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# **The effect of human resource competency, communication, and technology on government's statement**

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## **Abstract**

This study examines the effect of human resources, Information and Communications Technology (ICT) and government internal control systems on the quality of regional government financial statements. This study uses primary data that will be gathered by using questionnaires and interviewing the informant. As a result, the effectiveness of government internal control system can contribute to mediating the qualified human resource, ICT and coercive power to improve the quality of financial statements of North Gorontalo. In conclusion, the qualified human resource, ICT and coercive power also partly significant in improving the quality of financial statement of North Gorontalo.

**Keywords:** Competency, Information, Communication, Technology, Regional.

# El efecto de la competencia, la comunicación y la tecnología de los recursos humanos en la declaración del gobierno

## Resumen

Este estudio examina el efecto de los recursos humanos, la Tecnología de la Información y las Comunicaciones (TIC) y los sistemas de control interno del gobierno sobre la calidad de los estados financieros del gobierno regional. Este estudio utiliza datos primarios que se recopilarán mediante cuestionarios y entrevistando al informante. Como resultado, la efectividad del sistema de control interno del gobierno puede contribuir a mediar en el recurso humano calificado, las TIC y el poder coercitivo para mejorar la calidad de los estados financieros de North Gorontalo. En conclusión, el recurso humano calificado, las TIC y el poder coercitivo también son en parte importantes para mejorar la calidad de los estados financieros de North Gorontalo.

**Palabras clave:** Competencia, Información, Comunicación, Tecnología, Regional.

## 1. INTRODUCTION

In most developing countries, the accountability of public sector or government is one of the main issues that mostly discussed by scholars, and practitioners, considering the fact from transparency international that most developing countries still have major issues in disclosing the public sector financial activities. It is because Nurilah stated that society needs to know and have a right to get an elaboration and explanation about government's financial activities which recorded on the government's financial statement. In this case,

Indonesia as one of developing countries in the world needs to provide a good financial statement, so the society can access the government's financial activities and therefore they can do a check and balance on government (NAGAHISARCHOGHAEI ET AL., 2018).

The law of government's financial statement characteristics can be found on Government regulation (Peraturan Pemerintah/PP) No.71 year 2010 which mentioned that the government's financial statement must be relevant, comparable and understandable. Those characteristics definitely need the best human resource who can provide the government's financial statement. On the other hand, Information, Communication, and Technology (ICT) is another element that needs to be developed, so the government's financial statement can be accessed by society, scholars, researchers and so on for various objectives (HWANG & POWELL, 2005).

ICT is important because of several reasons. It offers efficiency, accuracy, huge storage, and lowering the cost. However, it would be very useless and deficient if it can not be benefited properly. The condition of software, the condition of hardware, quality of human resources, and limited budget are among the obstacles that often found in the ICT of Indonesian government (ARIESTA, 2013). On the other hand, the reform on law about Indonesian government's financial statement is started from the revision of The law (undang-undang) No. 25 year 1999 to the law (undang-undang) No. 17 year 2003 whereas it mentioned that Governor, and Mayor must provide a financial

statement to the member of parliament as part of the transparency on spending the budget. Thus, this financial statement that provides by the government showed that the government committed to achieving a) effectiveness and efficiency, b) reputable financial statement, c) securitization of nation's assets, and d) the obedient to the law, particularly the government regulation No.60 year 2008 about government internal control system (HUSNA ET AL., 2018: ABAYEVA, 2018).

Another notable issue about the Indonesian government's financial statement is that the government's internal control system (SPIP) is weak as evidenced by the Financial bureau authority which found that among the 520 regional government financial statements, there are 1427 cases of the weakness of the system. The system weakness is consists of 624 cases of accounting system and 469 cases of spending the budget system. This weakness is also reviewed and highlighted by other independent financial authorities which indicate that there is a potential fraud in budget spending by the government.

In specific, a sample case from financial bureau authority findings happened in North Gorontalo City in 2009. The authority denies giving an official statement to the North Gorontalo city financial statement, which indicates that there is a potential fraud in the financial statement. Further, the authority stated that the North Gorontalo city's financial statement is not obeying the law, and there is potentially fraud and corruption. The financial bureau authority also

stated that among the reasons for the unreasonable financial statement of North Gorontalo city are a) the internal control system is weak, b) number and quality of human resources is weak, and c) the information, communication, and technology is weak. The result from the authority motivates the North Gorontalo government to make an improvement, particularly in providing the financial statement that accepted by the authority. Their efforts ended up in a reasonable financial statement in 2014 and 2015. One particular concern that the North Gorontalo government improve is ICT. Therefore the primary motivation of this study is want to know the effect ICT on the betterment of North Gorontalo financial statements (FADZIL & NYOTO, 2011).

## **2. METHODOLOGY OF THE STUDY**

This study examines the effect of human resources, ICT and government internal control systems on the quality of regional government financial statements. And at the same time this study also examines the effect of each variable on other variables. So generally this study examines the causal relationship between each variable. This study uses primary data. The primary data will be gathered by using questionnaires and interviewing the informant. There are 44 departments in North Gorontalo government and this study uses purposive sampling by choosing 5 informants of each department. The criteria of those five informants are included a) account officer of each

department, b) preferably chairman of each department or financial chairman of each department, and c) has been working for a minimum one year.

HERDIANSYAH (2015) mentioned that according to the institutional theory, there are several motivations that determine the board decision. Those are coercive power, normative power, and mimetic power. Moreover, DIMAGGIO AND POWELL (2003) also stated linear statements with Scott. They define that the coercive is a condition where the decision in an institution is determined by other related institutions or the citizen. As for the mimetic power, the decision is a duplication from other institutions. And for the normative, the decision appears because of professionalism of the institution. Further, AKBAR, ET AL (2012) define that coercive power happens because of political influence.

Based on the definition above, this study uses coercive power as a variable. This is because, the regulation about financial statements, government internal control systems, and ICT is a political product that regulated the law (undang-undang), government regulation (peraturan pemerintah), and ministry of home affairs regulation (peraturan Menteri). Nonetheless, Ashworth (2009) stated that an institution that has political influence on its organization will consider the decision of its organization under the political will. As for this case, AKBAR, ET AL. (2012) stated that regional government in Indonesia will highly depend on the central government on regulation



about financial statements, government internal control systems, and ICT.

According to the ministry of home affairs regulation No.13 year 2006, the effectiveness of government internal control system is measured by five indicators: a) the quality of the environment of internal control system, b) risk valuation, c) the quality of control, d) the quality of ICT and e) the quality of monitoring. The government internal control system will affect the quality of financial statements if it is running effectively. Hence, the hypothesis of this study are:

H1: The qualified human resource has effect on the quality of financial statement

H2: ICT has an effect on the quality of the financial statement

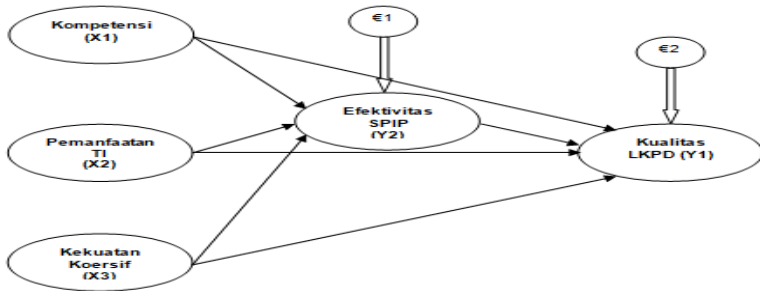
H3: Coercive power has an effect on the quality of the financial statement

H4: Competency of human resource has an effect on the government internal control system

H5: ICT has an effect on the government internal control system

H6: Coercive power has effect on the government internal control system

This figure below shows the relationship between each variable:



Hence the equation of this study are:

$$Y_1 = \beta_{Y_1X_1}X_1 + \beta_{Y_1X_2}X_2 + \beta_{Y_1X_3}X_3 + \beta_{Y_1Y_2}Y_2 + \varepsilon$$

$$Y_2 = \beta_{Y_2X_1}X_1 + \beta_{Y_2X_2}X_2 + \beta_{Y_2X_3}X_3 + \varepsilon$$

$$Y_2 = \beta_{Y_2Y_1}Y_1 + \varepsilon$$

### 3. RESULT AND ANALYSIS

Table 1 below displays the result of validity test and normality test of the data, considering that the data that we used in this study is primary data. We found that all the data is valid because the  $r_{xy} > r_{table}$ . Moreover, the same result we also found in the reliability test using Cronbach's alpha value (0.70) where we found that all the variables Cronbach value are higher than the alpha (0.70). It displayed in table 2 below.

Table 1 Validity test results

Variable	Questionnaire	Rxy	rtable	Note
Competency (X1)	Kmpt_1	0,766**	0,1161	Valid
	Kmpt_2	0,792**	0,1161	Valid
	Kmpt_3	0,759**	0,1161	Valid
	Kmpt_4	0,746**	0,1161	Valid
	Kmpt_5	0,713**	0,1161	Valid
ICT (X2)	PTI_1	0,552**	0,1161	Valid
	PTI_2	0,635**	0,1161	Valid
	PTI_3	0,786**	0,1161	Valid
	PTI_4	0,677**	0,1161	Valid
	PTI_5	0,657**	0,1161	Valid
	PTI_6	0,669**	0,1161	Valid
	PTI_7	0,713**	0,1161	Valid
	PTI_8	0,724**	0,1161	Valid
	PTI_9	0,641**	0,1161	Valid
Coercive power (X3)	CP_1	0,579**	0,1161	Valid
	CP_2	0,651**	0,1161	Valid
	CP_3	0,582**	0,1161	Valid
	CP_4	0,760**	0,1161	Valid
	CP_5	0,746**	0,1161	Valid
	CP_6	0,784**	0,1161	Valid
	CP_7	0,739**	0,1161	Valid
Quality of financial statement (Y1)	KLKPD_1	0,712**	0,1161	Valid
	KLKPD_2	0,716**	0,1161	Valid
	KLKPD_3	0,683**	0,1161	Valid
	KLKPD_4	0,740**	0,1161	Valid
	KLKPD_5	0,698**	0,1161	Valid
	KLKPD_6	0,629**	0,1161	Valid
	KLKPD_7	0,775**	0,1161	Valid
	KLKPD_8	0,738**	0,1161	Valid
	KLKPD_9	0,667**	0,1161	Valid
	KLKPD_10	0,760**	0,1161	Valid
	KLKPD_11	0,641**	0,1161	Valid
	KLKPD_12	0,669**	0,1161	Valid
	KLKPD_13	0,565**	0,1161	Valid
	KLKPD_14	0,660**	0,1161	Valid
	KLKPD_15	0,665**	0,1161	Valid
KLKPD_16	0,707**	0,1161	Valid	
Effectiveness of	ESPIP_1	0,775**	0,1161	Valid

government	ESPIP_2	0,782**	0,1161	Valid
internal control	ESPIP_3	0,789**	0,1161	Valid
system (Y2)	ESPIP_4	0,830**	0,1161	Valid
	ESPIP_5	0,781**	0,1161	Valid

Table 2 Reliability test results

Variabel	Cronbach's Alpha ( $\alpha$ )	Keterangan
Competency (X1)	0,811	Reliable
ICT (X2)	0,844	Reliable
Coersive power (X3)	0,821	Reliable
Quality of financial statement (Y1)	0,926	Reliable
Effectiveness of government internal control system (Y2)	0,848	Reliable

Further, table 3 below shows the general effect of each exogenous, and intervening variables on endogenous variables. We found that the highest effect on the quality of North Gorontalo financial statement is contributed by the effectiveness of the government's internal control system. The value of government internal control system effect on the quality of financial statements is 47,8%. Further, the second variable that has highest contribution to the quality of financial statement is ICT variable that mediated by the government's internal control system. The value of ICT to the quality of financial statements is 42.2%. Third, the coercive power variable mediated by the effectiveness of government internal control system is contributed 38% to the quality of financial statements. The detail information about the effect of each variable is shown by this table below:

Table 3 The result of the study

Hi P	Exogeneous variable	Intervening Variable	Endogenous Variable	The Effects			Jlh	Total
				Direct	Indirect	p-value		
1.	Competency (X1)	-	(Y1)	0,205	-	-	-	0,205
2.	ICT (X2)	-	(Y1)	0,337	-	-	-	0,337
3.	Coersive power (X3)	-	(Y1)	0,252	-	-	-	0,252
4.	Competency (X1)	(Y2)	-	-	0,149	-	-	0,149
5.	ICT (X2)	(Y2)	-	-	0,182	-	-	0,182
6.	Coersive power (X3)	(Y2)	-	-	0,269	-	-	0,269
7.	Competency (X1)	(Y2)	(Y1)	0,205	0,149	(0,478)	0,071	0,276
8.	ICT (X2)	(Y2)	(Y1)	0,337	0,182	(0,478)	0,087	0,424
9.	Coersive power (X3)	(Y2)	(Y1)	0,252	0,269	(0,478)	0,128	0,380
10.	-	(Y2)	(Y1)	-	-	0,478	-	0,478

#### 4. DISCUSSION

The result shows that competency or qualified human resource has a positive and significant effect on the quality of financial statement. The indicators that we used to measure qualified human resource in this study includes level of education and training, the human resource has a comprehensive understanding of their job and

their responsibility for their job. From a higher level education perspective VILLALOBOS (2016) points out the following argument:

The work of university governance is focused on strengthening the worldview that society has about education, and vice versa, strengthen a training process that redirects the social worldview towards paths of certainty not only cognitive but of life perpetuation. (pag: 13)

Further, the result shows that ICT has a positive and significant effect on the quality of financial statements. This evidence supports the hypothesis that ICT makes it faster, quicker and efficient. This finding is linear with previous studies such ARIESTA (2013). We also found that coercive power has positive and significant effect on the quality of financial statements. The coercive power, that we mention earlier measured by external pressure such as the law, government regulation and ministry of home affairs regulation. This finding is similar to (RIDHA AND BASUKI, 2012; JOHANNES SIHALOLO ET.AL., 2013; BUDIAWAN & PURNOMO, 2014).

The fourth finding shows that competency or qualified human resource has a positive and significant effect on the government internal control system. This means the government's internal control system depends on the level of education and training of human resources, comprehensive understanding of human resources about their job, and the responsibility of human resources of their job. Further, ICT also has a positive and significant effect on the government's internal control system. This means that not only the

government's internal control system is depending on variance of ICT but also shows that the North Gorontalo government has used ICT to support the system.

Coercive power also has a positive and significant effect on the government's internal control system. This means that politic products such as the law, government regulation and ministry of home affairs regulation have been effectively supported the system. This finding supports (KARMILA, 2011; BUDIAWAN & PURNOMO, 2014). Meanwhile, the intervening variable that we used in this study, which mediates the exogenous and endogenous variables, is also significant and has positive relationship between the variables. The government internal control system can mediate the effect of qualified human resources on the quality of financial statements. This means that with qualified human resources, the risk of false in recording, deviation and not obeying the law can be minimized. This finding is linear with Irwan and Yosefrinaldi. Further, the government's internal control system can also mediate the effect of ICT on the quality of financial statements. This means that the government's internal control system with the use of ICT proved to make the financial statement of North Gorontalo faster and quicker. This finding supports (KARMILA, 2011).

The government internal control system can also mediate the coercive power effect on the quality of financial statements. This means that the government's internal control system as a part of

coercive power has effectively improved the quality of human resources. This finding is similar to Amelia. Further, in general we found the government internal control system has significant and positive impact on the quality of North Gorontalo financial statements. This means that the government's internal control system has been running effectively in accordance to improve the quality of financial statement of North Gorontalo government.

## **5. CONCLUSION**

In conclusion, this study found that the effectiveness of the government internal control system can contribute to mediating the qualified human resource, ICT and coercive power to improve the quality of financial statements of North Gorontalo. Meanwhile, the qualified human resource, ICT and coercive power also partly significant in improving the quality of financial statements of North Gorontalo. Further, we also found linear effect of qualified human resources, ICT and coercive power to the government internal control system.

The consequences of these findings are: a) North Gorontalo government has to maintain their human resource competency, b) North Gorontalo government has to maintain the use of ICT to improve the quality of financial statement and c) North Gorontalo government has always obeyed the law, government regulation and



ministry of home affairs regulation in accordance to improve and maintain the quality of financial statement.

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