The Transparency Level of Local Governments in Indonesia: Does the Level of Financial Health Matter?

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ABSTRACT
This study examines the impact of fiscal autonomy, capital expenditure for basic services, and local government investment on the transparency level of local government. In addition, this study includes local government financial health as a moderator in the association between the dependent and independent variables. This study employs a quantitative approach. Data are obtained through content analysis of the local government's official websites. The total sample of this study amounted to 349 observations collected from 2016 to 2019 and was selected by purposive sampling. The hypothesis test employs multiple linear regression analysis with the ordinary least square. The study suggests that fiscal autonomy is positively associated with the transparency level of local governments, capital expenditure for basic services is negatively associated with the transparency level of local governments, and local government investment is not associated with the transparency level of local governments. This study also finds that local governments' financial health has a role in strengthening the positive effect of local government investment on the transparency level. However, the local government's financial health weakens fiscal autonomy's positive effect on the transparency level of local government. Furthermore, the local government's financial health has no moderator in the association between capital expenditure for basic services and the transparency level of local government. The study result suggests that the Indonesia Ministry of Finance and the Indonesia Ministry of Home Affairs should boost the policies that encourage transparency in local governments and enhance the independence level to generate local revenues.

KEYWORDS:
Capital expenditure; financial health; fiscal autonomy; local government; investment

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INTRODUCTION

Implementing a decentralized system in Indonesia has lasted for more than twenty years. However, the administration of government by local governments still needs to be optimal and has caused several problems. Local governments have yet to succeed in carrying out their role to encourage increased regional productivity, even though spending continues to increase (Nasution, 2016). Other problems, such as the increasing opportunities for corruption and the rise of political conflicts in the regions, are also obstacles that have not yet achieved the ideals of decentralization (Haryanto, 2016). Information disclosure is indispensable to the government's efforts to build better governance, encourage increased efficiency of local government policies, and increase public trust to overcome the various complexities of problems in local governments (Muñoz, Bolívar, & Hernández, 2016).

Law Number 22 of 1999 concerning Local Governments marked the start of the decentralization system. Decentralization transfers the central government's management decision-making to lower government units. Decentralization in Indonesia leads to local governments developing regional democracy and managing regional development (Sutiyo & Maharjan, 2017). In addition, Arham (2019) argues that decentralization is also applied to increase regional independence or reduce resource disparities between regions (horizontal gaps) and central-regional disparities (vertical gaps). The government needs good administrative governance (Weiss & Steiner, 2006). According to Weiss and Steiner (2006), there are at least eight components of good governance: accountable, transparent, responsive, fair and inclusive, effective and efficient, following the rule of law, participation, and consensus-oriented. Meanwhile, according to (OHCHR, n.d.), good governance is related to political and institutional processes and outcomes to achieve development goals with principles such as transparency, responsibility, accountability, participation, and responsiveness to community needs.

One of the principles of good governance is transparency, which refers to government institutions' obligation to disclose information to the public regarding the decision-making process and its results (ICMA, n.d.). The law on public information disclosure states that transparency is the government's effort to create good governance and encourage local governments to become more responsible and provide public services more efficiently and effectively. These definitions show that local government transparency is important to good governance.

From the point of view of legitimacy theory, transparency related to local financial management can be an effort by local governments to maintain their legitimacy from the community. The basic concept of the legitimacy theory in local government is related to the common perception that local governments carry out activities by paying attention to suitability and appropriateness according to the community's values, beliefs, and norms (Suchman, 1995). To make the community have sufficient confidence, local governments will be encouraged to provide information on budget management.

The urgency of providing information on government budgets through digital media is becoming greater because more than half of Indonesians have become internet users (Muhtar, Sutaryo, & Suryanto, 2018). Also, Bolívar, Galera, Muñoz, and Subirés (2016) argue that the demand for information related to the allocation of government spending will increase when an economic
crisis occurs, such as in the current era of the COVID-19 pandemic. The increase in demand is related to the public's desire to know how the government manages spending as an economic stimulus. The increasing demand for local government information also comes from other stakeholders, such as creditors and entrepreneurs, to make lending and investment decisions (Alcaraz-Quiles, Navarro-Galera, & Ortiz-Rodríguez, 2014).

Public information disclosure is an issue that is often associated with sustainable development issues (Alcaraz-Quiles et al., 2014). Arbatli and Escolano (2015) state that a transparent fiscal system encourages local governments to formulate policies that strengthen sustainable policies. The issue of sustainable development is not a new thing in Indonesia, but it is still a problem because it has yet to be implemented optimally (Maulana, 2015). The limited resources managed by the local government make it important to pay attention to the proper allocation of targets to ensure the sustainability of development. Every development policy will be recorded in the budget document so that information disclosure becomes a crucial factor in describing the quality of the sustainable development policy that has been determined.

The urgency of local governments to provide transparency in financial management and the increasing need for information by the public have not been taken seriously by many local governments in Indonesia. The results of the monitoring and evaluation of the Central Information Commission in 2020 show that 73% of public bodies in Indonesia (including local governments) have a low level of information disclosure (Kominfo Jatim, 2020). Other studies by Adriana and Ritonga (2018), Muhtar et al. (2018), as well as Nuryani and Firmansyah (2020) also concluded that, in general, the level of local government transparency in Indonesia was still very low. The concept of transparent government administration has also become a campaign promise for regional heads, but its implementation is still not up to the community's expectations (Velarosdela, 2020). Some of these findings indicate that local governments have not provided adequate budget management transparency, which is suspected to be one of the causes of the suboptimal implementation of local government.

Transparency of local government financial management with digital media in Indonesia is an issue that needs to be reviewed further because of its urgency as a form of good governance to support sustainable development policies. As public service providers, local governments are expected to provide services that can satisfy the community. To gain recognition for their performance, local governments are encouraged to provide complete information when they can demonstrate good performance. The push for transparency in implementing governance has also been regulated in various laws and regulations, such as Law Number 17 of 2003 concerning State Finance and Law Number 14 of 2008 concerning Public Information Disclosure. From the communities' side as information users, the need for information regarding regional financial management has also increased along with the public's increasing use of digital media. Thus, local government transparency is an important aspect of local government governance that needs to be reviewed further.

Discussions on local government transparency have been conducted in Indonesia and abroad with various methods and perspectives. Criado, Ruvalcaba-Gómez, and Valenzuela-Mendoza (2018) also Krah and Mertens (2020) discussed how research on transparency had been conducted. Another
study discussed the transparency level of local government determinants. Balaguer-Coll and Brun-Martos (2021) also Baldissera, Dall’Asta, Casagrande, and De Oliveira (2020) divided the level of transparency into socioeconomic, regional fiscal/financial factors, and politics.

Most studies on the level of transparency examine the influence of local fiscal or financial factors. Muhtar et al. (2018) also Nainggolan and Purwanti (2016) examined the association between local government size and the level of transparency. Adiputra, Utama, and Rossietal(2018), Alwahidi and Darwanis (2019), also Annisa and Murtini (2018) examined the effect of financial statement opinions on local government transparency. The effect of local government spending and transparency was examined by Nuryani and Firmansyah (2020). Fawziah and Arza (2020) also Sun and Andrews (2020) conducted tests regarding the effect of transfer income on the level of local government transparency. The effect of financial statement opinion on local government transparency was examined by Adiputra et al. (2018) also Nor, Hudaya and Novriyandana. (2019). In addition, previous tests were also carried out to determine the effect of the mechanism for providing public services through capital expenditures, such as those carried out by Araujo and Tejedo-Romero (2016) also Balaguer-Coll and Brun-Martos (2021). Cuadrado-Ballesteros (2014) also Garrido-Rodríguez, López-Hernández, and Zafra-Gómez (2019) discussed the provision of public services through the formation of government-owned companies. In local government or fiscal management, budget management includes planning and determination, implementation, monitoring, and reporting (Undang-Undang RI, 2003). Regional government budgeting is reflected in the Local Government Budget document, which contains estimates of local government revenues, expenditures allocations, budget deficits/surpluses, and local government financing (Savitri, Hadi, Firmansyah, Hardiana, & Triyanto, 2015). In revenue items, the ability of local governments to earn their revenues is an important issue related to government fiscal management because it is one of the goals of decentralization (Arham, 2019). Furthermore, to support regional economic development, local government spending is expected to focus on (Cuadrado-Ballesteros, 2014; Garrido-Rodríguez et al., 2019) spending greater economic impact, such as capital expenditures for infrastructure development (Sari & Mustanda, 2019). The further issue of fiscal management is related to financing matters. Local government financing should be managed properly to minimize risks and optimize the benefits obtained (Sutarso & Rahandi, 2019).

Fiscal policy management to increase fiscal autonomy is one of the tasks of local governments (Tan, 2020). Fiscal autonomy is the local governments’ ability to increase the effectiveness and efficiency of services to the community with their income (Iqbal, Baga, & Hakim, 2017). The law concerning local governments and local taxes and levies provides local governments a legal umbrella related to their authority to carry out mandatory local government revenues. With this authority, local governments should be able to optimize existing resources in their regions to earn their income. Ortiz-Rodriguez, Navarro-Galera, and Alcaraz-Quiles (2018) state that public information disclosure is a source of taxpayer trust, so local government revenues are expected to increase.

The Investigations of the association between fiscal autonomy and the transparency level of local governments have been carried out, both in international and Indonesian contexts. In an international
context, Chen and Han (2018) also Galli, Rizzo, and Scaglioni (2020) examined the effect of fiscal autonomy/local tax revenue on the transparency level of local governments. They prove that fiscal autonomy does not encourage the transparency level of local government. In contrast, Ortiz-Rodríguez et al. (2018) found a positive association between local tax revenues and the transparency level of local government. The investigations on the effect of fiscal autonomy in Indonesia on the transparency level of local government were carried out by Ertianti (2018), Fawziah and Arza (2020), Hadi, Handajani and Putra (2018), Muhtar et al. (2018), also Ratnawati et al. (2020) found evidence that local government revenue encouraged a higher transparency level of local government. Meanwhile, the other three concluded that there was no influence of local government revenue on the transparency level of local government. Previous tests have shown inconsistencies in the results regarding the effect of fiscal autonomy and the transparency level of local government, so further testing needs to be conducted.

Meanwhile, capital expenditure is one of the budget items of concern to many parties because it is expected to have a significant economic impact. Capital expenditure is a budget expenditure to obtain long-term assets in physical infrastructure or long-term intangible assets. Various infrastructures built by local governments are used for the community's benefit. Thus, disclosing information related to capital expenditures to the public is very necessary (Heald, 2012). However, not all infrastructure can be employed by the community directly, such as capital expenditures for government affairs. The government has regulated several basic matters that local governments must prioritize (Peraturan Pemerintah RI, 2018a). These matters should be a priority for local governments in allocating the budget. In this study, capital expenditure testing focuses on capital expenditures to fulfill basic services. These are related to the local government's commitment to carrying out development that focuses more on the community's interests.

Tests related to the effect of capital expenditures for basic services on the transparency level of local government have not been carried out in previous studies. However, testing with a broader concept of capital expenditure has been carried out at both the International and Indonesian levels. Balaguer-Coll and Brun-Martos (2021) found evidence of a negative effect of capital expenditure on the level of transparency in the Spanish local government. In contrast, other studies such as Araujo and Tejedo-Romero (2016) also García and García-García (2010) found that capital spending boosts the level of transparency of local government. A similar test was conducted by Pontoh, Rura, Rahman, and Ibrahim (2018) in the Indonesian context. Pontoh et al. (2018) obtain evidence that capital expenditure is positively associated with the transparency level of local government. The differences in test results in Indonesia and the International level and the absence of tests that specifically examine capital expenditures for basic services on the local government's transparency level are interesting to investigate.

This study aimed to investigate the effect of fiscal autonomy, basic service capital expenditures, and local government investments on the level of local government transparency. In contrast to this study, previous studies employed the overall local revenue as an indicator of local government independence (Ertianti, 2018; Fawziah & Arza, 2020; Muhtar et al., 2018; Ratnawati et al., 2020). Also, the capital expenditure tested is the overall local government capital expenditure (Araujo & Tejedo-Romero,
This study examines the effect of government equity participation on local government transparency. Local government financing in government investment is mostly conducted through equity participation in local government-owned enterprises. The formation of local government-owned enterprises is a form of local government innovation to provide services to the public (Cuadrado-Ballesteros, 2014). In addition, according to Law Number 23 of 2014, the enterprises also play a role in encouraging the regional economy through businesses related to public services and generating sources of income for local governments. Local government investment is a form of public policy that supports improving people's welfare; the government will be increasingly encouraged to provide information to increase its legitimacy.

Previous studies on the ownership of companies owned by local governments were conducted by (Cuadrado-Ballesteros, 2014; Garrido-Rodríguez et al., 2019). Cuadrado-Ballesteros (2014) examined the effect of functional decentralization on the level of local government transparency. Functional decentralization provides public services through separate entities under local governments' control. The test found evidence that functional decentralization led to higher levels of local government transparency. Similar tests were also carried out by Garrido-Rodríguez et al. (2019) and proved that the more publicly-owned companies, the more transparent the government would be. In Indonesia, tests of government equity participation have more to do with their impact on financial performance. One of the tests related to government equity participation was carried out by Dinarjito (2019), which tested the effect of government equity participation on the performance of state-owned enterprises. Nur (2020) investigated the effect of government equity participation on the financial performance of regional drinking water companies.

This study includes financial health as a moderator in the effect of fiscal autonomy, basic service capital expenditures, and local government investment on the level of local government transparency. Financial health refers to the ability of local governments to finance all their expenses, including liabilities (Muñoz et al., 2016). Local governments can pay off all their obligations with sufficient financial resources while prioritizing their priority needs. Therefore, financial health can be interpreted as the
ability of local governments to pay off their debt installments after financing mandatory expenditures.

According to the theory of fiscal sustainability, the government must ensure that fiscal policy can last long. It is necessary to have policies that ensure intergenerational justice (Sinervo, 2020). Local governments that finance debt are faced with the possibility of increasing productivity. In addition, the government also faces the possibility of unexpected conditions such as the financial crisis (INDEF, 2018; Navarro-Galera, Lara-Rubio, Buendia-Carrillo, & Rayo-Cantón, 2017). Thus, local governments must maintain financial health so that financial crises do not occur in the future. Financial health will be maintained with good financial management because healthy financial conditions indicate that local governments can manage their financial resources well (Suryawati, Suryono, Saleh, & Muluk, 2018). The ability to manage financial resources properly should also be balanced with implementing adequate governance, one of which is maintaining the principle of transparency. Gore, Sachs, and Trzcinka (2004) reviewed that healthier financial conditions encouraged local governments to be more transparent. Maintaining financial health allows local governments to achieve their goals, so financial health is also one aspect that needs to be considered by local governments in risk assessment (Peraturan Pemerintah RI, 2018a). Financial health determines how the government allocates its budget, so financial health will also affect the level of fiscal autonomy achieved and basic service capital expenditures and allocated government investment. Therefore, a higher level of financial health should strengthen the effect of fiscal autonomy, capital expenditures for basic services, and government investment on the transparency level of local government.

This study contributes to the development of scientific literature in public sector accounting. This study is expected to be new empirical evidence regarding the determinants of the level of transparency of local government. This study is expected to illustrate the transparency condition in local governments and become a reference in formulating government budget management transparency policies. For local governments, this study can provide information on how budgetary factors affect the level of transparency. For the Ministry of Finance, the results of this study can serve as an illustration of the characteristics of local governments according to their level of

Table 1. Sample Selection

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of local governments in Indonesia (May 2021)</td>
<td>548</td>
</tr>
<tr>
<td>Local government expansion/merger from 2016 to 2019</td>
<td>0</td>
</tr>
<tr>
<td>The provincial government instead of the city government/regent government</td>
<td>(40)</td>
</tr>
<tr>
<td>Number of City government/regent government</td>
<td>508</td>
</tr>
<tr>
<td>Years used in research (2016 to 2019)</td>
<td>4</td>
</tr>
<tr>
<td>Local government data that can be employed</td>
<td>2.032</td>
</tr>
<tr>
<td>Data that does not have debt repayment transactions and government investment in the same year</td>
<td>(1,651)</td>
</tr>
<tr>
<td>Data with inaccessible local government official websites</td>
<td>(24)</td>
</tr>
<tr>
<td>Unusable data</td>
<td>(8)</td>
</tr>
<tr>
<td>Total sample</td>
<td>349</td>
</tr>
</tbody>
</table>
transparency and as input in making policies regarding the management of transfer funds to the regions.

This study includes the financial reporting quality and the size of the local government as control variables. The effect of financial reporting quality on local government transparency has been tested by Adiputra et al. (2018), Nor et al. (2019), and Pontoeh et al. (2018). The three studies obtained evidence that the quality of government financial reports is a factor driving the level of transparency of local governments. The quality of financial reports is one indicator that shows the quality of regional financial management.

The size of the local government has been employed by several authors, such as García and García-García (2010), Muñoz et al. (2016), also Nuryani and Firmansyah (2020). These studies proved that transparency tends to be higher in local governments with large sizes. A larger local government size represents greater ownership of resources, resulting in a better ability to manage budgets electronically. On the other hand, considerable resources also allow the government to carry out various programs. The government is encouraged to be more transparent to gain legitimacy from the community.

**RESEARCH METHOD**

This study is research with a quantitative approach. Local government transparency level data is obtained through content analysis on the official local government website. Meanwhile, secondary data is from local government financial data obtained from www.djp.kemenkeu.go.id and www.bpk.go.id. The sample was selected using the purposive method with the criteria described in Table 1.

The dependent variable in this study is the transparency level of local government. Indonesia Minister of Home Affairs Decree Number 19 of 2020 provides an overview of the procedures for measuring the level of transparency of local governments. According to the regulation, the assessment indicators have included all budget process documents (planning, implementation, and reporting). However, the indicators for calculating the level of transparency, according to the Indonesia Minister of Home Affairs, have not included the components of the Operational Report, Report on Changes in Excess Remaining Budget, and Report on Changes in Equity as regulated in Government Accounting Standards. Therefore, this study’s level of local government transparency is measured by following the indicators used by Nuryani and Firmansyah (2020). They have included more complete components of financial statements according to Indonesian Government Accounting Standards (2010). The measurement of the transparency level of local government is carried out by conducting a content analysis of the official local government website. Content analysis is carried out by reviewing budget documents published on local government websites according to the indicators in Appendix 1.

This study has three independent variables: fiscal autonomy, capital expenditures for basic services, and local government investment. Fiscal autonomy refers to the ability of local governments to generate revenue by optimizing the resources under their control. According to Government Regulation (Peraturan Pemerintah, PP) Number 56 of 2018 Concerning Regional Loans, local government original revenue consists of regional taxes, regional levies, separated regional wealth management results, and other legitimate local government original revenue. The method commonly used in previous research is total local government original revenue divided by total local government revenues.
In another study, the calculation method was the total local tax revenue divided by the population (Bastida, 2017; Chen & Han, 2018).

Meanwhile, another study calculates total local taxes divided by local government revenues (Galli et al., 2020). Due to the large portion of local government taxes and levies to the total local government original revenue, this study adopts the previous calculation method by including the components of local government taxes and levies and total revenue in calculating the level of fiscal autonomy of local governments. This calculation method is similar to that of Galli et al. (2020) by adjusting the elements of local government tax revenues according to the Indonesian context. The level of fiscal autonomy formula is described in Appendix 2.

In this study, capital expenditure for basic services refers to the proportion of local governments realizing capital expenditure for basic service functions in one fiscal year compared to total expenditure. In this study, capital expenditure for basic services was measured using the ratio of capital expenditure for basic services to total local government spending. García and García-García (2010) measured capital expenditure by the ratio of overall capital expenditure to total expenditure. By referring to this method, this study adapts it to the variables used by only entering the type of basic service expenditures. Meanwhile, local government financial statements provide information on the types of expenditures by function with the classification naming according to the Indonesian Government Accounting Standards. Thus, according to the standards classification in PP Number 2 of 2018 concerning Minimum Service Standards, capital expenditure calculation for basic services is converted into capital expenditures by function. The proxy of capital expenditures for basic services is measured using the equation described in Appendix 2.

PP Number 63 of 2019 concerning Government Investment state that local government investment refers to financing activities by local governments in securities or direct investment through capital participation. Previous studies related to government investment used various calculation methods. Cuadrado-Ballesteros, García-Sanchez, and Martinez Ferrero (2016) also Garrido-Rodríguez et al. (2019) calculated the number of public bodies owned by each local government. In another study, government investment is seen from the recipient’s perspective, namely local government-owned enterprises, measured by the ratio of equity to assets (Kelbulan & Kurniawan, 2015). In this study, as stated in PP Number 71 of 2010, the government investment in question is how much the realization of local gov-

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### Table 2. Summary of Descriptive Statistics

<table>
<thead>
<tr>
<th>Variable</th>
<th>Obs</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>TLLG</td>
<td>349</td>
<td>0.1385</td>
<td>0.1576</td>
<td>0.0000</td>
<td>0.7333</td>
</tr>
<tr>
<td>FA</td>
<td>349</td>
<td>0.0590</td>
<td>0.0651</td>
<td>2.2×10⁻⁶</td>
<td>0.3670</td>
</tr>
<tr>
<td>CEBS</td>
<td>349</td>
<td>0.1743</td>
<td>0.0692</td>
<td>0.0004</td>
<td>0.4471</td>
</tr>
<tr>
<td>LGI</td>
<td>349</td>
<td>0.5280</td>
<td>0.3430</td>
<td>0.0039</td>
<td>0.9981</td>
</tr>
<tr>
<td>LGFH</td>
<td>349</td>
<td>0.4751</td>
<td>0.0929</td>
<td>0.0000</td>
<td>1.0000</td>
</tr>
<tr>
<td>LGFRQ</td>
<td>349</td>
<td>0.8395</td>
<td>0.3676</td>
<td>0.0000</td>
<td>1.0000</td>
</tr>
<tr>
<td>Size</td>
<td>349</td>
<td>28.5993</td>
<td>0.5673</td>
<td>27.1278</td>
<td>31.0336</td>
</tr>
</tbody>
</table>
government investment is part of local government financing expenditures. Therefore, this study uses a local government investment formulation relevant to Government Accounting Standards, namely government investment, as part of regional financing expenditures. The following formula measures government investment described in Appendix 2.

Furthermore, this study employs financial health as a moderating variable. Financial health is an indicator related to the ability of local governments to fulfill their obligations. In this study, financial health follows the method (Ritonga, 2014). Ritonga (2014) included this ratio as a component of financial flexibility in calculating the local government financial condition index. The formula to calculate financial health is described in Appendix 2.

This study employs two control variables, local government financial reporting quality, and local government size. The quality of regional financial reports is measured by the audit opinion of the state audit board of the regional government financial reports every year. It is a dummy variable following Adiputra et al. (2018) also Nainggolan and Purwanti (2016).

Local governments with an unqualified opinion on financial statements get a score of 1, while the opinion obtained above the unqualified opinion obtains 0. The local government’s size refers to how many resources the local government owns. The local government size is measured by the natural logarithm of the total assets of the local government on 31 December every year. Adiputra et al. (2018) and Nuryani and Firmansyah (2020) also used this calculation method. The proxy of the size of the local government is described in Appendix 2. The hypothesis test in this study employs multiple regression analysis. Model 1 is employed to test hypotheses 1 to 3. Meanwhile, model 2 is employed to test hypotheses 4 to 6. The hypothesis tests Model 1 and Model 2 are described in Appendix 3.

| Variable | Sign | Model 1 | Coef. | t-Stat | P>|t| | Model 2 | Coef. | t-Stat | P>|t| |
|----------|------|---------|-------|--------|-------|---------|-------|--------|-------|
| OF       | +    | 0.528   | 3.46  | 0.001*** | 2.1395 | 1.94    | 0.027** |
| BMPD     | +    | -0.490  | -4.98 | 0.000*** | -0.739 | -0.70   | 0.242  |
| IP       | +    | 0.006   | 0.28  | 0.389   | -0.763 | -1.93   | 0.027** |
| KK       | +    | -1.431  | -1.36 |         |         |         | 0.088* |
| OFxKK    | +    | -3.423  | -1.48 |         |         |         | 0.070* |
| BMPDxKK  | +    | 0.5455  | 0.24  |         |         |         | 0.405  |
| IPxKK    | +    | 1.6837  | 1.93  |         |         |         | 0.028** |
| KLK      | +    | 0.081   | 5.68  | 0.000*** | 0.0790 | 5.42    | 0.000*** |
| Size     | +    | 0.037   | 2.21  | 0.014** | 0.0417 | 2.43    | 0.008*** |
| Cons.    | ?    | -0.938  | -1.97 | 0.025   | -0.422 | -0.65   | 0.259  |
| R²       |      | 0.233   |       |         |         |         | 0.262  |
| Adj. R²  |      | 0.222   |       |         |         |         | 0.242  |
| Prob>F   |      | 0.000   |       |         |         |         | 0.000  |
RESULT AND DISCUSSION

Table 2 shows descriptive statistics for all variables. The results of the descriptive statistical test show that the average transparency level of local government is 0.1385. This figure shows that local governments generally still have a relatively low level of transparency. The lowest local government transparency level value is 0.0000, so there are still very non-transparent local governments. Meanwhile, the highest value of transparency level is 0.7333. This figure shows that there is already a relatively transparent local government. The fiscal autonomy of local governments in Indonesia has an average of 0.0590. This figure means that, in general, local taxes and levies only contribute 5.90% to all local government revenues. The average capital expenditure for basic services of the local government is 0.1743, with a standard deviation of 0.0692. Therefore, local governments in Indonesia have generally realized basic service capital expenditures of 17.43% ± 6.92% of all regional expenditures. Local government investment has a mean of 0.5280 with a standard deviation of 0.3430. This figure shows that the sample local governments made government investments of 52.80% of the total financing expenditures. The hypothesis testing results are in Table 3.

The Association Between Fiscal Autonomy on the Transparency Level of Local Government

According to the results of hypothesis testing, fiscal autonomy is positively associated with local government transparency. It indicates that local governments that receive greater tax and levy revenues will provide complete budget management information on their official website. The test result confirms the finding of Muhtar et al. (2018) and Ortiz-Rodríguez et al. (2018) for proving the positive association between fiscal autonomy or the degree of fiscal decentralization and the level of transparency of local government. However, this result differs from Fawziah and Arza (2020) also Galli et al. (2020). Fawziah and Arza (2020) employed all components of local revenues in the calculation, while Galli et al. (2020) employed a sample of Italy's local governments with a relatively high average fiscal autonomy. It may be the condition of the Italian economy, which is more advanced, and its taxation system is more equitable vertically.

Based on descriptive statistical tests, fiscal autonomy has increased from 2016 to 2019. Although the increase is insignificant, local governments have tried to optimize their tax revenues to reduce dependence on the central government. The upward trend also indicates that the problem of fiscal illusion is decreasing. This finding contradicts the opinion that the local government has not made any efforts to increase its income. How big the source of local government revenues, including taxes and levies, represents the ability of local governments to manage resources in their area (Mahtar et al., 2018). Local governments that can optimize their resources will receive more taxes and levies so that the level of fiscal autonomy will be greater. To support this, the government must maintain public trust by continuing to disclose information on government financial management (Ortiz-Rodríguez et al., 2018). Public trust is needed in tax collection because it affects taxpayer compliance. Thus, a higher degree of fiscal autonomy allows local governments to be more transparent.

The success of local governments in collecting regional taxes and levies is very dependent on good administration (Broto,
2017). With proper administration, people will not find it challenging to deal with tax issues, so the level of compliance will increase. Administrative arrangements are also related to the tax information system connected to the regional financial information system. The better the tax information system, the easier it is to achieve transparency. In Indonesia, Java-Bali is an area with a relatively more complete and equitable infrastructure availability than other regions (Putra, 2020). With the availability of infrastructure supporting local government administration in Java-Bali, local tax revenue can be optimized. This finding is consistent with the results of descriptive statistical tests, which show that Java-Bali has a relatively higher level of fiscal autonomy than other regions.

The descriptive statistical analysis results show that, in general, local governments in Indonesia still have a low level of fiscal autonomy. Still, this test illustrates that fiscal autonomy can encourage local governments to increase transparency. Another descriptive statistical analysis finding is that the Java and Bali regions have more fiscal autonomy than others. The test results for the sample of local governments in Java and Bali show that fiscal autonomy affects local governments’ transparency level. In contrast, testing with samples of local governments in other regions does not show any effect. These findings indicate that local governments in Java and Bali tend to have better financial management capabilities and thus obtain higher tax and levy revenues. On the other hand, Java-Bali already has adequate infrastructure to encourage the creation of various business fields and higher tax and levy revenues.

The government will be increasingly compelled to provide complete information with good performance to gain legitimacy from the community (Licht, Naurin, Esaiasson, & Gilljam, 2014). High local government taxes and levies revenues indicate that local governments have managed to optimize regional revenue sources from their regions. The limited regional tax potential makes a high level of fiscal autonomy an achievement or good performance that needs to be disclosed (Ortiz-Rodríguez et al., 2018). As a result, when the revenue from taxes and user fees is higher, the local government's transparency level is higher. This study proves the concept of legitimacy in local government, fiscal autonomy as an indicator of the performance of regional heads is essential information to be published to increase the good view of local government from the community. Local governments dominate local governments with high fiscal autonomy in Java-Bali. The availability of complete infrastructure in Java-Bali makes various businesses more accessible to do so that tax and retribution revenues become larger. In addition, adequate infrastructure also encourages improvements in the regional taxation and financial management system to make local tax collection more efficient.

**Basic Service Capital Expenditure and the Transparency Level of Local Government**

Capital expenditure for basic services is statistically proven to affect local government transparency negatively. The result of this test is in line with Balaguer-Coll and Brun-Martos (2021) also Pontoh et al. (2018). However, it contradicts the findings of Araujo and Tejedo-Romero (2016), García and García-García (2010), also Jaya and Sisdyani (2014). The tests of Araujo and Tejedo-Romero (2016) also García and García-García (2010) are carried out in Western Europe, which has a system of government with different levels of public literacy. Meanwhile, Jaya and Sisdyani (2014) also employed a different sample, namely the provincial government. Local governments are
incumbent to provide information to the public to maintain their legitimacy (Licht et al., 2014). The urge will be even greater when actions follow the community’s expectations.

Meanwhile, the public expects to provide increased quality services (Ingram, 1984). When able to provide better public services, local governments will be encouraged to provide more information to the public as proof of their performance. However, this test proves conditions contrary to the concept of legitimacy. These findings indicate problems related to implementing capital expenditures so that local governments reduce the published financial management information. In this case, public officials and regional heads tend to take action to increase their welfare. The actions taken vary, such as allocating a budget for personal pleasure or even carrying out unethical actions such as embezzlement and bribery (Gould, 1977). Meanwhile, a larger budget could encourage public officials’ unethical actions (Balaguer-Coll & Brun-Martos, 2021). If such an action occurs, the local government will reduce the disclosure of information to prevent the public from knowing about the action.

Capital expenditures for basic services negatively affect local governments’ level of transparency because the sources of regional expenditures are still dominated by central government transfer revenues (Sofi, 2020). Higher transfer revenues indicate that local governments cannot meet their various needs with their income. Local governments are not compelled to increase transparency in financial management because these conditions could be better. This condition was proven in previous research, which proved that local governments with a higher dependence on central government transfer funds would need to be more transparent (Nuryani & Firmsyah, 2020). Thus, the higher the provision of public services, while the source of funding comes from central government transfers, the local government will perceive the information as showing poor performance, so the willingness of the local government to provide budget management information will decrease.

The results of this test can also be explained by the tendency that there are still many problems related to implementing capital expenditures in regional governments. There are at least four problems in implementing spending: overspending, misspending, underspending, and fraud (Hesda, 2017). These problems can occur because public officials lack understanding regarding regional financial management, which is done on purpose (Hesda, 2017). These problems have the potential to reduce the quality of local government spending. Therefore, less information is conveyed to maintain a good perception of the local government.

Analysis using descriptive statistics shows that local governments outside Java-Bali make larger basic service capital expenditures than those in Java and Bali. This finding shows that local governments outside Java-Bali tend to carry out more development with a capital expenditure mechanism to fulfill basic service goals to the community. This finding indicates that the allocation of capital expenditures for basic services tends to be larger outside the Java-Bali region. This trend follows the imbalance in the availability of basic service infrastructure in Indonesia. Developing basic infrastructure outside Java-Bali is more necessary (Putra, 2020).

The results of the descriptive statistical test also show that capital expenditures for basic services tend to decline from 2016 to 2019. Capital expenditures for basic services show a downward trend due to several reasons.
The provision of basic public services is the task of the district and city governments and the provincial government, as stated in PP Number 2 of 2018. The division of providing basic services with the provincial government makes the share of district and city governments lower. The mechanism for procuring goods and services has also developed, so capital expenditure is one of many mechanisms for procuring goods and services in Indonesia. The role of the private sector in infrastructure development has also increased along with the development of procurement methods with Government and Business Entity Cooperation (Wibowo, 2017). Methods of providing public goods that are increasingly developing mean that the responsibility for financial management is shared with other parties outside the government so that local government incentives for transparency are reduced. This study needs to prove the theory of legitimacy for several reasons, such as problems in implementing the budget for local governments in Indonesia. These problems affect the quality of spending on public goods, reducing local government incentives to be more transparent. In addition, the dominant funding source for capital expenditures comes from transfer funds rather than local revenue. The development of methods for providing public goods has also led to the division of financial management responsibilities so that the provision of information follows the responsible party.

Local Government Investment on the Transparency Level

Government investment is not proven to affect local government transparency. The test result is inconsistent with Cuadrado-Ballesteros’s (2014) finding. Inconsistent test results are suspected due to the use of slightly different concepts. Local government investment in this study conforms to the concept of government financial governance in Indonesia, mostly conducted by investing in local government-owned enterprises. Meanwhile, the two studies are separate from the amount of investment made by local governments. Still, they are related to how many public companies are owned by local governments as a form of developing methods for providing public services. The types of investment that local governments can make have various forms according to the purpose of the investment. However, the most common form carried out by local governments is equity participation in local government-owned enterprises. Local governments establish enterprises with several objectives, including providing public services, increasing revenue, participating in market competition to create profit, and being a pioneer in business fields that are less attractive to the private sector (Muluk, 2009).

In 2019, local government-owned enterprises, owned by district and city governments, were dominated by companies engaged in basic services such as water supply, waste management, transportation, and gas and electricity procurement (BPS, 2020). However, only a few local government-owned enterprises are widely known by the public, for example, local government-owned enterprises providing drinking water. Apart from being unfamiliar with many local government-owned enterprises by the public, the public needs to understand the financial management of local government-owned enterprises and their relation to regional finances. Therefore, the community does not need information regarding providing funds to local government-owned enterprises as a form of local government investment. Thus, even if the local government makes a significant investment in local government-owned enterprises, the disclosure of information will not be affected.

Based on descriptive statistical analysis, local government investment has a fairly large
portion compared to other local government financing expenditures, around 52.80% of total financing expenditures. However, local government investment shows a downward trend from 2016 to 2019. This phenomenon indicates that local governments have developed their financing expenditure instruments so that financing expenditures become more diverse and make the portion of government investment decline. With reduced local government investment, investment becomes less influential on the willingness of local governments to provide information.

The availability of budget documents related to managing local government-owned enterprises is deficient. Of all the selected samples, the level of disclosure of local government-owned enterprises’ transparency documents is only 2.29%. As a separate agency from the local government, local government-owned enterprises have their governance. Local government-owned enterprises’ financial reporting is a form of local government-owned enterprises’ management accountability to the local government as the owner. Local government-owned enterprises also should provide information disclosure about their finances.

Meanwhile, as the owner, the local government is also not obligated to consolidate like a parent company. Hence, the financial information of local government-owned enterprises is entirely separate from the local government. As a result, the existence of local government-owned enterprises as recipients of government investment is not a factor affecting the level of transparency of local governments (Cuadrado-Ballesteros, 2014). Local government investment is a transaction that is not regular or regularly carried out by the regional government. Capital participation in local government-owned enterprises is only done when there is a need for an injection of funds to establish new local government-owned enterprises, enlarge existing local government-owned enterprises, save the financial condition of local government-owned enterprises, or adjust to national investment policies (Ministerial Regulation Number 77 of 2020). Other types of investment are also not carried out by the government regularly, but only in certain situations for a long time.

On the other hand, the government still provides budget management information from time to time. Investment is not a factor that automatically makes local governments increase the availability of information. Thus, government investment does not affect the level of transparency of local government. The achievements of local governments in carrying out their responsibilities to provide public services encourage the complete disclosure of information to gain legitimacy (Garrido-Rodríguez et al., 2019). Investment is a form of productive government spending to support the improvement of public service provision or to encourage greater regional revenue. Therefore, government investment is a policy that local governments see as good and can increase legitimacy. However, this test does not prove that government investment drives local governments to become more transparent. This finding illustrates that local governments do not perceive investment as worthwhile. Investment is an expenditure transaction that occurs now, while the benefits may be obtained several years later. Meanwhile, regional heads tend to maximize their interests during their tenure, so future benefits are considered less important information to disclose (Gould, 1977).

This test is not proven to support the theory of legitimacy because local governments do not respond to investment as a driver of the level of transparency. The main desire of the community is to receive optimal services and not for other purposes, such as the
number of dividends for local governments, so that information about local government investments becomes information that is not widely understood by the public. On the other hand, investment is also a transaction that is not routinely carried out so that the provision of information is not affected.

**Fiscal Autonomy and the Transparency Level of Local Government: The Moderating Role of Financial Health**

Based on the test result, financial health is proven to weaken fiscal autonomy’s effect on local governments’ level of transparency. The result of this test supports the finding of Muhtar et al. (2018), who obtained evidence that lower financial health will encourage the desire of local governments to provide information. Therefore, financial health is a factor that hinders the positive influence of fiscal autonomy on local government transparency. Low financial health is a fiscal risk for local governments. By managing these risks, local governments have made efforts to pay attention to aspects of fiscal sustainability. In fiscal sustainability, local governments should make policies that do not require adjustments in the future. The regulation of regional taxes and levies should not make the next generation receive a heavier burden. Therefore, financial management on the revenue side needs to be optimized so that the level of fiscal autonomy of local governments can continue to increase without having to adjust tax rates in the future. With the level of fiscal autonomy that continues to increase, financial health will be maintained to support the creation of fiscal sustainability. When local governments can maintain their financial condition, public trust will be maintained so that the provision of information to the public is no longer needed. Conversely, low financial health indicates that local governments are experiencing fiscal pressure, so local governments feel responsible for providing complete budget information (Puron-Cid, Reddick, & Ganapati, 2019).

Improved financial health implies local governments have lower debt levels, assuming ceteris paribus. If local governments have smaller debt, the sources of funding that may be optimized are taxes and user fees because local governments are continuously encouraged to become less dependent on the central government. Then, people will perceive higher financial health as a sign of tax and levy rates. Meanwhile, people want to receive as much and the best possible service by paying the lowest possible tax (Pérez, del, Boli var, & Hernández, 2014). As a result, local governments are compelled to reduce information disclosure to maintain their legitimacy so that local governments do not carry out policies that harm the community. Debt is a funding source that, if not managed prudently, will cause intergenerational problems. The intergenerational problem is the gap between current and future beneficiaries and burdens (Sinervo, 2020). Information disclosure is becoming increasingly important to ensure local governments have managed risk well.

The level of debt ownership has a negative effect on financial health because debt repayment becomes the divisor in the calculation of financial health. Therefore, lower debt ownership results in higher financial health and reduces the willingness of local governments to provide information. Fiscal sustainability is needed to prevent intergenerational disparities (Sinervo, 2020). For this reason, local governments must maintain financial soundness to ensure their debts can be repaid. Higher financial health can indirectly encourage local governments to receive more tax revenues because good financial health allows local governments to make various expenditures to encourage economic growth (Hakim & Dewi, 2021). Therefore, financial health should encourage local governments.
to be more transparent in financial management. However, the results of this test provide additional evidence. Sustained fiscal policy may encourage local governments to have the lowest possible debt levels to achieve higher financial health. High financial conditions reflect that local governments can allocate their income for purposes other than debt repayment. However, lower debt also indicates that the need for local government funding from taxes will be increased to offset spending needs. These conditions do not support sustainable development because it causes problems for the next generation.

This finding suggests that there is a tendency for local governments to still not be able to implement their policies according to the principle of fiscal sustainability because financial health weakens the effect of fiscal autonomy on local government transparency. Local governments tend to perceive higher financial health as information that harms the community. Information is considered poor because of the prediction that tax rates will be higher when financial health is higher. On the other hand, low financial health indicates little debt. Intergenerational problems are less likely to occur, and disclosing the information is no longer needed.

Basic Service Capital Expenditure and the Transparency Level of Local Government: The Moderating Role of Financial Health

The test results prove that financial health does not succeed in moderating, either strengthening or weakening, the effect of capital expenditure on basic services on local government transparency. The findings of this study were in line with Pérez et al. (2014), which did not obtain empirical evidence of the effect of financial health on the level of transparency of local government. This finding indicates that financial health does not play a role in the effect of capital expenditure on basic services on the level of transparency of local government. Capital expenditures for basic services are mainly carried out by local governments outside the Java-Bali region, whose financial health is relatively low compared to local governments in Java-Bali. Local governments’ efforts to maintain financial health aim to ensure that the availability of funding sources does not disrupt the provision of services to the community (Iqbal et al., 2017). The concept of sustainable governance illustrates that financial health is an indicator that needs to be paid attention to by local governments so as not to cause financial problems, both now and in the future.

For this reason, local governments need to allocate budgets carefully and be able to determine priority needs. The need for basic service infrastructure is one of the needs that should be prioritized by local governments (BPSDM Kemendagri RI, 2021). With the fulfillment of basic community service needs, local governments will be encouraged to be more transparent to maintain their legitimacy. However, this study proves that financial health does not affect basic service capital expenditures on local government transparency.

Capital expenditures for basic services are allocated to provide infrastructure for current and future generations as a form of local government commitment to implementing sustainable fiscal policies. Spending to fulfill basic services is a minimum requirement the government should prioritize even in low financial conditions as stated in PP Number 2 of 2018. Therefore, financial health does not affect how much local governments issue capital expenditure because the nominal capital expenditure for basic services remains in any financial condition. On the other hand, Indonesian people still have a low literacy level (Rintaningrum, 2019). Low literacy
levels indicate that the community is less involved in overseeing financial management by local governments. With low literacy, people have less interest in obtaining complete information and only focus on something easily visible, such as a physical building. As a result, local governments are not compelled to provide more information. They are only concerned with development outcomes utilized by the community even though the government's financial condition is not good.

Debt as a financing instrument is still not widely used by local governments in Indonesia (Halim, 2017). One of the reasons is the ability of local governments to generate their income which is still low. Regional government spending on debt repayment consisting of principal and interest payments will spend more funds from local revenue. The reduction in sources of income results in reduced local government spending to fulfill services to the community. This condition is contrary to people's expectations, so local governments are not compelled to increase published information (Jaya & Sisdyani, 2014). Therefore, local governments are not encouraged to increase the transparency of their budget management.

Fiscal sustainability is a condition that local governments want to achieve, so it needs continuous control (Yoshida, 2020). Control over financial conditions means that local governments must pay attention to sources of funding that do not create gaps between generations. Central government transfer revenues are the funding source to meet basic service capital expenditure needs. Meanwhile, information on financial health tends to be related to debt levels. Therefore, financial health does not influence how local governments allocate capital expenditures for basic services, which has been shown to affect the level of transparency of local governments.

Financial health, an indicator of local governments' ability to implement sustainable fiscal policies, has not succeeded in strengthening or weakening the effect of basic service capital expenditures on the level of transparency of local governments. Basic services are expenditures that tend to be constant and will continue to be prioritized by local governments under any conditions so that financial health does not affect the number of capital expenditures for basic services. In addition, local government sources of income tend to come from non-income sources. Therefore, the local government's urge to be more transparent to the public is reduced.

**Local Government Investment and the Transparency Level of Local Government: The moderating role of financial health**

The test provides evidence that financial soundness strengthens local government investment's effect on local government's level of transparency. This finding provides information about the role of financial soundness in strengthening the influence of government investment on local government transparency. Local government investment, which is proven not to affect the level of transparency of local government, becomes influential when there is an interaction from the level of financial health. Healthy financial conditions allow local governments to make diversified and larger expenditures, including investing. Government investment is expected to benefit the current and next generations (Morgan & Trinh, 2017). Therefore, the local government's policy to allocate the budget for investment purposes is a policy that
supports fiscal sustainability. Sustainable local government fiscal conditions must also be supported by implementing good governance and providing adequate information related to budget management (Morgan & Trinh, 2017).

Higher financial health indicates the ability of local governments to be more flexible in allocating budgets because they have been able to fulfill their obligations (Ritonga, 2014). The benefit of local governments having budget flexibility is the ability to encourage productive spending, such as government investment. This study’s financial health level is closely related to local government debt ownership. As an instrument to overcome the Local Government Budget (Anggaran Pendapatan Belanja Daerah, APBD) deficit, debt has the consequence of financing expenditures in the future. A government that can make financing expenditures to pay off debts and invest in capital participation in local government-owned enterprises shows adequate capability to manage the budget properly (Diptyana, 2019). This success is information that can encourage local governments to increase their transparency to gain recognition from the community. Therefore, the influence of local government investment on the level of transparency of local government becomes stronger when financial health improves.

Fiscal sustainability requires local government efforts to implement fair fiscal policies for each generation, such as investment (Alesina & Angeletos, 2005). Investment is an expenditure for the current government, while the rewards or benefits obtained from the investment will be obtained in the future. On the other hand, local governments must also make expenditures to pay off debt. Therefore, debt and investment are two interrelated local government budget items. Low debt leads to a higher level of financial health and a greater ability of local governments to invest. Thus, financial health encourages the greater allocation of local government investment and a higher level of transparency in local government.

This finding also supports the theory of fiscal sustainability and legitimacy because local governments that can maintain financial health will be encouraged to make larger and diversified spending, including investment. This condition can be achieved by maintaining the aspect of information disclosure. On the other hand, financial and investment health shows the ability of local governments to carry out their duties properly so that local governments will provide more information related to budget management.

CONCLUSION

This study concludes that fiscal autonomy positively affects the level of transparency of local governments in Indonesia. Meanwhile, capital expenditure for basic services negatively affects local governments’ level of transparency. The local government investment variable is not proven to affect local government transparency. The test results for financial health as a moderating variable indicate a weakening effect of fiscal autonomy on the level of transparency and a strengthening effect on the effect of local government investment on the level of transparency. Meanwhile, the level of financial soundness is not proven to moderate the effect of capital expenditure on basic services on the level of transparency of local government.

The data sources available to support this study are limited to 2016, while data for the previous year are unavailable. In addition, many local government websites have problems, making it more difficult to measure the level of transparency. The
measurement of government investment variables and the level of financial soundness also requires several transactions not carried out by all local governments every year, so the data that can be used is limited. The results of this study can be used as suggestions for the Ministry of Home Affairs and the Ministry of Finance regarding the formulation of regional taxation policies and regional financing to encourage local governments to be more transparent. Local governments in Indonesia should optimize transparency to encourage the legitimacy of local governments.

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Vol. 9, No. 1, 2023: 123-150

THE TRANSPARENCY LEVEL OF LOCAL GOVERNMENTS IN INDONESIA: DOES ...


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APPENDICES

Appendix 1. Indicators in Calculation of The Transparency Level Of Local Government Index

Planning Stage
1. Local Government Work Plan Document (Summary)
2. General Budget Policy
3. Priority and Budget Ceiling Documents (Summary)
4. Documents (Summary) of Work Plans and Budgets of Regional Apparatus Work Units
5. Document (summary) of Work Plan and Budget-Regional Financial Management Officer
6. Document (summary) of the Draft Regional Regulation on Regional Government Budgets and Expenditures
7. Regional Regulations concerning Regional Government Budgets and Expenditures
8. Local Government Head Regulations concerning the elaboration of Regional Government Budgets and
Expenditures
9. The Summary of Budget Implementation Documents for Regional Apparatus Work Units.
10. Documents and Budget Implementation from Regional Financial Management Officials

Implementation Stage
1. Realization of Regional Income for the First Semester
2. Realization of Regional Expenditures in Semester I
3. Realization of Regional Financing for Semester I
4. Document (summary) of the Draft Amendment to Local Government Budgets and Expenditures
5. Local Government Regulations concerning Changes in Regional Government Budgets and Expenditures
6. Local Government Head Decree concerning the elaboration of Changes in Regional Government Budgets and
Expenditures
7. Document (Summary) of Work Plan and Budget Changes in Regional Government Budget and Expenditure
8. General Procurement Plan
9. Local Government Head Decree concerning Regional Financial Management Officer

Reporting and Accountability Stage
1. Statement of Cash Flows
2. Statements of Budget Realization
3. Balance Sheet
4. Notes to Local Government Financial Statements
5. Financial Statements of Regional Owned Enterprises
7. Local Government Decree concerning Accountability of Local Budget Implementation
8. Opinions of the Indonesian Supreme Audit Agency
9. Statement on Changes in Budget Balance Over
10. Operational Report
11. Statement of Changes in Equity

Source: Nuryani & Firmansyah (2020)
Appendix 2. Measurement Formulas

1. Transparency Level of Local Government = \( \frac{\sum_{i=1}^{n} \text{The Disclosure of Local Government Financial Management on the Website}}{30} \)

2. Fiscal Autonomy = \( \frac{\text{Actual local taxes and levies}}{\text{Actual total local government revenues}} \)

3. Capital expenditures for basic services = \( \frac{\text{Actual Capital Expenditure for Basic Services}}{\text{Actual Total Expenditure}} \)

4. Local Government Investment = \( \frac{\text{Actual local government investment}}{\text{Actual financing expenditures}} \)

5. Local Government Financial Health = \( \frac{\text{Total Revenues} - \text{special allocation funds} - \text{personnel expenditure}}{\text{Loan Principle + Interest}} \)

6. Local Government Size = \( \ln(\text{Local Government Total Assets}) \)

Appendix 3. The hypothesis test

1. Model 1 (employed to test hypotheses 1 to 3)
   \[ TLLG_i = c_0 + \beta_1 FA_i + \beta_2 CEBS_i + \beta_3 LGI_i + \beta_4 LGFRQ_i + \beta_5 Size_i + \epsilon \]

2. Model 2 (employed to test hypotheses 4 to 6)
   \[ TLLG_i = c_0 + \beta_1 FA_i + \beta_2 CEBS_i + \beta_3 LGI_i + \beta_4 LGFRQ_i + \beta_5 Size_i + \epsilon \]

- \( TLLG_i \) = The transparency level of local government
- \( FA_i \) = Fiscal autonomy of local government
- \( CEBS_i \) = Capital expenditure for basic services of local government
- \( LGI_i \) = Local government investment in local government
- \( LGFRQ_i \) = Local government financial reporting quality of local government
- \( Size_i \) = Size of local government
- \( LGFH_i \) = Local government financial health.