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Local Government Governance In Indonesia

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Abstract
This study aims to study how the implementation of public governance impacts the financial performance of local governments in Indonesia. Local government transparency, local government accountability, legal culture, and community participation are some ways to measure the effectiveness of national government. As an example, Transparent International Indonesia conducted a survey in 2010 of 50 local governments. The results of multiple regression analysis showed that legal culture, as indicated by the corruption perception index, and public participation, as indicated by the number of election voters, greatly helped the financial performance of local governments in Indonesia. The results show that public confidence in paying taxes that increase real income increases as a result of law enforcement and fair elections.

Keywords: Public Sector Accounting, Financial Performance Of Federal And Local Governments

INTRODUCTION

The need for transparency and public accountability during the reform era had an impact on how Indonesia's government was built. The principles of good governance consist of transparency and public accountability. Now both are the subject of extensive and relevant research, and can be applied to the planning, implementation, and financial accountability of participating regions as logical consequences. It is not surprising that transparency and accountability are still an issue despite numerous cases of abuse of authority and misappropriation of funds by high-ranking government officials and officials. For transparency and accountability, the media is needed to communicate with the public more quickly and effectively (Bertot, Jaeger, & Grimes 2012). Better governance management—also known as good governance or good public governance—has been needed as a result of changing political constellations and democratization processes, Osborne (2010) talks about how to implement public policy and deliver public services, It also includes the behavior and impact of government performance (Hill & Lynn 2004).

In the era of autonomy policies, transparency in the process of regional financial management requires a pattern of public accountability. The development of a government accounting system allows the provision of reliable and accurate information and focuses on improving performance benchmarks in providing optimal public services. Transparency is also a process of accountability, management, and elements of management control.

The process of public service and public policy has been carried out through various stages of the regime. Public administration lasted from the early 19th century to the late 1970s; the era of the new public management (NPM) lasted from the early 1980s to the early 21st century; and the era of new public governance (NPG) is taking place from now (Osborne 2010). Public administration, according to Bovaird and Löffler (2003), studies the work of government employees and public servants, as well as their relationship with politicians involved in the legislative and public policy decision-making process. Budget management, contract culture,

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entrepreneurial spirit, and accountability for performance are all topics covered in NPM. How stakeholders interact with each other to support public policy is the subject of discussion on NPG, To achieve the national goal, which is to protect the Indonesian nation and all Indonesian bloodshed, promote public welfare, educate the nation's life, and maintain global order based on state sovereignty, lasting peace, and social justice, there needs to be good public governance (National Committee on Governance Policy 2010).

This goal requires a strong, competitive, and able country to consistently create added value through wise resource management, It will build the country's credibility both domestically and internationally, Both corporate governance (GCG) and both public government are two types of good governance according to the KNKG, Indonesia's implementation guidelines for GCG and GPG have been issued in 2006 and 2010, Both in the administration of the country itself and in various aspects of people's lives, GPG has a great influence on the realization of good governance as a whole, including the implementation of good corporate governance by the business world, On the other hand, the community and the business world also have an interest and a role in realizing GPG. Therefore, three pillars—the state, the business world, and society are needed to create an environment that supports the implementation of the GPG, The problem that must be solved immediately is the financial performance of local governments during the autonomy period. Compared to the period before autonomy, performance even tends to decline (Hariyadi 2002; Azhar 2010),. Local governments prefer to comply with regulations rather than build effective and efficient programs and policies, according to research conducted by Akbar, Pilcher, and Perrin (2012), Many cases of corruption and bureaucratic reform efforts show this It is interesting to investigate further whether there are governance problems with the achievement of financial performance.

The community demands transparency and accountability for the financial performance of local governments. This study looks at how the principles of good public governance (GPG) impact the financial performance of Indonesian local governments. The principles of GPG include legal culture, equality, democracy, transparency, and accountability, A study conducted by Akbar et al. (2012) found that complying with regulations is the only way local governments can achieve performance, There are no internal factors that really determine how performance can be achieved, Azhar (2010) also compared the performance of local governments before and after regional autonomy taking into account the degree of decentralization As a measure, the characteristics of local governments can be used to predict the performance of local governments without any particular effort, according to Sumarjo (2010) and Mustikarani and Fitriasari (2012). To achieve performance targets, this study uses internal efforts of local governments. Public governance is represented by the following principles: democracy (participation), transparency, accountability, and a culture of law (National Committee on Governance Policy 2010). In this study, a research model on governance—or corporate governance—is used. This model is used in business research to evaluate how it impacts performance of the test, Research has never been done on civil government and its relationship to government performance in Indonesia, In order for research on public government to become as popular as research on corporate governance, it is important to start and do further. As a reference to efforts to improve financial performance and identify the causes, as well as the demands of stakeholders to realize good governance (public governance/good government), this research also helps the next research on public sector accounting of government. The complexity of the problems faced by the government in realizing good governance and public governance can encourage the development of research models and exploration of variables.

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RESEARCH METHODS

The population surveyed in this study comes from level II local governments throughout Indonesia, The data sources used are the Transparency International Indonesia survey in 2010 about incoming local governments, the e-government index of Gunadarma University in 2010: and its financial report in 2010 which was sent to the Directorate General of Financial Balance of the Ministry of Finance of the Republic of Indonesia.

RESULTS AND DISCUSSION

At this stage, descriptive statistics are given for dependent (bound) and independent (free) variables, Descriptive statistics include basic statistics such as mean, minimum, maximum, and standard deviation that provide information about the data as a whole (Patrick 2007). Regional financial performance is the first dependent variable to be discussed Starting with measures of transparency, accountability, legal culture, and participation, independent variables are discussed. Autonomy is intended to make local governments more independent and independent of the central government, PAD is a symbol of regional financial performance in this study. For analysis, the amount of PAD in rupiah is used and logs are used With a sample of 50, descriptive statistics show that the average (mean) financial performance of local governments is 4.93 This shows that the PAD obtained is still low and dependence on the central government is still high, Even the results of Azhar's research (2010) show that fiscal decentralization decreases regional financial performance in Aceh and North Sumatra.

E-Government is the government's effort to communicate with the public by using technology to increase transparency and accountability (Deakins et al., 2010), The e-government index for 50 local governments averages 0.23. Local governments need to allocate greater funds to implement e-government and show greater political will to increase government transparency and accountability. These figures are still inadequate.

The extent to which the quality of financial statements is made shows the accountability of local governments, The quality of the financial statements in question is shown by the results of the BPK audit. The average audit opinion for fifty local governments is 0.12, which indicates that the tendency of the opinion is close to unreasonable or unfeasible, and the financial statements have not been properly prepared and presented in accordance with existing standards. Realizing the absence of corruption allows law enforcement, economic and political government to be disrupted by corruption. The average corruption perception index of 50 local governments is 4.93 The level of corruption in local governments is relatively high, according to the average index. This condition is very worrying because the spirit of autonomy and good governance is expected to hinder the progress of the government. To improve government performance and community welfare. approaches to prevention and eradication of corruption should be improved, Improved accounting and auditing standards can be used to prevent (Malagueño et al., 2010) or bureaucratic reform (Mistry 2012). The democratization process developed because of

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community participation. Participation will put the government under special pressure to make a hard and sincere effort to improve performance, In 50 local governments, the average community participation rate is 5.73 Because there are some groups that have not yet realized how important it is for the community to participate in the governance process, the figure may not be ideal.

Hypothesis Testing

Hypothesis testing aims to show empirically the influence of independent variables on dependent variables, The results of multiple linear regression tests show this. The results showed that independent variables—transparency, accountability, legal culture, participation, and the size of local governments (control variables)—had an effect on regional financial performance simultaneously, with a significance value of F of 0.000 less than 0.05,. The determination coefficient showed that the independent variable could explain 85.3% of the dependent variables, while 14.7% of the independent variables explained the control variables, The results of statistical calculations for each test showed that the variables with significance values below alpha 0.05 (alternative 0.10) were participation (0.000), the size of the local government (0.000), and legal culture (0.100), The influence of the variables transparency (0.494) and accountability (0.951) was not real on regional financial performance Overall, due to their significance value below alpha 0.05.

The results of individual testing showed that the transparency variable (e-government) had no impact on regional financial performance with a regression coefficient value of 0.099. meaning that regional financial performance will increase by 0.099 if this variable increases by one unit, the first hypothesis is rejected and The results of this study do not support the findings by Deakins et al. (2010) that e-government has an effect on improving the performance of local governments in China, New Zealand, Oman and the United Kingdom, In different contexts, the results of Patrick (2007) show that e-government has a real impact on organizational innovation, such as the adoption of Statement Number 34 from the Board of Government Accounting Standards (GASB). Several reasons can be stated, including incomplete information shown on the website by the administrator, undynamic construction and operation of the website, inadequate access facilities, and so on. This can cause people to be disinterested in visiting local government websites to meet related needs. As a result, the expected interaction will not happen well. The results of the individual test showed that the BPK audit opinion, the accountability variable, had no impact on the regional financial performance, with a regression coefficient value of 0.006, which means that the regional financial performance would increase by 0.006 if this variable increased by one unit. Thus, the second hypothesis is rejected. The results of this study are not in line with those shown by Mustikarani and Fitriasari (2012), which empirically show that the results of BPK audits have a negative impact on the performance of local governments. For example, the results of the audit by BPK RI in 2014 (LKPD 2013) show that only 7% of the City LKPD received a reasonable opinion overall, indicating that the problem of preparing financial statements referring to Government Regulation No. 71 of 2010 must be handled seriously. The regression coefficient of the legal culture variable (corruption perception index) is 0.076, which means that regional financial performance will increase by 0.076 if this variable

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increases by one unit. The results of the individual test showed that the influence of the legal culture variable (corruption perception index) was real and showed a positive direction on regional financial performance with a significance value of 0.100 (alpha 0.10). Thus, the third hypothesis (H3) of this study is accepted. This shows that regional financial performance can be improved by clean local government while corrupt regional financial performance will decrease. The results of this study are in line with the findings of Hasthoro (2014) and Picur and Riahi-Belkaoui (2006) which show that corruption control in 30 developed and developing countries can improve tax compliance which has an impact on increasing income and economic development, Low government revenues are also associated with high levels of corruption (Tanzi & Davoodi 1997). The value of the regression coefficient of the variables involved in this study is 0.473, which means that the financial performance of the region will increase by 0.473 if the variable increases by one unit. The results of the individual test showed that the influence of the participation variable was real and showed an improvement in regional financial performance with a significance value of 0.000 (<0.05). This suggests that the fourth hypothesis (H3) of this study is accepted. A study conducted by Coryanata (2007) showed that participation strengthens the relationship between council members' knowledge and their financial oversight of local government. Increased supervision from council members can encourage local governments to improve their performance. With a significance value of 0.000, the size of the local government (size) as a control variable shows a real influence on government performance. These results support the findings of Sumarjo (2010), Mustikarani and Fitriasari (2012), and Hasthoro (2014) that organizational size (size) is an important predictor that affects the performance of local governments in Indonesia.

CONCLUSION

This research can directly show that legal culture and participation are predictors of the financial performance of local governments; As a control variable, organizational size is an important factor. All independent variables affect the dependent variables in the combination regression test. Local governments should try harder to implement the law and increase community participation to gain public trust and improve performance.

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