



## Financial Disclosure based on Web-ICT Determinants: Its Implications for Local Government Financial Performance in Indonesia



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### Article history:

Received: 20 July 2017  
Revised: 11 January 2018  
Approved: 15 January 2018  
Published: 19 January 2018

### Keywords:

Local Government;  
Financial Performance;  
Financial Disclosure Based On  
Web-ICT;

### Abstract

The purpose of this research is to analyze the influence of local government characteristic and accountability performance on the financial disclosure based on WEB-ICT and how it's implications for local government financial performance as a response to the public information disclosure requirements. Using 307 regencies and cities local government in Indonesia as samples based on purposive sampling and analyze by SEM-PLS technique. The result shows that local government characteristic and accountability of local government performance has a positive influence on financial disclosure based on web-ICT. It indicates that local governments with better performance accountability levels and have greater or more mature characteristics will disclose wider financial information through the website. These findings are consistent with the signaling theory which states that organizations tend to provide a signal in the form of information disclosure to stakeholders to describe positive conditions. This study also found that financial disclosure based on web-ICT has a negative influence on local government financial performance, public sector characteristics that are nonprofit oriented cause disclosure of financial information does not encourage the financial performance of local government. Unlike the private sector, the disclosure of information encourages better corporate financial performance.

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## 1. Introduction

The implementation of Law No. 22 Year 1999 on Regional Government is a pillar of the change of governance in Indonesia which previously embraced a centralized system then it was changed into decentralization that brings consequences to the demands of Good Government Governance. The development of Information Communication and Technology (ICT) encourages the implementation of Good Governance Government to practically develop in electronic government (e-Government) that provides electronic services and information aiming at improving accountability and transparency.

To strengthen the public disclosure of information electronically as a form of application from e-government, the government creates Presidential Instruction No. 03 Year 2003 on National Policy and Strategy of Development of e-Government followed by Law Number 14 Year 2008 regarding to public information disclosure. One of the disclosure obligations is the disclosure of local government financial information.

The use of the website as one of the media for the provision of information and public services becomes one of the government's choices since it is the nature that makes the transmission of information becomes faster and broader so that users are able to utilize information more easily and interactively.<sup>1</sup> The growth rate of internet users in Indonesia reaches 29.41 percent from 2013 to 2016 where 65 percent of them access the internet for information, is one of the strongest reasons for local governments to disclose information through website.

Eight years after the enactment of the Public Information Disclosure Act, the level of information disclosure, especially local government financial information is still relatively low. It found that the total disclosure fulfilled by the local government was only 44% of the total disclosure should be.<sup>2</sup> Similarly, the level of disclosure of local government financial information that is still below 10% is much lower than the average disclosure of financial index above 25%. This level of disclosure is directly proportional to the performance of different local governments, in organizations with better disclosure levels having a positive effect on the performance of the organization.<sup>3</sup>

According to United Nations (2016) historical data shows that e-government development measured through the Electronic Government Development Index (EGDI) and anti-corruption behavior measured through the Corruption Perception Index (CPI) indicates a positive correlation. However, the different phenomenon occurred in Indonesia, which ranked EGDI downgrades to 116 in 2016 after previously in 2015 it was ranked 106, while the rank of Corruption Perceptions Index actually increased to 88 in 2015 after positioned 107 in the previous year. This shows that the public's desire to improve corruption eradication is not supported by efforts to increase transparency through e-government.

The issuance of Government Regulation No. 8/2006 on Financial Reporting and Performance of Government Agencies is a form of performance accountability towards the process of public sector implementation in Indonesia. Every central and local government agencies and institutions are obliged to report the program achievements as specified in the planning documents. It is expected that performance accountability will encourage higher disclosure of information through local government websites as stated in signaling theory that entities will tend to send information about the entity's positive conditions including performance. The study found that evaluation of local government accountability as measured by the performance accountability report of local government does not have a significant effect on the level of disclosure. This study elaborates the effect of accountability on the performance of local government administration by adding the value of performance evaluation of local government administration as a novelty.<sup>4</sup>

Different regional government characteristics can influence the breadth of information disclosure through the website. The suggestion that the characteristics of local government in Spain had a positive influence on the disclosure of financial statements via Internet.<sup>5</sup> The result of this study supports the results obtained on government local New Zealand.<sup>6</sup> Different results were found in the studies on local governments in Indonesia, the regional characteristics proxied by asset size did not significantly influence the disclosure of financial statements via the internet.<sup>7</sup>

In the implementation of regional autonomy, there are four components that must be managed properly by the local government in order to run the government effectively, efficiently and economically.<sup>8</sup> One of the components is fiscal decentralization. If local governments want to perform their functions effectively then the original local government revenue should be able to support the function of the implementation of local government. Based on data from the Supreme Audit Agency of the Republic of Indonesia, in 2016 the contribution of original local government revenue to total regional revenues was only 12.08 percent, while 67.92 percent came from the central government balance fund. This shows the dependence of local government from the source of income is still very

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Hadi, Hadi, A., Handajani, L., & Putra, I. N. N. A. (2018). *Financial Disclosure based on Web-ICT Determinants: Its Implications for Local Government Financial Performance in Indonesia*. *International Research Journal of Management, IT and Social Sciences*, 5(1), 72-85. <https://sloap.org/journals/index.php/irjmis/article/view/32>

high against the central government. With the high level of dependence on the central government will make local governments comply with the regulations set by the central government to disclose information through the website.

Disclosure of financial statements through the local government website in response to regulatory demands has implications for regional capacity in financial management. As expressed in the signaling theory, each organization is likely to send information to stakeholders as part of signaling the organization's performance. An entity that discloses more information is essentially sending a signal that the entity's performance is also in good condition. Research on the influence of information disclosure in the private sector has been numerous conducted. The studies that found the disclosure of information through the website. This research tries to adopt the research by applying it to public sector having different characteristic.[9,10,11](#)

The objective of this research is to test and prove empirically about the influence of local government characteristics and accountability of local government's performance on Local Government's Web-Based ICT Financial Disclosure in Indonesia. Furthermore, this research also examines the effect of Web-ICT based Financial Disclosure local governments on the financial performance of local governments.

## 2. Research Methods

### Data

The type of data used in this study is secondary data sourced from the financial statements of the results of local government financial reports in 2016 that have been audited and given an opinion by the Indonesian Supreme Audit Institution. The rests data come from the local government website to get a check list item financial disclosure based on web-ICT.

### Population and Sample

The population in this research is 515 Government of Regency / City throughout Indonesia. Sampling is done by purposive sampling technique, that is sampling method with certain intent and purpose so that certain condition / criteria is determined to selected sample.[12,13](#)

Table 1  
Population and Sample

	Criteria	Amount
Population		
-	Government of Regency / City di Indonesia in 2016	515
Samples		
1.	Government of Regency / City Government without unqualified opinion from Indonesian Supreme Audit Institution	(173)
2.	Government of Regency / City Government with unqualified opinion from Indonesian Supreme Audit Institution	342
3.	Government of Regency / City Government without official website as the extension of the domain of go.id	(34)
4.	Government of Regency / City Government with official website as the extension of the domain of go.id but not accessible	(32)
Target Samples		276

Source: Ministry of Home Affairs and the Indonesian Supreme Audit Institution (data processed), 2016

### Conceptual and Operational Definitions of Variable

#### 1. Web-Ict based *Financial Disclosure*

Web-ICT-based Financial disclosure is a type of financial information disclosure of local government by utilizing the development of Information Communication Technology (ICT) through website media. Local government website is a network site contained on the internet containing information about local government conditions. The information in question is regional financial information, the profile of local government, regional potential, regional development and so on. The local government website is an e-government application development conducted by the government.

The measurement of web-ICT-based financial disclosure refers to the Instruction of the Ministry of Home Affairs no. 188.52 / 1797 / SJ on Transparency of Local Budget Management is to prepare a special content

menu Transparency of Regional Financial Management (TPAD), this menu contains the publication of 12 (twelve) local budget management documents consisting of: (1) Summary of Agency Budget and Plan of Local Government Department, (2) Summary of Agency Budget and Plan of Head of Local Government Financial Management Office, (3) Drafts of Local Regulation on Local Government Budget, (4) Local Regulation on Local Government Budget Change, (5) Local Regulation on Local Government Budget (6) Local Regulation on Local Government Budget Changes, (7) Summary of DPA SKPD, (8) Summary of Budget Implementation Document of Local Government Department, (8) Local Government Regulation on Regional Budget of Head of Local Government Financial Management Office, 9) Agency Reports on Budget Outcomes on Local Government Department, (10) Agency Reports on Budget outcomes of Head of Local Government Financial Management Office, (11) Report on Local Government Finances that has been audited, and (12) Indonesian Supreme Audit Institution's opinion on Indonesian Supreme Audit Institution.

The IFR measurement approach consists of 12 disclosure items assigned a value of 1 (one) if on the website the disclosure item is disclosed and a value of 0 (zero) if on the official local government website corresponding disclosure items are not contained. This assessment is then summed and divided by the total obligations that must be disclosed (12 disclosure obligations) to obtain the disclosure index value of each regency / city.

## 2. Local Government Financial Performance

Local government financial performance is an achievement achieved by the organization within a certain period of financial management.<sup>14</sup> Great attention to performance measurement is due to the opinion that performance measurement can improve efficiency, effectiveness, economization and productivity in public sector organizations.

The measurement of financial performance in this study is proxied with regional dependency ratio and capital expenditure ratio. Most local governments with low resource potentials will result in lower local revenues for government administration and regional development financing, hence the role of central government in regional financing through balancing funds is important as part of equitable distribution of national development.

The management of the region towards prosperity is identical to the purchase or procurement of local assets that can be exploited significantly for long periods, spending spent on asset formation or commonly referred to as capital expenditure is expected to be returned in the form of revenues used for financing regional management. The greater local government capital expenditure indicates that local governments provide a positive performance in the management of local budgets.<sup>15</sup>

## 3. Characteristics of Regional Government

The characteristics of local government are distinctive features inherent in local government and differentiate them with other regional governments. The characteristics of local government can be the large of the region, welfare, functional differentiation, age of the region, educational background of regional head, regional leverage, and intergovernmental revenue.<sup>16</sup> The characteristics of local governments are expected to explain compliance with mandatory disclosures in the Local Government Financial Statements so that the characteristics of local government are a predictor of mandatory disclosure compliance.<sup>16</sup>

In this study the characteristics of local government are reflected by using total assets managed by local government and administrative age of local government. Total assets are accumulated from current assets, long-term investments, fixed assets, reserve funds and other assets. The total assets also state the size of the local government, the greater the asset held indicates the size of the larger local government. The greater the size of assets owned by local governments will result the higher cost allocation for maintenance and supervision of assets, thus encouraging local governments to be more transparent in disclosure of information.<sup>17</sup>

The maturity of local government in the management of the regions, both administratively and operationally, is determined by the administrative age of the local government. The local governments with a longer administrative age tend to be more experienced and better in presenting the financial statements. The administrative age of the regional administration by definition is the year of establishment based on the regulation of the formation of the local government.<sup>18,19</sup>

## 4. Performance Accountability of Local Government Implementation

Accountability is a manifestation of responsibility of a government agency over activities that have been implemented within a year compiled through media reporting (Presidential Regulation No.29 Year 2014). Accountability for local government performance in Indonesia shall be reported periodically in the Government Institution Accountability Performance Report. The preparation of the Government Institution Accountability

Performance Report is intended to describe the implementation of the Strategic Plan in the implementation of the main tasks and functions of the organization in each regional apparatus, as well as the success of the current achievements for the acceleration in improving the quality of the expected performance in the coming year. The preparation of Government Institution Accountability Performance Report can also provide an overview of the application of Good Governance principles, namely the realization of transparency and accountability. The performance measurement system of government agencies including regional governments in Indonesia is carried out with guidelines established under Presidential Regulation No. 29 Year 2014 on Government Institution Performance Accountability System which includes performance measurement through Government Institution Accountability Performance Report assessment.

In addition, to use the Government Institution Accountability Performance Report assessment, the performance of local government in Indonesia is also evaluated by the Ministry of Home Affairs, through the Evaluation of Local Government Implementation Performance as stipulated in the Regulation of the Ministry of Home Affairs No. 73 Year 2009 on Procedures for Evaluating the Performance of Regional Government Implementation. is implemented on the basis of specific, objective, sustainable, measurable, comparable and accountable principles using the Local Government Implementation Report as the primary source of information. The EKPPD assessment uses a performance composite index (IKK) for local government administration.

Table 2  
Variable Operationalization

Variable	Description	Measurement	Scale	Source
DISC	<i>WEB-ICT based Financial Disclosure</i> ( $Y_1$ )	Methods Checklist and scoring score of each disclosure summed and divided by the total item that must be disclosed to obtain financial disclosure index	Ratio	Instruction of Ministry of Home Affairs No. 188.52/1797/SJ Year 2012
KK	Financial Performance ( $Y_2$ )	Dependency Ratio of Local Government Ratio of Capital Expenditure	Ratio	Bisma et al. (2010) Purwanti (2017)
KPD	Characteristics of Local Government ( $X_1$ )	The large or size the local government The age of the local government	Ratio	Laswad <i>et al</i> (2005) Sudarsana and Suhardjanto (2013)
AKPD	Performance Accountability of Local Government Operations ( $X_2$ )	The Value of Government Institution Performance Accountability The value of Evaluation of Local Government Implementation Performance	Ratio	Purwanti (2017)

### Descriptive Statistic

Descriptive statistics provide descriptive data from the mean, standard deviation, maximum, minimum, sum, range, kurtosis, and skewness of each variable (Ghozali, 2011: 19).

### Data Analysis

Associative statistical analysis is intended to assess the relationship between variables. To test the hypothesis used Partial Least Square (PLS) technique using application PLS 3.0. PLS is a powerful analytical method by being able to analyze reflective and formative measurement models and latent variables with one indicator without causing identification problems. PLS is sometimes referred to as soft modeling because it relaxes the assumption of strict OLS regression assumptions, such as the absence of multicollinearity among dependent variables.<sup>20</sup> In running the PLS, can be done with the stages as follows:

1. Designing a structural model (inner model)

2. Designing a measurement model (outer model)
3. Reconstruct a path diagram
4. Model Evaluation: Outer Model (Convergent Validity, Discriminant Validity), Inner Model (goodness of fit, path coefficient, t-statistic value)
5. Hypothesis testing

System of linear equations of structural model (inner model) in this research is as follows:

$$DISC = \gamma_1 KPD + \beta_1 AKPD + \beta_2 + \zeta_1 \dots (1)$$

$$KK = \beta_3 DISC + \zeta_2 \dots (2)$$

DISC = *Financial Disclosure* Berbasis *Web-ICT*

KK = Financial Performance

KPD = The Characteristic of Local Government

AKPD = Performance Accountability of Local Government Operations

Meanwhile the system of linear equations of measurement model (outer model) is as follows:

- a. Variable of *Web-ICT*-based *Financial Disclosure*

$$DISC = \lambda_1 DISC_1 + \zeta_1$$

- b. Variable of Financial Performance

$$KK = \lambda_1 KK_1 + \lambda_2 KK_2 + \delta_1$$

- c. Latent Variable of The Characteristic of Local Government

$$KPD_1 = \lambda_1 KPD_1 + \lambda_2 KPD_2 + \delta_1$$

- d. Variable Performance Accountability of Local Government Operations

$$AKPD = \lambda_1 AKPD_1 + \lambda_2 AKPD_2 + \zeta_1$$

Description:

DISC = *WEB-ICT*-based *Financial Disclosure*

KK = Financial Performance

KPD = Characteristics of Regional Government

AKPD = Performance Accountability Performance of Local government

DISC1 = Checklist of disclosure items

KD1 = Local Government Size/large

KD2 = Age of Local Government

KK1 = Local Government Financial Dependency Ratio

KK2 = Capital Expenditure Ratio

AKD1 = The Value of Government Institution Performance Accountability

AKD2 = Nilai Evaluation of Local Government Implementation Performance

$\delta$  = Gamma, the coefficient of variable influence free of being bound

$\zeta$  = Zeta, model error

### Theoretical Framework

In this research the theory used is signaling theory. Regarding to the non-profit-oriented public sector, signaling is not intended for the benefit of profit or attracting investment alone, the service-based public-sector signal to the public in order to reduce information asymmetry, so that the level of public satisfaction in the assessment of service performance by government organizers in various sectors are getting higher.

The transmission information signals by utilizing the Internet network is a form of information service improvement that benefits the public through increased efficiency and service effectiveness, reducing public costs and improving the quality of public services in general.<sup>21</sup> On the other hand, the government has a long-term advantage in capital expenditures for equipment support since the implementation of services through electronic systems with internet network support is able to grow business productivity through bureaucratic simplification and can send positive signals about good governance, clean, corruption-free and its service.<sup>22</sup>

Signaling theory is used to explain the role of government in running governance by utilizing public budgetary resources, so that local governments are obliged to give information signals to the public about the process of government management. Sending information about various information including local government financial reports through website media is a form of disclosure that can increase public trust and support local governments.<sup>23</sup> The disclosure through the local government website can provide a description of the performance achievements of the implementation of activities and help the community participation in overseeing the implementation of governance itself. The local governments can display information on achievement and financial performance more fully to show that the government has been implemented in accordance with the authority given by the community.<sup>24,25</sup>

The development of internet network technology that has reached almost all regions of Indonesia also changed the behavior of the public in seeking information because of its nature that allows the transfer of information becomes faster and wider so that users become easier and interactive in utilizing information. Reduced information asymmetry will have an impact on the increase of public knowledge about the administration of government so that confidence in the government will be strengthened.<sup>26</sup>

### Hypothesis Development

#### 1. Influence of Local Government Characteristics of Web-Based ICT Financial Disclosure

As an organization that performs management and public services the local government should provide information on the implementation of management to reduce the existence of information asymmetry between local government and the citizens. Disclosure of this information is a form of signaling that the management of local government has been running well. The bigger and more mature the characteristics of local government hence signal to the society, ideally the better it is in accordance with signaling the theory.<sup>29</sup>

Research shows that website based financial disclosure is influenced by the characteristics of local government. It revealed in her research that the characteristics of local government do not have effects on the level of financial information disclosure through website, this research result.<sup>27,28</sup> In contrast to the research Puspita and Martani (2012) who found that regional characteristics measured by local government size have a significant effect on the transparency of financial information disclosure through the local government website, this research is in line with Trisnawati and Achmad (2014) research.

H<sub>1</sub> : Characteristics of Local Government have Positive Influence on Web-ICT-based Financial Disclosure of Local Government in Indonesia

#### 2. The Effect of Accountability for Local Government Implementation Performance on Web-ICT-based Financial Disclosure

Achievement of performance in the operational process of the organization must be able to ensure the organization to develop in the demands of change and accountability of performance in the public sector. It is important to ensure that the implementation of local government processes is optimally carried out. Signaling theory explains that signaling is information about the positive state of the entity. In the public sector positive conditions are more related to operational performance that has been achieved. Improving operational performance will encourage local governments to make wider disclosure of information through media such as local government websites.

Hiola et al (2016) and Laswad (2005) demonstrated that performance influences local government financial information disclosure compliance through the website. Purwanti (2017) revealed that the evaluation of local government performance does not have a significant effect on the disclosure of financial information of local government in Indonesia.

H<sub>2</sub> : Performance Accountability for Local Government Implementation has Positive Influence on Web-ICT-based Financial Disclosure of Local Government in Indonesia

#### 3. The Effect of Web-ICT-Based Financial Disclosure on Financial Performance of Local Government in Indonesia

Disclosure of financial information through website media at local government shows an effort to send a signal to the community to show its performance as a form of accountability of governance implementation using public budget in accordance with signaling theory. It is expected that by signaling through information it

can reduce information asymmetry between local government and the public as the authority owner. Broad disclosure will encourage local governments as government management to improve financial performance, as images built through broader disclosure will motivate management to improve the performance of these entities.

The research on the effect of financial performance on web-based financial disclosure was done by Quayes and Hasan who (2013) conducted research on microfinance institute (MFI) in 75 countries found that financial information disclosure had a significant influence on financial performance. These result is strengthened by the findings discovered by Platonova (2016) who conducted research on the banking sector in the country of the bay with the results of information disclosure through the internet significant effect on financial performance.

H<sub>3</sub> : *Web-ICT-based Financial Disclosure* has positive effect on the Financial Performance of Local Governments in Indonesia

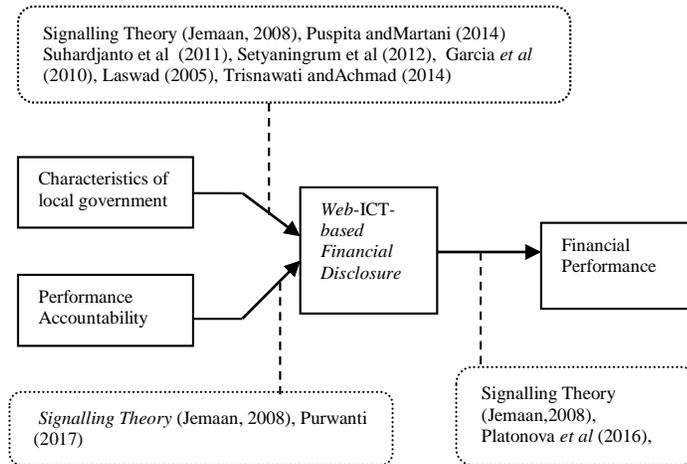


Figure 1. Conceptual Framework of the study

### 3. Results and Analysis

#### 3.1 Descriptive Statistic

The level of financial disclosure based on the web-ICT of local governments in Indonesia is on average 43.06 percent, indicating that on average the local government only reveals 5 (five) items only of 12 (twelve) items that must be disclosed through the website according to the Instruction of the Minister of Home Affairs No. 188.52 / 1797 / SJ on Transparency of Local Budget Management. If it is grouped by type of administrative region it can be found that the average web-based financial disclosure on the municipality is 45.85% higher than the district government of 41.07%. Internet network infrastructure of urban administrative areas that are relatively better than districts make urban financial information disclosure impulse higher

Table 3  
Comparison of Web-ICT-Based Financial Disclosure Level by Region Type

Type of Administrative Region	The average Level of Web-ICT-based Financial Disclosure (%)
Regency	41,07
City	45,84
<b>Regency and City</b>	<b>43,06</b>



Table 4  
Descriptive Statistic of Research Variabel

	Observation	Min	Max	Mean	Std Deviation
Web-ICT-based Financial Disclosure	307	0,00	1,00	0,43	0,33
Dependency Ratio	307	0,20	0,95	0,72	0,11
Capital Expenditure Ratio	307	0,03	0,51	0,26	0,07
Age of Local Government	307	6,00	147,00	45,96	25,02
Local Government Size/large	307	0,65	38,13	3,16	3,40
The Value of Government Institution Performance Accountability	307	2,82	76,90	47,48	9,87
Evaluation of Local Government Implementation Performance	307	1,13	3,85	2,97	0,37

### 3.2 Evaluation of Measurement Model (Outer Model)

#### 1. Validity Test

The measurement model is used to validate the research model being built. The two main parameters being built are testing Convergent validity and discriminant validity. Convergence validity test by using bootstrapping result on smart-PLS 3.0 software results that all indicator used to measure latent variable have outer value of loading above 0,5. The value of good outer loading is 0.7 or more. However, if it obtains the value of outer loading 0.5 to 0.6, the indicator is still considered enough to reflect every meter of the construct that has a high correlation with the terms of value Average Variance Extracted and it must be higher than 0.5.<sup>17</sup> It is because it is one of indicators of financial performance measurement namely Dependency Ratio (KK1) that is not dropping from model because Average Variance Extracted (AVE) value from regional performance has bigger value from 0.5.

Discriminant validity is related to the principle that each different construct gauge should not have a high correlation.<sup>17</sup> Discriminant validity test by looking at the score of cross loading measurement with its construct must be greater than correlation with other constructs. Another way is to compare each AVE root construct with a correlation value between constructs. Table 4.4 shows that the cross-loading score of each construct measurement indicator has a greater value than the correlation value on other constructing indicators, so it can be said that the model has met the criteria in the evaluation of discriminant validity.

Table 4  
Outer Loadings Construct

	Outer Loading	Mean	Std Dev	T-Stat
KPD1 <- KPD	0,708	0,708	0,105	6,732
KPD2 <- KPD	0,793	0,776	0,107	7,402
AKPD1 <- AKPD	0,930	0,930	0,025	37,966
AKPD2 <- AKPD	0,712	0,704	0,079	9,009
DISC1 <- DISC	1,000	1,000	0,000	
KK1 <- KK	0,585	0,583	0,098	5,952
KK2 <- KK	0,919	0,916	0,040	22,937
THE VALUE OF AVE	0,565	0,686	1,000	0,594

Table 5  
Score of Cross Loading and AVE

	KPD	AKPD	DISC	KK
KPD1	0,708	0,278	0,153	-0,266
KPD2	0,793	0,307	0,177	-0,417
AKPD1	0,315	0,930	0,344	-0,362
AKPD2	0,367	0,712	0,179	-0,342
DISC1	0,221	0,336	1,000	-0,322
KK1	-0,458	-0,320	-0,152	0,585
KK2	-0,332	-0,345	-0,314	0,919

## 2. Reliability Test

Model reliability test aims at showing the accuracy, consistency and accuracy of a measuring tool in measuring, to estimate the internal consistency of a composite reliability construct more appropriate to use. Rule of thumb value of composite reliability must be greater than 0.7 (Hair et al., 2008). Based on the result of PLS algorithm, the value of composite reliability for all variables is greater than 0.7. These results indicate that local government characteristics, performance accountability for local government administration, web-based financial disclosure and financial performance have measured accuracy and measurement accuracy.

Table 6  
Composite Reliability

	Composite Reliability
AKPD	0,811
KPD	0,721
DISC	1,000
KK	0,736

## 3. Structural Model Testing (Inner Model)

The structural model in PLS is evaluated using  $R^2$  for endogenous constructs.  $R^2$  value is used to measure the level of variation of exogenous variables change to endogenous variables. The value of  $R^2$  is at the interval 0 to 1, the closer to the value of 1 means the variation of endogenous variables capable of being explained by the larger exogenous variables. In this research for financial disclosure based on web-ICT, the value of  $R^2$  equal to 0,122 or 12,2%, meaning that local government characteristic and performance accountability of local government explained variation of web-based disclosure change of 12,2% while the rest equal to 87,8% explained by other variables outside the study. Meanwhile, web-based financial disclosure is able to explain the variation of financial performance change by 10.4%.

Based on the explanation of Hair (2008: 20-21) by quoting Table Cohen, a  $R^2$  value of at least 10 percent with a minimum sample size of 124 and maximum number of arrow arrows 3 will be able to generate 80% statistic power analysis at 5% significance level. This means that in this study has met these requirements, so that statistically the power of analysis can reach 80%.

Table 7  
The Value of  $R^2$  and adjusted  $R^2$

	$R^2$	Adjusted $R^2$
DISC	0,122	0,117

KK	0,104	0,101
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#### 4. Hypothesis testing

Hypothesis testing using PLS using two methods, namely first by using t-statistic value generated through PLS algorithm, because this research uses one-way hypothesis then the value of t-statistic must be greater than 1.64. Based on the results of bootstrapping using smart software PLS 3.0 found that the t-statistics that describe the effect of local government characteristics on web-ICT-based disclosure financial has a value of 2.105 is greater than the value of t-table of 1.64 at 95% confidence level with the value of path coefficient of 0.295. This suggests that the first hypothesis that local government characteristics have a positive influence on web-ICT-based financial disclosure is acceptable. This result is in accordance with research conducted which indicates that the characteristics of local government have a positive effect on the disclosure of financial information through internet. [7,10,21](#)

The greater the size and experience of local governments, the drive to increase transparency through disclosure of information will be greater. This is because the costs required in managing and overseeing high assets so that the public in this case the public need to get clear and complete information to be able to provide a good image in the management area. In addition, the experience of mature local government in regional management will cause local governments to be able to identify sensitive issues such as financial management that develops in the community and must be responded in the form of services and information giving the government more transparent in the disclosure of information through the website owned.

The second hypothesis developed is the accountability of the performance of the local government has a positive effect on web-ICT-based financial disclosure of local government. The resulting coefficient path is 0.106 with a t-statistic value of 5.443. This statistic and path coefficient value indicates that H2 is acceptable. [19](#) This result is different with study which found that accountability has no significant effect on the disclosure of financial statements via the internet. Differences in the scale of measurement became one of the causes of the difference in the results of the research, in this study using the ratio scale by adding the EKPPD indicator as a measuring tool to reflect the performance accountability, while the uses interval scale in measuring the accountability of local government performance. [19](#)

The positive effect of performance accountability on performance is also found by permanent (2015). One of the principles of good governance is accountability, with accountability for government management activities in the region using publicly available budgets should be able to encourage local governments to be more transparent in disclosing financial information through easy, quick and efficient media through website.

Web-ICT-based Financial disclosure turns out to have a negative effect on financial performance of local government. The value of coefficient path obtained is -0.322 with t-statistic value of 7.102. Although the t-statistic value is greater than t-table but the direction of the negative relationship causes H3 to fail to be accepted. Disclosure of financial information through website media in response to obligations to meet regulatory demands made local governments sort out financial information to be conveyed as a form of image to be built or known as the term selective distortion and this makes the performance precisely decreased because the image obtained was positive.

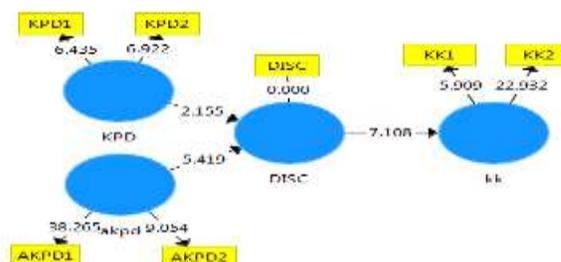


Figure 2. t-statistic Value of Measurement Model Gambar

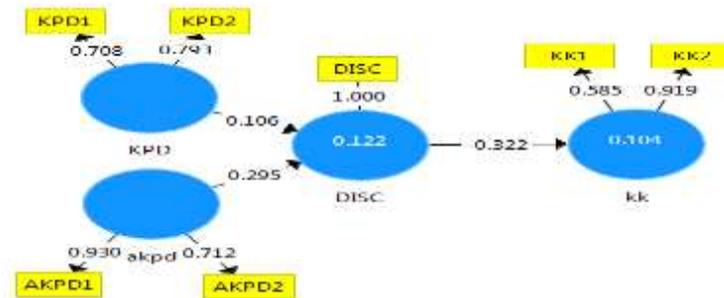


Figure 3. The Value of Path Coefficient and Outer Loading

#### 4. Conclusion

This study aims at testing and proving empirically the influence of local government characteristics and accountability of local government performance on web-based financial disclosure and further obtain empirical evidence of web-ICT-based financial disclosure implications on the financial performance of local governments. Based on the research that has been done, the characteristics of local government have a positive effect on financial disclosure based on web-ICT, the bigger the size of the local government and the more mature from the age side will encourage the expanding of information. The study also found that the accountability of local government performance has a positive effect on web-based financial disclosure, since accountability to performance will encourage more transparent local government. Further, web-based financial disclosure has negative implications for the financial performance of local governments, the disclosures made tends to form selective distortion images so that performance tends to be down.

#### Limitation and Recommendation

This study has the following limitations:

1. Variations of change that can be explained to endogenous variable is still small
2. The use of checklist items for web-ICT-based financial disclosure measurement is still weak because it is only based on the Instruction of Ministry of Home Affairs. 188.52 / 1797 / SJ
3. This study uses the same time period in examining the implications of Web-ICT financial disclosure on financial performance so it does not able to describe the implications well. By looking at the limitations of the research it can be suggested for further research:
  1. Adding research variables that are suspected to have an impact of web-based financial disclosure.
  2. Complete the measurement of a web-based financial disclosure by adding a checklist of disclosure items
  3. The use of financial data disclosure based on web-ICT in the previous year should be compared with the financial performance data next year.

#### Acknowledgements

The researcher would like to thank all those who have assisted in the completion of this research. The researcher would like to thank the Head of Central Bureau Statistics (BPS) of North Lombok Region who has given permission to study to accomplished my master degree in accounting education. The researcher would like to thank Mataram University, especially the master program of accounting which has given the opportunity for the researcher to study. Researchers also thank the wife and children who have delivered their prayers and motivation to accomplished this study.

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