



Characteristics and disclosure of local government financial statements

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Abstract

This study aims to examine the effect of local government characteristics on district/city Regional Government Financial Statements (LKPD) disclosures. Examination of the Characteristics of the Local Government will provide a better understanding of the disclosure of district/city Regional Government Financial Statements (LKPD). This study's independent variable consists of own-source revenue, level of dependence, total asset, capital expenditures, total population, and employee spending findings. The dependent variable is LGFR disclosure. The samples in this study are local governments with a 5-year observation period from 2016-2020. The examples were selected using the purposive sampling technique and acquired 175 pieces, which the district/city government compiled in Central Java Province and through the BPK examination process. The analytical method in this study is multiple regression analysis. The research results show that the level of dependence, total assets, capital expenditures, total population, and employee spending significantly affect the LGFR disclosure. At the same time, own-source revenue has no significant effect on the LGFR disclosure. The findings on the PAD variable align with the fact that PAD information is optional to be the focus of reporting in LKPD.

Keywords: Characteristic of Local Government; LGFR Disclosure

Abstrak

Penelitian ini bertujuan untuk menguji pengaruh karakteristik pemerintah daerah terhadap pengungkapan Laporan Keuangan Pemerintah Daerah (LKPD). Pengujian atas karakteristik Pemerintah Daerah akan memberikan pemahaman yang lebih baik atas pengungkapan Laporan Keuangan Pemerintah Daerah. Variabel independen dalam penelitian ini terdiri dari sumber kekayaan asli daerah (PAD), ketergantungan daerah, total aset, belanja modal, jumlah penduduk, dan belanja pegawai. Untuk variabel dependen yaitu pengungkapan LKPD. Penelitian ini menggunakan sampel pemerintah daerah kabupaten/kota dengan periode pengamatan tahun 2016-2020. Sampel dipilih menggunakan teknik purposive sampling dan diperoleh data sebanyak 175 sampel yang disusun pemerintah daerah kabupaten/kota di Provinsi Jawa Tengah serta sudah melalui proses pemeriksaan BPK. Metode analisis pada penelitian ini adalah analisis regresi berganda. Hasil penelitian menunjukkan bahwa total aset berpengaruh secara signifikan dan positif terhadap pengungkapan LKPD. Ketergantungan daerah, total aset, belanja modal, jumlah penduduk, dan belanja pegawai berpengaruh terhadap pengungkapan LKPD. Sedangkan, sumber kekayaan asli daerah (PAD) tidak berpengaruh signifikan terhadap pengungkapan LKPD. Hasil temuan atas variabel PAD ini sejalan dengan bahwa informasi PAD tidak menjadi fokus pelaporan dalam LKPD.

Kata Kunci: Karakteristik Pemerintah Daerah; Pengungkapan LKPD

INTRODUCTION

The shift from a centralised government system to a decentralised system is the basis for the government in Indonesia to implement regional autonomy. Followed by the enactment of Law Number 23 of 2014 concerning Regional Government, regional autonomy allows every region in Indonesia to manage and regulate all regional potentials proportionally and independently to fulfil government affairs and meet community needs (UU Number 23, 2014; Haryanto & Arifuddin, 2018). Regional autonomy can be realised if it is supported by good governance. This realisation is realised if the government carries out transparency and accountability in its duties and functions (Tran, Nguyen, Hoang, 2021; Haryanto, Sahrudin, & Arifuddin, 2007).

As a form of embodiment of good governance, the central and regional governments prepare LGFR as a form of realising the implementation of their responsibilities in an accountable and transparent manner. As PP Number 8 of 2006 concerning Financial Reporting and Performance of Government Agencies explains that the creation of LGFR is one manifestation of the responsibility of the central and regional governments in managing their finances. In addition, Local Government Financial Reports (LGFR) functioned for stakeholders in financial reports to obtain information and consideration in making decisions, thus requiring the presentation of adequate information in it (Haryanto, Sahrudin, & Arifuddin, 2007; UU Number 71, 2010). According to Hendriyani and Tahar (2015), financial reports presenting quality information also provide the impetus for the realisation of quality decision-making. To support the creation of the right decisions, financial statements are required to disclose complete and sufficient information, as well as easy to understand by users so that everything is correct in interpreting the data presented in the financial statements. Based on Law Number 17 of 2003 concerning State Finances, the basis for local governments in compiling and presenting LGFR is guided by PP 71 of 2010 concerning Government Accounting Standards, so it is hoped that LGFRs that meet the criteria of accountability and transparency can be obtained.

Many variables can influence the availability of disclosures in local government financial statements when viewed in previous studies. The difference in the results can also be seen from the significance and direction of the correlation. Several researchers have conducted research related to factors that influence the increasing disclosure of information in local government financial reports, including Girsang and Yuyetta (2015), Khasanah and Rahardjo (2014), Hendriyani and Tahar (2015), Amaliah and Haryanto (2019), Hilmi and Martani (2012). Girsang and Yuyetta (2015) tested the effect of local government size, regional dependence, functional differential and debt on the Disclosure of Local Government Financial Statements. One of the results shows that the size proxied by total assets and regional dependence affects the Disclosure of Local Government Financial Statements.

The diversity and inconsistency of the results of previous studies are one of the impetus and reasons for re-testing several factors that can affect the disclosure of local government financial statements. The tests are carried out on financial reports that have passed the preparation process by the district/city governments. The use of the same sample was carried out previously in the research of Khasanah and Rahardjo (2014), showing an average disclosure of 59.99% in LGFR in 2010-2012, then Girsang and Yuyetta (2015) showing the results of research in the form of disclosure of LGFR for the fiscal year 2010-2012 with the average value is 158.41 or about 60%, and research conducted by Amaliah and Haryanto (2019) shows the average disclosure of LGFR for the 2015-2018 fiscal year is 65%. However, some of these studies still use LGFR for the 2010-2012 fiscal year, where SAP application has yet to be evenly distributed to all local governments in Indonesia on

an accrual basis. The 2016-2020 LGFR compiled by the district/city government was used as a research sample, where 2015 was the initial year in which LGFRs no longer used cash-based SAP towards accruals as a guideline for their preparation but were guided by accrual-based SAP. Period 2010-2014 Local Government prepared Financial Statements using cash-based SAP towards accruals. Since 2015 the preparation of the Government's financial reports has used accrual-based SAP. In addition, the 2016-2020 fiscal year was chosen to obtain results in the form of the latest information on disclosure each year compared to previous studies and the strong and low influence of research factors in giving effect to the increase in mandatory disclosures in the financial statements of district/city governments. Based on some of the conditions that have been studied above, this study aims to examine the effect of original regional sources of wealth (PAD), regional dependence, total assets, capital expenditures, population, and personnel expenditures on the disclosure of district/city government financial statements for 2016-2020.

This research is expected to contribute: First, provide empirical evidence on the public sector accounting literature and government accounting that examines the influence of original local sources of wealth (PAD), regional dependence, total assets, capital expenditures, population, and expenditures. Employees on the disclosure of local government financial statements. Second, this study seeks to reveal the practice of disclosing financial statements by local governments. Third, this research is expected to be used by the management of local government organisations as a basis for examining the types of disclosures in the preparation of LGFR.

Davis, Schoorman, and Donaldson (1997) argue that stewardship theory has sociological and psychological roots designed to explain where stewards, in this case, are managers and will act in the principal's interests, namely the owner. Rahardjo (2018) states that in this theory, agents are assumed to have the desire to contribute, choose something suitable, be innovative, have the desire to work well and have an interest in a balanced life. Stewardship theory describes the manager as not being motivated towards individual goals or self-interest but trying to achieve organisational goals. So when there is a difference in interests between the steward and the owner (principal), the steward will not oppose it and prefer to cooperate because the steward feels that it is a rational consideration when the steward behaves by the owner because the steward focuses his efforts on achieving organisational goals. Stewardship theory is in line with the New Public Management (NPM), which adopts an approach to carrying out public service activities organised by public organisations (government) both at the central government and regional government levels, which focuses on efforts to adopt best practices in governance including in the management aspect. Finance which in this case is proxied by the preparation and presentation of local government financial reports.

In the context of stewardship theory, the government as the steward acts with full responsibility towards the people as the principal, and the people trust the government to carry out its duties to achieve common goals (UU Number 8, 2006; UU Number 71, 2010). The government, which has more information about the use of resources owned by the regions, has the responsibility to realise transparency and accountability in carrying out its duties based on the people's trust in the government. The government shows its fault, one of which is through the preparation of quality financial reports. This can be realised if there is clear and complete disclosure in the local government financial statements containing accounting data and relevant information (Khasanah & Rahardjo, 2014). Regional Government Financial Reports that disclose clear and complete information are a manifestation of Regional Government accountability for the authority given to them. This is in line with the stewardship theory, which illustrates that managers or local governments

try to realise individual goals in line with efforts to realise the goals of local government organisations.

The source of original regional wealth is described by **Regional Original Income (PAD)**, namely the steady income obtained by the provincial government by referring to the provincial government's regulations. Most PAD comes from the community, such as local taxes and levies. PAD, a significant source of original regional wealth, indicates local communities' prominent role and participation in paying provincial taxes and levies. The community, as the principal, entrusts the local government as a steward to manage and account for the use of the PAD. Therefore, as a form of government responsibility in collecting and using the wealth owned by the regions, the presentation of financial statements with complete disclosure is also carried out. The significant source of original regional wealth indicates ownership of considerable resources by the provincial government so that it can be used as a driver in increasing disclosure in regional government financial reports. The increase in exposure is done, so that information asymmetry does not occur between the community and local government. Research by Rahmayanti & Arifin (2018) reveals a significant influence on local government financial statements disclosure by regional wealth. PAD exposure will decrease if the acquisition or realisation of PAD is in line with the decrease or the smaller percentage of PAD against the overall completion of revenue earned by the regional government.

H₁: Source of Regional Original Wealth (PAD) has a positive effect on LGFR disclosure.

The size of the total regional income is very dependent on the transfer of funds provided by the central government (UU Number 33, 2004; Ramdhani, 2016). The size of the transfer revenue shows how much dependency the local government has. Ramdhani (2016) states that the amount of local payment shows the level of dependence compared to regional income from other sources, such as the General Allocation Fund (DAU) or the Special Allocation Fund (DAK). So if the PAD owned by the region is large, then the local government's dependence on the centre may be small. Low support shows that the government has carried out its responsibilities properly and maximally towards receiving local revenue from the community. Research by Hendriyani and Tahar (2015), Khasanah & Rahardjo (2014), Hilmi and Martani (2012), along with Girsang and Yuyetta (2015) produced a negative effect of regional dependence on increasing LGFR disclosure. This is due to the need for more supervision and the lack of central government control over local governments. Regional Governments must convey information on the financial resources they manage, the funds of which come from the Central Government in the form of Transfer Funds. The Regional Government Financial Report must disclose the precise and complete information on the source of funds from the Central Government. Disclosure of this information is a manifestation of regional government accountability. This is in line with the stewardship theory, which describes the accountability that must be carried out by managers or local governments in order to realise the goals of local government organisations.

H₂: Regional dependence hurts LGFR disclosure.

The government uses assets to carry out its operational activities. High asset ownership indicates the ample resources the regional government owns to carry out greater disclosure. Good asset management is required for significant total assets, so high total assets require presenting adequate information related to asset management and maintenance in LGFR. Khasanah and Rahardjo (2014) concludes that total assets positively influence increasing disclosure by local governments on financial statements. Total assets are a proxy for the size of the local government. So that the total assets belonging to the

regional government are increasing, which will cause the government's efforts to improve in recognising its responsibilities as stewards; this accountability is identified through the disclosure of information in more extensive and more complete local government financial reports. In line with the stewardship theory that disclosing the value of assets owned by the Regional Government is one of the manifestations of accountability that must be disclosed by the Regional Government in its Financial Statements.

H₃: Total assets have a positive effect on LGFR disclosure.

Expenditures made by the government to obtain fixed assets through procurement, purchase, or development can be referred to as capital expenditures. Allocating the budget for capital expenditure appropriately so it can improve services for the community is part of the government's responsibility as a steward. Higher capital expenditure expenditures have resulted in higher local government responsibilities in disclosing complete information in financial reports so that communication between the government and the public regarding the realisation of the use of capital expenditures is the same. Hendriyani also Tahar (2015) along with Amalia and Haryanto (2019) conducted a study by proving that local government financial statements are significantly affected by capital expenditures. The people trust the legislature to make decisions related to budget allocation, has done its job well so that public services are increasing. This service includes a complete disclosure in the financial statements.

H₄: Capital expenditure has a positive effect on LGFR disclosure.

The number of residents describes the complexity of an area (Hendriyani & Tahar, 2015). So a high population supports a complex government. The high population will provide a great responsibility for the local government. The number of residents in an area will affect the regional government's public policies. In line with this, public policies are aligned with policies on financial allocations managed by local governments in providing services to the public/community. The provincial government, as a steward, is responsible for providing services to the community, and the community has a role in overseeing the performance of the services offered by the government. The more the population, the more people will receive benefits from the government, and the more they will monitor and complain if there are services by the government that are not by applicable regulations. This will encourage the government to improve the quality of its services. One of them is the presentation of financial statements with complete information so that the financial statements presented are of high quality. Research by Hilmi and Martani (2012) along with Hendriyani and Tahar (2015) show a significant positive effect of the population on increasing disclosure by local governments on LGFR. The high population encourages the function of the government as a public servant to make disclosures.

H₅: Population has a positive effect on LGFR disclosure.

Expenditures made by the government to finance employees' operational needs can be referred to as personnel expenditures. Regional Government Expenditure in the form of Personnel Expenditure is a relatively large component of government spending in terms of both percentage and rupiah value. Allocating the budget for personnel expenditures appropriately is expected to improve the performance of services provided by government employees to the community better. The size of the funding for personnel expenditures shows how high the level of budgeted expenditure allocation is in the Expenditure Budget (APBD). The magnitude of the value of Regional Government spending in the form of Personnel Expenditure will affect the composition of the regional government budgeting, which will impact the allocation of other expenditure items in the APBD structure. Higher personnel expenditures resulted in a large proportion of the budget meeting employees' needs rather than the community's immediate needs. A high proportion of personnel

expenditures will lead to an increasing tendency for local governments to try to reduce the disclosure of complete information in financial reports so that communication between the government and the public regarding the realisation of the use of personnel expenditures is the same. Hendriyani and Tahar (2015) along with Amalia and Haryanto (2019) conducted a study proving that local government financial reports are significantly affected by personnel expenditures. This service includes a complete disclosure in the financial statements.

H₁: Employee expenditure hurts LGFR disclosure.

METHOD

The dependent variable in this study is the disclosure of LGFR, and the independent variables are the source of original local wealth (PAD), dependence, total assets, capital expenditure, population, and audit findings.

Table 1. Variable and Indicator

Variable	Indicator
LGFR Disclosure	Obtained through the number of disclosures available on LGFR divided by the number of mandatory disclosures on CaLK in accordance with SAP on an accrual basis (Girsang & Yuyetta, 2015);
Source of Regional Original Wealth (PAD)	PAD contained in the Budget Realization Report (LRA) in the LHP LGFR (Khasanah & Rahardjo, 2014);
Regional Dependence	Comparison of DAU with total income whose value is in the LRA in the LHP LGFR (Girsang & Yuyetta, 2015)
Total Assets	The total number of regional assets contained in the balance sheet in the LHP LGFR (Hilmi & Martani, 2012)
Capital Expenditure	Total regional capital expenditure contained in the LRA in the LHP LGFR (Hendriyani & Tahar, 2015)
Total Population	The population is obtained through population data in an area which can be seen on the website of the Central Java Provincial Statistics Agency (Amaliah & Haryanto, 2019)
Employee Expenditure	The total expenditure for regional employees contained in the LRA in the LHP LGFR (Hendriyani & Tahar, 2015)

This study uses the 2016-2020 local government financial reports compiled by the district/city government in Central Java Province as the population. The total population consists of 29 Regency and 6 City Governments or 35 Regional Governments. The research data period is five years, and the total population is 175. The sample selection uses the purposive sampling method, in which the sample passage must have specific criteria or conditions. The conditions for selecting the model are: (1) It is the 2016-2020 LGFR compiled by the district/city government in Central Java Province and has gone through the BPK examination process; (2) Local government financial reports have the information and data needed for research in the form of information/data to be measured related to the variables contained in the research and preparation of local government financial reports based on Government Accounting Standards (SAP) on an accrual basis. All sample data meet the criteria so that the total sample is 175 or the same as the population data.

In this study, multiple regression analysis was conducted to test the hypothesis. The following is the use of the regression model for hypothesis testing.

$$DISC = \alpha + \beta_1.PAD + \beta_2.DEPEND + \beta_3.ASSET + \beta_4.BM + \beta_5.POP + \beta_6.BP + \epsilon \quad (1)$$

Notes:

DISC : LGFR Disclosure
 PAD : The source of the original wealth of the region
 DEPEND : Regional dependency

ASSET	: Total assets
BM	: Capital expenditure
POP	: Total population
BP	: Employee Expenditure
ε	: Error

RESULT AND DISCUSSION

Description of Research Object

The object of this research is the district/city government in Central Java Province. Based on the sample examination using the purposive sampling method, all districts/cities in Central Java Province met the criteria, so 35 communities/cities in Central Java Province consisting of 6 cities and 29 districts became the research sample. The sample used is 175, consisting of 35 regions with LGFR for five fiscal years (2016-2020).

Data Analysis

The descriptive statistical analysis results with the help of IBM SPSS 25 are presented in Table 2. Table 2 shows a descriptive statistical analysis of known disclosure (DISC). The highest value for this variable is 0.73, and the lowest is 0.42. The average weight of LGFR disclosures is 0.60, and the standard deviation is 0.05. The standard deviation with a small value indicates a low level of data deviation in the disclosure variable, and the average value represents the overall data well. In addition, the acquisition of a standard deviation at most, the average value indicates that the data for disclosure is spread evenly around the middle value, and there is little chance of finding a large gap between the data. The source of original regional wealth (PAD) variable shows the highest value of IDR2,066,333,418,588 and the lowest value of IDR171,277,522,706. The average PAD revenue by local governments is IDR384,314,883,232 with a standard deviation of IDR271,430,133,160 indicates a good representation of the overall data and a slight deviation of the data for the variable level of wealth due to the average value obtained. Exceeds the standard deviation value. It also shows the small gap between the data because the sample value is close to the average value.

The regional dependence variable shows the value with the highest regional dependence, 0.57 and the lowest, 0.27. The average value for the region's support on the centre is 0.46, and the standard deviation is 0.05. Results that show the mean value exceeds the standard deviation value indicate that the data for the dependent variable is evenly distributed around the mean value or that there is a slight variation in the data.

The total assets variable shows the highest and lowest values for tangible assets, IDR30,970,860,367,210 and IDR1,699,744,280,051, respectively. The average number of assets owned by district/city governments is IDR4,411,864,218,774, which is higher than the standard deviation value of IDR4,064,715,080,806. This shows that the sample value is close to the average value, so the gap between the data is small.

Table 2. Descriptive Statistical Analysis

	N	Minimum	Maximum	Mean	Std. Deviation
DISC	175	0.42	0.73	0.60	0.05
PAD	175	171,277,522,706.00	2,066,333,418,588.00	384,314,883,232.72	271,430,133,160.87
DEPEND	175	0.27	0.57	0.46	0.05
ASSET	175	1,699,744,280,051.09	30,970,860,367,210.00	4,411,864,218,774.34	4,064,715,080,806.88
BM	175	102,083,054,523.00	1,275,359,088,966.00	372,680,649,411.18	180,721,884,148.46
POP	175	121,112.00	1,978,759.00	994,563.63	425,900.81
BP	175	304,530,468,171.00	5,167,367,175,732.00	4,632,671,053,803.26	180,721,884,148.46

The capital expenditure variable showed the highest value of IDR1,275,359,088,966 in 2017 and the lowest value of IDR102,083,054,523. Capital expenditures have an average value and standard deviation of IDR372,680,649,411 and IDR180,721,884,148, respectively. The more significant number shown in the mean value compared to the standard deviation indicates a small gap that will be found between the data because the sample value is around the mean value.

The population variable shows the highest and lowest values, 1,978,759 people and 121,112 people. The average number of residents whose value is greater than the standard deviation, which is 994,563 for the average value and 425,900 for the standard deviation value, indicates that the data distribution is evenly distributed, the average value and the low level of disparity between data on the population variable. The personnel expenditure variable showed the highest IDR5,167,367,175,732 in 2018; the lowest value is IDR304,530,468,171. Personnel Expenditures have an average value and a standard deviation of IDR4,632,671,053,803 and IDR180,721,884,148, respectively. The larger the number shown in the mean value compared to the standard deviation indicates a small gap that will be found between the data because the sample value is around the mean value.

Before testing the hypothesis, the classical assumption test was carried out. The results of the classical assumption test, the regression model is usually distributed and free from the symptoms of multicollinearity and heteroscedasticity. However, an autocorrelation problem was found in the regression model, so improvements were made using the Cochrane-Orcutt method. This method is carried out by transforming the data previously detected by autocorrelation into Lagares (Lag) form; then, the Durbin-Watson test is carried out again using the changed information (Ghozali, 2018). From the Coefficient of Determination test, it can be seen how far the independent research variable explains the dependent variable. The test results are presented in Table 3.

Table 3. Coefficient of Determination Test

Model	R	R Square	Adjusted R Square	Std. The error of the Estimate	Durbin-Watson
1	0.463	0.214	0.186	0.039	1.907

The adjusted R square value in Table 3 shows a value of 0.186 which means that the percentage of the independent variable (source of original local wealth (PAD), dependence, total assets, capital expenditure, population, and audit findings) in explaining the dependent variable (disclosure of local government financial statements) weak that is equal to 18.6%. While 81.4% is explained by variables outside of the variables tested and observed in this study

The test results can be seen in Table 4. This test was carried out to determine whether or not the independent variables of the study on the dependent variable caused a simultaneous influence.

Table 4. F Test Statistic

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	0.090	6	0.015	7.453	0.000
Residual	0.340	168	0.002		
Total	0.430	174			

The significance value of the table shows a number below 0.05 or 0.000, and the calculated F value is greater than the F table (6:169), which is 7.453 and 2.15, respectively. So that the conclusion of this test results in the conclusion that the independent variables in research on disclosure in LGFR cause a simultaneous effect.

The t-test is intended to determine whether or not there is an influence and how far the independent research variables individually affect the dependent variable. The test results can be seen in Table 5.

Table 5. t-test Statistics

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.400	0.542		4.431	0.000
Ln_PAD	-0.022	0.017	-0.178	-1.304	0.194
DAU	-0.247	0.106	-0.232	-2.330	0.021
Ln_ASSET	0.050	0.013	0.466	3.833	0.000
Ln_BM	0.023	0.010	0.210	2.323	0.021
Ln_POP	0.042	0.014	0.517	3.004	0.003
Ln_BP	-0.091	0.026	-0.632	-3.517	0.001

The calculated t value below the t table indicates a negative relationship between variables, while a significant value above 0.05 indicates an insignificant relationship between variables. Based on Table 5, it is known that the PAD variable has a negligible effect on the DISC variable. ASSET, BM, and POP variables positively and significantly impact DISC. At the same time, the DAU and BP variables negatively and substantially impact DISC.

Regional Original Wealth Sources (PAD) and LGFR Disclosures

The value of the regression coefficient on the model test on the data on the regional original wealth source variable (PAD) is -1.304, and the significance value is 0.194. Then the results showed that the influence received by the disclosure of local government financial statements is a negative and insignificant influence by the regional source of wealth (PAD) variable. The follow-up test results of the regional source of wealth (PAD) variable were significant at a significance level of 10%. The conclusion obtained is the rejection of hypothesis H1. These results are in line with the research of Khasanah & Rahardjo (2014), Amaliah & Haryanto (2019), Hendriyani & Tahar (2015), Andriani, Santi, & Mustika (2019), which concludes that there is no relationship between PAD and disclosure in LGFR. In the theory of stewardship, the government as a steward is responsible for the entry of funds from the community as the principal so that to create accountability and transparency of the overall funds and the management of funds entrusted by the community to the government, the complete disclosure of reports regarding the management of these funds is provided. However, a large amount of revenue the government gets from local communities only sometimes encourages the government to provide complete disclosures to LGFR because people tend only to fulfil their obligations to pay local taxes and levies. However, there still needs to be more awareness and willingness to demand transparency and accountability of local governments. So that the role of good stewards and principals is not carried out. In addition, Sumarjo in Khasanah and Rahardjo (2014) states that this can also happen because local governments are too dependent on transfer funds allocated by the central government and do not make PAD disclosure a top priority. The findings on the PAD variable align with the fact that PAD information is optional to be the focus of reporting in LKPD.

LGFR and Disclosure

The data tested on the dependent variable showed a coefficient value of -2.330 and a significance value of 0.021. The results from this value show significant and adverse effects

of dependence on disclosure by local governments on LGFR. In line with hypothesis H2 or hypothesis H2, this study is accepted. These results are in line with the research of Setyaningrum and Syafitri (2012) along with Ramdhani (2016). Local governments with high dependence will influence the lower LGFR disclosures. This can happen because the small amount of DAU will make it easier for local governments to disclose. In addition, low dependence indicates that local revenue is already maximised, which shows the responsibility and good performance of the government in withdrawing and managing funds from local communities, which ultimately encourages local governments to make complete disclosures. Ramdhani (2016) states that when the transfer funds received by the regional government are getting bigger, it will make it difficult for the local government to disclose to the LGFR due to the increasing number that the provincial government must report. In addition, Setyaningrum and Syafitri (2012) state that a negative and significant relationship can occur because the central government is still lacking in providing control over the use of balancing funds which causes local governments not to be encouraged to increase disclosure in LGFR (the Republic of Indonesia, 2004). However, this result is different from Hilmi & Martani (2012), Khasanah & Rahardjo (2014), Girsang & Yuyetta (2015), Andriani, Santi, & Mustika (2019) shows an insignificant and negative effect of regional dependence on LGFR disclosures and research by Amaliah and Haryanto (2019) which offers a positive and significant impact of regional support on increasing exposure by local governments on LGFR.

Total Assets and LGFR Disclosure

The test with the results shown from the total asset variable is a value of 3.833 for the coefficient value and a significance value of 0.000. The effect shown is based on the analysis results, namely in a positive direction. So total assets positively and significantly impact increasing disclosure on LGFR. Statements that align with the H3 hypothesis or the research hypothesis are accepted. Based on the stewardship theory, the government will try to disclose complete information to LGFR as a form of accountability for assets controlled and processed by local governments. Significant ownership of assets will motivate the government to provide more comprehensive information to the public. The urge to make more complete disclosures can be due to public demands or motivation from the government because considerable regional wealth has the potential for more complete disclosures. These results are consistent with the research of Khasanah and Rahardjo (2014) but not with Hilmi and Martani (2012), with the final results concluding that there is no significant effect between asset ownership and disclosure by local governments on their financial statements.

Capital Expenditure and LGFR Disclosure

The analysis results indicate a significant and positive effect of capital expenditure on increasing disclosure by local governments on their financial statements. The respective values for the coefficient and significance are -2.323 and 0.021. The results of the study are consistent with hypothesis H4. This can happen because large capital expenditures can trigger LGFR disclosure. After all, the capital expenditure budget has been used to meet the community's immediate needs through capital expenditure budgeting in the APBD. The results of this study are consistent with the research results of Andriani, Santi, and Mustika (2019), which show a significant relationship between capital expenditure and disclosure, as well as research by Amaliah and Haryanto (2019) also with Hendriyani & Tahar (2015) show that there is a significant relationship between capital expenditures and

increased disclosure by local governments on their financial statements. This shows that the magnitude of the value of budgeting and capital expenditures affects the disclosure of local government financial reports. Capital expenditure information reflects the development policies implemented by the regional government in running the government. This aligns with the spirit of accountability, as explained in the stewardship theory.

Total Population and LGFR Disclosure

In the population variable, the coefficient value is 3.004, and the significance value is 0.033. Significance with a value below 0.05 and a positive coefficient value indicates that the effect given by the population variable on increasing local government financial statement disclosure is a positive and significant influence. This result is consistent with hypothesis H5 or hypothesis H5 Accepted. This study's results align with the research by Hilmi and Martani (2012). The more the population, the more people will receive services from the government, and the more they will monitor and complain if there are services by the government that are not by applicable regulations. This will encourage the government to improve the quality of its services. Aenin, Fitri, and Rini (2015) state that complexity gives impetus to disclosure due to the low awareness and desire of the public for the government to make more necessary disclosures. On the other hand, the lack of understanding of PSAP and critical thinking about the information presented in local government financial reports, as well as the lack of public oversight of government performance, have also led to a lack of encouragement from local governments to disclose LGFR (Aenin, Fitri, & Rini 2015).

Employee Expenditure and LGFR Disclosure

The analysis results indicate a significant effect of the negative direction of personnel expenditure on the tendency to reduce disclosure by local governments on their financial statements. The respective values for the coefficient and significance are -3.517 and 0.001. This study's results align with the H6 hypothesis; the Hg hypothesis is accepted. This can happen because the large personnel expenditures can be a reason to reduce the disclosure of personnel expenditures in the LGFR. After all, the personnel expenditures used are not used to meet the immediate needs of the community by the local government.

This study's results align with the research by Praptiningsih and Khoirunnisa (2020). However, in contrast to Andriani, Santi, & Mustika (2019), which shows an insignificant relationship between personnel expenditure and disclosure, as well as research by Amaliah & Haryanto (2019), Hendriyani & Tahar (2015), show that there is a significant relationship caused by personnel expenditures with a tendency to reduce disclosure by local governments on their financial statements. The magnitude of the value of Regional Government spending in the form of Personnel Expenditure will affect the composition of the regional government budgeting, which will impact the allocation of other expenditure items in the APBD structure.

CONCLUSION

The results of this study indicate that regional dependence, total assets, capital expenditures, population, and personnel expenditures affect the disclosure of LGFR. Meanwhile, the source of original regional wealth (PAD) has no significant effect on the exposure of LGFR. This research was only conducted on city governments in the Central Java region, whose data collection was carried out during the Covid-19 pandemic.

According to previous research, it can be concluded that the more research objects used, the better and more valid the analysis results. The selection of research objects only uses local governments in the Central Java region because it considers budget data (APBD) and LGFR can be accessed adequately. In addition, several local governments need to disclose budget data (APBD) that can be accessed at the Ministry of Home Affairs, which is considered, and the reduced number of objects of observation will affect the study's results.

The limitations of future research that can be considered in the study are the small coefficient of determination, which is 18.6%, which indicates that there are still 81.4% of other factors that were not tested in this study, which can explain the disclosure variables in the LGFR. In addition, this study uses a nominal 0 on the LGFR disclosure checklist for disclosures whose items are not available in the local government CaLK. So if items are not included in the financial statements, it will be considered that the thing is not disclosed. Subsequent research can use scale measurement indicators that are not limited to measurements that exist or do not exist (dummy). This is because local government financial statement disclosures still need to be standardised. Finally, the research results only apply to the region concerned because the focus is limited to district/city local governments in Central Java Province.

This study has yet to add other variables that can affect the disclosure of financial statements, such as the variable of the amount of the budget for goods and services, the grant income budget, and the results of the audit of the financial statements by the BPK. In line with this, further research should use a larger sample than other local governments, and the measurement of LGFR will be more accurate. Future research is expected to consider using the object of study for all local governments in Indonesia. The next size is expected to include more variables that affect the disclosure of LGFR, for example, the expertise of the government's internal supervisory apparatus (APIP), APIP independence and other internal government characteristics.

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