant when conducting his/her professional role, hence it is often being the focus of scholarly interest in management accounting field. However, it is still unclear what the process is leading up to the dilemma, in what circumstances management accountants are potentially exposed to, and what factors are at play. This is probably due to the scope of the previous research is rather partial, relating to only one object, so the finding is not generalizable to other cases with different objects and situations. Therefore, through the literary research in this paper it is hoped that an ethical dilemma inception model will surface—specifically the one faced by management accountants—and the model may be employed as a reference to analyze and overcome ethical dilemma in general.

The formulation of ethical dilemma model follows the first stage of the four-stage framework of ethical consideration process by Rest (1979), where a management accountant is in the phase of identifying ethical dilemma as a

psychological process that involves sensitivity or ethical perception. Consequently, the first step to understand how an ethical dilemma may occur is to explore ethical perception.

Perception, according to Gibson (1996), is a process to make sense of the environment with all objects within it through a cognitive process that consists of the efforts to search, find, know, and understand the information that explain the characteristics of those objects. Smith (2009) posits that a cognitive process shapes the experience in order to form knowledge. The obtained experience and knowledge as well as various aspects involved in the cognitive process may differ depending on each unique individual traits and characteristics. More precisely, Lubis (2010) mentions two factors that may affect perception, that is internal self factor (cognition) and external ones (visual stimuli).

Koerniawan (2013) states that ethics is a moral principle used as the basis of the deemed proper behaviours. Hence, a management accountant's ethical perception is a management accountant's worldview which he/she attains from experience and learning on ethical matters. Tikollah et al. (2006) mention that ethical perception may be affected by three factors, namely:

1. Individual factor, includes, among others, religiosity, emotional quotient, sex, individual ethical nuance, personal trait, and trust on others' ethical behaviour.
2. Organizational factor, which comprises of organizational ethical nuance, and organizational nuance.
3. Environmental factor, which relates to organizational and social environment.

Thus, ethical dilemma is experienced when a management accountant holds an ethical perception, so he/she is able to identify the presence of ethical dilemma. In other words, the higher the ethical perception capacity a management accountant has, the easier for him/her to sense the presence of ethical dilemma.

As mentioned earlier, ethical dilemma refers to a perplexing situation where a management accountant is demanded to take ethical decision considering alternative decisions each burdened by heavy moral pressure (Robbins and Judge, 2008). It can also be stated that each alternative decision taken will bring about different consequences, where several decisions are ethical but containing negative implications, and the others are violating ethical values but bringing fewer negative consequences or instead benefiting for some parties (Diamastuti, 2014).

It is then apparent that other factor is at play, other than ethical perception, in the inception of ethical dilemma, based on the propensity of committing ethical or unethical decision. According to Ponemon (1992), execution of ethical decision is strongly influenced by ethical behaviour of a management accountant. Jones and Kavanagh (1996) define ethical behaviour as a result of individual disposition that mirrors one's character and not derived from short-term learning experience, for example in a training held by an organization. Referring to fundamental behaviour concept by Asriwati dan Irawati (2019), a human behaviour is any activity which is the result of stimuli from external objects, hence ethical behaviour may be molded by continuous stimuli exposure. The stimuli should be

in the form of pressure towards ethical behaviour from the environment surrounding management accountants.

Henceforth, there are three factors that precede the start of ethical dilemma that a management accountant experiences, which are individual factor that comprises of ethical perception and self characteristic, and external environmental factor. This is in line with the attribution theory which claims that individual behaviour leading to certain traits may be formed through the exposure of factors either coming internally (dispositional attribution) or externally (situational attribution) (Heider, 1958).

Furthermore, Widyastuti and Ariani (2015) found that self characteristics of a management accountant comprise of idealism, relativism, locus of control, gender, and age. Idealism is a term referring to a credence of an individual that something can be done or achieved without violating moral behaviour. Relativism is a rate in which an individual reject behaviour-guiding moral rule. Locus of control is a strength that is believed by an individual as a form of responsibility towards one's self-inflicted reward and punishment. Referring to management accountant code of conduct by IMA, self characteristic may also encompass qualities related to honesty, audacity to keep sensitive information, competence, and objectivity.

Grounded by the discussion above, a model on how ethical dilemma is incepted as experienced by management accountant may be constructed as figure 1.

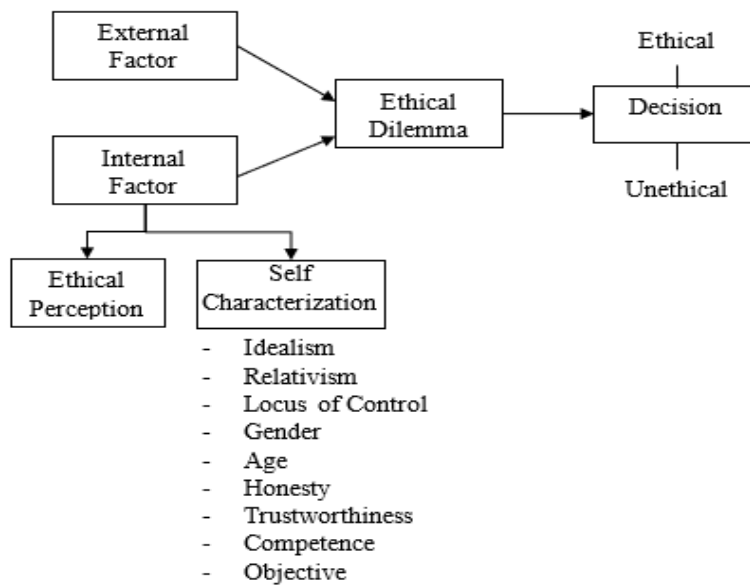


Figure 1. Ethical Dilemma Inception Model as Experienced by Management Accountant

The figure 1 shows the antecedents of ethical dilemma experienced by management accountant consists of external and internal factors. Ethical dilemma is fundamentally a cognitive issue in a management accountant as a response towards stimuli in the forms of workloads and situations that force an accountant to choose between ethical or unethical decision. The first antecedent, the external

factor, may consist of all related external factors that may influence the decision that is going to be taken. According to Eweje and Brunton (2010), the external factors may be incentive or financial compensation received by a management accountant from the company. The incentive may be the possible stimulus that intervenes an accountant's objectivity in committing ethical decision. Internal factor being the antecedent of ethical dilemma may be comprised of a management accountant's idealism, relativism, locus of control, gender, age, honesty, trustworthiness, competence, and objectivity.

Strategies to Overcome Ethical Dilemma

Attribution theory dictates that individual behaviour is affected by either internal or external factor (Heider, 1958). However, in Theory of Reasoned Action (TRA), the single predictor of individual's behaviour is intention (Fishbein and Ajzen, 2010). In the context of ethical dilemma faced by management accountants, the most important cause of action that a management accountant may undergo to come to an ethical decision is by orienting oneself to ethical intention. This is in line with the third phase of ethical consideration process by Rest (1979) and being classified by Richmond (2011), that after a management accountant goes through an ethical consideration with its affecting internal and external factors, one will be in the psychological state in which ethical orientation will form and produce intention to obey or defy the ideal (ethical) solution.

Behavioral intent, or may be also understood as behavioral disposition, will manifest as the time and opportunities come, into the real action (Fishbein and Ajzen, 2010). Ethical intent translated into disposition towards ethical deeds, that will materialize itself in ethical behaviour. From psychological standpoint, Widyarini (2009) supports TRA premise, that an individual's behaviour will materialize if based by strong enough intention. In other words, an individual may determine the desired behaviour if the sufficient intent leaning towards such behaviour exists. The stronger the intention, the higher the chance of the desired behaviour will manifest.

The intention to commit to behaviour is affected to three factors namely attitude towards behaviour, subjective norm, and perceived behavioral control (Fishbein and Ajzen, 2010). According to Azwar (2007), attitude is a mental mechanism which evaluates, shapes worldview, sets the mood tone and will also determine an individual's behavioral propensity towards the other human beings, or something that an individual is facing, even towards oneself. An individual is taking an attitude if there is an object that gives stimulus. Therefore, eventhough attitude is an internal factor of an individual, but it cannot be divorced from the context of its environment. In the context of ethical dilemma faced by by management accountants, in order to achieve attitude which leans towards ethics, it is important to condition the contextual environment, or in the other words, it requires organizational characteristics that values highly moral virtues.

Subjective norm is one's perception towards social pressure to do or not to commit to certain behaviours (Fishbein and Ajzen, 2010). Therefore, subjective norm is a cultural representation of an organization where a management accountant works. If the organizational cultural treasures highly ethical values and

makes it among the most priced and consistently practiced, it will greatly positively affect management accountants to orient towards ethical intentions. On the contrary, if the organizational culture fails to express ethical values, the possibility for a management accountant to form ethical intention will be miniscule.

The third factor influencing intention is perceived behavioral control, that is the impression someone has on oneself on how easy or hard it is to manifest certain behaviour (Fishbein and Ajzen, 2010). This is strongly related to self-competence and behavioral experience. Therefore, the better self-competence and experience a management accountant has in dealing with ethical dilemma dilemma to come up with ethical decisions, the higher the confidence to commit to ethical behaviours.

Conclusions

Some conclusions from this research are: first, ethical dilemma inception model as experienced by management accountants involves two antecedent factors, namely external and internal factors. External factors comprise of everything outside of management accountant's self that affect the decision that must be taken, for example financial incentive that an accountant receive for his/her work which may intervene the objectivity to commit to an ethical decision-making process. Internal factors range from idealism, relativism, locus of control, gender, age, honesty, trustworthiness, competence, to objectivity.

Secondly, ethical dilemma is a general issue that management accountants face. One of the applicable strategies to overcome it and to formulate ethical decision is by orienting the intention to ethical behaviour. The intention itself is influenced by three factors: attitude towards behaviour, subjective norms, and perceived behavioral control, which involve the role of the organization where the management accountant works, in order to instill the ethical intention to management accountants, either through formulating organizational characteristics which uphold moral values or implementing organizational culture which consistently uphold ethical values as a reference for work.

Limitation

This research has several limitations. It has not covered extensively on the existing available literature on the phenomenon of ethical dilemma experienced by management accountant due to the limited access that the author was able to obtain. The direct observation of ethical dilemma in the field was also not performed, so the more ingrained and subtle nuance of the phenomenon could not be thoroughly captured.

Suggestion

Based on the aforementioned limitations, the direction that the next research may take would be to hold a series of direct observations to the company site where the management accountants work and compare the results with the existing literary study, so that a deeper and more comprehensive picture could be drawn. The other thing that might be useful is to formulate an empirical data research focusing on factors affecting management accountants' ethical behaviour

when faced by dilemmatic and pressured situations to take either ethical or non-ethical decisions. Among the factors that might be explored are external (organizational culture) and internal (ethical perception and self characteristics) factors.

Implications

This study is expected to be a source of inspiration and strategy for management accountants in dealing with ethical dilemmas in decision making related to their profession. One of the applicable strategies in facing ethical dilemma is by committing the intention to ethical behaviour so the ethical decisions may arise. Its academic implications, hence, hopefully will be of an enriching and useful reference for accounting profession ethics study, as well as inspiring a deeper interest in research management accounting ethics.

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THE ASSOCIATION OF CORPORATE GOVERNANCE AND TAX COMPLIANCE OF INDONESIA STATE-OWNED ENTERPRISES

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ABSTRACT

This study aims to explore the association of SOE monitoring and corporate governance variables and the tax compliance of Indonesian State-Owned Enterprises (SOEs). The samples of this study are SOEs in 2009-2018 listed on the official website of the Ministry of SOEs that have all required data. The data is analyzed using ordinary least square to test the hypothesis with STATA statistical analysis software. The results show that SOEs that receive PSO (Public Service Obligation) and listed on the stock exchange are more tax compliant compared to others. However, the study found no evidence that the governance structure of SOEs affects tax compliance. The data shows that most SOEs still do not have governance structure that comply the regulations. The findings imply that external monitoring received by PSO recipients and listed SOEs improve SOEs tax compliance. Moreover, the findings also imply that SOEs' corporate governance structure is only a formality and does not take its functions seriously.

Keyword: Tax Compliance, Corporate Governance, State Owned Enterprises

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ABSTRAK

Penelitian ini bertujuan untuk mengeksplorasi monitoring dan variabel tata kelola yang dapat menjelaskan kepatuhan pajak badan usaha milik negeri (BUMN) Indonesia. Sampel yang digunakan dalam penelitian ini adalah BUMN pada tahun 2009-2018 yang terdaftar dalam website resmi Kementerian BUMN yang memiliki semua data yang dibutuhkan. Data dianalisis menggunakan *ordinary least square* untuk menguji hipotesis dengan bantuan software analisis statistik STATA. Hasil analisis menunjukkan bahwa BUMN penerima subsidi PSO maupun yang telah *go public* lebih patuh terhadap pajak dibandingkan dengan BUMN yang tidak menerima subsidi PSO maupun yang belum *go public*. Namun demikian, penelitian ini tidak menemukan bukti bahwa struktur tata kelola BUMN mempengaruhi kepatuhan pajak. Data penelitian ini menunjukkan bahwa sebagian besar BUMN masih belum memiliki tata kelola yang sesuai dengan regulasi. Hasil penelitian mengimplikasikan bahwa BUMN yang diawasi karena menerima PSO atau terdaftar di bursa efek menjadi lebih patuh terhadap pajak. Lebih dari itu, data penelitian ini menunjukkan kecenderungan bahwa struktur tata kelola perusahaan hanya bersifat formalitas dan tidak menjalankan fungsinya secara serius.

Kata Kunci: Kepatuhan Pajak, Tata Kelola, Badan Usaha Milik Negara

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Introduction

State-Owned Enterprises (SOEs) have become global players and the subject of many concentrations of decision making and have been an important element in most economies of a country (Büge et al., 2013). In 2018, total state revenues from the state-owned enterprises' profit sharing up to IDR 44,695.40 billion, which is 12.8% of total non-tax revenues (Directorate of State Budget Preparation and Directorate General of Budget, 2018). On the other hand, Suwiknyo (2017) expressed indications of tax avoidance by Indonesia SOEs because 20 of them had not paid taxes on time according to the results of the Audit Board of Republic Indonesia (BPK) examination in 2017.

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SOEs work in principle-agent arrangements (Hanlon, and Heitzman, 2010). The government simultaneously has roles as principal, policymaker of corporate operations, and tax authority (Mafrolla, 2019). SOEs have two different objectives i.e., they have the objective of maximizing profits and maintaining business continuity, but on the other hand, there are social and political objectives that must also be done by maximizing the interests of the wider stakeholder community (Mafrolla, 2019). Which objective that SOE will target depends on the agency conflict within SOE. Specifically, when managers are opportunistic and less control applied by shareholders, SOE management will maximize profit and minimize the tax payment that benefit to wider stakeholders. Thus, the behavior of SOE tax compliance can be explained from the perspective of agency theory.

This study assumes that SOE tax compliance is the outcome of government interaction as a tax authority as well as shareholders with management of SOEs as agents. Monitoring conducted by the principal aims to minimize information asymmetry about tax compliance. The governance of SOEs should be designed to maximize the achievement of principal interests in the form of tax payments and maximum dividends. Therefore, the relationship between monitoring and SOEs governance with SOEs' tax compliance is still open to be examined.

This study aims to analyze the association of monitoring and SOEs governance and SOE's tax compliance. This research uses a quantitative research method to explore the data obtained from the annual report of state-owned enterprises in 2009-2018 recorded on the official website of the Ministry of SOEs. The selected year range is expected to describe the interaction between variables. The monitoring variable of SOEs is measured by the status of SOEs as listed company and the status of SOEs as recipient of *public service obligation* (PSO) "subsidy". SOEs that listed on stock exchange or PSO recipients face stricter monitoring so that they are expected to be more tax compliant. Furthermore, the governance of SOEs is measured by the variables of managerial ownership, board of directors (BoD) size, independent commissioners' proportion, audit committees' size, and auditor quality.

This research found that SOE monitoring improves tax compliance. Specifically, the provision of PSO subsidies and the status of public company SOEs improve tax compliance. However, the governance of SOEs is not able to improve tax compliance. Other governance characteristic variables such as managerial ownership and audit committee size had no significant relationship with tax avoidance. Thus, this study concluded that SOE monitoring is more influential in reducing agency conflicts than organizational structure governance.

This research contributes by providing evidence that supports agency theory to explain the compliance of Indonesian SOEs to taxes. More specifically, the layered monitoring undertaken by SOEs go public or PSO subsidy recipients increase the tax paid. On the other hand, formal governance in the organizational structure is not able to improve the tax compliance of SOEs. Moreover, this study provides practical insights to the government and tax policymakers in understanding the behavior of tax avoidance of Indonesian SOEs that can be the

basis for the establishment of an adequate and effective tax system to maximize tax revenues and minimize tax avoidance in Indonesia SOEs.

Layered monitoring can be an effective tax compliance control tool in increasing tax revenue in Indonesia. On this sense, this study supports Richardson, Taylor, and Lanis (2013) that suggest firm's monitoring improves tax compliance. This research uses special setting of Indonesian SOE that different from majority of previous studies. This research data shows that most SOEs still do not have governance that comply with the regulations. Moreover, this study suggests that the corporate governance structure of SOE is only a formality and does not take its functions seriously. This finding supports Pradito et al., (2021). Therefore, this study recommends ministry of SOE to improve SOE governance effectiveness through external monitoring and compliance to CG regulations.

Literature review and Hypotheses Development

Agency Theory

Agency theory assumes there is a conflict of interest between the agent (management) and the principal (shareholders) (Hill & Jones, 1992). In the context of SOE's compliance with taxes, the difference in interest between management and the government as shareholders arises because SOE management wants to maximize profits and avoid taxes but the government as shareholders want SOEs to maximize their tax payments (Hanum, and Zulaikha, 2013). For reducing conflicts of interest in the context of SOE tax compliance, the government as shareholders will establish the SOEs governance to maximize the interests of shareholders. Efforts to minimize such conflicts of interest can be in the form of organizational structures that better represent the interests of the government and stricter monitoring mechanisms.

SOEs Monitoring and Tax Compliance

When SOEs are owned by the government, the state as principal will have a strong effect on corporate policy and tend to avoid risks because their wealth is concentrated only in a few companies (Shleifer, and Vishny, 1986). In this situation, tax compliance is not a problem because the government can extract wealth from SOEs even if it is not through taxes and SOEs can negotiate directly with the government as a tax authority to provide tax relief. When SOEs are privatized, the government's channel to extract the benefits of SOEs and SOEs' connection to negotiate the tax liability becomes limited due to the presence of non-government shareholders.

Privatization of SOEs causes the ability of the state in extracting benefits from SOEs to be more limited with the presence of shareholders other than the government. Therefore, the compliance of SOEs to taxes is becoming more noticed by the government because it is a legal effort to extract benefits from SOEs without conflict with non-government shareholders. Besides, the political pressure faced by go public SOEs becomes greater because more interested parties, therefore, go public SOEs are expected to become more tax compliant (Desai et al., 2007 and Zeng, 2011). Supervision of SOEs going public will reduce agency conflicts

between the government as shareholders and management. Therefore, the hypothesis of this study is:

H₁: Go public status improves SOEs tax compliance.

One of the characteristics of Indonesian SOEs is the responsibility of fulfilling important public service policy objectives, therefore the government provides PSO subsidies to overcome the disparity of the cost of goods sold by SOEs with the price of certain products/services set by the government therefore the services of products/services remain guaranteed and affordable to most of the community (www.anggaran.depkeu.go.id). Submission and disbursement of PSO subsidies require the approval of the government and the House of Representatives (DPR) and it needs more reporting obligations including liability for the allocation of PSO subsidies provided (www.anggaran.kemenkeu.go.id). The provision of PSO subsidies also increases the supervision of various parties to reduce the possibility of tax avoidance (McGuire et al., 2014), moreover, the supervision is carried out by the state as a principal party (Bradshaw et al., 2019). Supervision of SOEs receiving PSO by the ministry of finance which is also a tax authority will reduce agency conflicts between the government as shareholders and management. Based on the explanation above, the following hypothesis is proposed:

H₂: PSO subsidy increases SOEs tax compliance.

Management Ownership and Tax Compliance

Managers who have shares on SOEs will manage the business at the midpoint between the interests of the principal and agents. The asymmetry information between shareholder managers with other shareholders will decrease and it will have an impact on the decisions taken. High management ownership of SOEs improves tax compliance (Badertscher et al., 2013) because management becomes part of its shareholders as well as tax authorities. Managers who have a deeper knowledge of the organization and have control over the company are factors that have an impact on the decision to comply with the company's tax rules (Maydew, 2001, and Shackelford, and Shevlin, 2001). Based on the description above, the following hypothesis is proposed:

H₃: Management Ownership associated with tax avoidance.

Organizational Structure and Tax Compliance

The study by Fama dan Jensen (1983) found the BoD to have a more significant role compared to other governance mechanisms. Internal managers are usually the most important part because they have broader information regarding the company's activities in decision control mechanisms (Fama, and Jensen, 1983). The amount of information owned makes the BoD as agents have an incentive to conduct fraudulent activities by ignoring the interests of shareholders (Lanis, and Richardson, 2011, and Williamson, 1984). Desai, and Dharmapala (2006) and Minnick, and Noga (2010) found that the board of directors' size had a positive effect on tax compliance. Based on the description above, the following hypothesis is proposed:

H₄: Board of Directors' Size associated with tax avoidance.

Regulation of the Minister of State-Owned Enterprises (SOEs) No: PER-01/MBU year 2011 on good corporate governance in SOEs requires at least 20% of SOE board of commissioners/supervisory of SOEs is an independent member. The existence of independent board of commissioners or supervisory boards is considered to represent minority owners and tends to comply with tax regulations (Diantari, and Ulupui, 2016, and Maharani, and Suardana, 2014). Supervision by an independent commissioner can reduce the chances of intervention in the preparation of financial statements conducted by opportunistic management (*agents*) to reduce the company's expenses and achieve earnings targets (Fadhilah, 2014). On the other hand, Asroni, and Yuyetta (2019) find that high independent commissioners proportion forced managers to be more tax aggressive for the interests of shareholders. Based on the explanation above, the following hypothesis is proposed:

H₅: Independent Commissioner associated with SOE tax compliance.

As part of the board of commissioners/supervisory board, the audit committee plays a role in monitoring and ensuring that good governance (GCG) has been implemented effectively and sustainably (Regulation of the Minister of State-Owned Enterprises (SOEs) No: PER-01/MBU year 2011). Discrepancies in the audit committees' size within a company with established rules enable management as agents to be more flexible to carry out its opportunism interests (Swingly, and Sukartha, 2015).

H₆: Audit Committee associated with SOE tax compliance

External auditors are selected by the audit committee as a form of supervision to provide opinions on the fairness and transparency of state-owned financial information. Tax compliance behavior will improve the quality of transparency of financial statements (Balakrishnan et al., 2011; Pourheidari et al., 2014; Salehi et al., 2020). Companies that use big-4 services as external auditors will be more likely to comply with taxes (Annisa, and Kurniasih, 2012; Gaaya et al., 2017; Richardson et al., 2013). This is because large audit firms will greatly safeguard their reputation and professionalism of the work so that they are less tolerant to their clients' tax avoidance (DeAngelo, 1981).

H₇: The service of big-4 auditors associated with SOEs tax compliance

Research Methodology

This research uses a quantitative research approach to explore the data collected. Quantitative research methods are used to examine specific populations or samples using research instruments to test hypotheses that have been built (Sugiyono, 2012).

Data Types and Sources

The source of the data comes from secondary data in the form of annual reports for the period 2009 - 2018 obtained from each official website of state-owned companies listed on the official website of the Ministry of SOEs (www.bumn.go.id). The total population of the research is 1150 observations and

based on the following criteria in table 1 the final sample of this study is 421 observations.

Table 1. Research Samples

Observation of Indonesian SOEs in 2009-2018	1150
Less:	
Observations with N/A Annual Report	(609)
Observation with pre-tax losses	(46)
Observation with N/A data of earning before tax	(7)
Observation with the other Indonesian currency	(21)
Observation with temporary <i>syirkah</i> system	(26)
Observation with N/A governance data	(20)
The final sample of GAAP ETR testing	421

Source: Data Secunder is Processed

Based on table 1, observation with losses is removed from the sample because the loss company has the right to tax restitution or reduce the tax liability therefore its tax compliance incentives aren't equivalent to companies that enjoy a profit. Companies with currencies other than rupiah require a conversion process that has the potential to obscure the natural character of the sample. Observations from sharia banking are removed because they have the different character of governance and financial management.

Operational Definitions and Variable Measurements

Tax Compliance Variables

In line with several previous studies, the effective tax rate (ETR) is used to measure tax avoidance (Bradshaw et al., 2019; Chen et al., 2010; Desai and Dharmapala, 2006; Lanis, and Richardson, 2018; McClure et al., 2018; Minnick and Noga, 2010). The effective tax rate (ETR) was chosen because it captures tax avoidance behavior in a broader continuum when compared to other measurements (Bradshaw et al., 2019; Hanlon, and Heitzman, 2010; Lisowsky et al., 2013). Consistent with previous research, high ETR suggests high tax compliance.

The basic form of annual tax compliance measurement using ETR is GAAP ETR (Dyreng et al., 2008). This basic form has some limitations one of which is because it does not measure the corporate tax deferral strategy (Dyreng et al., 2008; Hanlon, and Heitzman, 2010; Salihu et al., 2013). Besides, GAAP ETR cannot distinguish between tax liability deductions due to actual tax planning strategies and other "unintentional" deductions unrelated to tax considerations. Any reduction in explicit tax liabilities would change the GAAP ETR (Gebhart, 2017, and Hanlon and Heitzman, 2010). Hanlon dan Heitzman (2010) measuring GAAP ETR (GETR) as follows

$$GETR = \frac{\text{Total of Income Tax}}{\text{Total of Pre-tax Income}} \dots\dots\dots (1)$$

Independent Variables

PSO Subsidies (PSO)

PSO subsidy is a special subsidy provided by the government to state-owned enterprises to ensure the quality and service of products/services due to

disparity between the cost of goods sold with the price of certain products/services set by the government. This variable is measured using a dummy which is 1 if the company receives PSO subsidy and 0 otherwise.

Go Public of SOEs (PBLC)

Go Public SOEs is listed SOEs on Indonesia Stock Exchange. This variable is measured using a dummy variable which is 1 if the company is registered with IDX and 0 otherwise (Fernández-Rodríguez et al., 2019).

Managerial Ownership (CMP)

Managerial ownership is defined as the existence of shares of companies owned by the management either as the board of commissioners (BoC) and the board of directors. This variable is measured using a dummy variable which is 1 if management has equity ownership of the company and 0 otherwise (Bradshaw et al., 2019).

Board of Directors Size (DIR)

The size of the board of directors is defined as the total number of all members of SOE board of directors (Minnick and Noga, 2010).

Independence of Commissioners/Board of Trustees (INDP)

According to Maharani dan Suardana (2014) independence commissioner (INDP) measured as:

$$INDP = \frac{\text{Number of Independent Commissioner member}}{\text{Total of Board of Commissioner}} \dots\dots\dots (2)$$

Audit Committee Size (KOM)

The size of the audit committee is defined as the number of members of the audit committee in a company so that the measurement of these variables is obtained through the summation of all members of the audit committee of SOEs (Tandean and Winnie, 2016).

Big-4 Auditor

Audit quality can be measured by the size of external auditors selected and can be differentiated into big-4 consist of PricewaterhouseCooper (PwC), Deloitte Touche Tohmatsu Limited (Deloitte), Ernst&Young (EY), and KPMG also non-big-4 (Salehi et al., 2020, and Tandean, and Winnie, 2016). This variable is measured using a dummy variable, i.e., 1 if the company's external auditor is big-4 and 0 otherwise (Richardson et al., 2013).

Control Variables

Company size variables (**SIZE**), profitability (**ROA**), and leverage (**LEV**) were selected in this study as control variables as they were shown to exert a consistent influence in several previous studies (Fernández-Rodríguez et al., 2019, and Kovermann, and Velte, 2019). Control variable measurements are presented in the following table:

Table 2. Control Variables

Variable	Pengukuran	
Company Size	$SIZE = \ln(\text{Total of Asset})$	(3)
Profitability	$ROA = \frac{\text{Pre-tax Income}}{\text{Total of Asset}}$	(4)
Leverage	$LEV = \frac{\text{Total of Liability}}{\text{Total of Asset}}$	(5)

Analysis Model

Multiple linear regression analyses were used in this study to look at the relationships between dependent variables, independent variables, and control variables. The regression model in this study was formulated as follows:

$$GETR_{i,t} = \alpha + \beta_1 PBL C_{i,t} + \beta_2 PSO_{i,t} + \beta_3 CMP_{i,t} + \beta_4 DIR_{i,t} + \beta_5 INDP_{i,t} + \beta_6 KOM_{i,t} + \beta_7 KA_{i,t} + \beta_8 SIZE_{i,t} + \beta_9 ROA_{i,t} + \beta_{10} LEV_{i,t} + \varepsilon_{i,t} \quad (6)$$

$PSO_{i,t}$: PSO subsidy company i year t

$PBL C_{i,t}$: Go Public SEO i year t

$CMP_{i,t}$: managerial ownership of the company i year t

$DIR_{i,t}$: size of company directors i year t

$INDP_{i,t}$: proportion of independent commissioners of the company i year t

$KOM_{i,t}$: size of the company's audit committee i year t

$KA_{i,t}$: quality audit company i year t

$SIZE_{i,t}$: size of company i year t

$ROA_{i,t}$: return on assets of the company i year t

$LEV_{i,t}$: corporate leverage i year t

$\varepsilon_{i,t}$: error for company i year t

This study expects that the value $\beta_1 - \beta_7$ in model 6 will be not equal to 0 (zero) and statistically significant.

Results and Discussion Statistical Description Analysis

Table 3 shows a descriptive statistics of governance characteristics. The maximum value of tax compliance measured using a **GETR** is 0.832 which means that the company pays all tax at 80% of the profit. The minimum value for **GETR** is 0. The average number of directors of BUMN (**DIR**) is around 5 people. More specifically, the data showed that 54% of the sample had a board of directors of 5 to 6 people. This indicates that **DIR** data variations are not very large. Furthermore, the average proportion of independent commissioners (**INDP**) is only about 0.171 or ranges from 1 to 2 people. However, most observations (51%) do not report having an independent commissioner. The largest number of audit

committees (**KOM**) is 10 people but the average number of audit committees is 3.3 because 60% (254) observations report the audit committee is only 3 people.

Table 3. Descriptive Statistic

Panel A: Descriptive Statistics of Ratio Variables					
Variable	N	Mean	Standard Deviation	Minimum	Maksimum
GETR	421	0.254	0.148	0	0.832
DIR	421	5.297	1.813	2	13
INDP	421	0.171	0.199	0	0.75
KOM	421	3.302	0.998	0	10
SIZE	421	29.609	1.795	25.721	34.658
ROA	421	0.079	0.066	0.004	0.306
LEV	421	0.531	0.252	0.078	0.918

Panel B: Dummy Variable Descriptive Statistics		
Variable	N	Percent
No managerial ownership	348	82.66%
Have managerial ownership	73	17.34%
Non-PSO receiver	336	79.81%
PSO receiver	85	20.19%
Non-Go Public	323	76.72%
Go Public	98	23.28%
Non-Big 4 audit	341	81%
Big 4 audit	80	19%

Source: Analysis results

Panel B showed the distribution of dummy variables in this study. Observations with managerial ownership amounted to 73 or only 17%. PSO subsidy recipients amounted to 85 observations (20%). Go Public SOEs in the observation of this study is 98 or 23%. Big 4 auditors examined 80 observations or 19%.

Table 4 shows correlations between variables in this study. SOE tax compliance is significantly correlated with go public status, auditor size, and leverage. However, these results are still premature and need to be further analyzed.

Table 4. Pearson Correlation Analysis

	GETR	PSO	PBLC	CMP	DIR	INDP	KOM	KA	SIZE	ROA	LEV
GETR	1										
PSO	0.091	1									
PBLC	0.122*	-0.095	1								
CMP	0.048	-0.105*	0.831*	1							
DIR	-0.027	0.257*	0.320*	0.337*	1						
INDP	0.094	-0.064	0.645*	0.514*	0.326*	1					
KOM	0.017	0.121*	0.329*	0.365*	0.569*	0.330*	1				
KA	-0.112*	0.013	0.306*	0.35*	0.399*	0.323*	0.388*	1			
SIZE	-0.072	0.087	0.383*	0.425*	0.762*	0.383*	0.523*	0.566*	1		
ROA	-0.077	-0.135*	-0.100*	-0.121*	-0.170*	-0.155*	-0.002	-0.115*	-0.311*	1	
LEV	0.182*	-0.028	0.271*	0.298*	0.137*	0.268*	0.068	0.191*	0.322*	-0.529*	1

Source: Analysis results

Tests of Different

Table 5 presents partial statistics for SOE tax compliance. SOEs with managerial ownership (**CMP**) has a higher average **GETR** compared to SOEs without managerial ownership but not significant. Furthermore, there is **GETR** difference between SOEs PSO subsidy recipients and non-recipients of PSO subsidies. Go public SOEs (**PBLC**) also have a higher average **GETR** compared to non-go public SOEs. The findings indicate that external monitoring applied to PSO recipients and public SOE improve tax payment (tax compliance). SOE audited by big-4 (**KA**) has a lower average **GETR** compared to state-owned enterprises audited by non-big-4 auditors.

Table 5. GETR Different Test Based on Dummy Variables

	GETR		Different	t-value
	Dummy 1	Dummy 0		
<i>CMP – NonCMP</i>	0.269	0.251	-0.019	-0.984
<i>PSO – NonPSO</i>	0.280	0.247	-0.033*	-1.863
<i>Public – Nonpublic</i>	0.287	0.244	-0.043**	-2.524
<i>Big 4 – Non Big 4</i>	0.220	0.262	0.042**	2.296

* p < 0.1, ** p < 0.05, *** p < 0.01

Source: Analysis results

Regression Analysis Results

This study used a regression model (6) to test the variable determinants of tax avoidance of Indonesian SOEs. Table 6 shows the regression results between dependent variables, governance independent variables, and control variables.

Table 6. Result of Regression Analysis of Governance Characteristic

VARIABLE	GETR
PSO	0.04** (0.02)
PBLC	0.08** (0.03)
CMP	-0.05 (0.03)
DIR	0.00 (0.01)
INDP	0.03 (0.05)
KOM	0.01 (0.01)
KA	-0.05** (0.02)
SIZE	-0.02** (0.01)
ROA	0.01 (0.13)
LEV	0.13*** (0.03)
Constant	0.57*** (0.19)
Adj R ²	0.08
F	4.86***
N	421

Source: Analysis results

Standard errors in parentheses

* p < 0.1, ** p < 0.05, *** p < 0.01

The regression results showed the PSO subsidy variable (**PSO**) was positively associated with **GETR** at a significant rate of 5% and had a coefficient of 0.041. This shows that SOEs that receive PSO subsidies are more tax compliant compared to SOEs that do not receive PSO subsidies. In line with the PSO, the

status of go public SOEs provides more supervisory exposure to SOEs, for example from the Financial Services Authority (*OJK*) other than the ministry of SOEs, so that SOEs that go public have higher tax compliance than those that do not go public. This is indicated by the positive and significant coefficient of the **PBLC** variable. Thus, hypotheses 1 and 2 of this study are empirically proven. However, there are no variables in the corporate governance structure that affect the compliance of SOEs to taxes. Thus, the hypothesis of 3 to 6 studies does not support empirical evidence. Nevertheless, the big 4 auditors showed a negative and significant influence on tax compliance. This means state-owned enterprises that were audited by the public accountant non-Big Four will have lower tax compliance. This suggests that hypothesis 7 got the support from this study. The results of the analysis showed that this research model (model 6) was able to explain the variation of variables of SOE tax compliance (**GETR**). This is indicated by the significance of coefficient F which is less than 1%. However, model 6 was only able to explain 8.4% of the GETR variation while 91.6% described variables outside model 6.

Discussion

Monitoring Role in Improving Tax Compliance

The results of the regression analysis showed that listed SOEs (**PBLC**) or SOE PSO recipients have higher tax compliance. This shows that public scrutiny received by public SOEs increasing incentives to comply with tax rules. Public SOEs supervised by *OJK* (financial service authority), the ministry of SOEs, and investors in general. SOEs receiving PSOs are subjected to more intensive scrutiny from the government agencies as well as tax authorities (finance ministries) and are required to provide more disclosure in their financial statements to improve tax compliance. The finding implies that monitoring by government and stakeholders will improve tax compliance of SOE. Government as the stockholders of SOE may impose sanctions to SOEs that avoid tax as government has the channel to closely monitor SOE. Moreover, government as PSO provider also requires SOE to be transparent and accountable in reporting the PSO fund management including SOE tax compliance. External monitoring applied by stock exchange authority and investors also discipline SOE in complying tax. The results of this study support the argument from McGuire et al. (2014) that monitoring can improve the compliance of SOEs to taxes. The findings also echo Richardson et al. (2013) that suggest that firm's monitoring improve tax compliance.

Governance Structure Relationship with Tax Compliance

The results of the analysis showed that the variables representing the corporate governance structure did not affect the tax compliance of SOEs. Share ownership by management (**CMP**) unrelated to tax compliance and it may be due to minimum observation with managerial ownership (only 17%). Managerial ownership in SOE is limited due SOE is owned by government. Due to this specific, the findings of this research may not be comparable to Putri and Lawita (2019).

The number of directors (**DIR**) also does not affect the tax compliance of SOEs. The data of this study showed that most of the samples had directors of 5 and 6 people (230 out of 421 observations or 54%) so **DIR** data is not varied enough to explain the variation of SOE tax compliance. Besides, the directors of SOEs may follow the formal functions of the organization and focus on improving performance without trying to

influence the number of tax payments closely monitored by the government as well as shareholders. Due to this special characteristic of SOE, the findings of this study do not support Desai and Dharmapala (2006) and Minnick and Noga (2010).

The results of this study indicate that independent commissioners (**INDP**) do not affect the tax compliance of SOEs. The data of this study shows the average independent commissioner is only 1 to 2 people and most observations (51%) do not have an independent commissioner. This has the potential to reduce the ability of independent commissioners in influencing tax compliance. Furthermore, this study found that SOEs need to increase the number and functionality of independent commissioners. Most of the observations still do not follow the Regulation of the Minister of State-Owned Enterprises (SOEs) No: PER-01/MBU year 2011 on good corporate governance in SOEs. As SOEs have this specific, the finding does not support Asroni and Yuyetta (2019).

This research shows that the audit committee (**KOM**) of SOEs does not affect tax compliance. Audit committees in state-owned enterprises are mostly (60%) 3 people who cause audit committee data tend to be monotonous and unable to explain variations in SOE tax compliance. Furthermore, this study recommends further research to evaluate the role of the audit committee of SOEs.

Audit Quality Relationship with Tax Compliance.

Variable quality audit (**KA**) showed a negative coefficient of 0.048 and significant at the level of 5%. This indicates that SOEs audited by big-4 auditors have a lower rate of tax compliance compared to SOEs audited by non-big-4 auditors. Big-4 auditors tend to have specific industry expertise that can influence client tax avoidance through the provision of tax consulting and financial report audit services (McGuire et al., 2012). External audits with comprehensive expertise are generally associated with lower tax compliance, which suggests that experts can combine audit and tax expertise to develop tax strategies that benefit clients from a taxation and financial statements perspective (McGuire et al., 2012).

Conclusion

This study aims to explore variables that can explain the tendency of tax compliance in Indonesian SOEs. The result shows a significant positive relationship between the provision of PSO subsidies and tax compliance that provides evidence that SOEs receiving PSO subsidies are more tax compliant compared to SOEs that do not receive PSO subsidies. Furthermore, this study found a significant positive relationship between the Go Public of SOEs and tax compliance that provides evidence that the go public SOEs increases supervision of SOEs and ultimately improves tax compliance. This study also shows a significant negative relationship between audit quality and tax compliance that provides evidence that SOEs that use the services of big-4 auditors conduct more aggressive tax avoidance compared to SOEs that use the services of non-big-4 auditors.

However, the study found no evidence that the governance structure of SOEs affects tax compliance. This research data shows that most SOEs still do not have governance that comply with the regulations. Moreover, this study suggests that the corporate governance structure of SOE is only a formality and does not take its functions seriously.

Limitations

This study has some limitations that cause the need for caution in interpreting the results of the research. This study uses ETR as a tax compliance measurement that is considered capable of capturing tax compliance behavior in a broader continuum when compared to other measurements. However, ETR also has limitations including not measuring the company's tax deferral strategy on GETR measurements. This study suggests that further research uses other tax compliance proxies, such as long-run ETR and ETR Differential, to be a comparison and complement to the interpretation of research results.

This study found the influence of PSO subsidy on SOE tax compliance. However, this study has not been able to know the impact of PSO subsidy value, PSO subsidy allocation strategy, and the quality of realization of PSO subsidy usage to tax compliance due to the limited information available. This research suggests that further research explores the variables of PSO subsidies because PSO subsidies are one of the typical variables contained in SOEs and PSO subsidies have a wide impact on the economy and daily life of Indonesians.

Suggestion

This study suggests that further research uses other tax compliance proxies, such as long-run ETR and ETR Differential, to be a comparison and complement to the interpretation of research results. This research suggests that further research explores the variables of PSO subsidies because PSO subsidies are one of the typical variables contained in SOEs and PSO subsidies have a wide impact on the economy and daily life of Indonesians.

Implications

This study has some contributions. First, it provides evidence that supports agency theory as the basis for understanding the tax avoidance behavior of Indonesian SOEs indicated by a significant relationship between the supervisory characteristics of SOEs and tax compliance. More specifically, the status of going public and recipients of PSO subsidies increase monitoring by the relevant authorities and ultimately increases the tax paid.

Second, this study found that the governance structure of many SOEs has not comply to the regulation of the ministry of SOEs so that the internal monitoring mechanism has not worked optimally. Therefore, the government as a shareholder as well as the tax authority is expected to improve the effectiveness of the governance structure of SOEs to improve the tax compliance of SOEs. Third, this study provides practical insights to the government and tax policymakers in understanding the tax avoidance behavior of Indonesian SOEs that can be the basis for the development of an adequate and effective tax system to maximize tax revenues from Indonesian SOEs.

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HEGEMONY OF PERFORMANCE ACCOUNTABILITY SYSTEMS OF GOVERNMENT INSTITUTIONS IN MALANG : AN IDEOLOGY PERSPECTIVE

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ABSTRACT

This study aimed to understand how the ideology of Gramsci hegemony thought be internalized into implementation and evaluation of Performance Accountability System of Government Institution (SAKIP) in Malang. This study was qualitative research by using a critical case study approach. Data collection of research was conducted by several techniques such as observation, semi-structured interview, and documentation with a key informant and several supporting informants. Data analysis in this study was thematic data analysis where it was used to identify and analyze the meaning pattern in a data set. The result of the study showed that ideology had an important role in maintaining hegemony in the implementation and evaluation of SAKIP in Malang. Ideology was internalized through a continuous socialization process, desk, and technical guidance that created awareness and fairness thus it formed a hegemonic culture. The results were expected to able to contribute theoretically, strengthening and enriching the theory of hegemony in the implementation and evaluation of SAKIP. In addition, the results of this study were expected to contribute practically to the Central Government's policies related to the implementation and evaluation of SAKIP that did not burden local governments.

Keyword: Government Performance, Hegemony, Accountability

ABSTRAK

Penelitian ini bertujuan untuk mengetahui bagaimana ideologi dari pemikiran hegemoni Gramsci diinternalisasikan kedalam implementasi dan evaluasi Sistem Akuntabilitas Kinerja Instansi Pemerintah (SAKIP) di Kota Malang. Penelitian ini merupakan penelitian kualitatif dengan menggunakan pendekatan studi kasus kritis. Pengumpulan data penelitian dilakukan dengan cara observasi, wawancara semi terstruktur dan dokumentasi dengan informan kunci dan beberapa informan pendukung. Teknik Analisis data pada penelitian ini adalah teknik analisis data tematik dimana teknik analisis data ini digunakan untuk mengidentifikasi dan menganalisis pola makna dalam suatu kumpulan data. Hasil penelitian menunjukkan bahwa ideologi berperan penting dalam mempertahankan hegemoni pada implementasi dan evaluasi SAKIP di Kota Malang. Ideologi diinternalisasi melalui proses sosialisasi berkelanjutan, desk, dan bimtek yang menciptakan kesadaran dan kewajaran sehingga membentuk sebuah budaya hegemoni. Hasil penelitian ini diharapkan mampu memberikan kontribusi secara teoritis yaitu memperkuat dan memperkaya teori Hegemoni di dalam Implementasi dan Evaluasi SAKIP. Selain itu, hasil penelitian ini diharapkan berkontribusi secara praktis terhadap kebijakan Pemerintah Pusat terkait dengan Implementasi dan evaluasi SAKIP yang tidak memberatkan Pemerintah Daerah.

Kata kunci: Kinerja Pemerintah, Hegemoni, Akuntabilitas

Introduction

People have the right to sure, safe, and comfortable public services. Public service management is closely related to good governance. Good governance is about how people are treated not only as consumers or recipients of government policies (as in the New Public Management) but as citizens. As citizens, people

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consciously participate in policymaking and are entitled to accept responsibility for government actions that have been implemented (Ekundayo, 2017). Good Governance, in line with the development of ideas that occur in various countries, the role of the state and government has shifted from the role of government to governance. Based on the results of research in 2017 by the Planning and Development Agency of East Java Province in collaboration with the Faculty of Economics, the State University of Malang regarding good governance, it shows that the biggest obstacle to the implementation of development planning is the inconsistency of government policies that cause changes in the direction of implementation and differences in evaluation. One of the objects of research conducted in Malang, which shows that inconsistency can increase the difficulty in determining corrective action and actualizing the expected conditions. The inconsistency of policies and differences in evaluations carried out by the Ministry of Home Affairs and Kemenpan RB have an impact on changes in the performance of the regional apparatus in it. Performance changes could affect accountability.

Accountability is one of the principles of good governance that has been recognized as a fundamental value (Haque and Pathrannarakul, 2013, and Al-Shbail and Aman, 2018). There are two concepts related to accountability, which are: 1) accountability is considered a normative concept whose purpose is to evaluate the performance results of agents, 2) the concept of accountability is said to be a form of accountability of public officials (Bovens, 2010). Accountability is described as a relationship between an individual or agent and the trustee which aims to show the performance of the previously formed agreements (Akbar et al., 2012). In improving the performance accountability, the government issued a regulation on the Government Agency Performance Accountability System (SAKIP) which was outcome-oriented.

SAKIP is regulated through Presidential Regulation Number 29 of 2014 which explains that a systematic form of activity is used as a form of performance reports in the context of accountability and improvement of local government performance. SAKIP is a real picture of the accountability of the Regional Government in which there is a method of achieving the goals and objectives that have been previously set in the planning document (Arjuna and Putri, 2019). Measurement of the efficiency of SAKIP implementation is carried out at the end of each period. This process determines the level of achievement of the implementation of the plans and policies that have been built and determines which areas/parts need to be improved (Guyadeen, and Seasons, 2018, and Pal, 2014). This evaluation process is very important because they are required to show the benefits of their planning programs and policies to the community as a form of accountability and transparency (Guyadeen, and Seasons, 2018, and Gedung, 2010). The reality is that local governments have to adjust to policy inconsistencies and different evaluations that can make it difficult to determine corrective actions and achieve the desired conditions. This statement is in line with the Hegemony Theory of “Cultural Hegemony” which emphasizes that social control of power exercised by a group of people or several people against the masses, is built without physical violence, but uses values, norms, and ideolo-

gies that are internalized through culture or habits (Cole, 2019).

Hegemony is a form of power relations in which the ruling class, in building and maintaining its supremacy by getting the approval of the lower class (Li, and Soobaroyen, 2021). Gramsci argues that ideology has an important role in reaching an agreement, because it is formed as a frame of mind which consists of a set of ideas that dominate the social thinking of society, and influence how individuals develop their subjectivity in social relations (Li, and Soobaroyen, 2021). Therefore, the hegemonic construction is formed by the diffusion of ideology which requires individuals to accept hegemonic class domination and leadership (Li, and Soobaroyen, 2021).

Based on the explanation above, the researcher intends to evaluate the implementation of SAKIP in Malang City using the Hegemony theory to see to what extent the local government can reduce existing constraints, especially related to existing policy inconsistencies. Hegemony theory was chosen because it is more appropriate when connected with practical socio-economic and political problems where the direction of policy can be seen clearly. In addition, empirically the use of hegemony theory about the analysis of the Performance Accountability System of Government Agencies has not been found. However, hegemony theory is widely used in several studies such as research on polemic adoption of International Financial Reporting Standards (IFRS) into accounting practice (Mantzari, and Georgiou, 2018, and Mantzari et al., 2017) and related socio-political governance (Ashraf, and Uddin, 2015). Malang City was chosen as the object of research because in 2018 Malang City received a very good score (BB) for the SAKIP that it has implemented. The results are expected to be able to contribute theoretically, namely strengthening and enriching the theory of hegemony in the implementation and evaluation of SAKIP. In addition, the results of this study are expected to contribute practically to the Central Government's policies related to the implementation and evaluation of SAKIP that are not burdensome to the Regional Government. Policies that do not burden the Regional Government, namely policies that are consistent and uniform in the evaluation process of Regional SAKIP.

Literature review

Theory of Gramsci Hegemony

Antonio Gramsci is known as one of the great and critical thinkers besides the Marxists. Gramsci's thought was discovered by western academics through a collection of notes from prison which was recorded under the title "Quqreni del Carcere or Selection from the Prison Notebooks" which is a diary written when he was imprisoned in 1929 and 1935. One of his most recent works famous is his critical thinking about the concept of hegemony. Gramsci's thought about hegemony is that even though there is diversity in society, there will still be one social class that dominates. The idea of the dominating social class is accepted as a norm that is considered beneficial to all levels of society and also the dominating class (Gillis, 2011).

In general, the theory of hegemony initiated by Antonio Gramsci is a social theory of control of the power of control carried out by a group of people or

several people against the masses, without physical violence, but using values, norms, and ideologies that are internalized through the superstructure in a country. In Gramsci's eyes, for those who are controlled to obey the ruler, those who are controlled must not only feel they have and internalize the values and norms of the ruler but should also approve their subordination. This is what Gramsci means by "hegemony" or ruling with "moral and intellectual leadership". According to Gramsci, intellectuals have played an important role in building and disseminating discourse which is very important for the formation of agreements. Gramsci in his books tries to correct classical Marxist thinking by identifying the relationship between economic crisis, society and political control. As a critical thinker, Gramsci believes that making decisions requires ideology in politics (Xu, 2014).

Gramsci's hegemony theory explains that ideology plays a role in maintaining political control in society. He chooses certain ideas and values to maintain and maintain strength rather than using violence and the power of the ruling party in exercising hegemony. Thus, the establishment of political control is built on the values of the ruling class which have been considered as "common sense" in the people's mindset. And to reflect the changing dynamics of hegemony, Gramsci also introduced the concept of an organic crisis. From this understanding, the political state can restructure the institutional system during an organic crisis as a form of the new ideology, which in turn can continue its hegemonic leadership (Xu et al., 2013).

Ideological Perspectives in Gramsci's Hegemony

Ideology is a complex and ambiguous term. For some writers, the term refers to the formation of relationships between certain organizations and society to create domination. Habermas said the term refers to a systematic form of communication created by those in power to maintain and strengthen existing domination. As an essential component of the superstructure, ideology was formulated to serve the best material interests of the ruling class by creating false consciousness and establishing commodity fetishism. Thus, ideology is illusory, misleading, and misinterpreted (Su, 2011).

Hegemony is defined as a power relationship in which the ruling class, rather than relying principally on forced enforcement, chooses to establish and maintain its supremacy with the approval of the lower classes. Gramsci argues that ideology plays a central role in reaching an agreement, because it is formed as a mental framework consisting of a certain set of ideas, dominates social thinking in society, and influences how individuals construct their subjectivity in social relationships. Therefore, the hegemonic construction is determined by the diffusion of ideologies that guide individuals to voluntarily unite around a 'collective desire' that will be in line with hegemonic class domination and leadership. (Li, and Soobaroyen, 2021).

Ideology is often defined as an intellectual framework consisting of the use of language, concepts, thoughts, and representations that social members use to understand how society functions (Xu, 2014). Ideology has been considered a major concern and discursive phenomenon in the reproduction process of economic systems, and accounting professionals play an important role in this process (Xu, 2014). This understanding reflects that hegemonic domination is achieved through a different approach in which civil society intellectuals form institutions that shape the

development of social structures directly or indirectly into cognitive structures and evaluate social reality (Xu, 2014). This effect, according to Gramsci, is mostly facilitated through education. Therefore, school education can be considered as a fundamental approach to exercising power in civil society. In the case of accounting, ideology is often expressed as technology. International accounting and auditing standards and organizational methods and practices by accounting firms reflect societal ideological consensus on how accounting and auditing should be practiced (Gillis, 2011).

Good Governance

Good governance was first developed by World Bank as a form of support for developing countries. The theory of good governance departs from the needs of these countries in implementing good governance practices. This theory develops with a series of principles and policies to form a modern government that not only puts forward government efficiency. However, good governance must also be supported by accountability between government and society (Ekundayo, 2017). Good governance is about how people are treated not only as consumers or recipients of government policies (as in the New Public Management) but as citizens. As citizens, people consciously participate in policymaking and are entitled to accept responsibility for government actions that have been implemented.

In Indonesia, Good Governance has a different understanding from each organization that implements it. However, even though there are multiple interpretations, most of these organizations imagine that the quality of the existing government in these countries will be getting better with the existence of good governance. Thus, the impact of the actualization is that public services increase, the level of government concern for the community increases, and the number of corruption decreases (Safrijal et al., 2016).

Bureaucracy in the public sector is created to provide services to the public. Even though the public bureaucracy has different characteristics from business organizations, in carrying out its mission, objectives, and programs it adheres to the principles of efficiency, effectiveness, and places the community as stakeholders, which must be served optimally. Public service is a community right that contains principles: simple, clarity, the certainty of time, accuracy, security, responsibility, completeness of facilities and infrastructure, ease of access, discipline, politeness, friendliness, and comfort (Sugandi, 2011).

The International Monetary Fund (IMF) translates the relationship between the theory of good governance and good government, namely by ensuring that a government should apply the following principles, namely: supervising the law, increasing efficiency and accountability of the public sector, and eradicating corruption. These three principles are very important considering that economic growth is a benchmark in the development of a country. Meanwhile, the United Nations Development Program (UNDP) in explaining Good Governance, 9 principles should be applied, namely: Participation, Law enforcement, Transparency, Responsiveness, Consensus-oriented, Justice, Efficiency and Effectiveness, Accountability, and Strategic vision (Rosidin, 2010).

Accountability

Accountability is described as a relationship between an individual or agent and the trustee which aims to show the performance of the previously formed agreements (Akbar et al., 2012). There are at least two different concepts when we talk about accountability. First, accountability is considered a normative concept whose purpose is to evaluate the performance results of agents. While the second concept, accountability is said to be a form of accountability of public officials (Bovens, 2010). However, even though there are different concepts, whatever approach is used, it always contains elements of transparency, openness, and responsiveness (Cumbe and Inácio, 2018).

Accountability is one of the main aspects that should be possessed by public sector organizations whose purpose is a form of accountability to stakeholders to ensure that the organization functions properly (Ray, 2012). Accountability is one of the elements of the embodiment of good governance that is being carried out in Indonesia because according to Suyanto (2010) accountability is the key to the concept of good governance, efficient, effective, clean and responsible, and free from collusion, corruption, and nepotism.

Performance Accountability System of Government Institution (SAKIP)

Performance Accountability System of Government Institution (SAKIP) is a system that aims to increase the accountability of government performance which will be outcome-oriented. Where SAKIP in Indonesia has been regulated in Presidential Regulation No. 29/2014 and PermenPAN and RB No. 12/2015. Both regulations regulate the guidelines for evaluating the implementation of SAKIP carried out by the government. The implementation of SAKIP is presented in the form of a Government Agency Performance Report (LAKIP). However, currently, government agencies tend to only report good performance and minimize excessive information about program failures (Ahyaruddin, and Akbar, 2016). Encouraging the emergence of a new demand to assess the performance of a government agency, namely by using a performance measurement system (SPK). Currently, public organizations are encouraged to introduce new bureaucratic reforms, which is New Public Management (NPM). These reforms aim to increase the efficiency and effectiveness of organizational performance based on output and outcome-based measurements.

Based on Presidential Decree number 29 of 2014 states that the implementation of SAKIP includes a strategic planning process, performance agreement, performance measurement, performance data management, performance reporting, review, and performance evaluation. This research will focus on evaluating all components of SAKIP (performance planning, measurement, reporting, internal evaluation, and performance or target achievements) using the Performance Blueprint approach.

Methodology of Research

Approach and Research Type

This research is a type of qualitative research using a case study approach. The case study approach used in this research is a critical case study. The critical case

study approach is chosen by considering the complexity in which the researcher needs to go back and forth from one type of research activity to another, between empirical observation and theory, and between frameworks, data sources, and analysis.

Research Location

This research was conducted in Malang City, which is the Regional Apparatus (PD). PD was chosen because its task and function are to carry out governance in Malang with short, medium, and long-term development programs. The writer chose Malang Government because Malang was one of the objects of study that the author had previously been involved in. In addition, in 2018 the Malang City Government received a “BB” value for the SAKIP that it has implemented.

Data Collection

Data collection procedures in this study used several methods, namely observation, semi-structured interviews, and document studies. Semi-structured interviews were used to gather information regarding the stages, constraints, implementation, and evaluation of SAKIP in Malang City. Document studies are conducted to review documents related to the implementation and evaluation of SAKIP such as the Malang City Government Agency Performance Accountability Report-, Medium- and Short-Term Strategic Plans, development planning documents, and documents/literature that discuss Gramsci’s Hegemony Theory. In this study, the authors conducted interviews with one key informant, namely the Malang City Research and Development Planning Agency, and three supporting informants, namely the Education Office, Social Service, and Malang City Tourism Office.

Data Analysis Technique

The data analysis technique in this study used thematic data analysis techniques. The stages of thematic data analysis techniques are Step 1: familiarize yourself with the data (read and reread the interview transcript); Step 2: creating initial code (starting to organize existing data with systematic coding so that unnecessary data can be reduced); Step 3: Look for themes (from the initial pieces of data that have been coded and then grouped into themes which broadly cover all existing data); Step 4: Review the theme (modify and review existing themes); Step 5 determines the theme to be analyzed (the final refinement of the existing theme and the goal is to find the essence of each existing theme); and Step 6, namely writing (providing an analysis of predetermined themes). The results of data analysis were validated using several triangulation methods, namely, person to person by comparing various opinions and views of informants, document to document by comparing the contents of various existing documents and literature, and document to person by comparing the contents of the document/literature with the opinion and the views of various informants.

Result and Discussion

Internalization of Ideology in Maintaining SAKIP Hegemony

Maintaining hegemony is necessary for preserving dominance following a change in leadership. Hegemony can never be taken for granted; it must be

maintained by adapting the existing social system. Hegemony is a relationship of agreement using political and ideological leadership. (Xu, 2014). Ideology is something that must be internalized to control hegemony. Ideology is indicated to have a central role in reaching an agreement so that it affects how individuals in community groups develop their subjectivity in social relationships. Therefore, the construction of hegemony is determined by the internalization of ideology which will later guide a community group to voluntarily be in line with the dominance of the hegemonic class leadership (Li, and Soobaroyen, 2020). Similar to the implementation of SAKIP, the existence of various stakeholders and regulations must be able to be internalized into a “value” so that SAKIP actors voluntarily carry out their duties and functions in line with the wishes of the existing hegemonic class.

Ideological internalization begins with the formation of the mindset of the actors involved in implementing SAKIP. This process begins with the formation of policies that are stipulated as regulations. Then proceed with a process of understanding and forming a mindset that is facilitated by the existence of sustainable socialization, desk, and technical guidance that will continue to be adjusted to the needs of the actors. So that on the way the actors voluntarily carry out existing regulations in line with what the hegemony class wants. The efforts made by the hegemonic class in internalizing ideology like this are in line with what Gramsci expressed in his concept of hegemony. Hegemony is not a relationship of domination using power, but a relationship of agreement using political and ideological leadership.

The ideology, values, and norms instilled through the continuous socialization process, desk, and technical guidance constitute a knowledge formation process which later the actors of the SAKIP implementation feel that they are obliged to internalize the values so that they continuously evolve into a form of hegemonic defense. The Government Agency Performance Accounting System was born as an effort to create good governance (Good Governance). Through Presidential Regulation No. 29/2014, the Government Agency Performance Accountability System or SAKIP is defined as a systematic mechanism in which there are various activities, tools, and procedures related to accountability for the performance of government agencies. The purpose of SAKIP is to determine, measure, collect data, classify, summarize, and report the performance of Government Agencies. Every regional apparatus including Malang is obliged to carry out this integration.

Thus, the Performance Report which is compiled periodically at the end of each fiscal year becomes a medium of accountability and as a manifestation of the Regional Government’s obligation to account for the success or failure of implementing programs and activities mandated by stakeholders to achieve measurable organizational missions with performance targets or targets. which have been set. Apart from that, it also acts as a control tool, a performance appraisal tool, and a driving tool for the realization of Good Governance, or in a broader perspective, it functions as a medium for accountability to the public.

In an effort to achieve good governance clearly, SAKIP actors are required to understand the Presidential Regulation of the Republic of Indonesia No.

29/2014 as a guideline in its implementation. The regulation is instilled into the mindset of SAKIP actors to become an ideology sustainably so that in the end what the hegemonic class wants could be achieved. Ashraf & Uddin (2015) provide an understanding that hegemony is a deliberately designed 'strategy' in which the dominant group's ideas can easily be conveyed to dominated groups.

In addition to Presidential Regulation of the Republic of Indonesia No. 29/2014 as a regulation that must be internalized as an ideology in implementing SAKIP, there are two additional regulations, namely the Minister of Home Affairs Regulation No. 86 of 2017 and Permenpan RB No. 12 of 2015, where the two regulations have their respective dominance. -Each in the assessment of SAKIP. As stated by Mr. Prasetya that:

"For their central government, every year there is a SAKIP assessment, in addition to their assessment, they also carry out some kind of socialization or guidance. But what is a problem because of its parent, every regional government only has the internal ministry, but the other side of the performance appraisal is MENPANRB" (BP - 5; Line 8)

The value of SAKIP is the focus of the Regional Government in addition to regional development priorities. Pak Prasetya also explained that:

"The problem is why the local government is pursuing the value of SAKIP, one of which is there is an additional allocation fund, right? The term is given by the center, if our term SAKIP is A or AA, well like that. That is one of the reasons that the most interesting issue is the additional budget allocation because to be able to work on priority projects of the mayor, one of them must be a source of funding, right? Many of the mayor's priority projects need a lot of funding" (BP - 5; Line 32).

According to Mr. Prasetya's statement above, he describes the reasons why local governments including Malang City make SAKIP assessment a priority in addition to regional development priorities. This statement was related to the additional allocation of development funds given by the Central Government to Regional Governments. One of the conditions for this additional fund is that SAKIP from the Regional Government gets a grade of A (Satisfactory) and AA (Very Satisfactory). Why it is considered necessary to be a concern is that the need for data for the implementation of the development priority agenda that has been announced by the Mayor is very large.

It means that both the Minister of Home Affairs and the Minister of Home Affairs each carry their ideology through their respective policies which ultimately make it difficult for local governments to execute SAKIP. If this phenomenon continues, it will become a form of coercion so that it will cause the hegemony class to achieve its political goals. Thus, efforts to maintain hegemony through ideological internalization must be carried out by considering the effectiveness of the acceptance of SAKIP actors so that the existing ideologies can be completely absorbed by SAKIP actors.

Ideology in Forming SAKIP Hegemony Culture

Ideology appears as a core concept in hegemonic construction so that ideology must be internalized in the social structure of the actors into a mindset. Li, and Soobaroyen (2021) said that hegemonic construction is formed by the diffusion of ideology to the individual's mindset so that it will voluntarily be in

line with the desires of the hegemonic class. Ideology is instilled to form a culture which in the end hegemony can be maintained. The Hegemonic Culture of SAKIP that was formed in Malang is an assessment of SAKIP that has been implemented by the Central Government, namely Kemenpan RB. The results of the assessment are obtained through an evaluation of the implementation of SAKIP which refers to the Regulation of the Minister of Administrative Reform and Bureaucratic Reform Number 12 of 2015. The final result will determine what category a region is in after going through a series of SAKIP evaluation method processes. The value of SAKIP is the focus of the Regional Government in addition to regional development priorities.

The reason why local governments including Malang make SAKIP assessment a priority in addition to regional development priorities. This reason is related to the additional allocation of development funds provided by the Central Government to Regional Governments. One of the conditions for this additional fund is that SAKIP from the Regional Government gets a grade of A (Satisfactory) and AA (Very Satisfactory). Why it is considered necessary to be a concern is that the need for data for the implementation of the development priority agenda that has been announced by the Mayor is very large. So that the development programs that have been included in the RPJMD can be implemented properly.

Regarding the evaluation of the implementation of SAKIP, the evaluation process is not only carried out through monitoring of the existing system, but sometimes data from outside the agency or work unit is also very important as material for analysis. The evaluation process can be carried out without depending on the completeness and accuracy of existing data. Sufficient information can be used to support arguments about the need for improvement. The use of data for evaluation is prioritized on the speed of obtaining data and its usefulness. Thus, evaluation results will be obtained more quickly and corrective action can be taken immediately.

Although from the regulatory side, through Permenpan RB No. 12/2015 it is clear what components are used as assessment indicators, it seems that from the side of Kemenpan RB still wants to play tug-of-war with local governments. The existence of innovation is a key factor determining the high category of SAKIP from a region. Therefore, Malang Government takes strategic steps in the form of innovation to maximize services to the people of Malang City.

The culture above is formed by a process of internalizing ideology which is regularly carried out. Xu (2014) says that ideology is rooted in an intellectual framework in which there is the use of language, concepts, thoughts, and representations used in social structures. The implementation of this ideology according to Gramsci is mostly facilitated through education (Gillis, 2011) as has been done by Malang, namely facilitating SAKIP actors with continuous training, desks, and BIMTEK. There is a cooperation between the central government and local governments in the process of internalizing ideology so that ideology can be well embedded, so that hegemony can be maintained. These results are supported by research by Mantzari, and Georgiou (2018) and Mantzari et al., (2017) that IFRS adoption is induced by external and internal forces. International

organizations that work together to support the global market are external forces that cannot be avoided by Indonesian accounting standard setters to adopt IFRS. While the internal strength is the interests of individuals and groups that encourage Standard Setter to adopt IFRS in their accounting practices. This means that both internal and external forces work together so that the process of internalizing ideology can occur perfectly. Thus, it can be said that Gramsci's hegemony theory connects ideological representations to culture, whose effectiveness can be seen from how the sub-ordinate group accepts the dominant ideology as a normal reality or things that usually occur in daily experience and consciousness.

Conclusion

Based on the results and discussion above, it can be concluded that ideology plays an important role in maintaining hegemony in the implementation and evaluation of SAKIP in Malang. Ideology is internalized through a continuous socialization process, desk, and technical guidance that creates awareness and reasonableness of differences and inconsistencies in policies, namely regulations from the Ministry of National Development Planning and the Ministry of Home Affairs. The existence of differences and inconsistencies in policies resulted in the implementation and evaluation of SAKIP being unable to run optimally. Even so, the Regional Government cannot refuse because the results of the evaluation determine how much regional development funds are provided by the Central Government. Awareness and reasonableness of the differences and inconsistencies of these policies ultimately form a hegemonic culture. Thus, the existing ideological internalization process indirectly maintains the hegemony of the Performance Accountability System in Malang.

Limitation

Associated with the research process that has been carried out has research limitations. Among them, the interview process was only conducted with 1 person from the Planning, Research, Development Agency (Barenlitbang) of Malang, which is staff in the Planning and Reporting Division. Researchers cannot conduct direct interviews with the Head of Division or the Head of Barenlitbang because at the time the research was carried out it coincided with his schedule of meetings with both the mayor and the provincial government. Researchers have tried several times to make appointments but they always never work. This makes it difficult for researchers to obtain information about the implementation and evaluation process of SAKIP carried out by the Head of the Division or the Head of Barenlitbang

Suggestion

The suggestion that can be recommended to Government of Malang, it is hoped that it will be able to increase innovation in regional development so that SAKIP can get a very satisfactory (AA) or satisfactory (A) score. For the Ministry of Home Affairs and Kemenpan RB, it is hoped that they will be able to act consistently and uniformly on the SAKIP evaluation policy of the Regional Government. For further researchers, they can review this theme by conducting

interviews with the Head of the Division or the Head of Barenlitbang who in this research cannot yet be done. In addition, further researchers can develop this research by replacing the theory of hegemony ideology with other theories such as the theory from Praxis Habermas which is thick with thoughts and efforts to reconcile various interests or by changing the methodology used other than the critical case study approach such as the known postmodernist ethnomethodology approach by deconstructing a phenomenon.

Implication

The practical implications of this research can be used as material for consideration for the Ministry of Home Affairs and Ministry of Empowerment of State Apparatus and Bureaucratic Reform RB in issuing regulations related to the implementation and evaluation of SAKIP so that accountability, which is one of the indicators of Good Governance, can be maximally achieved. In addition, there are theoretical implications that are expected to strengthen and enrich the theory of Gramsci's hegemony in the implementation and evaluation of SAKIP.

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