

Analysis of Financial Reporting Users: A Case Study on the Banking Restructuring Program

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Abstract

The preparation of financial reporting by an entity needs to consider the users of financial information because it is closely related to the purpose of preparing the financial statements. The law stipulates that the Indonesia Deposit Insurance Corporation must report the financial statements of the Banking Restructuring Program, but does not regulate how these financial statements should be presented. To determine the presentation of the financial statements, it is necessary to perform a user analysis of the financial statements. Using a qualitative case study approach, this research analyzes users and the financial information required from the Banking Restructuring Program. The results of the analysis show that the Banking Restructuring Program has various users of financial statements. Most of these users use the information in the financial statements to assess the accountability of the Banking Restructuring Program.

Keywords

financial reporting users;
banking restructuring program;
financial report



I. Introduction

Law Number 9 of 2016 mandated the Indonesia Deposit Insurance Corporation (IDIC) to organize a Banking Restructuring Program when there was a financial system crisis and there were several banks failed. In the law, it is stated that IDIC is required to separate the recording of assets and liabilities originating or obtained from the Banking Restructuring Program from assets and liabilities originating from the implementation of duties to guarantee deposits of banking customers. The separation of the recording of assets and liabilities requires IDIC to determine how the presentation of financial reporting will be carried out. This is because the laws and regulations do not regulate how the presentation of financial reporting for the Banking Restructuring Program must be carried out. Development is a systematic and continuous effort made to realize something that is aspired. Development is a change towards improvement. Changes towards improvement require the mobilization of all human resources and reason to realize what is aspired. In addition, development is also very dependent on the availability of natural resource wealth. The availability of natural resources is one of the keys to economic growth in an area. (Shah, M. et al. 2020)

One of the things that need to be considered for IDIC to determine the presentation of financial reporting for the Banking Restructuring Program is knowing who the users of financial information are. Several studies have also stated that users of financial information are the main considerations that must be used by entities to determine the presentation of financial reporting (Alzarouni et al., 2011; Cascino et al., 2014; Durocher & Fortin, 2021; García Osma & Grande-Herrera, 2021). In addition, standard setters have made users of financial information the basis for them to develop a financial reporting

framework, in which the preparation of financial statements will be used by users to make decisions (Durocher & Fortin, 2021; Khan et al., 2018; Quagli et al., 2014). The Financial Reporting Conceptual Framework published by Ikatan Akuntan Indonesia (2019) has also stipulated that the preparation of financial statements is intended to provide financial information that is useful to its users.

Taking into account the explanation above, this research will analyze the users of the financial statements of the Banking Restructuring Program and the usefulness of the information required by its users, which can then be used as a basis for preparing financial reporting for the Banking Restructuring Program.

II. Review of Literature

2.1 Banking Restructuring Program

Based on law Number 9 of 2016 concerning the prevention and handling of financial system crises, the Banking Restructuring program is a program that the President decides to implement to deal with banking problems that endanger the national economy. The Banking Restructuring Program is a program organized by IDIC. To implement the Banking Restructuring Program, IDIC is given the authority to take several actions such as making temporary capital injections in banks, transferring assets and/or liabilities to Assuming Banks or Bridge Banks, providing guarantees for certain loans from banks, providing loans to banks, and converting certain obligations into capital.

2.2 Financial Reporting Concept

Financial reporting is one way that can be used by management to carry out its accountability from the implementation of management's stewardship of managing the entity's resources. In stewardship theory, the motivation possessed by management is not for individual goals, but rather the motivation to become servants who have goals that are aligned with their principals (Davis et al., 1997). Referring to the user primacy principle, the interests of the users of these financial statements must also be the main focus rather than the interests of the preparers of financial statements (Gaa, 1986; Quagli et al., 2014). The financial information available in the financial statements is then used by users to make decisions related to the use of company resources and how effectively and efficiently management uses these resources (Ikatan Akuntan Indonesia, 2019). Financial statements are basically a source of information for investors as one of the basic considerations in making capital market investment decisions and also as a means of management responsibility for the resources entrusted to them (Prayoga and Afrizal 2021) . Financial performance is a measuring instrument to know the process of implementing the company's financial resources. It sees how much management of the company succeeds, and provides benefits to the community. Sharia banking is contained in the Law of the Republic of Indonesia No.21 of 2008 article 5, in which the Financial Services Authority is assigned to supervise and supervise banks. (Ichsan, R. et al. 2021)

2.3 Financial Statement Users

Several studies have been conducted to explore the users of financial statements, as follows: Cascino et al., (2014) which identifies users of financial statements of public companies in Europe consisting of outside professional equity investors, outside private/retail equity investors, inside equity investors, public and private debt providers, and trading creditors as the main capital providers, in which the research results show that there are significantly different variations regarding the information they need; García

Osma & Grande-Herrera (2021) which examines users' engagement with financial reporting which is intended as the actions taken by users of financial statements to influence the financial reporting issued by the entity; results of research conducted by Shivakumar (2013) which shows the role of financial statements in contracts that aim to reduce agency problems between shareholders and management and between shareholders and debtholders holders as users of financial statements; De Franco et al., (2011) suggested increasing the comparability of financial statements because it can reduce the cost of obtaining information, and improve the quality of information for its users.

III. Result and Discussion

This research uses a qualitative case study method with a within-site study. Sources of data and information in carrying out the research are done by triangulation of data sources, that is data and information from various sources, literature studies, semi-structured interviews, focus group discussions, participant observations, and documents. To maintain the construct validity and reliability of the implementation of this case study research, the data collection process was carried out by considering three principles as stated by Yin (2018), as follows the use of multiple sources of evidence, compiling a case study database, and maintaining a series of proofs. Analysis of the data that has been collected is carried out using the analysis explanations building technique which is part of pattern matching as explained by (Yin, 2009).

IV. Result and Discussion

4.1 Population Policy During Turki Utsmani 1512-1566 M

The results of the analysis that have identified users of the financial statements of the Banking Restructuring Program by looking at the stakeholders of the Banking Restructuring Program are as follows:

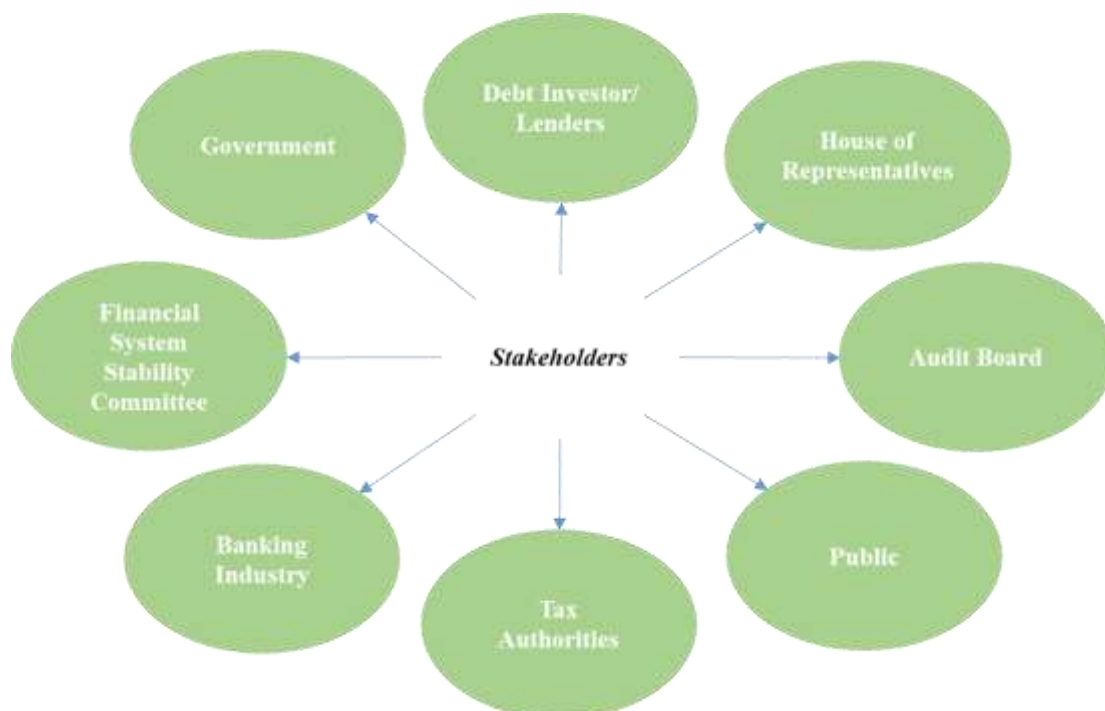


Figure 1. Banking Restructuring Program Stakeholders

From these stakeholders, the financial information needs can be identified as follows:

1. Government

The legal provisions have stipulated that the activation or termination of the Banking Restructuring Program is carried out through a Presidential Decree, this shows that the Government is the principal of this program. As the principal of the program, the government needs to be able to assess the effectiveness of program implementation and the cost of handling banking problems during the program. In addition, as the principal of the program, the Government also needs to know the funding needs to carry out banking restructuring. One of these funding needs is met by collecting premiums from the banking industry, while the amount that will be charged to the banking industry will be regulated in a Government Regulation. In this context, the Government requires financial information both before and after the end of the program to determine the amount of premium that will be withdrawn to the banking industry as ex-ante premium and ex-post premium.

2. Financial System Stability Committee

Handling the banking crisis is one of the tasks assigned by the state to the Financial System Stability Committee. To deal with banking problems during this crisis, the Financial System Stability Committee may propose to the President to activate and end the implementation of the Banking Restructuring Program. In addition, the report on the implementation of the banking restructuring program, before being submitted to the President, must first be reported to the Financial System Stability Committee. Thus, the Financial System Stability Committee is an extension of the government as the principal of this program. Financial information from the implementation of the Program will be used by the President and the Financial System Stability Committee in assessing the accountability for the implementation of the Banking Restructuring Program by IDIC.

3. Banking Industry

The laws and regulations have stipulated that funding to implement the Banking Restructuring Program may come from the Bank's shareholders or other parties in the form of additional capital and/or conversion of certain debts into capital, the results of managing the Bank's assets and liabilities handled, the contribution of the banking industry in the form of premiums, and/or loans from other parties. Referring to the regulation, conceptually, the banking industry is the party that finances the implementation of this program. This is also reinforced by the provision that the deficit in assets and liabilities at the end of the Banking Restructuring Program will be borne by the banking industry through the premium collection and the resulting surplus becomes additional accumulated funds from premiums. Because the financing for this program comes from the banking industry's premiums, the banking industry has an interest in assessing the effectiveness of handling banking problems and the handling costs incurred.

4. Debt Investors and Lenders

In addition to the users described above, other major users of the Banking Restructuring Program financial statements are debt securities investors and lenders. In withdrawing loans to fund the implementation of the Banking Restructuring Program, IDIC can withdraw loans either through the issuance of debt securities or bilateral loans. Reflecting on the experience of handling banking crises in the past, the Government issued recapitalization bonds which were then used to restore banking health. The bonds used to recapitalize the bank can then be traded on the secondary market to increase the liquidity of the bank after passing a certain period determined by the central bank. These debt securities investors and lenders need financial information to assess the

ability to repay, including determining the number of expected returns, as well as the appropriate use of funds from the loans provided.

5. Tax Authorities

Transactions that occur in the context of banking restructuring can have very large tax consequences. This happened because the banking restructuring effort involved a very large amount of transactions involving the transfer of assets from one party to another as well as transactions related to restructuring. Tax authorities need financial information to assess compliance with tax reporting and payment.

6. Supreme Audit Agency

As a public institution, the financial statements prepared by IDIC must be audited by the Supreme Audit Agency. In the context of the financial reporting of the Banking Restructuring Program as part of IDIC's reporting and accountability, the financial reporting of this program must also be audited by the Supreme Audit Agency to evaluate the use of program funds.

7. House of Representatives

The House of Representatives has a role to oversee the implementation of policies carried out by the Government. The implementation of the Banking Restructuring Program is a policy issued by the Government, for which the House of Representatives has an interest in the implementation of government programs.

8. Public

The implementation of banking restructuring does not stand alone, but as part of the wider community, thus giving rise to its interests for the public. At the local and national levels, factors resulting from the implementation of banking restructuring such as termination of employment and investment certainty are often of primary importance. Some of these problems are included in financial information. To fulfill the need for financial information to the public, IDIC must publish its audited financial statements through two daily mass media with wide circulation no later than April 30 of the following year.

Table 1. Information Needs and Purpose of Users of Financial Information for the Banking Restructuring Program

No	Users	Information Needs	Purposes
1.	Government	▪ Liquidity conditions ▪ Complete financial information on assets, liabilities, revenues, expenses, and cash flows ▪ Program implementation information	▪ Knowing funding needs ▪ Assessing the effectiveness of handling banking problems along with the handling costs incurred
2.	Financial System Stability Committee	Program implementation information	Assessing the effectiveness of handling banking problems
3.	Banking Industry	▪ Complete financial information on assets, liabilities, revenues, expenses, and cash flows ▪ Program implementation information	Assessing the effectiveness of handling banking problems and the handling costs incurred
4.	Debt Investors and Lenders	Complete financial information regarding assets,	▪ Assess ability to pay ▪ Assessing the suitability

		liabilities, revenues, expenses, and cash flows	of the use of loaned funds
5.	Tax Authorities	Complete financial information regarding assets, liabilities, revenues, expenses, and cash flows	Assessing tax compliance
6.	Supreme Audit Agency	▪ Complete financial information on assets, liabilities, revenues, expenses, and cash flows ▪ Program implementation information	Assessing program implementation
7.	House of Representatives	▪ Complete financial information on assets, liabilities, revenues, expenses, and cash flows ▪ Program implementation information	Assessing program implementation
8.	Public	Complete financial information regarding assets, liabilities, revenues, expenses, and cash flows	Assessing program implementation

The description above shows that the Banking Restructuring Program has significant accountability because the Banking Restructuring Program has to convey the accountability of various stakeholders.

V. Conclusion

Based on the analysis above, the Banking Restructuring Program has various users of financial statements. Each user of the financial statements has a variety of different objectives, however, in general, the purpose of these users is to assess the accountability of the use of resources to implement the Banking Restructuring Program. This is by the mandate in the legislation which stipulates that the recording of assets and liabilities is part of IDIC's accountability in carrying out the task of implementing the Banking Restructuring Program. Referring to this, the Banking Restructuring Program can prepare financial reports that can be used for many users or referred to as general purpose financial statements.

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