



Accelerating Transformation Program in Indonesian Regional Development Banks: The Importance of High-Quality Information

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Abstract

Objective – The role of Indonesia Regional Development Bank (RDB) as an agent of development in each specific operational area is expected to give a significant contribution to regional economics. The Transformation Program in Indonesian RDB started since 2015 is created to optimize the RDB's role. This study is aimed to gain some description about the level of information quality in Indonesian RDB, to obtain real situation on the implementation of Transformation Program in Indonesian RDB, and to test whether the high-quality information will accelerate the implementation of Transformation Program in Indonesian RDB.

Design/methodology – The study was conducted using data from the annual report of Indonesian RDBs and additional in-depth interview with RDB practitioners. The technique of purposive sampling is used in this study with the data availability criteria. The statistic analysis uses multiple regression with t-test and F-test to test the influence of information quality and some control variables on the implementation of Transformation Program in Indonesian RDB.

Results – The Indonesian RDBs' quality of information still cannot be perceived at a high level. The implementation of Transformation Program in Indonesian RDBs has already run in the first phase of foundation building with various obstacles. The high-quality information produced by financial reporting of RDB is proven can accelerate the implementation of Transformation Program in Indonesian RDBs.

Research limitations/implications – The theoretical contribution of this study is giving empirical evidence that the information quality accelerates the implementation of Transformation Program in Indonesian RDB. The managerial implication is that Indonesian RDBs must improve their financial reporting system and create some innovations for the successful Transformation Program. The main limitation of this research is the limited scope of study. It is recommended to make further relevant research on the same issue in a wider context to get more enriched findings.

Novelty/Originality – The area of implementation of Transformation Program in Indonesian RDBs has been insufficiently examined currently. Thus, this study contributes to this area by examining whether high-quality information produced by financial reporting will accelerate the implementation of Transformation Program in Indonesian RDB.

Keywords Information Quality, Financial Reporting, Banking Transformation.

1. Introduction

Regional Development Bank (RDB) is a specific bank with very focused and limited operational area. The growth of RDB as an agent of development in each specific operational area is expected to give a significant contribution to regional economics. On May 26th, 2015 the Transformation Program in Indonesian RDBs was inaugurated by the President of Republic of Indonesia. The goals of this program are to increase the competitiveness of RDB, to strengthen institution resilience of RDB, and to esca-

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late contribution of RDB on regional economics. Some strategies for implementation are set in order to make effective business process and risk management of RDB by-products innovation, services management, marketing development, networking expansion, portfolio management, and liquidity and funds management.

Nonetheless, there is imbalanced condition among Indonesian RDBs which is not all RDBs have a strong liquidity and funds. This imbalanced condition will be weakening RDBs' role as an agent of development in their specific regional area. This imbalanced condition is depicted in some data as follows:

Table 1
Financial Data of
Indonesian RDBs
(in million IDR)
Before The Transform-
ation Program

#	Items	Dec 2009	Dec 2010	Dec 2011	Dec 2012	Dec 2013	Mar 2014
1	Total Assets	198,236,734	237,517,894	307,804,431	371,809,649	390,172,598	406,838,435
2	Demand Deposit	63,572,431	61,907,584	88,080,527	112,783,830	106,353,170	120,283,751
3	Saving	42,735,595	52,390,809	65,967,625	77,464,763	93,626,918	75,331,503
4	Time Deposit	43,650,108	66,866,379	78,546,869	93,756,561	83,005,970	120,186,730
5	Third Party Funds	149,958,134	181,164,772	232,595,021	284,005,154	282,986,058	315,801,984
6	Credit	117,753,269	140,438,568	170,992,380	219,713,952	255,884,306	259,755,070
7	Paid in Capital	11,023,935	13,082,900	14,879,890	19,760,549	22,644,106	23,359,022
8	Equity	21,249,697	26,836,676	31,879,890	38,592,773	47,114,280	46,723,122
9	Core Capital	18,479,315	22,681,855	26,457,918	32,065,233	38,476,635	41,386,647
10	Interest Revenue	23,728,540	28,749,857	32,247,781	36,288,686	43,563,025	11,222,209
11	Interest Expense	9,047,295	10,089,441	12,753,093	13,637,214	15,575,564	3,784,203
12	Net Income (After Taxes)	5,153,341	6,185,235	6,593,078	7,503,111	9,849,421	2,713,099

Source: PT Ekofin Konsulindo and publication on each bank's website

Table 2
Total Assets Data of
Indonesian RDBs (in
million IDR)
Before The Transform-
ation Program

#	RDB	Dec 2009	Dec 2010	Dec 2011	Dec 2012	Dec 2013	Mar 2014
1	Bank BJB*	32,410,329	42,026,411	54,448,958	70,840,878	67,040,355	74,205,840
2	Bank Jatim	17,629,246	19,993,256	25,169,128	29,425,043	33,222,189	35,464,167
3	Bank Jateng	14,776,778	18,710,698	23,108,105	26,659,998	30,908,159	33,858,353
4	Bank DKI*	15,343,528	15,562,937	19,868,999	26,944,005	31,096,962	29,605,603
5	Bank Kaltim	13,283,092	15,140,428	23,038,736	30,838,716	27,553,707	22,901,487
6	Bank Sumut*	10,759,040	12,763,400	18,932,901	19,989,759	21,664,215	22,837,208
7	Bank Riau Kepri*	10,252,506	12,918,692	17,110,221	19,961,807	19,646,465	17,674,732
8	Bank Papua	9,457,910	10,905,848	13,610,278	14,865,513	17,692,196	17,307,006
9	Bank Nagari	8,138,693	10,307,541	12,964,840	14,919,160	16,331,590	17,061,871
10	Bank Aceh*	13,035,072	12,211,164	13,155,314	13,587,664	15,358,953	14,854,605
11	Bank Sumselbabel*	8,387,838	10,809,724	13,276,989	15,965,410	14,442,147	14,764,818
12	Bank Bali	6,609,136	9,075,935	10,657,318	12,763,022	14,522,303	14,762,765
13	Bank Kalbar	4,899,140	5,868,875	7,184,626	8,466,321	9,718,877	10,371,467
14	Bank Kalsel*	4,091,212	4,578,665	6,546,536	9,542,509	9,473,178	10,305,948
15	Bank Sulsebar*	4,607,450	6,261,930	7,383,133	8,105,359	8,831,498	10,059,580
16	Bank Sulut	3,336,846	4,323,210	5,318,678	6,594,741	7,905,935	8,644,858
17	Bank NTT*	3,394,339	4,496,883	6,496,092	7,858,433	7,345,208	8,454,250
18	Bank DIY	3,491,910	4,171,083	4,831,553	5,631,971	6,566,671	6,947,295
19	Bank Jambi	1,754,383	2,196,147	3,901,787	3,662,289	4,275,372	5,553,531
20	Bank NTB	2,216,396	2,761,260	3,521,363	4,162,444	4,387,915	5,392,172
21	Bank Kalteng	2,059,570	2,387,962	3,475,551	3,905,021	4,025,243	5,283,731
22	Bank Maluku	2,021,721	2,533,785	3,589,986	4,586,514	4,573,540	5,038,791
23	Bank Lampung*	2,287,867	3,111,092	4,222,109	4,732,348	4,666,381	5,022,722
24	Bank Bengkulu*	1,633,614	1,520,027	2,449,099	3,360,924	3,953,813	4,057,173
25	Bank Sultra	1,558,991	1,669,787	2,387,923	3,066,772	3,163,598	3,865,246
26	Bang Sulteng*	800,127	1,211,154	1,154,208	1,373,028	1,806,128	2,543,216
	Total	198,236,734	237,517,894	307,804,431	371,809,649	390,172,598	406,838,435

Source: PT Ekofin Konsulindo and publication on each bank's website

* March 2014: Interim Report, Bank Indonesia (Conventional Commercial Bank's Publication)

The ranking is based on March 2014 data

#	RDB	Dec 2009	Dec 2010	Dec 2011	Dec 2012	Dec 2013	Mar 2014
1	Bank BJB*	23,267,666	31,019,700	37,008,489	52,375,515	46,762,799	57,931,332
2	Bank Jateng	11,924,105	15,767,158	19,312,397	22,116,036	24,565,951	25,371,221
3	Bank Jatim	14,462,702	16,125,439	19,934,930	22,209,036	25,728,846	23,041,343
4	Bank DKI*	11,859,514	12,085,511	15,298,882	20,639,008	22,115,393	22,987,844
5	Bank Kaltim	10,232,021	11,093,017	18,663,789	26,143,622	20,588,136	21,052,161
6	Bank Sumut*	8,570,899	10,512,515	15,129,514	15,039,698	15,943,043	18,079,435
7	Bank Nagari	6,681,171	8,272,123	9,812,637	11,438,966	11,886,554	17,929,260
8	Bank Papua	7,670,539	8,586,688	10,871,734	11,443,265	13,420,917	12,189,063
9	Bank Bali	5,317,845	6,709,018	8,787,117	10,536,850	11,466,000	12,180,222
10	Bank Sumselbabel*	6,537,219	9,234,563	10,911,372	12,913,700	10,869,459	11,767,166
11	Bank Aceh*	9,844,993	9,400,019	9,139,922	10,658,835	10,644,889	11,566,386
12	Bank Riau Kepri*	7,402,414	9,338,036	12,849,882	15,352,878	13,055,833	11,564,474
13	Bank Kalbar	3,526,659	4,677,053	6,188,699	6,880,772	8,080,169	8,951,104
14	Bank Kalsel*	3,419,222	3,615,423	5,381,305	8,337,564	6,940,115	8,150,785
15	Bank Sulut	2,232,363	2,900,058	3,694,223	4,281,696	5,026,542	7,187,451
16	Bank Sulselbar*	2,977,637	3,973,266	5,153,476	5,401,650	5,531,848	6,888,621
17	Bank DIY	2,414,006	3,143,008	3,578,989	4,682,127	5,304,605	6,055,203
18	Bank NTT*	2,296,389	3,132,403	4,097,083	4,702,202	5,064,915	6,019,410
19	Bank Kalteng	1,666,520	1,939,925	2,897,037	3,168,933	3,193,473	4,404,271
20	Bank Maluku	1,479,691	1,647,938	2,422,433	3,022,086	3,041,011	4,190,578
21	Bank NTB	1,418,536	1,950,657	2,625,941	2,834,754	3,032,365	4,106,560
22	Bank Jambi	1,170,715	1,566,689	2,427,618	2,713,482	2,695,631	3,705,213
23	Bank Sultra	846,421	972,582	1,479,341	1,687,681	2,194,335	3,059,273
24	Bank Bengkulu*	928,772	1,161,184	1,756,877	2,197,684	2,287,602	2,985,386
25	Bank Lampung*	1,294,578	1,705,756	2,438,997	2,524,063	2,634,880	2,838,515
26	Bang Sulteng*	515,537	635,043	732,337	703,051	910,747	1,599,707
	Total	149,958,134	181,164,772	232,595,021	284,005,154	282,986,058	315,801,984

Source: PT Ekofin Konsulindo and publication on each bank's website

Notes: * March 2014: Interim Report, Bank Indonesia (Conventional Commercial Bank's Publication)

The ranking is based on March 2014 data

Table 3
Third Party Funds Data of Indonesian RDBs (in million IDR) Before the Transformation Program

#	RDB	Dec 2009	Dec 2010	Dec 2011	Dec 2012	Dec 2013	Mar 2014
1	Bank BJB*	18,924,987	22,066,317	26,890,977	35,054,040	44,989,950	45,292,537
2	Bank Jatim	10,039,542	12,939,596	15,921,114	18,556,330	21,747,663	22,336,073
3	Bank Jateng	10,632,395	11,595,193	13,482,612	18,358,596	21,266,727	22,140,072
4	Bank Kaltim	6,872,979	8,958,768	11,179,661	14,843,977	18,199,161	17,926,893
5	Bank DKI*	6,343,240	8,091,986	10,039,219	14,936,823	18,018,939	17,202,771
6	Bank Sumut*	8,089,270	9,158,464	11,001,262	15,325,507	15,347,049	15,336,821
7	Bank Papua	2,799,709	3,767,467	5,220,031	8,198,758	11,378,388	11,918,067
8	Bank Riau Kepri*	6,563,413	7,036,042	8,317,832	10,208,592	11,332,566	11,472,639
9	Bank Nagari	5,852,853	6,850,600	8,580,361	10,537,817	11,155,045	11,296,629
10	Bank Sumselbabel*	5,193,783	6,622,749	8,258,838	9,812,087	10,373,665	10,586,081
11	Bank Bali	5,517,509	6,261,201	7,273,552	8,524,507	10,131,234	10,579,700
12	Bank Aceh*	5,965,850	7,441,624	8,228,058	9,593,463	8,937,044	9,051,620
13	Bank Kalbar	2,953,024	3,766,156	4,579,730	5,972,213	6,518,119	6,492,016
14	Bank Sulselbar*	3,385,767	4,371,300	5,133,135	6,034,025	6,191,726	6,323,856
15	Bank Kalsel*	2,250,332	2,705,566	3,369,672	4,665,150	5,833,580	6,198,815
16	Bank Sulut	2,237,999	3,044,430	3,686,071	4,693,789	5,677,152	5,733,302
17	Bank NTT*	2,819,843	2,874,494	3,812,802	4,388,503	4,880,662	4,920,914
18	Bank DIY	1,884,879	2,158,962	2,703,647	3,381,131	3,873,876	4,153,361
19	Bank NTB	1,591,939	1,944,277	2,626,772	3,066,654	3,160,318	3,276,852
20	Bank Jambi	1,143,123	1,317,390	1,615,734	2,233,057	2,955,328	3,104,637
21	Bank Lampung*	1,286,310	1,525,941	1,956,893	2,315,344	2,968,241	3,048,478
22	Bank Maluku	1,399,218	1,692,166	1,999,972	2,376,070	2,779,137	2,817,379
23	Bank Kalteng	1,418,734	1,721,064	1,991,436	2,280,506	2,473,278	2,568,147
24	Bank Bengkulu*	1,203,624	1,035,723	1,320,176	2,049,777	2,402,867	2,377,522
25	Bank Sultra	865,129	948,480	1,236,981	1,553,058	2,122,879	2,236,335
26	Bang Sulteng*	517,818	542,612	565,842	754,178	1,169,712	1,363,553
	Total	117,753,269	140,438,568	170,992,380	219,713,952	255,884,306	259,755,070

Source: PT Ekofin Konsulindo and publication on each bank's website

* March 2014: Interim Report, Bank Indonesia (Conventional Commercial Bank's Publication)

The ranking is based on March 2014 data

Table 4
Credit Data of Indonesian RDBs (in million IDR) Before The Transformation Program

Table 5
Net Income After Taxes
Data Indonesian RDBs
(in million IDR)
Before The Transfor-
mation Program

#	RDB	Dec 2009	Dec 2010	Dec 2011	Dec 2012	Dec 2013	Mar 2014
1	Bank BJB*	709,106	884,832	947,477	1,185,436	1,384,965	334,119
2	Bank Jatim	516,832	850,387	860,233	724,639	916,843	312,195
3	Bank DKI*	136,845	176,377	301,332	342,745	802,728	261,635
4	Bank Jateng	434,157	387,504	410,328	562,421	717,353	225,816
5	Bank Sumut*	330,975	404,297	426,209	421,776	623,031	156,715
6	Bank Riau Kepri*	238,378	327,365	291,289	318,076	462,848	152,066
7	Bank Aceh*	272,165	156,811	260,182	353,777	378,982	139,759
8	Bank Bali	190,288	230,224	270,299	391,140	432,347	112,702
9	Bank Papua	234,528	235,433	273,210	311,066	455,332	110,301
10	Bank Kalbar	131,459	169,413	173,899	216,089	260,762	99,355
11	Bank Sulselbar*	478,384	238,654	242,266	258,401	347,704	85,710
12	Bank Kalsel*	119,028	117,613	119,600	123,597	182,775	84,614
13	Bank NTT*	94,728	137,261	168,897	193,589	240,208	77,152
14	Bank Nagari	144,385	251,758	246,023	281,900	305,496	67,560
15	Bank Sumselbabel*	140,923	201,483	246,796	208,148	269,484	62,000
16	Bank Sulut	39,637	79,899	72,498	139,191	228,861	58,285
17	Bank Jambi	63,657	129,835	102,003	104,472	133,647	53,201
18	Bank Maluku	80,448	49,291	105,286	116,824	135,017	51,855
19	Bank NTB	70,423	123,719	141,425	170,840	188,235	51,543
20	Bank Kalteng	70,070	86,937	105,325	120,108	144,573	45,880
21	Bank DIY	71,954	73,440	88,704	102,631	138,873	40,199
22	Bank Bengkulu*	46,906	65,724	41,393	69,801	131,704	35,967
23	Bank Lampung*	55,898	100,975	88,520	101,138	114,599	30,109
24	Bank Sultra	55,468	81,500	111,285	110,727	120,021	24,470
25	Bank Kaltim	396,022	576,505	469,766	554,340	682,641	21,478
26	Bang Sulteng*	30,677	47,998	28,833	20,239	50,392	18,413
	Total	5,153,341	6,185,235	6,593,078	7,503,111	9,849,421	2,713,099

Source: PT Ekofin Konsulindo and publication on each bank's website

* March 2014: Interim Report, Bank Indonesia (Conventional Commercial Bank's Publication)

The ranking is based on March 2014 data

The Transformation Program in Indonesian RDB (2015) is perceived as strategic initiatives which are expected to generate a significant impact on economic development of a specific area and at the same to strengthen national banking industry in Indonesia. In the roadmap, it is scheduled to achieve its target by the end of the year 2024. The first phase of Foundation Building (2015-2017) is ensuring a good level of Governance, Risk and Compliance (GRC) as an essential foundation for the next phase of growth.

A good established GRC will need a support of high-quality information which is produced by the financial reporting of RDB. BPD's financial reporting must be enhancing to generate a maximum use of information by arranging some strategies depends on each RDB. High-quality information will be used in any important decision making and finally, will accelerate the implementation of Transformation Program in Indonesian RDB.

The purpose of this study is gaining some description about the level of information quality in Indonesian RDB, obtaining real situation on the implementation of Transformation Program in Indonesian RDB, and testing whether the high-quality information will accelerate the implementation of Transformation Program in Indonesian RDB.

Besides, this study is aimed to give some recommendation to Indonesian RDB in order to support their role as an agent of development in each specific focused regional operational area, so that they can give the maximum contribution on regional economic growth. Finally, this study is expected to increase the awareness of the importance of high-quality information in accelerating the implementation of Transformation Program in Indonesian RDB.

2. Literature Review, Theoretical Framework and Hypothesis Development

2.1 Indonesian RDB

Based on Law No. 10 of 1998 on Amendment of Law No. 7 of 1992 on Banking (Banking Law) - article 2 (1), bank is defined as a business entity which is collecting funds from the public in the form of savings and then channeling the funds to the public in the form of credit and/or other forms in order to improve the standard of living of the general society. Bank has a strategic role as the intermediary institution which is collecting funds from those who have excess funds and channel them to those who need funds.

Law No. 13 of 1962 on the Basic Provisions of the RDB stipulates that RDB works to boost regional economic and drive regional development in order to improve the living standard of the regional general society and to provide funds for financing the regional development, collects some funds, and runs and keeps the regional treasury (as regional cash holder/custody) as well as conducts banking business activities (Hasan, et al, 2010; Lisdayanti, et al, 2013).

The Domestic Ministry Decree No. 62 of 1999 on Guidance of Organization and Management of RDB - article 2 states that RDB is established for conducting its main task of developing the regional economy and driving regional development through the activities of RDB as an entity in a form of bank.

Nowadays, there are 27 RDBs in Indonesia as follows:

#	RDB – Home Office	Shareholders
1.	Bank of Aceh Syariah Jl. Mr. Mohd. Hasan No. 89, Banda Aceh	63.12% Province Government of Aceh; 36.88% Municipal and City Governments in Aceh
2.	RDB of Bali Jl. Raya Puputan Niti Mandala, Renon, Denpasar	35.45% Province Government of Bali; 46.16% Municipal Government of Badung; 8.04% City Government of Denpasar; 2.09% Municipal Government of Karangasem; 1.78% Municipal Government of Tabanan; 1.62% Municipal Government of Klungkung; 1.64% Municipal Government of Buleleng; 1.16% Municipal Government of Jembrana; 1.27% Municipal Government of Gianyar; 0.78% Municipal Government of Bangli
3.	RDB of Bengkulu Jl. Basuki Rachmat 6, Bengkulu	42.40% Province Government of Bengkulu; 7.39% Municipal Governments of Mukomuko; 7.11% Municipal Government of Kepahiang; 6.74% Municipal Government of Lebong; 6.61% Municipal Government of Bengkulu Selatan; 6.15% Municipal Government of Kaur; 5.74% Municipal Government of Seluma; 5.41% Municipal Government of Rejang Lebong; 5.00% City Government of Bengkulu; 4.59% Municipal Government of Bengkulu Utara; 3.13% Municipal Government of Bengkulu Tengah
4.	Bank of DKI Jl. Ir. H. Djuanda III No. 7-9, Jakarta 10120	99.98% Province Government of DKI Jakarta; 0.02% PD Pasar Jaya
5.	RDB of Jambi Jl. Jend. A. Yani No. 18, Telanaipura, Jambi	27.1% Province Government of Jambi; 8.99% City Government of Sei. Penuh; 8.70% Municipal Government of Tanjab Barat; 8.31% Municipal Government of Batanghari; 7.82% City Government of Jambi; 7.82% Municipal Government of Kerinci; 6.25% Municipal Government of Sarolangun; 5.71% Municipal Government of Tanjab Timur; 5.50% Municipal Government of Muaro Jambi; 5.08% Municipal Government of Merangin; 4.63% Municipal Government of Tebo; 4.10% Municipal Government of Bungo
6.	RDB of Jawa Tengah Gedung Grinatha Jl.	53.29% Province Government of Jawa Tengah; 3.48% City Government of Semarang; 2.15% Municipal Govern-

Table 6
List of Indonesian RDBs as per the End of Year 2017

#	RDB – Home Office	Shareholders
	Pemuda No. 142, Semarang, Jawa Tengah 50132	ment of Cilacap; 2.14% Municipal Government of Pati; 2.11% Municipal Government of Pemalang; 1.93% Municipal Government of Sukoharjo; 1.86% Municipal Government of Demak; 1.86% Municipal Government of Wonogiri; 1.84% Municipal Government of Kendal; 1.75% Municipal Government of Purworejo; 1.72% Municipal Government of Tegal; 1.64% Municipal Government of Banjarnegara; 1.51% Municipal Government of Grobogan; 1.39% City Government of Salatiga; 1.33% Municipal Government of Woonosobo; 1.24% Municipal Government of Semarang;; 1.19% Municipal Government of Sragen; 1.13% Municipal Government of Kebumen; 1.13% City Government of Surakarta; 1.12% Municipal Government of Temanggung; 1.11% Municipal Government of Banyumas; 1.09% Municipal Government of Kudus; 1.06% Municipal Government of Purbalingga; 1.04% Municipal Government of Blora; 1.04% Municipal Government of Klaten; 1.02% Municipal Government of Boyolali; 0.98% Municipal Government of Pekalongan; 0.97% Municipal Government of Rembang; 0.90% Municipal Government of Karanganyar; 0.89% City Government of Tegal; 0.82% Municipal Government of Batang; 0.78% Municipal Government of Brebes; 0.72% Municipal Government of Magelang; 0.67% Municipal Government of Jepara; 0.64% City Government of Magelang; 0.47% City Government of Pekalongan
7.	RDB of Jawa Barat, Tbk Jl. Naripan No. 12-14, Bandung 40111	38.26% Province Government of Jawa Barat; 5.37% Province Government of Banten; 23.61% Municipal and City Governments in Jawa Barat; 7.76% Municipal and City Governments in Banten; 25.00% Public
8.	RDB of Jawa Timur, Tbk Jl. Basuki Rakhmat No, 98-104, Surabaya	51.37% Province Government of Jawa Timur; 28.48% Municipal and City Governments in Jawa Timur; 20.15% Public
9.	RDB of Kalimantan Timur Jl. Jend. Sudirman No. 33, Samarinda	38.77% Province Government of Kalimantan Timur; 15.12% Municipal Government of Kutai Kertanegara; 10.15% Municipal Government of Berau; 8.34% Municipal Government of Bulungan; 27.62% Other Municipal and City Governments in Kalimantan Timur
10.	RDB of Kalimantan Tengah Jl. RTA Milono No. 12, Palangka Raya 73111	37.34% Province Government of Kalimantan Tengah; 5.94% Municipal Government of Barito Timur; 5.29% Municipal Government of Kotawaringin Barat; 4.96% Municipal Government of Barito Utara; 4.92% Municipal Government of Kotawaringin Timur; 4.85% Municipal Government of Barito Selatan; 4.80% Municipal Government of Sukamara; 4.57% Municipal Government of Seruyan; 4.56% Municipal Government of Gunung Mas; 4.46% Municipal Government of Lamandau; 4.43% Municipal Government of Murung Raya; 4.13% Municipal Government of Kapuas; 4.00% Municipal Government of Katingan; 3.34% Municipal Government of Pulang Pisau; 2.50% City Government of Palangka Raya
11.	RDB of Kalimantan Barat Jl. Rahadi Osman No. 10, Pontianak 78117	48.24% Province Government of Kalbar; 7.90% Municipal Government of Kapuas Hulu; 7.78% Municipal Government of Sintang; 5.46% Municipal Government of Sekadau; 5.12% City Government Pontianak; 4.44% Municipal Government of Sanggau; 3.51% Municipal Government of Ketapang; 3.03% City Government Singkawang; 2.50% Municipal Government of Landak;

#	RDB – Home Office	Shareholders
		2.41% Municipal Government of Sambas; 2.40% Municipal Government of Kubu Raya; 1.98% Municipal Government of Bengkayang; 1.91% Municipal Government of Melawi; 1.82% Municipal Government of Mempawah; 1.48% Municipal Government of Kayong Utara
12.	RDB of Kalimantan Selatan Jl. Lambung Mangkurat No. 7, Banjarmasin 70111	28.29% Province Government of Kalimantan Selatan; 9.29% Municipal Government of Balangan; 7.56% Municipal Government of Kotabaru; 7.35% City Government of Banjarmasin; 7.32% Municipal Government of Tanah Laut; 7.09% Municipal Government of Hulu Sungai Utara; 7.01% Municipal Government of Tabalong; 4.76% Municipal Government of Hulu Sungai Tengah; 4.71% Municipal Government of Hulu Sungai Selatan; 4.54% Municipal Government of Barito Kuala; 4.32% City Government of Banjarbaru; 3.59% Municipal Government of Tapin; 2.11% Municipal Government of Banjar; 2.06% Municipal Government of Tanah Bumbu
13.	RDB of Lampung Jl. Wolter Monginsidi No. 182, Teluk Betung, Bandar Lampung 35215	38.20% Province Government of Lampung; 8.69% Municipal Government of Lampung Selatan; 7.64% Municipal Government of Lampung Tengah; 7.44% City Government of Bandar Lampung; 6.98% Municipal Government of Lampung Utara; 5.50% City Government of Metro; 4.57% Municipal Government of Lampung Barat; 4.29% Municipal Government of Tulang Bawang; 4.16% Municipal Government of Tanggamus; 2.98% Municipal Government of Way Kanan; 2.17% Municipal Government of Lampung Timur; 1.98% Municipal Government of Tuban Barat; 1.74% Other Third Parties; 1.49% Municipal Government of Pringsewu; 1.49% Municipal Government of Pesawaran; 0.25% Municipal Government of Pesisir Barat
14.	RDB of Maluku dan Maluku Utara Jl. Raya Pattimura 9, Ambon, 97124	61.53% Province Government of Maluku; 1.30% Province Government of Maluku Utara; 37.17% Municipal and City Governments in Maluku and Maluku Utara
15.	RDB of Nusa Tenggara Barat Jl. Pejanggik No. 30, Mataram	44.13% Province Government of NTB; 55.87% Municipal and City Governments in NTB
16.	RDB of Nusa Tenggara Timur Jl. W.J. Lamentik No. 102, Kupang, Nusa Tenggara Timur, 85000	32.85% Province Government of NTT; 7.70% Municipal Government of Kupang; 6.67% City Government of Kupang; 5.55% Municipal Government of Sumba Timur; 5.09% Municipal Government of Sumba Barat; 4.33% Municipal Government of Timor Tengah Selatan; 3.95% Municipal Government of Timor Tengah Utara; 3.91% Municipal Government of Belu; 3.70% Municipal Government of Manggarai Timur; 3.05% Municipal Government of Sumba Barat Daya; 2.83% Municipal Government of Rote Ndao; 2.67% Municipal Government of Manggarai Barat; 2.31% Municipal Government of Nagekeo; 2.08% Municipal Government of Sumba Tengah; 2.07% Municipal Government of Lembata; 2.03% Municipal Government of Sabu Raijua; 2.03% Municipal Government of Flores Timur; 1.48% Municipal Government of Ende; 1.45% Municipal Government of Sikka; 1.04% Municipal Government of Alor; 1.02% Municipal Government of Ngada; 0.04% CH. Amos Corputty; 0.02% Luther Oktovianus Wila Huki; 0.01% Johan Christian Tallo

#	RDB – Home Office	Shareholders
17.	RDB of Papua Jl. Ahmad Yani 5-7, Jayapura 99111	18.46% Province Government of Papua; 13.58% Province Government of Papua Barat; 4.52% Municipal Governments of Mimika; 3.03% KSU Bank Papua Berdikari; 2.97% City Government of Jayapura; 2.91% Municipal Government of Merauke; 2.85% Municipal Government of Raja Ampat; 2.66% Municipal Government of Manokwari; 2.52% Municipal Government of Puncak Jaya; 2.50% Municipal Government of Sarmi; 2.45% Municipal Government of Jayapura; 2.41% Municipal Government of Asmat; 2.38% Municipal Government of Teluk Bintuni; 2.30% Municipal Government of Jayawijaya; 2.26% Municipal Government of Fak-Fak; 2.23% Municipal Government Yapen; 2.18% Municipal Government of Peg. Bintang; 2.06% Municipal Government of Sorong Selatan; 1.89% Municipal Government of Tolikara; 1.77% Municipal Government of Kaimana; 1.69% Municipal Government of Sorong; 1.44% Municipal Government of Mappi; 1.41% Municipal Government of Teluk Wondama; 1.36% Municipal Government of Biak Numfor; 1.28% Municipal Government of Nabire; 1.24% Municipal Government of Waropen; 1.18% Municipal Government of Keerom; 1.09% Municipal Government of Paniai; 1.00% Municipal Government of Puncak; 0.98% Municipal Government of Nduga; 0.88% Municipal Government of Boven Digul; 0.88% Municipal Government of Mamberamo Raya; 0.84% Municipal Government of Supiori; 0.82% Municipal Government of Maybrat; 0.79% Municipal Government of Dogiyai; 0.76% Municipal Government of Yahukimo; 0.74% Municipal Government of Lanny Jaya; 0.72% Municipal Government of Tambrau; 0.71% City Government of Sorong; 0.65% Municipal Government of Peg. Arfak; 0.51% Municipal Government of Intan Jaya; 0.42% Municipal Government of Yalimo; 0.30% Municipal Government of Mamberamo Tengah; 0.21% Municipal Government of Manokwari Selatan; 0.18% Municipal Government of Deiyai
18.	RDB of Riau Kepri Menara Dang Merdu BRK, Jl. Jend. Sudirman No. 462, Kota Pekanbaru	39.95% Province Government of Riau; 11.59% Municipal Government of Bengkalis; 10.02% Municipal Government of Kampar; 5.72% Municipal Government of Kep. Meranti; 4.77% City Government of Batam; 4.20% Municipal Government of Indragiri Hilir; 3.63% Municipal Government of Bintan; 3.54% Municipal Government of Rokan Hilir; 3.12% Municipal Government of Siak; 3.05% Municipal Government of Pelalawan; 1.73% Municipal Government of Natuna; 1.45% Municipal Government of Kuantan Singingi 1.43% City Government of Pekanbaru; 1.14% Pemprov Kepulauan Riau; 0.80% City Government of Tanjung Pinang ; 0.79% Municipal Government of Rokan Hulu; 0.71% Municipal Government of Kep. Anambas; 0.69% Municipal Government of Karimun; 0.61% Municipal Government of Indragiri Hulu; 0.57% Municipal Government of Lingga; 0.50% City Government of Dumai
19.	RDB of Sulawesi Tenggara Jl. May. Jend. Sutoyo No. 95, Kendari, Sulawesi Tenggara	34.20% Province Government of Sulawesi Tenggara; 9.54% Municipal Government of Kolaka Utara; 9.04% Municipal Government of Kolaka; 9.01% Municipal Government of Bamba; 8.39% Municipal Government of Wakatobi; 29.82% Municipal Government of dan Kota

#	RDB – Home Office	Shareholders
		Lainnya
20.	RDB of Sulawesi Selatan dan Sulawesi Barat Jl. Dr. Sam Ratulangi No. 16, Makassar 90125	33.04% Province Government of Sulawesi Selatan; 58.69% Municipal and City Governments in Sulawesi Selatan; 1.23% Province Government of Sulawesi Barat; 5.04% Municipal and City Governments in Sulawesi Barat
21.	RDB of Sulawesi Tengah Jl. Sultan Hasanuddin No. 20 Palu	33.56% Province Government of Sulawesi Tengah; 23.54% PT Mega Corpora; 5.15% Municipal Government of Poso; 5.12% Municipal Government of Tolitoli; 4.90% Municipal Government of Donggala; 4.89% Municipal Government of Banggai; 4.70% City Government of Palu; 4.61% Municipal Government of Tojo Unauna; 3.60% Municipal Government of Buol; 3.24% Municipal Government of Parigi; 1.64% Municipal Government of Bangkep; 1.54% Municipal Government of Siri; 1.05% Municipal Government of Marowali Utara
22.	RDB of Sulawesi Utara Gorontalo Jl. Sam Ratulangi No. 9, Manado 95111	38.51% Province Government of Sulut dan Gorontalo; 16.06% Municipal and City Governments in Sulawesi Utara; 15.84% Municipal and City Governments in Gorontalo; 4.69% Koperasi Karyawan PT Bank Sulut; 24.90% PT Mega Corpora
23.	RDB of Sumatera Barat Jl. Pemuda No. 21, Padang 25117	31.03% Province Government of Sumatera Barat; 67.02% Municipal and City Governments in Sumatera Barat; 1.95% Koperasi Karyawan BPD Sumatera Barat
24.	RDB of Sumatera Selatan dan Bangka Belitung Jl. Gubernur H. Ahmad Bastari No.07 Kel. Silaberanti Kec. Seberang Ulu I Jakabaring Palembang	47.97% Municipal and City Governments in Sumatera Selatan; 27.90% Province Government of Sumatera Selatan; 17.02% Municipal and City Governments in Bangka Belitung; 4.00% Koperasi Cermat; 3.11% Province Government of Kepulauan Bangka Belitung
25.	RDB of Sumatera Utara Jl. Imam Bonjol No. 18 Medan 20152	49.69% Province Government of Sumatera Utara; 50.31% Municipal and City Governments in Sumatera Utara
26.	RDB of Yogyakarta Jl. Tentara Pelajar No. 7, Yogyakarta	38.54% Province Government of Daerah Istimewa Yogyakarta; 20.15% Municipal Government of Sleman; 15.90% City Government of Yogyakarta ; 11.98% Municipal Government of Bantul; 7.11% Municipal Government of Gunungkidul; 6.31% Municipal Government of Kulon Progo
27	RDB of Banten, Tbk. Jl. Sudirman Lingkungan Kemang, Ruko Sembilan No, 04, 05 dan 06, Kel. Sumur Pecung, Kec. Serang Banten	51.00% PT Banten Global Development; 13.76% PT Recapital Securities ; 5.31% PT Asuransi Jiwa Adisarana Wanaartha; 29.93% Public

Source: Indonesian FSA, 2017

The RDB of Banten, Tbk was well-known previously as PT. Bank Pundi Indonesia, Tbk. which is formerly it was called as Bank Eksekutif Internasional, Tbk. In August 2016, the RDB of Banten, Tbk officially using its new name. This is caused by an indirect acquisition action of Province Government of Banten via its ultimate interest in PT Global Development has made the RDB of Banten, Tbk as a subsidiary of PT Global Development by 51% of voting right which is controlling shareholder since 2016. Based on above Table 6, it can be interpreted that all RDBs is controlled generally by the Province Government of location operational area of each RDB. So, RDB is the regional government-owned company.

2.2 Transformation Program in Indonesian RDB

Indonesian Financial Service Authority/FSA (2016) gives some explanations that RDB needs to transform itself because of some structural basic problems as follows:

- a. The level of RDB's contribution to regional development is still very low which is shown by its relative small productive credit market (26%).
- b. RDB's governance, human capital, risk management, and infrastructure are still inadequate so that it will drive an increase in some productive segment credit problems.
- c. RDB's competitiveness is very poor compared to other private commercial banks because of its deprived quality level of product and services.

RDB must transform itself to solve these structural problems and strengthen its organization foundation in order to get able for growing and competing so that it can conduct its role in the regional economy in the future. Indonesian FSA and RDBs Association (in Bahasa it is called as ASBANDA - Asosiasi Bank Pembangunan Daerah) have already set some framework of this Transformation Program in Indonesian RDB which is holistic and balance in all aspect of the business, risk and supporting (as basic foundation)

The vision of Transformation Program in Indonesian RDB is becoming strong and competitive regional bank which is contributed to sustainable regional economic growth and distribution. This Transformation Program is expected to drive RDB on a regional leader in each operation area and make all of RDBs as a largest, best, and strongest bank group in the national banking industry.

There are three specific objectives of Transformation Program in Indonesian RDB as follows:

- a. Increasing RDB's competitiveness
- b. Increasing RDB's institutional reliance
- c. Increasing RDB's contribution to regional development.

To attain all of the three objectives, there are six strategies planned for enhancing the effectiveness of business process and risk as follows:

- a. Product Innovation
- b. Service Management
- c. Marketing Development
- d. Networking Expansion
- e. Portfolio Management
- f. Liquidity and Funds Management.

The six strategies will be expanded, coordinated, and synergized by the RDB's Strategic Group in order to realize effectiveness and efficiency of business and risk management both in the group level and in the individual level of RDBs. By establishing the RDB's Strategic Group, each RDB is independent in position and at the same time synergized in the development and platform (systems) of its business operation.

The business process as stated above will be supported by strengthening the organization founded as the enabler, i.e.:

- a. The management of the organization, human capital, and culture
- b. The management of technology and infrastructure
- c. The development and standardization of operational guidance
- d. The implementation of corporate governance, risk management, and compliance.

The framework of Transformation Program in Indonesian RDB can be depicted as follows:

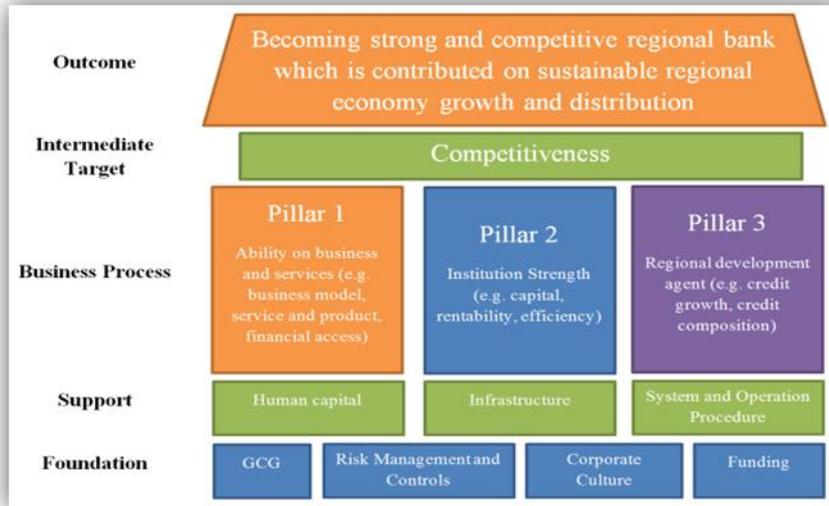


Figure 1
The framework of Transformation Program in Indonesian RDB

Source: Indonesian FSA (2016)

The implementation of Transformation Program in Indonesian RDB is divided into three phase as follows:

a. Phase I: Foundation Building

The goal of the first phase is developing a reliable supporting process (Governance, Risk & Compliance) and strengthening capital, human capital, working culture, and information system by synergizing in RDB Group as a foundation of the growth in the next phase II.

b. Phase II: Growth Acceleration

The goal of the second phase is growing faster by consolidating core business process, getting into commercial credit segment, firming the facility of syndication loan, intensifying the synergy of RDB Group, and stabilizing the corporate culture.

c. Phase III: Market Leadership

The goal of the last phase is constructing the position of the market leader with high respectable core and supporting capability via the transformation of RDB Group (as holding) so that RDB can give a significant contribution on every regional economy.

The simplified model of this three phases are depicted as a roadmap with its target timetable below:

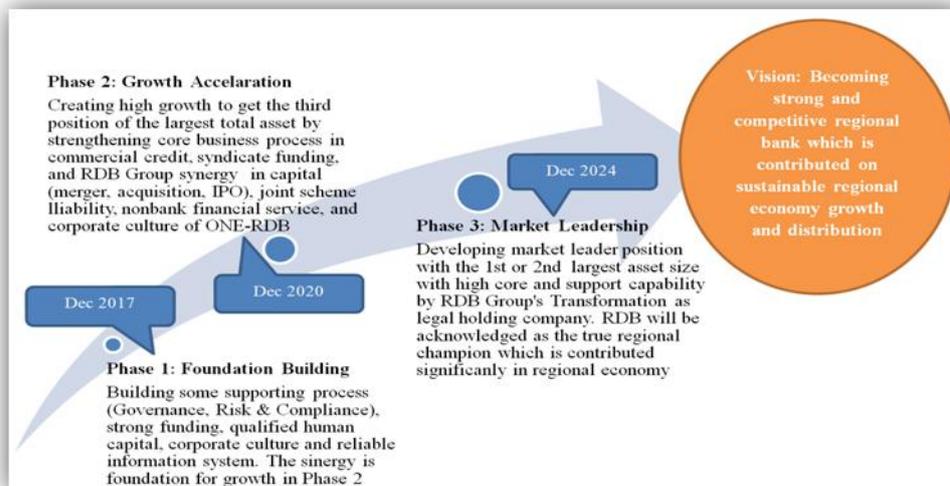


Figure 2
Roadmap of Transformation Program in Indonesian RDB

Source: Indonesian FSA (2016)

Every RDB will enter step by step of the planned phase and set its business objective and target adjusted by its capability and readiness. To make sure a smooth implementation of this Transformation Program in Indonesian RDB, Indonesian RDBs Association has set five Transformation Workstream as follows:

- a. Strategic Group of RDB
- b. Human Capital Empowerment
- c. Product and Service Innovation
- d. Good Corporate Governance and Risk Management
- e. Technology and Information System Updates.

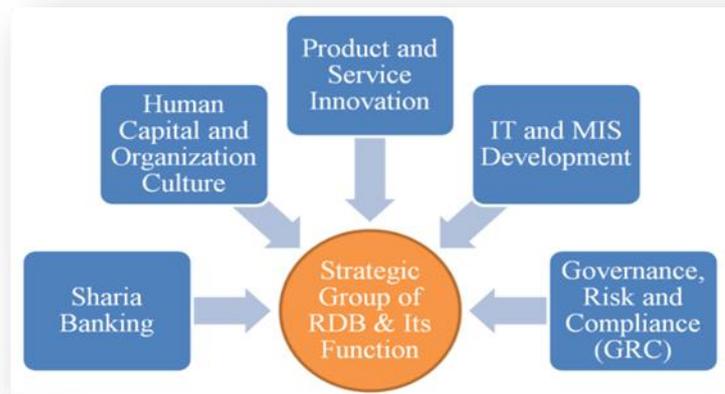


Figure 3
Workstream of Transformation Program in Indonesian RDB

Source: Indonesian FSA (2016)

The implementation of Transformation Program in Indonesian RDB must be supported by joint arrangement and coordination among all stakeholders, e.g. the Regional Government (Province, City, and Municipality), Indonesian RDB Association, Indonesia FSA, the Republic of Indonesia Domestic Ministry, and Regional House of Representative (in Bahasa it is called as DPRD - Dewan Perwakilan Rakyat Daerah). The Republic of Indonesia Domestic Ministry and Indonesian RDB Association must always communicate effectively to all stakeholder in order to make their awareness, commitment, and supporting in this Transformation Program in Indonesian RDB.

2.3 Information Quality

2.3.1 Financial Reporting

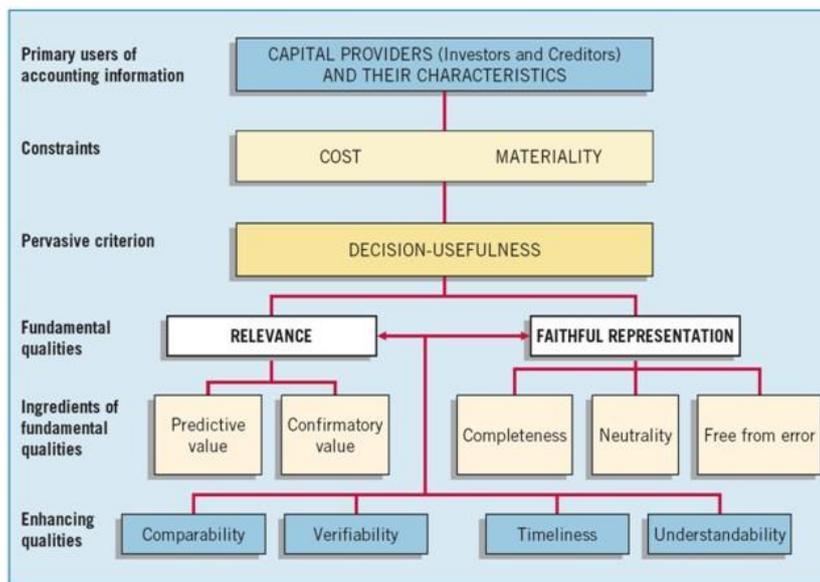
Financial reporting refers to a transaction between at least two parties which is the first party as the preparer of financial report with some control on the quality of it and the other party as the user of information contained in the financial report to support his decision making related with the reporting entity as the first party (Rosenfield, 2006).

The conventional objective of financial reporting is enabling outside party to measure the stewardship of management so that he can decide whether any resource (financial and physical) deposited into the entity had already been managed well and appropriately by the manager. Nevertheless, the common objective of financial reporting is the decision usefulness, which is helping some users of the financial report to make a right decision on investing their excess funds into investment instrument or loan into the entity. Another financial reporting objective is the accountability, which is described by Gray et al. (1996) as the obligation to deliver a report or an estimation of some actions for which one is held accountable (Deegan & Unerman, 2008).

2.3.2 Information Quality

Good financial reporting is expected to generate high-quality information. Information quality is defined as a full and complete released information which is not intended to mislead the users (Jonas & Blanchet, 2000). There are some types of model to assess information quality produced by financial reporting, e.g. accrual models, value relevance models, research focusing on specific elements in the annual report, and method that operationalize the qualitative characteristics (van Beest et al., 2009).

There are some requirements to be fulfilled according to the hierarchy of accounting quality as follows:



Source: Kieso et al. (2014)

Figure 4
The Hierarchy of Accounting Quality

The primary user group of accounting information is the capital suppliers (consist of investor and creditor) which have their own different characteristics (Godfrey et al., 2010). This user group will use accounting information as the basis of their decision making. In order to get the maximum advantages of decision usefulness, the information must in accordance with some quality criterions which is categorized as fundamental qualities and enhancing qualities. Fundamental qualities will separate the useful financial reporting information from the useless and misleading information. Enhancing qualities will differentiate the more beneficial information from less beneficial information (Association of Chartered Certified Accountants/ACCA, 2011).

Mackenzie et al. (2012) gives three steps of developing a good financial reporting to produce a high-quality information, i.e. 1) Identifying economic phenomena with potential advantages, 2) Identifying relevant types of information related with the phenomena which are presented fairly, and 3) Assessing whether the information is available in a representation faithful way. Then, the supporting quality is used to confirm and increase the information quality.

Information quality which is produced by financial reporting can be assessed by accrual methods with the basic concept of earnings management. Earnings management can occur when there is an opportunity for the manager to make some judgment in the financial reporting process so that it will mislead the users of information in the financial report. Earnings management can be described as a contrary measurement of information quality (Tasios & Bekiaris, 2012). Earning management can be used as the proxy for information quality which is produced by financial reporting.

Summary of some common models used in the accrual methods based on prior researchers is as follows:

Revenue Model (Stubben, 2010)

$$\text{Discretion} = \Delta R_{it} - \hat{\alpha} - \hat{\beta}_1 \Delta R1_{3it} - \hat{\beta}_2 \Delta R4_{it}$$

Conditional Revenue Model (Stubben, 2010)

$$\begin{aligned} \text{Discretion} = & \Delta R_{it} - \hat{\alpha} - \hat{\beta}_1 \Delta R_{it} - \hat{\beta}_2 \Delta R_{it} \times \text{SIZE}_{it} - \hat{\beta}_3 \Delta R_{it} \times \text{AGE}_{it} - \hat{\beta}_4 \Delta R_{it} \times \text{AGE}_{SQ_{it}} \\ & - \hat{\beta}_5 \Delta R_{it} \times \hat{\beta}_6 \Delta R_{it} \times \text{GRR}_{P_{it}} - \hat{\beta}_6 \Delta R_{it} \times \text{GRR}_{N_{it}} - \hat{\beta}_7 \Delta R_{it} \times \text{GRM}_{it} \\ & - \hat{\beta}_8 \Delta R_{it} \times \text{GRM}_{SQ_{it}} \end{aligned}$$

Jones Model (Jones 1991)

$$\text{Discretion} = AC_{it} - \hat{\alpha} - \hat{\beta}_1 \Delta R_{it} - \hat{\beta}_2 PPE_{it}$$

Modified Jones Model (Dechow et al., 1995)

$$\text{Discretion} = AC_{it} - \hat{\alpha} - \hat{\beta}_1 (\Delta R_{it} - \Delta AR_{it}) - \hat{\beta}_2 PPE_{it}$$

Dechow-Dichev Model (Dechow & Dichev, 2002)

$$\text{Discretion} = AC_{it} - \hat{\alpha} - \hat{\beta}_3 CFO_{i,t-1} - \hat{\beta}_4 CFO_{i,t} - \hat{\beta}_5 CFO_{i,t+1}$$

McNichols Model (McNichols, 2002)

$$\text{Discretion} = AC_{it} - \hat{\alpha} - \hat{\beta}_1 \Delta R_{it} - \hat{\beta}_2 PPE_{it} - \hat{\beta}_3 CFO_{i,t-1} - \hat{\beta}_4 CFO_{i,t} - \hat{\beta}_5 CFO_{i,t+1}$$

Performance-Matched Modified Jones Model (Kothari et al., 2005)

$$\text{Discretion} = AC_{it} - \hat{\alpha} - \hat{\beta}_1 (\Delta R_{it} - \Delta AR_{it}) - \hat{\beta}_2 PPE_{it}, \text{ less the same measure for the firm from the same industry and year with the closest return on assets.}$$

Notes:

AR = end of fiscal year account receivable;

AC = annual current accruals

= earnings before extraordinary items – cash from operations;

R = annual revenues;

R1_3 = revenues of the first three quarters;

R4 = revenue of the fourth quarter;

PPE = end of fiscal year gross property, plant, and equipment;

CFO = cash from operations

SIZE = natural log of total assets at end of fiscal year;

AGE = age of firm (years);

GRR_P = industry-median-adjusted revenue growth (= 0 if negative);

GRR_N = industry-median-adjusted revenue growth (= 0 if positive);

GRM = industry-median-adjusted gross margin at end of fiscal year;

_SQ = square of variable; and

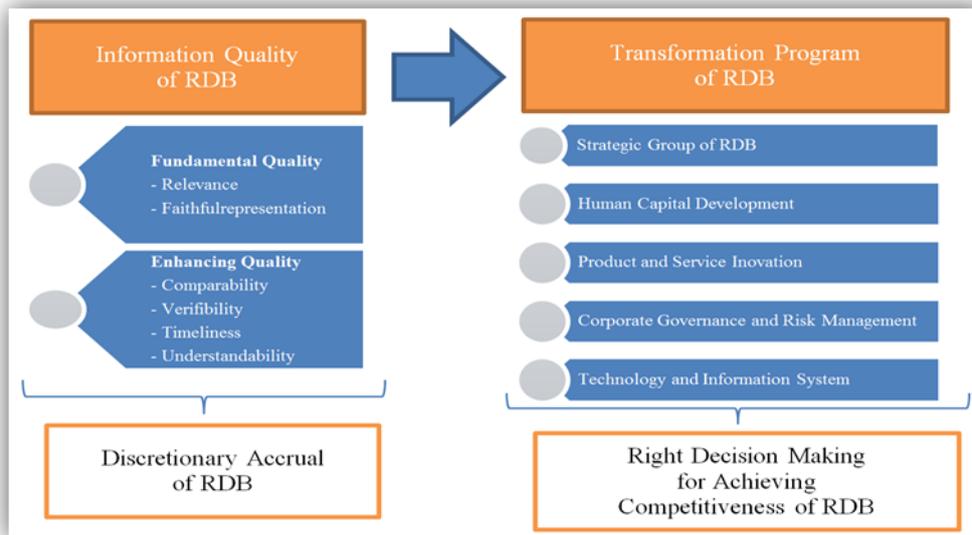
Δ = annual change.

(Stubben, 2010).

This study is using the model of accrual method based on Performance-Matched Modified Jones Model with balance sheet approach). The most reason is that the availability of data in the statement of financial position is more obvious than the statement of cash flow (Habbas, 2010).

2.4 Proposed Conceptual Model

This study proposed a conceptual model which is the information quality supposed to determine the implementation of Transformation Program in Indonesian RDB. The higher quality of the information, the more acceleration of the Transformation Program of Indonesian RDB. High-quality information is perceived as a high-value commodity which can promote the accuracy of precise decision making (Reid et al., 1998). High-quality information generated by financial reporting will accelerate the process of attaining every objectives target of Transformation Program in Indonesian RDB. The proposed conceptual model is as follows:



Transformation Program

Figure 5
The Hierarchy of Accounting Quality

Source: Literature Review

3. Research Method

3.1 Research Stages

This study is conducted in four stages as follows:

- a. Literature Review
Literature Review is collecting some relevant references from textbook, journal, and other documents in order to comprehend existing condition, pertinent theories, and previous research.
- b. Data Collection
Data collection is focused on the quantitative data.
- c. Data Analysis
Data analysis is conducted by a specific statistic tool. Descriptive analysis is done by Microsoft Excel. Verification analysis is based on multiple regression which is supported by Stata.
- d. In-depth Interview
The in-depth interview with some practitioners from various RDBs to confirm the finding, to get some justification on it, and to develop new insights about it.

3.2 Operationalization of Variables

Variables in this study are divided into dependent variable and independent variable as follows:

- a. The Implementation of Transformation Program in Indonesian RDB (Dependent Variable)
The implementation of Transformation Program in Indonesian RDB until 2017 is in the phase of foundation building. The measurement of the implementation of Transformation Program in Indonesian RDB is set out based on RDB's market share as its achievement of competitiveness which is an intermediary goal of Transformation Program in Indonesian RDB. RDB's market share is measured by formula as follows:

$$\text{RDB's Market Share} = \frac{\text{DPK}_t}{\text{Total DPK}_t} \times 100\%$$

$$\text{DPK} = \text{The Third Party Funds}$$
- b. Information Quality (Independent Variable)
Information quality is information with a good quality of full and complete released which is not misleading the users. Information quality is measured by the value of abnormal accrual calculated by Performance-Matched Modified Jones Model with formula as follows:

$$\text{Total Accrual} = \text{Non Discretionary Accrual} + \text{Discretionary Accrual}$$

$$TAC_t/TA_{t-1} = \alpha_1/TA_{t-1} + \beta_2 (\Delta REV_t - \Delta AR_t)/TA_{t-1} + \beta_3 PPE_t/TA_{t-1} + ROA_t + \varepsilon_t$$

$$TAC_t/TA_{t-1} = (\Delta CA_t - \Delta Cash_t - \Delta CL_t + \Delta DCL_t - DEP_t) / TA_{t-1}$$

Abnormal accrual is discretionary accrual which is the absolute value of ε_t resulted by the formula of Performance-Matched Modified Jones Model. The higher absolute value of abnormal accrual, the lower quality of the information. Then, for the purpose of measurement in this study, the information quality is the abnormal accrual value multiplied by -1.

Some control variables are used in this study to preserve the research model carefully by adjusting them to the model. Control variables are as follows:

- a. Ln Asset
The asset is proxy of a firm size which is used commonly.
- b. Ln Capital
Capital is proxy of bank categorization according to Indonesian FSA's Regulation No. 6/POJK.03/2016 on The Bank's Business Activities and Branch Offices Based on Its Core Capital.
- c. Return on Asset (ROA)
ROA is proxy of profitability which is used commonly.
- d. Loan to Deposit Ratio (LDR)
LDR is proxy of bank liquidity which is used commonly.

3.3 Data Collection Technique

The data collection is conducted by documenting all published annual of RDBs, RDBs' website, Indonesian FSA's website, and Indonesian RDBs Association's website, and other reliable sources. The limited in-depth interview is done with some RDB practitioners as the informant both in the preliminary study to identify the research problem and also after the result of verification analysis gained to sharpen the analysis and to deepen the interpretation on it.

The data collection is using the technique of purposive sampling which is the criteria is based on the availability of data for the model testing. Complete data are 57 yearly data.

3.4 Data Analyze Technique

The quantitative analysis of data in this study is based on multiple regression with Stata 14 as a tool by the robust option to ensure all classical assumption requirements are fulfilled. The multiple regression is used to test the relationship of more than one independent variables and one dependent variable. The formula of multiple regression is as follows:

$$\hat{Y}_i = \alpha_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon_i$$

Notes :

- \hat{Y}_i = Observed Regression/Prediction/Estimate of The Implementation of Transformation Program in Indonesian RDB (dependent variable)
- α_0 = intercept is constant amount for possible another coefficient in the regression formula
- β_i = slope is regression coefficient for the variable of X_i (independent variable and control variables). Slope shows the contribution X_i variable on Y variable
- X_1 = Information Quality (independent variable)
- X_2 = Ln Total Asset (control variable)
- X_3 = Ln Capital (control variable)
- X_4 = ROA (control variable)
- X_5 = LDR (control variable)
- ε_i = error is all other things determined the Y dependent variable which is not observed in the study

4. Result and Discussion

4.1 RDB's Condition After the Transformation Program

Generally, RDB is the conventional commercial bank which is controlled by the Regional Government based on the majority ordinary share with voting right. RDB is Regional Government owned company. The operation of a Regional Government-owned company is regulated in Republic of Indonesia Law No. 5 of 1962 on Regional Company. RDB is assigned to become an active agent of development to support the growth and development of regional economy.

The information of total asset growth of RDBs compared to other conventional commercial bank categories during the year of 2016 is as follows:

Bank Category	2016				Portion	Δqtq	Δyoy
	Q1	Q2	Q3	Q4			
State Owned Bank	2,296,310	2,428,159	2,487,925	2,666,516	39.62%	7.18%	15.27%
Foreign Exchange Commercial Bank	2,460,125	2,512,883	2,552,532	2,672,238	39.71%	4.69%	13.06%
Nonforeign Exchange Commercial Bank	95,257	100,829	89,187	73,684	1.09%	-17.38%	-61.85%
Regional Development Bank	531,301	539,706	554,140	529,746	7.87%	-4.40%	11.36%
Combined Bank	306,437	302,489	303,275	319,328	4.74%	5.29%	1.84%
Branch of Foreign Bank	478,752	478,646	478,620	468,286	6.96%	-2.16%	-1.07%
Total	6,168,182	6,362,712	6,465,679	6,729,798.00	100.00%	4.08%	9.74%

Source: Indonesian FSA (2016b)

Table 7 shows that as per December 2017, total assets of RDBs are 7.87% portion of total conventional commercial bank's total assets in Indonesia.

The information of asset liquidity of RDBs compared to other conventional commercial bank categories during the year of 2016 is as follows:

Asset Liquidity	Regional Development Bank		State Owned Bank		Foreign Exchange Commercial Bank		Nonforeign Exchange Commercial Bank	
	Q3.2016	Q4.2016	Q3.2016	Q4.2016	Q3.2016	Q4.2016	Q3.2016	Q4.2016
1. Liquid Assets to Total Assets Ratio (%)	20.38	17.49	14.05	17.32	16.00	17.39	14.39	17.49
2. Liquid Assets to Short Term Funds (%)	25.88	15.15	19.16	22.84	21.17	22.93	21.33	21.8
3. Liquid Assets to Noncore Funds (%)	35.46	32.94	16.69	29.92	30.42	33.44	31.83	40.07
4. Primary Liquid Assets to Noncore Short Term Funds Ratio (%)	32.95	32.65	14.10	27.29	24.35	25.78	29.06	37.79
5. LDR Ratio (%)	82.32	95.71	90.85	87.79	87.75	86.95	88.75	87.34
6. Credit to Core Funds Ratio (%)	343.52	318.34	943.3	883.84	265.61	259.71	222.13	213.25

Asset Liquidity	Combined Bank		Branch of Foreign Bank		Industry	
	Q3.2016	Q4.2016	Q3.2016	Q4.2016	Q3.2016	Q4.2016
1. Liquid Assets to Total Assets Ratio (%)	17.05	17.54	32.46	34.98	16.49	18.01
2. Liquid Assets to Short Term Funds (%)	26.52	27.23	90.16	58.74	23.03	24.08
3. Liquid Assets to Noncore Funds (%)	27.9	31.28	76.25	62.53	27.37	29.19
4. Primary Liquid Assets to Noncore Short Term Funds Ratio (%)	18.23	20.74	52.34	44.84	21.01	22.79
5. LDR Ratio (%)	109.64	107.31	91.1	83.3	91.71	90.7
6. Credit to Core Funds Ratio (%)	1,697.71	1,678.24	2,473.20	2,473.20	342.75	333.45

Source: Indonesian FSA (2016b)

The information of liability liquidity of RDBs compared to other conventional commercial bank categories during the year of 2016 is as follows:

Table 7
Total Assets Growth of RDBs Compared to Others

Table 8
Asset Liquidity Ratio of RDBs Compared to Others

Liabilities Liquidity	Regional Development Bank		State Owned Bank		Foreign Exchange Commercial Bank		Nonforeign Exchange Commercial Bank	
	Q3.2016	Q4.2016	Q3.2016	Q4.2016	Q3.2016	Q4.2016	Q3.2016	Q4.2016
1. Significancy of Noncore Funds (%)	78.84	74.6	92.73	90.55	69.94	69.05	59.78	57.88
2. Dependency on Noncore Funds (%)	54.84	49.76	74.21	71.74	47.19	47.05	38.1	34.92
3. Dependency on Noncore Short Term Funds (%)	53.35	47.58	64.91	62.34	45.64	47.15	37.61	37.61
Trend and Growth of Liquidity								
Core Deposit Ratio (%)	53.4	36.7	21.12	20.18	31.12	32.68	40.49	40.49

Liabilities Liquidity	Combined Bank		Branch of Foreign Bank		Industry	
	Q3.2016	Q4.2016	Q3.2016	Q4.2016	Q3.2016	Q4.2016
1. Significancy of Noncore Funds (%)	83.27	88.62	96.02	91.57	76.09	75.51
2. Dependency on Noncore Funds (%)	52.06	54.64	14.35	16.03	52.41	51.48
3. Dependency on Noncore Short Term Funds (%)	47.18	52.23	11.69	14.1	40.57	39.25
Trend and Growth of Liquidity						
Core Deposit Ratio (%)	48.31	52.44	75.04	60.11	26.07	24.03

Table 9
Liability Liquidity
Ratio of RDBs
Compared to Others

Source: Indonesian FSA (2016b)

Based on Table 9, there is a decreasing in core deposit ratio in the end year of 2016. This is a time for Regional Government to withdraw some funds which affect significantly on RDB because the Regional Government acts as the largest funds supplier in RDB.

Micro Small Medium Company Credit channeled by RDB compared to other conventional commercial bank categories at the end of year 2016 is as follows:

Bank Category	Baki Debit	Portion	△qtq	△yoy
	Q4.2016			
State Owned Bank	446,774	55.70%	3.38%	16.60%
Regional Development Bank	60,466	7.54%	6.59%	16.60%
Commercial Private Bank	280,379	34.96%	0.59%	-3.18%
Combined Bank and Branch of Foreign Bank	14,494	1.81%	1.35%	-4.64%
Total SMEs	802,113	100%	2.58%	8.42%

Source: Indonesian FSA (2016b)

RDB has a specific role in channeling funds for an effort of regional development. Nevertheless, this role is not realized adequately because most portion credit channeled by RDB are consumptive credit, which is in December 2016 consumptive credit of RDB is 70.19% (Indonesian FSA, 2016b). However, some RDBs have participated as Partner Bank in Funding Program of Jangkau, Sinergi, dan Guideline (JARING) which is expected to boost up the economy of Marine and Fisheries sector since 2015 (Indonesian FSA, 2016b).

4.2 Information Quality

High-quality information generated by financial reporting is essential in information transparency of bank to the public. There is some benefit of information transparency, e.g.:

- a. Fair valuation for decision making of the market player and the society for creating market discipline

Table 10
SMEs Credit of RDBs
Portion Compared to
Others

- b. Credibility and trustworthiness of the bank
- c. The ability of the bank to monitor and manage some risk
- d. Lessened market uncertainty and asymmetric information.

It must be considered that overload information disclosed to the public will reduce the competitiveness of the bank so that the mandatory qualitative and quantitative information required to be disclosed by the bank must be regulated specifically.

Mandatory financial reporting of the bank is regulated in Indonesian FSA's Regulation No. 6/POJK.03/2015 on Bank's Report Transparency and Publication as amended Indonesian FSA's Regulation No. 32/POJK.03/2016 on Amendment of Indonesian FSA's Regulation No. 6/POJK.03/2015 on Bank's Report Transparency and Publication. Published annual report of a bank must comprise of some minimum items as follows:

- 1) General Information
 - a. List of Member of Board of Directors, Board of Commissioners, Executive Top Level Management and Sharia Supervisory Board for Sharia Bank
 - b. List and Composition Shareholders
 - c. Business Growth of Bank and Its Business Unit included Sharia Business Unit
 - d. Strategy and Policy established by Bank Management
 - e. Bank Management Report
- 2) Financial Statement
 - a. Statement of Financial Position
 - b. Statement of Profit or Loss and Other Comprehensive Income
 - c. Statement of Changes in Equity
 - d. Statement of Cash Flows
 - e. Notes to Financial Statement included information on commitment and contingency
- 3) Financial Performance Information
 - a. Calculation of Mandatory Minimum Capital Requirements
 - b. Amount and Quality of Productive Assets and Provision on Impairment Loss which is classified by:
 - i. Financial Instrument
 - ii. Related Party Funds
 - iii. Credit for Micro Small and Medium Company
 - iv. Special Credit
 - v. The provision of Asset Write-off required based on financial instrument
 - c. Bank Financial Ratios
 - d. Spot Transactions and Derivative Transactions
- 4) Disclosure on Capital and Risk Management Practices, included an explanation on types of risk, potential loss, and risk mitigation
- 5) Other Disclosures required by Financial Accounting Standards
- 6) Other Significant Information

The published annual report must be released on bank's website and submitted to Indonesian FSA before the end of the fourth month after the ended fiscal year. If this deadline is breached over the next month then the bank is stipulated as late and there is a monetary punishment of fine IDR 1 million per day for the bank. If the bank does not publish its annual report on the bank's website then the monetary punishment is a fine IDR 50 million for the bank. If the bank does not submit its annual report to the Indonesian FSA then the monetary punishment is a fine IDR 50 million again for the bank.

Besides, if there is a material misstatement in the published annual report in accordance with Indonesian FSA's Regulation and/or Financial Accounting Standards, or if the management letter from the external auditor (Certified Public Accountant) states there is a fundamental weakness in the bank data reporting system to the Indonesian FSA, the bank will get a sanction in form of official formal warning from Indo-

nesian FSA. The bank must follow-up these weaknesses by fixing it at least in one month after the official warning. If this deadline is breached, then there is a monetary punishment of fine IDR 100 million for the bank and some administrative sanctions as follows:

- 1) Decreasing the Bank Soundness
- 2) Suspending the Specific Business Activity
- 3) Stipulating the Shareholders, Members of the Board of Directors, Board of Commissioners, or Executive Top Level Management of the Bank in the List of Prohibited Parties to become:
 - a. Controlling Shareholders or Owners of any Bank and/or
 - b. Members of the Board of Directors, Board of Commissioners, or Executive Top Level Management of any Bank

Information quality in this study is measured by the value of abnormal accrual as discretionary accrual which is the absolute value of ϵ_t (residual) generated based on the formula of Performance-Matched Modified Jones Model. The data tabulation showed absolute residual value for every observed year as follows:

	2014	2015	2016
Minimum	19.22%	21.31%	23.50%
Maximum	0.46%	0.65%	0.67%
Average	5.26%	5.26%	5.26%
Standard Deviation	0.046899	0.050962	0.053976

Source: Data Tabulation

Table 11
Descriptive Statistics of
Information Quality

This is indicated that information produced by financial reporting in RDB still not in a high quality based on earning management model. However, the general plot of residual value is around the zero value, so this show that there a good tendency of RDBs to produced a better quality of information.

The residual value in 2014, 2015, and 2016 are plotted as follows:

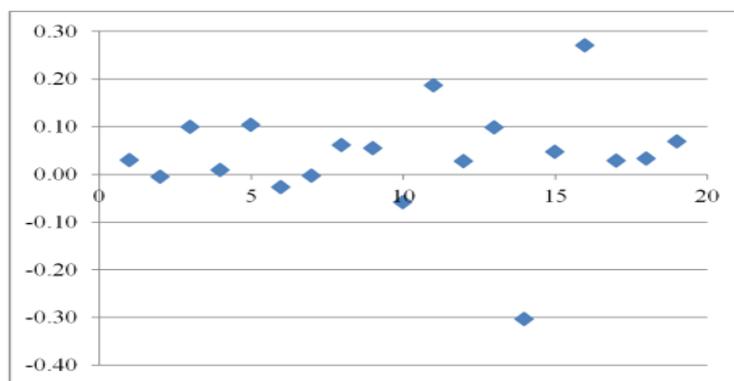


Figure 6
Scatter-Plot of
Residual Value
(Information Quality)
for the Period of Year
2014

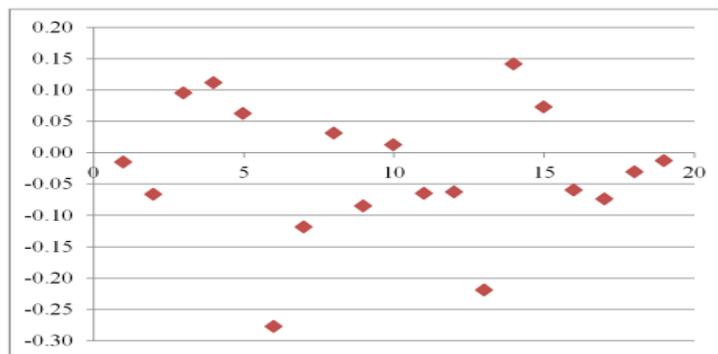


Figure 7
Scatter-Plot of
Residual Value
(Information Quality)
for the Period of Year
2015

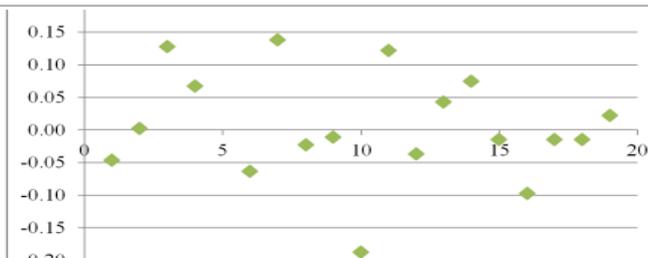


Figure 8
Scatter-Plot of
Residual Value
(Information Quality)
for the Period of Year
2016

The highest absolute residual value for 2014, 2015, and 2016 is RDB of Jawa Barat (previously named as RDB of Jawa Barat and Banten). The lowest absolute residual value for 2014, 2015, and 2016 is RDB of Sulawesi Tenggara.

4.3 The Implementation of Transformation Program in Indonesian RDB

The Indonesian regional development needs to be synchronized with the direction of RDB expansion via the first initiative of BPD Regional Champion (BRC). This initial initiative was focused on increasing the capital and productive funds portion of RDB. Basically, the Transformation Program in Indonesian RDB is a responsibility on the ineffectiveness of BRC. The Transformation Program in Indonesian RDB is aimed to direct the RDB systematically. RDB is expected to become a strong and high competitive bank which finally gives the significant contribution to the regional development. At the end of the program, RDBs must be leaders in their regional operational area respectively and RDBs will be synergized as a biggest, best, and strongest group of banks in the national banking industry (OJK, 2016a).

This Transformation Program of RDB is not to merging all RDBs into a single legal entity. This program is aimed to increase synergy among RDBs so that the efficiency and effectiveness can be realized in RDBs' business. There are various activities conducted to implement this program. Since 2013, Indonesian RDBs Association has developed a platform of BPDNet Online as sharing platform to facilitate interconnection among RDBs and their customer around Indonesia. BPDNet makes it possible for RDB's customer to transact in other RDB inexpensively and efficiently (OJK, 2016b: 67). In 2015, there is a capacity building program for members of the board of directors, the board of commissioner, and executive top level management. Besides there is socialization to all stakeholders (included Regional Government and Regional House of Representative) and launching Program Laku Pandai via application of BPDNet Online in the partial area. In 2016 this program is continued by the Indonesian RDBs Association as the coordinator to another area, so that all areas have the same program (OJK, 2016a: 63).

The implementation of Transformation Program in Indonesian RDB is measured by the achieved market share of the RDB because it is the intermediate target in this program. The market share is calculated based on RDB's third party fund compared to national total third party fund. The higher market share of RDB, the strong competitiveness of RDB, the more successful of the Transformation Program in Indonesian RDB. The data tabulation showed RDB's market share during observed years as follows:

	2014	2015	2016
Minimum	19.22%	21.31%	23.50%
Maximum	0.46%	0.65%	0.67%
Average	5.26%	5.26%	5.26%
Standard Deviation	0.046899	0.050962	0.053976

Sources: Data Tabulation

Table 12
Descriptive Statistics of
Transformation Program
Implementation in RDB

Figure 9 is illustrating the growth of observed RDB's market share for the period of 2014 till 2016.

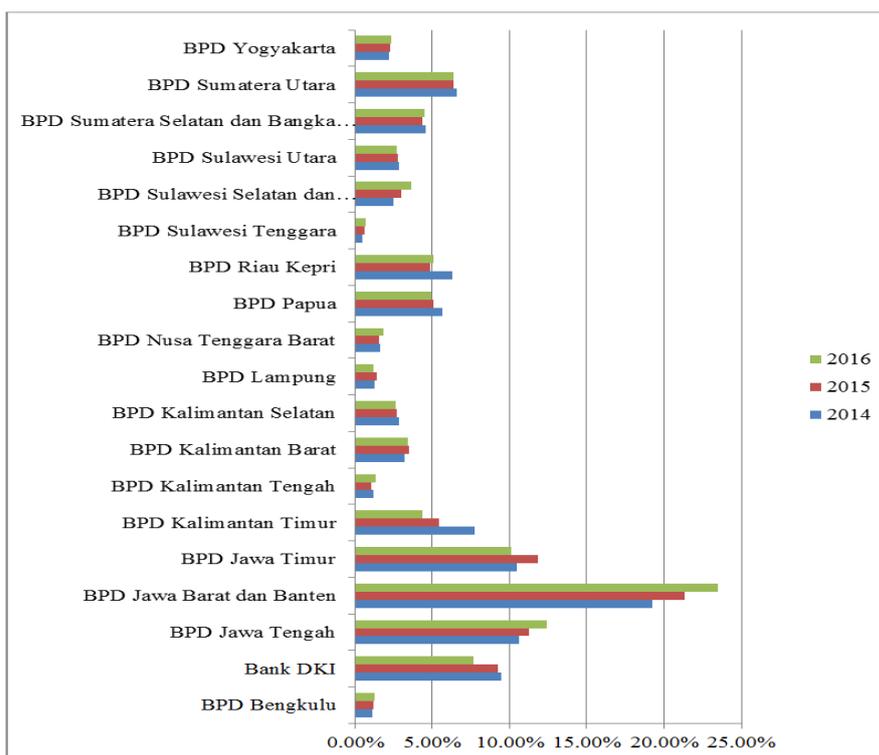


Figure 9
BPDs' Market Share Growth

The highest market share is the RDB of Jaw Barat (previously named as the RDB of Jaw Barat dan Banten). The lowest market share is the RDB Sulawesi Tenggara. Generally, all RDBs has been grown better than before. RDB can increase and expand its market share by making some innovations in their products and services so that the potential customer will be interested in it.

4.4 Accelerating Transformation Program in Indonesian RDBs by High-Quality Information

The result of multivariate regression analysis is shown as follows:

Table 13
Regression of Estimate in the Implementation of Transformation Program in Indonesian RDBs

Item	Parameter	Estimate	Standard Error	p > t
Constanta	α_0	(0.57320270)	0.76729200	0.000***
IQ	β_1	0.09817940	0.00166000	0.041**
LnAsset	β_2	0.02216630	0.00319990	0.000***
LnCapital	β_3	(0.00324740)	0.00174260	0.680
ROA	β_4	0.03932020	0.10671450	0.039**
LDR	β_5	0.00811380	0.00399310	0.047**
R-squared		0.8299		
Probability F		0.0000***		

Sources: Data Processing

Based on Table 13, it is shown that the model has significant F value ($p < 0,01$) which is indicated all independent variable (information quality) and control variables have a significant simultaneously influences on the dependent variable (the implementation of Transformation Program in Indonesian RDBs). This result indicates that variance in the implementation of Transformation Program in Indonesian RDBs can be explained by information quality approximately 82.99%. This means that there are 17.01% other unobserved factors may determine the implementation of Transformation Program in Indonesian RDBs.

The t value for the independent variable of information quality is significance ($p < 0,05$). This indicates that information quality influences partially the implementation of Transformation Program in Indonesian RDBs. This result shows that a high-

Transfo
Program

quality information can be used as a way to accelerate the implementation of Transformation Program in Indonesian RDBs. The financial reporting has an important position because it is the process to generate a high-quality information available for all stakeholders. The process of financial reporting must be transparent and accountable so that it can produce a high-quality information. The high-quality information will support all decision making especially decisions with significant impact on the improvement of competitiveness of RDBs. So, this is aligned with the objective to be achieved in the Transformation Program in Indonesian RDBs. The financial report is one of relevant information to assess the performance of RDB. RDBs must maintain a good process in their financial reporting to generate high-quality information continuously.

The Transformation Program in Indonesian RDBs can be implemented well if there is any support from all of the stakeholders. RDB need a reinforcement in their human capital, governance and risk management to minimize increasing risk of the movement of consumptive credit toward productive credit. The main problem faced by RDB is its low contribution to regional economic development which is reflected by a relatively small portion of productive credit of RDB. Besides, capital of RDB is highly depending on the funds of Regional Government. Still, there is no independent professional management in the RDB. The RDB's capability of human capital and infrastructure is still inadequate. There are some RDBs with small size and capital level so that there is another problem with it. As the matter of fact, Indonesia FSA has a rough plan to eliminate bank categorized in BUKU 1. Any support is needed by RDB. Intensive communication among Regional Government, Regional House of Representative, and Domestic Ministry must be conducted to support this Transformation Program in Indonesian RDBs. The framework of Transformation Program in Indonesian RDBs must be revised so it becomes more holistic and balances to support RDB to run every structural change directly and systematically. The implementation of the program is divided into three phases. The first phase of foundation building has already run. This first phase is important as a foundation for the next phase. The success of Transformation Program in Indonesian RDBs depends on every RDB's effort to create effectiveness in business and risk management. Besides, the RDB group level synergy will strengthen the existing foundation.

5. Conclusion

Based on above result and discussion, there are some conclusions as follows:

- a. The RDB's quality of information still cannot be perceived at a high level because of many absolute residual values of discretionary accruals above zero point. However, there is a tendency of information quality moving to a high-quality information as the absolute residual values get near to the zero point. RDB must improve the financial reporting process in order to produce a high-quality information, so their absolute residual values passage to the zero point.
- b. The implementation of Transformation Program in Indonesian RDBs had already run in the first phase of foundation building. The success of this program is assessed by the intermediate target of market share as RDBs' competitiveness. The market share of RDB will growth greater if RDBs as individual and group recognize some potential factors and expand them as opportunities.
- c. The high-quality information produced by financial reporting of RDB is proven can accelerate the implementation of Transformation Program in Indonesian RDBs. The information quality has a positive significant influence on the implementation of Transformation Program in Indonesian RDBs.

There are some suggestions from the findings of this study as follows:

- a. Indonesian RDBs must improve their financial reporting system to generate high-quality information. This is very crucial because the information will be consideration on decision making of all stakeholders.
- b. The success of the first phase of Transformation Program in Indonesian RDBs must realize only if BPDs strengthen themselves by innovation in human capital empowerment, corporate culture, reliable information system, and RDBs group synergy.
- c. Participation of all stakeholders is needed to support the success of Transformation Program in Indonesian RDBs. From regulator till general public must give full support to the implementation of Transformation Program in Indonesian RDBs.

Further researches can be conducted in the implementation of Transformation Program in Indonesian RDBs to give another different perspective that will have more enriched finding as contribution in the next phase of Transformation Program in Indonesian RDBs.

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