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Strengthening Financial Reporting Quality: The Role of Rule of Law, Public Transparency, and Cultural Change as a Moderator

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Abstract

Purpose - The purpose of this study is to investigate how the Indonesian General Election Commission's financial reports are affected by the rule of law, transparency, and cultural shift.

Methodology - This quantitative study employs the PLS-SEM method. Key members of the Election Commission's finance and administration staff were surveyed to gather primary data, while the Supreme Audit Agency's financial audit report provided secondary data.

Findings - The findings demonstrate that transparency and the rule of law significantly improve the caliber of government financial disclosures. It has also been demonstrated that changes in culture significantly weaken the relationship between these factors and the quality of financial reporting, making measures of legal compliance and transparency more crucial.

Practical implications - This study provides valuable insights for government agencies seeking to improve financial reporting quality. It highlights the importance of the rule of law, transparency, and fostering positive cultural change for accurate financial reporting. Policymakers and auditors can utilize these findings to enhance governance practices and address deficiencies in government financial control systems. This study is closely linked to decision sciences as it provides empirical evidence on how governance principles and cultural factors influence financial reporting quality, which is critical for informed decision-making in public sector resource allocation and policy formulation.

Originality - By incorporating cultural change as a moderating factor in the relationship between the rule of law, transparency, and financial reporting quality, this study makes a significant contribution to the existing body of literature. Addressing the specific challenges faced by the Indonesian General Election Commission offers a fresh perspective on how governance practices influence financial reporting in developing countries.

Keywords: Rule of Law, Public Transparency, Cultural Change, Financial Reporting Quality.

JEL Classifications: K16, H11, H83, D73

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