

## THE DEVELOPMENT OF BEHAVIORAL ACCOUNTING AND ITS IMPACT ON ACCOUNTING RESEARCH

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### Abstract

This study aims to analyze the development of behavioral accounting in Indonesia. The analysis of behavioral accounting developments carried out in the contents of this article includes research methods, subjects and research issues used by the authors of articles related to behavioral accounting. The descriptive analysis technique was used to analyze the data. The results showed that behavioral accounting in Indonesia began to develop through methods and various theories. However, through an analysis that carries the development of behavioral accounting research in Indonesia as well as the incorporation of economics and behavior that has increased in behavioral accounting research, there are still some differences in the measurement of variables where one variable consists of various instruments that can be used and each is very different.

**Keywords: Behavioral Accounting**

### Introduction

The development of Indonesian accounting research in the field of behavior is still relatively new compared to accounting research in other fields. For example, when compared to research in the field of financial accounting, with the topic of research on the ability of financial ratios to predict stock prices, bankruptcy, etc., accounting research in the field of behavior can still be said to be lagging behind. It is understandable, considering that the behavioral accounting course is relatively new. Accounting is a system that produces financial information that users use for decision-making. The information provides guidance in choosing the best course of action in allocating scarce resources in business and economic activities (Jefri: 2010). Thus accounting cannot be separated from human or organizational behavior that requires information generated by the accounting; as a result, accounting is not something static, but will always evolve over time caused of environmental factors that require accounting to provide the information needed by accounting professionals. The process of collecting, evaluating, recording, summarizing and reporting financial accounting is called traditional accounting; often, the information produced by accounting does not match the users' needs, so the information produced is not useful. This weakness arises because accounting cannot understand the behavior of humans who use, process and process the information. Behavioral accounting emerged to overcome the weaknesses of traditional accounting. Behavioral accounting, as a sub-field of accounting, combines the dimensions of human behavior and its relationship with the design, compilation, and use of accounting information efficiently and effectively to achieve unity of objectives. Behavioral accounting considers the relationship between human behavior towards accounting and the information it produces, and the effect of accounting information on human behavior.

In addition to enriching financial information, studying behavioral accounting can add insight to accountants when creating and designing accounting systems. For example, how participation in budgeting can improve managerial performance is one of the most studied behavioral accounting topics today (Argyris, 1952; Cherrington Cherrington, 1973; Milani, 1975; Brownell and McInnes, 1986; and others). Although the results of behavioral accounting research are often contradictory, knowledge of behavioral aspects in the accounting process helps accountants increase the effectiveness of using accounting data. As a field of science, behavioral accounting is the application of behavioral sciences in the context of accounting. The behavioral science concepts used are psychology, sociology, and social psychology. So it is not surprising that in its development, research in this field dominates research in behavioral accounting (Examples: Porter, Steers, Mowday, Boulian, 1974; Jackson, Schuler, 1985; Smith, Kida, 1991). This study aims to explain the general description of the development of behavioral accounting research in Indonesia, both in related fields and the methods used as well as issues regarding the classification of behavioral accounting research.

## Literature Review

### *Definition of Behavioral Accounting*

Behavioral accounting is a science that studies the relationship between human behavior and the accounting system, as well as the relationship with society and its organizations. Behavioral accounting is the link between accounting and social science (R.A. Supriyono, 2018), So it can be said that behavioral accounting consists of three parts: human behavior, organization, and accounting. Accounting does not only talk about numbers and information but also the behavior of the presenters of financial statements (Yuesti, 2014). Accounting is a system for generating financial information that users in the business decision-making process used. Individual behavior cannot be separated from accounting (Birnberg and Shields, 1989; Khomsiyah and Indriantoro, 2000). Behavioral Research is a study that considers how individuals react to behave when given certain information items. Behavioral studies were first conducted in the 1960s (Maines 1995) but became very popular in the 1970s when they were adopted by researchers such as Ashton and Libby. According to Bimberg and Shields (1989). Behavioral Accounting Research analyzes issues in various accounting fields such as financial accounting, management accounting, public sector accounting, auditing, taxes, and accounting information systems (Cahyono Dwi, 2019).

### *Development of Behavioral Accounting Research*

Since the 1950s, some accounting research has begun to connect accounting with behavioral aspects even though the term behavioral accounting had not yet emerged. Furthermore, Argyris (1952) researched the impact of accounting information on employees. Argyris's work is the first published work on the influence of accounting information on behavior. Many researchers often consider this work monumental because it is the first in behavioral accounting. The 1960s was the beginning of the resurgence of behavioral accounting

research. During this period, academics expanded their research on the implications of accounting information and financial statements on decision-making. The development of behavioral accounting began to be oged by many researchers in 1970. In this period, behavioral accounting research increased through experimental and non-experimental methods. In this period, the broadest area of behavioral accounting was human information processing (HIP) of accounting information. There were four main research approaches in the HIP: the Lens model, Probabilistic judgment, Cognitive Style, and Predecisional behavior. These studies were carried out by several researchers, namely Barefield (1972), Mock, Estrin, and Vasarhelyi (1972), and Dickhaut (1973) in Indonesia. This research is also growing, such as Supriyono Kusuma (1999), Khomsiyah (2001), Supriyono ( 2018), Sulastri (2021), Emilda (2021).

Until now, behavioral accounting research has developed quite rapidly. In 1988 the emergence of a journal that specifically studied international accounting, namely S, then in 1998, the publication of *Advanced in Accounting Behavioral Research*. And the proliferation of foreign language textbooks discussing behavioral accounting (Dr. Anik Yuesti, SE., MM and Luh Komang Merawati, SE., M.Si (2019). One of the most popular journals that address behavioral accounting issues is *Behavior Research in Accounting*, published by the American Accounting Association. Furthermore, empirical research in the field of management accounting is also developing; Tan Ming Kuang (2010) analyzed the direction of research growth in the *BRIA* journal for the period 1998-2003, followed by research by Setin and Augustine (2020). Results research show that *BRIA*'s most frequently written topics during 1998-2003 were Accounting Information Processing, Auditing, and Managerial Control. Most research methods used were experiments (29 articles) and surveys/questionnaires/interviews (21 articles) Hall, Frink & Buckley (2017). Subsequent research will focus on the development of existing approaches and various theories that underlie the development of behavioral accounting research based on various underlying theories, such as Attribution Theory, Expectation Theory, and Objective Theory. Agency Theory Ataina Hudayati (2002), Y. Yanni ( 2014), the development of theory for behavioral accounting in Indonesia is also growing; previous theory testing behavioral accounting research only includes descriptive analysis. Still, now research on theory testing has started to appear.

**Table 1. Behavioral Accounting Research Themes**

Auditing	<ul style="list-style-type: none"> <li>• Mental abilities</li> <li>• Management style</li> <li>• Reward system dan uncertainty</li> </ul>
Finance	<ul style="list-style-type: none"> <li>• Naïve expectations</li> <li>• Psychological structure</li> <li>• Cognitive structure</li> <li>• Problem-solving ability</li> <li>• Environmental variables</li> <li>• Incentives and uncertainty</li> </ul>

Managerial	<ul style="list-style-type: none"> <li>• Identification of cost allocation alternatives and their impact on behavior</li> <li>• The role of organizational culture vs. compensation in motivating quality and process improvement</li> <li>• The role of Accounting in providing user satisfaction through timely and relevant information</li> <li>• Value-added processes and productivity gains</li> </ul>
System	<ul style="list-style-type: none"> <li>• Analysis of alternative forms and presence of information for effective and efficient communication</li> <li>• Role in the group supports the process</li> </ul>
Taxes	<ul style="list-style-type: none"> <li>• Tax compliance</li> </ul>

Source: Radianto (2015)

Behavioral accounting began to develop again accounting to form four categories in the form of individuals, small groups, organizations and environmental conditions Jacob G. Birnberg (2011); this research is in line with research (Abdur Rahman Hakim et al., 2021) accounting cannot be separated from aspects of human behavior, and organizational needs will be the information that can be generated by accounting. Finally, accounting is not static, but will always evolve along with the times in the accounting environment, to provide the information needed by users; lastly, information users who understand behavioral accounting will be able to influence individual behavior to ensure that they support the achievement of organizational goals (Radianto, 2015).

### *Classification of Behavioral Accounting Research Issues*

In discussing the development of behavioral accounting research, it is necessary to group the relevant research issues. Grouping can be done according to issues, according to methodology, or according to participants (Indra Wijaya Kusuma, 2003). However, from the way of grouping, what is eternal is according to the issue because the issue will continue while the methodology and participants can change according to the development of new science. Therefore, in this discussion, the classification is carried out according to issues according to Birnberg and Shields (1989) and Meyer and Rigsby (2001). The classification of research issues according to the two articles above is grouped based on schools as follows:

#### *1. Managerial Control Issues*

The managerial control issue raises accountants' role in preparing budgets and using

budgets as a control tool. Most studies with laboratory experiments using students as participants have changed by using field surveys and measuring tools developed by cognitive psychologists. The most important change is the use of analytical economic models. However, the issue itself is still ongoing and will continue to occur.

## *2. Information Processing Issues*

Accounting information is the basis for decision-making (Cheung, Jiang, and Tan, (2010).

The issue of accounting information processing is to examine how users process information for use in decision making. As we know that financial accounting produces accounting information for users (especially external users) for decision making. For example, research related to behavioral accounting is how the effect of differences in accounting treatment affects users in making decisions or financial analysts in providing recommendations (Radianto 2015)

## *3. Auditing Issues*

The focus of auditing issues is auditors, both internal and external. Behavioral accounting research on this issue appears 10 years later than managerial control issues. People in the 1970s systematically researched new auditing issues. It was also triggered by funding from the Peat Marwick Foundation so that Research Opportunities in Auditing was born. Research using auditors as participants will reduce the problem of external validity, which is often a problem when students are used as participants to play auditors. Research on this topic also develops how auditors can overcome the bias that arises due to the use of subjective probabilities.

## *4. Organizational Sociology Issues*

The focus of research in this issue is on accounting practices within organizations. The studies here examine other functions of accounting that differ from the traditional view of the accounting function in organizations. Before research on organizational sociology, early research often focused on the function of accounting as a provider of information for decision-making. The assumption is that there is the best accounting system to meet the information needs. Therefore, these studies are more directed at repairing inappropriate information systems to reduce the system's dysfunction.

## *5. Other Issues*

In this Birnberg and Shields classification, many writings in the field of behavior have not been grouped. It happens for 3 reasons:

- (1) does not fit into the 5 issues above but is not significant enough to be an issue in itself,
- (2) the issue is the work of only one person, so it does not reflect a school attended by many people, or
- (3) These works are the beginning of an issue (school) in the future Kusuma (2003). Some of the major issues that have not been published are the issue of the accountant careers

of Sorenson (1967), Rhode, Sorensen, and Lawler (1977), the issue of methodology (e.g., Swieringa et al. 1976), the issue of human resource accounting, Flamholtz (1971), ethics, and gender. The development of behavioral accounting research has progressed very rapidly.

## Methods

The method used is qualitative. The qualitative method is a descriptive research method and tends to use analysis. The qualitative method aims to explain the phenomenon as deeply as possible through in-depth data collection. This study aims to provide an overview of the development of behavioral accounting research in Indonesia and its impact on accounting research. The method used in this research is to use a cooperative game model approach, the model that has been used according to Scott (2009: 133), that when an agreement occurs, it is stated in the contract. Contract agreements occur between companies and managers (employment contracts) and contracts between company managers and securities holders (lending contracts). Agency theory is a branch that studies the form (design) of contracts that can motivate agents to act in the interests of the principal even though the interests of the agent conflict with the interests of the principal. When agents, principals, and creditors are weak in obtaining information, then what happens is a war to obtain information in a bad way (Yuesti, 2014). Chenhall and Morris examined the relationship between contingent variables of environmental uncertainty and organizational dependence on the relationship between organizational structure and organizational structure. Perceptions of the benefits of Jeffri's accounting system (2010).

Previously, behavioral accounting research only included descriptive analysis, but now research on theory testing has started to appear. Using the right statistical method, Emilda (2021) researched with the title Analysis of the Effect of behavioral aspects on accounting information systems using the multiple linear analysis methods. In this case, behavioral accounting researchers' ability to use appropriate statistical methods is increasing. Have better internal and external trade-off validity. Previous behavioral accounting research has weak validity but is now showing quality in controlling the variables. Increased use of related disciplines. Many behavioral accounting researchers have been trained in behavioral science and research methods. The fusion of economics and behavioral sciences is increasing in behavioral accounting research. A broader perspective of behavioral accounting. Early behavioral accounting research was related to the methods and science of social psychology, but now it has included elements of organizational behavior and sociology.

Each of these methods has weaknesses and strengths, so it is recommended not to use only one method (multiple methods), but it is necessary to pay attention to the complementarity of the methods that must bind to the objectives and problems that are the subject of research, in addition to time and cost factors must also be considered. Until now, behavioral accounting research has developed quite rapidly. First, in 1988 the emergence of a journal that specifically studied international accounting, namely Behavior Research in Accounting, then in 1998, the publication of Advanced in Accounting Behavioral Research; this development showed that the role of behavioral accounting is increasingly important. Several developments in behavioral

accounting come from several things, such as Burgstahler and Sundem's (1989), theory testing. Previously, behavioral accounting research only included descriptive analysis, but new research has begun to appear on theory testing using appropriate statistical methods and having better internal and external trade-off validity.

## Result and Discussion

Based on the analysis that has been done in Indonesia itself, behavioral accounting research has been growing. The increasing number of accounting journals that appear and are accredited allows for a large number of publications. Previously, behavioral accounting research only included descriptive analysis, but now there is research on theory testing. Furthermore, it develops using appropriate statistical methods and is increasing. Previous behavioral accounting research has weak validity but is now starting to show quality in controlling the variables, and the development of behavioral accounting itself is developing in various fields such as Auditing, Finance, Managerial, Systems and Taxes.

Nevertheless, it can be said that the development of behavioral accounting in Indonesia is still not comparable to behavioral accounting research in foreign countries; this is because there are still some difficulties in conducting research in the field of behavioral accounting, among others. After all, behavioral accounting research in Indonesia has limited supporting knowledge in the form of international journals that it is difficult to access to support behavioral accounting research, sometimes this deficiency frustrates researchers so that many ends up "running" to research in the capital market field where in fact there are many available data and literature. One way to overcome the lack of facilities is to use the internet to search for libraries. Besides that, the weakness of behavioral accounting is that there are many differences in the measurement of variables where one variable consists of various instruments that can be used, and each is very different; the last is the absence of a clear conceptual basis for the development of the variables.

Along with the development of behavioral accounting in Indonesia, whose development has increased in the last 25 years, it has been marked by the birth of several journals and articles related to behavior (behavioral), and the proliferation of foreign language textbooks that discuss behavioral accounting. Furthermore, the growing number of research studies supports this development by accounting students and their teachers focusing on the behavioral accounting dimension. With the development of research in the field of behavioral accounting, it is hoped that it can change the views of some people who do not want to admit that the behavioral aspect is also an issue that must be understood. Furthermore, the existence of various theories and methodologies that have developed may become an encouragement for behavioral accounting research in Indonesia and seek to develop behavioral accounting research in various fields such as financial accounting, information systems and taxation so that it does not only focus on management accounting and auditing.

## Conclusion

This study aims to analyze the development of behavioral accounting research in

Indonesia by using research published in several reference journals on behavioral accounting, where this research is also spread in several other journals such as the Journal of Accounting Research, The Accounting Review, Accounting Organization & Society and other leading journals. To get a complete picture of how research is developing in the field of behavioral accounting, other journals need to be included. This study only analyzes the development of research based on the topics, methods, and research subjects used. To gain more knowledge, the analysis can use other approaches, for example, how to use variables based on research methods, what methods are most often used for each topic, and what approaches and issues are used for each topic and how the impact of behavioral accounting research develops, in Indonesia from the other side. Suggestion: 1.) Analyzing the development of behavioral accounting research in Indonesia using journals outside of journals such as the Journal Of Accounting Research, The Accounting Review, Accounting Organization & Society, so that the results obtained better describe the direction of development of behavioral accounting research. 2.) The analysis is not only based on the topics, methods and research subjects used, but also analyzes how the developments in each method, what methods are most often used for each research topic, and articles that most influence behavioral accounting research.

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