

ANALYSIS OF FINANCIAL ACCOUNTING STANDARD-SETTING INSTITUTIONS: GOVERNMENT VERSUS PRIVATE

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ABSTRACT

Introduction/Main Objectives: This study analyzes the legitimacy of Indonesia's financial accounting standard-setting institutions. **Background Problems:** The enactment of the Law on Development and Strengthening of the Financial Sector has resulted in changes to the financial regulations, including an institutional arrangement for financial accounting standard setting. The law regulates that the standard setting should be conducted by a standard-setting committee established by a presidential decree. This is different from the current system, where the standard-setting process is conducted by a board under the Institute of Indonesia Chartered Accountants, a private organization of professional accountants in Indonesia. The new scheme may increase the government's role in the standard-setting process, which may hinder independence. **Novelty:** This study adds to the literature on the legitimacy of standard-setting institutions by focusing on the stakeholders' perspectives. **Research Methods:** A qualitative approach, through semi-structured interviews with stakeholders from various professional backgrounds that relate to financial reporting, was conducted to compare the legitimacy of private versus government institutions that set financial accounting standards. **Finding/Results:** Each of the institutions—both the government's and the private one under the IAI—has various positive and negative effects on the legitimacy of the standard-setting process. Collaboration between the government and the private sector, such as involving the IAI in determining the financial accounting standard-setter, has stronger legitimacy than a sole government standard-setting institution. **Conclusion:** The results of this study contribute to the development of the legitimacy theory and provide inputs for the further implementation of the new law.

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INTRODUCTION

This study examines the consequences of increasing the government's role in financial accounting standards setting in Indonesia, as regulated by the Law on Development and Strengthening of the Financial Sector (*Undang-Undang Pengembangan dan Penguatan Sektor Keuangan – UU P2SK*).¹ Under the UU P2SK, the role of accounting standards setting would be moved from a private institution (the Institute of Indonesia Chartered Accountants, or *Ikatan Akuntan Indonesia*, or IAI) to an institution under the Indonesian government. Government versus private-based standard-setting institutions have been a classic debate in studies and practice until now, amid no conclusive explanation regarding the differences among the countries about the role of government in financial accounting standard setting.²

Perera (1989) states that neither private nor government institutions will be completely independent or immune from pressure. This pressure is part of the political process in the process of preparing accounting standards, which is influenced by various interests (vested interests) (Suwardjono, 2014). Perera (1989) also argues that government institutions are more insulated from pressure exerted by certain stakeholders (practicing accountants, companies, and users of financial statements) compared to private institutions in setting accounting standards. Therefore, government institutions

may be more objective than private institutions in setting accounting norms and procedures, especially in developing countries (Perera, 1989). However, by contrast, Young (2014) states that government institutions may be more vulnerable to political pressure than private bodies, causing accounting standards to be designed to accommodate the interests of certain parties and not solely to meet the needs of users of financial statements in making economic decisions.

This study is motivated by the issue of accounting standard-setting institutions in Indonesia, which recently have been part of the public discourse. The issue of changing the financial accounting standards-setting institution is important because the outputs, i.e., accounting standards, affect the interests of many parties, especially the economic interests (Durocher & Fortin, 2010), as well as the stakeholders' confidence regarding the reliability of the financial information as a basis for decision-making (Durocher et al., 2019). Prior studies by Nejad et al. (2018) and Suwardi (2020) prove that accounting standards will affect the quality of accounting information (value relevance) and will ultimately impact users of financial reports in decision-making.

In this context, our research question is "How do the stakeholders assess the issue of changes to financial accounting standard-setting institutions in Indonesia as regulated in the UU P2SK?" Stakeholder views are important because changes in accounting standard-setting institutions are mostly caused by a crisis of legitimacy from stakeholders (Durocher et al., 2019). Legitimacy refers to acceptance by the relevant stakeholders, based on the alignment between the goals, activities, and values needed to carry out certain activities, including the accounting standard-setting process (Hannigan & Kueneman, 1977).

¹ Provisions regarding the shift of authority to create accounting standards from the Institute of Indonesia Chartered Accountants as a private body to the Financial Reporting Standards Committee as a government body are regulated in Article 271 of Law Number 4 of 2023 (*Undang-Undang Pengembangan dan Penguatan Sektor Keuangan – UU P2SK*).

² Financial Accounting Standards Institution is a private or government entity which organizes the Accounting Standards Board. Currently, the Indonesian Financial Accounting Standards Board (*Dewan Standard Akuntansi Keuangan – DSAK*) is organized by a private professional accounting association, called the Indonesia Institute of Chartered Accountants (*Ikatan Akuntan Indonesia – IAI*).

The literature related to the legitimacy of financial accounting standard-setting institutions, which has so far only focused on analyzing the standard-setting structure and process. Yet, a very limited study has addressed the stakeholders' perspectives on legitimacy issues (Durocher et al., 2019). In fact, legitimacy is a perception or assumption that observers (stakeholders) have about an institution as they see it (Suchman, 1995). Besides that, research on the legitimacy of accounting standard-setter institutions is also largely concentrated on transnational institutions such as the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB); little is known about national accounting standard-setters (Mitterlechner, 2019). By addressing this gap, this study contributes to the extant literature by providing a new perspective on the legitimacy of national accounting standard-setting institutions in a more specific context, specifically the transfer of authority of accounting standard-setting institutions from private institutions to government institutions. This study also provides considerations to policymakers about the governance of financial accounting standard-setting institutions in Indonesia in the future, including the government's involvement in them.

The remainder of this paper is structured in five sections. Section 2 provides a literature review in four areas: the standard-setting institution, the independence of the accounting standard setter, the legitimacy theory, and the research context. Section 3 presents the method, data collection, and analysis. Section 4 discusses the result from the perspective of the pragmatic, cognitive, and moral legitimacy of the accounting standard setter. Section 5 offers conclusions and suggestions that potentially inform the work of regulators and standard setters.

LITERATURE REVIEW

1. Financial accounting standard-setting institutions

It is widely accepted that accounting standards should be followed to maintain uniformity, yet the actors who developed the standards vary among nations. Previous literature differentiates actors in accounting standard setting into two major categories: those belonging to private or government institutions (Akisik, 2013; Wolk et al., 2017; Zeff, 1995). Private standard-setting occurs when a professional or non-governmental body sets the professional standards (Sanada, 2020). For example, the practice of private standard-setting can be found in the United States by the Financial Accounting Standards Board (FASB), Saudi Arabia by the Saudi Organization for Certified Public Accountants (SOCPA), and India by the Institute of Chartered Accountants of India (ICAI). Conversely, government standard-setting refers to the setting of accounting standards carried out by government agencies (Zeff, 1995). For example, the practice of government standard-setting can be found in South Africa by the Financial Reporting Standards Council (FRSC), Australia by the Australian Accounting Standards Board (AASB), and China by the China Accounting Standards Committee (CASC).

Nevertheless, in countries where private parties set accounting standards, they still need regulatory support from the government to enforce the standards. In this case, the government has a complementary role in regulating financial reporting (Sanada, 2018). Conversely, when accounting standards are set by an institution under the government, private professional associations tend to have a weak influence and role in preparing and determining these accounting standards (Choi & Meek, 2011; Sanada, 2018).

The process of accounting standard setting is influenced by various factors, including differences in taxation systems, domestic company funding sources, the country's political system, economic size, capital market size, legal systems, and the existence of professional accounting institutions (Rankin et al., 2018). In code law countries, the government tends to have direct control over the financial reporting regulations and the accounting standard-setting process. They are characterized by a stronger banking system as the source of funding, the smaller size of the capital market, and a weaker professional accounting association relative to those in common law countries (Choi & Meek, 2011; Perera, 1989; Rankin et al., 2018). In common law countries, the majority of a firm's funding comes from the capital market. It relies on the market mechanism and, thus, has a stronger professional accounting association (Choi & Meek, 2011; Perera, 1989; Rankin et al., 2018). Consequently, the financial reporting regulations and the accounting standard-setting process are mainly set by a private institution or professional organization.

The institutional environment of Indonesia differs from that of the market-oriented (shareholder governance) or bank-oriented (stakeholder governance) environment. Corporate governance follows a two-tier board structure and is characterized by concentrated ownership. Indonesia seems to lie between the two corporate governance models, although it leans toward becoming the market-oriented model. The capital market plays a vital role in Indonesia as a source of funding for Indonesian publicly listed firms.

2. Independence of accounting standard-setting institutions

The independence of an accounting standard-setting institution is defined as “freedom from

the undue influence of certain parties' interests and policymakers” (Wingard et al., 2016). The independence of standard-setting institutions is a fundamental aspect to ensure the legitimacy of the accounting standards. It also becomes one of the determining aspects of the sustainability of the institution's authority (Wingard et al., 2016). Beyond the aspect of accounting expertise and stakeholder input, the independence of an accounting standard-setting institution is one of the prerequisites for producing high-quality accounting standards (Madsen, 2013). To set a more independent accounting standard setter and to set high-quality accounting standards, the institution setting the standards must be supported by good governance structures and by independent sources of funding (Danjou & Walton, 2012). The quality of financial reports relies upon those accounting standards (McEnroe & Martens, 1996).

Prior studies have documented mixed results regarding the level of independence of government versus private institutions in supporting the accounting standard setters. Young (2014) showed that government parties are more susceptible to political pressure than private parties, resulting in accounting standards that tend to accommodate the interests of certain parties and are not solely to meet the needs of financial report users when making economic decisions. Conversely, Perera (1989) states that government parties are better protected from certain stakeholder pressures (such as practicing accountants, companies, and the users of financial reports), so they can be more objective than private parties or professional associations in supporting the accounting standard setting. This study attempts to overcome these different views by examining the level of independence of government versus private institutions from the various stakeholders' perspectives.

3. Legitimacy theory

The legitimacy theory refers to the acceptance of an institution, by other relevant parties, to carry out certain activities based on harmony among the goals, activities, and dominant values of a higher system (Hannigan & Kueneman, 1977). In the context of financial accounting standard-setting institutions, legitimacy from many parties is very important due to the economic consequences of accounting standards (Durocher & Fortin, 2010). Suchman (1995) explains that legitimacy is a general perception or view that the actions of an entity (institution) are desirable or appropriate within a socially constructed system of norms, values, beliefs, and views.

Suchman (1995) categorizes legitimacy into three types: pragmatic, moral, and cognitive. Pragmatic legitimacy refers to the utilitarian assessment of stakeholders regarding the ability of financial accounting standard-setting institutions to serve their interests as constituents. Moral legitimacy refers to the normative assessment of stakeholders regarding the general truth/suitability of the values of the activities and procedures carried out, as well as the accounting standards set by financial accounting standard-setting institutions. Cognitive legitimacy refers to stakeholder acceptance of the existence of an institution. Suchman (1995) describes in more detail that each category has several aspects. Pragmatic legitimacy consists of exchange, influence, and dispositional legitimacy. Moral legitimacy consists of consequential, procedural, structural, and personal legitimacy. Cognitive legitimacy consists of comprehensibility and taken-for-grantedness.

4. Research context

This study uses the context of Indonesia's accounting standard-setting institution. Institutionally, the Indonesian Financial Accounting Standards Board is under the IAI. The IAI is a

professional accountant's association established in 1957 (Maradona & Chand, 2018). To achieve its goals³, the IAI runs various activities, including developing and preparing financial accounting standards (IAI, 2024).

The ratification of the UU P2SK, as an omnibus law for the financial sector, subsequently changed the financial reporting regulations in Indonesia. Under this law, the authority to set financial accounting standards in Indonesia is given to the Financial Reporting Standards Committee (*Komite Standar Laporan Keuangan* or KSLK). This committee and its members are established by Presidential Decree. This change is likely to pose challenges to its legitimacy, especially from professional accounting associations concerned about the independence of the committee. Accordingly, this study compares the legitimacy of private and government institutions as financial accounting standard-setting bodies, based on stakeholders' perspectives³ and using Suchman's (1995) legitimacy typology.

METHOD, DATA, AND ANALYSIS

1. Research methods

This study used a qualitative approach through a semi-structured in-depth interview method, which allows for flexibility and adaptability in exploring the research question in this study. Semi-structured interviews are particularly suitable for this research as they enable the researcher to remain open to emerging insights, facilitating the exploration of unforeseen insights related to the stakeholders' perspectives (Bell et al., 2022). In-depth interviews are particularly suited for capturing the personal perceptions, beliefs, feelings, and experiences of participants,

³The aim of establishing the IAI at that time was twofold: guiding the development of accounting, improving the quality of accountant education, and improving the quality of accountants' work (IAI, 2024).

as highlighted by Hennink et al. (2020). By leveraging these advantages, the research aims to provide a nuanced understanding of stakeholder legitimacy assessments within the changes in financial accounting standard-setting institutions.

2. Data collection

Data were obtained through 16 semi-structured interviews with various stakeholder groups. The selection of participants in this study was based on two main considerations: criteria and access to the informants. The criteria used to determine the backgrounds of stakeholders as informants followed the composition of the Board of Financial Accounting Standards (*Dewan Standar Akuntansi Keuangan* or DSAK). The backgrounds of DSAK-IAI members are considered representative of stakeholders related to financial accounting standards. Generally, DSAK-IAI members come from three primary backgrounds: users of financial accounting standards, academics, and regulators. To complement the discussion on the legitimacy of KSLK, it was deemed necessary to include perspectives from representatives of the Financial Professional Development Center (*Pusat Pembinaan Profesi Keuangan* or PPPK), representatives from the Financial Services Authority (*Otoritas Jasa Keuangan* or OJK) as financial regulators, representatives from the IAI as a professional association, political economy experts, and representatives of financial statement users.

Data collection was carried out for three months, from October to December 2023, with the duration of the interview with each informant ranging from 20 to 180 minutes. Many factors caused variations in the duration of the interview with each interviewee, including the availability

of the time given and the variety and number of questions according to the interviewee's background. The interviews in this study were guided by a detailed interview protocol that included a list of questions, topics, and issues to be addressed. The interview questions were developed based on Suchman's (1995) legitimacy structure, which includes pragmatic, moral, and cognitive dimensions.

Table 1 lists the interviewees' classification, background, and the number of participants. Seven and three participants were classified as users of accounting standards and academicians, respectively. Each of the professional accountant's organizations and the government's agencies contributed two participants. Lastly, one participant was a political economist. Diversifying the interviewees' backgrounds is aimed at obtaining a comprehensive view from the stakeholders about the legitimacy aspect of financial accounting standard-setting institutions in Indonesia.

All the interviews were conducted directly and recorded, either face-to-face, by telephone, or using video-based applications such as Zoom and WhatsApp. To facilitate the interview process, the researcher started by briefly explaining the research background and asking for the stakeholder's responses based on their understanding after reading the provisions in Article 271 of the UU P2SK. The interviews were conducted in Indonesian. The interviewees' responses cited here were translated into English. To ensure ethical standards, informed consent was obtained from each participant through a formally signed consent form. The recorded interviews were converted into transcripts via Microsoft Word and were then analyzed using NVivo 12 Pro software.

Table 1. Interviewees' details

| Classification | Background | Number of participants |
|---------------------------------------|---|------------------------|
| Users of accounting standards | Non-financial company | 1 |
| | Financial company | 1 |
| | Public Accountant Firm (<i>Kantor Akuntan Publik</i> – KAP) | 2 |
| | Accounting Services Firm (<i>Kantor Jasa Akuntan</i> – KJA) | 3 |
| Users of financial reports | Capital market analyst | 1 |
| Academician | Accounting academician | 2 |
| | Ex DSAK-IAI academician | 1 |
| Government agencies | Financial Professional Development Center (<i>Pusat Pembinaan Profesi Keuangan</i> – PPPK) | 1 |
| | Financial Services Authority (<i>Otoritas Jasa Keuangan</i> – OJK) | 1 |
| Political economist | Political economists | 1 |
| Professional accountant's association | Institute of Indonesia Chartered Accountants (<i>Ikatan Akuntan Indonesia</i> –IAI) | 2 |

3. Data analysis

Data validity testing was conducted using multiple validity procedures: source or data triangulation and member checking. Silverman (2017) argues that data triangulation aims to see whether they corroborate one another. As a part of triangulation, we compared and confirmed the answers between participants. In addition, we also checked documents and other supporting literature mentioned by participants during the interview. Several public documents that we checked include the Draft Financial Reporting Law, the World Bank research published in the *Reports on the Observance of Standards and Codes: Accounting and Auditing* (ROSC A&A), the Ikatan Akuntan Indonesia (IAI) Regulation No. 3 of 2021, the accountability reports of the IAI National Council for the periods 2006–2010, 2010–2014, 2014–2018, and 2018–2022, as well as the IAI website.

Another data validity test used in this study is member checking. We sent the interview transcripts to the participants to verify the

accuracy of the data. However, some participants did not provide further responses. Therefore, member checking was done by re-listening to the recorded interviews to ensure the accuracy of the questions and answers from the interviewees in relation to the interview transcripts. According to McKim (2023), re-listening to the recorded interviews not only ensures data accuracy but also serves as an initial step in data analysis, i.e., familiarizing yourself with the data.

In this study, data analysis was done in two stages: open and axial coding. Using NVivo 12 Pro software, interview transcripts were read and grouped into identified keywords, subthemes, and main themes. The keywords were generated based on empirical data obtained from interviews with several participants, consisting of a combination of concepts or terms that appeared repeatedly. This stage is known as open coding (Bell et al., 2022). The next stage is axial coding, in which the identified keywords are grouped into higher-level conceptual categories, namely subthemes and main themes

(Bell et al., 2022). These subthemes and main themes were developed from Suchman's (1995) legitimacy typology. For example, the keywords due process procedure and funding sources were categorized under the subtheme influence legitimacy, which is part of the pragmatic legitimacy as the main theme.

RESULT AND DISCUSSION

This section addresses the research question related to stakeholders' perspectives on the changes in the financial accounting standard-setting institutions in Indonesia. Based on an evaluation using Suchman's (1995) typology of institutional legitimacy, differences among the types of legitimacy have been identified. Pragmatic legitimacy focuses on utilitarian aspects, moral legitimacy emphasizes values, and cognitive legitimacy involves acceptance based on both pragmatic and moral legitimacy. Thus, these three types of legitimacy are inter-related in a complex manner, often overlapping with one another (Sanada, 2020).

1. Pragmatic legitimacy of accounting standards-setting institutions

Pragmatic legitimacy is interpreted as a discursive utilitarian assessment of stakeholders toward institutions (Durocher et al., 2019; Suchman, 1995). Pragmatic legitimacy consists of exchange, influence, and dispositional legitimacy. In the context of this research, exchange and dispositional legitimacy can be interpreted as support and approval from stakeholders for the existence of a financial accounting standard-setting institution, while influence legitimacy is about procedural legitimacy.

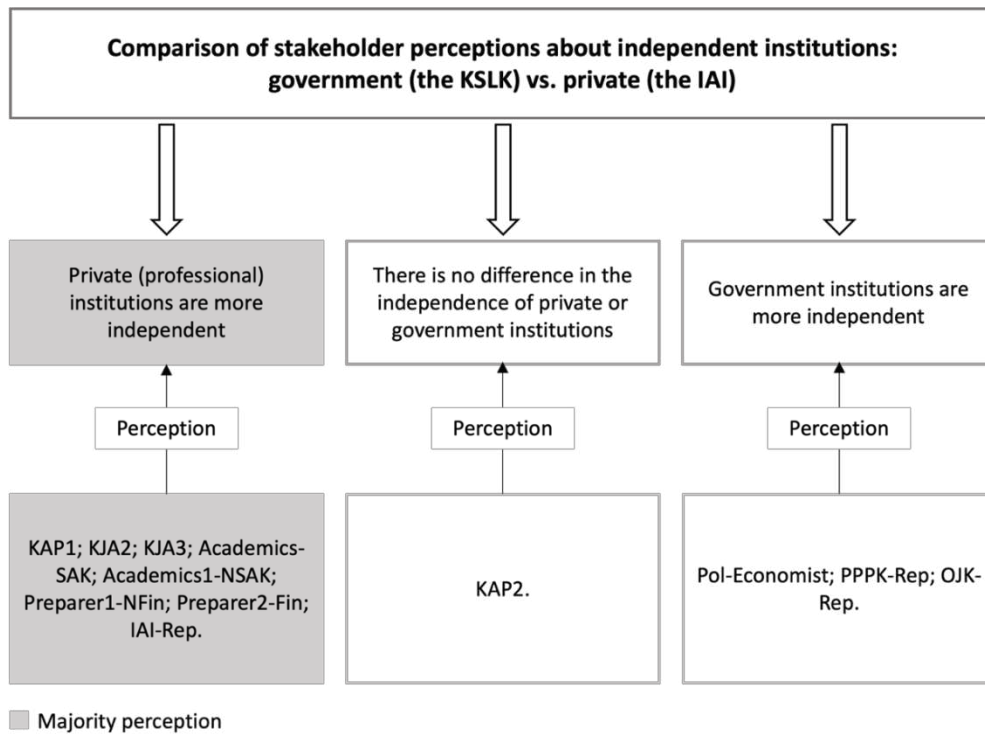
We found that the independence of accounting standard-setting institutions is the main aspect of obtaining the support and approval from stakeholders. Therefore, independence is pragmatic legitimacy in the context of a financial accounting standard-setting institution. The following interviews support this meaning.

"Actually, if we talk about standard setters, one of the main considerations is the aspect of independence. Yes, as far as I know, the change from the International Accounting Standards Committee (IASC) to the International Accounting Standards Board (IASB) is an attempt to make standard setters more independent and more focused on setting standards. Because setting standards, of course, must be independent" (Academics-SAK, 34).

"...if the standard setter wants to change, whatever, the point is it must be independent" (KJA3, 30).

We found three different views among stakeholders regarding independent financial accounting standard-setting institutions. Figure 1 summarizes this perception.

First, a private institution or accountant's association is seen as more independent than a government institution. This view is grounded in the argument that government bodies may set accounting standards that are influenced by the interests of the government, particularly in relation to state-owned enterprises. Young (2014) supports this argument, noting that government bodies may be more susceptible to political pressure than private bodies, resulting in accounting standards being designed to accommodate the interests of certain parties and not solely to meet the public interest. This perspective is endorsed by most informants from diverse professional backgrounds.

Figure 1. Independence comparison: government (the KSLK) vs. private (the IAI)

“... In our opinion, they would be more independent and professional outside of the government” (KAP1, 102).

“In my opinion, it should still be a professional organization, such as the IAI, because it is already an independent professional organization. If it were to be under the government, there is a possibility it would lose its independence. Therefore, I tend to believe it should remain with the professional organization” (KJA3, 4).

“... In the UU P2SK, it is stated that independence is required. Independence means it should not be under the government.” (Preparer1-NFin, 19).

“... If the government were to take over what has been independently managed so far, I think the negative aspects would outweigh the positive ones” (Academics2-NSAK, 52).

Second, there is no difference in the independence of government and private institutions. This view is based on the argument that accounting standards are regulations that always contain a conflict of interest among

different parties, so accommodating one party will defeat the other party that is not accommodated. This view is similar to Perera (1989), who states that neither private nor government institutions will be completely independent or immune from pressure. This pressure is part of the political process of setting accounting standards, which are colored by various interests (Suwardjono, 2014). One of the interviewees from a public accounting firm partner stated that

“...There is no such thing as completely independent because regulations always contain vested interests. In accounting theory, there is a concept known as the 'capture theory', which explains that in the creation of regulations, those being regulated are the ones who effectively capture the process. Therefore, there is no such thing as truly independent.” (KAP2, 10).

Third, a government institution is seen as more independent than a private institution. This view is based on the argument that certain

interests may be more easily accommodated if the standard setting is within the authority of a private institution. Perera (1989) also argued that government institutions are more insulated from pressure from certain stakeholders (such as practicing accountants, companies, and the users of financial reports) and more objective than private institutions, especially professional associations, in setting accounting standards, norms, and procedures. Interviewees from government circles and political economists support this view by stating that

"... The influence of oligarchy might be stronger in the profession compared to the government, because in the government, the process is longer. In the IAI as an accounting association, it is more immediate" (Pol-Economist, 34).

"... The best practice is that it should be entrusted to an independent institution, which in some countries is established by the government" (OJK-Rep, 22).

Overall, it can be concluded that assessing the independence of accounting standard-setting institutions is very subjective and strongly influenced by the interviewees' backgrounds. In general, the interviewees assessed that a private institution or professional association was perceived to be more independent than a government institution in setting accounting standards (see Figure 1). Perceptions of independence are influenced by several factors, including differences in funding sources, the existence of conflicts of interest, and public trust in the government. Several interviewees stated that

"... now it is done by an accounting association, which may have a conflict of interest. In addition, the association funds the setting of these standards based on donations rather than financial report preparers. These things are seen as being able to cause the IAI to become less independent. How come the IAI is not

independent? Yes, there could be requests to interpret certain accounting standards, where the IAI will see which ones are favorable for its donors" (OJK-Rep, 22).

"... the Financial Reporting Standards Committee is more independent, so its heavy burden must not be controlled by the government... It must not be controlled by the Ministry of Finance" (IAI-Rep1, 40).

"If it's an independence issue, I think it's more independent if more people believe in it" (Preparer2-Fin, 12).

2. Moral legitimacy of accounting standards-setting institutions

Moral legitimacy is interpreted as a positive, discursive, and normative evaluation of an organization from the perspective of a value system socially constructed by the stakeholders (Durocher et al., 2019; Suchman, 1995). Suchman's (1995) version of moral legitimacy only consists of structural, procedural, personal, and consequential legitimacy, but this research adds legal legitimacy as part of moral legitimacy following Durocher, Fortin, & Côté (2007).

Legal legitimacy

A clear legal basis (or clear mandate from the government) is one of the supporting factors for the legitimacy of accounting standard-setting institutions (Johnson & Solomons, 1984). The legal basis is regulations or governing rules related to authority, which can be used as a reason to take action, including setting financial accounting standards (Johnson & Solomons, 1984). In addition, accounting standard-setting institutions are seen as gaining legal legitimacy when the standards are mandated by regulators (Dumitru & Guse, 2017).

The IAI's authority to set financial accounting standards was obtained through a Decree of the Minister of Finance (*Keputusan Menteri Keuangan* or KMK) of the Republic of

Indonesia No. 263/KMK.01/2014 about the position of the IAI as the Professional Accountant's Association, which is responsible for compiling and establishing a code of ethics and professional standards. This mandate strengthens the government's recognition of financial accounting standards (issued by the IAI) stated in Law Number 8 of 1995 about Capital Markets (Capital Markets Law) and Law Number 40 of 2007 about Limited Liability Companies (Limited Companies Law). In the explanation section of the Limited Liability Company law, it states that what is meant by "financial accounting standards" are standards set by the Indonesian Professional Accounting Organization, which is recognized by the Government of the Republic of Indonesia.

The IAI representatives claim that the existing regulations and the Financial Sector Authority's recognition of the existing accounting standards, issued by the IAI, constitute the IAI's legal legitimacy as a financial accounting standard setter. However, our interviewee from the Finance Profession Supervisory Center (an institution within the Ministry of Finance that is responsible for supervising the accounting profession) stated that

"... DSAK (an accounting standards board within IAI) feels that the Limited Liability Company law is becoming a legal basis for setting standards, even though there have never been any norms that provide attributive authority that directly grant a mandate from the law to the IAI to act as an institution that has the authority to set standards" (PPPK-Rep, 13).

Apart from the Limited Liability Company and Capital Market laws, the legal basis for the IAI to set financial accounting standards is weakened by the provisions regulated in the UU P2SK, which amends several previously existing laws, including the Capital Markets law, which

is one of the legal bases for the IAI to set accounting standards. This provision is regulated in Article 326 of the UU P2SK. The interviewee from the PPPK states that

*"... if there is a government regulation that stipulates that standards are set by the Financial Reporting Standards Committee (KSLK), an institution that was established based on a Presidential Decree, that will be done. In the legal system, it is called a principle: *lex posterior derogat legi priori* (newer regulations amend older regulations)"* (PPPK-Rep, 17).

The extent of the government's involvement in the future standard-setting institution also depends on whether the business is incorporated or deals with the financial and capital markets. The UU P2SK states that the government-based standard setter (the KSLK) will be tasked with compiling and establishing accounting standards for financial sector entities and other entities that conduct transactions with them⁴. In this case, the entities or preparers of financial reports in Indonesia that are not included in the scope of the UU P2SK, such as private companies; micro, small, and medium entities; foundations; community organizations; and cooperatives, may use standards issued by the IAI. It was stated by a representative source from the OJK that *"this means that outside of financial sector companies and their clients are allowed to use standards issued by the IAI"* (OJK-Rep, 188).

In summary, the view of the interviewee from the government is that the IAI's legal legitimacy as a standard setter is not strong enough due to the weak mandate given by the government to the IAI (lack of authority) as the standard setter. With the establishment of the

⁴The financial sector's entities consist of institutions that carry out activities in the banking, capital markets, insurance, pension funds, financing institutions (either conventional or sharia), and other financial services institutions regulated by the OJK, including the financial market's infrastructure and payment system.

UU P2SK as an omnibus law, the legal legitimacy of the KSLK as an accounting standard-setting institution for business entities will be stronger than the IAI because it is clearly and explicitly mandated by the UU P2SK and established by a Presidential Decree.

Structural legitimacy

Structural legitimacy specifically refers to a moral evaluation of an organization, based on its structural characteristics (Suchman, 1995). According to Durocher et al. (2019), structural legitimacy is a form of moral legitimacy that is closely related to procedural legitimacy, meaning that the assessment of an organization's output, namely its accounting standards, can be based on the procedures carried out and the governance structure implemented by that organization. Historically, some accounting standard-setting institutions changed their governance structures by adding consultative committees/boards, consisting of stakeholder representatives, to increase their legitimacy (Durocher et al., 2007). Danjou & Walton (2012) also stated that the governance and funding structure adopted by the IASB supports their independence in establishing the International Financial Reporting Standards (IFRS) as an international financial accounting standard.

Currently, the IAI accomplishes the financial accounting standard-setting role in Indonesia through the Board of Accounting Standards (*Dewan Standar Akuntansi Keuangan* DSAK) for general financial accounting and the Board of Sharia Accounting Standards (*Dewan Standar Akuntansi Syariah* DSAS) for sharia accounting. In 1998, the IAI also established a consultative board (*Dewan Konsultatif Standar Akuntansi Keuangan* DKSAK), which serves as the advisor for the standard boards of the IAI (Maradona & Chand, 2018). Structurally, the

DSAK and DSAS members are selected by the National Council of the IAI, based on a panel consisting of DKSAK members and the heads of the DSAK and DSAS (IAI, 2021).

The replacement of DSAK/DSAS members is carried out in stages so that in one term of office, the number of DSAK/DSAS members replaced cannot be more than 50% of the number of active DSAK/DSAS members. This is to maintain continuity in the preparation of Indonesia's accounting standards (IAI, 2021). In carrying out its duties, the provision of funds for and the supervision of the DSAK and DSAS are carried out by the National Council (*Dewan Pengurus Nasional* DPN) and the DKSAK. The funding used by DSAK and DSAS in preparing financial accounting standards comes from various sources, including voluntary contributions from several parties, such as the Self-Regulatory Organization (SRO) in the capital market and Bank Indonesia.

The governance and funding structure implemented by the IAI was criticized by the World Bank in its 2018 Reports on the Observance of Standards and Codes Accounting and Auditing (ROSC A&A) because the structure gave rise to the view that the standard-setting process lacked independence, especially from the profession. The World Bank then suggested that the source of funding for financial accounting standard-setting institutions should come from levies on industry and professional organizations, to maintain the independence of the institutions (World Bank, 2018).

“DSAK and DSAS standard-setting processes are overseen by DPN and DKSAK. DSAS consults with the National Sharia Board of the Ulema Council (Dewan Syariah Nasional Majelis Ulama Indonesia or DSN MUI) to ensure consistency in the application of Sharia principles contained in the Sharia accounting standards with the Fatwa issued by DSN MUI. The Indonesian

authorities regard the standard-setting process and the oversight arrangements as independent. However, the current funding and oversight arrangements risk the perception of a lack of full independence from the accounting profession.” (ROSC A & A 2018, p. 68).

This criticism was also strengthened by statements from interviewees representing the PPPK and the OJK, who stated that the authority to set accounting standards should not lie with professional organizations because they lack resources, including funding, since they only rely on voluntary funding sources. Therefore, one of the objectives of establishing the KSLK is to overcome the IAI's shortcomings in funding sources and improve institutional governance. However, this change is also seen as potentially making it less independent due to the government's control and dominance over the institution, since it appoints the parties involved in standards committees through presidential decrees, such as working committees and consultative committees, as well as providing funds through the government's budget.

“... How is the funding going to be? I clearly said that all the funding should not be provided by the government, in this case, the government budget (Anggaran Pendapatan dan Belanja Negara or APBN), because it will become less independent than it is now.” (IAI-Rep1, 40).

Structurally, it can be concluded that each of the institutions, both government and professional associations, does not have strong enough legitimacy. Nevertheless, the IAI, as a financial accounting standard-setting institution that has been in charge of setting financial accounting standards for approximately 50 years, is considered to have quite good structural legitimacy. This is because the IAI has an adequate ecosystem, infrastructure, and due process procedure for preparing and establishing financial accounting standards. In addition, the

voluntary provision of funds by other parties in the preparation and determination of accounting standards shows that the setting of accounting standards by the IAI, as a private institution, has strong legitimacy.

Personal legitimacy

In the context of standard setting, personal legitimacy is related to the expertise and independence of the standard-setting board members (Durocher et al., 2007). Technical competence is necessary for standard setters to build legitimacy with the stakeholders, especially for the legitimacy of their accounting standards (Richardson & Eberlein, 2011). Johnson & Solomons (1984) and Durocher et al. (2019) also point out that the independence and diversification of board members' backgrounds are important characteristics of the personal legitimacy of standard setters.

In the context of the IAI, they build personal legitimacy through a selection process for standard board members. Under the provisions stipulated in the IAI Organizational Regulation Number 3 of 2021, the selection process is carried out to determine the selected members of the standards board, based on their competence, integrity, and diversified backgrounds. This is relevant to the IAI representative's statement that they make efforts to maintain their independence as standard setters through the selection process. First, the IAI limits ex officio members within the standards board to reduce the dominance of certain parties with interests in financial reporting, including government interests. Second, the DSAK and DSAS members from private institutions are selected and appointed after an informal selection and verification process of their competence and integrity.

Currently, the DSAK and DSAS members come from the public accounting profession, academia, industry, the capital markets and

financial sector's supervisory body, and non-governmental institutions. However, the PPPK and OJK representatives have seen that the standards board at the IAI is dominated by public accountants, and the standards board selection process and stakeholder representation tend to lack transparency and proportion. The 2018 ROSC A&A also reinforces this view, stating that the standards council components from academia and regulators are not enough to guarantee that the standard setting is independent of the profession.

"... The IAI is controlled by public accountant firms, so public accountants have more representation in its membership structure. Also, up to now, the chairman has never been an academician or preparer; the chairman is always a public accountant." (OJK-Rep, 66).

"The members of these boards are primarily active members of the accounting and auditing profession, who work on a voluntary, non-remunerated basis. Members of the Indonesian AASB also include representatives from the relevant regulators and academia. However, this is not sufficient to make the board independent of the profession. It is important that the standard setting is seen to be independent of the profession." (ROSC A&A 2018, p. xii).

To overcome the shortcomings of the IAI, the PPPK representative, as the proponent of the formation of the KSLK, stated that the working committee in the KSLK will be almost the same as what the IAI has. The only differences are that the criteria and selection process are more transparent and in the composition of the committee members. They will consist of a more proportional representation of the various stakeholders, between the standard users, academics in the accounting field, and professionals or practitioners supporting financial reporting. However, other stakeholders emphasize that the selection process for

committee members must be free from political aspects, considering that the committee's appointment is based on a presidential decree. One of the interviewees stated that

"When it comes to this (committee members), actually, I don't have a problem, whether it is from the government or outside the government; what's important is that the people involved in it are truly competent people who really understand their field. A member should not be included because of political factors." (Preparer1-NFin, 67).

Based on the evaluation of personal legitimacy, it can be concluded that the IAI standards board is considered competent and independent because it was selected through a selection process. However, the IAI also has shortcomings, because its criteria and selection process are less transparent, and the standards board is dominated by public accountants, who perceive that the standard setting is less independent of the profession. On the other hand, the appointment of members of the standards committee at the KSLK, through a Presidential Decree, is seen to be political, so the government needs to convince the stakeholders that the people who will be selected as standards committee members at the KSLK will be selected through an appropriate, fair selection process and with more transparency than the IAI has.

Procedural legitimacy

One way to assess the quality of an organization's output, which is the case in standard setting, is through the procedures it follows in conducting its activities (Durocher et al., 2019; Suchman, 1995). In the context of standard setting, procedural legitimacy refers to the due process procedure carried out in setting accounting standards (Durocher et al., 2019). As previously explained in the structural legitimacy section, stakeholder representation in the

governance structure increases the legitimacy of the accounting standards-setting institution. However, not all the stakeholders can be accommodated, so their participation in public hearings allows them to be involved in setting accounting standards (Wingard et al., 2016).

In the context of the IAI, because all the stakeholders cannot be represented as members of the standards board, they set standards through various stages known as due process procedures (IAI, 2021). According to an IAI representative, these due process procedures are one of the IAI's efforts to build its legitimacy. This is also supported by the statements from interviews with academics.

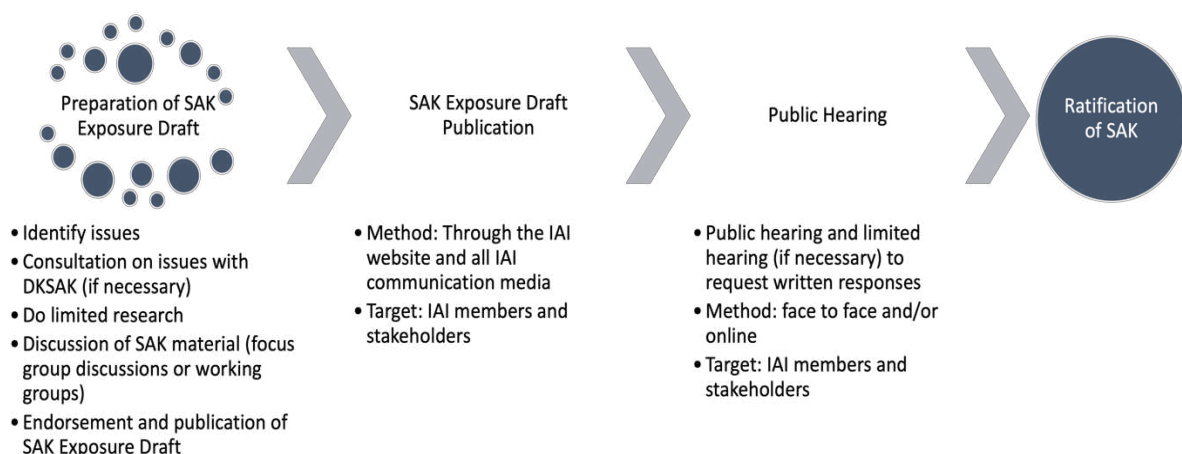
“... there is a possibility that people have more trust in the profession. Yes, because it has been there all along. Due process, which involves all parties, includes a public hearing, etc.” (Academics1-NSAK, 35).

Based on the IAI Organizational Regulation Number 3 of 2021, the due process of accounting standard setting is carried out by formulating, developing, and ratifying the Financial Accounting Standards (*Standar Akuntansi Keuangan* or SAK). The due process procedure is carried out according to Figure 2 below.

In the due process procedure, a public hearing process allows the public and other interested parties to provide insight into the standard-setting process. The public hearing aims to obtain user input and ensure the acceptance of a standard that the DSAK/DSAS will ratify. However, the IAI representative admits that the input from stakeholders when preparing standards is still lacking, because the input usually appears when the accounting standards come into force. In line with that, the PPPK representatives also said that the preparation process for the standards did not receive enough input from the public.

Other stakeholders, such as the users of accounting standards, stated that the lack of public participation was due to the condition of financial reporting in Indonesia, which still tends to be oriented toward compliance with the regulations, so they are not interested in participating in due process procedures. Stakeholders trust and hand over the preparation of standards to parties deemed competent, in this case, the standards board established by a professional organization.

Figure 2. The IAI due process procedure



Source: Processed from the IAI Organizational Regulation Number 3 of 2021.

"If we talk about the new standards, I don't think they (the users) will care who makes them. The important thing is that there are financial reports that are accepted by parties who have an interest in them. That's what I've found with clients like that so far." (KJA3, 34).

Based on the explanations of various stakeholders, it can be concluded that the IAI has built legitimacy by implementing due process procedures to obtain input and responses from the stakeholders in setting the financial accounting standards. Despite this, the stakeholders lack participation in the due process procedures, which indicates that the IAI's legitimacy in setting accounting standards is still not strong enough. Therefore, the government (the PPPK representative) considers that setting standards as regulations will receive more public attention if a government institution carries them out. However, the stakeholders also provide a negative view, which is that government institutions in Indonesia have the potential to be more bureaucratic in their decision-making. It is relevant to Perera (1989) that accounting standards produced by government institutions tend to be insensitive to practical problems; the process is more bureaucratic and arbitrary in setting the regulations, including setting accounting standards to support the government's interests.

Consequential legitimacy

Consequential legitimacy is explained as an assessment based on organizational outputs (Suchman, 1995). In this case, the object of evaluation is the quality of the accounting standards as the output of the standard-setting institution (Durocher et al., 2019, 2007). Furthermore, consequential legitimacy will be gained from the stakeholders if they feel that the public interest is a concern in the standard-setting process (Durocher et al., 2019, 2007).

Public interest, in the context of standard-setting, can be interpreted as usefulness in decision-making (Durocher et al., 2019).

The accounting standards set by the IAI generally gain legitimacy from various stakeholders. This is supported by various factors, including the financial accounting standards that have converged with international accounting standards, the standard-setting process that has undergone due process procedure, and the standards board's competence and independence in setting these standards. One of the interviewees stated this as follows:

"The standard is good. Now, we can say that this standard has no weaknesses. The weakness may be that people's interpretations vary because they are principle-based. However, the current accounting standards are ideal because they are (the same as those) used by all countries." (KAP1, 36).

Criticism from stakeholders regarding the accounting standards set by the IAI is about accessibility. Accounting standards users need to subscribe to or purchase the SAK book from the IAI to access these standards. According to an IAI representative, this is a consequence of limited funding, so users must incur costs to access these standards. Unlike the IAI, the KSLK uses funding from the government budget to ensure free access.

Overall, although the IAI has various shortcomings, its standards have gained legitimacy from various stakeholders. This can be proven by the support from various stakeholders for the IAI's efforts to develop financial accounting standards in Indonesia through voluntary funding. Besides that, the accounting standards set by the IAI have also been proven to support the development of the capital market in Indonesia for approximately 50 years.

3. Cognitive legitimacy of accounting standard-setting institutions

Cognitive legitimacy shows the acceptability of stakeholders toward an agency or institution because they are considered to have the ability to carry out their work (Durocher et al., 2019). Cognitive legitimacy consists of comprehension legitimacy and taken-for-granted legitimacy (Suchman, 1995). In the context of standard setting, comprehensibility legitimacy is the acceptability of an institution by stakeholders, based on their understanding of the institution in all its dimensions, including its structure and the way the institution does things. Taken-for-granted legitimacy is the acceptability of an institution by stakeholders because it cannot be avoided, including if it has been regulated by law (Díez-de-Castro, Peris-Ortiz, & Díez-Martín, 2018).

So far, the IAI has reached a level of comprehensibility legitimacy as a standard setter. In other words, the IAI has succeeded in convincing its stakeholders regarding its ability to set standards that suit their preferences, including aspects of institutional independence, standards board competence, and the procedures carried out in setting the standards. The following interview shows the IAI's acceptability as an independent financial accounting standard-setting institution.

"In my opinion, standard-setting activities should remain in a professional organization because it is an independent professional organization. If it is in a government institution, it may not be independent, so I prefer it should remain in a professional organization" (KJA3, 4).

Based on the results of these interviews, the stakeholders' view is that the IAI, as an accounting standard-setting institution before the KSLK was formed, was ideal and independent. According to Maulana (2019), the IAI, as an

accounting standard setter, was initially accepted by stakeholders because no financial accounting standards were used as a reference in preparing financial reports at that time. Therefore, the acceptability of the IAI by these stakeholders can be categorized as taken for granted. This case differs from the formation of the KSLK because the IAI already exists and makes financial accounting standards.

However, stakeholder acceptability of the formation of the KSLK can also be categorized as taken for granted because of the coercive nature of government regulations. So, when the government issues regulations requiring financial report preparers to follow the standards set by the KSLK, the preparers of financial reports have no choice other than to follow these provisions, even though their independence is still debated. This is as stated by the following interviewees.

"If the government has regulated it, like it or not, all business parties have to follow, regardless of whether the benefits are good or not, we still have to follow." (Preparer1-NFin, 93).

"... If standard-setting activities want to be transferred or remain at the IAI, it doesn't matter; what is important is the independence of the standards board." (KJA3, 26).

Although accepted as taken for granted, the stakeholders emphasize the independence of accounting standard-setting institutions. This emphasis arises from the consideration that the government is also a party with interests that differ from those of the public, as the users of financial reports. The government is seen as having financial interests in state-owned companies and other political interests that are not the same as the interests of the users of financial reports in general, especially in the capital market industry.

Based on our findings, most stakeholders have suggested that setting financial accounting standards should remain with the IAI to gain legitimacy. The IAI is seen as more independent in setting standards because it does not have the financial and political interests that the government has. Another consideration is that it has adequate competence, an ecosystem, and infrastructure for setting these standards. Regarding implementing Article 271 of the UU P2SK, several interviewees suggested that the government and private institutions collaborate while maintaining the IAI as the standard setter.

"... It would be better if the DSAK-IAI didn't need to be abolished but included in the financial reporting standards committee." (KJA2, 49).

"In my opinion, in the standard draft prepared by the IAI, multi-sectors were only involved to evaluate, provide input, and validate it. So, it wasn't a committee that made it because the profession knows better (has competence)." (Pol-Economist, 26).

"... What was commented on was a more transparent process and more specific criteria. That is fine; we can do that. But the authority to set the standard remains here (IAI)..." (IAI-Rep1, 38).

To accommodate these suggestions, the representatives from the IAI stated their readiness for governance improvements. So, in this collaboration, the government can fulfill its role by enhancing the IAI's existing governance, including its monitoring mechanisms, transparency, accountability, and funding. With these improvements, Indonesia can have an independent accounting standard-setting institution with good governance that follows the provisions of the UU P2SK and can be comprehensively accepted by all the stakeholders.

CONCLUSION AND SUGGESTION

This research finds that financial accounting standard-setting institutions must obtain and build legitimacy to maintain their authority as financial accounting standard setters. This finding is consistent with that of Durocher & Fortin (2010) and Durocher et al. (2007), that standard-setting institutions must have legitimacy (or public support) to demonstrate they fulfill the "social contract" to ensure the sustainability of their right to set accounting standards.

This finding will provide research-based views to policymakers regarding completing government regulations as part of implementing the regulations for Article 271, paragraph 1 of the UU P2SK. This research recommends that accounting standard-setting institutions must be independent of various interests, including those of the government and the preparers of financial reports, to set high-quality accounting standards. Collaboration between the government and professional associations in setting accounting standards and arranging that funding sources for an accounting standard-setting institution are diversified and come from mandatory contributions from stakeholders can support the sustainability and independence of the institution's funding sources.

Forming a totally new institution to set financial accounting standards in Indonesia is seen as inefficient because the IAI already has legitimacy as an independent and competent institution. Besides, IAI has an infrastructure and ecosystem that has been running well in setting accounting standards. Therefore, the stakeholders suggest that the government should collaborate and involve the IAI in its financial accounting standard-setting institution. This collaboration is seen as more effective and efficient, and stakeholders prefer it over forming a completely new institution.

The evaluation of the legitimacy of the KSLK has been carried out with a note that an implementation regulation for the UU P2SK is ongoing, and this study only has very limited information about the more detailed rules discussed within the regulatory institutions. This research only relies on information from the interviewees, the practices and governance in other government bodies, i.e., the Government Accounting Standards Committee (*Komite Standar Akuntansi Pemerintahan* or KSAP) as

an accounting standard setter for the government sector, which is determined by presidential decree, and the public hearings conducted by the Ministry of Finance regarding a Draft of the Financial Reporting Law on December 3, 2020, that contains the governance plan for the KSLK. Future research can conduct a comparative analysis of stakeholder legitimacy when the KSLK has been implemented and produced accounting standards, comparing before vs. after the UU P2SK implementation.

Table 2.List of abbreviations

| Abbreviation | Indonesian | English | Description |
|--------------|--|--|--|
| AASB | - | Australian Accounting Standards Board | An Australian government agency responsible for developing, issuing, and maintaining financial reporting standards applicable for either private or public entities under the Australian Securities and Investments Commission Act 2001. |
| APBN | Anggaran Pendapatan dan Belanja Negara | Government/State budget | Annual Budget of National Government Revenues and Expenditures, which is approved by the legislative body. |
| CASC | - | China Accounting Standards Committee | An institution under the Chinese Ministry of Finance, that provides consultation and advice concerning Chinese accounting standards setting to the Accounting Regulatory Department. |
| DKSAK-IAI | Dewan Konsultatif Standar Akuntansi Keuangan | Financial Accounting Standards Consultative Board | An organizational body that provides views on the direction and scale of priorities to the Board of Financial Accounting Standards (DSAK) at the Institute of Indonesia Chartered Accountants (IAI). |
| DPN-IAI | Dewan Pengurus Nasional Ikatan Akuntan Indonesia | National Council of Institute of Indonesia Chartered Accountants | The highest executive body in the Institute of Indonesia Chartered Accountants (IAI) which collectively and collegially organizes and oversees IAI Regions, IAI Compartments, professional boards, and executive management. |
| DSAK-IAI | Dewan Standar Akuntansi Keuangan | Board of Financial Accounting Standards | A body within the IAI that has the autonomy to develop and ratify financial accounting standards. |
| DSAS-IAI | Dewan Standar Akuntansi Syariah | Board of Sharia Accounting Standards | A body within the IAI that has the autonomy to develop and ratify Sharia accounting standards. |

| Abbreviation | Indonesian | English | Description |
|--------------|--|--|---|
| DSN MUI | Dewan Syariah Nasional - Majelis Ulama Indonesia | National Sharia Board – Indonesian Ulama Council | An institution or body that is part of the Indonesian Ulama Council (MUI), which carries out the task of determining fatwas on sharia economics, business and finance and supervising their implementation in order to develop businesses in the field of sharia economics, business, and finance in Indonesia. |
| FASB | - | Financial Accounting Standards Board | A private standard-setting body whose primary purpose is to establish and improve Generally Accepted Accounting Principles within the United States of America. |
| FRSC | - | Financial Reporting Standards Council | A body legally established to set financial reporting standards in South Africa under the Minister of Trade & Industry. |
| IAI | Ikatan Akuntan Indonesia | Institute of Indonesia Chartered Accountants | A professional organization whose members are individuals who have met the IAI membership requirements. Other professional accounting organizations such as Institut Akuntan Publik Indonesia (IAPI) and Institut Akuntan Manajemen Indonesia (IAMI) are also associated with IAI. |
| IASB | - | International Accounting Standards Board | An independent standard-setting body of the IFRS Foundation, responsible for developing and publishing International Financial Reporting Standards (IFRS). The IASB was formed in 2001 to replace the International Accounting Standards Committee (IASC). |
| IASC | - | International Accounting Standards Committee | An international accounting standard-setting body that was formed in 1973 through an agreement made by professional accountancy bodies from Australia, Canada, France, Germany, Japan, Mexico, the Netherlands, the United Kingdom, Ireland, and the United States of America. Accounting standards issued by the IASC are known as International Accounting Standards (IAS). |
| ICAI | | Institute of Chartered Accountants of India | A professional body of Indian Chartered Accountants under the administrative control of the Ministry of Corporate Affairs, Government of India, established by an Act of Parliament. |
| IFRS | - | International Financial Reporting Standards | Accounting standards issued by the IASB (International Accounting Standards Board) after 2001, replacing IAS. Currently, more than 140 jurisdictions require all or most domestic publicly accountable entities to adopt IFRS. |

| Abbreviation | Indonesian | English | Description |
|---------------------|---|---|---|
| KAP | Kantor Akuntan Publik | Public Accountant Firm | A business entity that provides attestation services and non-attestation services, including auditing, accounting, and consulting, which is established by a public accountant who has obtained a practice permit from the Minister of Finance. |
| KJA | Kantor Jasa Akuntan | Accounting Services Firm | A business entity that provides non-audit accounting services to the public, established and managed by a Practicing Accountant who has obtained a practice permit from the Minister of Finance. |
| KMK | Keputusan Menteri Keuangan | Decree of the Minister of Finance | Determination or administrative decision-making made by the Minister of Finance of the Republic of Indonesia to carry out his duties and functions in the field of state finance. |
| KSAP | Komite Standar Akuntansi Pemerintahan | Government Accounting Standards Committee | An independent committee tasked with preparing Government Accounting Standards used as guidelines in preparing financial accountability by both the central government and regional governments. The Government Accounting Standards Committee is responsible to the President through the Minister of Finance. |
| KSLK | Komite Standar Laporan Keuangan | Financial Reporting Standards Committee | An independent committee that is planned to be tasked with preparing accounting standards as a guideline in preparing financial reports for Financial Sector Business Actors and parties who interact with the financial sector. This committee has not been officially formed and is still in the process of being discussed within the Ministry of Finance. |
| OJK | Otoritas Jasa Keuangan | Financial Services Authority | A state institution that organizes an integrated regulatory and supervisory system for all activities in the financial services sector. |
| PPPK-Kemenkeu | Pusat Pembinaan Profesi Keuangan – Kementerian Keuangan | Financial Professional Development Center - Ministry of Finance | A state institution that has the task of coordinating and implementing the preparation of policy formulations and supervision of the financial profession. |
| ROSC A&A | - | Reports on the Observance of Standards and Codes: Accounting and Auditing | A report prepared by the World Bank and the International Monetary Fund together with stakeholders in Indonesia who are members of the National Working Team on the application of international accounting and auditing standards to evaluate the application of international accounting and auditing standards in a country, with the aim of supporting the stability of the financial system. |

| Abbreviation | Indonesian | English | Description |
|--------------|---|---|--|
| SAK | Standar Akuntansi Keuangan | Financial Accounting Standards | All products published by DSAK-IAI and DSAS-IAI, including but not limited to the Pillars of SAK, the Conceptual Framework for Financial Reporting, and the Basic Framework for Preparation and Presentation of Sharia Financial Statements; SAK Statements; SAK Interpretations; SAK Revocation Statements; Technical Bulletins; and other products related to SAK. |
| SOCPA | - | Saudi Organization for Certified Public Accountants | A professional body pioneering and overseeing the accounting and auditing profession, including developing and adopting accounting and auditing standards. SOCPA is a mandatory membership organization for Certified Public Accountants (CPAs) in the Kingdom of Saudi Arabia. |
| SRO | - | Self-Regulatory Organization | Non-governmental organizations/institutions that are authorized to create regulations and ensure their members' compliance with the established regulations. SROs can exercise their authority as a complement or to fill in gaps in government regulations. |
| UU P2SK | Undang-Undang Nomor 4 Tahun 2023 tentang Pengembangan dan Penguatan Sektor Keuangan | Law Number 4 of 2023 on Development and Strengthening of the Financial Sector | Omnibus law that changes around 17 long-standing regulations related to the financial sector, which aims to reform and strengthen the financial sector in Indonesia. |

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