The Effect of Financial Performance on Performance Accountability of Regency/City Governments in Indonesia

Miftahul Jannah[1]; Muhtar Mahmud[2]; Jaka Winarna[1]; Sutaryo[1]

[1] Master in Accounting, Faculty of Economics and Business, Universitas Sebelas Maret, Indonesia

[2] Accounting Education, Faculty of Teacher Training and Education, Universitas Sebelas Maret, Indonesia

Abstract

This research is intended to provide empirical evidence of the influence of financial performance on the accountability of city government performance in Indonesia. The sample in this study is 1226 district / city governments in indonesia 2012-2014. The data is formed into a combined panel data between time series data and cross section data that is processed using multiple regression model. Financial factors are proxied by regional financial independence, activity ratios, ratios of development function, intergovernmental income, and fiscal capacity. The results of this study indicate the ratio of regional financial independence, health ratio, fiscal capacity positively affect the performance accountability of local governments in Indonesia. While the ratio of development activities and intergovernmental income does not apply to the performance accountability of local governments in Indonesia.

Keywords: *Regional Financial Independence Ratio; Ratio of Development Activity; Effectiveness Ratio; Intergovernmental Revenue; Fiscal Capacity*

Introduction

The implementation of regional autonomy with Law no. 22 and 25 of 1999 were then revised through Law no. 32 of 2004 relating to local governments, it is hoped that the government can manage all its resources and carry out appropriate government governance arrangements and can provide results in the services provided. Regional autonomy is given by the central government to regional governments in order to enable the regional government to manage its own government without any interference from the central government (Fitriyani and Patolo, 2009). Law No. 32 of 2004 describes the independence of local government officials. Where the central government provides a number of balancing funds to regional governments that have posts, including the General Allocation Fund (DAU), the Special Allocation Fund (DAK), and the Revenue Sharing Fund (DBH). The General Allocation Fund is regulated in Law No. 33 of 2004, namely that DAU is a fund whose source comes from APBN revenues provided for equitable distribution of financial capacity between each region in order to meet regional needs to support decentralization. The General Allocation Fund is used freely by local governments by focusing on equity

based on the fiscal potential and needs of each region, so that it is expected to minimize the emergence of inequality between regions in realizing good government services to the community.

The change in the system of government from centralized to decentralized changes the relationship between the community and the government. Regional autonomy gives a large portion of authority to local governments to be able to manage their regional finances (Bannet, 2010). Research conducted by (Mardiasmo, 2002) states, accountability is an obligation to report and be responsible for the success or failure of an organization's mission to obtain predetermined results through the media of accountability which is carried out regularly. Halim & Abdullah (2006) in their research states that accountability is the distribution of information and explanations of the activities and financial performance of the government on stakeholders. To be able to carry out good accountability, the government is expected to pay more attention to matters such as budgeting, accounting control, effectiveness of budget implementation and reporting systems. Government agencies have an important role in implementing performance accountability practices as well as compiling task reports for central government agencies and district/city governments. The parties who have the responsibility for implementing the Government Agency Performance Accountability Report (LAKIP) are the officials who have duties and are responsible for the service functions of the administrations of the relevant agencies. A regional budget or Regional Revenue and Expenditure Budget (APBD) is a public decision that contains the rights and obligations of local governments consisting of revenues, expenditures, and performance approaches to be achieved. APBD is a form of financial governance in the region which is made annually by the Regional Head. The APBD budget is formed from three important elements; income, expenditure, and financing (recipient of financing and expenditure of financing).

Presidential Regulation No. 29 of 2014 which regulates the accountability of a government's performance, explains that performance is the output of activities that have been or are to be achieved by budget absorption which is measured in terms of quantity and quality. Probts (2009) states that the hope to achieve excellent performance in a government organization starts from the preparation of medium-term development plans and annual plans, because these plans are the basis of policy development programs for the types of services that will be provided to the community. A Government Agency Performance Accountability System (SAKIP) is a systematic series consisting of activities, equipment and procedures that have been established by establishing and measuring, collecting data, classifying, summarizing, and reporting work on various government agencies. Performance accountability is a reflection and manifestation of the obligations of government agencies to report the results of implementing performance programs and other activities provided by stakeholders in achieving missions appropriately and according to work targets that have been prepared through performance reporting each period. Hereinafter referred to as LAKIP (Government Agency Performance Accountability Report) which is then reviewed and evaluated by the Ministry of PAN and RB.

This study discusses the accountability of district/city government performance in Indonesia which is measured using AKIP (Government Agency Performance Accountability) because it assesses the entire performance system from planning, measurement, data processing, reporting and evaluation. In addition, this study uses financial factors with the ratio of regional financial independence, the ratio of development activities, the ratio of effectiveness, intergovernmental revenue, and fiscal capacity. Research conducted by Nurdin (2004) states that there is a positive relationship between regional characteristics and local government performance using the results of the AKIP evaluation as a measure. Mardiasmo (2009) in his research found that the amount of transfer funds in the regions should have a positive correlation with efforts to improve people's welfare, this is included in the basic concept of fiscal decentralization in Indonesia, in measuring the accountability of local government performance.

Literature Review and Hypotheses

1. Agency Theory

In governance in Indonesia, the concept of accountability can be explained through agency theory. The community acts as the principal and the government as the agent. Through the process of electing regional heads, the community will elect regional heads and also members of the legislature. The elected regional head then runs the government in order to meet the needs of the community. Accountability can be interpreted as an agent's obligation where the elected government is responsible for, presenting and reporting all activities that have been carried out in order to be accountable to the principal, namely the community.

Jensen & Meckling (1967) explained that the separation of ownership by the principal and control by the agent in an organization tends to cause agency conflict between the principal and the agent. Agency problems that occur in the government sector are government officials who are elected and appointed as agents and the community as parties who have chosen to act as principals. Differences in interests can occur when each party is more concerned with the interests of each other and can also occur when the interests of each party conflict with each other.

2. Performance Accountability of Government Agencies

Based on Presidential Regulation Number 29 of 2014 concerning Performance Accountability System for Government Agencies. Performance is the result of activities/programs that have been or are about to be achieved in relation to the use of the budget with measurable quantity and quality. While performance accountability is a form of obligation of a government agency to account for the success/failure of implementing programs and activities that have been mandated by stakeholders in order to achieve the organization's mission in a measurable manner with performance targets/targets that have been set through government agency performance reports compiled periodically.

To find out the extent to which government agencies in improving their performance, it is necessary to conduct an evaluation. In accordance with the Regulation of the Ministry of PAN and RB Number 20 of 2013, evaluation is carried out on all aspects of the accountability system including planning, measurement, reporting, evaluation and work performance carried out by government agencies with allocations that can be read as follows:

Table 1. Aspects and Weight Allocation Assessment of AKIP Evaluation

N	Sector	Percentage of	Components & Subcomponents
1	Planning	35%	Strategic Planning 12.5%; Annual Work Planning 22.5%
2	Performance Measurement	20%	Meets measure 4%; Quality measure 10%; Implement the 6% measurement.
3	Reporting Performance	15%	Compliance reporting 3%; Presentation of performance information 8%; Utilization of performance information 4%.
4	Evaluating Performance	10%	Fulfillment of evaluation 2%; Evaluation quality 5%; Utilization of evaluation results 3%.
5	Performance Achievement	20%	Reported performance (output) 5%; Reported performance (outcome) 5%; Performance for the year (benchmark) 5%; Other Performance 5%.
	Total	100%	

Source: Regulation of the Minister of PAN and RB Number 20 of 2013

To determine the level of accountability of the institution concerned for its performance, it can be done by ranking as the output of performance accountability evaluation of government agencies with categories that have been determined as follows:

Table 2. Category of AKIP Evaluation Results and Interpretation

No	Category	Value	Interpretation
1	AA	>85-100	Satisfactory
2	A	>75-85	Very Good
3	B	>65-75	Good, needs a little improvement
4	CC	>50-65	Sufficient (adequate), needs a lot of basic improvement
5	C	> 30-50	Poor, needs a lot of improvement, including basic changes
6	D	0-30	Very Poor, needs more improvements and very basic changes.

Source: Regulation of the Minister of PAN and RB Number 20 of 2013

3. Financial Performance

A local government's financial performance can be said to be good if the level of achievement in the area of regional finance is the amount of revenue and total expenditure of regional expenditure using financial indicators that have been determined in accordance with the provisions of the law applicable (Azhar, 2008). Research conducted by Ronald & Sarmiyatiningsih (2010) argues that financial performance is the output or result of activities or programs that are achieved in accordance with the budget with measurable quality and quantity. Financial performance measurement has many objectives, one of which is to increase local government accountability and public transparency. In addition, the measurement of local government financial performance will be useful in terms of making policies in regional financial management. The results of research from Sumtaky, Grahita, & Anwar (2018) show that the effectiveness of regional financial planning has a significant effect on public services. Financial planning in its preparation process is based on a bottom-up system where the community is involved in the preparation, especially to provide input on programs, activities, and budgets.

Regulation of the Minister of PAN and RB Number 25 of 2012 concerning the implementation guidelines for evaluating the Performance Accountability of Government Agencies explains that performance measurement is used as a basis for assessing the success/failure of implementing activities in accordance with the goals and objectives that have been set in order to realize the vision and mission of government agencies. The measurement referred to here is the result of a systematic assessment and is based on a group of activity performance indicators in the form of indicators of input, output, results, benefits, and impacts.

a. Regional Financial Independence Ratio Regional

financial independence plays a role in providing an overview of how the capacity of local governments to finance government activities, sustainable development, and services for the people who are already orderly paying tax rates and user fees for the required sources of income. The level of independence in the field of regional finance can be seen through the size of the source of Regional Original Income (PAD) rather than other sources of income, such as financial assistance from the central government or loans.

The value of the independence ratio has a role that is able to describe the extent to which local governments depend on external funds. The higher the independence ratio, this indicates that the dependence on aid funds from outside the region is low, and vice versa. The independence ratio also provides an illustration of how the level of community participation in supporting regional development is, the higher the independence ratio, the higher the community participation in paying regional taxes and levies which are the main components of PAD. Halim (2007) in his research states that the higher the community pays regional taxes and levies, the higher the level of community welfare. The higher the level of regional financial independence ratio, the better the government in providing services. Based on the explanation above, the hypotheses that can be developed in this study are.

H1: The ratio of regional financial independence has a positive effect on the accountability of district/city government financial performance.

a)   Activity Ratio

Local government activities can be assessed through the expenditure allocations that appear in the budget, both for routine and development expenditures (Susilo & Hariadi, 2007). This ratio illustrates how local governments prioritize their allocation of funds to development spending optimally. If it is associated with accountability, the implementation of programs/activities using inputs that are realized with development expenditures should be able to produce predetermined output and outcome indicators. Then the greater the realization of expenditures, the output and outcomes that have been previously determined can be achieved to the maximum so as to increase the accountability of the regional performance (Mardiasmo, 2009).

Previous research using the development expenditure ratio variable was conducted by Erryana & Setyawan (2016) which showed that the development expenditure ratio had a positive effect on accountability. Based on the explanation above, the hypotheses that can be developed in this study are.

H2: The ratio of development activities has a positive effect on the accountability of district/city government performance.

a)   Effectiveness Ratio Effectiveness

Ratio is the ability of district/city governments to realize the planned PAD compared to the target set based on the real potential of the region. The greater the realization of PAD revenue compared to the PAD revenue target, it can be said that the performance of the district/city is more effective because it is able to achieve the PAD target that has been previously set. Research conducted by Kurniawan (2016) on the effect of PAD effectiveness, gives the result that the PAD effectiveness ratio has a significant effect in having a strong correlation and in line with the performance of local governments. It takes a vision, mission, goals and objectives, as well as programs or activities that can encourage efficiency, effectiveness, and professionalism in managing local revenue sources Hartoyo (2014). Based on this explanation, the hypotheses that can be developed in this study are.

H3: The effectiveness ratio has a positive effect on the accountability of district/city government performance.

a)   *Intergovernmental Revenue*

Intergovernmental revenue is a type of regional income that comes from the transfer of the central government to local governments to finance the operational activities of local governments. In Indonesia, *intergovernmental revenue is* known as a balancing fund. Balancing funds are funds sourced from APBN revenues allocated to regions in the context of implementing decentralization. Financial

supervision of regional governments should be more effectively carried out by the central government in order to create a transparent and accountable regional government. If thegreater *intergovernmental revenue is,* it will encourage local governments to increase disclosure of financial statements as a form of accountability for financial management because these financial sources are obtained from external parties. Research conducted by (Sumarjo, 2010) found a positive influence between intergovernmental revenue on the level of mandatory disclosure of local governments. From the description above, the hypotheses that can be developed in this study are.

H4: Intergovernmental revenue has a positive effect on the accountability of district/city performance.

a)   Fiscal Capacity Fiscal

Capacity according to the Regulation of the Minister of Finance No. 224/PMK.07/2008 is a description of the capabilities of each region which is reflected through the receipt of regional revenue and expenditure budgets (except special allocation funds, emergency funds, old loans and other revenues whose use is limited to certain expenditures) to finance government tasks after deducting personnel expenditures and associated with the number of poor people.

Sustainable development must be able to put pressure on economic, social, political and institutional mechanisms for the creation of a rapid improvement in people's living standards, both from the private sector and the government. The existence of decentralization and regional autonomy requires local governments to be able to allocate a large amount of development budget to finance programs related to unemployment, poverty, and improving people's welfare.

H5: Fiscal capacity has a positive effect on the accountability of district/city government financial performance.

Research Methods

1.   Population, Sample and Sampling Techniques

In this study, the authors determined the object of research in all District/City Governments in Indonesia in 2012, 2013, and 2014. The sample was selected using *purposive sampling*. The research sample criteria used are as follows: 1. District/city governments in Indonesia for fiscal year 2012-2014, 2. District/city governments in Indonesia submitting Government Performance Accountability Reports (LAKIP) for fiscal year 2012-2014, 3. District/city governments cities in Indonesia that have been evaluated for AKIP by the ministry of PAN and RB for the 2012-2014 fiscal year, 4. Regency/City Governments in Indonesia that have AKIP scores for the 2012-2014 fiscal year.

2.   Data and Data Sources

This study uses secondary data. The reason for using secondary data is because secondary data has a level of data validity that is guaranteed by other parties, so it is reliable for use in research. The score data for the AKIP evaluation results were obtained from the Ministry of PAN and RB. APBD data, APBD realization obtained from the Financial Audit Agency of the Republic of Indonesia (BPK RI). Poverty data and information are obtained from the Central Statistics Agency (BPS).

3. Variables and Measurement of Variables

This study uses the dependent variable in the form of local government performance accountability (AKIP). The dependent variable used is the result of an evaluation conducted by the Ministry of PAN and RB. Research conducted by Mahsun (2011) states that accountability is being responsible for managing resources and implementing policies required by reporting entities in achieving the goals set periodically. This AKIP evaluation covers all parts of the accountability system, starting from planning, measuring, reporting, evaluating and achieving performance. The result is an AKIP evaluation score measured on a scale of 1-100.

The independent variable used in this study is the ratio of regional financial independence, this ratio describes the dependence of the region on external funding sources and the level of community participation in regional development. Research conducted by Widodo (2001) found that the higher the ratio of independence, the higher the participation of the community in paying regional taxes and levies, which are the main components of local revenue used to improve people's welfare. The ratio of development activities, in this study the ratio used is the ratio of development spending to total spending. The higher the percentage of funds allocated for routine spending, the smaller the percentage of investment spending (development spending) used to provide community economic facilities and infrastructure. The data used to calculate this ratio comes from the Regional Government Financial Reports (LKPD) (Halim, 2007). Effectiveness ratio, this ratio describes the ability of the district/city government in realizing the planned PAD compared to the target set based on the real potential of the region. *Intergovernmental revenue,* describes the existence of central funds that are handed over to the regions in an effort to reduce inequality both vertically and horizontally. These funds in the law are called balancing funds. The balancing fund together with PAD is a source of regional funds used to administer local government at the regional level. Fiscal capacity, describes the ability to self-finance government activities, development, and services to the community who have paid taxes and user fees as a source of revenue needed by the region (Saragih) ,2003).

4. Research

Method The test method used is multiple regression with the following formula:

AKIP = + 1 MANDIRI + 2 ACTIVE + 3 EFFECTIVE + 4 INTER + 5 FISCAL + e

Note:

AKIP	= Regional Government Performance Accountability
MANDIRI	=Regional Financial Independence Ratio
ACTIVE	= ratio of Regional Development Activity
EFFECTIVE	= ratio of Regional Development Effectiveness
INTER	= *IntergovernmentalRevenue*
FISCAL	= Fiscal Capacity
α	= constant
β1, β2, ..., β5	=Correlation coefficient
e	= coefficient oferror

Data Analysis and Discussion

1. Descriptive Statistics

The purpose of this analysis tool is to provide an overview of the distribution and behavior of the sample data, descriptive statistics such as maximum, minimum, mean, standard deviation, and variance

are generated for the independent variable and the dependent variable on an interval scale (Sekaran & Bougie, 2013). The descriptive statistics of each research variable are shown in Table 3:

Table 3. Descriptive Statistics

VARIABLE	MEAN	STD.DEV.	MIN	MAX
AKIP	43.137	10.657	7.030	70.81
SELF	0.816	0.075	0.003	0.783
ON	0.236	0.081	0.058	0.633
EFFECTIVE	1.279	0.380	0.167	3.611
INTER	0.820	0.257	0.162	7.866
FISCAL	33.201 -2.117 409.002			19.662

Description: SELF: Regional Financial Independence Ratio: ON : Development Activity Ratio: EFFECTIVE: Effectiveness Ratio: INTER: *Intergovernmental Revenue*: FISCAL: Fiscal Capacity.

2. Hypothesis Testing

Data analysis for the hypothesis in this research uses multipleregression equations of *linear* panel data. Panel data testing requires an estimation method first. This research was conducted using amodel *fixed effect* and *random effect*. Furthermore, the determination of the appropriate panel data estimation method uses the Hausman test.

3. *Fixed Effect Model (FEM)*

This model uses the assumption that differences between individuals can be accommodated by different intercepts. This FEM model estimates that the coefficient by the regressor does not vary between time or individuals (Akbar Suwardi, 2012). This model is also called LSDV (*Least Square Dummy Variable*) or also CM (*Covariance model)*. The regression results using FEM:

Table 4. Panel Data Regression - Dependent AKIP *Fixed Effect Model*

	SIGN	Coefficients	Probability
SELF	+	67.089	0.000 [a]
ON	+	1.132	0.849
EFFECTIVE	+	3.816	0.000 [a]
INTER	+	0.064	0.933
FISCAL	+	0.103	0.000 [a]
F		17.05	0.000 [a]
SIG .			0.000 [a]
R-SQUARE:			
WITHIN		0.011	
BETWEEN		0.081	
OVERALL		0.101	

Description: MANDIRI: Regional Financial Independence Ratio: ACTIVE: Development Activities Ratio: EFFECTIVE: Effectiveness Ratio: INTER: Intergovernmental Revenue: FISCAL: Fiscal Capacity, Significance: : [a]=1%; [b]= 5%; [c]= 10%

4. Random Effect Model

By using this model, estimation from panel data in which confounding variables may meet each other both over time and or between individuals as well. So the model is called the alias ECM (*Error Component Model*) or GLS (technique*Generalized Least Square*). Regression calculation results if using REM:

Table 5. Panel Regression – Depende AKIP *Random Effect Model*

	SIGN	COEFFICIENT	PROBABILITY
MANDIRI	+	61.7156	0.000 [a]
ACTIVE	+	-5.450	0.197
EFFECTIVE	+	3.706	0.000 [a]
INTER	+	-0.653	0.381
FISCAL	+	0.008	0.494
WILD		170,78	
GIS.			0.000 [a]
R-SQUARE			
WITHIN		0.081	
BETWEEN		0.181	
OVERALL		0.175	
Description: MANDIRI: Regional Financial Independence Ratio; ACTIVE: Development Activity Ratio; EFFECTIVE: Effectiveness Ratio; INTER: Intergovernmental Revenue; Fiscal: Fiscal Capacity. Significance: [a]=1%; [b]= 5%; [c]= 10%			

5. Selection of the Right Model

After the test results using FEM and REM are obtained, then determine the appropriate estimation method using the Hausman test. Withdrawal Hausman test in the Hypothesis is:

     a. H0: *Random Effects Model*

     b. H1: *Fixed Effects Model*

While Criteria:

- H0 is rejected if the value of *Chi-Square Statistic* (χ^2) test> *Chi-Square Statistics* (χ^2) table; or
- the value of Prob *Chi-Square Statistics* (χ^2) <α (value α = 5%)

The results show the value of Prob> chi2 = 0.0000. because the value is less than 0.05 or 5%, the correct one is the *Fixed Effect Model*.

6. Hypothesis Testing Results and Discussion

Based on the results of regression testing with the assumption of the *Fixed Effect Model* presented in Table 4. the F value is 17.05 with a significance of 0.000, which is less than 1%. So the results explain the regression equation built inresearch *fit* and then used in hypothesis testing. The results in table 4.3 also show an *adjusted R²* of 0.1014. So these results indicate that the independent variable in this study is only able to explain the dependent variable 10.14%, while the remaining 89.86% is explained by other variables outside this study.

According to the figure in Table 4. above, it shows that the MANDIRI variable, namely the ratio of regional financial independence, has a *p-value* of 0.000 and the coefficient is positive or according to the hypothesis, so H1 is accepted, meaning that the MANDIRI variable has a positive influence on the accountability of local government performance at a significance level of 5%. The effect of the ratio of regional independence on performance accountability when examined from descriptive statistics has an average of 0.08 or 8%, which means that regional financial independence shows the capacity of local governments in self-financing government activities, development, and services to the community paying their local taxes (Halim, 2002). The ratio of regional financial independence reflects how dependent on external assistance (especially the central or provincial government) is getting lower, or the region is becoming more independent, and this result is in accordance with research by Lesmana (2010) which states that the ratio of local government financial independence will affect performance. finances too.

The ACTIVE variable shows a *p-value of* 0.849 with a positive coefficient or does not match the hypothesis, so H2 is rejected. This means that the ACTIVE variable measured using the ratio of development activities does not have a significant effect on the performance accountability of district and city governments. This could be due to the fact that the district/city governments in compiling their development expenditure budgets have not set clear targets, targets, and indicators. According to Suryanto (2004), the problems are: (a) the weakness of the regional planning and budget system so that there are always disparities between programs/activities and outputs/outcomes, meaning that they have not been harmonized; (b) the neglect of performance-focused implementation budgets; (c) not optimal discipline and budget order. When viewed from descriptive statistics, the average ratio of district/city government development spending is only 0.23 or 23%. This is not in accordance with Presidential Regulation No. 5 Th. 2010 related to the 2010 to 2014 RPJMN which mandates local governments to implement development spending of 30% of total regional expenditures, so that local governments do not have the incentive to disclose failures in carrying out the mandate (Nurdin, 2013).

The EFFECTIVE variable shows a positive coefficient according to the hypothesis, with a *p-value of* 0.000 or lower than 0.05. So H3 is accepted, meaning that the EFFECTIVE variable affects the accountability of district/city performance. It was found that the effectiveness of the PAD realization budget will affect the accountability of financial reporting. This is because in the process of achieving PAD there are many things that affect the realization of PAD such as SKPD, policy changes and political interests. This result is in accordance with Cahya (2010) stated in the effectiveness ratio has a significant and positive influence on the performance of local government.

The INTER variable shows a *p-value of* 0.933 with a negative coefficient or does not match the hypothesis, so H4 is rejected. This means that the INTER variable indicates that *intergovernmental revenue* has not yet affected the accountability of local government performance. This can happen because the amount of the transfer of funds, some of which will later be used for personnel expenditure, so that the funds intended for public services are reduced less. These results are the same as research from Khasanah & Rahardjo (2014) which states that *intergovernmental revenue* has not and has no influence on the accountability of local government performance.

The FISCAL variable shows a positive coefficient according to the hypothesis, with a p-value of 0.000 or less than 0.05. So then H5 is accepted, meaning that the fiscal capacity variable has a positive effect on the accountability of local government performance. This result is due to the fact that the DAU is a pure grant fund whose use authority is fully delegated to the regional government receiving Law No. 33 of 2004 concerning the financial balance between the central and regional governments providing the understanding that: General Allocation Funds (DAU) are funds sourced from APBN revenues that allocated with the aim of equitable distribution of financial capacity among regions, to fund regional needs in the context of implementing decentralization. From this definition, it can be concluded that the DAU is a means to overcome fiscal imbalances between regions and on the other hand as a source of

regional financing. This means that the provision of DAU is prioritized for regions with low fiscal capacity, regions with high fiscal capacity will actually receive a smaller amount of DAU. Fiscal capacity is one of the indicators that can be used to get a picture of the financial capacity of the region which is reflected in the general acceptance of the Regional Revenue and Expenditure Budget (APBD). It can be concluded that, the magnitude of the fiscal capacity of a region will affect the amount of development costs in the APBD, with the higher the fiscal capacity of a region, the activities and regional development plans can be realized quickly, so as to accelerate development that affects economic growth in a positive direction. According to Harianto & Hariadi (2007), DAU has an effect on capital expenditure and PAD. Similarly, capital expenditures and PAD affect per capita income. so that this affects the accountability of district/city government performance.

Conclusions

Conclusions

Testing of local government characteristics data comes from the ratio of regional financial independence, development activity ratio, effectiveness ratio, intergovernmental revenue, and fiscal capacity to regional government performance accountability which is carried out using a fixed effect model to explain the relationship between ratios. The ratio of development activities has no influence on the accountability of local government performance because district/city governments in making their regional development expenditure budgets have not set targets and indicators that are unclear and inadequate. Intergovernmental revenue also does not have an influence on the accountability of local government performance, the reason is that the amount of transfer funds distributed by the central government has not been fully absorbed properly and supervision is inadequate. Furthermore, this has an impact that most of the transferred funds are still used for the needs of the regional apparatus, causing the funds that should be for public services are still relatively very small.

This study explains that the ratio of regional financial independence has a positive influence on the accountability of local government performance. This is because local governments that have higher ratios of regional financial independence will disclose mandatory information in wider regional financial reports than local governments that have lower regional financial ratios. Then the effectiveness ratio has a positive influence on the accountability of local government performance, the cause is the finding of effectiveness in the realization of PAD on the accountability of local government financial reports, for example SKPD, policy changes, and political interests. Furthermore, the fiscal capacity variable has an influence on the accountability of local government performance, this is because the DAU is a pure grant fund whose use authority is fully delegated to the receiving local government. The granting of DAU is prioritized for regions that have low fiscal capacity, this provision is a means to overcome fiscal imbalances between regions and as a source of regional financing.

Limitations

This study has several limitations, including not all of the data on the results of the AKIP evaluation of local governments in Indonesia in 2012-2014 were obtained, because there were local governments whose AKIP was not evaluated in 2012-2014. This can reduce the confirmation of research data. Then another limitation is that there are some areas for which data are not available so that they cannot describe the actual situation.

Suggestions

Given the conclusions and limitations in this study that have been previously disclosed, suggestions that can be submitted for further research are expected to use the latest and most complete

data sources. Further research can also use other measurements in measuring the accountability of local government performance. With *intergovernmental revenue* that is still low, the central government is expected to be able to increase its supervision of local governments, and local governments are expected to maximize the use of transfer funds from the central government, so that they are expected to provide more adequate public services. Furthermore, local governments are asked to allocate their development budget in accordance with the rules and mandates in the RPJM. So that it can increase the accountability of government performance.

References

Akbar Suwardi. (2012). Data Panel : Teori Dasar dan Aplikasi di Stata. In *Lab Komputasi lmu Ekonomi-FEUI*.

Azhar, M. K. S. (2008). *Analisis Kinerja Keuangan Pemerintah Daerah Kabupaten/Kota Sebelum dan Setelah Otonomi Daerah*.

Cahya, A. M. (2010). *Analisis Rasio Efektivitas Keuangan Pengaruhnya Terhadap Kinerja Pemerintah Daerah*.

Erryana, V., & Setyawan, H. (2016). DETERMINAN AKUNTABILITAS PELAPORAN KEUANGAN PEMERINTAH DAERAH (Studi Empiris Pada Pemerintah Daerah se- Jawa Tengah). *Jurnal Akuntansi Indonesia*, *5*(1), 1–14.

Halim, A. (2002). Akuntansi Sektor Publik, Akuntansi Sektor Daerah. In *Yogyakarta: UPPAM-PYKPN*.

Halim, A. (2007). Akuntansi Sektor Publik Keuangan Daerah. *Jakarta: Salemba Empat*.

Halim, A., & Abdullah, S. (2006). Hubungan dan Masalah Keangenan di Pemerintahan Daerah (Sebuah Peluang Penelitian Anggaran dan Akuntansi). *Jurnal Akuntansi Pemerintah*, *2*, 53–64.

Harianto, D., & Hariadi, P. (2007). Hubungan antara dana alokasi umum, belanja modal, pendapatan asli daerah dan pendapatan per kapita. *Simposium Nasional Akuntansi X*.

Jensen, M. C., & Meckling, W. H. (1967). Theory Of The Firm: Managerial Behavior, Agency Costs and Ownership Structure. *Journal of Financial Economics*, *3*(10), 305–360. https://doi.org/10.1177/0018726718812602

Khasanah, N. L., & Rahardjo, S. N. (2014). Pengaruh Karakteristik, Kompleksitas, Dan Temuan Audit Terhadap Tingkat Pengungkapan Laporan Keuangan Pemerintah Daerah. *Diponegoro Journal of Accounting*, *3*, 1–11.

Kurniawan, R. C. (2016). Tantangan Kualitas Pelayanan Publik pada Pemerintah Daerah. *Jurnal Ilmiah Administrasi Publik Dan Pembangunan*, *7*(1).

Lesmana, S. I. (2010). *Pengaruh Karakteristik Pemerintah Daerah Terhadap Tingkat Pengungkapan Wajib Di Indonesia*.

Mardiasmo, Dr, MBA, A. (2009). Akuntansi Sektor Publik. *Yogyakarta: Andi*.

Mardiasmo. (2002). *Pewujudan Transparansi dan Akuntabilitas Publik Melalui Akuntansi Sektor Publik*.

Nafsi Hartoyo, SE, M. A. (2014). *Optimalisasi PAD Untuk Peningkatan Kinerja Pemda*. 1–4.

Nurdin, F., & Drs. Nurkholis, M.Buss., Ph.D., A. (2004). *Pengaruh Karakteristik Pemerintah Daerah Dan Temuan Audit BPK RI Terhadap Akuntabilitas Kinerja Pemerintah Daerah*. *17*.

Probst, A. (2009). Performance measurement, benchmarking & outcome-based budgeting for wisconsin local government. *Local Government Center*

Ronald, A., & Sarmiyatiningsih, D. (2010). Analisis Kinerja Keuangan dan Pertumbuhan Ekonomi Sebelum dan Sesudah Diberlakukannya Otonomi Daerah Di Kabupaten Kulon Progo. *Efektif Jurnal Bisnis Dan Ekonomi*, *I*(1), 31–42.

Saragih, J. P., & Khadafi, M. S. (2003). *Desentralisasi fiskal dan keuangan daerah dalam otonomi*. Ghalia Indonesia.

Sekaran, U., & Bougie, R. (2013). Research Methods for Business. Edisi enam. In *Jakarta: Salemba Empat*.

Sumarjo, H. (2010). *Pengaruh Karakteristik Pemerintah Daerah Terhadap Kinerja Keuangan Pemerintah Daerah (Studi empiris pada pemerintah daerhah Kabupaten/Kota di Indonesia)*. Universitas Sebelas Maret.

Sumtaky, M., Grahita, C., & Anwar, S. (2018). Effect of elements of regional financial management towards SKPD regency/city performance and its implication on public service. *International Research Journal of Engineering, IT & Scientific Research. 4*(2), 73-86. https://sloap.org/journals/index.php/irjeis/article/view/128

Suryanto. (2004). *Menyoal Desentralisasi Fiskal : Mempertanyakan Akuntabilitas Keuangan Pemerintahan Daerah*. 1–13.

Susilo, G. T. B., & Hariadi, P. (2007). *ANALISIS KINERJA KEUANGAN DAERAH SEBELUM DAN SESUDAH OTONOMI OTONOMI*.

Widodo, J. (2001). Etika birokrasi dalam pelayanan publik. In *Malang: CV. Citra Malang*.

_____. Undang-Undang RI No.25 Tahun 1999 tentang Perimbangan Keuangan Antara Pemerintah Pusat dan Daerah.

_____. Undang-Undang RI No. 32 Tahun 2004 tentang Pemda.

_____. Undang-Undang RI No.33 Tahun 2004 tentang Perimbangan Keuangan Antara Pemerintah Pusat dan Pemda.

_____. www.bps.go.id

Copyrights