

Does Regional Financial Information System Have an Impact on the Quality of Financial Statement?

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Abstract: The purpose of this study is to determine the impact of regional financial information systems on the quality of financial statements. The object of the research is 53 users of local government financial information system. This research uses the exploratory method with survey approach. Moreover, the data analysis method of this study is Structural Equation Modelling. The result shows that there is an influence of regional financial information system on the quality of local government financial statements. Therefore, the local government must increase the usage of regional financial information systems to produce qualified financial reports.

Keywords: regional financial information system, quality of the financial report.

INTRODUCTION

The government directs the implementation of Regional financial management. Each year, the government issues the Guidelines for the Formulation of Local Government Budget for the next fiscal year. As the basis for public services, the budget is allocated for education, health, and the other public services [1]. However, the government agencies still provide inadequate services. The standardized document is the guideline in formulating the budget plan of regional government. Besides, managing the local government budget must follow the strategic plan as well as the work plan that has been established. Furthermore, the plan is submitted to the Verification Team and to the board members for discussion and the determination of the regional budget plan as well.

Evaluation is necessary to ensure the fund's allocation for changing program and activity is in accordance with the budget. Moreover, evaluation is needed for minimizing the ineffective and inefficient programs and activities. The assessment process leads to the long discussion. The usage of information technology helps the duties of regional financial managers in producing the accurate and on time forms and reports. The computer applications are used in regional financial management. Therefore, it produces an effective and efficient local financial management information system that is associated with the implementation of an activity. Meanwhile, the quality will always be associated with the implementation of a program.

The application is used to accelerate the data transfer and efficiency in collecting the local government financial data. Moreover, the goal of using the application is to improve the effectiveness of the implementation of various regulations in financial management based on the principle of efficiency, economical, effective, transparent, accountable and auditable.

The preliminary research implies the quality of financial statement is not optimum. The ineffective use of the regional financial information system application is the indication.

Based on the description, the formulation of research problem is; 'how much is the influence of financial information system area to the quality of financial statements?'. The purpose of research is to know the amount of influence of regional financial information system on the quality of financial statements.

FRAMEWORK

Local governments need a system that can produce financial reports and the other financial information more comprehensively which includes information on the financial position of the region. The system should refer to the applied rule. On the basis of the condition above, the local governments need to develop a financial information system that has the powerful features. It is not only in terms of completeness of its functionality but also in terms of integration process with the other related systems[2].

The application of the regional financial information system is also one of the manifestations of real action from the central government to the regional governments in regional financial management. The purpose is to strengthen the perception of systems and procedures of regional financial management in interpreting and implementation of various laws and regulations[3].

This system is a system that documenting, administering, and processing data of local financial management and the other related data into the information presented to the community. Moreover, the system is functioned as a decision-making material in planning, implementation, and reporting of local government accountability. The system is a process of presenting information in budget preparation, budget execution, and local financial reporting produced by the region in reporting the realization of local budget, regional balance, cash flow statement and notes on financial statements [4]. The report is arranged in stages in accordance with the conditions of each region and prevailing laws and regulations and guided by applicable government accounting standards.

A qualified financial report indicates a commitment of responsibility in accordance with its authority and duties in the implementation of organizational responsibilities[5]. Government accounting standards describe the qualitative characteristics of financial statements are normative measures that need to be manifested in accounting information to meet its objectives. This effort is to meet the quality of financial statements that are: relevant, reliable, comparable, and understandable. Essentially, public sector finance is a form of government accountability to citizens for the management of public funds from taxes, user charges or the other transactions.

The Financial Statement is a statement of the reporting entity contained in the components of the financial statements. The user of financial statements is also concerned about the plans as well as the results of the implementation of the plans, including the performance of the government and its financial condition [6].

From the description, it can be concluded that the Regional Financial Report is a summary of a recording process. Moreover, it is a summary of the financial transactions that are held during the relevant fiscal year and constitutes a form of government accountability to the public for the management of

public funds either from taxes, user charges or the other transactions[2].

Some important quality of information contained in the financial statements are understandability, relevance, reliable and compatibility[4]. The essential quality of information contained in the financial statements is the easiness in which the users can understand immediately. For this purpose, the user is assumed to have sufficient knowledge of economic and business activities, accounting, and the willingness to learn information with reasonable diligence[4]. However, the complex information that should be included in the financial statements cannot be dismissed just because it is difficult to understand for a particular user[7].

Based on previous theoretical and research studies, the hypothesis in this study is there is a significant influence of regional financial information system on the quality of local financial statements.

RESEARCH METHODS

This study utilizes survey method and quantitative approach to determine the effect of the system towards the users of regional financial information systems. The research took place in one of the local government offices in Bandung. Moreover, this study uses purposive sampling in which the respondent is a user of the information system. They can cooperate and agree to fill the questionnaire. Data analysis technique of this study is structural equation modeling by using the SmartPLS 3 program. It is to determine the magnitude of influence. Furthermore, the hypothesis can be described in the statistic test. The test used Technological Acceptance Model (TAM) approach from Ajzen & Fisbien [8] and was validate by Yusup, Hardiyana and Sidharta [9] and Suzanto and Sidharta [10]. To know the influence of regional financial information system towards the quality of financial statements, this study uses p-value. The data quality test shows that research instruments are valid and reliable with reference to the outer loading value of AVE research indicator > 0.05 , Crombach Alpha > 0.07 and Composite Reliability > 0.07 [11, 12].

RESULTS AND DISCUSSION

The result shows:

The fit model indicates that all model are good model in which Average path coefficient (APC) = 0.345, $P = 0.002$ with Average R-squared (ARS) = 0.403, $P < 0.001$ and Tenenhaus GoF (GoF) = 0.490.

Table-1: shows the Path coefficient

Variables	Path Coefficient	P-value	Decision
PEOU->ATT	0,296	0,010	Accept
PU->ATT	0,230	0,037	Accept
FAS->ATT	0,282	0,013	Accept
ATT->QUAL	0,573	0,000	Accept

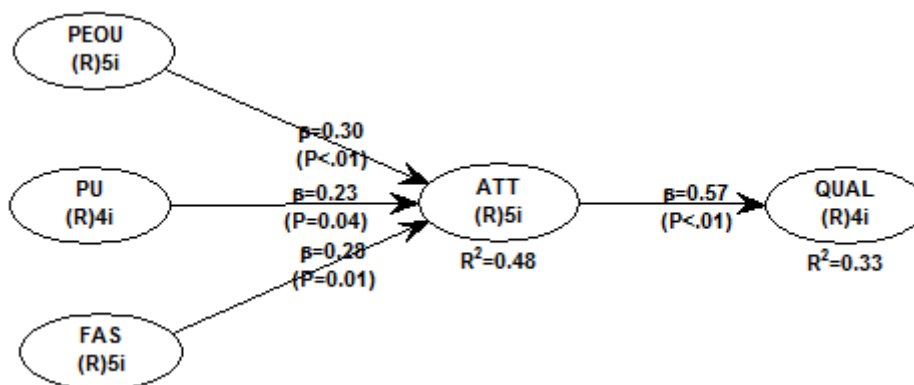


Fig-1: Technological Acceptance Model

Figure 1 describes the Technology Acceptance Model. The model explains the use of Regional Financial Information System affects the quality of regional financial statements. The system increases the quality of financial statements.

The value of coefficient determination (R-Square) is 0.403. This result indicates that the use of Regional Financial Information System affects the quality of regional financial statements with 43.3%. Meanwhile, the rest is influenced by the other factors that may affect the quality of regional financial statements but was not examined within the research. Those factors are policies conducted by the leader of the agency, government economic policies and the others.

The result shows that the Regional Financial Information System is a good tool for the government in administering the financial within the institution. The higher the usage of Regional Financial Information System, the higher its influence on the quality of financial statements.

Regional Financial Information System is one of the controlling tools of local government. Furthermore, it is a set of integrated applications that are used as a tool in improving the quality of various regulations in regional financial administering. Thus, it must be supported by the quality of human resources (HR) and the perfection of the system. In the long run, the Regional Financial Information System work effectively and efficiently and produce accurate and timely financial reports.

The results of this research support previous research conducted by Jiang, Klein and Carr [13], Kawai and Kuroda [14] Yusup *et al.* [9]. In addition, the

result also proves that the user acceptance model facilitates the users of the information system. Sidharta *et al.* [10] Which proves that a qualified information system boosts the benefits of the system? Kawai and Kuroda [14] proves that the application of government accounting standards improves the quality of government financial reports. Similarly, a research conducted by Chen *et al.* [15] McCullough *et al.* [16], Palea [17], Suwanda [18] which states that the implementation of financial accounting system has a significant effect on the quality of financial statements [19].

CONCLUSIONS AND RECOMMENDATIONS

Based on this research, it can be concluded that the use of Regional Financial Information System refers to government regulation. The computer network-based system on one of the local government is able to connect and to handle the data consolidation so that data in Regional Government can be integrated as well. This system makes it easier to get the information and it runs well. The research indicates that the use of Regional Financial Information System affects the quality of financial statements. Some other factors also influence the quality of regional financial statements, but they are not done within this research.

Regional Financial Information System runs well. However, the human resources' competence in financial management must be improved. The human resources should come from the finance-related educational background. The results of this study are expected to be a reference in the study of the government management. Besides, it is expected that the government management gets some input in improving the quality of its financial statements.

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