

New Public Management : The Application of Accrual Accounting in Maluku Province

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Abstract

There are four main points to be addressed clearly in the abstract section: (1) background of research title, (2) research purpose, (3) research methodology, and (4) research result/contribution. The background section should be the shortest part of the abstract and should very briefly outline the following information: What is already known about the subject, related to the paper in question? What is not known about the subject and hence what the study intended to examine (or what the paper seeks to present - purpose). In most cases, the background can be framed in just 2–3 sentences, with each sentence describing a different aspect of the information referred to above. The purpose of the research, as the word itself indicates, is to provide the reader with a background to the study, and hence to smoothly lead into a description of the methods employed in the investigation. The methodology section is usually the second-longest section in the abstract. It should contain enough information to enable the reader to understand what was done, and important questions to which the methods section should provide brief answers. The results section is the most important part of the abstract, and nothing should compromise its range and quality. The results section should, therefore, be the longest part of the abstract and should contain as much detail about the findings as to the journal word count permits.

Keywords: Regulatory pressure, competence, commitment, an accrual accounting application



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I. INTRODUCTION

Public sector management involves organizational and managerial institutional change strategies to meet the needs for accountability, transparency, efficiency, and effectiveness. This change makes public sector management rigid and hierarchical into flexible public sector management. This

paradigm shift in the public sector is known as New Public Management. New Public Management is rooted in management theory, which assumes that commercial business practices and private sector management are better than those in the public sector. Mardiasmo (2002) explains that the performance of the public sector can be improved by adopting management techniques in the private sector so that they can be applied to the public sector.

The application of the New Public Management concept to the public sector is accrual-based accounting. The change of the accounting basis from a cash basis to an accrual basis is seen by many governments as an aspect of the New Public Management design that is almost akin to a performance-focused business venture in the public sector (Connoly and Hyndman, 2006). The application of cash basis to accrual basis accounting is applied throughout Indonesia, including in Maluku Province, which is regulated by PP. 71 of 2010. This has become a pressure in itself. There is regulatory pressure when government agencies push to adopt the accrual accounting system. The condition happened along with the dispersion of binding regulations in applying the accrual accounting system located in the Maluku provincial government.

Human resource is one of the key factors for the success of an organization. Competence is important in the public sector for implementing accrual-based accounting. The competence inadequacy in human resources, such as a deficiency in understanding of employees about accounting, specifically related to the accrual basis, is experienced by Maluku Province. Many employees in the finance department do not have an accounting background. Another thing that is certainly important to be succeeded in applying the accrual basis accounting is the organizational commitment, such as commitment from the leadership and commitment of subordinates. The time needed for accrual accounting to be fully adopted is due to a lack of organizational commitment.

Research conducted by Yudi (2016) and Harun et al. (2012) found that there was an effect due to pressing regulations that necessitated the application of accrual accounting. Sudaryati and Heriningsih (2014) prove that competence influences the successes of accrual accounting. However, Sari et al. (2016), in their research, found that competence had no effect. Commitment has an effect on the application of accrual accounting, as evidenced by (2015) and Ahmad (2016).

The focus of this research is on the implementation of government accounting because of the demands of applying accrual-based accounting in full. This research has an intention to prove factors that influence when accrual accounting is applied. Pressure factors due to regulations, competence, and organizational commitment will be factors that are studied. This study examines the competence, the effect of regulatory pressure, and also the organizational commitment in implementing accrual accounting.

II. LITERATURE REVIEW

Regulatory Pressure

A special form of coercive pressure is regulatory pressure (DiMaggio and Powell 1983). Furthermore, it is explained that coercive isomorphism comes from the influence of politics and the necessity for legitimacy. Coercive power is an external pressure exerted by governments, regulations, or other institutions to adopt a structure or system (Ashworth, 2009). The focus on legitimacy makes institutional theory an ideal theoretical concept for regulatory pressure studies because the main motive behind regulatory compliance is legal legitimacy (Liang et al. 2007).

Competence

Bastian (2006) explains that the quality financial reports preparation requires the competence of human resources who have government accounting skills. Competence includes knowledge, skills, and abilities related to work as well as abilities needed for jobs. Robbins (2001) defines competence as the capacity of an individual to perform various tasks in a job. The overall ability of an individual is composed of two factors, namely: intellectual ability and physical ability. Intellectual ability is the ability to perform mental activities and physical ability to carry out activities that require similar stamina, dexterity, and skills. This intellectual ability plays a greater role in complex jobs requiring information processing. Simamora (2004) clarifies that competence is obtained from training, development, and education. Research conducted by Stamatiadis et al. (2009) proves that there is a significant relationship between the level of accounting staff education and training with accrual accounting compliance.

Organizational Commitment

Based on Robbins (2001), organizational commitment is a condition where employees take sides with an organization and its goals and intend to maintain their membership in the organization. Luthans (2006) states that organizational commitment is: (1). A strong desire to remain a member in an organization, (2) The desire to try hard in accordance with the wishes of the organization, (3) Certain beliefs, and acceptance of the values and goals of the organization. In other words, this is an attitude that reflects employee loyalty to the organization and a continuous process where members of the organization express their concern for the organization and its success and continuous progress. Marthis and Jackson (2000) suggest that organizational commitment is the degree to which employees believe and accept organizational goals and will remain or will not leave the organization. Meyer and Allen (1991) identified three components of organizational commitment, namely affective commitment, normative commitment, and continuous commitment

Hypothesis

Regulatory pressure can be seen externally as well as internally. External pressure in the form of government regulations and policies and internal pressure in the form of institutional needs to implement government regulations and policies such as the quantity and quality of good human resources, an adequate accounting system, and the right organizational structure. Adhikari and Mellemvik (2011), Yudi (2016), and Wahyuni (2016) found that regulatory pressure has a positive effect on the application of accrual accounting. Based on the description above, the following hypothesis can be formulated:

H1: Regulatory pressure has a significant effect on the application of accrual accounting

Competent resources are a major challenge in the application of accrual-based accounting (Simanjuntak, 2010). Research that proves competence greatly influences the application of accrual-based accounting. Research by Oluseyi (2010), Stamatiadis, et al. (2009), and Ouda (2008) found that competence affects the application of accrual accounting. Based on the description above, the following hypothesis can be formulated:

H2: Competence has a significant effect on the application of accrual accounting

The application of accrual-based accounting requires a strong commitment from leaders and subordinates. When there is the pressure at work, especially related to the compulsion to use accrual-based accounting in organizations, high commitment becomes the main strength. Research that proves the effect of commitment to the application of accrual accounting was conducted by Surepno (2015) and Ahmad (2016). Based on this description, the following hypothesis can be formulated :

H3: Commitment has a significant effect on the application of accrual accounting

III. RESEARCH METHODS

Types of research

This research is a survey research with a quantitative approach.

Object of research

The object of research on employees at OPD in Maluku Province

Population and Sample

This research was conducted on 46 OPDs in Maluku Province, then the number of samples studied was 92 people. Respondents in this study were the head of finance, treasurer so that each OPD was assigned 2 people as respondents.

The sampling technique used was the purposive sampling method, namely the technique of determining the sample with certain considerations (Sugiyono, 2009). Purposive sampling technique is done by taking a sample from the population-based on certain criteria, namely judgment sampling. The criteria used are employees who work in the OPD finance department who are directly involved with the use of accrual-based accounting.

Data collection

Data collection was carried out by giving a set of questions that had been compiled to respondents in the form of a questionnaire and then conducting direct interviews with respondents. The interview technique is used to find data that has not been answered in the questionnaire.

Analysis Technique

The data analysis technique is a multiple linear regression with SPSS 16.

IV. RESULTS AND DISCUSSION

In the study, 92 questionnaires were circulated, and 90 were returned. This data was processed using SPSS 16. Below are the results of multiple regression.

Table 1. Multiple Regression Results

Coefficients ^a								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	26.421	8.623		3.064	.003		
	X1	1.094	.341	.243	3.212	.002	.616	1.623
	X2	1.494	.350	.329	4.264	.000	.594	1.684
	X3	1.090	.156	.466	6.999	.000	.795	1.258

a. Dependent Variable: Y

Based on the table above, the regression equation that can be formed is:

$$Y = 26,421 + 1,094 X1 + 1,494 X2 + 1,090 X3$$

Table 2. Coefficient of Determination

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.835 ^a	.697	.686	5.390
a. Predictors: (Constant), X3, X1, X2				
b. Dependent Variable: Y				

The correlation between all independent variables and dependent variables (R) is 0.835, which means that the relationship between all independent variables and dependent variables is very strong. The value of Adjusted R Square (R²) = 0.686, which means the amount of support for the independent variable for the dependent variable is 68.6%, the rest is 31.4% from other variables that are not included in the research model.

Hypothesis 1 "Regulatory pressure affects the application of accrual accounting" is accepted.
 Hypothesis 2 "Competence affects the application of accrual accounting" is accepted.
 Hypothesis 3 "Commitment affects the application of accrual accounting" is accepted.

The regulatory pressure variable is proven to have an effect on the accrual accounting application variable. Many countries and organizations implement accrual accounting because of regulatory pressures. Fiji and Nepal are under pressure from international donor agencies to implement accrual accounting. These two countries are forced to follow these institutions because of their dependence on the funds provided (Tickell, 2010; Adhikari and Mellemvik, 2011). This research is

in line with the research of Safaruddin (2010), Stamatiadis, et al (2011), Hyndman and Ciaran Connolly (2011), Harun, et al (2012), Yudi (2016). Research on the effect of regulatory pressure on the application of accrual-based accounting in Indonesia, such as Yudi's (2016) study, states that there are external and internal pressures in the application of accruals in the city government of Jambi. External pressure is in the form of government regulations and policies, while internal pressure is the need for institutions to implement government regulations and policies such as the quantity and quality of human resources, an adequate accounting system, and an appropriate organizational structure.

The competency variable is proven to have an effect on the accrual accounting application variable. The facts prove various countries have failed to implement accrual accounting because of the low competence of human resources. The results of this study prove that competence through education, training, and experience has an important role in the application of accrual accounting. Many OPD employees in Maluku Province with educational backgrounds outside of accounting experience difficulties in understanding accrual accounting quickly and accurately. Then, training on accrual accounting is the best way to be able to teach the accrual accounting system to employees. Training can also help employees with educational backgrounds outside of accounting to understand accrual accounting. In addition, the experience they have, especially in the financial sector, is very helpful in accepting accrual accounting. This research is in line with research conducted by Saleh and Pendlebury (2006) in Malaysia. The low competence of public sector accountants in Malaysia causes the slow application of accrual accounting. Furthermore, Oluseyi (2010) conducted research on accrual accounting in England and New Zealand. The results were obtained to explain the important role of government bureaucrats in an effort to improve the competence of government accountants when implementing accrual accounting.

The organizational commitment variable is proven to have a significant effect on the accrual accounting application variable. The research findings prove that employees and leaders who have high commitment are very helpful in the success of an organization. OPD leaders and employees of Maluku Province are required not only to have competence but also organizational commitment. Organizational leaders are expected to have a commitment to become an example for their subordinates. The results obtained are in line with research by Lye et al. (2005), Ouda (2004), Scott et al. (2003), Ellwood and Newberry (2007), Aidil (2010), Surepno (2015), Ahmad (2016). Ouda's research (2004) in New Zealand and England suggests that the successful application of accrual accounting in these three countries is due to the high commitment of both the legislature and executive.

V. CONCLUSIONS AND SUGGESTIONS FOR FURTHER RESEARCH

Based on the research results, regulatory pressure, competence, and commitment have an effect on the application of accrual accounting. For further researchers, it can examine other variables that affect the application of accrual accounting.

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