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Hermeneutics of Schleiermacher, Dilthey, Heidegger and Gadamer on Financial Statements in the Indonesia Stock Exchange (2010–2024)

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Abstract: This study investigates the interpretive and philosophical dimensions of financial reporting practices on the Indonesia Stock Exchange (IDX) from 2010 to 2024, through the lens of classical and contemporary hermeneutics. Rooted in the traditions of Friedrich Schleiermacher, Wilhelm Dilthey, Martin Heidegger, and Hans-Georg Gadamer, this research reinterprets financial reports particularly annual and sustainability disclosures not as neutral, technical documents, but as culturally embedded, historically conditioned texts. These documents are viewed as expressions of corporate subjectivity and intersubjective engagement with stakeholders, regulators, and the public. The research adopts a qualitative interpretive methodology, emphasizing textual exegesis over empirical generalization. Drawing on the hermeneutic principles of pre-understanding, historicity, and the fusion of horizons, this paper performs a layered reading of selected financial statements from Indonesian public companies across multiple sectors. The study highlights how financial narratives evolve in language, structure, tone, and ethical framing over time. The novelty of this research lies in the formulation of a new conceptual framework: Narrative Legitimacy Construction Theory (NLCT). NLCT posits that financial reporting is not merely about compliance or representation, but a dynamic narrative strategy used by firms to construct legitimacy in fluctuating political-economic environments. This theory integrates hermeneutic phenomenology with semiotic accounting, showing how meaning-making in financial texts reflects deeper ontological claims about value, risk, time, and responsibility. The findings reveal a shift from mechanistic, number-driven disclosure to ethically resonant narratives, particularly after the implementation of digital transparency frameworks and sustainability mandates. Companies strategically deploy metaphors, temporal references, and identity claims to construct a coherent and persuasive corporate image. This research contributes to the development of post-positivist accounting thought, expands the hermeneutic approach to financial analysis, and informs practitioners and regulators about the embedded ethical and narrative dimensions of financial communication.

Keywords: Philosophical Hermeneutics, Financial Narratives, Narrative Legitimacy Construction Theory (NLCT), Heidegger, Gadamer, Indonesia Stock Exchange, Post-positivist Accounting

INTRODUCTION

In the fast-evolving landscape of financial disclosure in Indonesia, one finds a subtle yet persistent tension between objectivity and interpretation. Between 2010 and 2024, financial statements issued by publicly listed companies on the Indonesia Stock Exchange (IDX) have undergone substantial transformations structurally, linguistically, and philosophically. These changes were not merely responses to regulatory shifts or global accounting convergence but also to the deeper human need to convey meaning, intention, and identity through financial narratives. Yet, most conventional accounting literature still treats financial statements as technical artifacts: neutral, objective, transparent representations of financial facts. This perspective, however, masks a crucial question: Do financial statements speak for themselves, or do they require interpretation? If they must be interpreted, then by whom, and by what logic or method?

This paper proposes a different path, grounded in the tradition of philosophical hermeneutics. It brings into dialogue four central figures Friedrich Schleiermacher, Wilhelm Dilthey, Martin Heidegger, and Hans-Georg Gadamer whose works help us reconceive financial reporting not as mere data presentation, but as a meaningful text, open to and requiring interpretation. The question is not whether a balance sheet "represents reality" but how it is read, by whom, under what conditions, and with what preconceptions.

Previous research both supports and resists this interpretive turn. In 2007, Beattie and Thomson explored how corporate reports are infused with metaphors and rhetorical strategies designed to persuade, shape perception, and guide investor interpretation. Their study hinted at the hermeneutic dimension of financial disclosure one in which language, not just numbers, plays a constitutive role.

Following this trajectory, Merkl-Davies and Brennan (2011) extended the analysis by proposing that corporate narratives serve as tools for impression management. Managers craft disclosures not only to inform but also to influence and construct preferred realities. This aligns with Schleiermacher's early insight that texts carry both grammatical and psychological dimensions.

Yet, support for the interpretive view is not unanimous. Young (2006) warned against overreliance on narrative, arguing that interpretive latitude may compromise the comparability and credibility of financial statements. He insisted that accounting's value lies in its ability to reduce ambiguity, not expand it. From his view, hermeneutics threatens to turn accounting into storytelling, untethered from factual rigor. In a similar tone, Hopwood (2009) expressed concern over what he termed the "aestheticization" of financial reporting where style might overshadow substance, and narrative ambiguity might serve as a shield for managerial evasion. Power (2010) took this further, suggesting that as financial disclosures become increasingly discursive, societies begin to substitute trust with regulation, and confidence with compliance. Nevertheless, critical voices such as Laughlin (1995) remind us that financial accounting is embedded within institutional and ethical frameworks. His proposal of a "middle-range" critical hermeneutic approach suggests that interpretation is not an option but a necessity when dealing with financial texts shaped by public accountability and stakeholder dialogue.

In Indonesia, the hermeneutic potential of financial statements is particularly pronounced. Setiawan and Mardiasmo (2019), for example, noted that Indonesian companies increasingly use sustainability reports to construct ethical narratives. Their content analysis revealed that these reports are carefully structured, not just to inform but also to signal moral standing and long-term vision suggesting a communicative intention beyond raw data.

Such findings converge with the ethical hermeneutics proposed by Yuthas, Rogers, and Dillard (2002), who argued that annual reports serve as moral texts, inviting a conversation with stakeholders rather than merely delivering fixed truths. From this view, understanding a financial statement becomes an ethical act one that acknowledges the intersubjective space between speaker and listener, author and reader, company and investor.

This interpretive space is precisely where the philosophical contributions of Schleiermacher, Dilthey, Heidegger, and Gadamer become vital. Schleiermacher taught us that understanding is always a two-fold task: reconstructing both the linguistic structure of a text and the psychological intention of its author. Applied to financial reporting, this invites us to read not just *what* is said, but *why* it is said why a company emphasizes risk, or downplays debt, or constructs its future vision in a particular way.

Dilthey, in turn, emphasized that understanding arises from historical consciousness. A text is never interpreted in isolation; it is always situated within a web of experiences, cultures, and temporalities. To understand the 2020 annual report of a firm that weathered the COVID-19 crisis is to understand a slice of Indonesian corporate life its struggles, decisions, anxieties, and hopes embedded in a singular historical moment.

Heidegger radicalized this by claiming that interpretation is not a method but a mode of *being*. We do not interpret *because* we are analysts; we interpret *because* we are human. From his perspective, financial statements are not inert documents; they are manifestations of a company's being-in-the-world, expressing existential projects, vulnerabilities, and projections of the future.

Finally, Gadamer brings us to the heart of interpretive dialogue. Understanding, he insists, is a fusion of horizons a meeting between the world of the text and the world of the reader. Financial statements are thus not vessels of content to be decoded but partners in a conversation. The reader brings questions, the text responds, and meaning emerges in the process.

This study situates itself in this hermeneutic tradition. It does not aim to offer a universal theory of financial interpretation, but to open space for reflection. What might we see differently if we read the financial reports of IDX-listed companies between 2010 and 2024 not merely as indicators, but as texts? How might a Gadamerian fusion of horizons reframe our understanding of profit, loss, risk, and sustainability. Ultimately, this paper argues that financial statements, like all human texts, are not final declarations but invitations to interpret. They require context, dialogue, and ethical engagement. In doing so, they reveal not only the state of a company's finances, but the state of its soul.

METHOD

1. Philosophical Hermeneutics as Research Methodology in Financial Report Analysis

The use of philosophical hermeneutics as a research methodology marks a departure from the dominant positivistic and functionalist paradigms that have long shaped financial accounting research. Instead of treating financial statements as static objects of analysis, the hermeneutic approach views them as dynamic texts open to interpretation, grounded in historical contexts, shaped by communicative intent, and interpreted through dialogical engagement. In this study, philosophical hermeneutics is applied as a qualitative interpretive methodology to explore how financial reports of listed companies on the Indonesia Stock Exchange (BEI) between 2010 and 2024 are constructed, mediated, and understood.

2. Philosophical Grounding: Hermeneutic Epistemology

Philosophical hermeneutics, particularly as developed by Hans-Georg Gadamer, posits that understanding is not an abstract or purely logical process but a historically-effected and linguistically mediated encounter. Interpretation occurs in the "fusion of horizons" between the interpreter and the text. This research adopts this epistemological stance by assuming that

financial statements do not merely convey numerical facts but reflect embedded meanings that arise from cultural, institutional, and temporal horizons.

Friedrich Schleiermacher's emphasis on reconstructing both the grammatical and psychological dimensions of the text provides the first interpretive tool for analyzing financial reports. These texts are examined not only in their formal-linguistic structure (e.g., balance sheets, notes to accounts, and risk disclosures) but also through the intention, motive, and context of their authorship. Meanwhile, Dilthey's insistence that understanding must be historically situated is crucial for engaging with longitudinal financial data (2010–2024), particularly within Indonesia's evolving economic, regulatory, and political landscape.

3. Research Design and Analytical Strategy

This research adopts a qualitative interpretive design rooted in document analysis. The primary data corpus consists of annual financial statements, sustainability reports, and accompanying management discussion and analysis (MD&A) sections of selected publicly listed companies on BEI, across multiple sectors (e.g., finance, manufacturing, telecommunications). Reports are purposively selected based on three criteria: consistency of disclosure over time, relevance to public interest, and textual richness of narrative sections.

Data Sources, the primary corpus includes the following documents:

Table 1. Data Sources

| Document Type | Period | Source | Selection Criteria |
|---|-----------|---|---|
| Annual Financial Reports | 2010–2024 | IDX-listed companies from various sectors | Consistency, public relevance, narrative richness |
| Sustainability Reports (ESG, 2016–2024 GRI) | | Firms releasing ESG/GRI-aligned disclosures | Focus on sustainability and social responsibility |
| Management Discussion & Analysis (MD&A) | 2010–2024 | Narrative sections within annual reports | Contains managerial interpretations of financial data |

Data were retrieved from the official websites of the Indonesia Stock Exchange (IDX), corporate websites, and public disclosure platforms.

The hermeneutic analysis proceeds in three phases: 1) Textual Immersion: The researcher performs close reading of financial texts, identifying key patterns, metaphors, and terminologies. This aligns with Schleiermacher's grammatical method, paying attention to linguistic choices, terminologies (e.g., "prudence", "growth", "value creation"), and syntactic structures; 2) Contextual Reconstruction: In this stage, the researcher investigates the socio-economic and institutional backgrounds that shape each text. Historical context (e.g., financial crises, policy shifts, regulatory changes such as OJK regulations or PSAK adoption) is used to illuminate the existential conditions under which the financial disclosures were authored. This phase draws from Dilthey and Heidegger's emphasis on historicity and situatedness; 3) Dialogical Interpretation: The final phase involves a fusion of horizons between the researcher's own pre-understanding and the evolving meaning within the text. Reflexivity is key here the researcher acknowledges their interpretive position and attempts to enter a dialogical relation with the text, as Gadamer prescribes. Emergent themes such as "trust", "uncertainty", "resilience", or "sustainability" are interpreted not as labels but as hermeneutic entry points into the ethical and ontological self-disclosure of the firm.

Data Processing Techniques. Data were analyzed through hermeneutic thematic coding, without reliance on statistical software. Meaning units were classified into interpretive themes based on the *hermeneutic circle* (the dialectic of part and whole). Triangulation was performed both longitudinally (over time) and sectorally (across industries) to enhance interpretive depth.

Table 2. Data Processing Techniques

| Hermeneutic Phase | Analytical Focus | Meaning Orientation |
|-------------------|-----------------------------|--|
| Grammatical | Diction & syntax | Linguistic structure of reporting |
| Psychological | Authorial intention | Framing and persuasion strategies |
| Historical | Economic/regulatory context | Temporality of accounting discourse |
| Ontological | Existential meaning | Identity, ethics, and value horizon |
| Dialogical | Fusion of horizons | Reader-text relationship and ethical resonance |

4. Researcher's Position and Reflexivity

In philosophical hermeneutics, there is no view-from-nowhere. The researcher does not aim to eliminate bias but to recognize their horizon and allow it to enter dialogue with the text. This study is therefore reflexive, acknowledging the positionality of the researcher educated in philosophical traditions, aware of Indonesian socio-economic conditions, and engaged with accounting discourse not as a technician but as a meaning-seeker.

This reflexive orientation allows the researcher to explore, for example, how financial losses are narrated as “strategic repositioning,” or how risk disclosures are framed not merely as threats but as rhetorical devices to maintain stakeholder confidence. The researcher's own prejudgments formed through prior readings, professional experience, and cultural assumptions become part of the interpretive process rather than barriers to it.

5. Rigor and Trustworthiness

Unlike positivist research that relies on validity, reliability, and replicability, hermeneutic inquiry emphasizes credibility, coherence, and plausibility. Rigor is ensured through depth of textual engagement, the transparency of interpretive processes, and the critical integration of theory and data. Trustworthiness is reinforced by triangulating interpretations across time periods and across different firms, and by engaging with both supporting and dissenting literature to avoid one-dimensional conclusions. Moreover, the inclusion of previous hermeneutic-based accounting studies (e.g., Laughlin, 1995; Arrington & Schweiker, 1992; Yuthas et al., 2002; Setiawan & Mardiasmo, 2019) ensures theoretical grounding and analytical alignment with the broader interpretive accounting literature.

RESULTS AND DISCUSSION

Results

The interpretation of financial statements is not only a technical act but a deeply philosophical one. Numbers, tables, and disclosures do not speak for themselves; they require understanding an interpretive act shaped by language, context, and the horizon of both author and reader. This section offers a philosophical review of hermeneutics, positioning it as both a grand theory of human understanding and a middle-range theory applicable to accounting discourse. The hermeneutic tradition from Friedrich Schleiermacher to Hans-Georg Gadamer provides a foundational lens through which financial communication can be reconceived as textually mediated and dialogically constituted.

Hermeneutics as Grand Theory: Understanding, Language, and Historicity

Friedrich Schleiermacher (1768–1834), often regarded as the father of modern hermeneutics, conceived interpretation as a universal method of understanding all human texts, not just sacred or legal documents. For Schleiermacher, hermeneutics involves two dimensions: grammatical interpretation (focused on the language and structure of the text) and psychological interpretation (aimed at reconstructing the author's intention). He emphasized that understanding is never automatic; it requires methodical engagement with both linguistic form and human consciousness.

In the context of financial reporting, Schleiermacher's model allows us to consider how the structure of a report (grammatical dimension) and the motives of its preparers

(psychological dimension) shape the meaning perceived by stakeholders. A financial statement thus becomes a dual-layered text technically precise yet psychologically infused with the intentions, fears, and aspirations of its authors.

Wilhelm Dilthey advanced Schleiermacher's ideas by insisting that understanding must be situated within historical consciousness. For Dilthey, human expressions including scientific reports, art, and accounting documents are historical artifacts embedded in lived experience (*Erlebnis*). He differentiated between the natural sciences (*Naturwissenschaften*), which seek causal explanation, and the human sciences (*Geisteswissenschaften*), which aim for interpretive understanding. Financial reports, in this sense, belong to the latter: they are not neutral mirrors of economic reality but historically contextualized expressions of institutional life.

Martin Heidegger (radically transformed hermeneutics by rooting it in existential ontology. For Heidegger, understanding is not a cognitive act but a way of *being-in-the-world* (*Dasein*). Interpretation is not optional it is the mode through which humans encounter the world. Language, for Heidegger, is the "house of being," and every text, including a financial one, is a manifestation of existence. When a firm discloses a financial loss or declares a dividend, it is not merely stating facts it is revealing its being, its horizon of possibilities, its *thrownness* and *projection*.

Hans-Georg Gadamer, building on Heidegger, introduced the notion of the "fusion of horizons" (*Horizontverschmelzung*). For Gadamer, understanding is dialogical: it occurs when the horizon of the text and the horizon of the interpreter come into conversation. Prejudices (or *Vorurteile*) are not biases to be eliminated but conditions of understanding. Interpretation is not about reconstructing original intentions but participating in a living tradition of meaning-making. In this view, financial statements are not inert documents but sites of encounter between corporate authors and investor readers, each bringing their own questions, expectations, and cultural assumptions.

Thus, the grand theory of hermeneutics from Schleiermacher to Gadamer establishes a framework where meaning is not fixed, but negotiated. It treats texts, including financial texts, as dynamic, open to multiple interpretations, and embedded in historical and existential contexts. This philosophical foundation disrupts the assumption that accounting is purely objective, suggesting instead that it participates in the hermeneutic circle of understanding: we interpret in order to understand, and we understand by interpreting.

Hermeneutics as Middle-Range Theory: From Interpretation to Financial Discourse

If grand theory provides the ontological and epistemological basis of interpretation, middle-range theory seeks to translate this into concrete domains such as financial reporting. The application of hermeneutics in accounting does not imply abandoning rigor; rather, it entails recognizing that meaning in financial discourse is co-constructed.

Laughlin (1995) offers a pivotal contribution to middle-range hermeneutic theory in accounting. He argued that financial statements are not value-free representations but social constructs shaped by institutional frameworks and communicative intentions. His approach blends critical theory with hermeneutics, proposing that financial reporting be analyzed as a textual performance embedded in power structures and moral expectations.

Similarly, Yuthas, Rogers, and Dillard (2002) developed an "ethical hermeneutics" of corporate reporting. They contend that financial statements are moral text crafted to narrate not just economic value but ethical positions. In this model, interpretation is not merely epistemological (seeking to understand what is true), but also ethical (engaging with what is just). This opens space for stakeholders to question not just financial performance but the values that underpin it.

In Indonesia, Setiawan and Mardiasmo (2019) applied this framework to analyze sustainability reports of listed companies. Their findings reveal that narratives about corporate social responsibility are structured to align with certain ethical imaginaries and public

expectations. The hermeneutic method enabled them to unpack the symbolic language and metaphors used to position firms as responsible, trustworthy, or innovative—showing that these disclosures are deeply rhetorical.

These middle-range approaches resonate with Gadamer's insistence that understanding is historically effected and dialogically produced. They also reinforce Dilthey's idea that texts reflect the totality of life, not just isolated facts. By bringing philosophical hermeneutics into the domain of financial communication, scholars make room for complexity, plurality, and ethical reflection in what has often been reduced to a technical exercise.

Integration and Critical Reflection

The integration of grand and middle-range hermeneutic theory offers a richer understanding of financial statements as texts. It acknowledges that behind every number lies a narrative, behind every disclosure a dialogue. Schleiermacher and Dilthey urge us to reconstruct intention and history. Heidegger demands we see financial expression as a mode of being. Gadamer asks us to listen to the dialogue between reader and text.

The middle-range theories operationalize these insights, suggesting methods for interpreting financial discourse as communicative action. This perspective shifts the role of financial analysts, auditors, and regulators from mere validators of technical compliance to interpreters of corporate self-presentation.

Still, this integration is not without tension. Critics argue that interpretive plurality risks relativism what prevents us from seeing financial reports as purely subjective? Moreover, some worry that hermeneutics may weaken regulatory clarity by inviting endless debate over textual meaning. These concerns are valid, but they must be weighed against the danger of treating financial statements as mechanically objective when in reality they are shaped by human judgment, linguistic framing, and institutional context.

In sum, the philosophical review of hermeneutics both as grand theory and as middle-range application invites a rethinking of financial reporting. It shifts the emphasis from representation to meaning, from measurement to understanding. In doing so, it opens new horizons for academic inquiry, professional responsibility, and ethical engagement in the world of accounting.

Discussion

1. Analytic Interpretation and Hermeneutic Findings of Financial Reporting in BEI (2010–2024)

In this section, we present a philosophical-hermeneutic interpretation of selected financial reports published by major publicly listed companies in the Indonesia Stock Exchange (BEI) between 2010 and 2024. The interpretation focuses not on numerical analysis per se, but on the linguistic, historical, and ontological dimensions of how financial realities are narrated. Using hermeneutical methods grounded in Schleiermacher's dual grammatical-psychological interpretation, Dilthey's historical consciousness, Heidegger's existential analysis, and Gadamer's fusion of horizons, this section explores how financial disclosures function as meaning-making texts that reveal deeper cultural, ethical, and ontological layers of corporate being.

2. Profit as Narrative: Beyond Numbers

The notion of "profit" is one of the most repeated and emphasized terms in corporate financial discourse. However, a hermeneutic analysis reveals that "profit" is not presented merely as a quantitative outcome but is often wrapped in narrative justifications and ethical rationalizations. For example, in the 2015–2016 reports of major consumer goods companies like Unilever Indonesia, declining profits are framed not as failure but as strategic investment for long-term brand building.

From Schleiermacher's lens, the grammatical layer shows word choices such as "navigating headwinds", "laying foundation", and "consolidating position" all expressions that soften the psychological impact of reduced earnings. At the psychological level, the intent is persuasive: to maintain investor trust by positioning short-term loss as visionary foresight. Gadamer would interpret this as a fusion of horizons, where the language of profit becomes a medium for temporal bridging past loss justifies future gain.

Moreover, in the pandemic years (2020–2021), many firms, such as Bank Rakyat Indonesia (BRI), redefined profit not only in financial terms but in terms of "supporting the national economy", "maintaining public access to liquidity", and "serving the unbanked". Here, profit transforms from a private corporate metric into a public responsibility discourse, thus evoking Heideggerian Being-with (Mitsein) in economic solidarity.

3. Risk Disclosure as Ontological Disclosure

Risk, as disclosed in financial statements, typically refers to measurable uncertainties. However, hermeneutic analysis finds that risk narratives often reveal ontological anxieties concerns about being, trust, and continuity. A striking example is found in the 2013–2014 reports of Garuda Indonesia, which framed operational turbulence not only in terms of fuel prices and foreign exchange fluctuations, but also in terms of "shifting consumer loyalty", "intangible brand reputation", and "vulnerability to global sentiment".

Heidegger's concept of thrownness (Geworfenheit) helps us read these disclosures not as neutral data but as existential positioning companies disclosing their being-in-the-world as exposed and contingent. Gadamerian hermeneutics reads this as a form of dialogue between company and investor, in which risk is not concealed but shared. Dilthey's historical method is also useful here: the same risk categories (e.g., "market volatility", "regulatory uncertainty") have different emphases and meanings in different historical contexts. For example, the term "market volatility" in 2010 carried post-crisis caution, while in 2022 it reflects resilience and agility in digital investment environments.

4. Sustainability and the Ethical Horizon

Since 2016, many companies on BEI began to include sustainability reporting as either stand-alone documents or integrated into annual financial statements. These sections provide fertile ground for hermeneutic analysis. A prominent theme is the repeated use of terms like "green growth", "ESG commitment", and "intergenerational equity". In the reports of Telkom Indonesia (2018–2023), sustainability is not just an operational domain but framed as an ethical orientation. From Schleiermacher's grammatical analysis, we observe the repetition of imperative verbs ("ensure", "commit", "lead") that suggest moral urgency. Gadamer's notion of effective history (Wirkungsgeschichte) illuminates how these linguistic choices are shaped by global climate discourses and regulatory trends (e.g., SDGs, GRI Standards), while also shaping investor expectation and public perception. The fusion of ethical and financial language suggests a deepening horizon of corporate being: companies do not merely exist to generate shareholder returns but to respond to planetary and human imperatives. Here, the ontological dimension of sustainability emerges not as strategy, but as a form of being responsible.

5. Time, Memory, and the Historicity of Disclosure

Dilthey's insistence that understanding is always historically mediated resonates strongly in the analysis of temporal patterns in financial discourse. Comparing reports across time such as from Astra International reveals shifting emphases from growth (2010–2013), consolidation (2014–2017), digital transformation (2018–2021), and resilience (2022–2024). These shifts reflect not only business strategy but also historical memory. For example, references to the Asian Financial Crisis (1997) still appear in some 2010s reports as a "lesson

learned”, while the COVID-19 pandemic becomes a narrative watershed after 2020. These memories are not merely documentary they serve as interpretive frames that help companies construct identity and legitimize decisions. Heidegger’s concept of historicity (*Geschichtlichkeit*) supports the idea that financial texts carry memory traces and that the act of financial reporting is a form of narrating temporal being.

6. The Dialogical Nature of Financial Communication

Central to Gadamerian hermeneutics is the idea that understanding occurs through dialogue, not unilateral transmission. Financial reports, although monological in form, function dialogically in practice they anticipate questions from analysts, respond to regulatory expectations, and shape public understanding. The Management Discussion and Analysis (MD&A) section is the most explicit dialogical component, where companies explain “why” numbers are as they are. In the MD&A of companies like Bank Mandiri or Indofood, we find a blending of numeric rationale and narrative reasoning. Phrases like “weathered the storm”, “continued our transformation journey”, and “responded swiftly to macroeconomic shifts” suggest that financial performance is storied, not only measured. Here, Schleiermacher’s psychological interpretation is vital: the MD&A becomes the voice of the author, and the task of the interpreter is to understand the corporate mind at work. Gadamer’s dialogical hermeneutics then completes the circle: we, as interpreters, do not merely consume disclosures but participate in a mutual understanding that shapes meaning.

7. Novelty: Narrative Legitimacy Construction Theory (NLCT)

This research introduces a new conceptual framework called Narrative Legitimacy Construction Theory (NLCT) as its principal theoretical contribution. NLCT emerges from the interpretive-philosophical engagement with corporate financial texts and represents an integrative synthesis of hermeneutic philosophy and narrative semiotics within the domain of accounting. The theory posits that financial reporting functions not merely as a medium for disclosing factual information, but as a narrative mechanism through which firms actively construct and negotiate their legitimacy in relation to stakeholders, markets, and broader socio-political environments.

NLCT is built upon four key assumptions: 1) Financial reports are narrative texts not merely representational tools but meaning-producing discourses shaped by language, history, and intention; 2) Legitimacy is not static but narratively performed firms continually reinterpret their identity, risk posture, and ethical standing to align with changing norms, regulations, and public expectations; 3) Hermeneutic temporality governs narrative construction corporate texts are embedded in temporal structures that reflect “being-in-time,” including retrospective justification, present affirmation, and future anticipation; 4) Stakeholder interpretation is co-constitutive meaning arises not only from the sender (the corporation) but from the fusion of horizons between the text and its reader.

Unlike conventional legitimacy theories in accounting such as the institutional or stakeholder models NLCT emphasizes the existential, linguistic, and ethical dimensions of corporate self-presentation. It accounts for rhetorical strategies, semantic ambiguities, metaphorical frames, and ethical signaling within financial reports.

Through longitudinal analysis of IDX-listed companies from 2010 to 2024, this research finds consistent patterns of legitimacy-seeking through narrative devices, especially in response to regulatory change, public scrutiny, or crisis. The novelty of NLCT lies in its potential to bridge hermeneutic philosophy and accounting theory, offering a new lens through which financial communication may be interpreted, evaluated, and critiqued not only for what is said, but for how and why it is said.

CONCLUSION

This study demonstrates that financial reporting particularly within the Indonesian context of the IDX from 2010 to 2024 cannot be sufficiently understood through conventional frameworks of objectivity and compliance. The reports examined are not only data-driven statements but narratively constructed acts of meaning-making. Through a philosophical hermeneutic lens, these financial texts emerge as spaces where corporations attempt to assert legitimacy, coherence, and ethical standing in the public domain.

The introduction of Narrative Legitimacy Construction Theory (NLCT) marks a significant conceptual advance. It reframes financial reporting as a dialogical and narrative act, emphasizing that corporate legitimacy is not merely earned but continually narrated. In this framework, disclosure is both an ethical responsibility and a rhetorical performance. Meaning is not merely transmitted it is constructed, interpreted, and reinterpreted across time and institutional memory.

The broader conclusion is that financial discourse must be reclaimed as a human practice rich in temporality, intention, and ethics. NLCT invites scholars, regulators, and practitioners to reengage with corporate communication as an arena of moral imagination, interpretive labor, and narrative responsibility. The future of financial transparency lies not only in better numbers, but in better stories and better listening.

Theoretical Implications

This study offers a substantial theoretical contribution by proposing the Narrative Legitimacy Construction Theory (NLCT), a novel framework that reconceptualizes financial reporting as a rhetorical and ethical act rather than a mere technocratic or objective function. Grounded in the hermeneutic traditions of Schleiermacher's grammatical-psychological dualism, Dilthey's historicity of understanding, Heidegger's ontological existentialism, and Gadamer's fusion of horizons, NLCT integrates philosophical hermeneutics into the interpretation of financial discourse.

NLCT posits that corporate legitimacy is not a static status to be objectively evaluated but a performative construct continuously narrated through financial disclosures. In this paradigm, legitimacy emerges not solely from compliance with financial norms or international standards but from the coherence, sincerity, and ethical consistency of the narratives corporations construct in their reports. Financial texts become acts of self-positioning and moral self-description, informed by corporate memory, socio-political climate, market expectations, and existential corporate identity.

This theory challenges the ontological assumptions behind positivist accounting paradigms, replacing the epistemic neutrality of "number speaks truth" with a dialogical model where meaning is co-constructed between the discloser and the interpreter. Thus, financial reporting is elevated to a hermeneutic event, a text whose meaning evolves in time, shaped by interpretive horizons, audience preconceptions, and cultural memory. By introducing NLCT, the study bridges a major gap between critical accounting theory, philosophical hermeneutics, and ethical discourse.

Practical Implications

The Narrative Legitimacy Construction Theory (NLCT) invites significant shifts in regulatory, educational, and professional practices related to financial reporting. For regulators such as OJK (Indonesia's Financial Services Authority) and IDX (Indonesia Stock Exchange), this perspective signals the need to complement quantitative disclosure standards with qualitative and interpretive frameworks. The emphasis on the narrative form urges the adoption of new metrics that evaluate clarity, ethical coherence, and narrative transparency not merely data accuracy.

For accounting professionals and auditors, NLCT provides an interpretive lens that enhances their evaluative capacity. Rather than treating financial disclosures as inert documents, professionals are encouraged to read them as dialogical constructions. This means being attentive to metaphor usage, shifts in tone, rhetorical omissions, and the broader socio-historical positioning of the report. It pushes professionals to interpret meaning as much as measurement, thus blending technical competence with interpretive literacy.

Corporate managers and investor relations officers are also directly impacted. NLCT reframes financial communication as a mode of ethical self-articulation. This opens possibilities for authentic engagement with stakeholders, allowing corporations to express vulnerability during crises, renewal in times of restructuring, and vision when orienting toward sustainability. In short, the financial report becomes an ethical text one that affirms the organization's commitment to transparency, responsibility, and social accountability.

At the level of pedagogy, NLCT encourages accounting education to incorporate interpretive philosophy and ethics into the curriculum. Future accountants and financial analysts must be trained not only in data management but also in the cultural, narrative, and humanistic dimensions of financial communication. Hermeneutic competence will be essential in deciphering how organizations construct trust in an era of post-truth and digital skepticism.

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