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**THE DYNAMICS OF FINANCIAL REPORTING PRACTICE
IN AN INDONESIAN INSURANCE COMPANY:
A REFLECTION OF JAVANESE VIEWS ON AN ETHICAL
SOCIAL RELATIONSHIP**

**A thesis submitted in fulfilment of the requirements
for the award of the degree**

PhD in Accounting

from

UNIVERSITY OF WOLLONGONG

by

ANIS CHARIRI

Drs (UGM, Indonesia, 1991), M.Com (UNSW, Australia, 1996)

**SCHOOL OF ACCOUNTING AND FINANCE
2006**

CERTIFICATION

I, Anis Chariri, declare that this thesis, submitted in fulfilment of the requirements for the award of Doctor of Philosophy, the School of Accounting and Finance, University of Wollongong, is wholly my own work unless otherwise references or acknowledged. The document has not been submitted for qualifications at any other academic institution.

Anis Chariri
26 May 2006

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ABSTRACT

This study is an ethnographic case study conducted in an Indonesian insurance company. The aim of the study is to understand the dynamics of financial reporting practice in the company. Ontologically, this study is built on a belief that financial reporting practice is a socially constructed reality. It is an institutional and political practice. As a socially constructed reality, such a practice involves an interaction among social actors, and between organisational actors and the institutional and cultural environment in which the company operates. The main research question of this study is why and how the company commits to quality financial reporting practice.

This study reveals that the company is committed to quality financial reporting because such reporting can be used to gain legitimacy and to maintain social harmony. The company conducts itself in this way is because it reflects Javanese culture, a dominant culture in Indonesia. Hence, financial reporting can be designed by a powerful actor so as to construct a rhetorical story about the company's actions by claiming that it complies with socially imposed beliefs, norms and values about how the company should act.

Furthermore, this study concludes that the way the actors in the company construct financial reporting practice is influenced by its organisational culture. The organisational culture of the company, which reflects Javanese culture, is able to shape the behaviour of its actors from the top level to lower levels to conduct ethical and transparent business practice. This culture also influences the way the actors respond to external pressures in regard to financial reporting practice.

In addition, this study concludes that the exercise of power and leadership in the company determines the construction of financial reporting practice. The Javanese philosophy of power and leadership has shaped such exercise of power and leadership. Leaders of the company have been able to show themselves as exemplary models for their subordinates (*ing ngarso sung tulodo*), as individuals who are able to empower subordinates (*ing madyo mangun karso*), and have a sense of responsibility to their subordinates (*tut wuri handayani*).

Finally, regardless of how beliefs, values and norms are institutionalised in the company to shape individual's behaviour, to influence the exercise of power and leadership, and then to socially construct financial reporting practice, this study reveals that financial reporting practice of the company is a socially dynamic process. It reflects the Javanese ideas on an ethical social relationship. Financial reporting practice in the company supports a claim that accounting is a social science. It is not value free, but a socially constructed reality.

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