



GSJ: Volume 7, Issue 7, July 2019, Online: ISSN 2320-9186
www.globalscientificjournal.com

VOLUNTARY GRAPHICS DISCLOSURE PRACTICES ON THE WEBSITE OF DISTRICT / CITY GOVERNMENTS IN INDONESIA

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ABSTRACT: This study aims to analyze the effect of local government performance, regional dependency, and human development index on voluntary graphics disclosure that is presented on the website of district / city local governments in Indonesia. This was a quantitative approach that processes secondary data in the form of Local Government Financial Statements (LKPD) reports presented on the local government website. The population in this research was 514 local governments in Indonesia. Sampling used purposive sampling method, So that a sample of 40 local governments data was obtained. Data were analyzed using SPSS software with a logistic regression analysis method. The results show that the performance of local governments has a significant positive effect on voluntary graphics disclosure on the website of local governments. The level of regional dependence has a significant negative effect on voluntary graphics disclosure on the local government website. Human development index has a significant positive effect on voluntary graphics disclosure on the local government website.

Keywords: performance, level of dependency, human development index, Voluntary graphics disclosure

1. INTRODUCTION

The implementation of regional autonomy requires local governments to prepare reports on the implementation of regional autonomy. According to the Republic of Indonesia Law Number 23 Year 2014, one of the reports that must be compiled is the Local Government Financial Report (LKPD). Financial reporting is carried out in order to realize accountability and transparency in regional financial management (Mulyana, 2006). In addition, financial reporting is also useful for users of information in decision making (Diamond, 2002).

However, the utilization of information presented in the LKPD for policy formulation and decision making is still low (Supriyanto 2017). One such phenomenon is caused by the presentation of information that is difficult to understand and too complex. Financial

statements that are easily understood are determinants of the usefulness of information (Agustijanti, 2016) and conversely the presentation of information in financial reports that are too complex is the cause of under-utilized information (Rezaee and Porter, 1993).

According to Government Accounting Standards (SAP), the presentation of information in financial statements can be done using graphics, lists, charts, narratives, schedules or other forms that can facilitate users to understand it (Government Regulation Number 71 of 2010). Display graphics in annual reports can be used by the company (management) as an alternative in communicating information more effectively to report users, because the graph offers "Universal Language" which is useful for bridging language, education, and cultural boundaries (Citizens, 2013). A summary of information presented through a graph will make the time effective when analyzing data, easier to understand, and can help to remember better.

This research is a replication of the research conducted by Supriyanto (2017). This study wanted to find out the practice of voluntary graphics disclosure on the local government website. This is because the development of information technology, especially the internet, is currently so rapid. The Government has also issued the Republic of Indonesia's Minister of Home Affairs Instruction Number 188.52 / 1797 / SJ concerning increasing transparency in the management of regional budgets, which instructed regional heads to prepare content names with the name "Regional Budget Management Transparency" on the official local government website. However, the regulation has not been implemented by all local governments. Submitting regional financial information through the internet (internet financial reporting) is the easiest and most cost-effective way for local government institutions to disseminate and present information on regional financial management. The presentation in graphical form on the internet will provide convenience for policy makers and decision makers in the utilization of information. This study aims to examine the effect of government work, the level of dependence, and the human development index on the presentation of information in graphical form on the local government website.

2. LITERATUR REVIEW

In the perspective of the stewardship theory, Steward conveyed accountability to the principal through the annual report to show its performance. Company managers will use graphics in order to show performance through profitability (Beattie and Jones, 1994; Steinbart, 1989). Local government performance cannot be measured by financial performance, because local governments are not profit oriented organizations (Sadjiarto, 2000). However, the more appropriate variable used to measure local government performance is non-financial performance. Research that examines the effect of

performance on graph disclosure has been carried out in the private sector. Companies with increased performance will use graphs in disclosing information (Ali and Saad, 2006; Dilla and Janvrin, 2010).

H1: The performance of local governments has a positive effect on voluntary graphics disclosure on the local government website.

The function of stewardship theory is to maintain the trust of the public or the central government towards the regional government in managing the funds provided to be used in accordance with the applicable laws and regulations. The central government provides a balance fund in the form of a General Allocation Fund (DAU) to help local governments meet their needs. The DAU is disbursed in order to implement the principle of decentralization. The grant of DAU must follow the formulation of calculations determined by Law No. 33 of 2004. LGs with a fiscal capacity smaller than fiscal needs will get a greater DAU. Thus, regional governments that receive a large DAU indicate that the regional government is not financially independent.

The level of dependence relates to regional wealth to fund government activities, development, and service to the community. The greater the level of dependence of the regional government on the central government, the more the local government does not use graphics to disclose information in the LKPD. This is because local governments that depend on DAU indicate that regional governments are not financially independent, so they are unable to innovate (Supriyanto, 2017). Disclosure of information with graphics is one of the innovations in financial reporting. Previous research that examined the relationship between the level of regional dependence and the level of disclosure showed that the level of dependence had a negative effect on disclosure of information in financial statements (Supriyanto, 2017; Hendriyani and Tahar, 2015; Setyaningrum and Syafitri, 2012).

H2: The level of regional dependence on the central government has a negative effect on voluntary graphics disclosure on the local government website.

The Human Development Index (HDI) is an index used to measure the quality of human resources in a region (Hanifah, 2017). HDI is an indicator that can describe the development of human development in a measurable and representative manner. Measurement of human development outcomes based on a number of basic components of quality of life in an area can be seen from the HDI of the area.

The level of community development shows the level of progress achieved by a community (Setyowati, 2016). The higher the development of the community, the better the quality of human resources, so that the desire of the community to have and use more extensive information about managing regional budgets will also increase. Signaling theory

explains that information asymmetry occurs between the management of the company and interested parties (Halim and Baxter, 2010). This theory explains the role of local government in providing signals to the public as users of financial statements. If the regional government is not able to provide information about financial reports, the Regional Government is considered lower than the Regional Government that informs its financial statements.

Fulfillment of these demands can be carried out by the regional government by providing regional financial information in a more complete graphic form and providing easy access to information provided on the official website so that the public views that the management of the government is running well. A high HDI value will increase local government in providing graphical information and easy access to information provided on the official website. The results of testing conducted by Setyowati (2016) show that human development has a positive effect on disclosure of local government financial statements.

H3: Human development index has a positive effect on voluntary graphics disclosure on local government websites

3. METHODOLOGY

This research uses documentary data (documentary data) in the form of company annual reports that include financial statements of other information related to the company. Sources of data in this study are secondary data in the form of regional government financial reports that are accessed through the official website of the district / city government in Indonesia for graphical presentation. The Human Development Index (HDI) data is obtained through the Central Bureau of Statistics (bps.go.id). Performance data are sourced from the results of evaluation of Government Agency Performance Accountability (AKIP) issued by the Ministry of PAN & RB. The level of regional dependence is obtained from the LKPD in the form of DAU.

The population of this study was all City / Regency Governments in Indonesia with a total of 514. The sample selection technique in this study was purposive sampling. Purposive sampling is a technique of determining samples with certain considerations. Based on purposive sampling technique, the number of samples obtained in this study were 40 district / city governments. The sample selection criteria can be seen in the following table.

Table 1 Determination of Research Samples

| No. | Explanation | Total |
|-----|--|-------|
| 1 | Local government in Indonesia | 514 |
| 2 | Regional governments that do not have an official website and are not under repair | (54) |
| 3 | Regional governments that do not provide a transparency menu for managing regional budgets on official local | (305) |

| | | |
|---|--|-------|
| | government websites | |
| 4 | Local governments that do not present graphics in the LKPD on the official website of the local government | (135) |
| | The regional government presents graphics in the LKPD on the official website of the local government | 20 |
| 5 | Local governments that do not present graphics in the LKPD on the official website of the local government are as much as the local government that presents the graph | 20 |
| | Total Local Government Samples | 40 |

Source: Data Processed 2019

Testing of the hypothesis in this study used logistic regression analysis with the help of SPSS. The model or logistic regression formula used to test hypotheses is as follows (Ghozali, 2011):

$$Y \frac{p}{1-p} = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

$p/1-p$ = probability the local government presents a graph on the local government website

α = constants

$\beta_1-\beta_3$ = regression coefficient

X_1 = human development index

X_2 = regional government performance

X_3 = the level of dependency of the regional government

4. RESULT AND DISCUSSION

In testing the hypothesis, the Wald test is used to test whether there is a significant effect of each independent variable on the dependent variable. Wald test is done by comparing the value of wald statistics with the Chi Square comparative value at the free degree (db) = 1 at alpha 5%, or by comparing significant values (P-Value) with alpha of 5%. P-Value smaller than alpha indicates that the hypothesis is accepted or there is a significant effect of the independent variable on the dependent variable1, and vice versa.

Table 2 Summary of Results of Testing Hypothesis Research

| Correlation | direction of the hypothesis | Test Result | | | | Conclusion |
|---------------------|-----------------------------|-------------|-------|------|-------------|------------|
| | | B | Wald | Sig. | Explanation | |
| $X_1 \rightarrow Y$ | Positif (+) | 1,394 | 6,170 | ,013 | Significant | Accepted |
| $X_2 \rightarrow Y$ | Negatif (-) | -,207 | 9,437 | ,002 | Significant | Accepted |
| $X_3 \rightarrow Y$ | Positif (+) | ,246 | 5,589 | ,018 | Significant | Accepted |

Source: Data Processed 2019

Effect of Regional Government Performance on Voluntary Graphics Disclosure on Local Government Websites

The results of the 1st hypothesis testing show that the performance of local governments has a significant positive effect on the presentation of voluntary graphics disclosure on the local government website. This shows that the higher the performance value of the local government will further increase the likelihood of the local government to present voluntary graphics disclosure on the official website of the regional government. In the perspective of the stewardship theory, regional governments convey accountability to principals through Local Government Financial Reports (LKPD) to show their accountability and performance. The better the performance of the local government, the more creative the government will be in presenting information in its financial statements. Local governments with good performance will be more likely to present information in the LKPD in the form of graphs to facilitate financial report users in understanding the information presented. In addition, local government with good performance will present information on its official website to facilitate the public in accessing and utilizing information in the LKPD.

Effect of Regional Dependence on Voluntary Graphics Disclosure on Local Government Websites

The results of the second hypothesis testing show that the level of regional dependence has a significant negative effect on the presentation of voluntary graphics disclosure on the website of regional governments. This shows that the higher the dependence of the regional government on the central government, the more likely the local government to present voluntary graphics disclosure on the official website of the regional government will be lower. The high dependency of the regions indicates that the area is not yet self-sufficient so that government services to the community have not been maximized. This is due to the level of dependency related to regional wealth to fund its government activities, development, and service to the community. The greater the level of dependence of the regional government on the central government, the more the local government does not use graphics to disclose information in the LKPD. This is because local governments that depend on DAU indicate that local governments are not financially independent, so they are unable to innovate. Disclosure of information with graphics is one of the innovations in financial reporting.

Effect of Human Development Index on Voluntary Graphics Disclosure on Local Government Websites

The results of the third hypothesis testing show that the human development index has a significant positive effect on the presentation of voluntary graphics disclosure on the local government website. This shows that the higher the human development index of an area, the more likely the local government presents voluntary graphics disclosure on the official website of the regional government will increase. The Human Development Index (HDI)

measures human development outcomes based on a number of basic components of quality of life. In terms of government financial managers, countries that have good HDI tend to have good governance. The better the growth of the HDI, the better the quality of life of the community so that the better the government produced. In terms of society, regions that have a high human development index will create demands from the public for public information disclosure in the management of regional financial reports. The higher the HDI of a region, the more diverse the wishes of the community, including the demand for financial management information in more detailed and easier ways. High HDI will result in local governments providing easy access to regional financial information in the form of graphs on their official website to signal that they also pay attention to the interests of the community in order to obtain and understand regional financial information easily.

5. CONCLUSION

The results showed that the performance of local governments had a positive effect on voluntary graphics disclosure on the website of local governments. The level of regional dependence has a negative effect on voluntary graphics disclosure on the local government website. Human development index has a positive effect on voluntary graphics disclosure on local government websites.

This research was carried out due to the limitations that could reduce the quality of the results of this study so that it had an impact on the results of the research, yaiyu: (1) The data used in this study is still limited, this is because the dependent variable studied is graph presentation in financial statements voluntary local government, which is published on the official website of the regional government which is also voluntary. (2) There are still many regions that have not provided complete financial or non-financial information on their official website. (3) The independent variables used in this study are still limited. Based on the limitations stated in this study, some suggestions that can help further research are: (1) Doing research again in the following year in the hope that the regional government will disclose more complete information on the official website of the local government, (2) Further research can also add other variables that have not been included in this study, such as the characteristics of local governments, which might influence the likelihood of local governments to present graphs in financial statements on the official website of local governments.

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