

Science Accounting Agency Theory Review from the Perspective of Javanese Cultural Values (Study on BMT WM)

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Abstract

The research method used in this study can be classified in interpretive paradigm, as a paradigm that emphasizes language role, interpretation, and comprehension in social science. The technique of data analysis employed is HANACARAKA, reflecting that human represents the image of God who naturally has creative force, sense, and wish: which are an entity in the sense of the existence of the universe, God and human could not be separated each other. The result of this study shows that Javanese culture contains a Superior value that is religious nuance, where power and responsibility delegating in Javanese culture is a manifestation of human as the God's Subordinate on earth. With the presence of trustfulness metaphor in Organization could decrease agency cost (agency cost of equity) because the form of responsibility other than to the principal is to God as well, but 'Conversely if the agent cannot be trusted then the agency cost (agency cost Of equity) will be higher because the agents do not have responsibility to the principal or God, but that is only for maximizing their own utilities. Therefore, in Javanese culture, agent and principal responsibilities are not limited to the contract dealt, but responsibility to God as well

Keywords

agency theory;
Javanese culture;
principal; agent;
contract



I. Introduction

Modernism, as we know it today, is the cutting-edge capitalism used to urge any commodity on the surface of the earth. According to Dewanto (1994: 6), modernism is linear historical progress, absolute scientific truth and the efficacy of engineering an idealized society, and the strengthening of the system of knowledge with the system of production. This can be explained by the assumption that we cannot imagine that market expansion occurs without being preceded by the accumulation of capital with the market economy as an economic system in which the production of goods and the allocation of resources are determined primarily by decisions made in a competitive climate by economic actors rather than determined by the state. The orientation of profit as an individual goal is a major characteristic of the market economy system or it can then be clearly said that this system is a form of the capitalist economy (Nugroho, 2001: 2).

Capitalism according to Hadiwinata (1994: 27), is a political theater (Theatrum political), which means that satisfaction will occur if the actors involved can play their respective roles, as well as the regulators, want. The regulator seems to be quite successful in regulating the actors of capitalism in playing certain characters, who with various postulations of theorist can create hegemonic discourses that automatically regulate the behavior of actors, which with time the hegemonic discourses are increasingly regarded as a universal thing and in the end capitalism is understood as a uniform linear movement in

the world.

World capitalism operates which Jacques Derrida in Hadiwinata (1994: 27) called logocentrism, practical orientation, and procedure based on the results of a complex link between recognition and power. According to Derrida, logocentrism contains at least two characteristics: First, existing procedures must be recognized as a primary orientation. Second, those procedures must be sovereign voices that can no longer be disputed or debated. So that world capitalism seems to operate as a master discourse that cannot be avoided by the state as its main actors.

Conventional accounting according to Triyuwono (2004: 91) is a reflection of capitalism that has the nature of quantitative calculations that ultimately recognize and present information that is quantitative and tends to direct users of this information to think quantitatively, and then take economic decisions with quantitative calculations only. Furthermore, it is considered that the company is fully oriented to achieving the maximum profit and wants the company to see something as an opportunity to increase the accumulation of material for the company.

Agency theory is centered on two individuals, between the owner (principal) and management (agent). This theory describes the relationship of delegation of authority from the principal to agents, principals and agents are viewed as rational economic people who are solely motivated to maximize their interests, and the concept of agency theory considers that the agent (management) as the recipient of the work of the principal (owner) and must report the activities given to him, in addition, the principal as the employer will ask for certain compensation against the principal (owner). What management does?

Research by Mahadwartha and Hartono (2002), explained that increasing managerial ownership will make management's wealth increasingly related to the wealth of the company, so management will seek to reduce the risk of losing its wealth. The way that management takes is to reduce the company's financial risk with a decrease in the level of leverage. Low leverage is expected to reduce the risk of bankruptcy and financial distress. Managerial ownership relationship with leverage and related to the risk of bankruptcy or expectation of bankruptcy. Low leverage policies also reduce the risk of losing wealth for shareholders. Interdependence of leverage policy with dividend policy shows positive results. The increasing dividend means the company is likely to use leverage to finance its investments because internal cash flow is already being used to pay dividends.

The problem of this study is how the implications of Javanese cultural values can be used to explain aspects of agency relations. The benefit of this research is to provide an overview of the values that are sometimes in Javanese culture so that it can be analyzed its relevance with patterns of relationship between owners and managers. The purpose of this study was to find out the pattern of relationships of managers and owners based on beliefs based on Javanese cultural values.

II. Review of Literatures

2.1. Javanese Culture

Williams in *The Long Revolution* (1961) shows three general categories in the definition of culture. There is, first, the 'ideal', in which culture is a state or process of human perfection, in terms of certain absolute or universal values. The analysis of culture, for this definition, is essentially the discovery and description, in lives and works, of those values which can be seen to compose a timeless order, or to have permanent reference to the universal human condition. (Soqandi, M et al. 2020)

Culture according to Javanese vocabulary comes from the words "Budi" and "daya"

which are then combined into one new word-forming a new meaning called jarwodosok. The two words in Javanese have the following meaning: The word "Budi" contains several meanings: a) reason in the inner sense, to weigh what is good, bad, right and wrong, in Javanese weighed inwardly; b) habits, characters, and temperaments, in Javanese virtuous bring as; c) good, do good, in Javanese Budi luxury; d) effort power, overview, in Javanese disallowed Budi; e) ingenuity to find problem-solving, in Javanese hambudidaya. Furthermore, the word "Daya" means a) strength, energy in the Javanese language of inner dayaning; b) influence, in Javanese pangaribawa; c) reason, road, path overview in Javanese power of effort; d) Muslimat, deceit, in Javanese hambudidaya (Herusatoto, 2003: 6; see also Negoro, 2001: 138).

2.2. Javanese Cultural View

Javanese culture cannot be separated from the cultural source of Jogjakarta and Surakarta, where these two kingdoms can be said to represent Javanese people who have their attitudes and characteristics. This characteristic shows the attitude of Wong Jawa is slow in the sense of not being hasty in carrying out his work, so we often hear the word "alon-alon waton" later which means a job carried out with waton which means the rules and regulations that apply (Bratawijaya, 1997: 75; see also Soesilo, 2003: 60).

The concept of alon-alon waton later is the attitude of Javanese people who prioritize harmony, harmony, and harmony as well as the sound of gending accompanied by Javanese gamelan instruments. For some people the concept is said to have been left behind and not following technological advances the opinion is wrong, because it has been rooted in Javanese society that has its own identity based on the advice of ancestors until now and still survives during modern society.

The life of Javanese people itself is inseparable from Javanese philosophy, wherein the spiritual life that becomes the foundation and gives the meaning of Javanese culture, really strives to be able to find the initial basis of everything. This can be contemplated the meaning of human life or sangkan paraning dumadi and mamunggaling kawulo kalawan gusti, namely the relationship between man and God and the universe (Bratawijaya, 1997: 77; see also Endraswara, 2003: 35).

Javanese people themselves before the arrival of The Influence of Hinduism have lived regularly with animism-dynamism as the root of its religiosity, and customary law as their social peranata (Simuh, 2003: 39). In Javanese society in the end has its expression, namely Javanese public relations and Javanese letters are describing the attitude of the Javanese, namely in Javanese letters there is a privilege where it is picked, diwuku, ditaling, ditarung alive, but the weakness if the Javanese letter on my back even dies. What means is that even if the Javanese are treated like anything remain calm, which is free to do their activities. But when the Javanese are given an honorable place even feel not free. Or in other words, if a person is getting higher in position, then his movements are increasingly not free because they are in the spotlight of society usually.

III. Research Methods

This research analysis is interpretive research, the analysis of data used is qualitative. Qualitative analysis is the analysis of data that likely cannot be expressed in the form of numbers. While interpretive shortness is focused on the role of language, interpretation, and understanding in the social sciences (Komsiah and Indriantoro, 2000: 98).

The research was conducted at the Shari'ah Financial Institution, Namely, Baitul Maal Wat Tamwil (BMT) "X", BMT is a combination of two institutions namely Baitul Maal which is social-oriented and Baitul Tamwil which is profit-oriented. This institution is an independent institution of Shari'ah finance that manages community funds to fund productive business activities, which God willing free from usury, to awaken and empower the economy of Muslims.

IV. Results and Discussion

4.1. Results

Javanese people in making contracts still pay attention to respect and harmony. Respect, in this case, is said that everyone in the way of speaking and carrying themselves always shows respect towards others. By respecting each other (principal and agent) will create an order that is of value to oneself and is obliged to maintain and carry oneself accordingly. The sense of harmony in which Javanese people consider that to achieve the condition of harmony must ignore his interests and sacrifice to achieve the condition of the pillars, but more importantly, the Javanese people in acting in such a way that the peaceful state of harmony is maintained in other words is how so that the existing conflict does not become open. In addition, agents in running a contract organization are not the only things that must be considered but there are still others so that in running the organization can succeed and get the right to do so.

The efforts made by the manager to carry out the trust carried out then a manager (agent) must have leadership traits called "hasta brata" which is eight traits, Bratawijaya (1997: 109-111) which includes:

1. The nature of the sun, the sun gives off heat, is full of energy, and provides the means to live. So a leader must be able to motivate, spirit, give life, and give strength to all the men he leads.
2. The nature of the moon, that is, a leader must be able to please, draw hearts and give light in the darkness to all the leads.
3. The nature of the star, that is, a leader must be able to give guidance, give direction, and guidance to the lead to carry out his duties properly. In addition, the leader must always remember and serve Than.
4. The nature of the wind, a leader must be able to act carefully and meticulously and not hesitate to plunge directly down to know what he leads is right, and a leader must be able to bring in a pleasant atmosphere.
5. The nature of fire, a leader must act like fire means, must be firm and fair indiscriminately besides it must also have consistent principles and be able to hold emotions (can control themselves).
6. Cloudy nature, a leader must be able to maintain authority by being honest, open, and all who become his program beneficial to all the leads.
7. The nature of the ocean, a leader must have a broad view, evenly, able and able to accept various kinds of problems and must not be favoritism and hate to any group, a leader must also be heartened that forgives the mistakes of others.

8. The nature of the earth, a leader must always be determined and always able to give grace to anyone who has contributed to his success.

4.2. Discussion

The consequences of Javanese culture to agency costs that are fortified in the metaphor of trust in the theoretical level will reduce agency costs because with the mandate of awareness of the position of each between principal and agent is very high and finally, supervision not only from the other party but supervision also comes from oneself (self-awareness) and God. But in the level of practice if in carrying out an organization is not trustworthy resulting in a high-cost agency it can be explained that with the actions of operational managers who act more in the interests of themselves and are less responsible for their organization (moral hazard), and operational managers have more information than the owner, it causes the improper distribution of financing and used for the benefit of the operational manager even though the distribution through other parties. In addition, the high social cost as a result of existing conflicts, namely people who borrow funds in developing their business will be hampered because of the absence of funds in the organization, that this organization will also feel the impact that existing funds should be rotated turns out with the congestion its performance decreases which results in a decrease in profits obtained.

V. Conclusion

Agency Theory is known today as the development of positive accounting theory (mainstream) which makes agency theory into a rigid theory, and in the end, only explains and predicts the problems it is researching with financial variables only and tends to leave ethical values that help in the formation and development of the theory. For the development of his theory agency theory has a fundamental assumption that the parties involved in the agency relationship are suspected as individuals who always maximize the utility of each other or in other words individuals who are suspected with homo economicus.

Agency theory information presented is financial information generated in the accounting cycle, financial information is used to bridge the interests of both parties, which can cause differences in expectations between agents and principals for financial information. This creates an imbalance in financial information (information asymmetry), where the agent has more information than the principal. To reduce information asymmetry needs a surveillance mechanism that causes costs that are referred to as agency costs.

To see agency costs from the perspective of Javanese culture is more emphasized on revamping the control mechanism that often colors the relationship of the agency that is with hanacaraka, meaning that man is an image of God who in nature has a sense, taste, and karsa and is a unity in the sense of the universe, God and man. Furthermore, in the perspective of Javanese culture, the parties involved in agency relations are perspective as individuals who have the essence as representatives of God on the earth, so that the relationship of the agency will be lowered into the perspective of the organization in the metaphor of trust that has to do with hanacaraka that is seeing shari'ah in the sense of a straight path or path to the spring of life which in its implementation is above related to God and which includes Peace with man and nature. So that between hanacaraka and shari'ah can be revealed into a state where in hana means there (life) that is the origin of dumadi which is ultimately paraning dumadi and at the end of the conception of man as a whole is Al-Insan Al-Kamil.

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