

Evaluation on Financial Information Disclosure on The Web of Indonesian City Government

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Abstract— There are two regulations related to local government websites which are the domain naming structures and obligation to provide financial information on the Website. The first is stated in the Minister of Communications and Information Number: 28 / Per/M.Kominfo/9/2006, and the second in the Indonesian Republic Government Regulation Number 56 of 2005 on Regional Financial Information System, as amended by Indonesian Republic Government Regulation Number 65 of 2010. It is stated that each local government is obligated to create and maintain a website that has richness of features and provides information transparency of financial reporting areas that can be seen by the whole society. This research aims to measure and to rank city government websites by the richness of features and the degree of financial information disclosure. The samples used in this study were 85 official websites of city government in Indonesia. According to the Alexa Traffic Rank, the website of city government of Jakarta is ranked at first. City government of Denpasar is ranked at first in information richness. Moreover, there is meaningful difference of measurement between city government websites located in Java island and those located outside Java island, in terms of Website popularity and information richness. Nevertheless, there is no significant difference in the measurement of financial report index and document richness between city government websites located in Java island and those located outside the Java island.

Keywords— *financial disclosure, local government, e-government, rank*

I. Introduction

Based on Global E-Readiness Ranking, published by the United Nations in 2010, Indonesia's rank of E-Readiness are below the world average as well as Asia Pacific. Indonesia got the index value of 0.4026 for the development of E-Government which is lower than the previous year index of 0.4107. Index value remains below the Asia Pacific average of

0.4290 and below the world average of 0.4515 and Indonesia was ranked at 109. The goal of e-government is to provide information management for government to be more efficient in providing better services and empowerment society through access to information and public participation in decision making [1].

Governments are required to establish and utilize technology to improve the ability of governments to regulate local financial and distribution of financial information to the public to follow up implementation of the development process and the principles of good governance [2]. For example, the use of information technology in the level of central government and local governments in the development of the official website and development in the use of government websites to support e-Government which has been increasing from year to year. However, the increase occurred only in quantity that the number of websites increasing, but the quality still need attention.

Territory Indonesia consists of 33 provinces, 349 districts, 91 municipalities, 5263 districts, 7123 villages and 62,806 special villages. Indonesia has vast areas but does not have a complete database on the number of local governments that has implemented a web-based public services [3]. Indonesia's vast territory is a challenge to the government and people of Indonesia, especially how to connect the parts were scattered and large populations through information technology and communication in entering the era of globalization and information.

The rapid development in the world of the Internet bring changes in the dissemination of information. Many government sectors that have used Internet as a communication media to provide information on all sorts of activities in the government. One of the activities is the dissemination of financial reporting information. Important issues in financial management in Indonesia is the

transparency and public accountability [1]. Therefore, the quality of the disclosure of financial information on the Internet becomes an important issue. The financial information is not published on the Internet are considered less relevant or irrelevant to the rational user and have a detrimental impact on other users. The purpose of this study are (1) to determine of information richness and popularity of city government websites in Indonesia, (2) To determine whether there is relationship between the index of financial report, information richness, as well as, document richness and popularity of city government website (3) to find out whether there is difference of financial reporting index, information richness, document

richness and popularity between city government websites located in Java island and those located outside Java island.

II. Related Research

Two groups of evaluation size of e-government, that are (1) input, output, and impact of e-government and (2) measure of efficiency, service quality, and e-government activities [4]. The website with the most successful is to serve the public to find the information quickly and easily [5]. Website assessed in terms of four different features: information availability, service delivery, transparency or openness and citizen responses or responses from the government [6].

Generally, developing countries is lagging behind in e-government adoption compared to developed countries [7]. The gap is caused by the following factors: Inadequate disclosure of non-financial information in the financial report, inability of the financial report to provide time information, and technological advances that can facilitate access to further and also real time information [8].

In the Indonesian Republic Government Regulation Number 56 of 2005 on local financial information system as amended by Indonesian Republic Government Regulation Number 65 of 2010 included obligation to provide local financial information on the so-called Article 13 (b) In Article 16 states that: "local Financial Information shown in the official website of local Government referred to in Article 13 b shall contain at least the information referred to in Article 4 paragraph (1), (a) budget (APBD) and provincial budget (APBD) realization, District and Municipal; (b) the balance area; (c) a cash flow statement; (d) notes to the local financial report (e) Deconcentration fund and Administration Fund (f) local Company financial report, and (g) data relating to the fiscal needs and area fiscal capacity".

Indonesia Republic Government Regulation Number 65 of 2010 included obligation to provide financial information on the so-called Article 13 (b). In Article 16 states that: "local Financial Information shown in the official website of local Government referred to in Article 13 b shall contain at least the information referred to in Article 4 paragraph (1), (a) budget (APBD) and provincial budget (APBD) realization, District and Municipal; (b) the balance area; (c) a cash flow statement; (d) notes to the local financial report (e) Deconcentration fund and Administration Fund (f) local

Company financial report, and (g) data relating to the fiscal needs and area fiscal capacity". In Domestic of government regulation No. 22 of 2011 defines Budget (APBD) as follows: "Local Government Income and Expenditure Budget which then abbreviated to APBD, is the annual financial plan of local government that discussed and approved jointly by the local government and parliament (DPRD), and be appointed by local regulation."

The term e-government in Indonesia was first introduced in the public service through the Presidential Instruction No. 6/2001 on information and communication technologies [9]. In the decree stated that the government of Indonesia should use information technology and communication to support good governance. E-government is an attempt to build the structures, systems, and efficient administration, effective, transparent and accountable. These efforts should be supported by human resources who have the ability, good management

systems, processes and control systems. The main challenge in developing e-government lies in the non-technical aspects, including planning. E-government development and its implementation in particular need to consider several factors that pose challenges in developing countries.

These constraints are (a) the digital divide, (b) differences in language and written characters, (c) coordination and policy, and (d) the technical aspects such as infrastructure, purchasing power for computers, human resources, cost of information technology, and so on. According Harijadi and Satriya [10], out of commitment to e-government, the government of Indonesia is still facing a number of challenges that may hamper the implementation of e-government, including (1) insufficiency of capacity and high telecommunications infrastructure, (2) financial sustainability problems of various initiatives e-government, (3) lack of coordination and integration, and (4) the process of completing many different laws and regulations regarding e-commerce and e-government.

Study on the transparency of financial reporting and disclosure of public information has actually been studied, but still few researchers who conduct research on the transparency of financial reporting and disclosure in Indonesian public sector, especially in local government. Website of local government in Indonesia still have less information [1]. The digital divide between Java and outside Java still significant relative to the information richness and popularity of the website [11]. Studies that have been done in Indonesia on website of local government viewed from information richness or popularity of the website that can be seen in the table below.

TABLE I. RELATED RESEARCH IN INDONESIA

Researcher	Variable	Result
Hermana et al (2011)	Richness of features, Financial related information and Non-financial information	Generally, Indonesian local government websites have less features and provide view information.
Hermana and Silfianti (2011)	Web service characteristics and popularity using webmetrics approach.	Webmetric rank shows that province government websites located outside Java island, are more dominant than those of city and district governments.
Anggamada et al (2011)	Financial report index, human development index, unemployment rate, and poverty line.	Province of DKI Jakarta is the best local government in providing complete information.
Silfianti and Suhatri (2011)	Traffic index, size index, and features index.	Gap in information reachness and web popularity are significant between local government websites located in Java island and those outside Java island.

iii. Methodology

Evaluation was conducted on 99 city governments websites in Indonesia. However, only 85 websites were

accessible during data collection period. Evaluation of financial information disclosure is conducted by direct observation on the website. Measurement of all parameters were taken in the same week between 2nd -14th June 2012.

The data used in this research is financial report of city government which consists of: Local Government Income and Expenditure Budget (APBD) and (APBD) realization; local government balance; report of cash flows; notes to the local financial report; Deconcentration fund and Administration Fund; Financial report of local Company, and the data related to the fiscal needs and local fiscal capacity, the number of web pages and the webrank. Financial reporting period that is observed is 1 year of 2011. Financial report data were obtained from the official website of each city government, or from other sources if no local financial data found on the website.

Measuring index of financial report conducted from 85 samples website of local government of city by providing value of 1-4 : (1) None, (2) exist but incomplete, (3) Complete, but less detailed, and (4) A complete and detailed. In order to get the index value of the financial report from all city government website the following formula is used :

$$Index = \frac{\sum_{i=1}^7 s_i}{I_{max}}$$

iv. Result and Discussion

A. *Indonesia E-Government at a Glance*

Currently, There are two regulations related to website of local government, first is the domain naming structures and obligation to provide local financial information on website of local government. The two regulations are the first, the Minister of Communications and Information Number: 28 / Per/M.Kominfo/9/2006 on the Use of Domain Name go.id to Official Website of Central government and local government, and the second, which the Indonesian Republic Government Regulation No. 56 of 2005 on local Financial of Information System, as amended by Indonesia Republic Government Regulation Number 65 of 2010. Here is explained that each local government are required to create a website that contains the full-featured and information transparency of local financial reporting that can be seen by the whole society.

In the Indonesian Republic Government Regulation Number 56 of 2005 on local financial information system as amended by Indonesian Republic Government Regulation Number 65 of 2010 included obligation to provide local financial information on the so-called Article 13 (b) In Article 16 states that: "local Financial Information shown in the official website of local Government referred to in Article 13 b shall contain at least the information referred to in Article 4 paragraph (1), (a) budget (APBD) and provincial budget (APBD) realization, District and Municipal; (b) the balance sheet; (c) a cash flow statement; (d) notes to the local financial report (e) Deconcentration fund and Administration Fund (f) local company financial report, and (g) data relating to the fiscal needs and area fiscal capacity".

Based on Presidential Decree, Number 5, 2000, government established A Team of Indonesian Telematics Coordination (TKTI), a task force to improve the use of

electronic media to facilitate the functions of government, interrelatedness, and transactions. TKTI is also responsible for providing the guidelines and recommendations of how to develop ICT in Indonesia, including the e-government. On April 2001, the government has released Presidential Instruction No. 6 that provides guidelines to develop and empower ICT to public. The instruction also covers 75 programs or action plans classified into four categories, namely law and policy framework, human resource capacity development, infrastructures, and applications in private and public sectors.

Some action plans taken into account by TKTI are as the followings: (1) reforming the policy and law framework to support the implementation ICT, including the e-government; (2) developing human resource capacity to support the implementation of ICT and e-government; (3) accelerating the infrastructures development to support the implementation of ICT and e-government application through national and overseas partnership; (4) providing various applications to support e-government; (5) revitalizing the e-government

portal; (6) implementing e-government strategy; (7) preparing action plans for e-government of offices and institutions that are interrelated. The development of e-government is designed as a part of the road map of ICT in Indonesia by the Ministry of Information and Communication.

Most of the Indonesian local governments are relatively left behind in the implementation of e-government. In general, there are two perspectives that may result in such condition, (a) the low rate in the implementation of information and communication technology by government officers and the members of public, and (b) the lack of reliable human resources to develop and implement information and communication technology (ICT). The various indicators of the ICT implementation in Indonesia can be seen in the following figures.

B. Financial Information on the Web

Developments in information technology to support the government to provide and disseminate information about the government financial condition of both the central government and local government. The rapid development of the Internet makes it compulsory for government to publish financial reporting using the Internet. This is due to people who want to gain financial information easier than ever before.

Type of financial report observed are financial report of city government which consisting of: Local Government Income and Expenditure Budget (APBD) and (APBD) realization; local balance; report of cash flows; notes to the local financial report; Deconcentration fund and Administration Fund; Financial report of local Company, and the data related to the fiscal needs and local fiscal capacity. Distribution of cities based on the level of openness to every kind of report can be seen in the picture below.

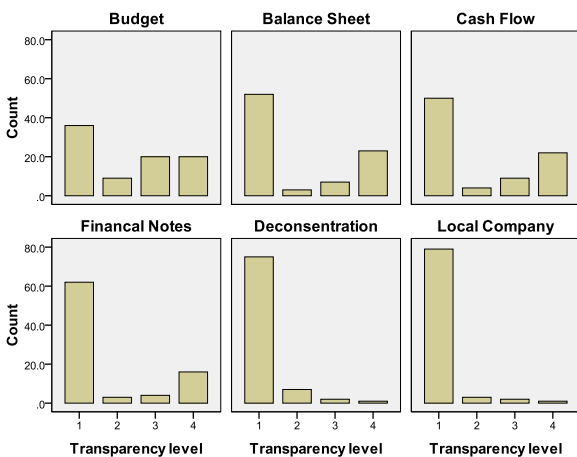


Figure 1. Number of cities based on level of financial information disclosure

Figure 1 shows that most of websites do not provide complete set of financial documents. The percentage of cities that do not provide particular document are: 42.4% for APBD,

61.2% for financial balance, 58.8% for cash flow, 72.9% for notes to financial transactions, 88.2% for deconcentration fun, and 92.9% for local government financial report. Deconcentration fun is a term used for fun coming from central province government. It is understandable that city government do not provide this financial report on their websites. In summary, this research shows that city government in Indonesia have not been transparent in providing financial report on their websites.

Another indicator that is observed in this research is information richness, which is defined as number of web pages and number of documents in various format that are available on the website. Measuring index of financial report from 85 samples of websites of local government of city is conducted by assigning value of 1-4. This variable is shown in Table II.

TABLE II. DESCRIPTIVE STATISTICS OF WEB INDICATORS

Indicator	Min.	Max.	Mean
Financial Disclosure Index	.2500	.8929	.413025
Information Richness	20	700000	46535.84
Document Availability	0	29650	660.64

The highest rank is attained by the website of Pekalongan city government with index value 0.8929. Because website of Pekalongan city government publishes the complete and detailed financial report. Other website of city government get the index value below the index value of website of Pekalongan city government. It is because some other website of city government do not publish the complete financial reports as detailed as the website of Pekalongan city government. While the index value of financial report is 0.2500, which is the smallest index value. This value indicates that website of local government does not publish the whole financial report that are required.

Based on the evaluation of Internet financial reports disclosure from 85 city government websites in Indonesia, there is a fact that many city governments do not publish financial report on their website although the number of web pages of each website are quite a lot. Apart from above measurement, there is statistics to obtain the minimum, maximum, and mean of the data of Financial report Index,

information richness and document richness. Table II shows descriptive statistics index of financial report from 85 websites of city government.

The average index of financial report index is 0.4130. The highest value is 0.8929 and attained by the Pekalongan city government while the lowest index value of the financial report index is 0.2500 which are attained by 35 cities. Some of them are Cilegon, Medan, Palu, Pontianak, Tomohon and there are still some other cities. This is because the city still not publish financial report on their websites.

The average Index of information richness is 46535.84. The highest value is attained by Denpasar city government with information richness value of 700.00. The website of Denpasar city government has the highest value because it provides lots of information in pdf, doc, ppt or html on their website. While the lowest value of information richness is attained by Bima city government with the value of 20. That is, Bima city government's website provide few information than the other.

The average Index of document richness is 660.64. This evaluation is based on number of document contains information that is in pdf, doc and ppt format. The highest value of the document richness index is 29,650 that is attained by the website of Bandung city government, while the lowest value is 0, which is obtained by the other 15 websites city government websites including South Jakarta, North Jakarta Banjarmasin, Jayapura, Subulussalam and Tomohon. Website of Bandung city government has the highest value, because it presents a complete set of document. Meanwhile, 15 other city government websites has the lowest value because it does not provide complete document in pdf, doc or ppt.

This study is not in line with Silfianti and Suhatri [11]. They have the idea that the popularity of the site does not depend on the information richness, amount of information and number of web features. The amount of information and number of website features can not increase the popularity of the website. However, for the relationship between the Popularity and Index of Financial report are consistent with the study conducted by Silfianti and Suhatri [11]. The number of the average ranking (mean rank) of the island of Java get the value of 51.71 from 31 websites of local government of city that was in Java island. As for the outside Java, the average ranking (mean rank) of 38.00 from 54 websites of city government that are located outside the Java island.

v. Summary

Disclosure of Financial report on the website of local government of city is not related to the popularity of the web. There is difference in popularity and information richness, between city government located in Java island and those of outside Java. The result of evaluation resulting index of financial report and the document shows there is no significant difference between city government located in Java and outside Java. Websites of city government that is located in

Java show traffic ranking on average higher than those outside the Java island.

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