

THE NEEDS FOR SUSTAINABILITY BASED ACCOUNTING CURRICULUM IN INDONESIAN HIGHER EDUCATION

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Abstract

Implementing appropriate concepts and principles of sustainable development is mandatory to guide sustainability accounting policies and practices. To achieve a sufficient understanding of such concepts and principles, a higher education institution has a pivotal role in providing education that supports the sustainable development. Accordingly, the education has a significant impact on the sustainable development process, which is known as Education for Sustainability Development (ESD). The importance of sustainability based accounting curriculum is increasing due to the needs for sustainability reporting. This study aims to investigate the needs for sustainability based accounting curriculum in Indonesian Higher Education, especially in Udayana University, Bali. Given there is relatively a limited number of studies in Indonesia that discussing this topic, this study is trying to fill this gap. A survey study was conducted using bachelor students as respondents. The results of this study imply that sustainability based accounting curriculum is a must towards a better understanding of graduated accounting students. This complies with the needs of

companies that require more graduated accounting students as their staff who can produce a better quality of sustainability reporting. Hence this better quality can bring a positive impact on their companies values.

Keywords: Sustainability based accounting curriculum, sustainable development, sustainability reporting, higher education institution

INTRODUCTION

Recently, the issues of socio-economic development and environmentally sound have received many attentions. These issues have been discussed intensively by scholars worldwide, which refers to sustainable development (Vann & White, 2004). Sustainable development relates to "the development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (World Commission on Environment and Development, 1987, p. 8). There are three fundamental components of sustainable development, such as economic growth, environmental protection, and social equity. These three areas have been widely recognized as areas that should be addressed in the sustainable development policies.

Discussions on sustainable development policies have been held by many national and international organizations. For instance, the World Summit on Sustainable Development in its report advised fundamental principles and programme of action for achieving sustainable development. In addition, OECD composed a policy framework to enhance the need for good analysis to achieve a better integration between the dimensions of economic, environmental and social goals that included in the sustainable development (OECD, 2001b).

The integration of these three dimensions has received significant attention from companies. This leads to increasing needs for triple bottom line reporting or simply known as sustainability reporting (Vann & White, 2004). Hence, the stakeholders of companies require not only financial reports but also sustainability reporting. From the companies point of view, the sustainability reporting can guide them to provide relevant information about environmental costs (Hammer and Stinson, 1995). In result, such cost which assigned to the products or services could encourage managers either to prevent or overcome pollutions caused by their products or services to achieve a higher profit level (EPA 1995; Vann & White, 2004). A higher profit level can be achieved when companies can reduce non-value added costs (Kreuze & Newell, 1994).

Companies will only possible to provide sustainability reporting when their employees have sufficient knowledge in providing such a report. The employees will be able to provide

such reporting when they have learned about it when they study and have sufficient educational background.

Education is the foundation for sustainable development and an essential aspect of the sustainable development process (Blewitt & Cullingford, 2004). Education can stimulate the awareness and knowledge of sustainable development as well as create a more sustainable world (Blewitt & Cullingford, 2004; Heidt and Lamberton, 2011). This role of education refers to Education for Sustainability Development, known as ESD (Hazelton & Haigh, 2010). According to UNESCO, ESD is “a process of learning how to make decision that consider the long-term future of the economy, ecology and equity of all communities” (UNESCO, 2004). The importance of ESD was recognized with the establishment of the United Nations Decade for Education for Sustainable Development (2005-2014).

Nevertheless, Heidt & Lamberton (2011) finds that it is hard to insert sustainability courses in the curriculum for higher education in all fields, including the accounting field. Accounting plays an important role from the perspective of social management (Blewitt and Cullingford, 2004). Hence, the inserted sustainability development in accounting courses could help to support the knowledge in providing sustainable reporting and give understanding why such report is important for companies and their stakeholders. The challenge is harder in the conventional approaches to accounting, which has maintained unsustainable practice (Hazelton & Haigh, 2010). Similar circumstances occur in Indonesia. It is very limited that sustainable development is inserted in the accounting curriculum by Indonesian university. This research aims to investigate the needs for sustainability based accounting curriculum in Indonesian Higher Education. Given there is a limited number of studies in Indonesia that discussing this topic, this research is trying to fill this gap.

The outcome that is expected from this research is the increasing awareness of Indonesian Higher Education to implement sustainability based accounting curriculum. Considering the importance of sustainability accounting report, the implementation of this kind of curriculum cannot be delayed anymore and has to be implemented soon by Indonesian Higher Education, especially universities in Indonesia. It is not possible expecting companies will be able to provide sustainability reporting, without having staff who have sufficient knowledge in providing it. To achieve this level of knowledge, staff when studying in the university have to be introduced properly about the sustainable development and the importance of sustainability reporting produced by a company. This leads to the urgent need of universities to implement sustainably based accounting curriculum. Udayana University, as one of the leading universities in the Eastern part of Indonesia, can take the main role in such implementation by introducing sustainability development in the curriculum of all fields, including the accounting field. Sufficient

knowledge of sustainability is required to provide a sustainability reporting and to understand it properly. Recently, stakeholders of a business company require not only financial reporting but also sustainability reporting, which is known as the Global Reporting Initiative (GRI). Many studies have proved that the disclosure of GRI can affect the value share of a company.

LITERATURE REVIEW

Legitimacy and stakeholders theories

Sustainability reporting is closely supported by the Legitimacy Theory. This theory encirclements the idea that there is a social contract between organizations and society and has been employed by researchers who looked for to examine social and more particularly, environmental accounting practice. Legitimacy can be considered as "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions" (Suchman, 1995, p. 574). This implies that there is a significant social impact on companies. If society feels that an organization has not yet followed its social contract, then the continuity of the organization will be threatened. Hence, legitimacy is considered to be a resource which an organization is dependent upon for survival (Dowling & Pfeffer, 1975). An organization has legitimacy, as Lindblom (1994, p.2) argued, when "an entity's value system is congruent with the value system of the larger social system of which the entity is a part". If society feels that an entity has breached its side of the social contract, then the entity's legitimacy is under threat. Information is a major element that can be employed by the organization to manage (or manipulate) the stakeholder in order to gain their support and approval or to distract their opposition or disapproval" (Gray et al., 1996). According to Dowling & Pfeffer (1975), there are three ways to improve or establish legitimacy: adjust its operations to societies norms and values, alter existing definitions in line with existing business operations or engage in communication to promote its public image with socially legitimate symbols, values, and institutions.

Stakeholder theory attempts to articulate a fundamental question in a systematic way: "which group share stakeholders deserving or requiring management attention, and which are not?" (Mitchell, Agle, & Wood, 1997 p. 855). It acknowledges the dynamic relationships between organizations and their various stakeholders and that these relationships require responsibility and accountability (Gray et al., 1996). Stakeholder analysis involves initially identifying organizational stakeholders that have some 'right' to information and ranking or prioritizing their interests (Gray, 2001). Political motivation is also important as argued by Miller (1994) who considers the basic interrelationship between political and economic forces in society. According

to the stakeholder view, an organization is morally accountable to all its stakeholders (Gray et al., 1996).

The legitimation and stakeholders theories, which are similar and derived from the broader political economy perspective, are commonly offered as explanations of motivations for social disclosures. Stakeholder theory offers an explanation of accountability to stakeholders. On the other hand, the legitimacy theory, advice that voluntary disclosures are part of a process of legitimacy. There is considerable overlap between these theories, as “insights provided by legitimacy theory and stakeholder theory” build upon those emanating from political economy theory, which “explicitly recognizes the power conflicts that exist within society and the various struggles that occur between groups within society” (Deegan, 2002). Even though they both focus attention on the nexus between the organization and its operating environment, there is also a clear distinction. Stakeholder theories distinguish itself by focusing on identifying expectations of the most powerful stakeholder groups in society where legitimacy theory focuses on expectations from society in general. So the stakeholder theory recognizes that different stakeholder groups have different perspectives on how a business should operate and therefore more ‘social contracts’ have to be negotiated than one for society in general (Swinkels, 2012).

Agency theory

Agency theory explains the relationship between the principal (stockholders) and agent (management). At least there are two main problems in the relationship, managerial compensation and asymmetry information (Jensen and Meckling, 1976). The first problem appears because management desires higher managerial compensation in the form of a bonus while stockholders want a higher dividend. To reduce the risk of opportunistic behavior by managers, companies give them profit sharing plans are generally which based on accounting indicators. This reasoning leads to the hypothesis of compensation that executives in firms with high capital dilution must focus on accounting methods that increase income (Watts & Zimmerman, 1978). Hence, sustainable disclosure could be used as a tool to mitigate the agency problem by monitoring, supervising, and reporting the firm’s short-term and long-term interests and goals (Ntim, Lindop, & Thomas, 2013).

Second agency problem about asymmetry information appears because management is an insider while stockholders are outsiders that only know about the company's financial condition from the financial reports prepared by management. Asymmetry information regarding the sustainable process that already done by a company can be reflected in the Global Reporting Initiative (GRI). In 1997 the Global Reporting Initiative (GRI) was established and

currently is the most-used sustainability report guideline, recognized, and used worldwide (Junior, Best, & Cotter, 2014). Corporate sustainability disclosure has been used as an influential outlet to communicate with different stakeholders. Sustainability disclosure conveys the organization's short-term and long-term vision and strategies to the stakeholders. Therefore, the organization's disclosure practices have a potential to create value for society (Bae, Masud, & Kim, 2018). By having this information, stockholders can be well informed about how the company has managed their investment in terms of producing products or servicing without destroying the environment. From the management point of view of a company, GRI can be used to know what activities that non-valuable and harmful to the environment and how to reduce such activities.

RESEARCH METHODOLOGY

Qualitative research methods

Research methods refer to several scientific procedures to obtain the answers to research questions (Adams and Schvanevelt, 1991). There are two methods, namely: quantitative and qualitative research method. Unlike the quantitative research method which focuses mainly on numbers, the qualitative research method focuses more on text than on numbers which allow the researcher to obtain a better understanding of people, behavior, and cultural phenomena (Schwandt, 2001). This research about sustainability based accounting curriculum uses the qualitative method, especially case studies as the research method. A case study is suitable to explore an empirical topic through a comprehensive and in-depth study (Scapens, 2004).

The case study in this research allows obtaining a better understanding of the needs for sustainability based accounting curriculum in Indonesian Higher Education, especially in Udayana University. This case study also can provide sufficient information about existing circumstances about the accounting curriculum and parts that should be improved.

Research location

The research was conducted at Udayana University, the biggest state university that located in Bali Province. Udayana has three campus areas, locate in Denpasar City and Badung Regency.

Data sources

Based on its source, this research uses both primary and secondary data. Primary data is in the form questionnaires results as well as interview results. Primary data is gathered from interview to key person(s) in Udayana University in Indonesia.

Secondary data is in the form of all relevant information about higher education in Indonesia as well as regulation on sustainable development. This data includes the regulation on sustainability reporting disclosure and the regulation of higher education.

Data collection method

Qualitative data collection methods can be done through some common methods such as the individual interview. This research uses qualitative data which is derived from the individual interview of the key person. The key person is the head of the accounting department of Udayana University. In addition, Indonesian students will be asked to fill in questionnaires. There are about 100 questionnaires will be distributed to students of Udayana University.

Data analysis technique

An interpretive approach can be used to gain an understanding of reasons, opinions, motivations, and problems of a dilemma. This approach aims to better understand a social phenomenon, which is socially created in a case-specific circumstance (Scapens, 1990). In addition, this interpretive approach can be used to know how the social contexts affect and are affected by the phenomenon (Walsham, 1995). Based on the reasons mentioned, this study uses an inductive model of explanation. Such a model allows understanding the deeper structure of a phenomenon through language, consciousness and shared meaning (Rowland, 2005).

This study analyzed data collected from interviews, questionnaires and documentation study in Udayana University. Hence, this study focuses on finding detailed information on the needs of sustainability based accounting curriculum in Udayana University as well as its opportunities and challenges.

RESULTS AND DISCUSSION

Sample description

Sample selection uses purposive sampling method. Respondents are students who have passed the fifth semester considering they have sufficient knowledge and will be able in providing sustainability report.

Respondents are described based on their subjects of concentration and based on sex. All respondents in this study (100 respondents) are students who have a bachelor education level. There are 91 students who have an accounting concentration (i.e. accounting department) or 91 percent. There are 9 students who have management concentration (i.e. management

department) or 9 percent. This description shows that the respondents in this study are dominated by students who have accounting concentration.

The number of male respondents is 32 students (or 32 percent) and female respondents are 68 students (or 68 percent). This shows that the respondents in this study are dominated by female respondents.

Related to the classification whether respondents have learned about sustainability, the numbers of respondents who have learned about sustainability subjects in the university are 36 students (36 percent). Respondents who never learn about material sustainability are 54 students (54 percent), while there are 10 students (10 percent) who do not remember that they have learned about sustainability subjects in the university. This reflects that most of the respondents never learn about sustainability subjects in classes.

Research instruments description

To describe the respondents' assessment of the questions in the study, it is necessary to determine the frequency distribution based on the value of the interval, to determine the value of the interval in question is done as follows.

$$\text{Interval} = \frac{\text{Highest Score} - \text{Lowest Score}}{\text{Number of Classes}} = \frac{5 - 1}{5} = 0.80$$

The highest score in this study is 5 and the lowest one is 1, as mentioned in the following measurement criteria.

Table 1 Research Score Measurement Criteria

No.	Measurement scale	Information
1	1.00 to 1.80	Not Very Good
2	1.81 to 2.60	Not good
3	2.61 to 3.40	Fair
4	3.41 to 4.20	Good
5	4.21 to 5.00	Very good

Analysis description

Based on the results of data tabulation of respondents' answers to the questions which were answered by 100 respondents, the analysis description can be seen in Table 2 and Table.

Table 2 Description of Respondents Answers

No.	Analysis Description	Mean	Category
1	Respondents' Answers about increasing knowledge, especially after receiving lessons	3.42	Good
2	Respondents' Answers about Sustainability Materials	3.50	Good
3	Total Average Score of Respondents' Answers Regarding Accounting Courses Which Focused On Sustainability Material	3.85	Good
4	Respondents' Answers about increasing knowledge as a result of studying the sustainability material that has been mentioned	3.39	Enough
5	Respondents' Answer Regarding the Teaching of Sustainability Subjects	3.59	Good
6	Respondents' Answer Regarding Accounting Courses that Focus On Sustainability Material	3,75	Good

This table shows that the means or average is the highest for accounting courses which focused on sustainability materials. This reflects that students consider this subject as important. However, the lowest score is related to the increasing knowledge. This implies that there is a need to improve the quality of sustainable materials in university.

Table 3 Description of Respondents Answers

No.	Question	Respondents' answer		
		Yes	No	Do not have to
1	Do you think accounting subjects which focuses on sustainability should be made compulsory for the graduation requirement?	35	30	35
2	Do you think accounting subjects which focus on sustainability should be a compulsory subject?	47	23	30

Table 3 indicates that most of the students agree to make these sustainable materials as compulsory subjects. This reflects that there is an increasing number of students who argue that passing the sustainability test is one process ahead.

CONCLUSIONS AND RECOMMENDATIONS

This study emphasizes that sustainability based accounting curriculum in Udayana University is a must towards a better understanding of students. Most of the students are aware that sustainability subjects are important for them. This complies with the needs of companies to produce a better quality of sustainability reporting. This reporting is considered as an important report to affect positively the added values of companies. Therefore, learning sustainability subjects in university is important to produce a proper sustainability reporting.

Despite the increasing importance of sustainability subjects, it has to be considered to improve the quality of such a learning process in the university. Otherwise, students will not be able to gain the fruitful of this subjects.

This study considers an urgent need that Udayana University, especially the accounting department, to include more sustainability subjects in its curriculum to produce a higher quality of graduate students. The chosen subjects should fit with the need of industries.

Given there is a limited number of studies in Indonesia that discussing this topic, it would be very interesting for the further study to conduct another study within the same area of research, look for insights into sustainability courses taught at other higher education institute that has been proven successful in sustainability accounting to understand where we're at on sustainability and hope the insights learned from another successful higher education institute can be applied to the introduction of sustainability accounting courses in other universities.

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