



THE EFFECT OF ACCOUNTABILITY AND TRANSPARENCY OF REGIONAL FINANCIAL MANAGEMENT ON LOCAL GOVERNMENT PERFORMANCE



 **Wan Jeriansyah¹⁺**
Ratna Mappanyukki²

^{1,2}Department of Accounting, Mercu Buana University, Indonesia.

¹Email: wan.jeriansyah@gmail.com Tel: +62 823-8774-9471

²Email: ratna_mappanyukki@mercubuana.ac.id Tel: +62 812-8125-2339



(+ Corresponding author)

ABSTRACT

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This study aims to determine the effect of accountability and transparency of regional financial management on local government performance at the Inspectorate of the Special Capital Region of Jakarta (DKI Jakarta Province). This study used primary data and the data obtained through a questionnaire method which involved 265 people as the population. The sampling technique used non-probability sampling techniques so that the samples in this study were 80 people. The technical analysis of the data used the SmartPLS version 3.0 programs. The results of this study indicated that the accountability and transparency of regional financial management have a positive and significant effect on local government performance.

Contribution/ Originality: The paper's primary contribution is finding that the importance of applying the principles of good governance in government including accountability and transparency so that the public can assess the extent to which the performance of the government in managing public funds.

1. INTRODUCTION

Issues related to local government performance have always been a concern of the citizen because the government has not demonstrated a good result in carrying out their duties and responsibilities that have an impact on public distrust of the performance of the local government (Nopriansyah, Erlina, & Sari, 2016). Performance appraisals are conducted to enhance the government performance, allocate resources, and make decisions/policies to achieve organizational accountability and improve institutional communication (Annisa, 2017).

Based on data from the Ombudsman of the Republic of Indonesia in 2018, there were 2,489 reports/complaints from the public regarding alleged misadministration in public services that addressed to the local governments. This case shows that local government performance is still unsatisfactory for the community (Ombudsman of the Republic of Indonesia, 2018).

Another phenomenon related to the performance of local governments is that there are problems in the implementation of local government performance so that the performance appraisals of these local governments still adequately receive many categories of CC and need more improvement. This case occurs due to the inability of local governments to set results-oriented strategic objectives and goals, determine success measures that describe the level of achievement of the goals or objectives, determine activities (programs and activities) that affect

goals/objectives achievement, and determine budget allocations for the programs and activities that are commensurate with the goals/objectives (KemenPan-RB, 2018).

Local government performance is a reflection of the quality of the process or success of the implemented activities or programs to achieve the goals in the form of improving the services for the community (Jauharusaniah, 2016). Work performance provides benefits in monitoring and creating advancements as well as staying focused on organizational goals to meet the society's demands for accountability (Anugriani, 2014).

Accountability is needed to measure or assess government performance. The accountability in the public sector requires the government to respond to the public for the use and utilization of resources because there is a perception that the government is inefficient and has a poor performance in delivering services (Aziz, Rahman, Alam, & Said, 2015).

Mappanyuki (2015) argues that to create a good governance in budget management, it is necessary to improve the quality of management and accountability as a form of responsibility for the public funds. Accountability has a significant influence on local government performance because accountability is the principle of local government responsibility for the extent to which it carries out the planned activities (Putra, 2018)

Besides accountability, transparency also has a significant role in government administration because transparency allows the public to find out about policies or decisions that have been set by the government (Jitmau, Kalangi, & Lambey, 2017). Pasaribu (2017) argued that transparency provides an overview to assess what the government does, how it is conducted, and the common form of accountability to the citizens and stakeholders.

The preceding arguments provide an understanding of how vital the implementation of accountability and transparency in improving government performance. Rahmanurrasjid in Auditya (2013) explained that the application of accountability and transparency in the implementation of regional government requires the government to provide accountability and information to the public about government management so that the government strives to give the best performance to the community.

Based on the phenomena and descriptions above, the researcher aimed to examine the Special Capital Region of Jakarta Provincial Government. Performance appraisal at the provincial government of DKI Jakarta in 2018 with the BB category was considered excellent, accountable, well-performed and has a reliable managerial system (LKIP, 2018). Furthermore, related to the accountability of regional financial management to the DKI Jakarta government in the Regional Government Financial Report continues to rise, from 2012 to 2016 received WDP opinion and in 2017 and 2018 received WTP opinion (Republic of Indonesia Supreme Audit Agency, 2019). Moreover, the transparency of regional financial management, public information disclosure is one of the action plans for the Open Government of Indonesia. The Provincial Government of DKI Jakarta in 2018 became the best public information service (LKIP, 2018).

According to the problems above, the researcher is interested to conduct a research with the title *"The Effect of Accountability and Transparency of Regional Financial Management on Local Government Performance"*.

2. LITERATUR REVIEW

2.1. Stewardship Theory

Donaldson and Davis (1991) explained that stewardship theory is a situation in which managers are not motivated by individual goals but prioritize common interests in achieving the set goals and results. When the government (steward) chooses to act as servants and prioritizes the interests of the principal. This theory shows a positive impact on work performance because both parties work towards the same goals (Davis, Schoorman, & Donaldson, 1997).

The stewardship theory assumes that there is a strong relationship between organizational satisfaction and success (Donaldson & Davis, 1991). A government (steward) who has succeeded in improving organizational

performance generally fulfills most of the goals and desires of the society because most of the demands and the goals of the community are well served by stewards (Jefri, 2018).

Cribb (2006) described that the function of stewardship theory is as an accountability mechanism to ensure the achievement of organizational goals. Accountability and transparency are required by a steward to provide accountability, present, report, and disclose all activities to the giver of the responsibility (Mardiasmo, 2009).

2.2. Local Government Performance

Performance is the outcome or output of a process (Nurlaila, 2010). Mahsun (2012) In measuring the performance of local governments, it is necessary to have a) input that is needed in the implementation of the activities, b) process that is the formulation of the implementation of the activities, c) output which is the generated benchmarks from the implementation of the activities with the inputs, d) outcomes describe the level of achievement of the output results, whether these results can be used properly or not, e) benefit is a benchmark according to the benefits for the community and government from the outcome, f) impact is the effect that arises due to the outcomes.

2.3. Accountability

Bovens (2007) stated that accountability is the relationship between the actors and the forums where actors must explain and justify their behaviors, then the forums can ask questions and give assessments to the actors, and these actors can confront the consequences.

Mahmudi (2013) explained that there are 5 (five) dimensions of accountability that must be carried out by the public sector, namely 1) law and honesty, 2) managerial, 3) programs, 4) policies, and 5) finance. The implementation of accountability is interpreted as a relationship and a well-planned process in allocating appropriate resources and evaluating performance to achieve pre-determined goals. In this process, each individual/group/institution will be asked for their active accountabilities that involve in the evaluation process and focus on the improving work performance Lembaga Administrasi Negara (2015).

2.4. Transparency

Government Regulation Number 71 of 2010 concerning the Government Accounting Standards explains that transparency is financial information that is accessible and honest to the public based on the consideration that the public has the right to acknowledge completely the government's responsibility in managing the resources that entrusted to the government and its adherence to the legislation.

Mardiasmo (2009) explained that the dimensions of transparency are informative, openness, and disclosure. Transparency is essential for mayors, city councils, and the general public to obtain adequate information about local performance, and the information provided must also be relevant and understandable (Schaeffer, 2005).

3. HYPOTHESIS DEVELOPMENT

Accountability is the responsibility of the trustee to the governor in managing, reporting, and revealing all of its activities (Setiyanningrum, 2017). Meanwhile, the local government performance can be seen based on the quality of the process or the success of the implemented programs/activities and creating services improvements for the community (Ireeuw, 2019).

The implementation of excellent regional financial management accountability can enhance the performance of the local governments. It can be interpreted that the implementation of good accountability in terms of law and honesty, managerial, program implementation, policy and finance that aligned with local government performance based on the input, process, output, outcome, benefit, and impact so that the determined objectives, vision, and mission of the local governments will be achieved.

H1 Accountability has a significant effect on local government performance.

In conducting government administration, transparency has a vital role because transparency will allow the public to discover the policies or decisions that have been set by the government. Thus, the government provides the information needed by the public related to government policies (Jitmau et al., 2017). Koppell (2010) also stated that transparent public organizations provide access to the public, the press, business groups, and other parties that are interested in the organization's activities.

Thus the transparency of regional financial management that is needed and acknowledged by the public can measure or assess the performance of the government. The implementation of transparency in financial management is expected to be able to actualize excellent local government management that stands on the community's side (Rizwanto, 2016).

H2 Transparency has a significant effect on local government performance.

The research framework is presented on the Figure 1 as follows:

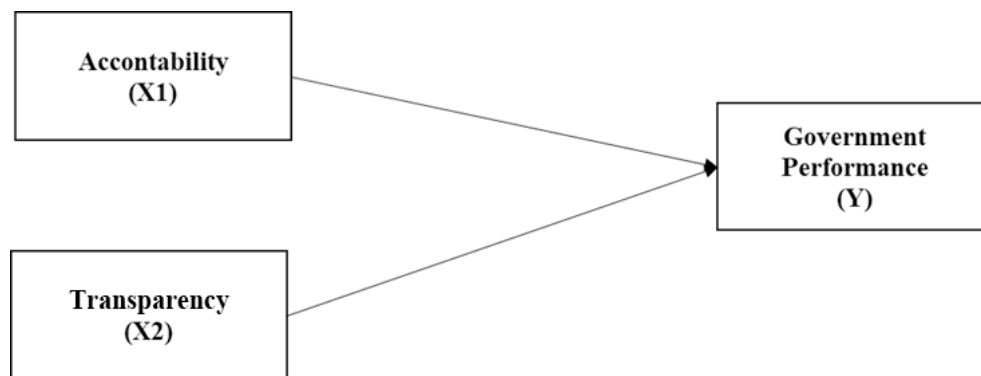


Figure-1. The Framework.

4. RESEARCH METHODS

In conducting this study, the researcher used casual research that examined the causal relationship between these variables. This study will observe whether one variable will affect other variables and explain one or more factors causing the problems. The data source used is primary data by using questionnaire as the research instrument. The population in this study was 265 Government Internal Supervisors who work at the Inspectorate of DKI Jakarta Province. The sampling technique used is purposive sampling, in which the sample determination with specific consideration involves only in certain areas. To determine the sample size, this research used the Slovin formula to obtain 80 respondents. From 80 distributed questionnaires, the respondents involved in this research are the general functional positions and certain functional positions. There were 66 returned questionnaires because of the implementation of work from home system as the impact of the COVID-19 pandemic. The data in this research were analyzed by using the Smart PLS program version 3.0.

5. DESCRIPTION STATISTICS

The results of the distributed questionnaires to respondents revealed that the number of individuals who became respondents was 66 people which consisted of 37 men and 29 women. Each individual has a different level of education that is divided into three different levels; 4 Diploma graduates, 44 Bachelor Degrees, and 18 Postgraduate respondents. The empirical description of the data uses the index numbers that are categorized into the score ranges based on the calculation of the Three Box method. Table 1 presents a summary of the index results for each variable.

Table-1. Variable index.

No	Variables	Average Index Values
1	Government Performance	87%
2	Accountability	87%
3	Transparency	88%

The data above depicts that the government's performance gets 87% of the average index value, hence can be classified as high. It shows that the local government performance variables are approved by the respondents. Furthermore, accountability obtained 87% of the average index value and can be categorized as high which confirms that the accountability variable is approved by the respondents. Transparency also receives a high percentage by 88% of the average index value, thus can be categorized as high. This result shows that the transparency variable is approved by the respondents.

5.1. Evaluating the Outers Model

5.1.1. Validity Test and Reliability Test

The validity test aims to measure the validity of a research instrument. A valid instrument means that the instrument can measure what is being measured. Validity testing can be examined from the convergent value of its validity, namely the factor loading value which explains the relationship between indicators and the latent variables. The resulting value is expected to be more than 0.7, however, a value of 0.4 or higher is acceptable if the research is still exploratory. In analyzing the validity test, this study used the discriminant validity value which was analyzed according to the Average Variance Extract value. If the AVE value is greater than 0.5, it can be concluded that there is no discriminant validity problem. A reliability test is a test that is intended to determine the level of reliability of a research instrument. The research instrument has good reliability if the composite reliability value is between 0.60-0.70. The following figure displays the results of the reliability test and the validity test is presented in Table 2.

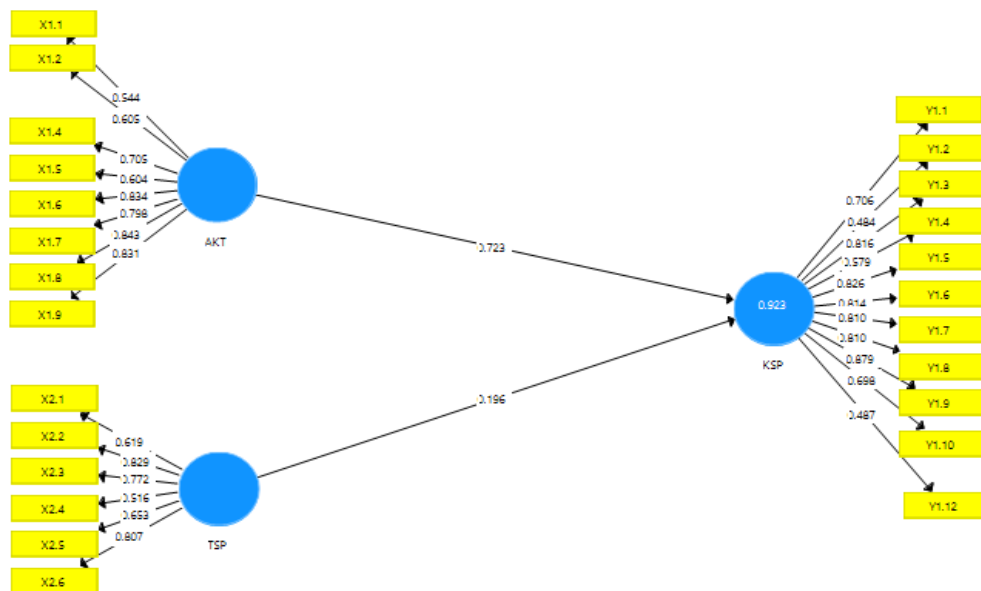


Figure-2. Outer loading output.

Figure 2 shows that there is an indicator that the outer loading value is low dropout namely the accountability variable in X1.3 and X1.10 and the local government performance variable at Y1.11. This is because the value of convergent validity is low. In analyzing the validity test, this study used the discriminant validity value which was analyzed according to the Average Variance Extract value. If the AVE value is greater than 0.5, it can be concluded that there is no discriminant validity problem.

Table-2. Discriminant Validity.

No	Variables	Average Variance Extracted (AVE)
1	Government Performance	0.532
2	Accountability	0.502
3	Transparency	0.535

5.2. Evaluating the Inner Model

In measuring the Goodness of fit model, this study used the R-square of the dependent latent variable with the same interpretation as the regression. The value of R-square > 0 explains that the model has predictive relevance, on the contrary, if R-square ≤ 0 explains that the model has less predictive relevance. The results of the predictive relevance (Q²) are presented on Table 3.

Table-3. Predictive Relevance (Q²).

Variables	R square
Government Performance	0.923

The R-square value is 0.935 which explains that the effect of accountability (X1) and financial management transparency (X2) gives a value of 0.923. This result is interpreted that local government performance (Y) can be explained by an independent latent variable of 92.3%, while 7.7% is described by other variables outside of this study. This research model has been categorized appropriately and can be used to test the hypotheses.

6. RESULT OF FINDING

Hypothesis testing in this study is based on the output of the SmartPLS version 3.0. The research hypothesis testing criteria use a significance level of 5%, which means the research confidence level is 95% and the probability of error is 5%. Since it uses a significant 5% in hypothesis testing, if the value is less than 0.05 then Ha is accepted and H0 is rejected. The results of the hypothesis testing concluded that hypothesis 1 and hypothesis 2 were accepted because there was an effect of accountability and transparency on regional financial management. The following picture is the path diagram for hypothesis testing which can be seen in Figure 3 and Table 4 as follows:

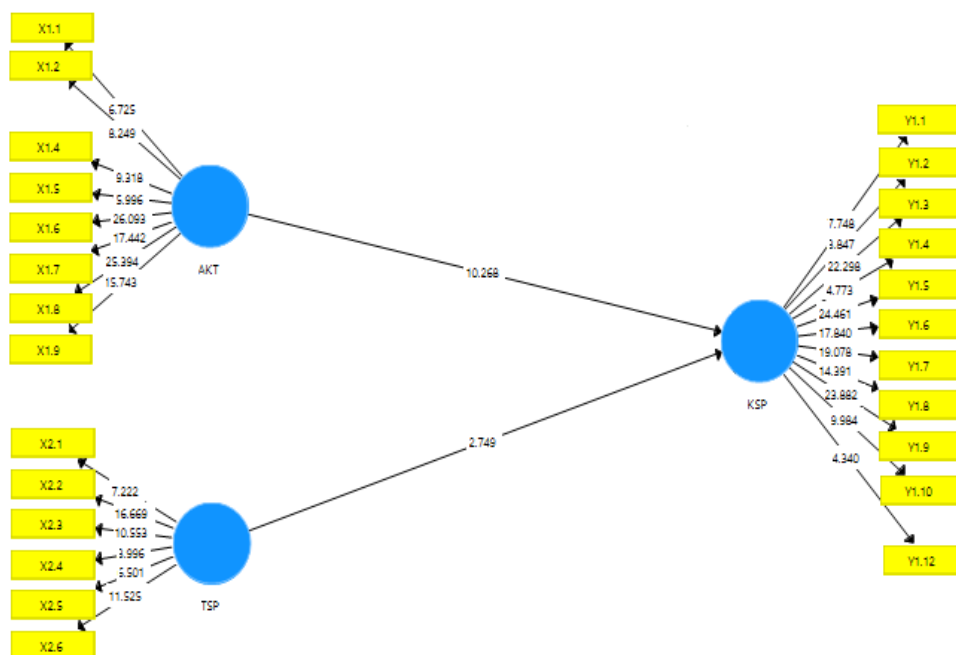


Figure-3. Hypothesis testing.

Table-4. Hypothesis Results.

No	Variable	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	Descripton
H1	Influences accountability to local government performance.	0.683	0.666	0.067	10.268	0.000	Postive and Significant
H2	Influences transparency to local government performance.	0.171	0.181	0.062	2.749	0.006	Postive and Significant

The results of the first hypothesis concluded that the accountability of regional financial management has a positive and significant effect on local government performance. The implementation of good regional financial management accountability can enhance the performance of local governments. Based on the stewardship theory approach, a government (steward) who has succeeded in improving organizational performance generally fulfills most of the goals and aspirations of the society because the steward can serve most of the aspirations and objectives of the society well (Jefri, 2018). In strengthening the argumentation, this research is supported by research that was conducted by Putra (2018), Setiyanningrum (2017) and Wiguna, Yuniarta, AK, Darmawan, and SE (2015). On the other hand, Jitmau et al. (2017) and Astuti (2013) stated that the accountability of regional financial management does not affect government performance.

The results of the second hypothesis reveal that the transparency of regional financial management has a positive and significant effect on the performance of local governments. The implementation of transparent financial management illustrates good local government performance. This is because the government (steward) can be trusted and focuses more on common goals rather than individual goals (Schillemans & Bjurström, 2019). Financial management that transparently conducted by local governments is a form of seriousness in managing a transparent, honest, and a corruption-free government. Moreover, the government must provide information to the public that can be clear evidence that local government is an institution that can be trusted and works well. This research argumentation is supported by the research of Jitmau et al. (2017); Setiawan and Safri (2016); Li, Ouyang, Du, and Zhao (2017) and Brito and Perrault (2009). On the other hand, Astuti (2013) and Laoli (2019) mentioned that transparency of regional financial management does not affect government performance.

7. CONCLUSIONS, IMPLICATIONS AND SUGGESTIONS

Local government performance issues have always been in the public spotlight because their performances have not presented good results that can be perceived by society. The society demands good government performance in conducting their duties and responsibilities in implementing government administration.

The results of this study reveal that the accountability and transparency of regional financial management affect the performance of local governments. The implication of this research for the government is that they can act according to the aspirations of the public by carrying out its duties and functions appropriately, managing financial accountability transparently as mandated to the government, and directing all its capabilities to achieve common goals and interests. Suggestions for further research to be able to conduct ethnographic studies and add other variables that can improve the analysis results of the study.

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