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The influence of village official competence, use of information technology, and community participation on accountability in village fund management

¹M. Hafizurrahman, ¹Wirawan Suhaedi & ²Nurabiah

Abstract

This study aims to determine the impact of village officials' competence, use of information technology, and community participation on accountability in the management of village funds. Sampling used a multistage sampling technique, consisting of 30 villages in East Lombok Regency, Indonesia. Data and research hypotheses were processed using the Partial Least Square (PLS) technique using the Smart PLS 3.0 software application. The results of this research show that the competency of village officials, the use of information technology, and community participation have a significant positive effect on the accountability of village fund management in East Lombok Regency. The implications of the research as a contribution of thought and how the existence of village government (stewards) acts as an institution trusted by the community and government to act in accordance with the public interest, namely by increasing the competence of village officials, utilizing information technology and community participation to increase accountability in managing village funds.

Keywords: *accountability, competence of village officials, utilization of information technology, community participation*

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1. Introduction

A village is a legal entity that has the authority to regulate and manage the interests of the local community based on origins and customs recognized in the national government system and located in the district area. In a formal geographical setting, a village receives fund allocation from the government. For instance, Peraturan Pemerintah RI Number 43 of 2014, village funds are sourced from the APBN intended for villages which are transferred through the Regency/City APBD and used to finance government administration, implementation of development, training, community and community empowerment. The records showed that the national allocation of village funds in Indonesia in the last five years include IDR 60 trillion in 2018, IDR 70 trillion in 2019, IDR 72 trillion in 2020, IDR 72 trillion in 2021, IDR 68 trillion in 2022, and IDR 68 trillion in 2023. It is also recorded that the allocation of village funds was IDR 70 trillion (Badan Pengawasan Keuangan dan Pembangunan, 2023). However, from the last two years, village fund allocations have declined and increased in figures, whereas in 2022 village fund allocations have decreased by Rp. 4 trillion, and increased again in 2023 by Rp. 2 trillion.

In 2023, the average funds received by village governments ranged from 1.1 billion to 1.3 billion (Friyani, 2023). The amount of village funds received by each village depends on population size, poverty rate, area size, and level of geographic difficulty. It is very imperative to allocate large village funds in financing the development of underdeveloped areas in a regional development system. However, village fund allocations routinely given by the central government are vulnerable to misuse, one of which is corruption (Safitri, 2022). One example of a criminal act of corruption related to village funds is falsifying reports on the use of ADD/DD realization by using reports on the use of fictitious funds with a total of IDR 151,577,900 (Safitri, 2022). The larger funding budget managed for village activities is closely related to the size of village funds managed by the village itself. In addition, with the large amount of funds received by a village, the financial condition of the village and all activities within it often become the focus of community attention.

Accountability of village funds is the responsibility carried out by related parties (village government) for all financial management activities including planning, implementation, administration, reporting, and supervision (Kumalasari & Riharjo, 2016). Based on the concept of stewardship theory, managers behave in accordance with the common

interests. According to Raharjo (2007), as anchored on stewardship theory, the village government as a public sector organization that can be trusted, accommodates the aspirations of its people, provides good services, and can account for the village funds that have been entrusted. In this context, financial reports are vital because apart from being able to show that the village government is properly responsible for the authority given to it as a form of trust in managing the budget that has been allocated to the village, financial reports can also be used as a basis for policy-making in managing village funds (Adnyana, 2022).

Financial management must lead to adequate accountability. However, the facts on the ground show different results. The study conducted by Maruhun and Asmony (2019) and Safitri (2022) showed that the quality of village fund management in East Lombok Regency is still relatively low, where in its implementation, misuse or irregularities in the use of village budget funds occur. Apart from that, the community less involved and not transparent in its implementation. Similarly, the low quality of village fund management carried out by the village government shows that accountability is still not carried out properly. Accountability for good village fund management is reflected in the principle of transparency in the use of costs and information related to village fund budget disclosed through financial reports, detailing all types of income and expenditure that occur as well as all village financial activities. Competent village officials are accountable for all the activities related to the management of village funds so that all financial management activities are properly managed and accounted. Empirical evidence shows that the competence of village officials has a positive effect on the accountability of village fund management (Mada et al., 2017; Yulianti et al., 2019; Sapartaningsih et al., 2018). However, Indraswari and Rahayu (2021), Adnyana (2022) and Kharisma and Widajantie (2021) concluded that the competence of village officials does not affect the accountability of village fund management.

The use of information technology can also increase accountability in managing village funds. According to Indraswari and Rahayu (2021), Novera et al. (2022) and Kuncahyo and Dharmakarja (2022), the use of information technology has a positive effect on the accountability of village fund management. However, Merawati et al. (2022) found that the use of information technology does not affect the accountability of village fund management. In addition, Akbar et al. (2022), Sari and Padnyawati (2020) and Masruhin and Kaukab (2019) found that that community participation has a positive effect on the accountability of village

fund management. However, this contradicts Indraswari and Rahayu (2021), Aprilya and Fitria (2020) and Kharisma and Widajantie (2021).

Based on empirical evidence on mismanagement of village funds and the inconsistencies in the previous research, it is imperative to conduct further research on the village officials' competence, use of technology, community participation and accountability in managing village funds. In particular, the area of interest is East Lombok Regency considering that the allocation of village funds that the central government has allocated amounted to IDR 252.7 billion in 2018, then increased to IDR 307.3 billion in 2019, IDR 314.8 billion in 2020, IDR 314.8 billion in 2021, and IDR 309.9 billion in 2022 (DKAN Diskominfotik NTB, 2023). As data speak for itself, village fund receipts have different nominal figures and are quite large amounts. Hence, this study aims to determine the influence of village officials' competence, use of information technology, and community participation on accountability in managing village funds. Results of this study can provide fundamental data in the creation of policies on village fund management.

2. Literature Review

2.1 Stewardship Theory

Stewardship theory describes a situation where management is not motivated by specific goals or personal interests but prioritizes the general or organizational interest (Kasmini & Dewi, 2021). The application of stewardship theory in this research reflects how the existence of village government (stewards) acts as an institution trusted by the community and government to act in accordance with the public interest by carrying out appropriate duties and functions to achieve community welfare. To be able to carry out its responsibilities, the village government needs maximum ability and expertise so that the results obtained can be in line with the expectations of the community and government, both regional government and central government (principal), as an illustration of success for the village government. However, achieving the desired goals requires cooperation between the village government and the community.

2.2 Village

A village is a government unit that is given the right of legal entity autonomy with certain boundaries as a legal (customary) community unit that has the right to regulate and

manage the affairs of the local community based on its origin. In organizing and administering its affairs, the village government is known to have an established institutional structure that is respected and preserved by the village community concerned. In this case, the village has rights and obligations, including regulating and managing the interests of the community based on the origins, customs, and socio-cultural values of the village community (Solihah et al., 2022).

2.3 Accountability

Accountability is the obligation to provide evidence or explain the performance and actions of a person/leader of an organizational unit to parties with the right or authority for verification. The accountability in this case is in the form of a report embedded on the principle that every village financial management activity must be accountable to the village community in accordance with statutory regulations guaranteeing the values of efficiency, effectiveness and reliability (Wahyudi et al., 2019). The accountability indicators used in this research are honesty and disclosure of information, compliance in reporting, suitability of procedures, adequacy of information, and accuracy of information.

2.4 Competence of Village Officials

According to Undang-undang RI, 2003 Number 13 of 2013 concerning employment law, work competency is the performance ability of each individual, which includes aspects of knowledge, skills, and work attitudes that are in accordance with established standards. Through sufficient work competency regarding village fund management, village officials do not experience difficulties in carrying out their responsibilities in managing and administering village funds (Wulan et al., 2023). The indicators for measuring the competence of village officials used in this research are education, knowledge, skills, attitudes, and experience.

2.5 Utilization of Information Technology

Information technology includes hardware, software, and other technology used to process data to obtain quality information. The use of information technology includes searching for information quickly and accurately to facilitate the delivery of information (Warsita, 2011). Indicators of information technology utilization used in this research are use of technology, computerization process, and availability of technology.

2.6 Community Participation

Community participation is any form of involvement that influences the success of community development programs in making program decisions, identifying problems and

possibilities that exist in the community. Indicators of community participation used in this research are involvement in decision-making on village programs, proposing budget plans, involvement in plenary meetings (musrenbang), involvement in monitoring and reporting, providing assessments of budget implementation, and giving awards.

2.7 Hypothesis Development

Competency is a person's ability or skill in doing a job that is obtained through education, training, or experience. According to Mada et al. (2017), the better the competence possessed by village officials, the better the level of accountability in managing village funds. This is also supported by research conducted by Yulianti et al. (2019) and Sapartaningsih et al. (2018), which state that the competence of village officials has a positive effect on the accountability of village fund management.

Accountability can be implemented if it is supported by good use of information technology. Information technology can help village officials prepare and report village finances in real-time. The use of information technology is supported by Indraswari and Rahayu (2021), Yulianti et al. (2019), Sapartaningsih et al. (2018), Kuncahyo and Dharmakarja (2022), Kharisma and Widajantie (2021), and Anggraeni and Yuliani (2019) that the use of information technology has a positive effect on the accountability of village fund management.

Society is a component that influences the achievement of human resource development and development programs. Community participation is not only in terms of helping decision-making, but the community must provide supervision of programs carried out by the village government. According to Akbar et al. (2022), Sari and Padnyawati (2020), and Masruhin and Kaukab (2019), community participation has a positive effect on village fund management.

With these premises, this study posits the necessity to review the influence of village officials' authority and responsibility on village fund management to confirm or refute the arguments. Hence, this study posits that:

H₁: The competence of village officials has a positive effect on the accountability of village fund management.

H₂: the use of information technology has a positive effect on the accountability of village fund management.

H₃: Community participation has a positive effect on accountability in managing village funds.

3. Methodology

3.1 Type of research

This research used an associative research method with a quantitative approach to describe and test a previously established hypothesis. This research also used a causal relationship, which is a cause-and-effect relationship, where the influence of the competence of village officials, the use of information technology, and community participation influences the accountability of village fund management. Quantitative data in the form of figures are based on the results generated from the survey questionnaire.

3.2 Population and Sample

The population of this research comprises all the villages in East Lombok Regency in Indonesia totaling 239 villages, spread across 21 sub-districts. Meanwhile, the number of samples was 30 villages. This study used a multistage random sampling technique, which is a combination of two or more sampling methods; stratified random sampling with simple random sampling. The demographics of the respondents are shown in table 1.

Table 1
Demographic characteristics of the respondents

Information	Total	Percentage
Gender:		
Male	126	84%
Female	24	16%
Number of years as a village official:		
< 5 Years	60	40%
5-10 Years	64	42,67%
> 10 Years	26	17,33%
Highest education:		
SMA	57	38%
D-1	8	5,33%
S-1	82	54,67%
S-2	3	2%

Source: Processed primary data (2023)

3.3 Data Types and Sources

The type of data used in this research is quantitative data in the form of a Likert scale. This research used primary data gathered through survey technique in the form of a questionnaire.

3.4 Research Instruments

The research instrument used is a questionnaire prepared based on indicators that include village officials' competence, use of information technology, and community

participation. Table 2 presents the variables and indicators contained in the survey questionnaire.

Table 2
Research instrument

Research variable	Indicator
Village Fund Management Accountability (Y)	Honesty and openness of information Compliance in Reporting Procedure suitability Sufficiency of information Accuracy of information
Village Apparatus Competency (X1)	Education Knowledge Skills Attitude Experience
Utilization of Information Technology (X2)	Use Computerization Process Availability Involvement in decision-making on Village programs
Community Participation (X3)	Propose a budget plan Participate in plenary meetings (musrenbang) Involved in monitoring and reporting Provide an assessment of budget implementation Give awards

3.5 Data Analysis

This research used associative statistical analysis to assess the existence of a relationship between variables. In testing the hypothesis, the Partial Least Square (PLS) technique was used using the Smart PLS 3.0 software application. PLS is a variant-based structural equation analysis that can simultaneously test measurement models as well as test structural models. Seven steps must be followed in the PLS model, namely building a structural model (inner model), designing a measurement model (outer model), reconstructing the path diagram, converting the path diagram to a system of equations, estimating path coefficients and loading values, evaluating goodness of fit, testing hypothesis.

4. Findings and Discussion

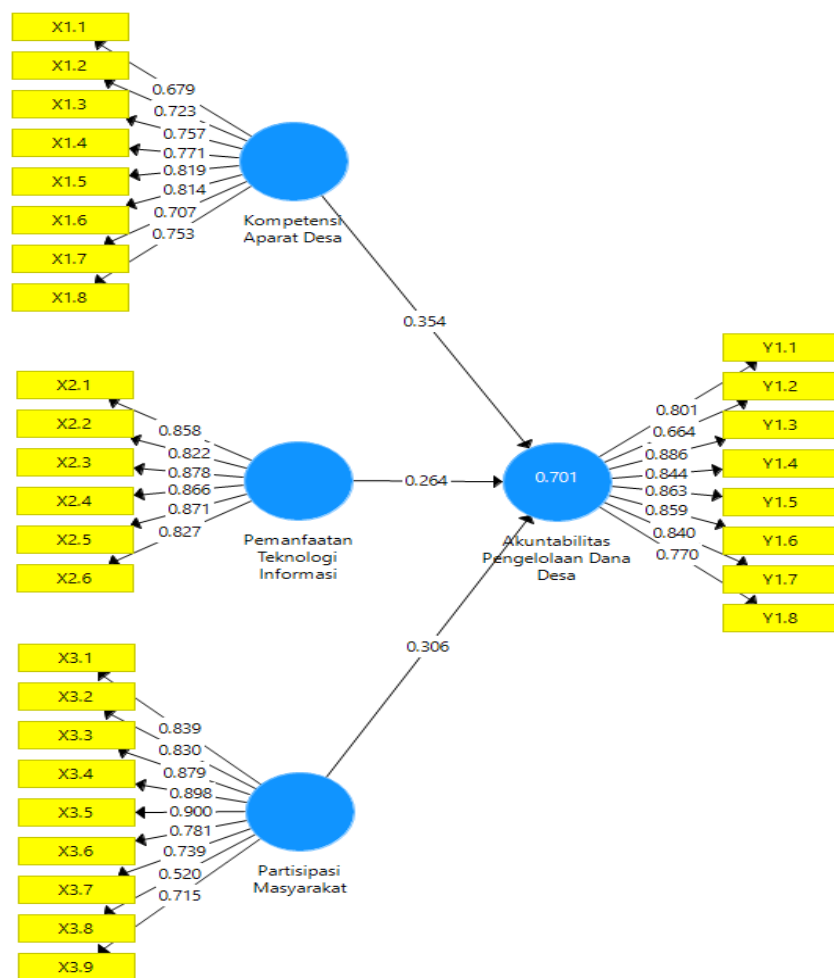
4.1 Findings

4.1.1. Outer model

Convergent validity. The convergent validity test in PLS with reflective indicators is assessed based on the loading factor (correlation between item scores/component scores and construct scores) of the indicators that measure the construct. According to Ghozali (2015), a loading factor value of 0.5 - 0.6 is still considered sufficient. Based on figure 1, it can be seen that the survey questions are all valid, having a loading value above 0.5. This makes it possible for the data to be processed further.

Figure 1

Outer loading



Discriminant validity. Table 2 shows that the indicators used can continue to be processed and it can be stated that the construct has good convergent validity. The cross loading value also shows good discriminant validity.

Table 2*Cross loading*

	Competence of Village Officials (X1)	Utilization of Information Technology (X2)	Society participation (X3)	Accountability for Village Fund Management (Y1)
X1.1	0,679	0,460	0,566	0,470
X1.2	0,723	0,616	0,643	0,499
X1.3	0,757	0,477	0,532	0,544
X1.4	0,771	0,450	0,573	0,589
X1.5	0,819	0,576	0,619	0,641
X1.6	0,814	0,579	0,547	0,681
X1.7	0,707	0,584	0,651	0,669
X1.8	0,753	0,474	0,650	0,537
X2.1	0,585	0,561	0,858	0,601
X2.2	0,726	0,566	0,822	0,627
X2.3	0,718	0,583	0,878	0,659
X2.4	0,681	0,646	0,866	0,634
X2.5	0,688	0,589	0,871	0,651
X2.6	0,644	0,610	0,827	0,694
X3.1	0,566	0,839	0,606	0,588
X3.2	0,564	0,830	0,513	0,629
X3.3	0,619	0,879	0,603	0,611
X3.4	0,609	0,898	0,615	0,640
X3.5	0,643	0,900	0,628	0,644
X3.6	0,547	0,781	0,493	0,596
X3.7	0,571	0,739	0,587	0,588
X3.8	0,262	0,520	0,373	0,317
X3.9	0,551	0,715	0,526	0,599
Y1.1	0,582	0,597	0,647	0,801
Y1.2	0,548	0,385	0,595	0,664
Y1.3	0,697	0,606	0,716	0,886
Y1.4	0,666	0,596	0,635	0,844
Y1.5	0,693	0,695	0,628	0,863
Y1.6	0,624	0,654	0,593	0,859
Y1.7	0,644	0,634	0,607	0,840
Y1.8	0,624	0,630	0,533	0,770

Source: Processed primary data (2023)

Composite reliability. It can be seen from table 3 that the composite reliability value is above 0.7 and Cronbach's Alpha is above 0.6. It can be concluded that all constructs meet the reliable criteria.

Table 3

Composite reliability using Cronbach's Alpha

Construct	Reliability Komposit	Cronbach's Alpha
Competence of Village Officials (X1)	0.913	0.892
Utilization of Information Technology (X2)	0.942	0.926
Society participation (X3)	0.939	0.925
Accountability for Village Fund Management (Y1)	0.942	0.928

Source: Processed primary data (2023)

4.1.2. Inner Model

Coefficient of determination (R^2). Table 4 shows that the R-square of the financial management accountability construct has a value of 0.701. This shows that the variables of village officials' competence, use of information technology, and community participation explain their influence on financial behavior by 70.1%, while the remaining 29.9% is influenced by other variables outside of this research.

Table 4

Coefficient of determination (R^2)

Construct	R-Square
Akuntabilitas Pengelolaan Dana Desa (Y1)	0.701

Source: Processed primary data (2023)

4.2 Discussion

The level of significance obtained provides information regarding the relationship between the research variables. The basis used to test the hypothesis in this research is the value contained in the output result for the inner weight as shown in table 5.

Table 4*Result of inner weight**Path Coefficient (Mean, STDEV, T-Values)*

Construct	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	T Table	Hypothesis	Information
Competence of Village Officials (X1) -> Management Accountability Village funds (Y1)	0,354	0,349	0,086	4,139	0,000	1.65	H1	Accepted
Utilization of Information Technology (X2) -> Village Fund Management Accountability (Y1)	0,264	0,270	0,101	2,604	0,009	1.65	H2	Accepted
Community Participation (X3) -> Village Fund Management Accountability (Y1)	0,306	0,308	0,107	2,847	0,005	1.65	H3	Accepted

Source: Processed primary data (2023)

Based on the path coefficient in table 4, the calculation results for the research variables are as follows:

Influence of village officials' competency on village fund management accountability. Based on the results of the partial hypothesis test (t-test), it shows that the competence of village officials has a significant positive effect on the accountability of village fund management. This shows that the higher the competency of village officials, the better the accountability in managing village funds. Therefore, the government needs to enhance the competency of the village officials responsible for managing village funds. They must have a good level of education, and are supported by enhancing the knowledge, skills, attitudes, and experience of the village officials on fund management. Villages with high competence of village officials will have better accountability in managing village funds.

These results support the implications of stewardship theory, where every village official who has been given a mandate must be responsible and accountable for all activities related to managing village funds. The results are in line with the studies conducted by Mada et al. (2017), Yulianti et al. (2019), Sapartaningsih et al. (2018), Atiningsih and Ningtyas

(2019), Riski and Maryono (2022), Rifa'i et al. (2021), Giriani et al. (2021), Novera et al. (2022), Deviyanti and Wati (2022), and Panjaitan et al. (2022) that the competence of village officials has a significant positive effect on the accountability of financial management of village funds.

Influence of information technology utilization on village fund management accountability. Based on the results of testing the second hypothesis, the use of information technology has a significant positive effect on the accountability of village fund management. This means that the use of information technology can help village officials manage village funds with increased accountability. This must be accompanied by computerized village fund management and supported by the availability of reliable technology-related facilities. This shows that villages that apply these three indicators in managing village funds will have a better level of accountability in managing village funds than villages that do not.

According to Handayani et al. (2023), the digitalization of village financial reporting can support local development. Similarly, Lukiastuti et al. (2022) assert that village fund management system positively affects village government performance. Hence, Friyani et al. (2023), based on the results of their study in Jambi Luar Kota District, suggest that village officials have an increased understanding of accounting information systems through training programs. As the accounting information system influences the accountability of village fund management, Ardianti et al. (2022) also suggest procurement of appropriate technology for the effective digitalization of village fund management.

The results also support the implications of stewardship theory that village governments can be helped in managing village funds by utilizing developments in information technology. Through automation and increased efficiency in the recording and reporting of financial information, the village government has higher accountability in the management and use of village funds. Through automated and electronic village fund reporting and management system, every details of the funds are accounted. This also allows transparency in the utilization of the funds. Similarly, the availability of reliable technology enables village officials obtain financial data faster and prepare financial reports on a timely basis.

This coincides with the studies of Yulianti et al. (2019), Sapartaningsih et al. (2018), Kharisma and Widajantie (2021), Novera et al. (2022), Deviyanti and Wati (2022), and Panjaitan et al. (2022) that the use of information technology has a significant positive effect on the accountability of village fund management.

Influence of community participation on village fund management accountability.

The statistical test of the third hypothesis shows that community participation has a significant positive effect on the accountability of village fund management. This means that the higher the level of community participation, the better the accountability in managing village funds. Hence, the community should also be involved in the process of village fund management. The community can participate by being involved in decision-making on village programs, proposing budget plans, taking part in plenary meetings, monitoring and reporting, providing assessments, and giving awards to the village government. Since the village officials manage the fund of the people, the commitment of the community to participate in all the activities involving funds must be prioritized. According to Sulila (2023), the community participation and supervision have significant effect on the village fund policy implementation thereby allowing the voice of the community decides where the money goes. The participation could also involve decision on social benefits, ideas, labor, and material resources (Ilmi et al., 2022). Similarly, Ayub et al. (2020) found that the Palakka District community participates in the process of allocating village funds while Fadhal et al. (2021) found that the community involvement in Tangah village improved implementation of activities and programs and empowered the community in achieving economic development. The results are also similar to the studies of Mada et al. (2017), Sapartaningsih et al. (2018), Adnyana (2022), Sari and Padnyawati (2020), Atiningsih and Ningtyas (2019), Riski and Maryono (2022), Rifa'i et al. (2021), Giriani et al. (2021), Deviyanti and Wati (2022), and Panjaitan et al. (2022) that community participation has a significant positive effect on the accountability of village fund management.

5. Conclusion

This research aims to determine the influence of village officials' competence, use of information technology, and community participation on accountability in managing village funds. The statistical testing was carried out using Partial Least Square (PLS) analysis. Based on the results generated, it can be concluded that the competence of village officials has a significant positive effect on accountability in managing village funds in East Lombok Regency. This shows that the level of education, knowledge, skills, attitudes, and experience effectively influence the accountability of village fund management. Therefore, the village officials who have good skills in managing village funds will influence compliance in

reporting. This indicates that the higher the level of competency of village officials, the better the accountability in managing village funds. Similarly, the use of information technology has a significant positive effect on the accountability of village fund management. This shows that the level of use, computerization process, and availability of technology effectively influence the accountability of village fund management. The proper computerizing of the village fund management process will affect compliance in reporting. This indicates that the better use of information technology, the better accountability in the management of village funds. Lastly, the community participation has a significant positive effect on the accountability of village fund management. This shows that involvement in decision-making, proposing budget plans, being involved in plenary meetings, being involved in monitoring and reporting, providing assessments of budget implementation, and giving awards effectively influence the accountability of village fund management.

The results of this research have implications on the village government, East Lombok Regency Government, West Nusa Tenggara Government, NTB Province BPK, and other institutions as a baseline information on the factors that influence accountability in managing village funds. Apart from that, the results of this study can provide insights into the local and central governments in formulating policies to increase accountability in managing village funds in order to lessen the chances of corruption or misappropriation of village funds which can be detrimental to the state.

This study acknowledges various limitations including the use of survey method that limits the responses of the participants on the prepared statements and indicators in the questionnaire without generating further explanation from the participants. Therefore, future researchers can look into the applicability of qualitative method or triangulation approach to better assess all the variables involved. As a starting point, they can also look at reports related to village fund management prepared by the village government to assess the level of accountability, usage of technology and community participation. For instance, the accountability can be manifested in the compliance of reports with the village fund management regulations, the reliability of financial information and the accuracy of the financial data and information. While the limitations of the study have potential effect on the results, the same can be fundamental inputs for further studies. The variables in this study are limited to the competence of village officials, use of information technology, and community participation. Hence, further research can be developed involving other variables that can

influence the accountability of village fund management, such as; organizational commitment, internal control system, supervision, and budget clarity. In addition, the respondents in this study were only limited to village officials. For further research, it is recommended to select respondents who can truly represent the research variables used, especially the community participation variable which is not only filled by the BPD, but the community in general, such as Kadus, RT, and Karang Taruna.

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Inflation adjustments of financial statements: Implication to price index and performance

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Abstract

This paper examines the critical role of inflation accounting in adjusting financial statements to accurately reflect the impact of inflation on the economy. The primary objectives are twofold: examine the process of restating balance sheets and income statements, emphasizing the limitations inherent in historical cost accounting; and investigate the practical usefulness of price indices in identifying complex changes in the value of monetary and non-monetary assets and liabilities. It uses a systematic analysis of the restatement process, delving into the application of the Constant Purchasing Power Accounting (CPPA) method. The study used Royal Dutch Airlines Company for the years 2018-2019 financial data, including varying different inflation levels. The results of the analysis reveal that indexing revenues under the CPPA method improves liquidity, profitability, and solvency ratios. This improvement is particularly evident in the cash flow statement analysis, where corrections are minimized compared to historical cost accounting. The CPPA method appears to be a powerful solution to the limitations imposed by historical costing in inflationary environments. It is worth noting that the research reveals differences in the practical application of inflation calculations between countries, depending on economic and regulatory factors. This paper calls for continued research efforts to delve deeper into the implications of inflation for different industries, economies and financial reporting frameworks.

Keywords: *inflation accounting, constant purchasing power, financial statements, price index, historical cost*

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1. Introduction

Inflation has far-reaching implications for various economic factors, significantly influencing the behavior of individuals and businesses. Ha et al. (2019) underscore a critical concern in inflation accounting—the potential underestimation of depreciation expenses due to inflation. While there are few studies conducted on this nature (Konchitchki, 2011; Schüler & Wünsche, 2023; Goldfajn et al., 2000), other studies reflect the concerns on its potential effect in financial data and information (Vélez-Pareja, 2007; Argiles et al., 2011; Olarewaju et al., 2020; Nagaraju et al., 2017). Addressing this concern becomes imperative when making inflation-related adjustments in financial statements (Ha et al., 2020). In fact, Karapinar et al. (2012) argue significant difference between adjusted cost-based financial ratios and historical cost-based financial ratios. Ball (2024) found that companies report stronger balance sheets at the time of weakened financial positions. These financial performance measures have specific implications to managerial decisions (Webster et al., 1980).

Bulow and Shoven (1982) highlighted challenges arising from high and volatile inflation during the 1960s and 1970s, leading to distortions in financial accounts. Comparing the inflation-adjusted and historical cost amounts, Chamisa et al. (2018) found that gains and losses in hyperinflationary economy provide incremental information beyond the historical cost amounts. This means financial statements reflect historical amounts that are not adjusted under inflationary conditions (Kramarova, 2021; Frank 2019). Hence, the need to address the impact of inflation on financial reporting becomes evident for providing a more accurate representation of a company's financial health and performance.

Several arguments were raised on the varying degrees of difference between inflation-adjusted costs and historical costs in most aspects of financial reports. Smith and Johnson (2018) and Javed (2019) emphasize the importance of accurate adjustments in financial statements using inflation accounting. This is clearly applied in the studies of Ha et al. (2019, 2020, 2021) highlighting inflation in low-income countries, emerging and developing economies, and the specific dynamics during the pandemic, offering a comprehensive understanding of inflation drivers and policies. In the investment and lending decisions Schuetze (1992) proposed the shift from historical cost accounting to mark-to-market for marketable securities. While inflation may impair value relevance under historical cost

accounting, it may simultaneously enhance value relevance by making present earnings more pertinent to investors through higher discount rates (Binz et al., 2023). In the Islamic banking sector, Fathi (2022) found that inflationary adjusted pricing increased bank performance as reflected in the financial statements. However, O'Hanlon and Peasnell (2004) argue that inflation adjustment brings unnecessary complication and errors.

While inflation is common to countries, International Accounting Standard (IAS) 29 titled 'Financial Reporting in Hyperinflationary Economies' applies exclusively to entities whose functional currency is the currency of certain countries, such as Argentina, Ethiopia, Haiti, Iran, Lebanon, South Sudan, Sudan, Suriname, Turkey, Venezuela, and Zimbabwe. IAS 29 outlines underlying principles and requirements but does not provide the process of measuring income and the effects of valuations. Given the principles covered in IAS 29, several authors applied the concepts to numerical terms (Goldschmidt & Yaron, 1991), as needed in the accounting field. Empirical evidence mostly describes the characteristics of hyperinflationary economies (Pittaluga et al., 2021; Reinhart & Savastano, 2003; Coomer & Gstraunthaler, 2011; Lopez & Mitchener, 2021), effects and implications of IAS 29 (Tamimi & Orbán, 2020; Obstfeld & Rogoff, 2021; Marthinsen & Gordon, 2022) and implications of IAS 29 on financial reporting (Chamisa et al., 2018; Ovidiu et al., 2013). There are only few studies on applying IAS principles to company net assets.

This paper delves into the principles contained in IAS 29 and the two methods outlined in Financial Accounting Standard (FAS) 33 for adjusting net assets. As a case subject, this study used the financial statements of Royal Dutch Airlines Company for the years 2018-2019 because the financial statements aligns with the constant purchasing power accounting (CPPA) method to measure the impact of inflation on financial performance in a practical and industry-specific context, which has unique financial dynamics and challenges.

2. Literature Review

2.1. Necessity of Adjustment

Whittington et al. (1992) find an imperative need for adjustments in the context of inflation accounting. Understanding the necessity for adjustment becomes paramount when considering various inflation accounting systems (Muhamad Ali et al., 2020). For example, the

distinction between net borrowers and net lenders is crucial, particularly concerning monetary assets. If monetary assets exceed liabilities, the firm experiences a net loss on these items due to the declining purchasing power of money. Conversely, if liabilities exceed monetary assets, an unrecorded net gain occurs because the real value of the liabilities is lower than their nominal value. This dynamic highlights the impact of inflation on different financial positions within a company and stresses the need for nuanced adjustments.

Another significant adjustment pertains to the undercharging of depreciation, a traditional approach elucidated by Humphrey (1981). Calculating depreciation based on historical market values of assets can lead to two adverse effects on an enterprise. Firstly, it results in insufficient replacement costs within revenues, as the depreciation charges should ideally cover the costs of acquiring new assets. However, depreciation, calculated based on historical costs without indexing for inflation, fails to keep pace with the increased market prices of new assets. Secondly, such depreciation costs do not reflect inflationary changes in asset values, potentially overstating profits in financial statements (Wali et al., 2019). The adjustment of stock costs is another critical aspect emphasized in the literature. As goods are purchased, their value increases with inflation until they are utilized, leading to appreciation. To ensure an accurate reflection of the effects of price changes and to produce a real measure, the value of opening stock needs to be indexed. Without this adjustment, companies can only deduct stock costs based on historical costs, resulting in higher nominal profits but lower real after-tax earnings due to increased tax burdens.

2.2 Implications of Adjustments

National accounting standards typically discourage corrections for inflation (Schuetze, 1992). However, IAS 29 mandates the restatement of financial statements for entities in hyperinflationary economies, identified when cumulative inflation over three years' approaches or exceeds 100%. It's important to acknowledge that the applicability of these adjustments is not universal. The relevance of these discussions hinges on the economic context, particularly whether a country is undergoing hyperinflation. This consideration becomes paramount in understanding the broader implications of inflation-related adjustments. Inflation accounting, particularly the utilization of price indices and historical cost adjustments, significantly influences economic parameters, individual behavior, and corporate practices. The undercharging of depreciation (Humphrey, 1981) is one aspect deserving attention in

inflation accounting. Inflation distorts inventory figures and depreciation rates, leading to higher tax rates on real corporate earnings.

IAS 29 and FAS 33 offer regulations and methods for adjusting net assets in the presence of inflation. The constant dollar method and the current cost method, alternative approaches discussed by Von Horne et al. (2005), present ways to adjust for inflation. The use of price indices or market prices aids in adjusting both monetary and non-monetary assets and liabilities, consequently impacting the calculation of total equity. Monetary assets and liabilities are affected differently based on whether a firm is a net borrower or net lender. Holding money during inflation incurs opportunity costs, affecting both nominal money values and interest payments. In addition, the market prices of desired assets rise with inflation, necessitating additional investments while depreciation costs based on historical values fail to reflect inflationary changes in asset values, resulting in overstated profits (Binz et al., 2023).

Another critical correction in inflation accounting pertains to the undercharging of depreciation. Calculated depreciation charges based on historical market values of assets fall short of covering the costs of purchasing new assets due to inflation (Binz et al., 2023; Humphrey, 1981). Similarly, inventory costs also demand consideration. The value of purchased goods increases with inflation until utilization, creating a form of appreciation. Adjusting the value of opening stock using indexing helps mitigate the impact of increased prices on stock. Without this adjustment, companies can only deduct the costs of stock based on historical values, leading to higher nominal profits and lower real after-tax earnings (Wali et al., 2020). These adjustments profoundly impact financial ratios and the assessment of company performance. Hence, clarifying inflation's impact on historical cost accounting and specific financial statement items is crucial.

3. Methodology

This study is rooted in the analysis of restated financial data, utilizing CPPA method with various inflation assumptions. The approach is based on practical analysis, emphasizing ethical considerations in the use of financial statements and adherence to accounting principles and standards.

The financial data for the study is derived from the Royal Dutch Airlines Company's balance sheet, income statement, and cash flow statement for the years 2018-2019. The

analysis explores different inflation levels, applying the CPPA method for restatement. Assumptions are made regarding the indexing of revenues to reflect changes in the purchasing power of the currency. The study computes and compares various financial ratios to assess the impact on performance indicators.

To implement the CPPA method, adjustments are made to the balance sheet and income statement based on the relationship between non-monetary assets (N), monetary assets (M), liabilities (L), and proprietor's net worth (P) as outlined in equation 1:

$$[N_t + M_t = L_t + P_t]$$

The opening balance sheet is corrected using a general price index (p) to derive the restated closing balance sheet, as indicated by equation 2:

$$[P_{t+1} = N_t(1+p) + M_t - L_t]$$

Furthermore, the CPPA profit $[(Y_{CPPA})]$ is calculated by subtracting the restated opening balance sheet from the restated closing balance sheet. This highlights the impact of inflation on profits, including gains on borrowings and losses on lending and holding money. The methodology is anchored on the relevant literature including the studies of Zamel et al. (2020), Berganza et al. (2018), Bryan (2018), Trivedi (2018), Singh (2016), and Whittington et al. (1992). In addition, Peavler (2019) on the limitations of ratio analysis are considered to ensure a comprehensive approach to the study.

4. Results and Discussion

To illustrate the practical application of the CPPA method, the balance sheet and income statement of Royal Dutch Airlines Company, presented in table 1 and 3, are considered. The illustration explores three different levels of inflation, applying the restatement methodology. Assumptions are made regarding the indexing of revenues, and the corresponding ratios are computed and compared to assess the impact on performance indicators as indicated in tables 2, 3, 4, 5, 6 and 7.

Table 1*Royal Dutch Airlines Company balance sheet*

	2019 <i>(in millions)</i>	2018 retested <i>(in millions)</i>
ASSETS		
Non-current assets		
Property, plant and equipment	€4,328	€3,780
Right-of-use assets	€1,561	€1,693
Intangible assets	€486	€407
Investments accounted for using the equity method	€560	€459
Other non-current assets	€231	€239
Other financial assets	€429	€449
Deferred tax assets	€9	
Pension assets	€420	€331
TOTAL NON-CURRENT ASSETS	€8,015	€7,367
Current assets		
Other current assets	€158	€159
Other financial assets	€100	€56
Inventories	€243	€189
Trade and other receivables	€1,686	€1,790
Cash and cash equivalents	€186	€242
TOTAL CURRENT ASSETS	€2,373	€2,436
TOTAL ASSETS	€10,388	€9,803
LIABILITIES		
Non-current liabilities		
Loans from subsidiaries	-	€19
Financial debt	€648	€483
Lease debt	€1,114	€946
Other non-current liabilities	€240	€150
Other financial liabilities	€1,100	€918
Deferred income	€228	€204
Deferred tax liabilities	€92	-
Return obligation liability and other provisions	€1,096	€1,176
TOTAL NON-CURRENT LIABILITIES	€4,256	€4,158
Current liabilities		
Trade and other payables	€2,424	€2,480
Loans from parent company	-	€99
Loans from subsidiaries	€32	€33
Financial debt	€96	€164
Lease debt	€321	€291
Other current liabilities	€113	€197
Other financial liabilities	€73	€7
Deferred income	€1,240	€1,186
Current tax liabilities	€59	-
Return obligation liability and other provisions	€257	€186
TOTAL CURRENT LIABILITIES	€4,671	€4,587
TOTAL LIABILITIES	€8,829	€8,843
EQUITY		
Capital and reserves		
Share capital	€94	€94
Share premium	€474	€474
Reserves	(€315)	(€651)
Retained earnings	€858	€478
Result for the year	€448	€565
TOTAL ATTRIBUTABLE TO COMPANY'S EQUITY HOLDERS	€1,559	€960
TOTAL LIABILITIES AND EQUITY	€10,388	€9,803

The analysis reveals that the absence of indexing revenues leads to worsened liquidity, profitability, and solvency ratios. However, when revenues are indexed, the ratios generally

improve with higher inflation. This improvement is particularly evident in the cash flow statement analysis, where the positions of cash and bank balances require fewer extreme corrections compared to historical cost accounting. In such cases, inflation accounting provides additional information to analysts and stakeholders (Wali, 2021).

4.1 Restated balance sheet

Assumption 1: moderate inflation rate of 4%. The restated balance sheet reflects the impact of a moderate inflation rate of 4%.

Table 2

Restated Royal Dutch Airlines Company balance sheet using CPPA Method with 4% Inflation

Assets	Amounts (in millions)	Liabilities & Equity	Amounts (in millions)
Non-current assets		Non-current liabilities	
Property, plant and equipment	€4,328	Loans from subsidiaries	-
Right-of-use assets	€1,561	Financial debt	€648
Intangible assets	€486	Lease debt	€1,114
Investments accounted for using the equity method	€560	Other non-current liabilities	€240
Other non-current assets	€231	Other financial liabilities	€1,100
Other financial assets	€429	Deferred income	€228
Deferred tax assets	€9	Deferred tax liabilities	€92
Pension assets	€420	Return obligation liability and other provisions	€1,096
Total non-current assets	€7,024	Total non-current liabilities	€4,518
Current assets		Current liabilities	
Other current assets	€158	Trade and other payables ¹	€2,424
Other financial assets	€100	Loans from parent company	-
Inventories	€243	Loans from subsidiaries	€32
Trade and other receivables	€1,686	Financial debt	€96
Cash and cash equivalents	€186	Lease debt	€321
Total current assets	€2,373	Other current liabilities	€113
Total assets	€9,397	Other financial liabilities	€73
		Deferred income	€1,240
		Current tax liabilities	€59
		Return obligation liability and other provisions	€257
		Total current liabilities	€4,615
		Total liabilities	€9,133
		Equity	
		Capital and reserves	
		Share capital (Note 45)	€94
		Share premium	€474
		Reserves (Note 45)	(€315)
		Retained earnings	€858
		Result for the year	€448
		Total attributable to company's equity holders	€1,559
		Total liabilities and equity	€10,388

Source: KLM 2018, 2019 Annual Report, processed by authors

Under this assumption, the non-current assets increased to €7,024 million, primarily driven by higher valuations of property, plant and equipment, right-of-use assets, and

intangible assets. The current assets also experienced a slight increase to €2,373 million, mainly due to higher inventories and trade receivables as shown in table 2. On the liabilities side, the non-current liabilities reached €4,518 million, primarily influenced by higher financial debt, lease debt, and other financial liabilities. The current liabilities amounted to €4,615 million, mainly driven by increased trade and other payables, deferred income, and return obligation liability. Overall, the company's total assets increased to €9,397 million, and the total liabilities rose to €9,133 million. The company's equity, including retained earnings and result for the year, amounted to €1,559 million. The total liabilities and equity reached €10,388 million.

Assumption 2: High Inflation (15%). Under the assumption of high inflation at 15%, as presented in table 3, the restated balance sheet demonstrates a significant impact on the company's financial position.

Table 3

Restated Royal Dutch Airlines Company balance sheet, 2019 using CPPA Method with 15% Inflation

Assets	Amounts (in millions)	Liabilities & Equity	Amounts (in millions)
Non-current assets		Non-current liabilities	
Property, plant and equipment	€4,732.6	Loans from subsidiaries	-
Right-of-use assets	€1,793.15	Financial debt	€747.6
Intangible assets	€559.9	Lease debt	€1,280.1
Investments accounted for using the equity method	€644	Other non-current liabilities	€276
Other non-current assets	€266.85	Other financial liabilities	€1,265
Other financial assets	€494.35	Deferred income	€262.2
Deferred tax assets	€9	Deferred tax liabilities	€106.8
Pension assets	€483	Return obligation liability and other provisions	€1,261.4
Total non-current assets	€8,982.85	Total non-current liabilities	€5,399.1
Current assets		Current liabilities	
Other current assets	€170.7	Trade and other payables	€2,791.6
Other financial assets	€115	Loans from parent company	-
Inventories	€279.45	Loans from subsidiaries	€36.8
Trade and other receivables	€1,939.9	Financial debt	€110.4
Cash and cash equivalents	€214.9	Lease debt	€369.15
Total current assets	€2,719.95	Other current liabilities	€132.45
Total assets	€11,702.8	Other financial liabilities	€84.95
		Deferred income	€1,426
		Current tax liabilities	€65.85
		Return obligation liability and other provisions	€290.55
		Total current liabilities	€5,297.3
		Total liabilities	€10,696.4
		Equity	
		Capital and reserves	
		Share capital	€94
		Share premium	€546
		Reserves	(€380.2)
		Retained earnings	€1,025.4
		Result for the year	€530.6
		Total attributable to company's equity holders	€1,816.8
		Total liabilities and equity	€12,513.2

Source: KLM 2018, 2019 Annual Report, processed by authors

The non-current assets rose to €8,982.85 million, primarily driven by substantial increases in property, plant and equipment, right-of-use assets, and intangible assets. The

current assets also experienced growth, reaching €2,719.95 million, mainly due to higher trade and other receivables. On the liabilities side, the non-current liabilities increased to €5,399.1 million, primarily influenced by higher lease debt, other financial liabilities, and return obligation liability. The current liabilities amounted to €5,297.3 million, mainly driven by increased trade and other payables, deferred income, and return obligation liability. The total assets of the company rose significantly to €11,702.8 million, while the total liabilities reached €10,696.4 million. The equity, including retained earnings and result for the year, amounted to €1,816.8 million. The total liabilities and equity reached €12,513.2 million.

Assumption 3: Hyperinflation (100%). In the situation of hyperinflation at 100%, the restated balance sheet reflects a substantial impact on the company's financial position.

Table 4
Restated Royal Dutch Airlines Company balance sheet 2019 using CPPA Method with 100% Hyperinflation

Assets	Amounts (in millions)	Liabilities	Amounts (in millions)
Non-current assets		Non-current liabilities	
Property, plant and equipment	€8,656	Loans from subsidiaries	-
Right-of-use assets	€3,122	Financial debt	€1,296
Intangible assets	€972	Lease debt	€2,226
Investments accounted for using the equity method	€1,120	Other non-current liabilities	€480
Other non-current assets	€462	Other financial liabilities	€2,200
Other financial assets	€858	Deferred income	€456
Deferred tax assets	€9	Deferred tax liabilities	€184
Pension assets	€840	Return obligation liability and other provisions	€2,192
Total non-current assets	€16,039	Total non-current liabilities	€9,034
Current assets		Current liabilities	
Other current assets	€317	Trade and other payables	€4,848
Other financial assets	€200	Loans from parent company	-
Inventories	€486	Loans from subsidiaries	€64
Trade and other receivables	€3,393	Financial debt	€192
Cash and cash equivalents	€372	Lease debt	€642
Total current assets	€4,768	Other current liabilities	€226
Total assets	€20,807	Other financial liabilities	€146
		Deferred income	€2,480
		Current tax liabilities	€118
		Return obligation liability and other provisions	€514
		Total current liabilities	€8,230
		Total liabilities	€17,264
		Equity	
		Capital and reserves	
		Share capital	€94
		Share premium	€658
		Reserves	(€459.4)
		Retained earnings	€1,296.6
		Result for the year	€696
		Total attributable to company's equity holders	€1,585.2
		Total liabilities and equity	€18,849.2

Source: KLM 2018, 2019 Annual Report, processed by authors

The non-current assets increased significantly to €16,039 million, primarily driven by soaring valuations of property, plant and equipment, right-of-use assets, and intangible assets. The current assets also experienced significant growth, reaching €4,768 million, mainly due to higher trade and other receivables. On the liabilities side, the non-current liabilities rose to €9,034 million, influenced by higher financial debt, lease debt, and return obligation liability. The current liabilities amounted to €8,230 million, primarily driven by increased trade and other payables, deferred income, and return obligation liability. The company's total assets skyrocketed to €20,807 million, while the total liabilities reached €17,264 million. The equity, including retained earnings and result for the year, amounted to €1,585.2 million. The total liabilities and equity reached €18,849.2 million.

Overall, the analysis of the restated balance sheets reveals the significant impact of different inflation assumptions on the company's financial position. Higher inflation rates result in substantial increases in both assets and liabilities, highlighting the importance of considering the effects of inflation when evaluating a company's financial statements.

4.2. Restated income statements

Table 5

Income Statement Royal Dutch Airlines Company

Details	Amounts
Revenues	-
Revenues - External	11,075
Revenues - Internal	-
Total revenue	11,075
EBITDA	1,943
Income from current operations	853
Other non-current income and expenses	22
Financial Income and expenses	(275)
Income tax expense	(162)
Share of results of equity shareholdings	11
Profit for the year	449
Amortization, depreciation and movements in provision	(1,090)
Other financial income and expenses	(127)

Source: KLM 2018, 2019 Annual Report, processed by authors

The practical application of the CPPA method, the balance sheet, income statement and cash flow statement of Royal Dutch Airlines Company is considered for analysis. The study explores three situations with different levels of inflation and applies the restatement methodology. Assumptions are made regarding the indexing of revenues. The corresponding ratios are computed and compared to assess the impact on performance indicators.

Table 6

Restated Income statement, Royal Dutch Airlines Company

Details	*Historical data	**Moderate inflation	***High Inflation	****Hyper-inflation
	Assumption	4%	15%	100%
Revenues				
Revenues External	11,075	11,075	12,729.6	22,150
Revenues Internal	-	-	-	-
Total revenue	11,075	11,075	12,729.6	22,150
EBITDA	1,943	1,943	2,226.2	3,886
Income from current operations	853	853	976.2	1,699
Other non-current income and expenses	22	22	25.3	44
Financial Income and expenses	-275	-275	-309.3	-550
Income tax expense	-162	-162	-181.8	-324
Share of results of equity shareholdings	11	11	12	22
Profit for the year	449	449	530.4	913
Amortization, depreciation, and movements in provision	-1,090	-1,090	-1,300.5	-2,180
Other financial income and expenses	-127	-127	-151.1	-254

Source: KLM 2018, 2019 Annual Report, processed by authors

Assumption 1: Moderate Inflation (4%). An analysis of the restated income statements using the CPP accounting method with different inflation assumptions is shown in table 6. Highlights of the analysis include:

Revenues: The restated revenues remain unchanged at \$11,075.

EBITDA: The EBITDA is restated to \$1,943.

Income from current operations: The income from current operations is restated to \$853.

Profit for the year: The profit for the year is restated to \$449.

Assumption 2: High Inflation (15%). Highlights of the analysis include:

Revenues: The restated revenues increase to \$12,729.6, reflecting the higher inflation rate.

EBITDA: The EBITDA increases to \$2,226.2.

Income from current operations: The income from current operations increases to \$976.2.

Profit for the year: The profit for the year increases to \$530.4.

Assumption 3: Hyperinflation (100%). Highlights of the analysis include:

Revenues: The restated revenues significantly increase to \$22,150 due to the high inflation assumption.

EBITDA: The EBITDA increases to \$3,886.

Income from current operations: The income from current operations increases to \$1,699.

Profit for the year: The profit for the year increases significantly to \$913.

In summary, as the inflation assumptions increase from moderate to high and hyperinflation, the restated income statement shows higher revenues, EBITDA, income from current operations, and profit for the year. This reflects the impact of inflation on the financial performance of the company.

4.3. Financial ratios in relation to inflation, price index, and historical costs

The analysis of the financial ratios in relation to inflation, price index, and historical costs is displayed in table 7. The results of analysis highlight the following:

Return on Investment (ROI). ROI measures the profitability of the company's investment in assets. Inflation can impact ROI by affecting the purchasing power of the company's earnings and the value of its assets. With the CPPA method, the restated financial statements reflect the impact of inflation on historical costs. The ROI calculated in each inflation assumption considers the restated profit for the year and total assets. Higher inflation rates can lead to lower ROI as the purchasing power of earnings is eroded.

Table 7*Financial ratio analysis for Royal Dutch Airlines Company*

Financial Ratios	Historical data	Modest Inflation 4 %	High Inflation 15%	Hyperinflation 100%
	31-12-2019	31-12-2019	31-12-2019	31-12-2019
Current Ratio	0.512	0.509	0.514	0.580
Quick ratio	0.451	0.451	0.415	0.415
Solvency ratio	0.151	0.151	0.151	0.151
Return on Equity (ROE)	0.287	0.287	0.382	0.335
Return on investment (ROI)	0.043	0.043	0.043	0.043
Debt-to-Total Assets Ratio	0.852	0.852	0.852	0.852
Debt-to-Equity Ratio	5.656	5.656	5.891	10.891
Inventory Turnover	45.576	45.576	45.576	45.576
Assets Turnover	1.065	1.065	1.065	1.065

Source: KLM 2018, 2019 Annual Report, processed by authors

Return on Equity (ROE). With an ROE of 38.28%, the company shows a higher profitability level compared to the moderate inflation scenario. It suggests that the company has been successful in generating significant returns for its equity holders, despite the challenges posed by high inflation.

Inventory Turnover. Inventory turnover measures how efficiently the company manages its inventory. Inflation can impact inventory turnover by affecting the cost of goods sold and the value of inventory. With the CPPA method, the historical cost of inventory is restated to reflect the impact of inflation. Higher inflation rates can lead to higher inventory turnover as the company sells inventory at higher prices. However, it's important to consider the impact of inflation on the cost of goods sold as well.

Total Asset Turnover. Total asset turnover measures how effectively the company utilizes its total assets to generate revenue. Inflation can impact total asset turnover by affecting revenue and the value of assets. The restated revenue and total assets in the CPPA method reflect the impact of inflation on historical costs. Higher inflation rates can lead to higher total asset turnover as the company generates more revenue relative to the value of its assets.

Debt-to-Total Assets Ratio. The debt-to-total assets ratio indicates the proportion of a company's total assets financed by debt. Inflation can impact this ratio by affecting the value of assets and the real cost of debt. With the CPPA method, the restated total assets reflect the impact of inflation on historical costs. Higher inflation rates can result in a lower debt-to-total

assets ratio as the value of assets increases. However, it's important to consider the impact of inflation on the real cost of debt, as higher inflation can lead to higher interest expenses.

Debt-to-Equity Ratio. The debt-to-equity ratio shows the proportion of a company's financing provided by debt relative to equity. Inflation can impact this ratio similarly to the debt-to-total assets ratio. The restated total liabilities and total equity in the CPPA method reflect the impact of inflation on historical costs. Higher inflation rates can lead to a higher debt-to-equity ratio as the value of liabilities increases relative to equity.

Solvency Ratio. The solvency ratio measures the company's ability to meet its long-term obligations. Inflation can impact the solvency ratio by affecting the value of assets and liabilities. The restated total assets and total liabilities in the CPPA method reflect the impact of inflation on historical costs. Higher inflation rates can lead to a higher solvency ratio as the value of assets increases relative to liabilities.

In summary, the financial ratios analyzed with respect to inflation and compared to price index and historical costs provide insights into the company's profitability, asset utilization, debt levels, and solvency under different inflation assumptions. The restated financial statements with the CPPA method account for the impact of inflation on historical costs, allowing for a more accurate assessment of the company's financial performance and position. CPPA aims to maintain financial capital maintenance and is supported by FAS 33.

Investors might encounter challenges when refraining from restating data. In such instances, it's worth revisiting the suggestions of IAS 29, as even moderate inflation can wield influence, triggering dramatic shifts in financial statements. Diverse factors, including the structure of the balance sheet, assumptions under the CPPA method, company size, and other considerations, could contribute to this dynamically. While the CPPA method possesses inherent limitations, these can be surmounted through a continuous reevaluation aligned with the inflation index in the financial statement throughout the year. For a more comprehensive understanding of the prerequisites, delving into additional empirical research becomes imperative when implementing inflation accounting in accordance with the IAS 29 guidelines.

5. Conclusion

Inflation accounting plays a crucial role in adjusting financial statements to reflect the impact of inflation on the economy. It involves restating balance sheets and income statements using price indices or market prices to account for changes in the value of monetary and non-

monetary assets and liabilities. By adjusting for inflation, inflation accounting provides a more accurate representation of a company's financial position, performance, and cash flows. The use of inflation accounting techniques, such as CPPA method, helps address the shortcomings of historical cost accounting in inflationary environments. It allows for the recognition of the erosion of the purchasing power of money and the appreciation of non-monetary assets. By restating financial statements, inflation accounting provides a clearer picture of a company's profitability, liquidity, and solvency, enabling better decision-making by investors, creditors, and other stakeholders. However, it is important to note that inflation accounting is not universally applied. National accounting standards may vary, and the requirement for restating financial statements in the presence of inflation depends on the economic and regulatory environment of each country. Companies operating in hyperinflationary economies may be required to apply specific inflation accounting standards, while others may have the option to choose between historical cost accounting and inflation accounting methods.

Inflation accounting continues to be a topic of interest and debate among accounting professionals, academics, and policymakers. As economies evolve and face changing inflationary environments, the relevance and applicability of inflation accounting methods will continue to be discussed and refined. By understanding and implementing appropriate inflation accounting techniques, stakeholders can gain a more accurate understanding of the financial performance and position of companies operating in inflationary economies. Hence, further research and analysis are needed to explore the implications of inflation accounting on different industries, economies, and financial reporting frameworks. The impact of inflation on financial ratios, the comparability of financial statements across countries with different inflation rates, and the challenges of implementing inflation accounting in practice are areas that require deeper investigation.

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Behavioral intentions in embracing cloud-based accounting information systems

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Abstract

In facing the digital era and a more competitive environment, every organization is required to increasingly implement information systems that can facilitate various organizational needs. Cloud Based Accounting Information Systems (CBAIS), as part of information systems (IS), have also gained attention of organizations. This research was conducted to obtain empirical evidence of the interest in using CBAIS in various medium-sized companies in Indonesia measured using Institutional Theory. The data analysis tool used was SEM- PLS. The respondents in this study were accounting and finance departments employees working for logistics companies that still use conventional accounting information systems (non-cloud-based). A total of 89 responses were collected from 5 logistics companies in Indonesia. The research results indicated that mimetic pressure positively influenced the interest in using CBAIS, coercive pressure does not positively influence the interest in using CBAIS, and normative pressure positively influenced the interest in using CBAIS. An interesting aspect of this study is the absence of regulation or even demand in Indonesia that obligates the use of CBAIS. Hence, the use of CBAIS has not become a commonly adopted best practice in logistics companies.

Keywords: *cloud-based accounting information systems, accounting information systems, technology acceptance model, TAM, institutional theory, information systems*

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1. Introduction

At the onset of the fourth industrial revolution, the adoption of Information Technology (IT) has represented a substantial advancement across diverse sectors. The use of IT has led to the creation of new business models conducted digitally. This pattern also applies to the realm of accounting, where IT plays a vital role. An approach that can assist in elevating information precision and enhancing decision-making in organizational operations is the implementation of Accounting Information Systems (AIS). AIS has evolved into a crucial strategic instrument for reaching organizational objectives. Numerous organizations adopt AIS with the aim of achieving efficiency, increasing productivity, and improving overall performance (Haleem, 2021). Furthermore, AIS stands out as a pivotal technology-driven asset for all organizations; leveraging the information it produces, organizations can make well-informed strategic decisions (Tajvidi & Ahmadi, 2021).

In contrast to conventional AIS, a Cloud-Based Accounting Information System (CBAIS) presents a competitive edge by enhancing services tailored to client requirements, demanding lower capital investment, facilitating superior cost control, and offering improved accessibility (Asatiani et al., 2019), and offering the capability to enhance combination within the supply chain (Oliveira et al., 2014). Cloud refers to internet-based data storage that can be accessed from any location with an internet connection. Cloud accounting involves the online processing and accessibility of data through a web browser. Information is stored on remote servers rather than on-site at the organization's premises. Unlike traditional accounting systems, cloud accounting is a service that eliminates the need for installing and maintaining software on individual desktop computers. It entails minimal maintenance, automates backups, updates financial data automatically, and offers real-time financial reports (Modi, 2018).

CBAIS, classified as a contemporary concept within cloud-based technology, is characterized by the processing of accounting data through a suite of information distribution systems and applications. This occurs within the framework of the cloud information concept, eliminating the need for users to be aware of the physical position and structure of the system (Mihalache, 2011). Furthermore, it is a type of accounting software that runs on cloud infrastructure, such as servers hosted through cloud service providers such as

Microsoft Azure, Amazon Web Services (AWS), and Google Cloud (Dimitriu & Matei, 2015), harnesses its capabilities within the cloud-based technology framework, or other cloud providers. This system allows companies to efficiently manage financial data, record transactions, and generate financial reports without operating and maintaining their physical servers.

Given the benefits and advantages of CBAIS on company financial data and records, studies showed varying degrees of acceptance. While most of the companies admit the potential advantages on cost and time saving (Sharma 2016; Rashwan & Alhelou, 2022), timeliness and quality of reports (Sharma, 2016; Kmaleh, 2023; Mauricette et al., 2022; Rashwan & Alhelou, 2022), convenience and ease of use (Le & Cao, 2020; Handayani et al., 2021; Wahyuni, 2018), and perceived benefits and usefulness (Ma et al., 2021; Kartikasary et al., 2023; Zebua & Widuri, 2023), studies highlight the need for employee satisfaction on the use of cloud accounting (Nayan et al., 2023) and its relationships with business performance (Kariyawasam, 2019). The behavioral intention to use cloud accounting is influenced by the strong digital leadership (Hung et al., 2023; Rawashdeha & Rawashdeh, 2022; Rawashdeh et al., 2023) and user computer self-efficacy (Altin & Yilmaz, 2022; Syah et al., 2023). For instance, while Brender and Markov (2013) found sufficient degree of awareness in Swiss companies and Van den Bergh (2016) revealed significant awareness in South African companies, the Indian experience as described by Sharma (2016) and Deeksha and Rakesh (2019) emphasized the lack of awareness on the use of cloud accounting. Majority of the users identified security (Kartikasary et al., 2023; Nesbit & Sidabutar, 2022; Jamsheed & deRham, 2023; Musyafii & Muna, 2021), data confidentiality (Yigitbasioglu, 2015) and potential human errors (Kmaleh, 2023) as impediments to the adoption of cloud accounting.

In Indonesia, the Alibaba Cloud survey conducted in 2023 revealed that 94% of cloud service users aspire to increase their investments in cloud technology while 92% (compared to 84% in Asia) of other businesses plan for a complete cloud migration within two years. Some of these trends are driven by new needs emerging during the pandemic. Despite the high business interest in adopting cloud technology in Indonesia, 71% of businesses still perceive "difficulty in making management recognize the value of adopting new technology" as the most significant challenge. In 2019, research finding by Kaspersky revealed that

19.4% of companies had started adopting cloud services while 32.1% of companies planned to adopt cloud services in the next 12 years. This underscores that cloud services are increasingly becoming the choice for future-oriented companies. In addition, the development of e-commerce, marked by the increase in transactions, compels companies to streamline their supply chains. This is certainly viewed positively by logistics companies, with their enhancement of existing information systems to capitalize on growth opportunities in technology-based marketplaces (Yati, 2021).

Literature has shown that CBAIS represents the latest tool in the field of IT offering various benefits for organizations (Christauskas & Miseviciene, 2012) compared to traditional Information Systems (IS) (Alshirah et al., 2021). Essentially, adopting CBAIS will also impact the accounting configuration. Giving precedence to CBAIS is crucial within efforts aimed at improving business productivity and competitiveness (Al-Okaily et al., 2023). Although much literature generally examines the risks and benefits of CBAIS (Alshirah et al., 2021), to date, only a few studies have focused on the factors playing a crucial role on the intention to use CBAIS. Therefore, this research attempts to provide a description and empirical evidence of the intention to use CBAIS in Indonesia. As suggested by Jackson and Allen (2023) that organizations must recognize the pivotal role of its staff in technology adoption, this research aims to investigate individuals' inclination to adopt CBAIS through Institutional Theory.

The study aims to broaden the comprehension of CBAIS by exploring the categorization of influential factors that contribute to the inclination to adopt CBAIS within Indonesian companies. Institutional theory and CBAIS have a close relationship, primarily because institutional theory can be used to understand and explain the influence of acceptance and implementation of CBAIS. Institutional Theory moderates whether the intention to use CBAIS is influenced by normative pressure (NP), mimetic pressure (MP), and coercive pressure (CP).

2. Literature review

2.1 Institutional Theory

Berger and Luckmann (1967) initially introduced the Institutional Theory, and it has since found extensive application in examining the dissemination and adoption of technology

within organizational contexts (Olivera et al., 2014; Li & Wang, 2018). According to Scott and Christensen (1995), this theory underscores that at its core, the choices and decisions made by organizations are influenced by external environmental factors and the imperative for legitimacy. It posits that within a specific industry, organizational decision-making transcends rational approaches. Organizations seek to bolster legitimacy in their decision-making by aligning with their institutional environment, acting in anticipation, and justifying their decisions (Al-Okaily et al, 2023).

This theory delineates three principal dimensions of institutional pressure that compel and shape the extent of technology adoption. These dimensions include coercive pressure, exerted by institutions crucial to organizational dependence, encompassing formal forces like government regulations and informal forces such as industry persuasion; mimetic pressure, arising from the tendency to imitate others in comparable industries, such as leading companies or competitors; and normative pressure, stemming from social forces on the company and its members to conform to specific norms. Earlier empirical studies conducted by Ahmadi et al. (2017), utilizing institutional theory, tested the adoption of IT/Hospital IS M-Commerce, and Asatiani et al. (2019) found that institutional theory influences the acquisition of information systems/technology, especially on technologies like CBAIS.

2.2 Mimetic Pressure (MP) and Intention to Use CBAIS

Mimetic pressure is one of the institutional factors that can lead companies to leverage the successful experiences of their competitors (Mitra & Singhal, 2008). Companies might consider emulating the success of their competitors as a strategic choice, imitating the behaviors and actions of these successful rivals through the adoption of comparable practices (Li & Wang, 2018). Upon discovering the advantages that competitors derive from CBAIS, companies experience MP, compelling them to emulate and adopt the practices of these successful rival firms (Olivera et al., 2014). As recognized in existing literature, organizations encounter heightened pressure when observing numerous counterparts within the industry and shared environment successfully employing innovation. Consequently, they sense the need to adapt in order to uphold their competitiveness (Chang et al., 2006).

In accordance with institutional theory, numerous prior studies have indicated that the MP exerted by competitors significantly impacts the adoption of technology within companies.

For instance, Ahmadi et al. (2017) found that MP from competitors significantly and positively influences the intention to adopt technology. In previous research on CBAIS that did not explicitly apply institutional theory, some studies have indicated that the adoption of cloud-based technology is strongly influenced by CP (Chen et al., 2023; Alipour et al., 2021), equivalent to the MP exerted by competitors. Studies on ERP adoption have reported that companies, upon witnessing other entities or competitors within the same supply chain incorporating ERP into their operations, experience pressure to similarly adopt ERP system (Lutfi, 2020). MP exerts the most substantial influence on the decision to embrace innovative IS (Al-ma'aitah, 2017). Thus, this study posits that: MP positively influences the intention to use CBAIS.

2.3 Coercive Pressure (CP) and Intention to Use CBAIS

Coercive pressure originates from companies or other authorities that have power over the target company (Olivera et al., 2014). It may emanate from various sources, including, industry associations, government regulators, as well as suppliers or customers. For example, an industry association may have significant influence on a company. Customers may demand new features that could be more cost-effective when executed through CBAIS. Moreover, companies might also be susceptible to the influence of holding companies or shareholders (Li & Wang, 2018).

Lutfi et al. (2017) examined the role of policy determinant in the use and adoption of IS among SMEs. A noteworthy determinant identified within the domain of IS was government policies. In accordance with institutional theory and consistent with prior research, government policies emerge as substantial and positively associated external influence on CBAIS (Alsharari et al., 2020). Furthermore, the government establishes regulations and policies that encompass various promotional programs or rules to pursue the institutional adoption of CBAIS (Ahmadi et al., 2017). Thus, this research argues that: CP positively influences the intention to use CBAIS.

2.4 Normative Pressure (NP) and Intention to Use CBAIS

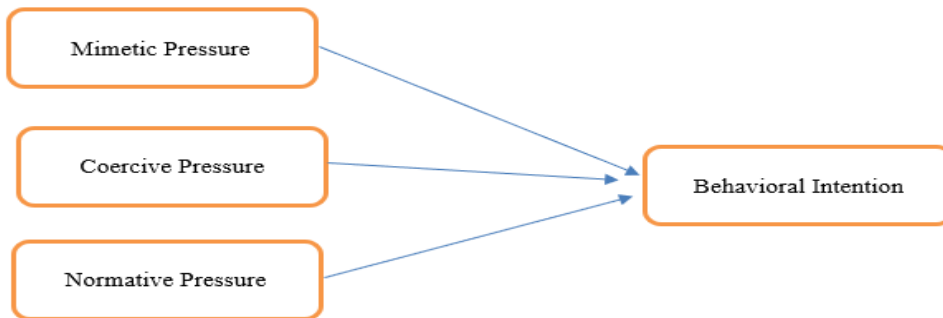
Normative pressure refers to the impact exerted by professional standards and the influence of the professional community on a company. This influence stems from adherence to established norms, ethical guidelines, and expectations within a particular professional

domain, shaping the behavior and practices of the company in question (DiMaggio & Powell, 1983). NP occurs when a company adheres to the structure and policies of its central company as a model that promotes the homogenization of structures. The majority of previous research has found the importance of NP in the adoption of IT and IS within organizations or institutions (Olivera et al., 2014). It is a crucial factor influencing the adoption of information technology (Ahmadi et al., 2018; Lin et al., 2020). Thus, this research hypothesizes that: NP positively influences the intention to use CBAIS.

From the arguments discussed, the research framework is shown in figure 1.

Figure 1

Research model



3. Methodology

This research is an explanatory study that examined the validity of several hypotheses testing their relationships. The data utilized were primary data collected using a closed questionnaire instrument, distributed directly to the study sample and disseminated online. The population for this study consisted of employees using AIS in logistics companies registered with the Indonesian Logistics Association (<https://www.ali.web.id/web2/>). The population in this study consists of 23 companies selected through convenience sampling based on location in Bandung - Indonesia. Respondents in this study were from the accounting and finance departments of logistics companies that still use conventional SIA (non-cloud-based).

The measurement of research variables in this study was adopted from Alshirah et al. (2021) as illustrated in table 1.

Table 1*Variables measurement*

Variable	Indicators
Coercive Pressure	<ul style="list-style-type: none"> - Government's interest in adopting CBAIS - Association or industry's interest in adopting CBAIS. - The competitive landscape compels our company to embrace CBAIS
Normative Pressure	<ul style="list-style-type: none"> - Relationships with suppliers and companies are progressively incorporating CBAIS. - Customers are increasingly integrating CBAIS into their operations. - Government influences are encouraging the company to adopt CBAIS..
Mimetic Pressure	<ul style="list-style-type: none"> - Our competitors hold a positive perception of CBAIS adoption. - The adoption of CBAIS is widely perceived as highly advantageous for our company. - Customers and suppliers alike hold a positive view of CBAIS adoption..

The data analysis in this research is carried out through the application of Structural Equation Modeling (SEM) with a focus on Partial Least Squares (PLS).

4. Results and Discussion

The population for this study comprises employees in the accounting and finance departments of logistics companies still utilizing conventional AIS. Data were collected through questionnaires, and a total of 89 data points were successfully gathered from 5 logistics companies. On average, each company filled out 15-20 questionnaires.

This research incorporated unobserved variables, necessitating the utilization of SEM analysis. This approach evaluated the degree of influence exerted by independent variables on dependent variables and tested the hypotheses put forth in the study. The testing was conducted using the SmartPLS 3 application.

4.1 Measurement Model Evaluation

During the measurement model evaluation phase, the outcomes of data processing using the SmartPLS 3 application are outlined. Convergent validity testing, including assessments of indicator reliability and average variance extracted, is performed to ascertain the effectiveness of the measurement instruments in fulfilling their respective functions.

Validity refers to the extent to which a measurement accurately represents the intended concept. In SmartPLS, the assessment of validity involves examining loading factors for each indicator, as revealed in the results of convergent validity. Indicators and variables are deemed valid if their correlation values exceed 0.7, indicating a strong relationship with the underlying construct being measured (Hair et al., 2017). Table 2 displays the outcomes of the loading factor testing and convergent validity assessment.

Table 2

Convergent validity test result

Latent Variables	Indicator	Loading Factor	Description
X ₁ (MP)	MP1	0.845	Valid
	MP2	0.982	Valid
	MP3	0.817	Valid
X ₂ (CP)	CP1	0.777	Valid
	CP2	0.867	Valid
	CP3	0.878	Valid
X ₃ (NP)	NP1	0.654	Valid
	NP2	0.616	Valid
	NP3	0.677	Valid
Y (Behavioral Intention)	BI1	0.799	Valid
	BI2	0.686	Valid
	BI3	0.776	Valid

Source: Data processed using SmartPLS 3, 2023

According to the information provided in table 2, the outcomes of the convergent validity test suggest the validity of all indicators. This conclusion is drawn from the fact that each indicator exhibits loading factor values surpassing 0.7.

The second criterion for assessing convergent validity involves evaluating the average variance extracted (AVE). As per Hair et al. (2017), a variable is deemed valid if its AVE value surpasses 0.5. In this study, all latent variables exhibited AVE values exceeding 0.5, signifying that all latent variable constructs possess strong validity. This suggests that the information

encapsulated in each latent variable is effectively captured by its observable or manifest variables.

Table 3

Average variance extracted test result

Latent Variables	AVE
X ₁ (MP)	0.736
X ₂ (CP)	0.677
X ³ (NP)	0.878
Y (Behavioral Intention)	0.709

Source: Data processed using SmartPLS 3, 2023

4.2 Internal consistency (Cronbach's alpha, composite reliability)

The assessment of reliability involves two key criteria: Cronbach's alpha and composite reliability, extracted from the SmartPLS 3 algorithm results. To meet the recommended reliability standards for the measurement structure, values exceeding 0.7 are desirable, as suggested by Hair et al. (2017). Table 4 shows the results of Cronbach's alpha and composite reliability tests for each research variable.

Table 4

Cronbach's alpha and composite reliability test result

Latent Variable	Cronbach's Alpha	Composite Reliability	Suggested Value	Description
X ₁ (MP)	0.947	0.950	> 0.7	Reliable
X ₂ (CP)	0.955	0.961	> 0.7	Reliable
X ³ (NP)	0.873	0.908	> 0.7	Reliable
Y (Behavioral Intention)	0.789	0.987	> 0.7	Reliable

Source: Data processed using SmartPLS 3, 2023

According to the information presented in table 4, it is evident that all variables demonstrate reliability and exhibit strong reliability as the results of both Cronbach's alpha and composite reliability tests for each variable surpass the threshold of 0.7.

4.3 Discriminant validity

Discriminant validity is used to examine correlation values. There are two tests for discriminant validity, the first one is Fornell-Larcker. Fornell-Larcker, which assesses the correlation between variables. The results of Fornell-Larcker can be seen in table 5.

Table 5

Fornell Larcker (Discriminant Validity) test result

Latent Variables	X1	X2	X3	Y
X ₁ (MP)	0.858			
X ₂ (CP)	0.729	0.821		
X ₃ (NP)	0.683	0.655	0.710	
Y (Behavioral Intention)	0.803	0.765	0.656	0.887

Source: Data processed using SmartPLS 3, 2023

The Fornell-Larcker values are obtained by comparing the magnitude of the relationships between the variables with each other. To ensure valid results, it is crucial that the strength of the relationship between a variable and itself surpasses the relationships between those variable and other variables. The outcomes presented in table 5 reveal that the relationships of the variables with themselves (highlighted in yellow and bold) are indeed greater than the relationships between those variables and other variables. Consequently, it can be inferred that discriminant validity is established.

The second examination for discriminant validity involves cross-loading. This process aims to verify whether the indicators within a construct exhibit higher values on the construct they represent compared to values associated with other constructs. The outcomes of the cross-loading analysis are displayed in the table 6.

Table 6

Cross Loading (Discriminant Validity) test result

Indicator	X1 (DMP)	X2 (BO)	Z2 (KM)
DMP1	0.875	0.318	0.320
DMP2	0.803	0.329	0.206
DMP3	0.735	0.804	0.437

Source: Data processed using SmartPLS 3, 2023

Table 7*Cross Loading (Discriminant Validity) test result*

Indicator	X1	X2	X3	Y
MP1	0.839	0.263	0.144	0.045
MP2	0.879	0.314	0.211	0.139
MP3	0.825	0.191	0.045	0.598
CP1	0.835	0.231	0.139	0.785
CP2	0.368	0.753	0.598	0.204
CP3	0.208	0.869	0.785	0.164
NP1	0.362	0.878	0.704	0.208
NP2	0.296	0.803	0.686	0.365
NP3	0.204	0.829	0.696	0.291
BI1	0.164	0.338	0.627	0.832
BI2	0.200	0.298	0.696	0.793
BI3	0.289	0.289	0.617	0.781

Source: Data processed using SmartPLS 3, 2023

The cross-loading values are determined by comparing the strength of the relationship of each indicator with its respective variable against the strength of the relationship of each indicator with other variables. To ensure valid results, it is essential that the magnitude of the relationship of each indicator with its variable exceeds the magnitude of the relationship of each indicator with other variables. As per the information in table 7, the results indicate that the relationships between indicators and their variables are indeed greater than the relationships between the indicators themselves and other variables. Consequently, it can be concluded that discriminant validity is satisfied.

With the obtained test results, it can be asserted that the measurement model exhibits validity and reliability, meeting the necessary criteria for proceeding with further analysis, specifically the evaluation of the structural model and hypothesis testing.

4.4 Analysis of R Square (R^2)

The R Square (R^2) analysis is conducted on each endogenous latent variable, providing insights into the degree to which the endogenous variable is influenced by its contributing

exogenous variables. A higher R^2 value signifies a more substantial impact on the endogenous variable, as outlined by Hair et al. (2017).

Table 8

Analysis of R Square (R^2) on endogenous variables

Endogenous Variables	R Square (R^2)
X_1 (MP)	0.915
X_2 (CP)	0.989
X^3 (NP)	0.987
Y (Behavioral Intention)	0.702

Source: Data processed using SmartPLS 3, 2023

Based on table 8, the variable behavioral intention (Y) is simultaneously influenced by MP (X_1), CP (X_2), and NP (X_3) with an R^2 value of 100%.

4.5 Analysis Q Square (Q^2)

The Q Square value serves as an indicator for evaluating the goodness of the structural model. If Q^2 is greater than 0, it signifies that the model possesses predictive relevance. Conversely, if Q^2 is less than 0, it suggests a lack of predictive relevance in the model.

Table 9

Q Square (Q^2) Analysis

Latent Variables	Q Square (Q^2)	Description
X_1 (MP)	0.681	Good predictive relevance
X_2 (CP)	0.673	Good predictive relevance
X^3 (NP)	0.489	Good predictive relevance
Y (Behavioral Intention)	0.765	Good predictive relevance

Source: Data processed using SmartPLS 3, 2023

4.6 Hypothesis Testing

Hypothesis testing is undertaken to scrutinize the influence of independent variables on the dependent variable. In order to assess the significance of path coefficients, a bootstrap

method is utilized at a 5% significance level in SmartPLS 3. Table 10 shows the results of the calculations for testing the hypotheses.

Table 10

Hypothesis testing

Hypothesis	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T-Statistics (IO/STERRI)	p-value	Conclusion
X ₁ -> Y	0.021	0.021	0.010	0.010	2.018	0.006	Significant, H1 accepted
X ₂ -> Y	0.054	0.065	0.019	0.019	1.806	0.056	H2 rejected
X ₃ -> Y	0.094	0.115	0.035	0.035	2.649	0.009	Significant, H3 accepted

Source: Data processed using SmartPLS 3, 2023

4.7 Discussion

Based on the results of first hypothesis testing, it is evident that MP has a positive effect on the intention to use CBAIS. MP arises from the tendency or desire to imitate or follow the steps or decisions made by others or other organizations, especially when they are considered successful in the same industry. In the context of the intention to use CBAIS, MP can influence individuals or organizations to adopt the system in several ways. Firstly, when some competitors or large companies in the same industry have switched to cloud-based accounting information systems and successfully gained benefits or efficiency from the change, other competitors or companies are likely to be interested in imitating those steps to remain competitive. Moreover, the emergence of global or industry trends supporting the adoption of cloud technology, in general, can also create MP to adopt CBAIS (Serhan et al., 2020). Companies or individuals may be interested in following the latest technology trends in an effort to stay relevant and up-to-date with industry developments (Handayani et al., 2021).

Based on the results of the second hypothesis testing, it is clearly indicated that CP does not have a positive effect on the intention to use CBAIS. This research aligned with the findings of Lin et al. (2020) that CP has no significant effect on perceived barriers (e-business) in agricultural firms. CP can be exerted by external parties, such as government regulations, industry norms, or demands from stakeholders, proven to drive individuals or organizations to adopt a particular technology or system (Chua & Goh, 2017). In Indonesian logistic companies,

CP has not been proven to influence the use of CBAIS. This is reinforced by the fact that there is no regulation in Indonesia mandating the use of CBAIS. Additionally, the use of CBAIS has not become a widely adopted best practice by similar companies or competitors, causing logistics companies not to feel pressured to follow suit to stay relevant and competitive in the market (Poon & Tong, 2019). If stakeholders expect or desire the use of CBAIS to improve transparency, efficiency, or the reliability of financial reporting, individuals or organizations will feel compelled to adopt the system (Fathony, 2018).

Meanwhile, the third hypothesis testing states that NP has a positive effect on the intention to use CBAIS. This research aligned with the findings of Lin et al. (2020). NP, as a form of social pressure originating from company rules or policies. In this context, these rules or policies relate to the use of CBAIS in accounting and information management activities. NP acts as a motivator for individuals to comply with the company's policies regarding the use of CBAIS. This may include rules related to financial reporting, data security, or system usage policies. Employees are more likely to follow rules or policies established by the company. In the context of using CBAIS, this means that employees are more likely to adopt or comply with guidelines set by the company regarding the use of the system.

5. Conclusion

The conducted tests have revealed several noteworthy findings. The outcomes of this study validate all three proposed hypotheses. The research indicates that MP, CP, and NP emerge as significant antecedents to the intention to adopt CBAIS. Among these, CP emerges as the most pertinent and crucial variable influencing the intention to adopt CBAIS, consistent with previous research. The obligatory nature of CP results in increased environmental engagement, significantly impacting the intention to adopt CBAIS. Moreover, in many developing countries, there is a notable dependence on government assistance and incentives to facilitate the adoption of IT/IS. Therefore, it is reasonable to consider that obtaining valuable and beneficial information from the government will facilitate logistics companies in better adopting CBAIS to support essential business needs.

MP is established as a significant factor, which encompasses the behavior of imitating and replicating actions observed in other structurally similar companies, including competitors. Small and medium enterprises, in an effort to mitigate uncertainty and risk, rely on the

experiences of competitors, resulting to increased engagement from the environmental context in fostering the intention to adopt CBAIS. Consequently, logistics companies are more likely to embrace CBAIS when they discern potential benefits and advantages, particularly in the context of heightened competition.

Similar to other environmental factors, NP is also determined to be significant. This discovery aligns with prior research emphasizing the crucial role of NP in the adoption of IT/IS-related applications. NP is exerted by various entities, including suppliers, government agencies, and other organizations that have effectively implemented CBAIS. These entities essentially share norms, values, and information with companies, contributing to increased involvement from the environmental context in fostering the intention to adopt CBAIS. Through NP, logistics companies are expected to adhere to professional standards and embrace techniques and systems deemed best practices by relevant professional bodies. When NP is high, logistics companies adopt IT/IS not solely based on their evaluation of potential technological efficiency but due to the pressure exerted by the multitude of organizations that have adopted such technology.

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