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Analysis of Managerial Perception of Financial Statement Transparency: A Qualitative Study at Company XYZ

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Abstract*. This study explores managerial perceptions of financial statement transparency at Company XYZ and identifies the challenges and benefits associated with its implementation. Transparency in financial reporting is critical for enhancing accountability and stakeholder trust. Using a qualitative approach, in-depth interviews were conducted with managers from various departments to understand their views on transparency. The findings reveal that while managers recognize the importance of transparency in fostering stakeholder confidence and reducing risks related to financial ambiguity, they face significant challenges such as limited resources, complex regulatory requirements, and communication barriers with external stakeholders. Despite these obstacles, managers acknowledge that transparency offers substantial benefits, including improved corporate reputation, increased investor trust, and enhanced operational efficiency. This study contributes to the literature by providing insights into the practical barriers and strategic advantages of transparency, offering recommendations for companies aiming to improve their financial reporting practices.*

Keywords: *managerial perception, transparency, financial statements, accountability, qualitative study.*

1. INTRODUCTION

Financial statement transparency is a very important aspect in an increasingly complex and interconnected business world. In this context, transparency refers to the extent to which financial information presented by the company can be accessed, understood, and reflects the actual condition. This includes the disclosure of accurate and complete information in accordance with applicable accounting standards, such as IFRS (International Financial Reporting Standards) or GAAP (Generally Accepted Accounting Principles). Companies that are transparent in presenting financial statements can build trust with their stakeholders, such as investors, creditors, and regulators. This trust is very important, as it can influence investment decisions, financing, and corporate policy-making.

The importance of financial statement transparency is not only limited to external stakeholders but also plays a very vital role in enhancing internal accountability of the company. High transparency allows company management to Having clearer information regarding the financial and operational performance of the company, which in turn can help them make more accurate strategic decisions. In many cases, managers (whether financial managers, accounting managers, or even general managers) have a very central role in deciding how transparent the financial reports of the company are. Managers are responsible for ensuring that the financial reports prepared not only meet regulatory requirements and

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accounting standards but also can be understood by the parties that need that information. Managers must also decide how to communicate that information clearly and openly to the interested parties, such as investors, creditors, and other stakeholders.

However, although the transparency of financial reports is recognized as something important, its implementation in the field does not always go smoothly. Many companies, including Company XYZ which is the subject of this research, face certain challenges in implementing maximum transparency. Some of these challenges include limitations in resources, whether from the side of trained personnel or adequate technological infrastructure to manage and prepare reports that meet the transparency standards required.

The purpose of this research is to understand how the managerial parties at Company XYZ view the transparency of financial reports. Specifically, this research aims to explore how managers assess the importance of transparency, what challenges they face in implementing transparency, and how they manage and communicate transparent financial information to external and internal parties of the company.

In this research, the approach used is a qualitative approach, which allows the researcher to delve deeper into the perceptions and understanding of managers about the transparency of financial reports. By using in-depth interview methods, the researcher can gain direct insights from managers regarding their views on transparency, as well as the challenges and benefits they feel from the implementation of financial report transparency.

Thus, this research is expected to make a significant contribution to understanding managerial perceptions of financial report transparency, as well as offering recommendations that can be used by other companies to improve the accountability and transparency of their financial reports. The main objective of this research is to:

1. Know how the perceptions of managers at Company XYZ regarding the transparency of financial reports.
2. Analyzing the challenges faced by managers in implementing transparency in financial reporting.
3. Assessing the benefits perceived by managers related to transparency in financial reporting, both from an operational perspective and in relation to external stakeholders.

Based on the research objectives, several questions that want to be answered in this study are:

1. What is the managerial perception of the importance of transparency in financial reporting at Company XYZ?

2. What challenges do managers face in implementing transparency in financial reporting?
3. What benefits does the company perceive related to transparency in financial reporting?

2. LITERATURE REVIEW

The Theoretical Study is an important part of the research aimed at providing a theoretical basis relevant to the research topic. In this section, the researcher will discuss the main concepts related to transparency in financial reporting, as well as how that transparency relates to other aspects, such as accountability, stakeholder trust, and company performance. In addition, this literature review will also include relevant findings from previous research and provide a theoretical framework for this study.

Concept of Transparency in Financial Reporting

Transparency in financial reporting refers to the extent to which a company discloses clear, complete, and accessible financial information to interested parties. In this context, transparency involves the disclosure of honest and accurate information, as well as compliance with applicable accounting standards (such as IFRS or GAAP). According to Healy and Palepu (2001), transparency in financial reporting can help reduce information asymmetry that occurs between the company and investors. Transparent information allows stakeholders to make more informed decisions based on clearer and more understandable data.

Transparency in financial reporting refers to the extent to which financial information is presented clearly, accurately, and can be accessed by stakeholders. This is important for enhancing investor trust and the efficiency of capital markets. According to Schnackenberg and Tomlinson (2016), transparency of organizations consists of three main dimensions: information disclosure, clarity, and accuracy. Some important elements of financial report transparency include:

1. Clear information disclosure: Presenting reports that are easy to understand for users who do not have an accounting background.
2. Compliance with accounting standards: Ensuring that financial reports are prepared in accordance with the principles and regulations applicable in the country where the company operates.
3. Consistent presentation: Financial reports that can be compared across periods in a consistent manner, allowing for better trend analysis and company performance evaluation.

Benefits of Financial Report Transparency

The benefits of financial report transparency are diverse, both for the company itself and for external stakeholders (such as investors and regulators). According to Bushman and Smith (2001), financial report transparency can provide various benefits for companies, including:

1. Increasing stakeholder trust: With transparent reports, investors and creditors can be more confident that the company is managing its finances well and not hiding important information that could affect investment decisions. For example, transparent reports can reduce the risk of information asymmetry between the company and investors, which in turn can lower capital costs.
2. Enhancing company reputation: Transparent companies tend to be viewed as more accountable and honest. This good reputation can attract investors and improve relationships with customers and regulators. Companies that are open in financial disclosures are also more trusted regarding their ability to manage risks and adapt to market changes.
3. Facilitating better decision-making: Financial report transparency allows company managers to make better strategic decisions because they have access to accurate and up-to-date information. This also simplifies objective financial performance analysis.
4. Improving relationships with regulators: Regulators such as capital market authorities and tax agencies want companies to present adequate and reliable reports. Transparency helps companies to meet regulatory obligations and reduce potential legal risks that may arise from inaccurate or manipulative reports.

Challenges in Implementing Transparency

Although transparency in financial reporting has many benefits, its implementation often encounters various challenges. According to research conducted by Lambert (2001), some of the main challenges in implementing transparency in financial reporting include:

1. One of the biggest challenges is resource limitations. Not all companies, especially small and medium-sized enterprises, have the infrastructure or sufficiently trained personnel to prepare financial reports that meet strict transparency standards. This often makes it difficult for companies to comply with regulations and consistently produce high-quality reports.
2. The numerous regulations that companies must comply with regarding financial disclosures can pose a challenge in itself. Constantly changing regulations, such as international financial reporting standards (IFRS) and different local regulations, can

complicate companies' efforts to adjust their financial reports to remain transparent and accurate.

3. The process of collecting, processing, and presenting transparent financial data requires significant time and cost. Even large companies may face difficulties in maintaining consistency and quality of reports, especially if the data used comes from various departments or separate business units.
4. Many companies face challenges in communicating financial information to external parties such as investors or the general public who may not have sufficient financial background. This requires effective communication skills so that financial reports can be easily understood by stakeholders who lack technical knowledge.

Previous Studies

Several previous studies have examined the relationship between transparency in financial reporting and various related variables, such as investor trust, cost of capital, and company performance. Healy and Palepu (2001) in their research state that transparency in financial reporting.

Can help reduce asymmetric information between managers and investors. They also found that companies with more transparent financial reports tend to have easier access to capital markets and can obtain lower capital costs. Meanwhile, Leuz and Wysocki (2008) in their research on information disclosure in global markets found that greater information disclosure is associated with increased market liquidity and reduced capital costs. This research also shows that companies with more transparent information disclosure tend to experience an increase in reputation and are more valued by investors. Furthermore, the research by Zainab Masitha and Dwi Zulfikar Mulyadi (2024) examines the level of transparency in regional financial management in Southeast Sulawesi and its impact on public trust, using a descriptive qualitative analytical approach.

In addition, several studies also show that transparency in financial reports can reduce suspicion or doubt from stakeholders, which ultimately contributes to increased financial stability of the company (Bushman & Smith, 2001). By Ibnu Sabil (2024) in this research describes the public's perception of transparency and accountability in village fund management, focusing on the community's understanding of village financial management.

Transparency in financial reports plays a very important role in the business world, not only to build trust between companies and stakeholders but also to improve decision-making efficiency. However, the implementation of transparency in financial reports faces several

challenges, both in terms of resources, complex regulations, and difficulties in external communication. Therefore, this research aims to delve deeper into managerial perceptions of transparency in financial reports and the challenges they face at Company XYZ.

3. METHODS

This research uses a qualitative approach with a case study method. In-depth interviews were conducted with managers from various departments at Company XYZ, such as the finance, accounting, and management departments. These interviews focused on exploring their perceptions of transparency in financial reports, the challenges they face, and how they manage and apply the principles of transparency in the company's financial reports. Data analysis was conducted using a thematic approach, where the data obtained from the interviews were grouped into main themes relevant to the research objectives, namely managerial perceptions, challenges, and benefits of transparency in financial reports.

This research employs a qualitative approach with a case study design to deeply explore managerial perceptions of financial statement transparency at Company XYZ. The qualitative method was chosen because it allows for a comprehensive understanding of subjective perceptions, experiences, and challenges faced by the managers. By focusing on a specific case, the study provides rich insights into the organizational dynamics related to transparency.

1. Data Collection

The primary data for this research was gathered through in-depth interviews with managers from various departments, including finance, accounting, and general management. These interviews were conducted using semi-structured guidelines to ensure a consistent exploration of key topics while allowing flexibility to capture additional insights. The questions were designed to explore:

- Managerial perceptions of the importance of financial transparency.
- Challenges encountered in implementing transparency.
- Perceived benefits of transparent financial reporting.

Each interview lasted approximately 45–60 minutes and was recorded with the participants' consent to ensure accurate data transcription and analysis.

2. Sampling Technique

The participants were selected using purposive sampling to ensure that the individuals involved had direct experience and knowledge of financial reporting processes and

transparency initiatives. Managers at different levels and functions were included to capture diverse perspectives within the organization.

3. Data Analysis

The collected data was analyzed using a thematic analysis approach. This involved:

- Data Familiarization: Transcribing interview recordings and reading the transcripts multiple times to identify patterns.
- Coding: Assigning labels to specific pieces of data that align with the research objectives.
- Theme Development: Grouping codes into broader themes, such as perceptions, challenges, and benefits, which align with the research questions.
- Interpretation: Connecting the themes to theoretical frameworks and prior research findings to provide a comprehensive discussion.

4. Validity and Reliability

To ensure the credibility of the findings, the following strategies were employed:

- Triangulation: Cross-verifying information from different managers and comparing it with existing company documents, such as annual reports.
- Member Checking: Sharing the preliminary findings with participants to confirm accuracy and validity.
- Audit Trail: Maintaining detailed records of the research process, including interview guides, transcripts, and coding frameworks.

5. Ethical Considerations

Ethical approval was obtained prior to the study, and all participants provided informed consent. The confidentiality of the participants and the organization was maintained by anonymizing their identities in the study findings.

By using these methods, this research aims to produce a nuanced understanding of the managerial perspectives on financial transparency, highlighting both the challenges and the benefits of its implementation in a corporate context.

4. RESULTS

This section presents an in-depth analysis of the findings obtained from interviews with the management of Company XYZ. Based on the interviews conducted, there are several main themes that emerged regarding how managers view the transparency of financial reports. These

results are divided into three main subsections: managerial perception, challenges in implementing transparency, and benefits of financial report transparency.

Managerial Perceptions of Financial Report Transparency

Managerial perception plays a crucial role in the implementation of financial report transparency. A study by Dyreng et al. (2010) shows that organizational culture and performance incentives can influence management's attitude towards information disclosure. Most managers at Company XYZ have a very positive perception of the importance of transparency in financial reports. According to them, transparency is the key to building and maintaining stakeholder trust, including investors, creditors, and regulators. Some managers expressed that they see transparency as a way to enhance accountability and strengthen the company's image in the eyes of the public.

The importance of transparency for these managers lies in its ability to minimize information uncertainty that could harm the company. Managers from the finance department stated, "With clear and easily understandable reports, investors will feel safer and more confident in the company's financial performance." This indicates that transparency becomes a strategic tool used to support investment decisions and enhance the company's credibility.

However, despite a general agreement on the importance of transparency, there is variation in how managers connect transparency with regulations and company operations. Some managers focus more on meeting applicable accounting standards (such as IFRS or GAAP), while others view transparency as part of a broader communication strategy. For example, a manager in the accounting department said, "We not only have to be transparent according to accounting standards, but we also have to be able to convey this information in a way that can be understood by all stakeholders."

Challenges In Implementing Transparency

Although managers recognize the importance of transparency, they also face various challenges in its implementation. One of the main challenges expressed is the limitation of resources, whether in terms of skilled labor or adequate technological infrastructure to prepare financial reports that meet transparency standards.

Financial managers acknowledge that to comply with all established standards, the company must have a highly organized and accurate reporting system. "Although we know sometimes there are difficulties in meeting all existing standards, especially with limited resources," said a manager. These limitations include a lack of time to conduct thorough

internal audits and a limited number of staff capable of preparing financial reports in accordance with applicable regulations.

Another challenge faced is external communication. Managers often struggle to explain highly technical financial information to stakeholders who do not have a background in finance, such as customers, the community, or even some investors who do not understand financial figures very well. One manager expressed, "Explaining highly technical financial information to people who are not directly related to these figures often requires greater communication efforts."

This challenge often leads to consistency issues between internal and external reports. There are times when the information presented to external stakeholders, such as annual reports, must be simplified or changed into a more easily understood format, which can reduce the depth of information that should be presented.

Benefits of Financial Report Transparency

Despite facing challenges, most managers agree that the benefits of transparency far outweigh them. Managers believe that transparency in financial reports can bring long-term benefits to the company, especially in increasing investor confidence and reducing capital costs. In interviews, several managers stated that with clear and easily understood reports, investors tend to feel safer and find it easier to invest. "With clear and transparent reports, we can more easily convince investors to invest, which is certainly beneficial for the company," said one manager.

In addition, transparency is also considered to provide benefits in enhancing the company's reputation. One manager explained that when a company presents financial information openly, it demonstrates the company's commitment to operating with high integrity and upholding accountability. "This is one way to show that we have nothing to hide," said another manager from the communications department.

Transparency also impacts the internal efficiency of the company. Several managers revealed that the process of preparing transparent reports helps them to more easily monitor the overall performance of the company. This allows for early detection of potential financial or operational issues that may arise. Thus, the company can respond to these issues more quickly, maintaining financial and operational health more effectively.

Based on the results of in-depth interviews with managers at Company XYZ, it can be concluded that although there are challenges in implementing transparency in financial reporting, the majority of managers are aware of its long-term benefits. Transparency not only

increases trust from external parties such as investors and regulators, but also strengthens the integrity of the company and enhances operational efficiency. However, the company must address the existing challenges, particularly related to resource limitations and effective communication with stakeholders.

5. DISCUSSION

The findings of this study indicate that managers at Company XYZ have a positive perception of financial statement transparency. Transparency is viewed as a key element in building trust with stakeholders, such as investors, creditors, and regulators. This aligns with the perspective of Healy and Palepu (2001), who assert that transparency can reduce information asymmetry between companies and stakeholders, thereby supporting better decision-making.

However, this study also highlights significant challenges in implementing transparency, such as resource limitations and external communication. These challenges are consistent with Lambert's (2001) findings, which noted that a lack of skilled personnel and technological infrastructure can hinder transparent financial reporting. Furthermore, the difficulty in explaining technical financial information to non-accounting stakeholders, such as small investors or the general public, underscores the need for improved communication skills among management.

From the benefits perspective, transparency has proven to deliver positive impacts, such as enhancing the company's reputation and increasing investor confidence. Managers acknowledged that clear and easily understood reports foster a sense of security among investors, thereby facilitating capital-raising efforts. These findings support the research of Bushman and Smith (2001), which shows that companies with higher levels of transparency tend to be more valued by the market and gain easier access to capital.

Although the benefits of transparency are evident, this study also underscores the need for a more holistic approach to addressing existing barriers. For instance, companies might consider regular managerial training to enhance understanding of accounting standards like IFRS, as well as investing in technology to improve reporting efficiency.

This study contributes significantly to understanding managerial perceptions of financial transparency but also opens avenues for further research. Future studies could explore how organizational culture and performance incentives influence managerial attitudes toward transparency. Additionally, comparative research involving companies from different sectors

or regions could provide further insights into the dynamics of financial transparency in various contexts.

6. CONCLUSION

This research shows that managerial perceptions of transparency in financial reporting at Company XYZ are generally positive. Although there are challenges to be faced, such as resource limitations and difficulties in external communication, managers believe that transparency provides many benefits, both in terms of the company's reputation and operational efficiency. Based on these findings, the company is advised to continue improving managerial training and understanding of applicable accounting regulations, as well as strengthening communication with external stakeholders. In addition, the company should consider allocating more resources to enhance a more transparent and easily understood financial reporting system.

7. LIMITATION

This study has several limitations that should be acknowledged. First, the research was conducted within a single company, Company XYZ, limiting the generalizability of the findings to other companies or industries. The specific organizational culture and operational context of Company XYZ may influence managerial perceptions of transparency, making it difficult to apply the results broadly. Future studies could benefit from a comparative analysis across multiple companies or sectors.

Second, the study relies exclusively on qualitative data collected through in-depth interviews with managers. While this approach provides rich insights into managerial perceptions, it may introduce subjectivity and potential bias in the responses. The findings are limited by the honesty, accuracy, and perspectives of the participants. Incorporating quantitative methods, such as surveys or financial performance data, could help validate and complement the results.

Third, the study focuses on managerial perspectives without including the views of other key stakeholders, such as employees, investors, or regulators. These perspectives could provide a more holistic understanding of the challenges and benefits of financial transparency in organizations. Future research should consider including these groups to enrich the analysis.

Lastly, the study does not examine the long-term impact of implementing transparency initiatives on company performance. A longitudinal study could provide valuable insights into

how sustained efforts in transparency affect stakeholder trust, financial outcomes, and organizational reputation over time.

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