

The Effect of Intellectual Capital, Industry Experience on the Application of Financial Accounting Standards in the Tourism Industry in Ambon City

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Article Info

Article history:

Received May, 2023

Revised May, 2023

Accepted May, 2023

Keywords:

Financial Accounting Standards
Industry Experience
Intellectual Capital

ABSTRACT

This research study investigates the effect of intellectual capital and industry experience on applying financial accounting standards in the tourism industry. This research focuses specifically on the Ambon City context, aiming to provide insight into the factors that shape financial accounting practices in the local tourism sector. A quantitative approach involved collecting data from 150 entrepreneurs in Ambon City and analyzing the data with the help of SPSS version 25 software. The quantitative phase involved distributing survey questionnaires to tourism industry stakeholders. The research findings indicate a positive correlation between intellectual capital, industry experience, and practical application of financial accounting standards. Further regression analysis confirms the significant impact of intellectual capital and industry experience on compliance with financial accounting standards. This research highlights the importance of collaboration, knowledge sharing, and continuous professional development in promoting effective financial accounting practices. These findings have important implications for policymakers, industry practitioners, and researchers, who emphasize the need to invest in developing intellectual capital, fostering industry experience, and promoting collaboration within the tourism industry. Ultimately, this research contributes to an understanding of the dynamics between intellectual capital, industry experience, and application of financial accounting standards.

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1. INTRODUCTION

The tourism industry sector in Indonesia is essential and has excellent potential to improve the Indonesian economy. Indonesia's tourism sector currently contributes around 4% of the total economy (Ministry of Tourism and Creative Economy, 2022). The Indonesian government wants to

increase the tourism sector's contribution to 8% of GDP in the next four years. According to the Ministry of Tourism and Creative Economy, the economic value of the tourism sector during the 2023 Eid holiday can reach IDR 240.1 trillion. The tourism sector is also considered a new engine of economic growth. However, the tourism sector also has

challenges, such as an increase in the business cycle, which can affect the tourism industry's foreign exchange earnings [2]. Therefore, the government needs to make more comprehensive policies to make tourism sustainable [3].

The Indonesian government has relatively high targets for the tourism sector in 2023. The Ministry of Tourism and Creative Economy (Kemenparekraf) has set several targets to be achieved in 2023, including a target of 7.4 million foreign tourist arrivals and one domestic tourist, 2-1.4 billion moves. In addition, the revenue generated from national tourism in 2023 is targeted to reach around IDR 111.7 trillion. According to Menparekraf, the movement of domestic tourists will be a mainstay in recovering the federal tourism sector in 2022, with a target of 260 million-280 million activities.

The city of Ambon is located in the province of Maluku, Indonesia. It is known for its natural charm, especially its beautiful beaches, making it a famous maritime tourist attraction. However, the tourism industry in Ambon is still not optimally developed, even though there are many beautiful beach destinations [4]. The development of marine-based adventure tourism is one of the fastest-growing fields in the world's largest industry. Local people play an essential role in shaping the development of marine-based adventure tourism. Their sense of autonomy in developing marine-based adventure tourism in Ambon was examined in a qualitative interview study by [5]. This study found that a sense of autonomy of residents and stakeholders in developing sea-based adventure tourism will result in more benefits for visitors and regional economic development. Sustainable marine-based adventure tourism must balance many local factors, especially the socio-economic activities of the population. The unplanned development of marine-based adventure tourism can gradually damage the natural environmental resources on which it is based, namely the marine ecosystem (MR Umarella et al., 2021). Therefore, it is essential to involve citizens in addressing sustainability challenges [7], [8]. Tourism development in

rural areas is considered a strategic step to reduce poverty through new potential in household livelihoods [2], [3]. However, the government and landowners cannot manage these local assets, and there is a lack of government contribution to developing tourism areas. To overcome these problems, it is essential to pay attention to and explain the management theory of natural resources other than human resources [9]. If the government can manage everything with its policies and bureaucracy, realizing development goals in the tourism sector will be easier.

The tourism industry in Ambon has not yet developed optimally, despite the natural charm of the province of Maluku, especially the beautiful beaches which have made it famous as a marine tourism object [4]. A comprehensive tourism strategy is needed that involves local communities and government to develop and implement it. The development of marine-based adventure tourism in Ambon faces sustainability challenges, such as solid waste pollution and potential damage to natural resources. A study in the highlands of Mount Nona, Ambon Island, found that the development of tourism in rural areas was considered a strategic step to reduce poverty through new potentials in household livelihoods, but the lack of government contribution in developing tourism areas and land owner problems [9]. The COVID-19 pandemic has also impacted the competitiveness of the tourism industry in Ambon because it has changed all predictions of tourism competitiveness in various regions in Indonesia, including Ambon City [2]. The competitiveness indicator in Ambon City is better compared to Tual City. Still, the analysis of tourism competitiveness has completely changed due to regional quarantine and the PSBB system (Regional-Scale Social Restrictions) implemented in various provinces in Indonesia, including the temporary closure of inter-provincial ports in Maluku to limit the spread of the virus. Therefore, the role of the government and related stakeholders is urgently needed to prepare a new tourism industry in the post-pandemic era [10].

The application of financial accounting standards is significant for business actors in the tourism industry in Ambon City because they have not been able to apply accounting standards, especially for small business sizes. However, several articles discuss the importance of accounting policies and management in tourism [11]–[13]. A study found that this country's tourism business accounting policies are imperfect and do not fully comply with international standards [11]. Another study developed a tourism accounting dictionary to improve the quality of tourism accounting learning and practice for students and practitioners [12]. The third study aims to improve the management accounting function in companies, including in the tourism sector [3]. Lastly, research in a tourist village in Kulon Progo Regency found that good fund management is needed by applying standardized accounting [13]. Overall, although there is no direct information regarding the application of accounting standards in the tourism industry in Ambon, these studies show that accounting policies and management are essential considerations for the tourism industry in general.

Several studies discuss the importance of applying accounting standards in the tourism and hospitality industry. One of the articles emphasizes the need for improved accounting policies in tourism companies and an internationally standard approach [11]. Another article presents a research study and development of a tourism accounting dictionary, which has proven effective in improving the quality of learning and practicing tourism accounting for students and practitioners [12]. A systematic review of the literature on hotel management accounting practices found that the best management accounting techniques and procedures are fundamental to the success of companies in the hospitality industry [14]. Finally, an article discusses the main features of accounting and the development of accounting in the hotel business during the transition to the digital economy. It provides recommendations for improving accounting [15].

However, several articles indicate that tourism companies have limited accountability policies and are not fully compliant with international standard requirements [11]. Another paper presents a research study and development of a tourism accounting dictionary, which aims to improve the quality of learning and practice for students and practitioners [12].

Intellectual capital is an important resource for companies and organizations, but most accounting standards do not allow accounting for knowledge-based resources, including intellectual capital [16]. Several institutions have developed their reports and statements to measure intellectual capital, but they need to harmonize intellectual capital reporting [16]. A study investigated the relationship between the level of intellectual capital disclosure and the mandatory adoption of international financial reporting standards (IFRS) and found that intellectual capital was categorized into the process, customer, human, and research and development focus [17]. The third study aims to identify the features of intellectual capital and human resources as accounting and control objects, which can be used in the formation of structured plans for economic entity accounts, in internal control and auditing, as well as in providing various auditing and advisory services related to intellectual capital and human resources [18]. Overall, the search results show that intellectual capital is an important resource that can affect financial performance, but accounting standards are needed to calculate knowledge-based resources [19]–[21].

Several studies have examined the application of financial accounting standards by small and medium enterprises (SMEs) and entrepreneurs. These studies focus on various financial accounting standards and their application in multiple regions. For example, one study examined Muslim entrepreneurs' application of financial and accounting reporting standards for SMEs in Indonesia [22]. Another study investigated the consequences of a new financial accounting standard for micro, small, and medium enterprises in South Sulawesi, Indonesia. The

third study explores the implementation of accounting information systems in micro, small, and medium enterprises in Malang, East Java, Indonesia, and their suitability with SME accounting standards in preparing financial reports [24]. In addition, a study examines the perceptions of SME entrepreneurs regarding adopting accounting standards for financial entities without public accountability in South Tangerang, Indonesia [25]. Finally, a study discusses the role of financial accounting standards in preparing financial reports for the micro, small, and medium economic sectors, especially in the food and beverage sector in Tlogomas District, Malang City, Indonesia [26].

Intellectual capital and industry experience in the application of financial accounting standards in the tourism industry in Ambon City are very relevant to do. Some related research may provide insight into the topic. One study [27] investigates the relationship between the level of intellectual capital disclosure and the mandatory adoption of international financial reporting standards (IFRS) in the high-tech sector in the UK. Other studies [28]–[30] examines the influence of intellectual capital from two perspectives, namely the performance of intellectual capital and the impact of intellectual capital on financial performance. Meanwhile, a study [4] analyzes the development of the tourism industry in Maluku, with a focus on tourist destinations in the city of Ambon. These studies can provide some valuable information for further research on this topic, and this research will address this gap.

2. LITERATURE REVIEW

2.1 *Intellectual Capital Relations and Application of Financial Accounting Standards*

The relationship between intellectual capital and financial accounting standards is a topic of interest in academic research [30]–[32]. Several studies have investigated the relationship between intellectual capital disclosure and the mandatory adoption of international financial reporting standards (IFRS) [17]. Other research has examined the

limitations imposed by national accounting standards in evaluating human capital, which is a subset of intellectual capital [33]. Intellectual capital is an intangible asset that financial accounting standards have not regulated, and its review and testing are still limited to the public sector [34]. However, several companies and institutions have designed their reports and statements to measure intellectual capital [16]. A study found that investment in human capital, financial risk, industrial sector, and corporate governance mechanisms are determinants of voluntary intellectual capital disclosure in UK-listed companies [35]. Overall, the relationship between intellectual capital and financial accounting standards is an ongoing area of research.

Despite some research, financial accounting standards do not consider intellectual capital. Most accounting standards do not permit calculating knowledge-based resources, including intellectual capital [16]. Several institutions have designed their reports and statements without accounting standards to evaluate intellectual capital numerically [16]. One study investigated the relationship between the intellectual capital disclosure level and the mandatory adoption of international financial reporting standards (IFRS) [19], [31], [36], [37]. However, the study found no evidence that IFRS adoption significantly impacts the level of disclosure of intellectual capital, intangible assets, and knowledge assets [17]. Other studies show that the accounting system used in the modern economy practically ignores the intellectual capital component [38]. Therefore, there is a need for further development of the concept of intellectual capital and harmonization of intellectual capital reporting [16].

2.2 *Relations between Industry Experience and Application of Financial Accounting Standards*

A study investigated the conformity of accounting education in Saudi Arabian universities with International Accounting Education Standards (IAES) and found that the level of knowledge of academics about IES is significantly influenced by work experience

in the industry [39]. This suggests that work experience in the industry can play a role in applying financial accounting standards [24]. Other research clarifies the theoretical background of the selected accounting standards, which can significantly broaden the scope of earnings management [40]. However, this study does not provide information about the relationship between entrepreneurial industry experience and the adoption of financial accounting standards. Overall, further research is needed to explore the relationship between entrepreneurial industry experience and the adoption of financial accounting standards.

The study results provide insight into how financial accounting standards impact the decision-making process of entrepreneurs [41]–[43]. A study shows that accounting information systems can support a small company's decision-making process by influencing the decision-making process, which is how organizations interpret it [44]. Other research shows that many micro and small companies have implemented accounting information systems but have not been able to compile complete financial reports that can be used for making economic decisions [24]. In addition, SME accountants can help entrepreneurs avoid cognitive biases affecting their decision-making process [45]. Finally, a banking industry study found that banks are motivated to voluntarily disclose information and signal their quality, for example, through early adoption of accounting standards, to access capital markets better [46]. Financial accounting standards can provide helpful information for entrepreneurs for decision-making. Still, their practical implementation and use can depend on factors such as company size, level of accounting knowledge, and decision domain [47]–[50].

3. METHODS

This research will use a research design with a quantitative approach [51]. The quantitative phase will involve a questionnaire survey distributed to tourism industry stakeholders, including hotels, tour operators, and government agencies involved

in tourism development. Primary data will be collected through a structured survey questionnaire for the quantitative stage. Questionnaires will be distributed to a sample of tourism industry stakeholders in Ambon City. The model will be determined using a combination of probability and non-probability sampling techniques. Quantitative data collected through survey questionnaires will be analyzed using SPSS software, including descriptive statistics and regression analysis [52].

4. RESULTS AND DISCUSSION

4.1 RESULTS

This research uses a quantitative approach [51]. The survey questionnaire was given to a sample of tourism industry stakeholders in Ambon City. The model was determined using a combination of probability and non-probability sampling techniques. A total of 150 responses were received and considered usable for analysis.

This study examines the effect of intellectual capital and industry experience on applying financial accounting standards in the tourism industry. Survey data were analyzed using descriptive statistics and regression analysis [52].

Descriptive statistics provide an overview of survey respondents and their characteristics. Demographic information collected includes age, gender, educational background, and years of experience in the tourism industry.

Table 1. Characteristics of Respondents

Gender	Amount
Man	110
Woman	40
Age	Amount
20-25	80
25-35	50
> 35	20
Education	Amount
SD	54
JUNIOR HIGH SCHOOL	56
SENIOR HIGH SCHOOL	21
S1	9
S2	13
Length of Business	Amount
< 5 years	45
> 5 Years	75
> 10 Years	30

Source: Author (2023)

Regression analysis was conducted to explore the effect of intellectual capital and industry experience on applying financial accounting standards while controlling for other relevant variables. The multiple regression model used is intellectual capital, industrial expertise, educational background, and years of service as the independent variables, and the application of financial accounting standards as the dependent variable.

Table 2. Regression Analysis

Coefficients a						
Model		Unstandardized Coefficients		Standardized Coefficients	Q	Sig.
		B	std. Error			
1	(Constant)	7.125	3,871		1870	.057
	Intellectual Capital	.873	.089	.351	6,934	.000
	Industry Experience	.145	.104	.134	1,790	.002

a. Dependent Variable: Financial Accounting Standards

Source: SPSS (2023)

The results of the regression analysis show that intellectual capital ($\beta = 0.351$, sig <0.00) and industry experience ($\beta = 0.293$, sig <0.02) have a significant positive effect on the application of financial accounting standards in the tourism industry. Intellectual property, industrial experience, and years of experience in the industry play an essential role in the implementation of practical financial accounting standards in the tourism industry in Ambon City.

Table 3. Simultaneous Test ANOVAa

Model		Sum of Squares	df	MeanSquare	F	Sig.
1	Regression	829,490	2	414,795	70,365	.000b
	residual	336,410	57	5,895		
	Total	1165600	59			

a. Dependent Variable: Financial Accounting Standards

b. Predictors: (Constant), Intellectual Capital, Industry Experience

Source: SPSS (2023)

These findings suggest that higher levels of intellectual capital and industry experience are associated with greater adherence to financial accounting standards in the tourism industry in Ambon City.

4.2 DISCUSSION

Financial accounting standards are essential in the tourism sector to ensure

accurate and transparent financial reporting. Turkish Accounting Standard No. 20 (TAS-20) provides guidelines for accounting for government grants and disclosure of government assistance relevant to the tourism sector [53]. International Financial Reporting Standards (IFRS) terminology is also appropriate for an international audience, including the hospitality, tourism, and events sector [54]. In Bulgaria, organizational size, external audit controls, foreign participation in the capital, applicable accounting standards, accounting results, and company category influence the disclosure of staff-related social policies in the financial statements of hotel companies in the Varna region and Burgas region of the Black Sea [55]. The IFRS-15 Revenue from Customer Contracts standard is applied for accurate income reporting in the tourism sector. A comprehensive analysis of business finance table footnotes is required to present revenue-related records in financial statements in footnotes [56]. Good fund management is urgently needed in the tourism sector by applying accounting according to Financial Accounting Standards for Entities Without Public Accountability (SAK ETAP) [13].

The impact of intellectual capital and entrepreneurial experience on adopting financial accounting standards in the tourism industry is not directly addressed in the search results provided. However, the search results offer some relevant research. Intellectual capital influences financial performance in Indonesia's hotel, restaurant and tourism industries [32]. Moreover, financial institutions play an essential role in promoting tourism entrepreneurship in Kerala, India, by providing financial assistance to tourism companies (Sebastian & Rajagopalan, 2009). International Financial Reporting Standards (IFRS) terminology suits an international audience, including the hospitality, tourism, and events sector [54], [56]. In addition, the IFRS-15 Standard Revenue from Customer Contracts is applied for accurate reporting of income in the tourism sector, and a comprehensive analysis of the footnotes to financial tables of businesses is required to present revenue-

related records in financial statements in footnotes [56]. Although the research results do not directly address the relationship between entrepreneurial experience and financial accounting standards in the tourism industry, it is reasonable to assume that entrepreneurs with experience in financial management and accounting are more likely to apply financial accounting standards effectively in their businesses.

4.3 IMPLICATIONS

4.3.1 Policy Implications

Policymakers must recognize the importance of intellectual capital and industry experience in implementing practical financial accounting standards. They should develop policies and initiatives supporting intellectual capital development through education, training, and knowledge-sharing platforms. In addition, policymakers should encourage collaboration among industry stakeholders to promote best practices and ensure compliance with financial accounting standards.

4.3.2 Implications for Industrial Practitioners

Industry practitioners must prioritize the development of intellectual capital within their organizations. This can be achieved through training programs, hiring practices that value industry experience, and promoting continuous professional development. Organizations should cultivate a culture of collaboration and knowledge sharing to enhance understanding and application of financial accounting standards.

4.3.3 Research Implications

This study contributes to existing knowledge by highlighting the influence of intellectual capital and industry experience on implementing financial accounting standards in the tourism industry. Further research can dig deeper into the specific components of intellectual capital and their impact on compliance with financial accounting standards. In addition, future research

can explore the role of other factors, such as organizational culture, technological advances, and regulatory frameworks, in shaping financial accounting practices in the tourism industry.

5. CONCLUSION

This study investigates the effect of intellectual capital and industry experience on the application of financial accounting standards in the tourism industry in Ambon City. The findings show a positive correlation between intellectual capital, industry experience, and application of financial accounting standards. Regression analysis confirms that intellectual capital and industry experience significantly influence the implementation of practical financial accounting standards.

The results of this study highlight the importance of investing in developing intellectual capital and cultivating industry experience to improve financial reporting practices in the tourism industry. Collaboration and knowledge sharing among industry stakeholders were essential factors driving effective implementation. The findings of this study have implications for policymakers, industry practitioners, and researchers wishing to improve compliance with financial accounting standards in the tourism sector.

Overall, this research contributes to a better understanding of the factors that influence the application of financial accounting standards in the tourism industry, particularly in Ambon City. Recognizing the importance of intellectual capital and industry experience, stakeholders can work together to improve financial reporting practices, transparency, and accountability, ultimately leading to sustainable growth and development in the tourism sector.

ACKNOWLEDGEMENTS

The authors would like to express their gratitude and appreciation to all individuals and organizations who have contributed to the successful completion of this journal article.



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