THE EFFECT OF INSTITUTIONAL ISOMORPHISM PRESSURE, PRESENTATION OF FINANCIAL STATEMENT OF FINANCIAL STATEMENT AND ACCESSIBILITY TOWARD STAKEHOLDER TRUST: STUDY AT LOCAL GOVERNMENT IN WEST NUSA TENGGARA, INDONESIA

Amiruddin
Master of Accounting Program, Mataram University, Indonesia
amiruddin.maksib6a@gmail.com

Hermanto
Master of Accounting Program, Mataram University, Indonesia

Muaidy Yasin
Master of Accounting Program, Mataram University, Indonesia

Abstract
This study aims to examine and analyze the influence of institutional isomorphism pressure, financial statement presentation and accessibility of financial statements to stakeholder trust. This research is an explanatory research using quantitative approach. Data collection techniques were conducted by distributing questionnaires to 168 respondents who were financial management officers at the local government in West Nusa Tenggara Province. Data analysis techniques using partial least square using the help of SmartPLS 3.0. The results showed that the isomorphism of institutional pressure and presentation of financial statements have a positive and significant impact on stakeholder trust, while the accessibility of financial statements has no effect on stakeholder trust. This indicates that the stronger the institutional isomorphism and the better the presentation of financial statements, the more stakeholder trust will increase. Accessibility of financial statements proved not to affect stakeholders trust predicted because respondents in this study are internal stakeholders who already have access.
to financial statements. The implications of this study are that local governments should commit to strengthen their institutions and present financial statements in accordance with prevailing regulations to increase stakeholder trust.

Keywords: Isomorphism institutional pressure, presentation of financial statement, accessibility of financial statement

INTRODUCTION

The policy direction of Grand Design of Bureaucratic Reform of the Republic of Indonesia 2010-2025 based on President of Republic of Indonesia Regulation number 81 year 2010 with the aim of accelerating the realization of good governance (good governance) and increase public trust in the government by creating transparent financial management, shaping and improving national regulations to achieve the presentation of financial statements in accordance with government accounting standards and open access to financial statements, resulting in a clean government bureaucracy free from corruption, collusion and nepotism.

Reform in the field of state financial management is based on the enactment of Law No. 17 of 2003 on State Finance. To accelerate the improvement of the quality of state financial accountability as a form of accountability in order to realize transparency and public accountability reinforced by Presidential Instruction number 4 of 2011 supported by Presidential Instruction number 17 of 2011 on Corruption Prevention and Eradication Action followed up by the instruction of the Minister of Home Affairs number 188.52 / 1797 / SJ on Improving Transparency of Local Budget Management. As a standard guideline of state financial audit in order to encourage efforts to eradicate corruption, increase transparency and accountability, improve compliance with state financial management, and increase public trust is stipulated by Regulation of Supreme Audit Agency (BPK) no. 1/2007 jo. Per. CPC No. 1/2017.

Transparent financial management becomes the demand of the community, in the mechanism of financial reporting governance has two objectives, namely the transparent organization, and the involvement of stakeholders (Hess, 2007). Involvement is Stakeholder initiated by isomorphism institutional which acts as a trigger for the implementation of financial management transparency. (Kaur, 2015; Nyahas 2017). The birth of legislation and government policy is a form of institutional isomorphism within the governmental organization, accounting practice is part of public sector institutional practice that is very vulnerable to influence institutional isomorphism in the application of accounting standards. (Judge, 2010; Pedersen, 2013). Accounting as an institutional practice explores the relationship between institutions with

This study uses *isomorphism institutional* to know the extent to which trust *stakeholder* through transparency of financial management can be created by the existence of strength *isomorphism* with its characteristics meet the expectations of *stakeholders* and its role support the implementation of transparency of financial management. (Asworth, 2009). Trust *stakeholder* is the highest priority challenge in public institutions, identified beliefs are not contrary to expectations and will increase public satisfaction with their services, while transparency in financial management is one of the benchmarks in gaining the trust of *stakeholders*.

Trust with transparency is an important indicator in the relationship of satisfaction between government and society and to gain political, social and economic legitimacy so as to ensure the continuity of organizing the activities of public institutions. Thus, the organization must adjust its internal characteristics to match the expectations of *stakeholders* in the institutional environment. One of the government's efforts to gain trust *stakeholder*, by organizing transparent and accountable financial management through comprehensive financial report presentation process and making it easier for *stakeholders* to get financial statement information according to the needs of *stakeholders*.

Local governments can achieve the goal of obtaining trust from *stakeholders* if qualified financial statements can be presented in a transparent manner to users of financial information. Based on PP 71/2010 qualitative characteristics of quality financial statements namely relevant, reliable, comparable, and understandable. Qualified financial statement information is generated by meeting the pressure *coercive* or meeting regulatory compliance standards as a form of external pressure from the central government.

Based on the report of BPK Representation Result of West Nusa Tenggara Provincial Representative in 2016 on the examination of Local Government Financial Statement of Sumbawa Regency, there are still financial management problems with accrual basis accounting system not supported by local regulation, the policy has not yet been regulated, lack of control from administration head on the management of cash accounts that are not authorized by the head of the institution so that there is a possibility of irregularities in the use of funds by the treasurer, the presentation and disclosure of revenues and expenditures not through the regional treasury, and letters of accountability (SPJ) has not been authorized and not verified.
Nurrizkiana’s research (2016) shows that the presentation of local financial statements has a positive and significant impact on the transparency of financial management. The presentation of regional financial reports also has a positive and significant impact on stakeholders using the Ramadhani regional financial information (2013), Mulia (2016). In contrast to the results of Pasaribu (2011) research, Riyansa (2015), Sari (2017), Asfiryati et al (2017) show that the presentation of financial statements does not affect the transparency and accountability of local financial management.

Local governments may gain the trust of stakeholders by applying transparency of financial management to reduce information asymmetry between internal parties (management) and external parties (community) through the presentation of complete and reasonable financial information accessible to users of financial information with an interest in financial statements. Based on Permendagri no.13 / 2006 local governments should open access to stakeholders extensively on local financial statement information. Thus the local government must meet the elements of openness, ease and accessible society to the information on local government financial statements.

Nurrizkiana’s (2016) study shows that financial statement accessibility has a positive effect on financial management transparency. Accessibility of financial statements also positively affects the stakeholders of local financial information users. Ramadhani (2014), Mulia (2016). In contrast to the results of Azizah’s (2014) research, Literature (2013) indicates that accessibility of local financial statements has no effect on the transparency and accountability of local financial management.

Based on the phenomena that occur and the inconsistency of previous research results into reasons and motivation of this study to identify and reexamine variables that are predicted to affect stakeholders trust in the government sector.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT
Isomorphism Institutional Pressure and Stakeholder Trust
Institutional Isomorphism and stakeholder perspectives explain that in the context of local government institutions, organizations pursue legitimacy to conform to the environmental pressures of the organization, pay attention to the interests of stakeholders and involve them in strategic policy formulation, policy implementation and evaluation. Local government organizations have internal characteristics adapted to the expectations of stakeholders on the basis of regulatory compliance.

The regional leaders and Vice Regent lead local government organizations in carrying out the mandate on the basis of community trust principles as principal, delegating some or all
authority to the management (steward) in the local government organization to meet the needs and aspirations of the community in its institutional environment in accordance with the provisions of legislation.

Strategic planning and policy implementation take into consideration external environmental factors by adjusting the design of the strategy and its implementation in accordance with the provisions of other institutions that have authority in accordance with their respective areas of authority, as well as taking into account internal environmental factors in carrying out the policy with the commitment that the management ensures its staff able to implement the policy supported professional steward to the community containing consequences in accordance with steward attitude and action.

The Arya and Zhang (2009) study shows that normative and mimetic isomorphisms influential in institutional change are viewed positively by investors, giving shareholder returns significantly higher, changes in the institutional environment affect stakeholder expectations about corporate responsibility to public society impact on shifting society’s view of the role of the company has overcome social problems.

The concept of institutional isomorphism in public sector entities stresses the principle of compliance with regulations, executive policies and public expectations. The condition of uncertainty suggests a strategic compilation arrangement with the influence of external environmental factors and internal environmental factors is manifested by normative pressure to form good steward that management is committed in developing the profession and controlling it by applying professional code of ethics or compliance scale.

Bhimani’s research (2016) shows that there is a positive influence of isomorphism in supporting the adoption of decision-making to meet the expectations of external stakeholders, as well as supporting the adoption of decisions and strategy choices to meet the expectations of external stakeholders. Kaur studies (2015) show the nature and level of stakeholder involvement positively significantly influenced by institutional isomorphism factor.

The above concepts and empirical studies are assumed by the role of institutional isomorphism in line with the concept of stewardship useful in maintaining and enhancing the legitimacy of local government entities as well as contributing from technical and managerial perspectives in addressing economic, social, ethical issues and addressing stakeholder concerns that have an impact on increasing trust local government. Based on the above argumentation, the proposed hypothesis is as follows:

\[ H_1 : \text{Isomorphism institutional pressure influenced positively toward stakeholder trust} \]
Presentation of Financial Statements and Stakeholder Trust

*Isomorphism institutional* is the main driver of the adoption of accountancy standards and harmonization of IPSAS adoption, *coercive pressure* arises from various *stakeholders* who are in tandem with information financial statements, emphasizing compliance with the requirements disclosed in generally accepted accounting principles, professional guidelines, and legal requirements. (Chua, 2008; Jung, 2005; Judge, 2010). Local governments as public institutions must adhere to regulatory pressures arising from the pressure of *stakeholders* in accounting for local financial management.

The financial report is a form of accountability to the principal. The presentation of financial reporting is very important for users of financial statements, the making of financial statements aims to provide useful financial information for economic, social, political decision making and more importantly the satisfaction of information users (Sujana, 2002 in Bandary 2011).

Parties with an interest in the government's financial report are called users of financial statements as *stakeholders* or stakeholders against the government consisting of several groups. DraBin in Pendlebury (2000). PSAP No. 1 paragraph 36 PP no. 71/2010 it is stated that the users of the government's financial statements include the community, the representatives of the people, the regulatory agencies, and the examining agencies, those who give or take part in the process of donations, investments and loans; and government.

The local government wishes to gain legitimacy, positive public opinion, and expect trust *stakeholder*, whereas *stakeholders* give trust in mutual benefits, local governments must trust *stakeholders* that *stakeholders* will use financial reporting information that local government presents responsibly. Presentation of financial statements is a form of accountability to the public, the more quality the financial statements presented impact on community support for local government and the acquisition of trust from various *stakeholders*.

Trust from various *stakeholders* will support the operation and ensure greater survival and freedom, it is realized by adjusting according to the expectations of *stakeholders in their* environment based on regulations, formal standards and limitations of management norms considered *acceptable*. Ashworth (2009), Martinez (2016). Park and Blenkinsopp (2011) expressed satisfaction preceding trust and trust positively impacting satisfaction.

Trust will be obtained by meeting the expectations of *stakeholders* based on the principle of compliance with formal and informal rules and standards. Formal standards in the presentation of public sector financial statements governed by government accounting standards. Society as a *principal* gives confidence to local governments in managing public finances and is entitled to obtain financial information to conduct an evaluation of the
government. Thus, the presentation of quality financial statements impact on user satisfaction information financial reports and gave birth to trust in local governments.

Bandary Research (2011), Aliyah (2012), Ramadhani (2013) indicates that the presentation of local financial reporting has a positive effect on the use of local financial information. Mulia (2016) indicates that there is a significant influence between the presentation of local financial reports on the use of local financial information. Study Nurrizkiana (2016) shows that the presentation of local financial statements has a positive and significant impact on the transparency of financial management and transparency of local financial management have a positive effect on trust stakeholders, the more qualified the presentation of financial statements the transparency of local financial management is increasing.

Based on the concepts and empirical studies above, it can be concluded that the quality financial statements presented honestly, relevant, can be compared and can be understood will provide satisfaction to users of financial information to create trust from stakeholders to local government. Hence, the hypothesis is formulated as follows:

\[ H_2 : \text{Presentation of financial statements influenced positively toward stakeholder trust} \]

Influenced by Financial Statements and Stakeholder Trusts

The concept of institutional isomorphism tends to meet external needs and expectations or social expectations or expectations, trustworthiness of public institutions is enhanced through legislative regulation administrative standards, standards and regulations relating to the provision of services and information. External pressure from stakeholders forces institutions to improve organizational performance through the legal system and mass media. Zhu and Sarkisz (2013). The involvement of stakeholders can improve the transparency of local financial management, the government website becomes an important channel for organizations to communicate convincing stakeholders that local governments overcome public problems (Othman, 2011).

Local government as a public institution can increase institutional trust by adopting new technologies that can be one of the supporters to increase trust in moral accountability, with a more transparent process and less discretionary power of public officials. The belief in local government on public services is usually measured based on subjective considerations of citizens as principals, public confidence will arise when local governments are able to meet the needs of stakeholders.

The isomorphism concept assumption that the local government wishes to get a positive opinion from the public to gain legitimacy through the publicness of financial management. Asworth (2002), Burrus (2014). The tendency of the concept of isomorphism in line with the
theory of stakeholders, signaling and stewardship is the assumption of governance in building good relationships among stakeholders, openness is a prerequisite to support participation and maintain institutional accountability. Participation process requires the availability of adequate information and convenience for all stakeholders in accessing information.

The above concepts and assumptions indicate that accessibility of local financial statements provides an easy information to users of financial statements based on the principle of trust. Trust to stakeholders generates reciprocal trust on local governments as information providers. Safite research (2009), Bandary (2011), Rohedi (2013) Ramadhani (2014), Mulia (2016) show that accessibility of financial statements has a positive and significant impact on local financial information users. Based on the above description, the hypothesis constructed in this research is:

\[ H_3 : \text{Accessibility of financial statement influenced positively toward the stakeholder trust} \]

**Figure 1. Conceptual Framework**

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**RESEARCH METHOD**

This study used quantitative approach. According to Indriantoro and Supomo (2014: 12), quantitative research emphasizes on the theory test through the measurement of research variables with the statistical procedure. Based on the type, this research is explanatory research. The population in this study consists of structural officials (as management, planners and budget managers), treasurer, and functional officers of supervisors and inspectors at 5 (five) local government in West Nusa Tenggara Province, Indonesia, West Nusa Tenggara Provincial Government, East Lombok Regency Government, Sumbawa Regency Government, West Sumbawa Regency Government and Bima City Government with 1,026 people. The technique of determining the number of samples used in this study using tables Isaac and Michael that produced a sample of 213 respondents. Sampling technique used is purposive
**sampling** that is determination of sample by using certain consideration to get sample which representative. Sugiono (2010: 122). Data analysis using partial least square (PLS) using SmartPLS 3.0 support.

**RESULTS AND DISCUSSION**

**Descriptive Analysis**

Of the 213 questionnaires distributed to respondents, 168 questionnaires were returned, or in other words, a response rate of 78.87%. Of these, the entire questionnaire has been filled in completely so it can be processed statistically.

In general, respondents dominated officials with male sex that is equal to 75.60%. From the ages, the respondents in this study were dominated by officials with productive age between 36-45 years with a percentage of 52.38% moderate from the aspect of experience, respondents dominated experienced officials in terms of local financial management with a percentage of 72.62%.

Prior to hypothesis testing, firstly evaluated the research model (outer model) to see the validity and reliability of the variable indicator used in the study. the variable indicator is evaluated by using convergent validity and discriminant validity, while for reliability testing of research instrument using composite reliability and Cronbach alpha. Furthermore, the evaluation and testing of structural model or inner model function to test model prediction ability and hypothesis testing among latent variables.

**Determinant coefficient (R2)**

determinant coefficient ($R^2$) is used to measure the accuracy of the model or the size of the predictive accuracy of the model. In other words $R^2$ is used to explain the ability of exogenous variables affecting endogenous variables. The coefficient value of determination is used to predict how much influence the influence of exogenous variables on endogenous variables. The value of $R^2$ of 0.75, 0.50 and 0.25 are categorized as a model for strong, moderate and weak.

<table>
<thead>
<tr>
<th>Construct</th>
<th>$R^2$</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Y1 ST</td>
<td>0.474</td>
<td>Weak</td>
</tr>
</tbody>
</table>

Based on table 1 it can be seen that the value of $R^2$ for stakeholder construct trust (Y ST) has value $R^2$ of 0.474 or in the weak category.
Predictive Relevance (Q2)

the relevance of predictive tests conducted to assess the relevance of which is owned by the exogenous variables. Exogenous latent variables have some relevance if the value of $Q^2$ approaches 1. While $Q^2<0$, indicating latent variable exogenous lacks predictive relevance. $Q^2$ value can be obtained from the blindfolding as shown in Table 2 below:

<table>
<thead>
<tr>
<th></th>
<th>SSO</th>
<th>SSE</th>
<th>$Q^2 = 1 - \frac{SSE}{SSO}$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Y2 ST</td>
<td>1344.000</td>
<td>1055.442</td>
<td>0.215</td>
</tr>
</tbody>
</table>

Based on the blindfolding in Table 2 above shows that the value of $Q^2>0$, it can be explained that the model in this study have predictive relevance or worth to explain the endogenous variables.

Hypotheses Testing

Hypotheses test is done by bootstrapping method to know the value of path coefficient. Taking into account the $T$-table value for one-tailed test with alpha 5% is 1.65, the hypothesis test is presented in Table 3 below.

|          | Original Sample (O) | Mean (M) | Standard Deviation | $T$ Statistics ($|O / STDEV|$) | $P$ Values |
|----------|---------------------|----------|-------------------|-----------------------------|------------|
| X1 ISO -> Y2 ST | 0.166              | 0.176    | 0.073             | 2.275                       | 0.023      |
| PYJ X2 -> Y2 ST | 0.401              | 0.395    | 0.068             | 5.919                       | 0.000      |
| X3 AKS -> Y2 ST  | -0.013             | -0.016   | 0.088             | 0.151                       | 0.880      |

Summary of hypothesis testing results are presented in table 4 below:

|          | $T$ Statistics ($|O / STDEV|$) | $T$ table | $P$ Values | Conclusion |
|----------|-----------------------------|-----------|------------|------------|
| X1 ISO -> Y2 ST | 2.275                       | 1.65      | 0.023      | Accepted   |
| X2 PYJ -> Y2 ST  | 5.919                       | 1.65      | 0.000      | Received   |
| X3 AKS -> Y2 ST  | 0.151                       | 1.65      | 0.880      | Rejected   |
The first hypothesis states that Isomorphism Institutional Pressure has a positive and significant influence on Stakeholder Trust. Tested based on Table 4 which shows that the X1 t-statistic value of ISO to Y ST is 2.275 bigger than t-table (1.65) at alpha level 0.05 (5%) and p-value value equal to 0.023 smaller than alpha of 0.05. This shows the first hypothesis can be proved and acceptable.

The second hypothesis states that the presentation of financial statements has a positive effect on stakeholder trusts. Tested according to Table 4 indicating that with a 5% (one tailed) alpha value the original sample value shows a positive value of 0.401 and a Tstatistic value greater than Ttable of 5.919 > 1.65 and p-value of 0.000 smaller than alpha 0.05. Based on the value shown in Table 4 it can be concluded that the second hypothesis is accepted.

The third hypothesis states that the accessibility of the report has a positive effect on stakeholder trust. Based on Table 4 it can be seen that with alpha 5% (one tailed) the original sample value shows a negative value of -0.013. Furthermore the value of Tstatistic is bigger than Ttable that is 0.151 <1.65 and p-value equal to 0.880 bigger than alpha 0.05. Thus it can be concluded that the third hypothesis is rejected.

DISCUSSION
Based on statistical test by using partial least square (PLS) showed that the pressure of institutional isomorphism positive influence on stakeholder trust accepted, meaning that the stronger the institutional isomorphism it will increase the confidence of stakeholders. Things that can justify the influence of institutional isomorphism on stakeholder trust is inseparable from the three aspects that are part of isomorphism, that is external pressure, environmental uncertainty and management commitment in local financial management. External pressure in this case is related to pressure coming from outside the organization such as regulations (regulation), executive, community, and so on. Frumkin and Galaskiewicz (2004) suggest that external pressures may affect the level of government ability to be lower, especially with regard to the application of a policy or procedure.

Existing external pressures can result in organizational practices that are merely formalities to gain legitimacy. The practices referred to in this study are devoted to the application of transparency of financial reporting. Environmental uncertainty in this case is a condition in which the organization experiences uncertainty that can be caused by external influences, such as frequent regulatory changes, mismatch between rules with each other, rapid organizational staff mutations, and so on. Management commitment in this case is related to management integrity in applying transparency of financial reporting. Paine (1994) argues that integrity strategies are broader, deeper, and more demanding than just legal and regulatory
compliance initiatives. This is what allegedly leads to the influence of institutional isomorphism on stakeholder trusts, where the stronger the organization faces external pressures and environmental uncertainty and management commitment will increase stakeholder trust.

The results of statistical tests show that the presentation of financial statements has a significant positive effect on stakeholder trust. The financial statements are prepared to provide relevant information on the financial position and all transactions conducted by a reporting entity during one reporting period (PP No. 24 of 2005). According to the Governmental Accounting Standard Board (GASB, 1998) the purpose of presenting public sector financial statements is to help fulfill government obligations to become publicly accountable. To help meet the needs of report users with limited authority, limited ability or resources to obtain information and therefore rely on the report as an important source of information. For this purpose, financial reporting should take into consideration the needs of users and the decisions they make. Qualitative characteristics of financial statements are normative measures that need to be manifested in accounting information so as to meet its objectives.

The public sector financial report is a structured representation of financial position due to transactions conducted. As an organization that manages public funds, the Regional Government must be able to provide public accountability through its financial statements. The presentation of complete information in the financial statements will create transparency and will eventually realize accountability (Nordiawan, 2010). The better presentation of local government financial statements will have implications for increasing stakeholder trust in local financial management.

The statistical test reveals that the accessibility of financial statements has no effect on stakeholder trusts. This is predicted because researchers have access to financial statement accessibility from internal stakeholders whereas previous research has looked at how external stakeholders have difficulty in gaining access to information on financial statement accessibility. The ease of gaining access to information will influence how researchers analyze and justify financial statements. Internal stakeholders who directly have information without having to request data that must be accessed will have more detailed and accurate information that is not obtained by external stakeholders. The results provide an illustration that access provided by the local government over the financial statements does not affect stakeholder trust. The local government is expected to maintain the accessibility of financial statements covering aspects of openness and ease.
CONCLUSION AND SUGGESTION FOR FUTURE RESEARCH

The results showed that isomorphism institutional pressure and presentation of financial statements have a positive and significant impact on stakeholder trust. This indicates that the stronger the isomorphism of institutional pressure will increase stakeholder trust and the better the presentation of financial statements will also increase stakeholder trust. Meanwhile, the results of the study revealed that the accessibility of financial statements did not affect the stakeholder trust.

The conclusions in this study should be seen from some of the limitations that exist in the study, and suggestions provided can provide ideas for the development of research and provide direction for further researchers who conduct studies on stakeholder trust and financial management transparency. First, the statistical test results of the direct effects of variables exogenous to the endogenous variable shows the r-square value in the weak category. This indicates that the model presented in this study is weak. Therefore, future research is expected to explore more in depth on other factors (exogenous variables) that are predicted to affect stakeholder trusts so that they can reinforce model predictions. Second, this study only sees stakeholder trust from an internal perspective only, while users of financial statements consist of internal and external stakeholders. For that the next research suggestion is to expand the research locus by looking at stakeholder trust perspective coming from external stakeholders.

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