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Exploring government internet financial reporting in Indonesia

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ABSTRAK

Penyajian laporan keuangan pemerintahan sangat penting sebagai bentuk pertanggungjawaban publik, serta sebagai upaya transparansi pengelolaan keuangan kepada masyarakat. Beberapa penelitian sebelumnya menunjukkan bahwa hampir seluruh pemerintah daerah di Indonesia telah memiliki website resmi, serta aktif digunakan untuk memuat berita, potensi daerah, maupun layanan pemerintah daerahnya. Namun, pemerintah daerah yang menyajikan laporan keuangan di internet masih terbatas jumlahnya. Penelitian ini mengkaji apakah kompetisi politik, aset daerah, ketergantungan daerah, kepadatan penduduk dan penghargaan keterbukaan informasi berpengaruh terhadap praktik Internet Financial Reporting (IFR) pemerintahan di Indonesia. Dari 34 provinsi di Indonesia, penelitian ini menggunakan 32 sampel laman resmi provinsi yang dapat diakses secara konsisten. Hasil penelitian menunjukkan bahwa ketergantungan daerah terhadap pemerintahan pusat dan penghargaan keterbukaan informasi berpengaruh signifikan terhadap praktik IFR. Sementara itu, pengaruh kompetisi politik, aset daerah, ketergantungan daerah dan kepadatan penduduk tidak terbukti signifikan terhadap praktik IFR. Penelitian ini memberikan kontribusi pada riset akuntansi sektor publik dengan memperluas penelitian sebelumnya melalui penambahan variabel Penghargaan Keterbukaan Informasi sebagai variabel independen.

ABSTRACT

Government financial reporting as public accountability and transparency is important. Previous research show that almost all local government in Indonesia have their official website, which is active use as presenting news, local potentials, and local government services. Unfortunately, there are still limited local governments which are disclose their financial information as well as budgeting reports and financial statements on their websites. This research aims to explore whether political competition, local asset, local dependency, population density, and information openness award have influenced IFR practice in government in

Indonesia. We investigate financial report and budget report as of internet financial reporting (IFR) data of 32 provincial government websites. Indonesia consists of 34 provinces, which are 32 provincial websites consistently accessible and use as sample in this research. The empirical results show that local dependency toward central government and Information Openness Award positively significant influence IFR practices in provincial level in Indonesia. There is no significant influenced of political competition, local asset and population density to IFR in Indonesia Provinces website. Our research contribution is to extend previous research by concerning Information Openness Award as independent variable which influenced to IFR practice in local government.

INTRODUCTION

Internet Financial Reporting (IFR) in Indonesia is voluntary in nature. There has no specific rule yet for IFR in government organization. However, Indonesian Government Law No. 14 of 2008 on Public Disclosure (Pemerintah Republik Indonesia, 2008) requires that each public agency has the rights and obligations in the provision of public information. In article 7 and 9, any public agencies in Indonesia must provide and publish financial statements and performance reports. Those financial statements and performance reports can be written and presented in the electronic media, which should be easily accessible to public.

Information and Technology (IT) based government facilitates the transparency and accountability financial information (Juiz, Guerrero, & Lera, 2014; Mistry, 2012). Ease of access to information and automated data storage, can reduce bureaucratic abuse. So that e-governance implementation gives opportunities to the community to obtain better service from its government.

In Indonesia, e-government practices regulated by Presidential Instruction No. 3 / 2003 about National Policy and Strategy Development of E-Government (Pemerintah Republik Indonesia, 2003). Since Presidential Instruction was enacted in 2003, there were 182 of the 325 local government (local government) that has an official website and only 150 of 182 websites can be accessed (Rose, 2004). Despite of the 150 websites that can be accessed, the presentation of financial information is very limited. Website more contains news and features service (Martani, Fitriyanti, & Annisa, 2013). Hermana, Tarigan, Medyawati and Silfianti (2012) concluded that the local government website more widely used website to share news and information services activities rather than financial disclosures. IT utilization is not enough to support transparency and accountability. Democracy and human resources are also significant to the environment of transparency in e-government. The more democratic a government, the transparency will be more supported.

In 2013 there was an increasing number of local government websites in Indonesia. Based on observations in June 2013 there were 429 local government websites can be accessed (Ratmono, 2013). Ratmono (2013) examined the availability of Java and Bali local government website in mid 2012, and concluded that only 15 of the 78 local government official website that upload financial statements and performance reports on their official website. Trisnawati and Achmad (2014) also concluded the limitation of financial information in local government website. Refer to their conclusion in 2012 there were only 28 of the 210 local government samples which uploaded budget reports. Despite the increasing number of websites, financial disclosure on the website was remained limited.

Awarding is a way to motivate an individual or organization in carrying out better services. Openness Information Award yearly given by the government (organized by the Central Information Commission) on several categories: ministries institution, state institution, political parties, public bodies, universities and provincial government.

Several studies show that there are variables can explain the propensity of voluntary financial reporting in local government, such as size, capital investment, political competition (García & García-García, 2010), press visibility (Afryansyah & Haryanto, 2013; García & García-García, 2010), total assets and level of dependence (Hilmi & Martani, 2012). However, studies in local government especially focused on provincial area are still limited. In this paper, we extend prior IFR research to be more specific in provincial area. This research examines Information Openness Award to contribute a better IFR practice in local government in Indonesia.

LITERATURE REVIEW

“Legitimacy is a generalized perception or assumption of an entity desirable, proper or appropriate within some socially constructed system of norms, values, beliefs, and definitions”. Legitimacy theory implies that an institution attempt to gain environment legitimacy, such as local community and central government – through reporting (Tilling, 2004). Based on legitimacy theory point of view, policy makers such as politicians and elected governor or mayor should have performance communication strategy to gain public legitimacy. Political rival and voters looking forward promises embodiment during campaign, and they asked for information about performance. Financial and performance reporting use to communicate achievements and progress of an institution program.

Shehata (2014) stated that accounting should be able to provide information that can be used in decision making , as well as to meet social interest and carried out

that the organization activities in line with expected values by community. Therefore, legitimacy can occur through mandatory disclosure and voluntary disclosure. Based on agency theory perspective, local governments as agent and the public community as principal which are both have different interests. Financial reporting through the internet is expected to reduce the information asymmetry between the agent and principal.

Political Competition and IFR

Most of public administration at the local level is governed by politicians who have strategic position and authority in controlling financial resources. High political competition can increase mutual monitoring condition between incumbent officials and the public and/or political rivals. In higher political competition, incumbent officials will attempt to disclose their performance to reach society trust and attention, so that they can be reelected. Website considered as inefficient and effective media for disseminating information. Presenting financial report in internet is one way for disseminating incumbent officials' performance. Some research show that political competition significantly influenced financial statement publication in the internet (García & García-García, 2010; Trisnawati & Achmad, 2014). Studied in Brazil municipalities indicate that municipal administered by Workers' Party more likely to have websites than municipal administered by Brazilian Social Democratic Party (Pereira, de Lima Amaral, & Costa, 2012). It is shown that political competition enhanced utilization of internet to share information.

H1: Political competition significantly and positively influence internet financial reporting.

Provincial Government Wealth and IFR

Based on agency theory, when an agent was entrusted to manage resources by the principal, the agency problem would arise. Information asymmetry, as agency problem, would arise because the agent believed that their access to information should be easier as the principal. An institution which has higher assets is likely to increase their public awareness. Local government which has a higher level of wealth will have more access to political monitoring and information about local government performance (Styles & Tennyson, 2007).

However, several previous studies have shown various results. Local government wealth influenced the level of disclosure (Hilmi & Martani, 2012) and the publication of the financial statements on the internet (Trisnawati & Achmad, 2014). Otherwise, Afryansyah and Haryanto (2013) concluded that local government wealth

did not significantly affect the level of disclosure of accounting in government. Theoretically, higher asset institutions likely to be more willing to provide voluntary reporting. Higher asset institutions have potentials to increase their capability and internet infrastructure. Therefore, this research reexamines the association between wealth to the IFR.

H2: Local wealth significantly and positively influence internet financial reporting.

Population Density

According to agency theory, information asymmetry mostly occurs in larger company, and thereby expanding the agency costs. Several studies in the business sector show that large enterprises are more willing to disclose information than smaller companies. Then, to reduce agency cost, large companies implement online strategy web-based disclosure.

In terms of legitimacy theory, information asymmetry can lead to declining public trust in government. Therefore, comprehensive disclosure can also increase public legitimacy. Web based financial information can be used as an alternative to local governments to reduce costs and increase the legitimacy of public agencies.

In densely populated local government, the financial management information becomes public scrutiny. A densely populated area or urban area has higher demands of public facilities and education facilities. It has more aggressive economic activity and the number of mass media is higher than non-urban areas. Community and economic actors in densely populated urban areas will require governments to manage better and transparent financial activity. Carvalho et al., (2007) stated that in Portugal, metropolitan area has better level of compliance and disclosure of accounting information than non-metropolitan areas.

H3: Population density significantly and positively influence internet financial reporting.

Local Dependency to Central Government

Every local government in Indonesia, as well as provincial government, entitled to receive General Allocation Fund (GAF) / Dana Alokasi Umum from central government. GAF is a proxy of dependency level of local governments on the central government. GAF is a part of provincial revenue. Resource dependence theory requires that the resource limitation could be solved by delivering good

communication between resources provider and resource managers. The greater of GAF show the higher local government funds sourced from the center government. Local government with high GAF has higher pressure to present better financial information. Puspita and Martani (2012) concluded that local government has significant positive influence to the level of local government disclosure on the website. Provinces which received GAF have responsible to disclose GAF utilization. Internet financial reporting offers a simple way to disclose GAF utilization to central government and public.

H4: Dependency to central government significantly and positively influence internet financial reporting.

The Indonesian government, through Information Commission, attempts to encourage transparency and good governance in public institutions in Indonesia. Information Commission started work on May 1, 2010, and serves to carry out the implementation of Act no. 14 of 2008 on Public Information regulations including technical guidance service standards of public information and public information to resolve disputes. The law states that public bodies are required to provide and release information regularly about activities and performance of the Public Agency, Financial Report and / or other information that is governed by law, not later than six months, easily accessible by the public and with language easily understood. In addition, listed in Undang-Undang No. 14/2008 (Pemerintah Republik Indonesia, 2008) that the public agency shall provide public information that is accurate, truthful and not misleading, so that public bodies should establish and develop information and documentation systems for managing public information properly and efficiently so that it can be accessed easily. Regarding to Undang-Undang No. 14/2008 (Pemerintah Republik Indonesia, 2008) on KIP (Keterbukaan Informasi Publik or Openness Public Information), Peraturan Pemerintah No. 61/2010 (Pemerintah Republik Indonesia, 2010b), Peraturan Menteri Dalam Negeri No. 35/2010 dalam Pedoman Pengelolaan Layanan Informasi dan Dokumentasi di Lingkungan Kementerian Dalam Negeri dan Pemerintah Daerah (Pemerintah Republik Indonesia, 2010a), the head of the local government unit may establish PPID (Pejabat Pengelola Informasi dan Dokumentasi or Chief Official of Information and Documentation). PPID perform the management of public disclosure in every area.

The legitimacy of public sector organizations can also be shown with award achievement. Award achievements show how public sector organizations, particularly governments, get recognition to their transparency and good governance. Information Commission provides KIP award that public bodies are motivated to provide better

public information services. The award is determined based on the rankings by category. Information Committee gave awards to the top ten best value for the disclosure of information in the provincial governments. Financial information is often the information is considered confidential. Disclosure of information, particularly financial information still needs to be improved. The more often a province received openness information awards showed better information disclosure, including disclosure of financial information.

H5: Openness information award achievement significantly and positively influence internet financial reporting.

RESEARCH METHOD

In order to evaluate level of IFR we use IFR index. This index focused on content, timeliness, technology used and user support. We divided IFR index into four sections: content (40 percent), timeliness (20 percent), technology used (20 percent), and user support (20 percent). Highest weight is content. This index adopted from Cheng, Lawrence and Coy (2000) based on three stages of web development written by Almilialia (2009) on the observations of the bank and the company IFR LQ – 45. We modified some items in content and timeliness due to IFR adaptation from business sector to government sector (Table 1 at Appendix).

Business Competition Supervisory Commission in Indonesia (Komite Pengawas Perdagangan Usaha, 2012) developed market concentration categorization to control market competition. KPPU stated that market concentration is divided into two categories: HHI < 1800 categorized in low market concentration, and HHI > 1800 categorized in high market concentration. Highest market concentration (HHI = 10.000) indicates monopoly market condition.

To test five hypotheses, we employ regression analysis. Model of regression as follows:

$$IFR = \alpha + \beta_1 PolCom + \beta_2 Wealth + \beta_3 Depend + \beta_4 Density + \beta_5 OIAward \dots\dots\dots 1$$

IFR = Internet Financial Reporting measured by IFR index.

PolCom = Political Competition measured by inversed-HHI. Percentage of governor candidate’s vote is collected from Votes Commissions for Electing Governor (Komisi Pemilihan Umum-KPU) and mass media.

Wealth = Provincial assets value measured by province total assets collected from Ministry of Domestic Affairs.

Dependency = Provincial dependency to central government measured by General Allocation Fund (GFA) in Rupiah

Density = Population Density measured by Total Population (in person) divided land area (m²).

OIAward = Openness Information Award Achievement frequency

We did 6 months web observation on every Saturday during February 2016 to July 2016 to assure accessibility and consistency of provincial website.

RESULTS AND DISCUSSION

Before showing regression analysis results, we reveal a brief descriptive analysis of IFR in provincial government in Indonesia. Indonesia consists of 34 provinces. Of the 34 provinces, there are 33 provincial government official website which can be sampled. One website which is not accessible is North Maluku (Maluku Utara) provincial website. On February 25, 2016, East Nusa Tenggara (Nusa Tenggara Timur) website was accessible. Unfortunately, since June 25 until the end of July NTT website cannot be accessed because it has been hacked too. Meanwhile, the website of North Maluku province since February 2016 still cannot be accessed until the end of July 2016. Finally, we have 32 provincial websites to examine.

Internet Financial Reporting (IFR)

The highest weight of IFR index is content.

Table 1
Financial Reporting Content Existence in Indonesia Province Official Website

Component	2012	% of samples	2013	% of samples	2014	% of samples	2015	% of samples
Balance Sheet	11	34.375	15	46.875	18	56.25	2	6.25
Budget Realization Report	12	37.5	18	56.25	22	68.75	6	18.75
Cash Flow Report	10	31.25	14	43.75	18	56.25	3	9.375
Note of Financial Statement	0	0	1	3.125	3	9.375	0	0
Audit Opinion from Audit Board of Indonesian Republic (Badan Pemeriksa Keuangan)	11	34.375	11	34.375	17	53.125	0	0
Budget Progress Report (Dokumen Kinerja Anggaran/DKA SKPD)	9	28.125	10	31.25	14	43.75	5	15.625
Budget Realization Report (Laporan Realisasi Anggaran /LRA – PPKD)	8	25	9	28.125	11	34.375	6	18.75
Performance Report / Public Accountability Report	7	21.875	14	43.75	11	34.375	8	25

Second component of our IFR index is Timeliness. Timeliness measured whether provincial government website presents information in a timely manner. There are three components in the measurement of timeliness, they are: news, news updates, press releases and availability of information about ongoing year budget (2016). Table 2 shows that all (100 percent) of provincial websites contains news. This results support Hermana et al., (2012) which concluded that government website focuses on news. In this research, the news in provincial website mostly updated within one week (96.875 percent).

Table 2
Timeliness

Component	n	% of sample
News existency	32	100
The latest news is available within one week since the date of observation	31	96.875
The latest news is available within one month since the date of observation	1	3.125
The existence of Budged and Working Plan and Budget Implementation Documents in 2016	8	25
The existence of on going Budget Implementation	4	12.5

Third component of IFR is Technology Used. Technology Used indicates the extent to which the facility on the website is applied to present information. Table 3 shows that most (90.9 percent) provincial websites are utilizing multimedia technology. In addition, 84.85 percent of the samples also use plug-in download technology on the spot. Files are provided for downloadable published in pdf and jpg. There were 13 (39.39 percent) provinces which utilizes the online technology (online feedback support). Online Feedback Support is an active communication support services online for public questions or comments. For examples: twitter or facebook messenger. Only one province (Riau) which use XBRL Technology to presents chart of Realized Budget Report feature.

Table 3
Technology Used

Technology Used	n	% from sample
Slide presentation	0	0%
Download plug-in on spot	28	84.85%
Online feedback support	13	39.39%
Multimedia	30	90.9%
Analysis Tool	0	0%
XBRL	1	3.03%

Fourth component of IFR is User Support. User Support component measures whether provincial website provides features which allow users to understand and to find the information they needs in easier and faster way.

Table 4
User Support Features

Features	n	% of sample
Help and FAQ	10	30.3%
Link to home	32	97%
Link ke top page	4	12.12%
Site map	3	9.1%
Search menu	21	63.6%
Web consistency design	32	97%
Clicks to find Financial Reporting menu		
1x click	11	33.33%
2x clicks	13	39.39%
3x clicks	8	24.24%

According to Table 4, all of samples have consistency in web design and Link-To-Home feature (100 percent). Most website provide search menu (63.6 percent). Search menu is the highest number features provided by provincial website. Sitemap has important role to provide an overview of website contents. It can improve search engine to ensure that all contents in website can be found. Unfortunately, the lowest user support features is Sitemap (9.1 percent). This finding explains why financial statement or a document of local government is rather difficult to find using search engine.

Total IFR Score is obtained by summarizing content score, timeliness score, score the technology used, and a score of user support. This IFR score emphasize on content score. The higher IFR score illustrates that the province present financial information and budget information more accessible, use, timely and complete. The maximum value of the total score is 100. Details IFR total score of each province is in Appendix 2.

Regression Analysis

We employ Kolmogorov-Smirnov Test to test normality of residuals. As shown at Table 5, asymp.sig is 0.953. It means that in $\alpha = 5$ percent, residual is normally distributed.

Table 5
Normality Test Result

Component	Value
N	32
Normal Parameters ^a	
Mean	0.000
Std.Deviation	11.126
Most Extreme Differences	
Absolute	0.091
Positive	0.091
Negative	-0.082
Kolmogorov-Smirnov Z	0.516
Asymp. Sig (2-tailed)	0.953

^aTest Distribution is Normal

To explore internet financial reporting issues further, we use regression analysis. Regression analysis result shown at Table 6a, 6b and 7. The Goodness of Fit Test reveals that R value of 0.690 which indicating that 69 percent of variance in the dependent variable (IFR) can be explained by the independent variables. This suggests that the model has a good explanatory power. Adjusted R square is 37.5 percent which means 37.5 percent of IFR variance can be explained by political competition, wealth, population density, dependency to central government, and openness information award. It means that there are 62.5 percent IFR variance can be explained by other variables outside of model.

Table 6a
The Goodness of Fit Test

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	3484.803	5	696.961	4.722	.003 ^a
Residual	3837.166	26	147.583		
Total	7321.969	31			

Table 6b
Adjusted R Square

Model	R	R Square	Adjusted R Square	Std. Error of The Estimate
1	0.690 ^a	0.476	0.375	12.148

^aEstimated equation is $IFR = \alpha + \beta_1 PolCom + \beta_2 Wealth + \beta_3 Depend + \beta_4 Density + \beta_5 OIAward + \epsilon$

Two hypotheses are supported: H4 and H5 in $\alpha = 5$ percent. Table 7 shows that Dependency to Central Government significantly influenced toward IFR (H4). (sig. 0.002, $t = 3.443$). It means that provinces which are receives higher General Fund Allocation (GAF) have higher IFR score. This finding confirms Puspita and Martani (2012). It supports agency theory which explains that financial reporting use to reduce information asymmetry between agent (provincial government) and principal (central government). This finding also explains the effectiveness of government regulations for local government, especially for local government that receive GAF. The Government Regulation (Peraturan Pemerintah -PP) No. 56/2005 (Pemerintah Republik Indonesia, 2005) concerning Local Government Financial Information System which has been converted into regulation (PP) No. 65/2010 (Pemerintah Republik Indonesia, 2010). It states that local government must submit a report on realization of the Regional Budget at the first half of the current year to the Minister of Finance at the latest on 30 July. If the province late in submitting reports for 1st semester, it will be subject to sanctions by withholding the distribution of GAF for 25 percent of GAF which should receive each month. Openness Information Award (H5) also significantly influence IFR ($t=2.465$, sig. 0.021). It shows that local government which has frequently received award will present IFR better. Award achievement will

demonstrate province ability to present better the IFR.

Table 7
Regression Analysis Result

Model	Unstandardized Coefficients		t	Sig.
	B	Std. Error		
Constant	93.849	63.456	1.479	0.151
Political Competition	-2.610	2.626	-0.994	0.329
Wealth	-2.180	2.241	-0.973	0.340
Population Density	-2.398	1.686	-1.422	0.167
Dependency	2.255E-11	0.000	3.443	0.002*
Openness Information Award	8.167	3.313	2.465	0.021*

Political competition (H1) does not support to influence IFR in provincial website. This result is consistent with Afryansyah and Haryanto (2013), but it is not consistent with (García & García-García, 2010; Pereira et al., 2012; Trisnawati & Achmad, 2014). In this study, we use vote counts to calculate the index of political competition. If there is a dispute over the results of the counting, and Constitutional Court determined to conduct several rounds of the elections, then we used voting result data from the latest round of election. When HHI use to measure the intenseness of competition among prospective governor, we found that the concentration of governor election competition is relatively highly concentrated. There are two provinces which are pure monopolistic governor election: North Borneo Province and Special Region Yogyakarta. Furthermore, the highest value of HHI is Riau Province (HHI = 5,231) and the lowest was Maluku (HHI = 2.060). According to lowest HHI value 2,060 (greater than 1800), it reveals that all of political competition in our sample is in highly concentrated condition (Appendix 3).

The influence of Local Wealth (H2) to IFR is not supported either. This results are consistent to Afryansyah and Haryanto (2013). However, Hilmi and Martani (2012) and Trisnawati and Achmad (2014) found that local wealth is one of determinant of IFR. We use provinces' asset value to measure Wealth. Meanwhile, Hilmi and Martani (2012) use Total Regional Income divided by total population as a proxy for Local Wealth, and the General Allocation Fund (GAF) is included as part of Total Regional Income. We use total assets as a proxy of Local Wealth instead of Total Regional Income. Trisnawati and Achmad (2014) use dummy to determine the existence of local government IFR. Meanwhile, we utilized four components IFR, namely: timeliness, technology used, and user -support. This different indicator might cause different result to previous study. Furthermore, according to IFR score description (Appendix 2) and asset value (Appendix 4), there are only two provinces with large assets enlisted as top ten IFR score, namely East Kalimantan (East Borneo) and East Java.

Population Density (H3) is not significantly influence the IFR. This result is consistent to Ratmono (2013). Afryansyah and Haryanto (2013) did not find influence of population to financial disclosure either. Our result does not support García and García-García (2010). Refer to IFR score (Appendix 2) and population density (Appendix 6), high population density is not necessarily tend to present higher IFR score. Official website focused on news, which presenting government activities and achievement in nonfinancial measure. Besides news, provincial website mostly used to present service procedures, such as office hours, requirements documents in service procedures, office address, auction announcement, tourism, agriculture, and so on. That content considered still more useful to public and government authorities, than financial data presentation.

CONCLUSION, LIMITATION AND SUGGESTION

We found that GAF and Information Openness Award have significant influences to IFR in Indonesia. Province which receives GAF will develop progress and realization reports to be submitted to the central government. The provincial governments are using internet as media to communicate and legitimate their contribution to community and also using internet as document storage. Unfortunately, in considering that there is a government law about GAF reporting, this finding also reveals that provincial government should be more self-motivated to present their financial information in the internet. Almost all governments utilized good technology, such as download plug-in-spot and multimedia, in their website. Nevertheless, content of financial information is still limited. Number of Notes to Financial Statement uploaded very least. Less than 60 percent of provinces has uploaded Balance Sheet and Cash Flow Report, but number of provinces which are uploaded it are increasing from year to year. However, provinces government in Indonesia has technology potential which are can be optimized to develop better financial information. Award also can motivate local government to get better performance. Receiving award is important to incumbent official. They can gain public recognition and trust by presenting their performance. This result shows that openness information award can be effective to increase IFR awareness in local government in Indonesia.

There are four limitations in this study. *First*, IFR is dynamic to observe, so it cannot be observed at one time. The information is presented on the web could be changed at any time, so it needs long period to ensure consistency and validation data. Our observation since February to June 2016 every week on a Friday or Saturday as the last business day of each week so that any changes in the website content can be detected. *Second*, financial information location in each province are diverse and site

map in limited numbers causes the document needs time to find. Financial Transparency or Local Budget Management menu in provincial websites are vary. Some of provinces are presenting financial reporting in PPID (Chief Official of Information and Documentation) menu, working units under provincial government (SKPD) in relation to Board of Finance and Asset Management Financial Management Board, or its present as part of Financial Information menu, Public Information, even in the news menu.

Third, according to Regulation No. 65 of 2010, 30th of July each year is the deadline for submission of reports on realization of the budget, while the observations done before July 30. So that there is possibility to extend the observation in order to measure IFR score. Some of financial information but not financial reporting, such as macro-economic information presentation, information food prices, asset information systems, are exist in some provincial websites, but have not observed yet.

Our suggestion for further research is to develop time needed to extend the period of observation, or carried out the research in the period after 30th of July. Coverage of the sample can be extended to encompass the type of political competition as there of sample in this research is highly concentrate condition. In addition, consistent development of information technology, the scope of information disclosure observations can also be seen from the other features, such as the Regional Financial Information System (MoF) online, the price of food information systems, information systems disaster, etc.

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APPENDIX**Appendix 1
IFR Score**

No	Province	IFR Score	No	Province	IFR Score
1	Special Region of Aceh	68	18	North Sumatera	40.5
2	Gorontalo	66.5	19	DKI Jakarta	40
3	East Kalimantan	64	20	Bali	38
4	West Kalimantan	58.5	21	Bengkulu	35
5	Jambi	55	22	North Sulawesi	32.5
6	Central Kalimantan	55	23	South Sulawesi	29.5
7	Riau	53.5	24	Central Sulawesi	26.5
8	West Sumatera	53	25	South East Sulawesi	26
9	Special Region of Yogyakarta	52	26	Maluku	24.5
10	Central Java	51.5	27	Papua	24.5
11	South Kalimantan	51	28	Bangka Belitung	21
12	Kepulauan Riau	50.5	29	Nusa Tenggara Barat	21
13	East Java	46.5	30	Kalimantan Utara	19
14	West Java	45	31	Nusa Tenggara Timur	17
15	Banten	43	32	Lampung	15
16	South Sumatera	42.5	33	West Papua	15
17	West Sulawesi	42	34	North Maluku	not available

Appendix 2**Herfindahl-Hirschmann Index (HHI)**

Province Name	Governor Election Year	HHI	HHI -inversed
1 Special Region of Yogyakarta	-	10,000.00*	1.00
2 North Kalimantan	2012	10,000.00	1.00
3 Riau	2013	5,231.13	1.91
4 DKI Jakarta	2012	5,029.18	1.99
5 Nusa Tenggara Timur	2013	5,003.13	2.00
6 North Maluku	2013	5,000.34	2.00
7 Bali	2013	5,000.00	2.00
8 South Sulawesi	2013	4,512.04	2.22
9 Banten	2011	4,111.08	2.43
10 Special Region of Aceh	2012	4,048.98	2.47
11 East Java	2013	3,815.20	2.62
12 West Sulawesi	2011	3,802.91	2.63
13 Central Java	2013	3,736.71	2.68
14 South East Sulawesi	2013	3,728.14	2.68
15 West Kalimantan	2012	3,640.64	2.75
16 East Kalimantan	2013	3,599.22	2.78

17	Central Sulawesi	2011	3,517.39	2.84
18	Gorontalo	2011	3,515.66	2.84
19	Central Kalimantan	2010	3,472.97	2.88
20	West Papua	2012	3,472.35	2.88
21	Lampung	2013	3,384.04	2.96
22	Kepulauan Riau	2010	3,356.97	2.98
23	Papua	2013	3,273.17	3.06
24	North Sumatera	2013	3,239.33	3.09
25	Nusa Tenggara Barat	2013	3,185.41	3.14
26	South Kalimantan	2010	3,084.93	3.24
27	North Sumatera	2013	2,973.18	3.36
28	Jambi	2010	2,865.57	3.49
29	Bangka Belitung	2012	2,757.66	3.63
30	West Java	2013	2,644.61	3.78
31	North Sulawesi	2010	2,576.01	3.88
32	West Sumatera	2010	2,454.30	4.07
33	Bengkulu	2010	2,299.95	4.35
34	Maluku	2013	2,060.25	4.85

Special Region of Yogyakarta and North Kalimantan (*Kalimantan Utara / Kaltara*) have special mechanism in governor election. Under Undang-Undang No 13/2012 about Priviledge of Special Region of Yogyakarta, Sultan as Yogyakarta's Governor and Paku Alam as Vice Governor. Sultan was selected by line of descent in *Kasultanan Yogyakarta*. North Kalimantan (*Kalimantan Utara*) was the newest province in Indonesia. It established in 2012 and the governor was appointed by President. For that reasons, their HHI is 10.000 (pure monopoly)

Appendix 3
Asset Average (IDR) on 2012-2015

No	Province	Asset Value (IDR)
1	DKI Jakarta	396,339,488,890,796.00
2	North Sumatera	79,595,556,411,514.20
3	East Java	35,883,003,520,839.50
4	East Kalimantan	26,491,641,244,646.90
5	Riau	25,139,188,334,789.90
6	West Java	23,950,697,250,575.10
7	Central Java	22,545,847,227,947.40
8	Special Region of Aceh	19,549,482,750,422.80
9	Papua	16,945,870,980,508.50
10	South Sumatera	16,345,697,452,380.40
11	South Sulawesi	11,259,832,040,459.10
12	South Kalimantan	10,038,271,965,562.10
13	Banten	9,851,603,590,368.72
14	Central Kalimantan	8,963,952,981,474.46
15	West Sumatera	8,428,560,846,175.05
16	Nusa Tenggara Barat	8,170,613,936,801.89
17	Jambi	7,010,039,034,838.88
18	Lampung	6,622,941,552,618.47
19	West Papua	6,589,165,428,247.04
20	Special Region of Yogyakarta	6,047,419,728,822.29
21	Bali	5,749,254,898,293.40
22	Southeast Sulawesi	5,435,138,332,813.59
23	Nusa Tenggara Timur	5,429,140,041,790.78
24	Central Sulawesi	4,672,836,874,661.28
25	Maluku	4,665,270,195,460.78
26	West Kalimantan	4,370,517,081,340.79
27	Kepulauan Riau	4,248,886,135,552.87
28	Bangka Belitung	3,591,458,156,522.44
29	North Sulawesi	3,234,003,549,597.28
30	Bengkulu	2,843,399,947,741.56
31	North Maluku	1,822,137,139,460.21
32	Gorontalo	1,685,618,827,542.97
33	West Sulawesi	1,202,633,645,771.35

Appendix 4

General Fund Allocation Average (IDR) in 2012-2015

No	Province	GAF Average (IDR)
1	Papua	1,932,046,333,250
2	Central Java	1,698,903,674,500
3	East Java	1,644,504,828,750
4	West Java	1,433,438,628,000
5	North Sumatera	1,256,274,798,250
6	West Kalimantan	1,215,939,918,000
7	South Sulawesi	1,119,079,982,500
8	Central Kalimantan	1,111,699,398,500
9	Special Region of Aceh	1,110,758,499,500
10	Nusa Tenggara Timur	1,094,192,983,000
11	West Papua	1,093,153,923,500
12	Lampung	1,082,177,801,013
13	West Sumatera	1,077,374,447,000
14	Central Sulawesi	1,051,558,573,250
15	Southeast Sulawesi	1,028,806,800,750
16	Maluku	981,156,913,000
17	Nusa Tenggara Barat	928,268,710,350
18	North Sulawesi	913,255,049,750
19	Bengkulu	907,783,750,250
20	South Sumatera	889,438,887,000
21	Jambi	878,155,653,400
22	North Maluku	860,887,921,750
23	Special Region of Yogyakarta	851,464,934,000
24	Bali	787,584,924,250
25	Bangka Belitung	763,983,880,500
26	West Sulawesi	736,993,252,000
27	Gorontalo	703,524,913,000
28	South Kalimantan	684,874,456,250
29	Riau	672,753,916,000
30	Banten	629,346,279,000
31	Kepulauan Riau	588,825,603,500
32	DKI Jakarta*	165,127,580,750
33	North Kalimantan	131,535,882,250
34	East Kalimantan	41,372,403,125

Presidential Decree (Peraturan Presiden) No. 162/2014 about Local Government Budget in Appendix No. XIV stated that DKI Jakarta and East Kalimantan did not receive GAF due to their high asset value.

Appendix 5

Population Density Average 2012-2015 (people/km²)

No	Province	Population Density (people/km ²)
1	DKI Jakarta	15.092
2	West Java	1.291
3	Banten	1.198
4	Special Region of Yogyakarta	1.154
5	Central Java	1.018
6	East Java	805
7	Bali	706
8	Nusa Tenggara Barat	255
9	Lampung	230
10	Kepulauan Riau	230
11	North Sumatera	187
12	South Sulawesi	180
13	North Sulawesi	171
14	West Sumatera	121
15	Nusa Tenggara Timur	103
16	South Kalimantan	100
17	Gorontalo	98
18	Bengkulu	92
19	South Sumatera	86
20	Special Region of Aceh	84
21	Bangka Belitung	81
22	West Sulawesi	74
23	Riau	70
24	Jambi	66
25	South East Sulawesi	64
26	Central Sulawesi	45
27	North Maluku	35
28	Maluku	35
29	West Kalimantan	32
30	East Kalimantan	30
31	Center of Kalimantan	16
32	Papua	10
33	West Papua	9
34	North Kalimantan	4

Appendix 6
IFR Scoring

Category	SubCategories	Score	Weight
Informative Content	1. Balance sheet	1 = Exist, 0 = Not exist	1,5
	2. Budget	1 = Exist, 0 = Not exist	1,5
	3. Cash flow report	1 = Exist, 0 = Not exist	1,5
	4. Notes to financial statement	1 = Exist, 0 = Not exist	1,5
	5. Audit committee opinion	1 = Exist, 0 = Not exist	1
	6. Performance report	1 = Exist, 0 = Not exist	1
	7. <i>Segmented Reporting</i> (budget report) from working units in provincial – Satuan Kerja Perangkat Daerah / SKPD)	1 = Exist, 0 = Not exist	1
Timeliness	Press release	1 = Exist, 0 = Not exist	2
	Press release updated	Updated in 1 week = 2 More than 1 week = 1 More than 1 month = 0	3
	Existence of Budget Implementation Progress Documents	1 = Yes, 0 = No	5
Technology Used	Presentation slide	1 = Exist, 0 = Not exist	1
	Download plug-in on spot	1 = Exist, 0 = Not exist	2
	Online feedback	1 = Exist, 0 = Not exist	2
	Multimedia	1 = Exist, 0 = Not exist	3
	Analysis tools	1 = Exist, 0 = Not exist	4
User Support	XBRL	1 = Exist, 0 = Not exist	5
	Help dan FAQ	1 = Exist, 0 = Not exist	2
	Link to homepage	1 = Exist, 0 = Not exist	1
	Link to top	1 = Exist, 0 = Not exist	1
	Sitemap	1 = Exist, 0 = Not exist	1
	Search site	1 = Exist, 0 = Not exist	2
	Website consistency	1 = Exist, 0 = Not exist	2
	Click counts to reach financial reporting accessed from website <i>home</i>	1x click = 3 2 x click = 2 >3x click = 1	4

Appendix 7
Definition of Variables Used

Name	Definition
Internet Financial Reporting (IFR) – dependent variable	Weighted sum of four items: Content, Timeliness, Technology Used, and User Support
Independent variables: Political Competition	Inverse of Herfindahl-Hirrschmann Index (HHI) $HHI = \sum_{i=1}^n Si^2$ <i>Si</i> is percentage of votes of a governor candidates <i>n</i> is number of total governor candidates $HHIinverse = \frac{1}{HHI}$
Provincial government wealth	LnTotal Assets
Population Density	Population of the province divided into land area
Local Dependency	Realization of General Allocation Fund (GFA) which are received from central government
Openness Information Award	The frequency of a province receive the Openness Information Award

This measurement adopted from Garcia & Garcia-Garcia (2010). HHI mostly used in business sector to measure market concentration. It defined as the sum of squares of the market shares of the firms within an industry. In this research we use the percentage of votes of governor candidates as its market share. Garcia & Garcia-Garcia (2010) stated that an inverse of HHI can be interpreted as the numbers-equivalent of parties with equal vote share that would produce the same level of concentration as that observed. It means each governor candidates have an equal chance to win.

