



## What Motivates Internet Financial Reporting in the Public Sector? Case of a Local Government in Indonesia

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### Abstract

**Objective** – This study aims to examine the influence of local government wealth, local government debt levels, and audit opinions on Internet Financial Reporting (IFR) in districts / cities in West Java Province, Indonesia, during the period of 2014-2018.

**Design/methodology** – This study uses panel data regression analysis. Purposive sampling method is utilized with a total of 65 samples consisting of 13 official sites of district/city governments in West Java Province, Indonesia. The period of this research in total is five years.

**Results** – The results of this study indicate that wealth of local governments, local government debt levels, and audit opinions simultaneously influence IFR at 9.81%. Partially the variable of local government wealth and the debt level of local government do not affect IFR, while the audit opinion variable influences IFR in districts/cities in West Java Province during 2014-2018.

**Keywords:** Local Government Wealth, Local Government Debt Level, Audit Opinion, IFR.

### 1. Introduction

According to Law Number 33 of 2004 concerning financial balance between the central government and regional governments, article 101 Paragraph (1) that the Regional Financial Information System (SIKD) nationally is a means for the government to process, present, and publish financial management information and reports regions as a means of supporting the achievement of good governance through transparency and accountability. Article 103 states that the information contained in the Regional Financial Information System (SIKD) is open data that can be known, accessed and obtained by the public, so that information about government reports is the right of the community and also at the same time is a government obligation.

Verawaty (2017) highlighted that E-government has enabled government agencies to provide information and services to internal and external stakeholders through government websites. The pattern of traditional public information services with face to face services can be developed into a new model through e-government that is more efficient and flexible because its access is available anytime and anywhere by the public.

The publication of financial reports via the internet can be performed by utilizing the official government websites. The government must provide easy access to financial reports to see or accuse what can be done by the public and stakeholders. The government can take advantage of technological advances by using a government website (e-government) in financial reporting in the public sector which can be referred to as Internet Financial Reporting (IFR).

Transparency can be proven in accordance with the Law of the Republic of Indonesia Number 14 of 2008 concerning information disclosure which regulates all levels of public officials to be more transparent, responsible, and oriented towards public services as best they can. In the government issued Instruction of the Minister

of Home Affairs of the Republic of Indonesia Number 188.52/1797/SJ of 2012 concerning increased transparency of regional budget management instructing regional heads to prepare content names with the name "Regional Budget Management Transparency" on the official website of the regional government.

Accountability is a term that describes the level of accountability of a person or a particular institution relating to the administration system it has. Public accountability has dimensions including legal and honesty, managerial, program, policy, and financial accountability. If the community considers that the regional government is not accountable, the community can demand a change of government, replacement of officials, and so on (Verawaty, 2017).

According to Verawaty (2017), IFR through e-government is the media that best meets the 3E aspects (Efficiency, Effectiveness, and Economy) to provide and publish information on financial reports to all public stakeholders including the central government, other local governments, DPRD, BPK, economic analysis, investors, creditors, donors, and the people. But so far the disclosure is more voluntary. Meanwhile Nosihana (2016) states that the publication of government financial reports through e-government known as the IFR is one form of accountability for the management of regional finances to the public.

The use of IFR in providing information to the public about government financial reports is expected to increase transparency and accountability, but in fact according to the 2018 Corruption Perceptions Index report Indonesia ranks 89th out of 180 countries measured. In 2018 there was an increase in one number/score from 2017 (riset.ti.or.id, 2017). Factors that cause Indonesia to rank 89th out of 180 countries, namely the low level of public trust in the performance of the central/regional government, the number of corrupt practices in the government environment, there are several regions that do not have official websites and the lack of maximum internet financial reporting to the public.

The West Java government already has a menu display content on the official website about transparency in managing local budgets in meeting government performance. The average PeGI results in West Java province show a fluctuating pattern. In connection with that, West Java in 2012-2013 had e-government in the category of "good", then in 2014 it decreased "less". In 2015 e-government increased again to the category of "good", but there are records that Sukabumi District obtained e-government in the category of "less", while in 2016 e-government of West Java continued to get the category of "good". West Java Province won the second position in PeGI in 2016, but those in PeGI only amounted to 10 Regencies/Cities so that it has not reached 50% of Regencies/Cities in West Java that participated in PeGI (pegi.layanan.go.id, 2016).

**Table 1.** Implementation of IFR Local Government 2019

Regional Government	Autonomous Region	Does not have a website	Website Repair	Has a TPAD Menu	Does not have a TPAD menu
City	9	0	3	7	2
Districts	18	0	12	9	10
Total	27	0	15	16	12
Percentage	100%	0%	56%	59%	44%

Based on table 1, the observation result shows that 59% already have a Regional Budget Management Transparency menu (TPAD) in accordance with the Minister of Home Affairs Instruction Number 188.52/1797/SJ, the majority of regencies/cities in West Java that have revealed a complete TPAD menu with the latest budget year being in the City Bandung. There are seven Regency/City websites that create TPAD menus, but in the content there are no data on financial statements, meanwhile there are several TPAD menus that already have content inside but the data is incomplete. In this regard, seven Regency/City websites that have constraints include Cirebon City, Depok City, Banjar City, Kab. Cirebon, Kab. Sumedang, Kab. Subang, and Kab. Karawang.

Research on several factors that influence Internet Financial Reporting on the official website of local government, one of which is the local government wealth, the debt level of local government, and audit opinion has been carried out by Jimoh & Okoye (2016), Utomo & Aryani (2016), Khasanah et al. (2017), Wau (2015), Nosihana (2016), Hanifah (2017), Verawaty (2015), Lynda et al. (2018), Pontoh et al. (2018), Rizkiyaningsih & Rusmana (2016), and Kurniawan & Scorpianti (2019) with the conclusion found inconsistencies in the results of previous studies. A different approach compared to previous research using the research object, namely the Regency/City Regional Government in West Java Province in 2014-2018.

## 2. Theoretical Framework and Hypotheses Development

### *Agency Theory and Signaling Theory*

In the agency relationship, it is stated that the regional government has the authority and has the right to give the authority and responsibility to the agent to make decisions that best suit the interests of the local government. Openness of information through the internet can reduce information asymmetry and the costs used are quite low (Utomo & Aryani, 2016).

From the perspective of signaling theory, the government as the party that gets the mandate from the community with the aim to show a good signal to the community. The government can reduce information asymmetry, that is by providing detailed financial reports and quality that can be accounted for. One way to reduce information asymmetry, by giving good and correct signals in providing financial information (Wau, 2015). Signaling theory is very important to be applied in this research, because the government must provide a positive signal to the community so as not to arouse suspicion about the performance of local government. If the government gives a negative signal, then the community will question the performance of the local government.

### *Internet Financial Reporting (IFR)*

IFR is a combination of financial reports and multimedia capabilities in presenting financial information interactively, where anyone can access financial reports quickly and easily. Financial reporting via the internet has the power to revolution in the presentation of financial information externally (Jimoh & Okoye, 2016). The use of IFR in local governments is very important in today's era, where financial reports are easily accessible to stakeholders and the public. Then it can save the cost of publishing financial statements, and the participation of the public in the performance of local government financial reports.

### *Local Government Wealth*

Wealth of local government is the ability to meet needs and reflect how the performance of a local government. Local governments with high wealth will try to show these stakeholders as a sign of good public management (Christiaensens, 1997, in Nosihana, 2016). The wealth of the regional government shows a good performance of the government. If the wealth of the regional government is getting higher, the availability of IFR access to the regional government tends to be high (Kurniawan & Scorpianti, 2019). Regional wealth can be said to use the amount of Local Revenue (PAD). PAD can receive all money through regional cash accounts which add to the fund's equity. PAD consists of regional taxes, regional levies, the results of the management of separated regional assets, and other legal PAD (Nosihana, 2016).

The relationship between local government wealth with IFR can be described if local governments have high wealth, the IFR will increase. Meanwhile, if local governments have low wealth, the IFR will decrease. If the local government wealth increases, the public demand for transparency of financial statements will be higher.

It can be said that local governments with large amounts of wealth are more likely to manipulate their reports (Rizkiyaningsih & Rusmana, 2016). This is in accordance with research by Utomo & Aryani (2016) that the concept of signaling theory, where large regional wealth reveals more financial statements, while small regional wealth limits its financial statements. Based on the previous explanation, the research hypothesis can be formulated as follows:

H1 : The local government wealth has a significant positive effect on IFR.

#### *Debt Level of Local Government*

The level of local government debt is the ability to ensure loan funds in providing services and programs to the community both now and in the future. The existence of government relations with creditors, where creditors will always oversee the performance of local governments in the use of loan funds and assess the level of ability to pay obligations that must be done by local governments (Lynda et al., 2018). In the use of debt to pay for public activities as a driver for public sector managers in order to reduce debt costs. This can be obtained by IFR because by using the internet the distribution of financial statements becomes more efficient, effective, and economical. Therefore the debtor (debtor) will ask for transparency and accountability in the easiest way (accessibility), namely IFR through e-government (Verawaty, 2015).

Therefore, there is a relationship between the level of local government debt with IFR, namely, the emergence of a relationship between the government and creditors, where the higher level of debt will cause the supervision of creditors to the debtor to be higher in the use of borrowed funds and the ability to repay funds. This is in accordance with research by Hanifah (2017) that the level of debt is in accordance with agency theory conducted by the government, which further increases the availability of regional financial information so the level of debt becomes low. Debt held by the local government will encourage increased accountability in regional financial management, including in the provision and ease of access to financial reports (Khasanah et al., 2017). Local governments with high levels of debt do not publish regional financial information because the public will think that the performance of local governments is not good. Based on the previous explanation, the research hypothesis can be formulated as follows:

H2 : The debt level of local government has a significant negative effect on IFR.

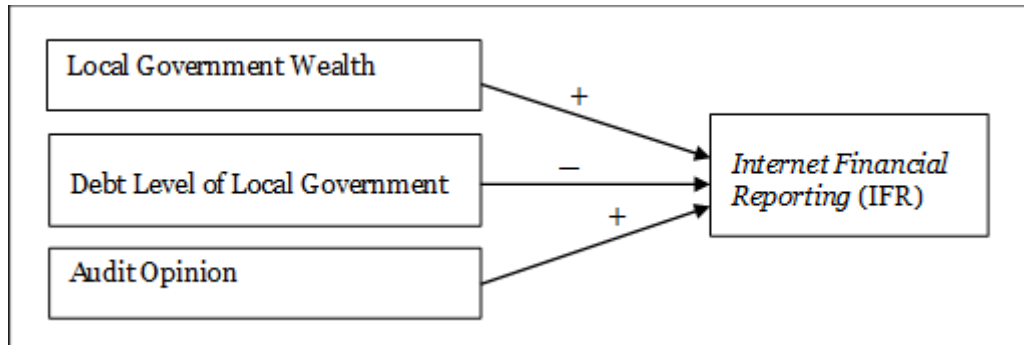
#### *Audit Opinion*

An audit opinion is a professional statement as a result of an examination regarding the fairness of the information presented in the financial statements. BPK's opinion can be an indicator in assessing accountability to government entities. This opinion can increase and decrease the level of trust towards stakeholders over the report presented by the party being audited, in this case the local government entity. The level of reasonableness given is the type of opinion that has been provided, namely Fair Opinion without Exception (WTP) is the best opinion, then Fair With Exception (WDP), then Unqualified (TW), and Does Not Provide Opinion (TMP). Audit opinions are expressed in the opinion paragraphs included in the audit report section.

The audit opinion is fully mediated by e-government where the better e-government owned by local government, the greater the effect of e-government mediators on the relationship between audit opinion and the use of IFR (Pontoh et al., 2018). There is a relationship between audit opinion with IFR, if audit opinion in BPK's opinion about LKPD will tend to increase for local governments in implementing IFR to show the public about their ability and commitment in accordance with SAP. This is in accordance with research by Khasanah et al. (2017) shows that the audit opinion received by the regional government will also increase IFR accessibility. Audit opinion is the government's achievement in managing regional finances, so the government that has a good audit opinion has a tendency to provide financial information to website (Wau, 2015). Based on the previous explanation, the research hypothesis can be formulated as follows:

H3 : Audit Opinion has a significant positive effect on IFR.

Based on the theoretical basis that has been described, the conceptual framework in this study can be formulated as follows:



**Figure 1.** Conceptual Framework

### 3. Research Method

#### *Population and Sample*

In this study the population is the financial statement information contained on the official website of the district/city government in West Java Province in 2014-2018. The sample in this study used a purposive sampling method with criteria used in determining the sample: (1) Regencies/Cities in West Java Province that had formed an autonomous region from 2014-2018 registered with the Ministry of Home Affairs; (2) Regencies/Cities in West Java Province which have official local government sites and can be accessed with the domain go.id; (3) Regencies/Cities in West Java Province which disclose information on 2014-2018 financial statements in full. This research focuses on 2014-2018 because the financial statements presented by the government of West Java Province are not fully optimal. This results in a lack of information and public services that should be presented, but not yet displayed on the official website of the local government. In this study, using four regional government financial reports that have been audited by the Supreme Audit Agency (BPK), namely the Balance Sheet, Budget Realization Report (LRA), Cash Flow Report, and Notes to Financial Statements (CALK).

#### *Data Types and Sources*

In this study the type of data used is secondary data, by means of documentation and literature studies, including: (1) Data and information obtained from the official website of the district/city government in West Java Province (go.id), Indonesian Supreme Audit Board (www.bpk.go.id), Directorate General of Fiscal Balance Ministry of Finance (www.djpk.depkeu.go.id), and the Central Statistics Agency (www.bps.go.id); (2) Literature study is to study theories that are in the literature which relate to the problems examined both from books, scientific works in the form of journals, theses, and other reading materials which are interconnected with the problem under study.

#### *Research Model*

The research model used in this study is the panel data regression model. Panel data regression is a way of combining cross section and time series data, which corresponds to the object of research, namely Regency/City, amounting to 13 with a period of five years from 2014-2018, as well as to test whether local government wealth, local government debt levels, and Audit opinions affect IFR. The panel data regression equation can be written as follows:

$$Y = \alpha + \beta_1 KPD + \beta_2 TUPD + \beta_3 OA + \epsilon$$

Information:

- Y : IFR
- $\alpha$  : Constants
- $\beta_1$  : Regression coefficient of Local Government Wealth
- KPD : Local Government Wealth
- $\beta_2$  : Regression coefficient of local government debt level
- TUPD : Local Government Debt Level
- $\beta_3$  : Audit Opinion regression coefficient
- OA : Audit Opinion
- $\varepsilon$  : error term

Variable Measurement

Measurement of variables used in this study can be seen from table 2 as follows:

No	Variable	Regression formula	Calculation
1	Internet Financial Reporting	IFR	Calculation of Accessibility Index Value $\frac{\text{Total Local Government Revenue}}{\text{Total Population}}$
2	Local Government Wealth	KPD	$\frac{\text{Total Liabilities}}{\text{Total Population}}$
3	Debt Level of Local Government	TUPD	
4	Audit Opinion	OA	Using dummy variables, 1 = Unqualified opinion (WTP) and 0 = Unqualified opinion (WTP)

Operationalization of Variables

Independent Variable

According to Sugiyono (2017: 95) Independent variable is a variable that influences or causes changes or emergence of a dependent variable. Meanwhile according to Sujarweni (2018: 39) Independent variables are often referred to as stimulus variables, predictors, antecedents. In Indonesian, it is often referred to as the independent variable. The independent variable is the variable that influences or is the cause of the change or the appearance of the dependent variable.

1) Local Government Wealth

Local government wealth is how much of the region's original income. Local Government Revenue (PAD) is a financial source that comes from the local government, which is the potential of the regional income itself (Nosihana, 2016). In this study to measure the wealth of local government of the total local government revenue (PAD) divided by the total population.

2) Debt Level of Local Government

According to Government Regulation Number 71 of 2010, Appendix III, namely PSAP 01 concerning Presentation of Financial Statements, debt is debt arising from past events whose settlement has resulted in an outflow of government economic resources. The level of local government debt is used to finance relevant services and programs, which are provided to residents in the area. Financing regional expenditure with debt can affect the region's ability to provide programs and services in the future (Verawaty, 2015). In this study to measure the level of local government debt of total debt divided by the population.

3) Audit Opinion

According to Law Number 15 of 2004 is a professional statement as the conclusion of the examination regarding the fairness of the (financial) information presented

in the financial statements. The audit opinion is given based on the criteria of conformity with government accounting standards, adequate disclosure, compliance with laws and regulations, and the effectiveness of the internal control system. Based on the criteria mentioned, then the audit opinion is measured by the acquisition of opinions obtained by the West Java provincial government using a dummy variable, which is to get a value of 1 if the local government gets a Fair Without Exception (WTP) opinion and a value of 0 if the local government gets an opinion other than Fair without Exceptions (WTP).

#### Dependent Variable

According to Sugiyono (2017:96) the dependent variable is the variable that is influenced or due, because of the independent variables. Meanwhile, according to Sujarweni (2018:39) the dependent variable is often referred to as the output variable, criterion, consequent. In Indonesian it is often called the dependent variable. The dependent variable is a variable that is affected or which is due, because of the independent variables. The dependent variable in this study is IFR.

IFR is the level of ease of use and access to financial reports on the official website of the local government (Khasanah et al., 2017). In this study the indicator used is the Calculation of Accessibility Index Value developed by Style and Tennyson (2007), in Khasanah et al. (2017) and adjusted to the Instruction of the Minister of Home Affairs No. 188.52/1797/SJ/2012 concerning Enhancing Transparency in Regional Budget Management. If the regional government presents the financial statements on its official website, then the number 1 is given, while the number 0 will be given if the local government does not present its financial statements which consist of nine conditions with a total of ten disclosure items.

#### *Hypothesis Test*

##### Simultaneous testing (Test F)

F test or simultaneous testing can be used to determine whether all variables independent or free who are on the model with simultaneously have influence on the dependent variable.

##### Partial testing (t test)

T-test or partial testing can be done to test how much influence the independent variable has on the dependent variable.

- 1) If the significance value  $< 0.05$  then  $H_0$  is rejected and  $H_a$  is accepted, which means that the independent variable (X) partially influences the dependent variable (Y).
- 2) If the significance value  $> 0.05$  then  $H_0$  is accepted and  $H_a$  is rejected, which means the independent variable (X) has no partial effect on the dependent variable (Y).

## **4. Result and Discussion**

### *Description of Research Object*

The sample of data used in this study is the District/City of West Java Province (West Java) in 2014-2018 which contained 65 samples from 13 districts/cities over five years. West Java has e-government that is the best ranked second in Indonesia after DKI Jakarta, which occupies the first position. The e-government assessment is divided into five aspects, namely institutional, policy, infrastructure, application, and planning (Kominfo, 2016). West Java is a province with Regencies/Cities that are in the fifth position in Indonesia totaling 18 Regencies and 9 Cities, and West Java also has the most population in Indonesia. In this case, it can result in a high amount of information availability compared to other provinces in Indonesia. Meanwhile, there is still a lack of disclosure of information that is not yet available on several official

local government sites in the districts/cities in West Java. For example the disclosure of information about the results of audit opinions produced by local governments in districts/cities.

This study aims to determine the results of data processing from local government wealth, local government debt levels, audit opinion, and internet financial reporting using descriptive statistical analysis. This study also analyzed the effects of variables both simultaneously and partially using panel data regression. Research data obtained from the disclosure of financial statements on the official website of the West Java regional government in 2014-2018. The descriptive statistical test results are in table 3 as follows:

	<b>KPD (X1)</b>	<b>TUPD (X2)</b>	<b>OA (X3)</b>	<b>IFR (Y)</b>
The mean	436,001	43,204	0.69	5.09
Minimum	154,517	1,121	0	3
Maximum	1,032,234	160,987	1	10
Standard Deviation	216,039	41,188	0.47	2.23

**Table 3.** Descriptive Statistics Results

Source: Secondary data that has been processed (2020)

The results of descriptive statistical testing in this study explain descriptively from each variable used in the study. Based on table 3, the first independent variable is the wealth of the regional government. This variable has an average value (mean) of 436,001 while the standard deviation of 216,039 which means the standard deviation is smaller than the average value, so the data is not varied and homogeneous (tends to be in groups). Local government wealth has a minimum value of 154,517, where the minimum value is owned by West Bandung Regency in 2014. Meanwhile, local government wealth for a maximum value of 1,032,234 was achieved by the City of Bandung in 2017.

The second independent variable is the level of local government debt which has an average value of 43,204 while a standard deviation of 41,188 means that the standard deviation is smaller than the average value, so the data is not varied and homogeneous (tends to be grouped). The level of local government debt has a minimum value of 1,121, where the minimum value is owned by Bogor Regency in 2014. Meanwhile, the level of local government debt for a maximum value of 160,987 was achieved by the City of Bandung in 2017.

The third independent variable is the audit opinion which has an average value (mean) of 0.69 while the standard deviation of 0.47 which means that the standard deviation is smaller than the average value, so the data is not varied and homogeneous (tends to be in groups). Audit opinion has a minimum value of 0 and a maximum value of 1 because it uses dummy variables in the measurement of these variables. A value of 1 is given to regions that obtain a Fair without Exception (WTP) opinion and a value of 0 is given to regions that get an opinion other than Fair without Exception (WTP).

The dependent variable is the IFR which has an average value (mean) of 5.09 and a standard deviation of 2.23 it can be said that the standard deviation has a value that is smaller than the average value which indicates the data does not vary and in groups. IFR has a minimum value of 3, where the minimum value is owned by Bandung Regency in 2017-2018, Depok City in 2018, Sumedang Regency, Karawang Regency, and Banjar City for five years in a row. Meanwhile, internet financial reporting for a maximum value of 10 was achieved by Bogor City in 2015-2017, and Bandung City in 2014-2015. An average value of 5,09 which shows that regions in West Java Province disclose financial statement information on the official website of the regional government of 5.09 out of the total items for the disclosure of ten items for 2014-2018.

#### *Selection of Panel Data Regression Model*

This study uses panel data regression, panel data regression methods, there are three approaches, namely common effect model, fixed effect model, and random effect

model. In determining the most appropriate panel data regression model, the three regression selection techniques are Chow Test, Hausman Test and Lagrange Multiplier Test.

**Chow Test**

Chow test is a test that can be done to determine whether the regression technique fixed effect model better than the common effect model. Chow test using Eviews 9 is as follows.

**Table 4.** Testing Common Effect Model and Fixed Effect Model

Effects Test	Statistics	df	Prob.
Cross-section F	9.584452	(12.49)	0.0000
Chi-square cross-section	78.528318	12	0.0000

Source: Output 9 Eviews Chow Test

Based on the table 4 Chi-square probability cross section results of 0.0000 or smaller than  $\alpha = 0.05$ , the results of the chow test obtained a fixed effect model better than the common effect model. Because the fixed effect model is more suitable in this study, it will be compared to the random effect model, which is to perform the hausman test.

**Hausman Test**

Hausman test or fixed effect or random effect significance test is a test to determine whether the fixed effect model is better than the random effect model that will be used in research, here are the results of the hausman test that has been done.

**Table 5.** Testing Fixed Effect Model and Random Effect Model

Summary Test	Chi-Sq. Statistics	Chi-Sq. df	Prob.
Random cross section	6,279687	3	0.0988

Source: Output 9 Eviews Hausman Test

Based on table 5 the Chi-square Probability cross section results of 0.0988 or greater than  $\alpha = 0.05$ , it can be concluded that the random effect model is more suitable based on the thirsty test. Because the results of the hausman test and the chow test are different, then to ensure the right regression model with subsequent testing is a multiplier lagrange test.

**Significance Test of Random Effect (Lagrange Multiplier)**

Lagrange multiplier is a test used to determine whether the random effect model is better than the common effect model. Following are the results of the lagrange multiplier test using Eviews 9.

**Table 6.** Testing Random Effect Model and Common Effect Model

	Hypothesis Test		
	Cross section	Time	Both
Breusch-Pagan	35.08844 (0.0000)	0.335577 (0.5624)	35.42401 (0.0000)

Source: Output Eviews 9 Breusch-Pagan LM Test

Based on table 6 the probability results (Breusch - Pagan (BP)) of 0.0000 or smaller than  $\alpha = 0.05$ , then based on the lagrange multiplier test, the random effect model is a better regression model to be used in this study. It can be concluded, that of the three data regression estimation techniques that have been done on the best regression model for use in this study is the random effect model.

*Classic Assumption Test*

Multicollinearity Test

Multicollinearity testing has the objective in testing the regression model to find a correlation between independent variables, a good regression model is not a correlation between independent variables. If there is multicollinearity it will cause difficulties which will reject the null hypothesis in the study (Ghozali, 2018: 71).

Test multicollinearity can be seen from the correlation value between variables. If the correlation value <0.8 then multicollinearity does not occur. Based on the multicollinearity test in this study, the correlation values between the independent variables all have values <0.8, it can be concluded that there is no multicollinearity in this regression model, which means that for one independent variable with another variable there is no strong correlation.

Heteroscedasticity Test

Heteroscedasticity test is performed to test whether the regression model of variance and residual inequality occurs in one observation to another. Heteroscedasticity test can be done by using a white test (Sarwono, 2016: 162). White test criteria are: if the probability value < 0.05 then the data will be heteroscedasticity, and if the value of the probability value > 0.05 then the data will be homoscedasticity or heteroscedasticity does not occur.

Based on the results of the heteroscedasticity test the Chi-square R-square probability value of 0.3332 is greater than  $\alpha = 0.05$ , it can be concluded that the research data did not occur heteroscedasticity.

*Hypothesis Test*

Based on the results of testing the regression estimation technique using three models that have been done, the model used in this study is a random effect model. The following are the results of tests using the random effect model.

Variable	Coefficient	Std. Error	t-Statistics	Prob.
C	2.148051	1.307938	1.642318	0.1057
KPD	-0.053316	0.109888	-0.485183	0.6293
TUPD	0.044619	0.036071	1.236985	0.2208
OA	-0.335894	0.109003	-3,081505	0.0031
Weighted Statistics				
R-squared	0.140400	Mean dependent var		0.531193
Adjusted R-squared	0.098125	SD dependent var		0.192852
SE of regression	0.183146	Sum squared resid		2.046091
F-statistics	3.321077	Durbin-Watson stat		1.285002
Prob (F-statistic)	0.025525			

**Table 7.** Random Effect Model (REM) Test

Source: Output Eviews 9 Random Effect Models

Based on table 7 it can be seen that the panel data regression equation in this study is as follows:

$$Y = 2.148051 - 0.053316 KPD + 0.044619 TUPD - 0.335894 OA + e$$

Determination Coefficient Analysis (R<sup>2</sup>)

The coefficient of determination (R<sup>2</sup>) is a measure to find out how far an independent variable is in explaining the dependent variable. Based on table 7 the coefficient of determination with the results of the adjusted R-squared of 0.098125 or 9.81%, it can be concluded that the local government wealth, the debt level of local government, and audit opinion are able to explain the IFR of 9.81 % and the remaining 90.19% are influenced by other variables or other factors not used in this study such as the size of local government, regional expenditure, type of local government or other factors.

#### Simultaneous Testing (Test F)

F test or simultaneous testing can be done to show that all independent variables used in research have significant simultaneous or joint influence on the dependent variable. Provisions for decision making if the probability value  $> 0.05$ , then the independent variable simultaneously has no significant effect on the dependent variable. However, if the probability value  $< 0.05$ , then the independent variable simultaneously significantly influences the dependent variable.

Based on the table 7 obtained by the results of simultaneous testing that the significant value or probability F statistic of 0.025525 is smaller than 0.05. Therefore, it can be concluded that regional government wealth, local government debt levels, and audit opinion simultaneously or jointly have a significant effect on IFR in districts/cities in West Java Province in 2014-2018.

#### Partial Testing (t Test)

Partial testing or t test can be done to show that the independent variables used in research have a significant influence partially on the dependent variable. Provisions for decision making if the probability value  $> 0.05$ , then  $H_0$  is accepted, which means that the independent variable partially has no effect on the dependent variable. However, if the probability value  $< 0.05$ , then  $H_0$  is rejected, which means that the independent variable partially influences the dependent variable.

Based on the table 7 the results of partial tests of local government wealth, local government debt levels, and audit opinions that affect the IFR, can be concluded as follows:

- 1) The local government wealth variable has a coefficient of -0.053316 with a probability or significant value of 0.6293  $> 0.05$ , then the local government wealth variable has no partial effect on the IFR of the districts/cities in West Java Province in 2014-2018.
- 2) The variable level of local government debt has a coefficient of 0.044619 with a probability or significant value of 0.2208  $> 0.05$ , then the variable level of local government debt has no partial effect on IFR in districts/cities in West Java Province in 2014-2018.
- 3) The audit opinion variable has a coefficient of -0.335894 with a probability or significant value of 0.0031  $< 0.05$ , then the audit opinion variable has a partial effect on IFR in districts/cities in West Java Province in 2014-2018.

#### *Discussion*

##### Effects of Local Government Wealth, Local Government Debt Level, and Audit Opinion on Internet Financial Reporting

The simultaneous test results (F) significantly have a probability value of F statistic of 0.025525 smaller than 0.05, which means that local government wealth, local government debt levels, and audit opinion together have a significant effect on internet financial reporting in regencies/cities in West Java Province in 2014-2018. The coefficient of determination based on Adjusted R-squared of 0.098125 or 9.81%, which means that the wealth of local government, local government debt levels, and audit opinion can explain internet financial reporting of 9.81% and the remaining 90.19% is influenced by other variables not included in this study.

##### The Effect of Local Government Wealth on Internet Financial Reporting

Test results on local government wealth variables shows that the probability value of the results of t test is 0.6293  $> 0.05$  which means that the wealth of the regional government does not have a partial effect on internet financial reporting in districts/cities in West Java Province in 2014-2018. This is not in accordance with the

hypothesis that has been made, namely the wealth of local governments has a significant positive effect on internet financial reporting.

Local government by owning regional wealth will not influence local governments to disclose financial statements via the internet. In fact, regional wealth is still lacking in some regions, because it has not yet fully provided the financial statements. Local governments that have bad financial reports will cause suspicion from the public.

Based on the results of this study in line with research conducted by Wau (2015) and Nosihana (2016) stated that local government wealth does not affect the IFR in accordance with Minister of Home Affairs Instruction Number 188.52/1797/SJ. In connection with that, regional wealth can be done by the amount of PAD. If the amount of income per capita is getting higher, it will automatically not have an effect on the availability of financial information. The amount of wealth of the regional government will not directly give an impact to the community, where the community needs financial information revealed by the local government in the e-government (Nosihana, 2016).

#### The Effect of Local Government Debt Levels on Internet Financial Reporting

Test results on local government debt level variables indicate that the probability value of the t test results of  $0.2208 > 0.05$ , which means the level of local government debt has no partial effect on internet financial reporting in districts/cities in West Java Province in 2014-2018. This is not in accordance with the hypothesis that has been made, namely the level of local government debt significantly negative effect on internet financial reporting.

Local governments with debt levels will not influence local governments to disclose financial statements via the internet. This explains that some regions in the level of government debt are still high, it will result in lower performance in managing local government.

The results of this study are in line with research conducted by Lynda et al. (2018), Pontoh et al. (2018), Utomo & Aryani (2016), and Nosihana (2016) states that the debt level of local government does not affect the IFR in accordance with Minister of Home Affairs Instruction Republic of Indonesia Number 188.52/1797/SJ of 2012. The higher the level of debt, the higher the supervision conducted by the creditor, where the creditor wants to return the funds that have been borrowed by the local government. Local governments that have high levels of debt can determine policies in the disclosure of financial information through conventional media in financial form if a statement is needed (Utomo & Aryani, 2016).

#### Effects of Audit Opinions on Internet Financial Reporting

The test results on the audit opinion variable shows that the probability value of the t test results is  $0.0031 < 0.05$ , which means that the audit opinion has a partial effect on internet financial reporting in districts/cities in West Java Province in 2014-2018. This is consistent with the hypothesis that has been made, namely audit opinion has a significant negative effect on internet financial reporting.

Audit opinion affects internet financial reporting in districts/cities in West Java Province in 2014-2015, due to the opinion that has been obtained from the government is the result of an assessment of the issuance of regional financial management. This makes a fair opinion will improve financial information on the official website of the government. That the opinion regarding the WTP opinion does not have a guarantee that the regional government is free from corruption.

Based on the results of this study are in line with research conducted by Pontoh et al. (2018), and Khasanah et al. (2017), stated that local governments that have received unqualified opinions (WTP) can have a better performance of government in their financial management. From this, it can be legitimized by a good audit opinion so as to increase compliance with disclosures in financial information on the official website of the local government. This can motivate local governments to provide easy IFR accessibility on the official website (Khasanah et al., 2017).

## 5. Conclusion, Recommendation, and Limitation

This research was conducted to test, analyze, and determine the effect of local government wealth, local government debt levels, and audit opinions on IFR in regencies/cities in West Java Province in 2014-2018. Based on simultaneous testing that the wealth of local government, local government debt levels, and audit opinions significantly influence the IFR in districts/cities in West Java Province in 2014-2018 with a coefficient of determination of 9.81%.

Based on a partial test, it was found that the wealth of local government and the level of local government debt has no effect on IFR in regencies/cities in West Java Province in 2014-2018. While audit opinion has a negative effect on IFR in districts/cities in West Java Province in 2014-2018.

The limitation of this study lies in the challenging process of getting the most recent data. The process of searching for financial statement data was challenging where the required data is incomplete on the local government website and must be requested directly from the Supreme Audit Board (BPK). The lack of updated financial statement data on the official website of the local government, and this research only focuses on districts/cities in West Java province.

This research is expected to be a reference for future researchers and add insights about local government wealth, local government debt levels, and audit opinions on IFR. The next researcher is expected not to use local government wealth variables and the level of local government debt, because the results show no partial effect on IFR. The researcher suggests adding other variables or other factors that can influence IFR, such as the size of the local government, regional expenditure, type of local government or other factors. It is hoped that future researchers can use other regencies/cities registered with the Ministry of Home Affairs of the Republic of Indonesia.

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**Appendix: Calculation of Accessibility Index Value Internet Financial Reporting (IFR)**

Points	Score	Terms
A	+1	If the official website of the local government can be determined on the first page of Google or Yahoo search by typing the name of the local government.
B	+1	If there is a financial information data link such as LKPD or APBD on the front page (home) website.
C	+1	If there is a search engine to search for financial information.
D	+1	If only three clicks or less are required to view the IFR on the local government website.
E	+1	If the IFR data can be downloaded in PDF or HTML format.
F	+1	If the size of the financial statement file that can be downloaded is less than 3MB.
G.	+1	If there is IFR data from the previous year on the local government's website.

JAROE  
VOL. 3(2)

H	+2	If there are components of Regional Government Financial Statements (LKPD) complete such as Balance Sheet, Budget Realization Report, LAK, CALK, and APBD.
I	+1	If there is a contact person information such as telephone/fax/email to get financial information data.
		<p><b>Note:</b></p> <ul style="list-style-type: none"> <li>- Index value calculation is based on IFR search results according to the date the LG website is accessed.</li> <li>- <i>Internet Financial Reporting</i> in this case the regional government financial reports that have been audited by BPK such as: Balance Sheet, Budget Realization Report, Cash Flow Report, and CALK (Notes to Financial Statements) for the 2014-2018 fiscal year.</li> <li>- The previous year's IFR data is the 2014 fiscal year.</li> <li>- If it meets the requirements added according to the score, if not meet = 0.</li> </ul>