

Chapter II

LITERATURE REVIEW

2.1 Attribution Theory

Attribution Theory is a psychological framework that seeks to explain how individuals interpret and understand the causes of events and behaviors. Developed by Fritz Heider in the 1950s and later expanded by Bernard Weiner in the 1980s, this theory posits that people are motivated to make sense of their experiences by attributing causes to various outcomes. These attributions can significantly influence their emotions, motivations, and subsequent behaviors (Weiner, 1985).

Attribution Theory categorizes attributions along several dimensions, including locus of causality, stability, and controllability. The locus of causality refers to whether the cause of an event is perceived as internal (related to the individual's characteristics or efforts) or external (related to situational factors). For instance, in the context of financial reporting, if a regional government produces high-quality financial reports, stakeholders may attribute this success to the internal competencies of the staff involved, such as their expertise and diligence. Conversely, if the reports are of low quality, stakeholders might attribute this to external factors, such as inadequate accounting systems or insufficient technological support (Heider, 1958).

The stability dimension addresses whether the cause of an event is perceived as stable (consistent over time) or unstable (temporary). In financial reporting, stable attributions

might suggest that the quality of reports is consistently high due to a well-established Accounting Information System (AIS) or ongoing training programs for staff. In contrast, unstable attributions could imply that the quality of reports fluctuates based on temporary conditions, such as changes in personnel or specific project demands (Weiner, 1985).

Controllability is another critical aspect of Attribution Theory, which relates to the perceived ability of individuals or systems to influence outcomes. When stakeholders believe that the quality of financial reports is controllable, they are more likely to hold the responsible parties accountable for the results. For example, if a regional government consistently produces accurate and timely financial reports, stakeholders may attribute this success to the effective management of human resources and technology. Conversely, if reports are frequently inaccurate, stakeholders might attribute this to a lack of effort or competence among the staff, leading to calls for accountability and improvement (Weiner, 1985).

In the context of public sector financial management, Attribution Theory provides valuable insights into how stakeholders perceive the quality of Regional Government Financial Reports (LKPD). Understanding the attributions made by stakeholders can help identify areas for improvement and inform strategies to enhance the perceived quality of financial reports. For instance, if stakeholders attribute high-quality reports to the effectiveness of the AIS, regional governments may prioritize investments in technology and training to maintain and improve this perception (Karim & Lukum, 2024).

Attribution Theory offers a comprehensive framework for analyzing how stakeholders interpret the quality of financial reports in the public sector. By examining the dimensions of locus of causality, stability, and controllability, this theory provides a nuanced

understanding of the factors that influence perceptions of financial reporting quality. This understanding can guide public sector organizations in their efforts to improve financial management practices and enhance accountability (Anjani & Hapsari, 2024).

2.2 Accounting Information System

Accounting Information System (AIS) is a system for collecting and processing accounting data and converting such data into useful information for decision making in the entity such as a company or organisation. Hall (2003) defines an AIS as a structured system for collection, storage, management, and processing of financial data. Information supplied to this system will be of such nature as will enable the system to integrate relevant and timely information from a wide variety of sources to produce relevant insights without affecting the integrity of reporting. It has several components of various functions which include people processes, technology, and data all working in unison to support financial management and reportable financial functions within an organisation.

It forms the vital basis for organisations, especially the public sector, to collect and process financial data systematically and multiplying the data to generate relevant information guiding the decisions. In particular, Romney and Steinbart (2004) emphasise that the AIS is specifically developed with a view to collecting, recording, storing and analysing financial information, such that the information that is produced is both pertinent and credible for making appropriate decisions. This system entails both the technical parts (software and hardware), and non-technical aspects (operational procedures as well as human resource management).

In the world of regional government, the AIS has become the Sistem Informasi Keuangan Daerah or SIKD, prescribed by Government Regulation No. 56 of 2005. The SIKD intends to systematically document, manage, and present the regional financial data in a transparent, accountable and in compliance with the existing standards of government accounting. According to Romney and Steinbart (2004), the AIS comprises six fundamental components:

1. People: Users such as accounting personnel, managers, and auditors who interact with the system.
2. Procedures and Instructions: Guidelines and protocols for the collection, processing, and storage of financial data.
3. Data: Financial information obtained from various organizational transactions.
4. Software: Applications utilized to process and analyze financial data.
5. Hardware: Technological infrastructure, including computers, servers, and network systems that support the AIS.
6. Internal Controls and Security Measures: Safeguards implemented to ensure the accuracy and integrity of the data processed by the system.

An effective AIS can make dramatic improvements in an organization's performance by processing transactional data more quickly and accurately, better aligned with managerial

needs, according to Hall (2007). This ability improves financial reporting quality, an important indicator of how well entrepreneurs perform financially and how decisions are made based on that performance. Through its integration of advanced technologies and best practices in data management, the regional government is able to optimize its financial operations and improve allocation as well as provide better service to the community.

The primary objectives of the AIS in regional government include:

- **Enhancing Financial Management Efficiency:** The AIS automates life cycles for recording and reporting, thereby decreasing the time and effort that's needed to perform financial management tasks.
- **Providing Reliable and Accurate Information:** The accuracy and trustworthiness of information used in budgeting and financial planning is guaranteed thus making informed decisions.
- **Ensuring Compliance with Government Accounting Standards (SAP):** The AIS is related to the commercial burden of complying with established setting of account and standards to guarantee that the practices of the financial in the part of regional governments agree with the rigorousness of the regulation.
- **Promoting Transparency and Accountability:** The AIS facilitates clear and easily accessible financial reporting of regional governments to their stakeholders and the public and thus enhances the accountability of regional governments.

The accounting information system has several important elements that are a measure for accounting officers who operate their duties. Setyowati, Isthika, & Prativi (2016) reveal that there are elements, among others:

1. Grouping
2. Classifying
3. Recording

2.3 Information Technology

Information Technology (IT) encompasses a wide range of tools and systems essential for the management, processing, and dissemination of information within organizations. It includes the use of networks, hardware, software, and computer systems to collect and process data, thereby facilitating informed decision-making, effective communication, and efficient management. According to Stair and Reynolds (2013), IT involves all aspects of technology that capitalize on, store, or process information, including software applications, network infrastructure, and database systems.

In the context of local government financial management, IT plays a crucial role by providing software applications for accounting, databases for data storage, and communication technologies that enable information sharing across departments. The effective utilization of IT can significantly enhance the quality of financial reports produced by governmental entities, such as the Central Sulawesi provincial government. Bawono et al. (2021) assert that leveraging technology can improve data accuracy, enhance processing

speed, and expand analytical capabilities. Automated accounting systems, for instance, reduce the likelihood of human error in manual data entry while ensuring that the resultant data is both timely and reliable.

Moreover, IT facilitates communication and collaboration among various departments within the provincial government, which is vital for integrated financial management. The coherent flow of information is essential for targeted reporting, and enhanced analytical tools provided by IT empower financial analysts to utilize data effectively for comprehensive evaluations. This, in turn, aids in minimizing discrepancies and improves accuracy in the strategic decision-making process.

The application of IT in financial management systems also equips local governments to respond swiftly to evolving regulatory demands. Automated systems can be updated to reflect new accounting standards or regulations, ensuring ongoing compliance and mitigating the risk of financial misreporting.

Information technology can be defined as the technology used for processing data, which includes acquiring, organizing, storing, and manipulating data in various ways to produce high-quality information. According to Wilkinson et al. (2000), information technology encompasses computers (mainframe, mini, micro), software, databases, networks (internet, intranet), electronic commerce, and other related technologies. The use of information technology can lead to improvements in several areas:

1. Faster processing of transactions and other data.

2. Greater accuracy in calculations and comparisons.
3. Lower costs are associated with processing each transaction.
4. More timely preparation of reports and other outputs.
5. More compact data storage with higher accessibility when needed.
6. A wider variety of data input options and output provision.
7. Increase productivity for employees and managers who learn to use computers effectively in their routine responsibilities and decision-making.

In this research, the influence of information technology will be assessed through specific indicators:

1. Equipment: This indicator reflects the completeness of resources that support the implementation of information systems, including hardware (computers), software, and network systems.
2. Financial Data Management: This indicator describes the systematic and comprehensive use of information systems for managing financial data.
3. Maintenance: This indicator reflects the existence of a regular maintenance schedule for information system equipment to ensure smooth operation.

2.4 Human Resource Competency

Competence is to do with an individual's ability to apply and show skills correctly. Human Resources is a competency that converts various education degrees, training and sufficient experience to achieve assigned tasks. Human resource competence is the ability of

human resources to carry out the duties and responsibilities assigned to them with adequate education, training and experience (Syariah et al., 2024). In addition to being relied upon for the recording and preparation of financial reports, accounting is also required to determine appropriate accounting treatments for the transactions and to design and analyse the appropriate processes.

System utilization of AIS and IT is only effective if these systems are managed and operated by skilled people. Though Ikriyati & Aprila (2019) explain that there needs to be continuous training and professional development to ensure employees become skilled when it comes to leveraging technology for work. Therefore, local governments should prioritise training staff members to be able to effectively use AIS and IT solutions.

A successful system of an AIS and IT is not only in the technology but the competency in managing and operating such systems contained in human resources. According to Spencer and Spencer (1993), The Elements of Human Resources Competence:

- Knowledge: Staff working with AIS requires a deep knowledge of government accounting standards, regulations and principles of financial management. One more important aspect is that you have to know IT systems to use the technology efficiently.
- Skills: Accounting software mainly needs technical skills such as using the software, analysing various data, and producing the financial reports. When something goes haywire, staff have to be able to troubleshoot and take care of the system.

- Attitude: the implementation and operation of AIS depends on professionalism, integrity and accountability attitudes. To fulfil public accountability expectations, staff needs to be committed to transparent, accurate reporting.

The quality of financial reports is dependent on the competence of staff. The accuracy and reliability of financial information play an important role in effective decision making and governance; it's largely determined by the competence of employees (Anjani & Hapsari, 2024). This should lead to better quality of financial reports since properly trained staff are less likely to make errors in the financial data processing (Rizki Karim & Lukum, 2024). The reduction of these errors not only adds credibility of the reports, but also creates trust between stakeholders (Irmawati Hamruna et al., 2022). Moreover, in keeping with government accounting standards, skilled personnel are more competent to ensure the local government can comply with the legal and regulatory requirements (Mamahit et al., 2017). It ensures this risk of legal penalties; facilitates the emergence of a culture of financial ethics.

At the same time, competent staff works more efficiently with Accounting Information Systems (AIS) and other IT systems. This proficiency of theirs allows them to use these tools efficiently, thus minimising the delays of financial reporting and enhancing their decision making process (Yuniar et al., 2023). They help the organisation by helping make timely informed decisions that impact the organisation as a whole. Improving financial reporting outcomes requires investment in staff development as proven by the fact that these results are directly correlated to error reduction, compliance assurance, and operational efficiency (Idward, 2017).

2.5 Quality of Regional Government Financial Reports

According to Government Regulation No. 8 of 2006, the financial report is a form of accountability for state / regional financial management during a period. Financial reports provide corporate data for a certain accounting period. They monitor national and regional public financial management and ensure accountability. “Government Regulation (PP) No. 71 of 2010 in Government Accounting Standards (SAP)” states that these standards are normative criteria for presenting accounting information to achieve its purpose. High quality information on local government financial reports is required to ensure that its information is produced. The quality of these regional financial reports is crucial because they describe how far the reports fulfil the accepted standards and how much they should enable the report users to make decisions accurately. According to “Government Regulation No. 71 of 2010 on Government Accounting Standards (SAP)”, the quality of regional financial reports must meet several key characteristics:

- Relevance

Financial reports are relevant if the information included in them contributes significantly in the making of a decision, enabling users of the financial reports to evaluate in the past what took place, present it and anticipate the future. This information makes the decisions made even better, as it is relevant. For this, financial reports must be quick, comprehensive so as to include all the relevant information that may make an impact on the decision while noting its limitations. This thoroughness assures the user of the data she needs

to make sound choices; this helps in better governance and accountability in financial management.

- Reliability

A most important characteristic of information contained in financial reports is reliability so that it is immune from errors material or misstatements. If any of the data offered cannot be verified or isn't clear then it doesn't help users put their trust in these reports. Therefore, to keep financial reports objective and truthful, transactions and events ought to be presented; in an objective and truthful manner. Relevant information aids in decision making, but not so much as long as the information is reliable in terms of the additive essence or presentation. Consequently, the manner in which financial reports are relevant and reliable is fundamental to build confidence and accountability in financial management.

- Comparability

When information in financial reports can be compared to the previous period's reports, or with reports of other entities, the reports become more useful. Such comparison is very important for identifying major trends or changes in financial management practises. This comparative analysis can be done internally and externally. If an entity or organisation applies consistent accounting policies, internal comparisons are possible. Furthermore, if a government entity decides to change to more accurate accounting policies in a period, these changes need to be announced in the period they take place. Comparable Financial Reports

allow users to analyse and compare financial data quickly and effectively, and are used to facilitate motivated decision making on the basis of their depth of insights.

- Understandability

The financial reports information has to be presented clearly and easily understood, adjusted to the knowledge level of the users, in order to be understandable. Effective structure of regional financial reports should use terminology accessible to people who have a sufficient background. The usefulness of reports declines when they are complex or too vague of those who are reliant on them to make decisions. Consequently, clarity in presentation should be ensured as it will significantly contribute in making financial reporting more effective, hence, this information can be used by users in making meaning out of the information given.

High quality information in financial reports helps increase users confidence in decision making because the information is based on well prepared data and is transparently approved and audited. In short, reliable and accountable financial information helps users understand that they are making informed choices based on well sourced and verified information. This type of information is a prerequisite for the development of trust and the achievement of efficient handling of financial affairs, leading to more satisfactory governance and a more efficient choice making.

2.6 Previous Research

No.	Journal Article Title	Researcher	Variable	Result
1.	“Penerapan Sistem Informasi Akuntansi Pemerintah Daerah, Pemanfaatan Teknologi Informasi, Kompetensi Sumber Daya Manusia, dan Sistem Pengendalian Internal Terhadap Kualitas Laporan Keuangan Pemerintah Provinsi Daerah Istimewa Yogyakarta”	Linawati Sarino (2021)	Independent variables: - Accounting Information System - Utilization of Information Technology - Human Resource Competency - Internal Control System Dependent variable: - Quality of Regional Government Financial Reports.	- The implementation of accounting information systems influences the quality of regional financial reports. - Utilization technology information influences the quality of regional financial reports. - Human Resources Competency influence on the quality of regional financial reports. - The Internal Control System influences the quality of regional financial reports.

2.	“Pengaruh Penerapan Sistem Informasi Pengelolaan Keuangan daerah, Pemanfaatan teknologi Dan Pengendalian Internal Terhadap Kualitas Laporan Keuangan Pemerintah Daerah”	Yulis Widayanti (2019)	Independent Variables: ● Regional financial management information system ● Utilization of technology ● Internal control Dependent Variable: ● Quality of regional government financial reports at the Food Security Service of Tulungagung Regency	- The study found that a regional financial management information system improves Food Security Service financial reporting. - This study shows that technology use improves regional government financial reporting at the Food Security Service. - The research shows that Food Security Service internal control considerably affects regional government financial reporting. - This study found that the regional financial management information system, technology use, and internal control improve the Food Security Service of Tulungagung Regency's financial reports.
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3.	“Pengaruh Pemahaman Akuntansi, Pemanfaatan Sistem Informasi Akuntansi dan Sistem Pengendalian Intern Terhadap Kualitas Laporan Keuangan”	Nih Luh Wayan Tiya Lestari, dkk. (2020)	Independent Variables: • Understanding of accounting • Utilization of accounting information systems • Internal control systems Dependent Variable: • Quality of financial reports	Quality financial reports boost the benefits of Accounting Information, Accounting Systems, and Internal Control Systems.
4.	“Analisis Faktor-Faktor Yang Mempengaruhi Kualitas Laporan Keuangan Pemerintah Daerah(Studi pada Organisasi Perangkat Daerah Kabupaten Wonogiri)”	Dinda Ayu Puspitasari (2023)	Independent Variable: • Human Resources Capacity • Implementation of Government Accounting Standards • Utilization of Information	• Quality of regional government financial reports is affected positively by human resource capacity. • Government accounting rules affect regional

			Technology • Internal Control Systems • Government Financial Supervision Dependent Variable: • Quality of Regional Government Financial Reports.	government financial reporting both positively and negatively. • Information technology improves regional government financial reporting. • The quality of regional government financial reports is positively affected by internal control system. • The study found that government financial monitoring has improved regional government financial
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				reporting, which is good.
5.	“Pengaruh Kapasitas Sumber Daya Manusia, Pemanfaatan Teknologi Informasi dan Penerapan Sistem Akuntansi Keuangan Daerah terhadap Kualitas Laporan Keuangan Daerah (Pada SKPD Kabupaten Minahasa Selatan)”	Fernando Andreas Mamahit, Jullie Sondakh, Ventje Ilat (2017)	Independent Variables: • Utilization of Information Technology • Competency of Human Resources (HR) • Implementation of the Regional Financial Accounting System Dependent Variable: • Quality of Regional Government Financial Report Information	• Human resource capabilities improved regional financial reporting significantly. • Regional financial reporting is greatly improved by information technology. • Regional financial accounting methods improve financial report quality significantly.

2.7 Hypothesis Development

2.7.1 The Influence of the Implementation of the Accounting Information System on the Quality of Regional Government Financial Reports

When regional financial reports are perceived as high quality, stakeholders (e.g., the public, central government, auditors) are likely to attribute this positive outcome, in part, to the effectiveness and robustness of the underlying Accounting Information System. An effective AIS, which ensures accurate data collection, processing, and reporting, provides a clear external, stable, and controllable cause for high-quality financial reports. If the AIS is seen as well-implemented and consistently producing reliable data, it fosters an attribution that the quality is due to a sound system, rather than random chance or individual effort alone. Conversely, if reports are poor, the blame might be attributed to a flawed or poorly implemented AIS (an external, stable, and potentially controllable cause).

Ha1 : The implementation of Accounting Information Systems (AIS) enhances the quality of financial reports in regional governments.

2.7.2 The Influence of Information Technology on the Quality of Regional Government Financial Reports

The utilization of advanced Information Technology in financial reporting can lead to attributions to the efficiency and reliability of the process. When IT facilitates faster data processing, reduces errors, and enhances analytical capabilities, stakeholders are likely to attribute the improved quality of financial reports to the technological infrastructure. This

represents an external, stable, and controllable attribution. For instance, if a regional government consistently produces timely and accurate reports, the public might attribute this to their investment in modern IT systems. If there are delays or inaccuracies, the attribution might be to outdated or insufficient IT (an external, stable, and controllable cause).

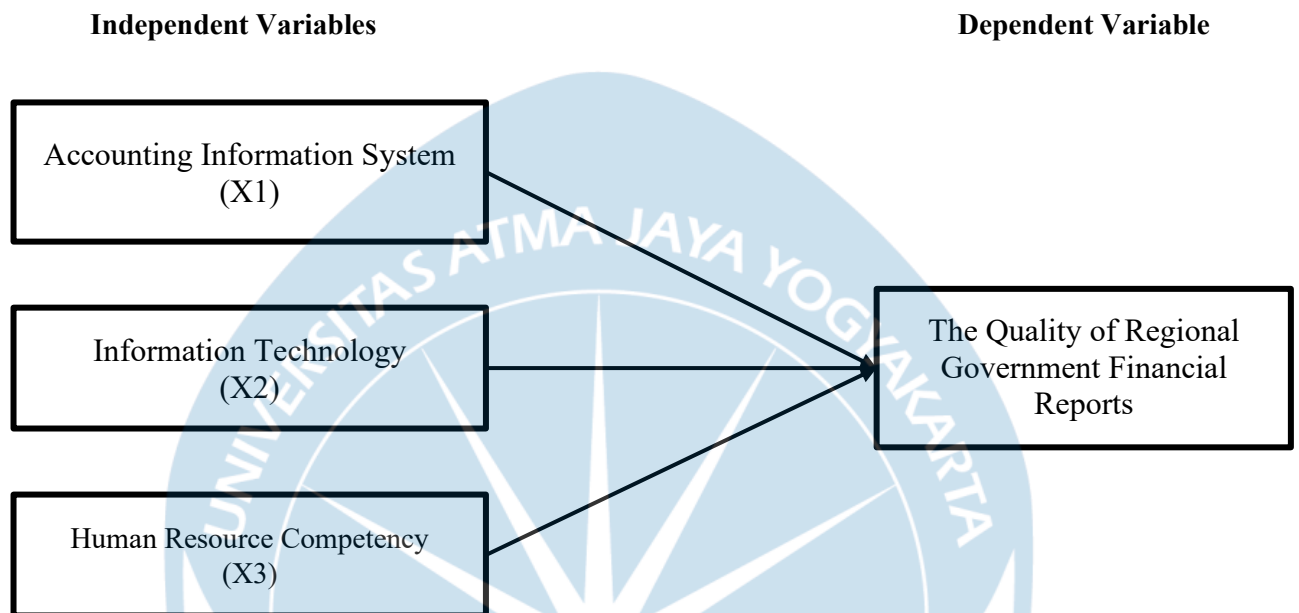
Ha2 : The use of more advanced information technology positively influences the quality of regional government financial reports.

2.7.3 The Influence of Human Resource Competence on the Quality of Regional Government Financial Reports

Human Resource Competency is a crucial factor that directly relates to internal attributions. When financial reports are of high quality, stakeholders are likely to attribute this success to the internal, stable, and controllable attributes of the human resources involved – specifically, their knowledge, skills, and diligent attitude. Competent employees are perceived as capable of understanding complex accounting standards, effectively utilizing AIS and IT, and exercising professional judgment. This leads to positive attributes to the capabilities of the personnel. Conversely, if financial reports are flawed, the attribution might be directed towards a lack of HR competency (an internal, stable, and controllable cause), such as insufficient training, lack of understanding, or negligence.

Ha3: Enhanced human resource competency favourably influences the quality of financial reporting in regional governments.

2.8 Conceptual Framework



Source: Processed by the researcher based on previous research, 2017