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Analyzing the Impact of Regional Assets, Dependency, and Debt Financial Ratio on Transparency of Financial Reporting though Online Platforms in Indonesia

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ABSTRACT

This research aims to empirically investigate the factors that affect internet financial reporting in Indonesia. the independent variables in this study include Regional Wealth, Regional Dependency, and Leverage, while the dependent variable is Internet Financial Reporting (IFR). The sample consists of financial statements from regional goverment in Indonesia between 2018 and 2022. The data used is secondary data sourced from *Badan Pemeriksa Keuangan Indonesia* and *Badan Pusat Statistik Indonesia*. logistic regression analysis will be conducted using SPSS version 25. The results of this study reveal that Regional Assets dont have a significant influence on Internet Financial Reporting, where as Regional Dependency and Debt Financing Ratio do impact Internet Financial Reporting in the provincial goverment of Indonesia.

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1. INTRODUCTION

Regional autonomy grants authority to provincial, city and district goverments to independently manage govermental affairs without interference from the central goverment. In this context, the government acts as an agent, entrusted by the public (as the principal) to manage governance, including the provision on public services. The government can utilize internet media as a tool to enchance public service by promoting transparency in financial management.

To achieve transparent financial management, the government can utilize information technology to publish local government financial reports in compliance with government accounting strandards.the disclosure of these financial reports on the official government website is commonly referred as Internet Financial Reporting. Disclosure can be used as a communication tool in providing an entity's financial information[1].

Financial statement disclosures are divided in two categories, including mandatory disclosures and voluntary disclosures. Mandatory disclosures include all essential information that user of financial statements need, in accordance with the accounting standards outlined in Government Regulation No. 71 of 2010 concerning Government accounting standards. Internet Financial Reporting in Indonesia still diverse, because Internet

Financial Reporting it is not a required practice and remains voluntary[2].

In indoneisan government, the level of disclosure of financial information on the internet is still low, out of 34 provinces in Indonesia there are only 24 provinces (71%) and the average accessibility of IFR only scores 6.20 out of a maximum score of 10. In local government financial management the government can show the public about financial management information. based on surveys that have been conducted, the following

Ther pencentage of regional financial information discloed in internet is still low. Among the 34 provinces in Indonesia, only 24 provinces have disclosed such information, with the average accessibility of IFR scoring just 6.20 out of a maximum score 10 [3]. Through financial management, locak government can provide the public with insight into their financial practices. Based on conducted surveys, the following outlines the precentage of financial information disclosure on the internet.

Table 1. Percentage of Financial Statement Publication on internet

Year	Provinces that Published Financial Statements in Website		Provinces not Published Financial Statements in Website		Number of Provinces	
	Total	Rate	Total	Rate	Total	Rate
2018	8	24%	26	76%	34	100%
2019	16	47%	18	53%	34	100%
2020	18	53%	16	47%	34	100%
2021	17	50%	17	40%	34	100%
2022	24	71%	10	29%	34	100%
Total	83	49%	87	51%	170	100%

Source: Processed primary data (2024)

Table 1 illustrates the disclosure of local government financial report information on government websites in Indonesia fluctuated. In 2018, only 8 provinces (24%) did Internet Financial Reporting (IFR). This number increased to 18 provinces (53%) in 2020 but decreased slightly to 17 provinces (50%) in 2021. By 2022, 24 provinces (71%) were publish financial report in website. Overall, from 2018 to 2022, 49% of provinsial government in indonesia utilized offical websites for IFR.

The implementation of Internet Financial Reporting aims to bost transparency and accountability in government financial management. However, corruption in indonesia remains a concern, with 2022 corruption perceptions index at 34 aut of 100, ranking the country 110 out of 180. This reflects a decline from 2021, marking the largest drop since 1995. The prevalence of corruption and the inconsistency in provinsial government uploading financial reporting inline highlight need for improved transparency to rebuild public trust.

Internet Financial Reporting allows government to easily disseminate financial information to public online [4]. Regional assets one of factors that influence Internet Financial Reporting in indonesia.government with high regional assets can provide facilities to improve financial transparency through the publication of financial statement on official website [5].

Besides regional assets, dependency level also influence performance of local government in delivering community services. As central government funding increases, regional performance is subjected to stricter oversight. This compels local governments to enhance their services and improve the accessibility of financial information to public [6].

The debt financing ratio is another factor influencing the government's decision to publish financial statements online, It reflects the government's capacity to manage borrowed funds for public services [7]. A higher debt level leads to increased scrutiny, prompting the government to enhance transparency and provide detailed explanations to the public and creditors about the use of borrowed funds.

Publishing financial statements through the internet is a crucial step in enhancing financial transparency and optimizing government performance [8]. The internet, with its wide reach and relatively low cost, provides local governments the opportunity to leverage their assets to deliver transparent financial services. This approach facilitates easy access for the public and stakeholders to information related to government financial management.

[5] found that assets impact the transparency of government financial reporting on the internet, while dependency levels and debt financing ratios do not. In contrast, [6] concluded that there is no relationship between assets and online financial report publication. [15] also researched Internet Financial Reporting (IFR) and found that regional dependency is unrelated to online financial report publication. However, [23] indicated that the debt financing ratio is associated with IFR.

Given the rise in corruption cases and the lack of online financial report transparency in several provincial governments, along with conflicting findings from previous research, this study aims to re-examine the factors influencing Internet Financial Reporting (IFR), specifically regional assets, dependency levels, and debt financing ratios in Indonesian Provincial Governments from 2018 to 2022.

2. LITERATURE REVIEW

2.1 Signalling Theory

Signaling theory, in government context, suggests the government's aim to send positive signals to public [8]. A trusted government must be effective and transparent, wich includes making financial information available online. This ensures that all citizens have equal access to government financial information.

Signaling theory facilitate the government send signals to public, that has performed its functions as mandated. Internet Financial Reporting allow public to observe and assess government operations, supporting effective and smooth governmental performance.

2.2 Internet Financial Reporting

Internet Financial Reporting refers to publication of government financal reports online. Internet Financial Reporting serves as a means for government to demonstrate accountability in budget management and financial reporting [9].

Internet Financial Reporting in local governments offers several advantages [8]. First, allows the government to reduse cost by publishing financial reports without print the financial report. Second, stakeholders can access government financial reports more easily, quickly, and affordably through the internet.

2.3 Regional Assets

Assets are defined as economic resources controlled or owned by the government as a result of past events, which are expected to generate future financial or social benefits [10]. Assets are classified into two categories: current assets, which have a useful life of 12 months from the reporting date, and non-current assets, which have a useful life of more than 12 months from the reporting date.

2.4 Regional Dependency

Regional dependency is measured by the amount of central government transfer revenue used to finance regional operations [11]. The level of dependency is reflected in the total distribution fund received. The General Allocation Fund, which originates from the central government, is allocated to equalize financial capacity among regions to support funding needs in the implementation of decentralization [12].

2.5 Debt Financing Ratio

Debt financial ratio or leverage ratio reflects the government's ability to seruce borrowed fund by utilizing its assests to deliver programs and services to public [7]. Leverage is a ratio used to measure extent to wich a region relies on creditors to finance its assets [13].

3. METHODS

3.1 *Research Design*

This research employs quantitative methods aimed at examing a specific population and collect data using quantitative analysis to test hypotheses. The data used in this study is secondary data, sourced from the Regional Government Financial Statements (LKPD) of Provincial Governments in Indonesia, obtained from the official website of BPK RI, as well as population data from the Central Statistics Agency website.

This research wa conducted across 34 provinces in Indonesia that published financial reports online. Time period used in this research wa 5 years, starting from 2018 to 2022.

3.2 *Variables and Measurements*

The measurement used in this reaserch include:

Internet Financial Reporting : this variabel is measured by giving a value of 1 for governments that publish and giving a value of 0 for governments that do not publish on the official government website.

Regional Assets : in this research use an aset-based Service Level Solvency, measurement with total assets divided by population of provincial governments in Indonesia.

Regional Dependency : measured by general allocation fund data devided by total provincial government revenue in Indonesia.

Debt Financing Ratio : calculated by total liabilities devided by total assets of provincial government in Indonesia.

3.3 *Data Analysis*

Data collected in this study was analyzed using SPSS Software version 25. Data analysis employed binary logistic regression, with several test including overall data test, research model feasibility test, Wald test to assess the effect of independent variables on the dependent variable, and the omnibus test to evaluate the combined effect of all independent variables on the dependent variable.

4. RESULTS AND DISCUSSION

This ection presents results of data analysis and discusses the implications to know corelation between regional assets, regional dependency, debt financial ratio and internet financial reporting.

4.1 *Overall Model Test*

Overall model test is conducted to assess whether the hypothesized model fits the data, allowing the research to proceed. A model is considered fit if there is a decrease in the log-likelihood value from the initial stage (Block Number = 0) to the final stage (Block Number = 1). If such a decrease occurs, it indicates that the hypothesized model is a good fit for the data.

Tabel 1. Overall Model Test

Iteration History		
iteration	-2 Log likelihood	Coefficients
		Constant
Step 0	224,157	,530
Step 1	208,934	1,998

Source: Output SPSS V 25

Tabel 2 presents -2 Log likelihood value with block numer = 0 as 224,157, while the final -2 log likelihood with block number = 1 is 208,934. This decrease in -2 loglikelihood value suggests the model is good fit for data.

4.2 *Goodness of Fit Test*

Tabel 3 summarize of test results. This test is evaluated based on its significance level; if significance value is grater that 0,05, it indicates the model is suitable for futher test.

Tabel 2. Goodness of Fit Test

Hosmer and Lemeshow Test		
Step	Chi-square	Sig.
Step 1	7,601	,473

Source: Output SPSS V 25

The result of goodness fit test show a significance probability of 0,473 and significance value greater thar 0,05, itu concluded the regression model is woorthy of further analysis.

4.3 *Regression Analysis*

This regression test is conducted to determine the influence between variables. Measured by assessing the p-value; if signifinance value is less than 0.05, it indicates that the variable has a significant influence

Tabel 3. Regression Results

Variables in the Equation		
	Wald	Sig.
Assets	,009	,923
Dependency	10,520	,001
Leverage	5,935	,015

Source: Output SPSS V 25

The table above shows that the t-value for Regional Assets is 0.009, with a significance value of 0.923. Since the significance value is greater than alpha (0.923 > 0.05), H0 is accepted. The test results indicate that regional assets do not have a significant effect on the publication of financial reports online.

The table also shows a t-value for regional dependency of 10.520, with a significance value of 0.001. Since this significance value is smaller than alpha (0.001 < 0.05), the results demonstrate that regional dependency has a significant impact on Internet Financial Reporting.

Additionally, the table presents the t-value for the debt financing ratio as 5.935, with a significance value of 0.015. As this significance value is smaller than alpha (0.015 < 0.05), the results indicate that the debt financing ratio has a significant impact on Internet Financial Reporting.

DISCUSSION

Regional Assets on Internet Financial Reporting

The significance level of ragional assets is grater than alpha (0,05), specifically 0,923 (0,932 > 0,05). Therefore, it can concluded the regional asset variable does not have a significant effect on Internet Financial Reporting. This finding aligns with [11] but contradicts the results of previous research by [5], which conclud regional assets have an influence on Internet Financial Reporting.

As an agent, providing local government financial information is an effort to demonstrate government accountability for managed assets and to reduce information asymmetry with the public. However, this is not the case for Provincial Governments in Indonesia. Local governments with larger assets face greater complexity in managing and reporting their finances. As a result, these governments, despite having large assets, tend not to publish financial reports online because such publication is still voluntary. Local governments may prioritize other aspects of governance, such as disseminating information about government programs on their official websites, over the publication of financial reports.

The results of this research are consistent with the findings of [11], [14], [15], [16], [17]. However, it differ from the studies of [18], [8], [19].

Regional Dependency on Internet Financial Reporting

The significance level on the regional dependency variable is smaller than alpha (0.05), which is 0.001 (0.001 < 0.05). Therefore, it can be concluded the regional dependence has a significant influence on Internet Financial Reporting. This finding is in line with research conducted by [15] and [20] which shows that regional dependence affects Internet Financial Reporting. However, this result is different with [6] which found that dependence does not affect IFR.

Based on signalling theory, level of dependence will show the central government and the community that the local government has used the assistance provided by the central government for good management and governance. Transparency of financial reports on the internet can also be carried out by local governments as a form of accountability for the funds provided by the central government. Testing this hypothesis shows that the level of dependence of local governments is one of the guarantees of the government in carrying out transparency in its financial management by publishing financial reports on the internet.

The results of this research are consistent with the findings of [18], [6], [21]. However, it different from the reaserch of, [22],[12],[20].

Debt Financial Ratio on Internet Financial Reporting

The debt financing ratio (leverage) has a significance level lower than alpha

(0.05), specifically 0.015 (0.015 < 0.05). Therefore, it can be concluded that the debt financing ratio
significantly influences Internet Financial Reporting. This study's findings align with previous research by [23]. However, these results contradict the research by [5], which found that the debt financing ratio does not significantly affect on Internet Financial Reporting.

The results of this study support signaling theory, a high level of local government leverage tends to face great pressure from creditors or investors to show the use of borrowed funds is used and managed properly. Governments that have a high level of leverage can conduct IFR as a positive signal that the government has carried out good and transparent financial management. IFR also aims to increase public confidence, creditors, investors and the central government that local governments are able to manage debt effectively and efficiently.

The results of this research are consistent with the findings of [24], [25], [23]. However, it different from the reaserch of, [26], [7],[21].

5. CONCLUSION

Based on the discussion of the factors influencing the online publication of financial reports in Indonesia, this study found that Internet Financial Reporting is not impacted by regional assets. However, regional dependency and debt financing ratios do affect the publication of financial reports on the internet. These findings suggest that the government should consider establishing specific regulations for the disclosure of financial management information on official government websites to enhance transparency and accountability in regional financial management.

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