

The Effect of Regional Income, Leverage, Regional Property on Internet Financial Reporting Disclosure

¹Cindy Gustiara Iszardani, ²Pancawati Hardiningsih✉^{1,2} Fakultas Ekonomika dan Bisnis, Universitas Stikubank, Semarang, Indonesia✉ pancawati@edu.unisbank.com <https://doi.org/10.31603/bisnisekonomi.v19i1.4049>

Submitted: 25/09/2020

Revised: 01/07/2021

Accepted: 06/07/2021

Abstract

Keywords:*Internet Financial Report of Local Government Disclosure; Regional Income; Leverage; Local Government Wealth; General Allocation Funds*

This study aims to analyze the effect of local revenue, leverage, local government wealth on the disclosure of web-based local government financial statements. The population and sample of this study are the regional government financial reports of Central Java Province which consists of 29 districts and 6 cities for the 2015-2018 fiscal year which have been audited by the BPK. The analysis method uses multiple regression panel data model with the Eviews 9 application. The results of this study indicate that local revenue and general allocation funds have a significant positive effect on the disclosure of web-based local government financial reports. However, the wealth of the local government in turn has a negative effect on the disclosure of web-based local government financial reports. Meanwhile, leverage has no effect on the disclosure of web-based local government financial statements. The results of this study can be used as a consideration for the government in forming regulations, rewards and sanctions in order to increase the transparency of digital financial reports.

Abstrak

Kata Kunci:*Pengungkapan Laporan Keuangan Pemerintah Daerah; Pendapatan Daerah; Leverage; Kekayaan Pemerintah Daerah; Dana Alokasi Umum*

Penelitian ini bertujuan untuk menganalisis pengaruh pendapatan asli daerah, leverage, kekayaan pemerintah daerah terhadap pengungkapan laporan keuangan pemerintah daerah berbasis web. Populasi dan sampel penelitian ini adalah laporan keuangan pemerintah daerah Provinsi Jawa Tengah yang terdiri dari 29 kabupaten dan 6 kota untuk tahun anggaran 2015-2018 yang telah diaudit oleh BPK. Metode analisis menggunakan regresi berganda model data panel dengan aplikasi Eviews 9. Hasil penelitian ini menunjukkan bahwa pendapatan asli daerah dan dana alokasi umum berpengaruh positif signifikan terhadap pengungkapan laporan keuangan pemerintah daerah berbasis web. Namun sebaliknya kekayaan pemda memiliki pengaruh negatif terhadap pengungkapan laporan keuangan pemerintah daerah berbasis web. Sedangkan leverage tidak berpengaruh terhadap pengungkapan laporan keuangan pemerintah daerah berbasis web. Hasil penelitian ini dapat sebagai pertimbangan pemerintah dalam membentuk regulasi, penghargaan dan sanksi agar meningkatkan transparansi laporan keuangan secara digital.

1. Introduction

In regional finance, it is stated that the rights and obligations of each region are worthy of being used as regional assets which have a significant relationship with the implementation of these rights and obligations in the implementation of regional government. Referring to the principle that regional finance has several main components, including assessable regional rights, regional obligations with respect to money, and assets that have a relationship with rights and obligations (Pakas, 2020).

Regional financial problems are a regional right as a whole that has a correlation with applicable regulations and laws in an effort to increase regional revenue. Activities contained in regional financial management include comprehensive activities in the form of plans

regarding implementation systematics, reporting of results, accountability for activities accompanied by supervision of financial performance (Pakas, 2020).

Disclosure of financial statements is the responsibility of an entity for the operational activities of the entity, in this case the financial reporting of the local government which is the object. Disclosure in the financial statements is divided into two, namely mandatory disclosure and voluntary disclosure. Mandatory disclosure is information disclosure that must be stated in accordance with the stipulated regulations. Voluntary disclosure is a disclosure that is presented outside of items that must be disclosed as additional information for users of financial statements (Setyaningrum & Syafitri, 2012). Disclosure of financial information on the website is a development of voluntary disclosure theory or what is often called voluntary disclosure (Khan, 2006).

The use of information technology in the distribution of financial information via the internet (Internet Financial Reporting-IFR) has been carried out by several local governments in Indonesia as a form of accountability for regional financial management to their stakeholders (Oyelere, Laswad, & Fisher, 2003). This is in accordance with the Instruction of the Minister of Home Affairs Number 188.52 / 1797 / SJ / 2012 concerning Increasing Transparency of Regional Budget Management which instructs Governors, Regents and Mayors throughout Indonesia to prepare a content menu with the name "Regional Budget Management Transparency (RBMT)" on the official website. local government and includes 12 budget management documents on the related website. The phenomenon that occurs from the district/city government web shows that local governments who disclose financial reporting via the internet are still low. This is aimed at some regions that do not yet have RBMT menus and even some websites are still under repair.

Financial and performance transparency can be done through the website, this is important because the cost is relatively cheaper and it is easy to access when compared to manual and conventional (Puspita & Martani, 2012). The use of the internet makes the publication of financial reports faster and easier, so that it can be accessed by anyone, anytime, and anywhere (Trisnawati & Achmad, 2014).

The enactment of Law Number 33 of 2004 which has undergone amendments from Law Number 25 of 1999 concerning Central and Regional Financial Balance, provides fundamental changes to the system and mechanism of local government management. According to Law Number 33 of 2004, the sources of funding for the implementation of regional government consist of local revenue (PAD), balance funds or transfer funds and other legal income funds. Based on Law Number 33 of 2004, regional original revenue, hereinafter referred to as PAD, is revenue obtained by the region which is collected based on Regional Regulations in accordance with the Legislation. Regional Revenue comes from the results of regional taxes, the results of regional levies, the results of separated regional wealth management and other legal income. The higher the PAD owned by the region, the greater the regional government to disclose local government financial reports through the website because the costs are relatively cheap, easier to access by anyone, anytime, anywhere and as a form of accountability of government officials. Research conducted by Hadis (2014), Jaya & Sisdyani (2014), and Debreceeny, Gray & Rahman (2002) shows that local revenue has a significant positive effect on the disclosure of web-based local government financial statements. However, the results of this study are different from the results of research

conducted by [Arifin \(2018\)](#), [Ningsih \(2018\)](#) that regional income has no effect on the disclosure of web-based local government financial statements.

In financial management to obtain high profits, the local government will use loan funds from creditors or what is often referred to as leverage. The existence of debt will make the role of creditors to monitor the use of loan funds and to monitor the capacity of settlement of obligations carried out by local governments. Leverage is the ability to use loan funds by utilizing a certain number of assets as collateral. When the leverage is high, of course, the monitoring carried out by creditors is getting tighter so that the emergence of monitoring costs will be a burden on the local government. This makes financial report users need detailed information regarding the use of leverage so that it can be compared between regions and over time ([Rahman, Sutaryo, & Budiartanto, 2013](#)). The higher the leverage, the more information should be disclosed and the accessibility of regional financial information through the website because the internet is considered to be the answer to people's expectations of good regional financial management. Research conducted by [Hanifah & Kiswanto \(2017\)](#); and [Diatmika & Yadnyana \(2015\)](#) show that leverage has a significant positive effect on the disclosure of web-based local government financial reports. However, different results in the research of [Arifin \(2018\)](#), [Istikhomah \(2017\)](#), [Hudoyo & Mahmud \(2014\)](#), [Sinaga & Probowo \(2011\)](#), and [Garcia & Garcia \(2010\)](#) found that Leverage has no effect on the disclosure of web-based local government financial statements.

The level of prosperity of an area can be described from the wealth of the area ([Sinaga & Probowo, 2011](#)). High regional wealth shows how local governments manage resource potential and manage finances well as an indicator of success ([Hudoyo & Mahmud, 2014](#)). Regional wealth as clear evidence of success in managing finances well, local governments will immediately disclose information about their financial performance via the internet and are also getting higher, and vice versa. The local government's wealth can be seen from its total assets. Thus, if the regional government has large total assets, the regional government will have a good performance, because the regional government can explore the potential of its regional resources to the maximum extent possible. So that if the regional government has a large amount of wealth, it will disclose its responsibility transparently that the regional government has performed well. This will encourage local governments to immediately publish their financial report information via the internet because it is more efficient, effective, relatively lower cost, and increases control over local government instruments from acts of corruption. Research conducted by [Istikhomah \(2017\)](#) and [Rahman et al. \(2013\)](#) shows that local government wealth has a significant positive effect on the disclosure of web-based local government financial statements. However, the results differ from the research of [Hudoyo & Mahmud \(2014\)](#), [Afryansyah & Haryanto \(2013\)](#), [Sinaga & Probowo \(2011\)](#) that local government wealth has no effect on the disclosure of web-based local government financial statements.

This study aims to analyze the effect of local revenue, leverage, and local government wealth on the disclosure of web-based local government financial reports in the Regency/City of Central Java Province.

2. Literature Review

Stewardship Theory

Stewardship theory explains how stewards are not motivated by individual goals but rather aimed at the main results for the benefit of the organization ([Raharjo, 2007](#)). The main

basis in building this theory is trustworthiness, responsible honesty and integrity in human nature. This theory also describes a strong relationship between satisfaction and organizational success, where organizational success can be achieved by maximizing the utility of the principal and management. Relationship described in theory stewardship is a relationship based on trust, that the steward recipient acts in accordance with the public interest in general and the interests of shareholders in particular. Steward's performance will increase due to trustworthiness, responsible honesty and integrity. The existence of this characteristic will increase the principal's trust in the local government (Khasanah & Rahardjo, 2014).

In the relationship between steward and principal, local government must prepare budgets in an effective, efficient and economical manner. The budget made by the government must be in accordance with the government performance programs that will be implemented in the future. The government must have precise budget targets that these targets have the aim of improving the welfare of the community. If the goal is achieved by the local government, the community as the principal will be satisfied with the government's performance in relation to the government's function in providing services to the community.

Web-Based Local Government Financial Report Disclosures

Disclosure of financial statements is the responsibility of an entity for the operational activities of the entity, in this case the regional government financial reporting as the object. Public Information Openness as regulated in Law Number 14 Year 2008 is a form of responsible disclosure of regional financial statements through the official local government website and any public information is open, so that it can be accessed by any user of public information quickly, on time, at a cost. light and in a simple way.

The disclosure of financial information on the website is a development of the theory of voluntary disclosure or what is often referred to as voluntary disclosure. Since the internet is considered to be able to be used as an effective and efficient medium in financial reporting that can create transparency and accountability of local governments in the hope of being able to meet the aspirations of the community for good regional financial management (Sinaga & Probowo, 2011)

Locally-Generated Revenue

The regional government in making policies, especially regional finances, is aimed at increasing local revenue as the main source of regional income. According to Law no. 33 of 2004 Regional Income (PAD) is revenue obtained by the region which is collected based on statutory regulations. In article 3 paragraph 1 of Law no. 33 of 2004 explains that PAD aims to provide authority to local governments to fund the implementation of regional autonomy in accordance with regional potential as a manifestation of decentralization. PAD is a source of revenue from the original area that is excavated in the area to be used as the basic capital of the regional government in financing development and regional efforts to reduce dependence on funds from the central government.

Leverage

Leverage refers to the debt owned by an entity. Debt originating from creditors is a means to increase the income of an entity. Leverage is the ability of local governments to manage loan funds by utilizing a number of assets owned by the region. The management of loan funds is important for the public to know, which is presented in the regional government financial reports as an information disclosure, so that the public can assess the performance of local governments by comparing between local governments and over time (Rahman et al., 2013).

Local Government Wealth

In supporting operational activities carried out by the local government, it requires regional wealth as a resource. Regional assets as a means of control over local government activities. When regional wealth increases, it shows the success achieved by the local government (Wilopo, 2017). The level of prosperity of an area can be described from the wealth of the area (Sinaga & Probowo, 2011). Indicators of success in managing potential resources and success in managing the finances of an area show the amount of regional wealth owned (Hudoyo & Mahmud, 2014).

General Allocation Fund

In order to support the implementation of decentralization, the central government allocates a balance fund, namely the General Allocation Fund (GAF) which is regulated in Law Number 33 of 2004 with the aim of equitable distribution of financial capacity among regions to finance regional needs. This is done by the central government so that there is no financial imbalance between the center and the regions as well as between regions. GAF is a means of overcoming inequality between regions and on the other hand also provides a source of regional financing (Pakas, 2020).

The general allocation fund is a "block grant", which means that the regional head can use the general allocation fund according to the needs of a region that is prioritized for the improvement of services to the community in a responsible manner. GAF is the largest component in the balance fund and its role is very strategic to create equality and justice between regions, its large proportion and broad utilization authority will provide a more real meaning of autonomy for the implementation of governance in a region.

Effect of PAD on Disclosure of Web-Based Local Government Financial Statements

In supporting the implementation of regional autonomy as a manifestation of decentralization, local governments can explore the potential of their respective regions as regional revenue. Original regional income is revenue that aims to support regional activities consisting of regional taxes, regional levies, profits from regionally owned enterprises (BUMD), and other legitimate regional original revenues. As for other components of legitimate regional income, such as grant funds, emergency funds, and other income in accordance with the provisions of laws and regulations, it is the total regional revenue other than the original regional income and the balance fund.

Based on the theory of stewardship which assumes the responsibility of the government to the principal (community). Local government performance can be measured using local revenue (PAD). The greater the PAD, the better the local government's

performance, and vice versa. So that the higher the PAD owned by the region, the greater the local government to disclose local government financial reports through the website because the costs are relatively cheap, easier to access by anyone, anytime, anywhere and as a form of accountability of government officials. Several previous studies that support this statement, namely [Hadis \(2014\)](#), and [Jaya & Sisdyani \(2014\)](#) found that the disclosure of web-based local government financial reports is proven to be influenced by the increase in local revenue.

H1: The greater the local revenue, the more disclosure of web-based financial statements.

The Effect of Leverage on the Disclosure of Web-Based Local Government Financial Statements

Leverage is the use of sources of funds by local governments that come from loans by pledging their assets. This loan is an alternative source of APBD funding which is used to cover the APBD deficit, financing expenditures, and / or cash shortages. The community needs to know loan information to see local government performance so that it can be compared between regions and over time ([Rahman et al., 2013](#)). The government as steward must be responsible for the debt it has as a form of transparency of the government to the public. If the leverage is high, this indicates that the local government has not performed well, so it is necessary to supervise the regional head in managing the use of debt to suit its objectives. The amount of debt in question includes the amount of long-term and short-term debt. Monitoring and evaluation by creditors is needed to assess the ability of local governments to fulfill their obligations. As a result of high leverage, there will be monitoring costs that will be borne by local governments as a form of supervision and information needed by creditors.

Creditors can monitor the performance of local governments through the publication of financial reports on the internet. Web-based publications will produce information that is always updated, the reach of information delivery is wider, faster, and more detailed at a low cost. With IFR, communication response with stakeholders will be faster ([Jones & Xiao, 2003](#)) so that it will affect public trust. Higher leverage will put pressure on local governments to disclose more financial information via the internet. Because creditors will assess the ability of local governments to pay off their obligations. Several previous studies that support this statement are [Hanifah & Kiswanto \(2017\)](#); [Diatmika & Yadnyana \(2015\)](#), [Rahman, et al. \(2013\)](#), and [Laswad, Fisher, & Oyelere \(2005\)](#) show that leverage has a significant positive effect on the disclosure of website-based local government financial statements.

H2: The greater the leverage, the more disclosure of web-based financial statements.

The Influence of Local Government Wealth on Disclosure of Web-Based Local Government Financial Statements

The level of prosperity of an area can be described from the wealth of the area. The main source of regional wealth comes from local revenue. When regional wealth is high, it shows the success of local governments in managing finances and managing potential resources as a contribution to the APBD ([Hudoyo & Mahmud, 2014](#)).

Referring to the stewardship theory approach, the local government seeks to show responsibility for good performance through the results of large regional wealth and abundant resources so as to improve disclosure of financial information better. An area that has large regional wealth shows the quality of the regional head's performance is better in

managing potential resources. As a form of accountability, the regional head needs to inform the condition through web-based publications so that it is quickly recognized by the public and other users. Such conditions provide a positive signal about the quality of regional heads, thereby increasing the credibility of local governments and reducing the cost of interests. For this reason, local governments are required to frequently update information through the publication of financial reports on the internet. The positive influence between local government wealth and LGFS disclosure can also be caused by high community participation in paying local taxes and levies.

The disclosure of regional financial report information via the web will facilitate communication to users in considering decisions quickly. Such conditions include the success of local governments in managing their potential and resources, showing good achievements, so that it will encourage to disclose this information transparently to reduce information asymmetry. This condition will increase the reputation of the regional head as a regional leader so that it will increase public confidence because the information conveyed through the website will quickly become more widely known. Several previous studies that support this statement, namely [Istikhomah \(2017\)](#), [Rahman et al. \(2013\)](#), and [Laswad et al. \(2005\)](#) show that local government wealth has a significant positive effect on the disclosure of web-based local government financial statements.

H3: The greater the wealth of the local government, the more disclosure of web-based financial statements.

3. Method

Population and Sample

The population in this study is the financial statements of local governments in Central Java Province, which consists of 29 districts and 6 cities for the 2015-2018 fiscal year that have been audited by the BPK. The number of samples in this study was 35 districts/cities in Central Java Province and 29 regencies and 6 cities in Central Java Province for the period 2015-2018, for 4 years so that the number of observations was 140 observations.

Types and Sources of Data

The data used in this study are secondary data, namely IFR financial report data, Total Regional Income, Total Debt, Equity, Total Assets, and GAF. The data used in this study were obtained from regional government financial reports that have been audited by the BPK or through the website www.bpk.go.id in the form of a copy of the LGFS file in pdf format.

Variable Measurement

Disclosure of website-based local government financial reports uses a scoring index (checklist) for the level of financial information disclosure on the local government's website ([Khasanah & Rahardjo, 2014](#)). The local government financial information disclosure index is based on research [Styles & Tennyson \(2007\)](#) on modified local government financial reporting internet accessibility. The research data was carried out by observing the website of the level II autonomous regional government (regency/city). Furthermore, the financial information disclosed on the website is checked, then the availability of information is matched with a scoring index (checklist) that has been compiled beforehand by providing a

score according to the score if it matches the index requirements and 0 if it does not match the index requirements.

Table 1. IFRD Accessibility Index

Score	Requirements
1	If the local government official website can be found on the page first a google search by typing the name of the local government
+1	When it takes only three clicks or less to browse the Internet Financial Reporting (IFR) on local government websites
+1	If the IFR data can be downloaded in pdf format. or html.
+1	If there is previous year's IFR data on the government website area

Locally-Generated Revenue

PAD is collected based on the prevailing laws and regulations and is used for regional needs. Primarily, this income is obtained from the regional tax sector, the results of separated regional wealth management, the proceeds from regionally owned companies, regional retribution, and other sources that constitute legitimate regional income. PAD proxy in this study using Natural Logatirma (Ln) to reduce the excessive fluctuation of nominal billions or trillions can be simplified without changing the original value of PAD. PAD is measured by total Regional Income.

Leverage

Leverage is a tool to measure how much local government depends on creditors in financing company assets. Loans originating from creditors as a means of increasing regional income (Kusumawardani, 2011). Local governments with high levels of leverage have a high risk because they may not be able to complete their obligations. This will threaten the position of regional heads who are considered unable to manage finances properly. This requires disclosure through the internet to avoid a bad image. This study uses a debt to equity ratio in measuring leverage (Hudoyo & Mahmud, 2014). The calculation formula is Total Debt/Equity.

Local Government Wealth

In order to carry out regional government operations, it requires resources in the form of regional assets. The higher the regional wealth, the more successful the local government is in managing potential financial resources and resources. The proxies for local government wealth in this study use Natural Logatirma (Ln) to reduce excessive fluctuations in nominal billions or trillions which can be simplified without changing the original value of total assets. Measurement of regional wealth uses a proxy for total assets as was done by Hudoyo & Mahmud (2014).

General Allocation Fund

The control variable in this study is the General Allocation Fund (GAF). GAF is sourced from the APBN, which is allocated from the center to provinces, districts and cities as an effort to address disparities between regions. The GAF allocation is carried out in the context of equitable distribution of financial capacity among regions with the consideration

that the capabilities of each region are different. This aims to finance the expenditure needs to support the implementation of decentralization. However, in practice the level of dependence on transfer funds varies from region to region. The higher dependence on GAF transfer funds received by regions indicates that regional independence is still low. The GAF measurement formula is: $GAF/Total\ Income$.

Method of Analysis

Methods of data analysis in this study using descriptive statistical tests and panel data regression analysis. Panel data is a combination of cross section data with time series data, where the same cross section unit is measured at different times (Ghozali, 2013). In estimating the panel data model, three approaches or methods can be used, namely the common effect model, the fix effect model, and the random effect model. The panel data regression model selection technique is carried out by means of a comparison test, namely, the Chow Test which is used to choose between the common effect or the fixed effect method. Second, the Hausman test which is used to choose between a fixed effect or a random effect. In selecting the panel data regression estimation model, the researcher tested one of the best models to get the right results.

4. Result and Discussion

Table 2. Results of Research Variable Descriptive Statistics

	IFR	PAD	LEVERAGE	WEALTH	GAF
Mean	2.771429	26.47729	0.032714	28.82571	3.208929
Median	3.000000	26.42500	0.010000	28.73000	3.140000
Maximum	4.000000	28.39000	3.160000	31.06000	6.840000
Minimum	1.000000	25.75000	0.000000	27.99000	0.000000
Std. Dev.	0.991640	0.0441772	0.266523	0.495910	1.130082
Observations	140	140	140	140	140
Cross sections	35	35	35	35	35

Source: Secondary data processed, 2020

Table 2 shows that the number of observation data is 140 (one hundred and forty) observations consisting of 35 (thirty five) district/city governments of Central Java province for 4 (four) periods. The dependent variable in this study is the disclosure of web-based LGFS or Internet Financial Reporting Disclosure (IFRD) which has a minimum value of 1.000000 found in the government of Boyolali Regency, Grobogan Regency, Karanganyar Regency, Pemalang Regency, Salatiga City and a maximum value of 4.000000 is found in the Regency government. Banyumas, Batang Regency, Kebumen Regency, Klaten Regency, Kudus Regency, Purworejo Regency, Temanggung Regency, Wonosobo Regency, Magelang City. The average IFRD variable is 2.771429 with a standard deviation value of 0.991640, which means that the standard deviation is smaller than the average value. This situation shows good results, because the standard deviation value that describes the deviation from the data is smaller than the average value.

Local Own Revenue (PAD) has a minimum value of 25.75 000 found in the government of Banjarnegara Regency, Batang Regency, Blora Regency, Rembang Regency, Wonosobo Regency, Magelang City, Pekalongan City, Salatiga City. The maximum value of 28.39000 is found in the Semarang City government. The average PAD variable is 26.47729 with a standard deviation of 0.0441772, which means that the standard deviation

is smaller than the average value. This situation shows good results, because the standard deviation value that describes the deviation from the data is smaller than the average value.

Leverage has a minimum value of 0.000000 found in the government of Banjarnegara Regency, Blora Regency, Boyolali Regency, Karanganyar Regency, Kebumen Regency, Klaten Regency, Kudus Regency, Magelang Regency, Pati Regency, Pemalang Regency, Purworejo Regency, Sukoharjo Regency, Wonosobo Regency, Magelang City, City of Pekalongan, City of Semarang. The maximum value is 3.160000. The average Leverage variable is 0.032714 with a standard deviation of 0.266523, which means that the standard deviation is greater than the average value. This situation shows poor results, because the standard deviation value that describes the deviation from the data is greater than the average value.

Local Government Wealth (Wealth) has a minimum value of 27.99000 found in the Rembang Regency government. The maximum value of 31.06000 is found in the Semarang City government. The average variable of wealth is 28.82571 with a standard deviation of 0.495910. The standard deviation value is lower than the average value which indicates a good result, because the standard deviation value that describes the deviation from the data is smaller than the average.

The General Allocation Fund (GAF) has a minimum value of 0.000000 found in the Purbalingga Regency government. The maximum value of 6,840000 is found in Blora Regency. The average GAF variable is 3.208929 with a standard deviation of 1.130082. The standard deviation value is lower than the average value which indicates a good result, because the standard deviation value that describes the deviation from the data is smaller than the average.

Common Effect Model Estimation

Table 3. Common Effect Model Estimation Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	9.320177	6.169503	1.510685	0.1332
PAD	-0.578509	0.297884	-1.992063	0.0442
LAVERAGE	-0.604123	0.310308	-2.196848	0.0436
WEALTH	0.302463	0.240042	1.260039	0.2098
GAF	0.021708	0.086034	0.252323	0.8012
R-squared	0.263284	Mean dependent var		2.771429
Adjusted R-squared	0.235529	S.D. dependent var		0.991640
S.E. of regression	0.973865	Akaike info criterion		2.819972
Sum squared resid	128.0357	Schwarz criterion		2.925031
Log likelihood	-192.3981	Hannan-Quinn criter.		2.862665
F-statistic	3.280125	Durbin-Watson stat		2.089634
Prob(F-statistic)	0.033898			

Source: Secondary data processed, 2020

Table 3 shows that the contribution of the influence of each independent variable can be explained that if the increase in PAD is 1%, then IFRD has decreased by 57.8509%. If there is an increase in leverage of 1%, then IFRD will experience a decrease of 60.4123%.

If there is an increase in wealth by 1%, then IFRD will increase by 30.2463%. And if there is an increase in GAF by 1%, then IFRD will increase by 2.1708%.

Assessment of goodness of fit (suitability), it can be read that the Adjusted R-Square value is 0.235529 and the F-statistic prob value is 2.280125. The R-Square figure of 0.235529 shows that 23.56% of IFRD changes can be explained by changes in PAD, Leverage, Wealth, GAF which are the independent variables in this study. So, the remaining 76.44% of IFRD changes can be explained by other variables outside of this research model. The F-statistic prob value of 0.033898 explains that together the independent variables and control variables in this study can significantly influence the variance of IFRD.

Fixed Effect Model Estimation

Table 4. Fixed Effect Model Estimation Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.771429	9.21E-12	3.01E+11	0.0000
PAD	2.152312	2.39E-13	8.991764	0.0000
LAVERAGE	6.47E-14	1.73E-13	0.375184	0.7083
WEALTH	-1.774512	2.79E-13	-6.346631	0.0000
GAF	3.556713	7.65E-14	4.641407	0.0000
R-squared	0.4590000	Mean dependent var		2.771429
Adjusted R-squared	0.4118000	S.D. dependent var		0.991640
S.E. of regression	4.70E-13	Akaike info criterion		-53.70277
Sum squared resid	2.23E-23	Schwarz criterion		-52.88331
Log likelihood	3798.194	Hannan-Quinn criter.		-53.36976
F-statistic	5.638725	Durbin-Watson stat		2.496461
Prob(F-statistic)	0.000000			

Source: Secondary data processed, 2020

Table 4 shows that the contribution of the influence of each independent variable can be explained that if the increase in PAD is 1%, then IFRD will increase by 2.1524%. If there is an increase in Leverage by 1%, then IFRD will increase by 647,0001%. If there is an increase in Wealth by 1%, then IFRD has decreased by 1.7746%. If there is an increase in GAF by 1%, then IFRD will increase by 3.5568%.

Some important things needed in multiple regression analysis using the Fixed Effect Model (FEM) method can be seen in **Table 4**. Testing / assessing the suitability of the model (goodness of fit model), seen in the Adjusted R-Square value of 0.4118000 and the prob value. The F-statistic is 0.000000. The Adjusted R-Square figure of 0.4118000 shows that 41.19% of IFRD changes can be explained by changes in PAD, Leverage, Wealth and GAF which are the independent variables in this study. The remaining 58.81% changes in IFRD can be explained by other variables outside of this research model. The prob F-statistic value of 0.000000 explains that together the independent variables in this study can significantly influence IFRD.

Random Effect Model Estimation**Table 5. Results of Random Effect Model Estimation**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.771244	0.165175	16.77765	0.0000
PAD	-1.701126	2.39E-13	-3.641213	0.0000
LAVERAGE	-5.25E-26	1.73E-13	-3.04E-13	0.5730
WEALTH	2.871327	2.79E-13	3.542714	0.0000
GAF	1.962327	7.65E-14	6.497814	0.0000
R-squared	0.432000	Mean dependent var		6.67E-13
Adjusted R-squared	0.329630	S.D. dependent var		2.39E-13
S.E. of regression	2.42E-13	Sum squared resid		7.91E-24
F-statistic	4.874000	Durbin-Watson stat		2.346000
Prob(F-statistic)	0.000000			

Source: Secondary data processed, 2020

In [Table 5](#), it can be seen that the contribution of the influence of each independent variable can be explained that if there is an increase in PAD by 1%, then IFRD has decreased by 170.1126%. If there is an increase in Leverage of 1%, then IFRD will experience a decrease of 525.0000%. If there is an increase in Wealth by 1%, then IFRD will increase by 287.1327%. And if there is an increase in GAF by 1%, then IFRD will increase by 196.2327%.

Several important things are needed in multiple regression analysis using the Random Effect Model (REM) method as in [table 5](#) that testing / assessing the goodness of fit model, can be seen in the Adjusted R-Square value of 0.329630 and the prob F-value. statistic of 0.000000. The Adjusted R-Square figure of 0.329630 shows that 32.97% of IFRD changes can be explained by changes in PAD, Leverage, Wealth and GAF which are the independent variables in this study. The remaining 67.03% can be explained by other factors outside of this research model. The prob F-statistic value of 0.000000 explains that together the independent variables in this study significantly affect IFRD.

Selection of Estimation Model**Table 6. Chow Test Results**

Effects Test	Statistic	d.f.	Prob.
	1703330264016		
Cross-section F	4704000000000	(34,101)	0.0000
Cross-section Chi-square	7981.183370	34	0.0000

Source: Secondary data processed, 2020

The results of the Chow test in [Table 6](#) show that the profitability of Cross-section F is 0.0000, which means it is smaller than the α value (5%). This shows that the Fixed Effect Model was chosen to be used in this study.

Hausman Test

Table 7. Hausman Test Results

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	0.000000	4	0.08310

Source: Secondary data processed, 2020

Based on [Table 7](#), the results of the random cross-section p-value are 0.08310, which means more than α (5%), so it can be concluded that the fixed effect model is better to use in this study.

Regression Estimation Model

After obtaining the results of the method that is considered good through the Hausman test, the fixed effect model is used for multiple linear regression analysis of panel data. From this fixed effect model, a hypothesis test can be carried out consisting of the coefficient of determination test, the F test and the t test. Referring to [Table 4](#) of the results of the fixed effects model, the following equation can be formulated:

$$\text{IFRDit} = 2.771429 + 2.152312 \text{ PADit} + 6.47\text{E-}14 \text{ LEVit} - 1.774512 \text{ WEALTHit} + 3.556713 \text{ GAFit} + \text{eit}$$

Research Model Testing

Table 8. Determination Coefficient Test Results

R-squared	0.4590000	Mean dependent var	2.771429
Adjusted R-squared	0.4118000	S.D. dependent var	0.991640
S.E. of regression	4.70E-13	Akaike info criterion	-53.70277
Sum squared resid	2.23E-23	Schwarz criterion	-52.88331
Log likelihood	3798.194	Hannan-Quinn criter.	-53.36976
F-statistic	5.638725	Durbin-Watson stat	2.496461
Prob(F-statistic)	0.000000		

Source: Secondary data processed, 2020

Based on [Table 8](#), it can be seen that the value of the Adjusted R-Square is 0.4118000 or at a value of 41.18%. This value shows that the ability of the PAD, LEVERAGE, Wealth and GAF variables is able to explain the IFRD variance by 41.18%. [Table 8](#) also shows the prob F-statistic value of 0.000000 which is smaller than the significance level of 0.05. Then the results of F count $5.638725 > F$ table 2.44 which shows that together the independent variables in this study can significantly influence IFR. Thus it can be concluded that the model in this study is acceptable (goodness fit models).

Based on [Table 4](#) the results of the hypothesis test show that:

1. The coefficient value of the PAD variable is 2.152312 with t count of 8.991764 and a significance of 0.0000. These results indicate that the PAD variable has a positive and significant effect on the disclosure of web-based LGFS (IFRD). This result is indicated by the coefficient value of 2.152312 and the significance value of 0.0000 < 0.05 significance level. Then H1 is accepted

2. The coefficient value of the leverage variable is 6.47E-12 or 0.000000000000647 with t count 0.375184 and a significance of 0.7083. These results indicate that the leverage variable does not have a positive effect on the disclosure of web-based LGFS (IFRD). This result is indicated by a significance value of 0.7083 (sig > 0.05). Then H2 is rejected
3. The coefficient value of the regional wealth / Wealth variable is -1.774512 with t count 6.346631 and a significance of 0.0000. These results indicate that the Wealth variable has a negative and significant effect on the disclosure of web-based LGFS (IFRD). This result is indicated by a significance value of 0.0000 in a negative direction (sig. < 0.05). Then H3 is rejected.

Discussion

Local Own Revenue has a significant positive effect on the disclosure of web-based LGFS (IFRD). This shows that local revenue is able to influence the disclosure of internet-based local government financial reports and can contribute optimally to the prosperity of the community.

Regional Revenue is a source of income obtained from the regions which needs to be continuously improved. Regional Income is obtained from taxes, regional levies, the results of regional wealth management and other legal income. The theory of stewardship explains that the government as steward is a service administrator where the local government is responsible to the central government so that it is able to act responsibly and can be trusted by the community because the community has carried out its obligations in the form of taxes, levies and other levies on local governments. Original regional income can be seen from the ability of local governments to accept the mandate of presenting information to the central government with the aim of making the community prosperous. The higher the PAD a region has, the greater the local government will also disclose local government financial reports through the website. The results of this study are in line with the research of [Hadis \(2014\)](#), [Jaya & Sisdyani \(2014\)](#), and [Wilopo \(2017\)](#) showing that local revenue has a significant positive effect on the disclosure of web-based local government financial statements.

The results showed that leverage has no effect on the disclosure of web-based LGFS (IFRD). This indicates that the amount of debt owed to the district/city will not affect the disclosure of web-based local government financial reporting. Leverage is the ability of local governments to guarantee borrowed funds using the total assets owned by the local government. The government as steward must be responsible for the debts it has as a form of transparency of publications. Leverage is an indication in an organization how the government manages its finances, in this case if the leverage is lower, the higher the organization or government will be in financing operations through its internal funds. Meanwhile, if the higher the leverage, it indicates that the government has not fully been able to finance operations through its internal funds, but with the help of creditors it can be used to close its operational activities. For this reason, the government must be more careful in providing information about debt because debt is one of the things that people see in carrying out its obligations to see government performance. The higher the leverage, the lower the availability and access to internet financial reporting by the government. The results of this study are in line with the research of [Sinaga & Probowo \(2011\)](#), [Sesotyaningtyas \(2012\)](#), [Hudoyo & Mahmud \(2014\)](#), [Istikhomah \(2017\)](#), and [Arifin \(2018\)](#) showing that local revenue has no effect on the disclosure of web-based local government financial statements.

Furthermore, the wealth variable has a significant negative effect on the disclosure of web-based LGFS (IFRD). This condition can be explained that local governments are proven to be able to increase regional wealth, meaning that local governments are successful in managing finances and exploring potential resources. So that the maximum contribution can be achieved for the prosperity of the community. However, this condition was not followed by the delivery of adequate web-based information / disclosure in accordance with Law No. 14 of 2008 concerning Public Information Disclosure on performance achievements to the public. This condition proves that the large regional wealth does not guarantee a more transparent regional government, this shows that the regional government has not fully complied with and implemented the Law on Openness of Public Information because they consider that it is still voluntary. This means that the disclosure made by the local government is still minimal. This results in high information asymmetry because information is only owned by one party. To increase the responsibility of local governments to stakeholders, the community is demanded to be more active in monitoring and evaluating operational activities carried out by local governments by publishing web-based financial reports, so that the rights and obligations between the two parties can be fulfilled. Apart from these reasons, in several areas the condition of the website is still in a state of repair.

Based on the theory of stewardship, the local government tries to show responsibility for its good performance through the results of large regional wealth and potential resources so as to improve disclosure better. The existence of large regional wealth achievements, shows good performance results so that more information needs to be disclosed as the steward's accountability to the principal. This finding is in line with the research of [Rahman et al. \(2013\)](#), [Istikhomah \(2018\)](#) which shows that wealth has a significant negative effect on the disclosure of web-based local government financial statements.

Likewise, the GAF has a significant positive effect on the disclosure of web-based LGFS (IFRD). These results indicate that general allocation funds can affect the level of disclosure of website-based local government financial reports. This shows that regional governments still have a dependency on transfers from the center, because some regions have limited resource potential, so they still need financial support from the central government to meet their financing needs in the context of implementing decentralization. Stewardship theory describes the government as steward must be responsible as the party that meets the needs of the principal. This concept is based on the public's belief in the government that the government is an important role in the regions managing regional budgets so that the government must act in the public interest by carrying out its duties and functions appropriately, namely good service to the community by providing infrastructure, facilities and infrastructure to maximize regional development by using general allocation funds. As a form of responsibility, it is necessary to adequately disclose local government financial report information according to the standards of the Public Information Disclosure Law through the website. This finding is in line with [Arifin \(2018\)](#) which shows that the General Allocation Fund has a positive effect on the disclosure of web-based local government financial reports.

5. Conclusion

Based on the results of data analysis and hypothesis testing in this study, the following conclusions can be drawn:

Local revenue has a positive and significant direction towards the disclosure of local government financial statements on the website, meaning that the higher the PAD, the more web-based financial statement disclosures will be. Leverage has a positive and insignificant direction towards the disclosure of local government financial statements on the website, meaning that the higher the leverage does not affect the amount of disclosure of web-based financial statements made by local governments. Meanwhile, local government wealth (Wealth) has a negative and significant relationship to the disclosure of website-based regional financial statements, meaning that the higher the wealth of the local government (Wealth), the more limited the disclosure of web-based financial statements by the local government. The General Allocation Fund (GAF) has a positive and significant direction on the disclosure of website-based local government financial reports, meaning that the higher the GAF, the more web-based financial statement disclosures will be.

This study has several limitations, among others, the findings cannot be generalized to other provinces in Indonesia. Furthermore, the limited range of the observation period will result in different results if the span of the observation period is longer. Furthermore, the ability to explain the independent variable is still low in explaining the dependent variance. Another limitation is that some cities / regencies experience websites that are still in repair condition so that they cannot be accessed.

The implications of the results of this study can be used as a consideration for the government in forming regulations, rewards and sanctions to increase the level of transparency in financial reporting practices on the website. The regulations that are applied are not only Ministry of Home Affairs Instruction Number 188.52 / 1797 / SJ / 2012, but stronger laws and regulations such as Presidential Regulations, Government Regulations or Laws. The sanctions imposed can be in the form of a written warning, a written warning, a fine, delay in the distribution of the general allocation funds, even a reduction in the general allocation fund. In relation to improving the practice of transparency in financial reports, regional governments or other public bodies need to provide motivation. Including the Central Information Commission, Public Information Commission and PPID can increase the implementation of KIP Awards to the regional level regularly every year. As well as the implementation of a monitoring and evaluation system for the governance of the local government website in implementing financial reporting transparency practices. This research can also be used to motivate local governments in building, evaluating, and developing e-government and m-government so that the public can more easily communicate with the government and monitor the running of government and realize good and clean governance.

Research on the transparency of web-based local government financial reports still has the potential to be investigated because it is a form of accountability and compliance of local governments with laws. Based on the consideration of the results obtained in this study, some suggestions for further research include further researchers who are expected to add variables such as government age variables, legislative variables, and government size which are thought to have a major influence on the disclosure of web-based local government financial statements. Furthermore, researchers are expected to be able to use the latest LGFS data with longer time observations to see performance achievements more transparently through disclosing local government website-based financial reports, especially in Central Java. And finally, further researchers need to develop a comparative analysis with other

provinces to see the compliance of local government performance in public information disclosure.

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