



Website:  
[ejournal.umm.ac.id/index.php/jrak](http://ejournal.umm.ac.id/index.php/jrak)

\*Correspondence:  
[cahyodwim@student.ub.ac.id](mailto:cahyodwim@student.ub.ac.id)

DOI: [10.22219/jrak.v14i1.32637](https://doi.org/10.22219/jrak.v14i1.32637)

**Citation:**  
Mulyantoro, C, D., Nurkholis.,  
Atmini, S. (2024). Enhancing  
Financial Statement Quality: The  
Moderating Role Of Coercive  
Pressure In Government Entities.  
Jurnal Reviu Akuntansi Dan  
Keuangan, 14(1), 69-85.

**Article Process  
Submitted:**  
March 7, 2024

**Reviewed:**  
March 15, 2024

**Revised:**  
March 26, 2024

**Accepted:**  
April 27, 2024

**Published:**  
April 30, 2024

Office:  
Department of Accounting  
University of  
Muhammadiyah Malang  
GKB 2 Floor 3.  
Jalan Raya Tlogomas 246,  
Malang, East Java,  
Indonesia

P-ISSN: 2615-2223  
E-ISSN: 2088-0685

Article Type: Research Paper

## ENHANCING FINANCIAL STATEMENT QUALITY: THE MODERATING ROLE OF COERCIVE PRESSURE IN GOVERNMENT ENTITIES

Cahyo Dwi Mulyantoro<sup>1\*</sup>, Nurkholis<sup>2</sup>, Sari Atmini<sup>3</sup>

**Affiliation:**

<sup>1,2,3</sup>Faculty of Economics and Business, University of  
Brawijaya, Malang, Indonesia

### ABSTRACT

**Purpose:** *This study aims to examine the effect of human resource competence, accounting information system quality, and internal control systems on the financial statement quality of central government accounting entities, with coercive pressure as a moderating variable.*

**Methodology/approach:** *Primary data was collected from 118 central government work units through questionnaire distribution. The data was analyzed using the Partial Least Square (PLS) statistical technique to examine the relationships between variables.*

**Findings:** *Human resource competence, accounting information system quality, and internal control systems are proven to be factors that can affect financial statement quality. Coercive pressure can strengthen the effect of accounting information system quality on financial statement quality, but it cannot strengthen or weaken the effect of human resource competence and internal control systems.*

**Practical implications:** *Enhancing the competence of financial statement preparers, utilizing accounting information systems, and implementing effective internal control systems should be encouraged to improve the quality of central government financial statements. Coercive pressure must be responded to properly by utilizing the advantages of accounting information systems.*

**Originality/value:** *The examination of coercive pressure in moderating the factors affecting the financial statement quality is the novelty of this study.*

**KEYWORDS:** *Central Government; Coercive Pressure; Financial Statement Quality.*

### **ABSTRAK**

**Tujuan penelitian:** Penelitian ini bertujuan untuk menguji pengaruh kompetensi sumber daya manusia, kualitas sistem informasi akuntansi, dan sistem pengendalian internal terhadap kualitas laporan keuangan entitas akuntansi pemerintah pusat dengan tekanan koersif sebagai variabel moderasi.

**Metode/pendekatan:** Data primer dikumpulkan dari 118 satuan kerja pemerintah pusat melalui penyebaran kuesioner. Data dianalisis menggunakan teknik statistika Partial Least Square (PLS) untuk menguji hubungan antarvariabel.

**Hasil:** Kompetensi sumber daya manusia, kualitas sistem informasi akuntansi, dan sistem pengendalian internal terbukti menjadi faktor yang dapat memengaruhi kualitas laporan keuangan. Tekanan koersif mampu memperkuat pengaruh kualitas sistem informasi akuntansi terhadap kualitas laporan keuangan, namun tidak mampu memperkuat maupun memperlemah pengaruh dari kompetensi sumber daya manusia dan sistem pengendalian internal.

**Implikasi praktik:** Peningkatan kompetensi pegawai penyusun laporan keuangan, pemanfaatan sistem informasi akuntansi, dan penerapan sistem pengendalian internal yang efektif harus didorong untuk meningkatkan kualitas laporan keuangan pemerintah pusat. Tekanan koersif harus direspon dengan baik dengan memanfaatkan keunggulan sistem informasi akuntansi.

**Orisinalitas/kebaharuan:** Pengujian tekanan koersif dalam memoderasi faktor-faktor yang memengaruhi kualitas laporan keuangan merupakan *novelty* dari penelitian ini.

**KATA KUNCI:** Kualitas Laporan Keuangan; Pemerintah Pusat; Tekanan Koersif.

## INTRODUCTION

71

Financial statements offer valuable financial data about the reporting entity that is useful for stakeholders to make economic decisions ([Deegan, 2023](#)). In public sector organizations, particularly in government, decisions made involve not only economic decisions but also social and political decisions. Therefore, financial statements prepared by the government must be of high quality to avoid misleading their users.

The Central Government Financial Statements (LKPP) are prepared by the central government in Indonesia to demonstrate accountability for managing state finances. To ensure the financial statement quality prepared, LKPP is audited by an independent audit institution (BPK). The audit findings of LKPP for the Year 2022 revealed several issues regarding revenue management, expenditure accountability, and asset management ([BPK, 2023](#)). The details of the audit findings include non-tax revenue totaling IDR2,38 trillion, non-tax receivables totaling IDR727,11 billion, expenditures totaling IDR16,39 trillion, fixed assets totaling IDR36,53 trillion, inventory totaling IDR11,58 trillion, other assets totaling IDR2,36 trillion, and cash and accounts totaling IDR61,94 billion ([BPK, 2023](#)). These audit findings suggest that the financial statements prepared by the central government are not yet fully of high quality.

To be considered of high quality, government financial statements must meet qualitative characteristics outlined in Government Accounting Standards: relevant, reliable, comparable, and understandable ([Indonesia, 2010](#)). These characteristics must be met at every level of financial statement preparation, even within the smallest accounting entities in the central government. Each financial transaction originates from an accounting entity. Thus, the accuracy of information in the LKPP as consolidated reports is determined by the quality of the financial statements prepared by these accounting entities. The question is, what factors can influence the quality of financial statements of central government accounting entities? This question needs to be answered to enhance the quality of LKPP.

Previous studies have examined various factors that are suspected to influence the quality of financial statements. Research by [Jatmiko et al. \(2020\)](#) on local governments and [Puspahani et al. \(2022\)](#) on universities in Indonesia found that human resource competence is a determining factor in financial statement quality. Human resources are the main input of an organization ([Lee, 2023](#)). [Jatmiko et al. \(2020\)](#) and [Puspahani et al. \(2022\)](#) stated that competent employees can prepare financial statements free from material errors and misleading information, thus enhancing financial statement quality. The study by [Abdulai et al. \(2021\)](#) at universities in Ghana found that competent employees ensure compliance with financial reporting regulations, resulting in high-quality financial statements. Consistent with these findings, research by [Anggadini et al. \(2023\)](#) found that competent employees know and understand what needs to be done, enabling financial statements to be presented on time, thereby enhancing financial statement quality.

Previous studies have also examined whether accounting information system quality is a determining factor in financial statement quality. Accounting information systems are important to organizational success, enabling integration, coordination, and control of business activities ([Nurhayati et al., 2023](#)). Research by [Anggadini et al. \(2023\)](#) and [Yuesti et al. \(2022\)](#) on local governments in Indonesia have shown that using accounting information systems can enhance financial statement quality. The study by [Abdulai et al. \(2021\)](#) found that computerized accounting systems can produce high-quality financial statements with accurate data. Similar results were also obtained by [Puspahani et al. \(2022\)](#), who found that accounting information systems facilitate employees in preparing quality financial statements.

Another factor that has been examined for its influence on financial statement quality is the internal control system. An effective internal control system minimizes fraud and errors, thereby improving financial statement quality ([Pham et al., 2022](#)). Previous studies on local governments in Indonesia have proven that internal control systems may improve financial statement quality ([Anto & Yusran, 2023](#); [Jatmiko et al., 2020](#); [Mutoharoh & Ifada, 2023](#)). [Mutoharoh and Ifada \(2023\)](#) stated that internal control systems can improve financial statement quality by providing early warnings of potential budget misuse. Studies by [Pham et al. \(2022\)](#) and [Puspahani et al. \(2022\)](#) found that internal control systems can enhance the quality of financial statements by minimizing fraud. The study by [Hammood and Dammak \(2023\)](#) on commercial banks in Iraq also found that the internal control system can enhance financial statement quality.

The stewardship theory suggests that individual motivation comes from the need for achievement, intrinsic satisfaction in completing tasks, fulfillment of responsibilities and authority, and recognition from superiors and colleagues ([Donaldson & Davis, 1991](#)). Individuals identify themselves with the organization, thus continuously striving to achieve organizational goals and prioritizing organizational interests over personal ones ([Davis et al., 1997](#)). Ensuring the production of high-quality financial statements is among the goals that organizations need to accomplish. Based on the stewardship theory, employees involved in financial statement preparation will endeavor to achieve this goal by maximizing the resources and tools available to the organization. Employees (stewards) who are motivated by organizational interests will maximize their potential, utilize quality information systems, and implement effective control systems to produce quality financial statements.

However, previous studies indicate inconsistencies in the relationship between human resource competence, accounting information system quality, and internal control systems concerning financial statement quality. Studies by [Anto and Yusran \(2023\)](#) on local governments and [Indahwati et al. \(2023\)](#) on Village-Owned Enterprises in Indonesia found that human resource competence did not enhance financial statement quality due to the lack of employees with accounting education backgrounds. Studies by [Pangaribuan et al. \(2023\)](#) on the National Research and Innovation Agency and [Jatmiko et al. \(2020\)](#) on local governments in Indonesia found that accounting information systems did not improve financial statement quality due to suboptimal technology usage and utilization. Studies by [Murwaningsari and Pakpahan \(2023\)](#) on local governments and [Christinawati and Setiyawati \(2022\)](#) on national private commercial banks in Indonesia also found that internal control systems could not enhance financial statement quality due to weak supervision and continuous evaluation. The inconsistency of the research findings above indicates the presence of additional factors believed to influence the relationship between variables.

Government organizations often emphasize compliance with regulations to ensure that state finances are managed well and responsibly, as expected by stakeholders. According to institutional theory, organizations pursue legitimacy by conforming to the isomorphic pressures in their environment to align with stakeholder's expectations ([Ashworth et al., 2007](#)). Neo-institutional sociology (NIS), as clarified by [DiMaggio and Powell \(1983\)](#), explains that changes in organizational structure are not solely driven by competition to achieve efficiency, but some processes make organizations similar or homogeneous, called isomorphism. There are three types of isomorphism. Coercive isomorphism occurs due to pressure from external parties, mimetic isomorphism due to uncertainty conditions causing organizations to mimic other organizations, and normative isomorphism due to the influence of professional communities ([Ashworth et al., 2007](#)). Coercive isomorphism emerges from formal and informal pressures exerted by other organizations or societal cultural norms

(DiMaggio & Powell, 1983). In the context of government organizations, coercive pressure tends to emerge due to pressure from regulations, organizations with higher authority, and criticism from society.

The study by [Jatmiko and Setiawan \(2020\)](#) on local governments in Indonesia shows that external pressure can enhance the transparency of financial reporting. Similar research findings have also been found in other countries. Studies by [Iredele et al. \(2020\)](#) in South Africa and [Nguyen \(2022\)](#) in Vietnam found that coercive pressure is the main determinant in implementing environmental management accounting in the researched companies. The study by [Pertiwi et al. \(2022\)](#) on companies in Indonesia found that coercive isomorphism plays a role in enhancing the adoption of sustainability embeddedness in integrated reporting. Additionally, the study by [Sappor et al. \(2023\)](#) on SMEs in the northern sector of Ghana found that coercive isomorphism can influence the adoption of IFRS. The findings of these previous studies indicate that coercive pressure can act as a driver for the presentation of quality financial statements.

Moderation models can be applied when there is an inconsistent relationship between the independent and dependent variables ([Baron & Kenny, 1986](#)). Based on the theory and previous research, it is reasonable to suspect that coercive pressure can be a moderating variable that may influence the relationship between human resource competence, accounting information system quality, and internal control systems on financial statement quality. This study aims to address this research gap by re-examining the effects of human resource competence, accounting information system quality, and internal control systems on financial statement quality in central government accounting entities. As a novelty, this study also examines whether coercive pressure can influence the relationships between these variables.

Human resource competence refers to the knowledge, skills, and attitudes employees possess to carry out their tasks or jobs in a manner that supports the organization's goals. Employees with basic accounting knowledge, accounting skills, and supportive attitudes toward task completion are required to present quality financial statements. Employee competence can only be fully utilized if employees are in the right positions ([Lee, 2023](#)). Competent employees can ensure compliance with financial reporting regulations, thus producing quality financial statements ([Abdulai et al., 2021](#)). The stewardship theory suggests that individual motivation comes from the need for achievement, intrinsic satisfaction, and fulfilling responsibilities, thereby prioritizing organizational interests over personal ones. Employees (stewards) motivated by organizational interests will maximize their competence to generate high-quality financial statements. That motivation is the key to directing employee competence toward enhancing financial statement quality. Research by [Abdulai et al. \(2021\)](#), [Anggadini et al. \(2023\)](#), [Jatmiko et al. \(2020\)](#), and [Puspahani et al. \(2022\)](#) have proven that human resource competence has a positive effect on the financial statement quality. Based on this explanation, the first hypothesis is formulated as follows:

**H<sub>1</sub>: Human resource competence has a positive effect on financial statement quality.**

A quality accounting information system has criteria that are accurate and meet standards, reliable, relevant and up to date, inclusive, and useful for stakeholders ([Nurhayati et al., 2023](#)). Computerized accounting systems can generate accurate financial information ([Abdulai et al., 2021](#)). The accounting information system presently utilized by the central government is known as the SAKTI System. This system integrates the state budget's planning, implementation, and accountability processes. Integrated accounting information systems enable the presentation of real-time information, which stakeholders can monitor. The

stewardship theory suggests that individual motivation comes from the need for achievement, intrinsic satisfaction, and fulfilling responsibilities, thus placing organizational concerns above personal ones. Employees (stewards) motivated by organizational interests will utilize high-quality accounting information systems to enhance the financial statement quality produced. Accounting information systems assist stewards in enhancing the accuracy and reliability of the financial statement information presented. Research by [Abdulai et al. \(2021\)](#), [Anggadini et al. \(2023\)](#), [Puspahani et al. \(2022\)](#), and [Yuesti et al. \(2022\)](#) have proven that accounting information systems has a positive effect on the financial statement quality. Based on this explanation, the second hypothesis is formulated as follows:

**H<sub>2</sub>: Accounting information system quality has a positive effect on financial statement quality.**

The internal control system is a crucial process aimed at obtaining sufficient assurance regarding attaining organizational objectives through the effective and efficient execution of activities, trustworthy financial reporting, protection of state assets, and adherence to regulations ([Indonesia, 2008](#)). Implementing internal control systems can prevent losses and realize accountability, efficiency, and effectiveness in financial management ([Anto & Yusran, 2023](#)). The internal control system is the primary defense against financial statement fraud ([Hammood & Dammak, 2023](#)). The stewardship theory suggests that individual motivation comes from the need for achievement, intrinsic satisfaction, and fulfilling responsibilities, thereby prioritizing organizational interests over personal ones. Employees (stewards) motivated by organizational interests will implement the internal control system effectively to ensure financial statement quality. Internal control systems assist stewards in ensuring accountability in financial management and reporting. The internal control system has check and balance mechanisms and a series of procedures to ensure that each transaction has been authorized, thus ensuring that the information presented in the financial statements is free from material misstatement. Research by [Anto and Yusran \(2023\)](#), [Hammood and Dammak \(2023\)](#), [Jatmiko et al. \(2020\)](#), [Mutoharoh and Ifada \(2023\)](#), [Pham et al. \(2022\)](#), and [Puspahani et al. \(2022\)](#) have proven that internal control systems have a positive effect on the quality of financial reports. Based on this explanation, the third hypothesis is formulated as follows:

**H<sub>3</sub>: Internal control system has a positive effect on financial statement quality.**

Coercive pressure comes from external organizations with the authority to force an organization to adopt specific practices ([Sappor et al., 2023](#)). This pressure can reflect enforcement aspects within an institution ([Nguyen, 2022](#)). According to institutional theory, organizations pursue legitimacy by conforming to the isomorphic pressures in their environment to align with stakeholder's expectations ([Ashworth et al., 2007](#)). Coercive pressure will force an organization to meet the demands of stakeholders in presenting quality financial statements. All efforts are made to improve the quality of the financial statement. Organizational employees will be further motivated to maximize their competencies, optimize the utilization of quality accounting information systems, and implement effective internal control systems to produce quality financial statements. Research by [Jatmiko and Setiawan \(2020\)](#) provides empirical evidence that external pressure has a positive effect on transparency in financial reporting. Studies by [Iredele et al. \(2020\)](#) and [Nguyen \(2022\)](#) prove that coercive pressure positively affects the implementation of environmental management accounting. The study by [Pertwi et al. \(2022\)](#) provides evidence that coercive isomorphism positively influences the adoption of sustainability embeddedness in integrated reporting. Additionally, research by [Sappor et al. \(2023\)](#) proves that coercive isomorphism has a positive

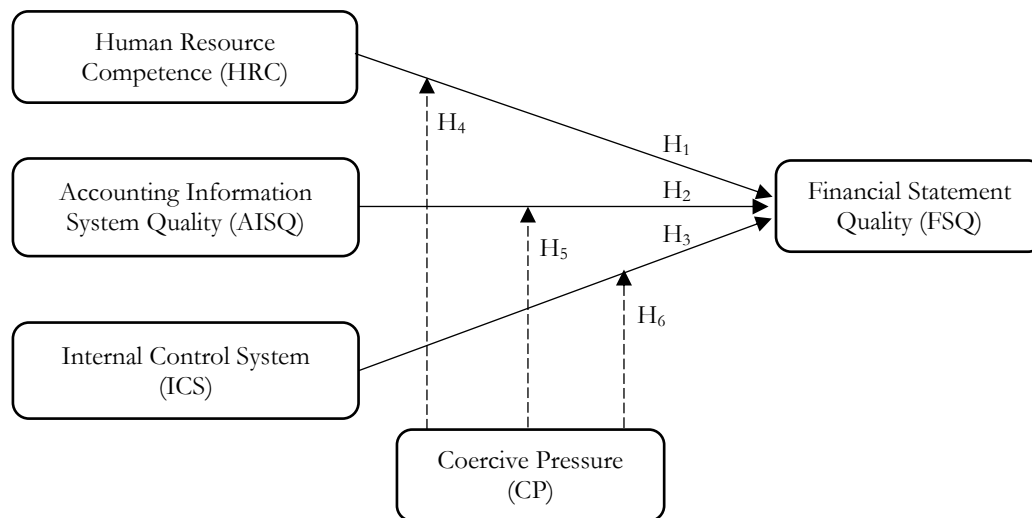
effect on the adoption of the IFRS for SMEs. Based on this argument, three moderation hypotheses are formulated as follows:

75

**H<sub>4</sub>: Coercive pressure strengthens the effect of human resource competence on financial statement quality.**

**H<sub>5</sub>: Coercive pressure strengthens the effect of accounting information system quality on the financial statement quality.**

**H<sub>6</sub>: Coercive pressure strengthens the effect of internal control systems on financial statement quality.**



**Figure 1.**  
Hypothesis Development Framework

## METHOD

This research is a quantitative study using primary data processing. The population in this study consists of 165 central government accounting entities or work units from Ministries/Institutions located in Batu City, Malang City, Pasuruan City, Malang Regency, and Pasuruan Regency. This population includes various institutions such as courts, public prosecutor's offices, military, police, hospitals, schools, universities, and other central government institutions. The sample was selected using purposive sampling, requiring the work unit to be active and manage assets. Based on these criteria, 128 work units were obtained as the research sample. The minimum sample size for studies with a known population size can be determined using the Yamane formula (Sugiyono, 2019). Based on the Yamane formula calculation (with a sampling error of 5%), the required minimum sample size is 117.

Primary data was collected through a survey method, which involved distributing questionnaires. The questionnaires were distributed through the State Treasury Service Office of Malang (KPPN Malang), which serves as the representative of the State General Treasurer in the area. Initially planned for two weeks, data collection was extended to one month because the work units were still preparing the unaudited financial statements for 2023. The questionnaire return rate was 92.19%. Out of 128 questionnaires distributed, 118

were returned and processed. The number of returned questionnaires is already more than 117, satisfying the minimum sample size.

The research instrument refers to previous studies and applicable government regulations. The financial statement quality is measured using four indicators: relevant, reliable, comparable, and understandable, with 14 statement items referring to PP 71 of 2010 and the study by [Puspahani et al. \(2022\)](#). Human resource competence is measured using three indicators: knowledge, skills, and attitudes, with 11 statement items referring to the study by [Puspahani et al. \(2022\)](#). Accounting information system quality is measured using five indicators: accurate and meet standards, reliable, relevant and up to date, inclusive, and useful, according to the study by [Nurhayati et al. \(2023\)](#). Internal control systems are measured using five indicators: control environment, risk assessment, control activities, information and communication, and monitoring, referring to PP 60 of 2008 and the study by [Puspahani et al. \(2022\)](#). Coercive pressure is measured using five indicators: regulations, ministerial demands, attention from the Government Internal Supervisory Apparatus, audits by the Supreme Audit Institution, and criticism from the public, which are modifications of the study by [Jatmiko and Setiawan \(2020\)](#). Respondents answer each questionnaire statement using a five-point Likert scale (1=strongly disagree to 5=strongly agree). A five-point Likert scale was selected to mitigate respondent difficulties due to the abundance of available response options and provide a neutral response choice. Study by [Simms et al. \(2019\)](#) indicates that response scales with more than 6 options do not offer psychometric advantages. The questionnaire was completed voluntarily and anonymously to ensure the sincerity of respondents in answering the questionnaire statements. Researchers also assured respondents that the information provided would be kept confidential and used solely for academic purposes.

The research utilizes the Partial Least Squares (PLS) statistical method with the support of the SmartPLS version 3.2.9 software. PLS is a variance-based statistical method of Structural Equation Models (SEM). The PLS technique was chosen because this study employs a prediction model that tests the significance of relationships between variables. The use of PLS allows for the analysis of indicators measuring latent variables. PLS utilizes all indicator variances to estimate the model's relationships, focusing on predicting dependent variables ([Hair et al., 2022](#)).

This research examines two models: Model I tests the direct relationship between independent and dependent variables without any moderating variables, while Model II tests the interaction effect between moderating and independent variables affecting the dependent variable. The testing conducted includes measurement model evaluation, structural model evaluation, direct hypothesis testing, and moderation effect hypothesis testing.



**RESULT AND DISCUSSION**

77

| Variable                                     | Theoretic Range | Actual Range | Mean | Standard Deviation |
|--|-----------------|--------------|------|--------------------|
| Financial Statement Quality (FSQ)            | 1-5             | 1-5          | 4,56 | 0,58               |
| Human Resource Competence (HRC)              | 1-5             | 1-5          | 4,34 | 0,70               |
| Accounting Information System Quality (AISQ) | 1-5             | 1-5          | 4,60 | 0,61               |
| Internal Control System (ICS)                | 1-5             | 1-5          | 4,43 | 0,64               |
| Coercive Pressure (CP)                       | 1-5             | 1-5          | 4,47 | 0,66               |

**Table 1.**  
Descriptive Statistics

Source: primary data, processed (2024)

| Variable | QFS   | HRC   | AISQ  | ICS   | CP |
|----------|-------|-------|-------|-------|----|
| FSQ      |       |       |       |       |    |
| HRC      | 0,848 |       |       |       |    |
| AISQ     | 0,842 | 0,739 |       |       |    |
| ICS      | 0,870 | 0,854 | 0,812 |       |    |
| CP       | 0,828 | 0,747 | 0,795 | 0,790 |    |

**Table 2.**  
Discriminant Validity Test Results

Source: primary data, processed (2024)

| Variable | Cronbach's Alpha | Composite Reliability |
|----------|------------------|-----------------------|
| FSQ      | 0,937            | 0,946                 |
| HRC      | 0,942            | 0,951                 |
| AISQ     | 0,893            | 0,921                 |
| ICS      | 0,981            | 0,982                 |
| CP       | 0,893            | 0,924                 |

**Table 3.**  
Reliability Test Results

Source: primary data, processed (2024)

| Hypothesis     | Hypothesis Direction | Path Coefficient | t-statistics | p-values | Conclusion |
|----------------|----------------------|------------------|--------------|----------|------------|
| H1: HRC → FSQ  | +                    | 0,295            | 4,032        | 0,000    | Supported  |
| H2: AISQ → FSQ | +                    | 0,300            | 3,646        | 0,000    | Supported  |
| H3: ICS → FSQ  | +                    | 0,364            | 3,503        | 0,000    | Supported  |

**Table 4.**  
Direct Hypothesis Test Results

Source: primary data, processed (2024)

| Hypothesis          | Path Coefficient | t-statistics | p-values | Conclusion    |
|---------------------|------------------|--------------|----------|---------------|
| H4: HRC * CP → FSQ  | -0,068           | 0,717        | 0,237    | Not Supported |
| H5: AISQ * CP → FSQ | 0,129            | 1,728        | 0,042    | Supported     |
| H6: ICS * CP → FSQ  | 0,005            | 0,053        | 0,479    | Not Supported |

**Table 5.**  
Moderation Effect Test Results

Source: primary data, processed (2024)

## Descriptive Statistics

The mean values and standard deviations of each variable in the descriptive statistics Table 1 indicate that respondents tend to agree with each statement presented, and respondent's answers do not show significant differences. Most respondents agree that the criteria for quality financial statements have been met. Most respondents feel competent in preparing financial statements. The available accounting information system is considered to be of good quality. The internal control system has been implemented. Most respondents also agree that there is coercive pressure demanding the preparation of quality financial statements.

The measurement model shows how indicators represent latent variables. The evaluation includes tests of validity and reliability. Validity testing indicates whether the research instrument accurately measures what should be measured. Validity testing consists of convergent validity and discriminant validity tests.

Convergent validity is related to the concept that indicators measuring a construct should have high correlations. Convergent validity is met if the outer loading value  $>0,7$  and Average Variance Extracted (AVE)  $>0,5$ . The examination findings reveal that the minimum outer loading value is 0,509 and the maximum is 0,929, with the AVE value of each variable exceeding 0,5. [Hair et al. \(2022\)](#) stated that indicators with outer loading between 0,4-0,7 can be retained if the AVE value for each variable exceeds 0,5. Based on this, convergent validity has been met.

Discriminant validity pertains to the concept that indicators assessing distinct constructs should not show strong correlations. [Hair et al. \(2022\)](#) mentioned that the Heterotrait-Monotrait Ratio (HTMT) value provides a more precise discriminant validity assessment. For discriminant validity to be achieved, the HTMT value should be less than 0,90. The results from Table 2 indicate that the HTMT values between variables are below 0.90, thus confirming the attainment of discriminant validity.

Reliability testing indicates the consistency of research instruments in measuring a construct. In advanced research stages, a construct is considered reliable if both Cronbach's alpha and composite reliability values exceed 0,7 ([Hair et al., 2022](#)). The examination findings presented in Table 3 indicate that the Cronbach's alpha and composite reliability values for each variable exceed 0,7, confirming the satisfaction of the reliability test. Based on validity and reliability tests, all variables and their indicators can be declared valid and reliable for hypothesis testing.

The coefficient of determination ( $R^2$ ) is utilized to ascertain the extent of variability in the independent variables influencing the dependent variable. The research examines two models: Model I tests the direct relationship between independent and dependent variables without any moderating variables, while Model II tests the interaction effect between moderating and independent variables affecting the dependent variable. The  $R^2$  value for Model I, 0,771, indicates that 77,1% of the variation in the financial statement quality can be explained by the variables of human resource competence, accounting information system quality, and internal control systems, while the remaining 22,9% is attributed to other variables not considered in the research framework.

The  $R^2$  value for Model II, 0,788, indicates that 78.8% of the variation in the financial statement quality can be explained by the variables of human resource competence, accounting information system quality, internal control systems, and coercive pressure, while

the remaining 21,2% is attributed to other variables not considered in the research framework.

79

This study employs a one-tailed hypothesis test at a significance level of 5%. The hypothesis is supported if the t-statistic  $>1,65$  and the p-value  $<0,05$  ([Hair et al., 2022](#)). The findings from the direct hypothesis testing in Table 4 show that the t-statistic values for H1, H2, and H3 exceed 1,65, with p-values below 0,05. The path coefficients also show positive values consistent with the hypothesized direction of the relationships. These findings suggest that human resource competence, accounting information system quality, and internal control systems have a positive and significant impact on financial statement quality. Based on these findings, this study successfully supports H1, H2, and H3.

Moderation variables successfully moderate the effect of independent variables on dependent variables if the t-statistic value for the interaction between the moderation variable and the independent variable is  $>1,65$  and the p-value is  $<0,05$ . The results of the moderation effect testing in Table 5 show that the t-statistic values for H4 and H6 are less than 1,65 and the p-values are greater than 0,05. These results indicate that the coercive pressure variable cannot strengthen or weaken the effect of human resource competence and internal control systems on financial statement quality. Based on these findings, this study does not support H4 and H6.

The examination of H5 reveals that the t-statistic value exceeds 1,65, with a p-value below 0,05, indicating a positive path coefficient. These results indicate that the coercive pressure variable can strengthen the influence of accounting information system quality on financial statement quality. Following these findings, this study successfully supports H5.

The results of this study indicate that the higher the competence possessed by employees, the higher financial statement quality will be. Employees with basic accounting knowledge, accounting skills, and supportive attitudes toward task completion are required to present quality financial statements. Employees with accounting knowledge can understand accounting standards and regulations well, thus enabling financial statements to be prepared following applicable standards and regulations. Skilled and positive attitude employees can also encourage the presentation of accurate and timely financial statements. The findings of this study support the research by [Jatmiko et al. \(2020\)](#) and [Puspahani et al. \(2022\)](#), which found that competent employees can prepare high-quality financial statements because the presented financial statements are free from material errors and misleading information. These research findings also align with the study by [Anggadini et al. \(2023\)](#), which found that competent employees know and understand what needs to be done, enabling financial statements to be presented on time, thereby enhancing financial statement quality.

The findings of this study support the stewardship theory, which suggests that individual motivation comes from the need for achievement, intrinsic satisfaction, and fulfilling responsibilities, thereby prioritizing organizational interests over personal ones. Employees (stewards) motivated by organizational interests will maximize their competence to generate high-quality financial statements consistent with stewardship theory. That motivation is the key to directing employee competence toward enhancing financial statement quality.

This study has practical implications that to enhance the financial statement quality, activities supporting the improvement of employee competence should be given more attention. Further descriptive statistical examination found that the skill indicators had the lowest mean values in the HRC variable, especially statements related to training in financial statement preparation. This finding may indicate that the training attended by financial statement

preparers is still considered inadequate. Further education and training are required for employees to enhance their competence in financial statement preparation.

The results of this study indicate that the higher the accounting information system quality, the higher financial statement quality will be. Accounting systems that utilize technology have an advantage in data processing speed, allowing financial statements to be prepared quickly and accurately. Accounting information systems enhance the accuracy and reliability of the financial information presented. Integrated accounting information systems also enable the presentation of real-time information, which stakeholders can monitor. The research findings are consistent with the research by [Yuesti et al. \(2022\)](#), which found that accounting information systems can generate information quickly, completely, accurately, and comprehensively, thereby producing quality financial statements. The findings also support the research by [Abdulai et al. \(2021\)](#), which found that computerized accounting systems can produce high-quality financial reports with accurate data. Furthermore, this study aligns with the research by [Puspahani et al. \(2022\)](#), which found that accounting information systems facilitate employees in preparing quality financial statements.

The results of this study align with the stewardship theory, indicating that individual motivation comes from the need for achievement, intrinsic satisfaction, and fulfilling responsibilities, thus placing organizational concerns above personal ones. Employees (stewards) motivated by organizational interests will utilize high-quality accounting information systems to enhance the financial statement quality produced, consistent with stewardship theory. Accounting information systems assist stewards in enhancing the accuracy and reliability of the financial statement information presented.

This study has practical implications that work units should fully utilize the features available in the SAKTI System as an accounting information system to enhance financial statement quality. The SAKTI system integrates the state budget's planning, implementation, and accountability processes. Within the SAKTI System, transactions and financial statements can be monitored at each financial statement preparation level, ensuring reliable financial statements are presented. The work units should utilize this feature to maintain the accuracy and reliability of the information presented in financial statements. At the policy level, the Ministry of Finance, through the Directorate General of Treasury, needs to continuously refine the SAKTI System to improve the quality of central government financial statements.

The results of this study indicate that the more effectively the internal control system is implemented, the higher financial statement quality will be. The internal control system has check and balance mechanisms and a series of procedures to ensure that each transaction has been authorized, thus ensuring that the information presented in the financial statements is free from material misstatement. The internal control system can prevent the manipulation of financial transactions, thereby enhancing the reliability of the financial information presented in the reports. The research findings support the studies by [Pham et al. \(2022\)](#) and [Puspahani et al. \(2022\)](#), which found that internal control systems can enhance the quality of financial statements by minimizing fraud. The findings also align with the research by [Mutoharoh and Ifada \(2023\)](#), which found that internal control systems can improve financial statement quality by providing early warnings of potential budget misuse.

This research's findings follow the stewardship theory, suggesting that individual motivation comes from the need for achievement, intrinsic satisfaction, and fulfilling responsibilities, thereby prioritizing organizational interests over personal ones. Employees (stewards) motivated by organizational interests will implement the internal control system effectively

to ensure financial statement quality, which aligns with stewardship theory. Internal control systems assist stewards in ensuring accountability in financial management and reporting.

81

This study has practical implications that work units should effectively implement elements of the internal control system. Further descriptive statistical examinations found that the risk assessment indicator has the lowest average value in the ICS variable, particularly in statements related to risk analysis implementation. This finding indicates that organizational units still have weaknesses in risk analysis of financial reporting violations. Work units must enhance the implementation of risk analysis to maximize the benefits of internal control system application, thus resulting in significantly higher quality financial statements. At the policy level, the Ministry of Finance, through the Inspectorate General, needs to ensure the availability of technical guidelines regarding establishing an effective internal control system, especially concerning risk assessment to improve the quality of central government financial statements.

The results of this study indicate that coercive pressure cannot strengthen or weaken the impact of human resource competence on financial statement quality. This finding implies that the degree of coercive pressure work units face does not influence the correlation between human resource competence and financial statement quality. Meyer and Rowan (1997) mention that there is a gap between the formal structure myths seen to maintain legitimacy and the actual work processes that create technical efficiency, referred to as decoupling (Deegan, 2023). Increasing coercive power may indeed be accompanied by an improvement in financial statement quality. However, this might be due to the preparation of financial statements done merely to comply with formal regulations.

The research findings do not support the institutional theory that coercive pressure will force organizations to meet stakeholder's demands for presenting quality financial statements by maximizing the competence of their employees. These research findings are inconsistent with the studies by Iredede et al. (2020) and Nguyen (2022), which found that coercive pressure from legal systems and stakeholders can enhance the implementation of environmental management accounting, which can add information to financial statements.

The results of this study imply that coercive pressure is ineffective in enhancing the impact of human resource competence. Without effective work processes, coercive pressure cannot enhance the effect of human resource competence on financial statement quality. Therefore, work units responsible for financial reporting and policymakers need to focus on activities that can improve employee competence to ensure the quality of the resulting financial statements.

The results of this study indicate that coercive pressure can strengthen the effect of accounting information system quality on financial statement quality. As coercive pressure rises, the impact of accounting information system quality on the quality of financial statements will also increase. Coercive pressure can be utilized to ensure that the benefits of accounting information systems in producing accurate and reliable financial information can be maximized. The research findings support the institutional theory that coercive pressure from external sources will force organizations to meet the demands of stakeholders in presenting quality financial statements. Organizational employees will be further motivated to optimize the utilization of quality accounting information systems to achieve this goal. The findings of this study are consistent with the research by Jatmiko and Setiawan (2020), which found that external pressures can enhance transparency in financial reporting.

As an accounting information system, the SAKTI system has effective feedback to address coercive pressure from outside the work unit that prepares financial statements. The SAKTI

system offers features for monitoring transactions and financial reports at every stage of financial statement preparation and access for internal supervisors and external auditors. Follow-up on findings or transaction errors identified by external parties can be re-monitored by stakeholders, ensuring reliable financial statements. This study has practical implications that coercive pressure from outside the financial statement preparer unit must be responded to properly by utilizing the features provided by the SAKTI system, particularly the transaction and financial statement monitoring features.

The results of this study indicate that coercive pressure cannot strengthen or weaken the impact of internal control systems on financial statement quality. This finding implies that the level of coercive pressure the work unit faces does not affect the relationship between internal control systems and financial statement quality. Decoupling occurs when a gap exists between the formal structural myths that appear to maintain legitimacy and the actual work processes that create technical efficiency (Deegan, 2023). The improvement in financial statement quality may be due to the preparation of financial statements done merely to comply with formal regulations without any enhancement in the influence of internal control systems.

The findings of this study do not support the institutional theory that coercive pressure will force organizations to meet stakeholder's demands for high-quality financial statements by maximizing the implementation of internal control systems. These research results are inconsistent with the findings of Iredele et al. (2020) and Nguyen (2022), who found that coercive pressure from legal systems and stakeholders can enhance the adoption of environmental management accounting, which can add information to financial statements.

This study has practical implications indicating that coercive pressure is ineffective in enhancing the impact of internal control systems. Without effective work processes, coercive pressure cannot enhance the effect of internal control systems on financial statement quality. Therefore, financial statement preparer work units and policymakers need to focus on implementing effective internal control systems to ensure the production of high-quality financial statements.

## CONCLUSION

This study examines the effect of human resource competence, accounting information system quality, and internal control systems on the financial statement quality of central government accounting entities. The study also examines coercive pressure as a moderating variable affecting the relationship between variables as a novelty. The population of this study consists of central government accounting entities or work units of the State Ministries/Institutions located in Batu City, Malang City, Pasuruan City, Malang Regency, and Pasuruan Regency. The results of this study indicate that human resource competence, accounting information system quality, and internal control systems are factors that can affect financial statement quality. This study also finds that coercive pressure can strengthen the effect of accounting information system quality on financial statement quality. However, coercive pressure cannot strengthen or weaken the effect of human resource competence and internal control systems on financial statement quality.

This study has practical implications that to enhance financial statement quality, the work units responsible for financial statement preparation should pay more attention to activities supporting the improvement of employee competence, such as participation in education and training activities, maximizing the features available in the SAKTI system, particularly

transaction and financial statement monitoring, and implementing internal control systems effectively, especially in risk assessment enhancement. Coercive pressure must be responded to properly by utilizing the advantages of the SAKTI system as an accounting information system. At the policy level, the Ministry of Finance needs to continuously improve the SAKTI system, including its regulations, and ensure the availability of technical guidelines for implementing effective internal control systems.

This study has limitations regarding respondent data collection. Initially planned for two weeks, the data collection was extended to one month because the work units were still preparing the unaudited financial statements for 2023. Further research is expected to carefully consider the appropriate timing for questionnaire distribution.

## REFERENCES

- Abdulai, I., Salakpi, A., & Nassè, D. T. B. (2021). Internal Audit and Quality of Financial Reporting in The Public Sector: The Case of University for Development Studies. *Finance & Accounting Research Journal*, 3(1), 1-23. <https://doi.org/10.51594/farj.v3i1.231>
- Anggadani, S. D., Afif Syarifudin, Y., Saepudin, A., Surtikanti, S., Sari, D., & Eley Suzana, K. (2023). Quality of Indonesia government financial statements. *Journal of Eastern European and Central Asian Research (JEECAR)*, 10(1), 93-103. <https://doi.org/10.15549/jeecar.v10i1.1054>
- Anto, L. O., & Yusran, I. N. (2023). Determinants of the Quality of Financial Reports. *International Journal of Professional Business Review*, 8(3), 1-40. <https://doi.org/10.26668/businessreview/2023.v8i3.1331>
- Ashworth, R., Boyne, G., & Delbridge, R. (2007). Escape from the Iron Cage? Organizational Change and Isomorphic Pressures in the Public Sector. *Journal of Public Administration Research and Theory*, 19(1), 165-187. <https://doi.org/10.1093/jopart/mum038>
- Baron, R. M., & Kenny, D. A. (1986). The moderator–mediator variable distinction in social psychological research: Conceptual, strategic, and statistical considerations. *Journal of Personality and Social Psychology*, 51(6), 1173-1182. <https://doi.org/10.1037/0022-3514.51.6.1173>
- BPK. (2023). *Laporan Hasil Pemeriksaan atas Laporan Keuangan Pemerintah Pusat Tahun 2022*.
- Christinawati, M., & Setiyawati, H. (2022). Factors Affecting Banking Fraud Prevention and Their Impact On The Quality of Financial Statements. *International Journal of Social Science and Business*, 6(2), 215-224. <https://doi.org/10.23887/ijssb.v6i2.46538>
- Davis, J. H., Schoorman, F. D., & Donaldson, L. (1997). Toward a Stewardship Theory of Management. *The Academy of Management Review*, 22(1), 20-47. <https://doi.org/10.2307/259223>
- Deegan, C. (2023). *Financial Accounting Theory* (5th ed.). Cengage Learning Australia.
- DiMaggio, P. J., & Powell, W. W. (1983). The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields. *American Sociological Review*, 48(2), 147-160. <https://doi.org/10.2307/2095101>
- 14.1 Donaldson, L., & Davis, J. H. (1991). Stewardship Theory or Agency Theory: CEO Governance and Shareholder Returns. *Australian Journal of Management*, 16(1), 49-64. <https://doi.org/10.1177/031289629101600103>

- Hair, J. F., Jr., Hult, G. T. M., Ringle, C. M., & Sarstedt, M. (2022). *A Primer on Partial Least Squares Structural Equation Modeling (PLS-SEM)* (Third Edition ed.). Sage.
- Hammood, A. M., & Dammak, S. (2023). The Mediating Role of the Balanced Scorecard in the Relationship Between Internal Control and the Financial Reports Quality. *International Journal of Professional Business Review*, 8(1), 1-11. <https://doi.org/10.26668/businessreview/2023.v8i1.1060>
- Indahwati, R., Nurlinda, & Asmalidar. (2023). The Quality Of Village-Owned Enterprises' Financial Statement. *Jurnal Akuntansi*, 27(2), 337-358. <https://doi.org/10.24912/ja.v27i2.1431>
- Peraturan Pemerintah Nomor 60 Tahun 2008 tentang Sistem Pengendalian Intern Pemerintah, (2008).
- Peraturan Pemerintah Nomor 71 Tahun 2010 tentang Standar Akuntansi Pemerintahan, (2010).
- Iredele, O. O., Tankiso, M., & Adelowotan, M. O. (2020). The influence of institutional isomorphism and organisational factors on environmental management accounting practices of listed Nigerian and South African firms. *South African Journal of Accounting Research*, 34(3), 183-204. <https://doi.org/10.1080/10291954.2019.1675254>
- Jatmiko, B., Irawan, D., Machmuddah, Z., & Laras, T. (2020). Factors Affecting Regional Government Financial Statements: Evidence from Indonesia. *Academic Journal of Interdisciplinary Studies*, 9(2), 89-100. <https://doi.org/10.36941/ajis-2020-0026>
- Jatmiko, B., & Setiawan, M. B. (2020). The Effect of External Pressure, Management Commitment and Accessibility towards Transparency of Financial Reporting. *Journal of Accounting and Investment*, 21(1), 114-124. <https://doi.org/10.18196/jai.2101140>
- Lee, C.-C. (2023). Operating efficiency of accounting firms based on different perspectives of human resource structures. *Asia Pacific Management Review*, 28(3), 253-266. <https://doi.org/10.1016/j.apmr.2022.10.003>
- Murwaningsari, E., & Pakpahan, R. (2023). Does the Quality Of Internal Control Systems and Audit Quality Affect the Quality Of Financial Reports on Local Governments in Indonesia with Good Government Governance as Moderation? *Quality-Access to Success*, 24(196), 113-118. <https://doi.org/10.47750/QAS/24.196.15>
- Mutoharoh, M., & Ifada, L. M. (2023). Improving The Quality Of Local Government Financial Reporting Through The Impact Of Internal Control System With Human Resource Competencies As A Moderator. *Jurnal Reviu Akuntansi dan Keuangan*, 13(2), 301-3015. <https://doi.org/10.22219/jrak.v13i2.25375>
- Nguyen, T. H. (2022). Factors affecting the implementation of environmental management accounting: A case study of pulp and paper manufacturing enterprises in Vietnam. *Cogent Business & Management*, 9(1), 1-22. <https://doi.org/10.1080/23311975.2022.2141089>
- Nurhayati, N., Hartanto, R., Paramita, I., Sofianty, D., & Ali, Q. (2023). The predictors of the quality of accounting information system: Do big data analytics moderate this conventional linkage? *Journal of Open Innovation: Technology, Market, and Complexity*, 9(3), 1-11. <https://doi.org/10.1016/j.joitmc.2023.100105>



- Pangaribuan, H., Sunarsi, D., Santoso, A., Wahyuni, E. S., & Yoewono, H. (2023). Quality Of Financial Statement And The Factors That Influence It. *Jurnal Akuntansi*, 27(1), 176-196. <https://doi.org/10.24912/ja.v27i1.1206>
- Pertiwi, I. F. P., Kusuma, H., Hadi, K., Arifin, J., Yoga, I., & Fahma, A. Z. (2022). Isomorphism of integrated reporting's sustainability embeddedness: evidence from Indonesian listed companies. *Cogent Business & Management*, 9(1), 1-27. <https://doi.org/10.1080/23311975.2022.2099605>
- Pham, Q. T., Truong, T. H. D., Ho, X. T., & Nguyen, Q. T. (2022). The role of supervisory mechanisms in improving financial reporting quality by Vietnam public non-business unit. *Cogent Business & Management*, 9(1), 1-23. <https://doi.org/10.1080/23311975.2022.2112538>
- Puspahani, E., T, S., & Subekti, I. (2022). The determinants of the quality of financial statements moderated by leadership style. *International Journal of Research in Business and Social Science (2147- 4478)*, 11(3), 175-185. <https://doi.org/10.20525/ijrbs.v11i3.1709>
- Sappor, P., Atta Sarpong, F., & Ahmed Seidu Seini, R. (2023). The adoption of IFRS for SMEs in the northern sector of Ghana: A case of structural equation modeling. *Cogent Business & Management*, 10(1), 1-32. <https://doi.org/10.1080/23311975.2023.2180840>
- Simms, L. J., Zelazny, K., Williams, T. F., & Bernstein, L. (2019). Does the number of response options matter? Psychometric perspectives using personality questionnaire data. *Psychological Assessment*, 31(4), 557-566. <https://doi.org/10.1037/pas0000648>
- Sugiyono. (2019). *Metode Penelitian Kuantitatif*. Alfabeta.
- Yuesti, A., Adnyana, I. M. D., & Pramesti, I. G. A. A. (2022). Management information systems and the quality of financial statements in local government. *Journal of Public Affairs*, 22(3), 1-7. <https://doi.org/10.1002/pa.2462>