ENHANCING FINANCIAL TRANSPARENCY IN INDONESIAN REGIONAL GOVERNMENT: A VARIANCE ANALYSIS APPROACH
(Evidence From Government of Enrekang Regency, South Sulawesi Province - Indonesia)

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Abstract: Although the strangulation related to regional autonomy has long been rolling and applied by all regions of the provincial capital that existed in Indonesia, it still leaves various issues, especially regarding performance achieved through financial management. This study aims to analyze and look at the achievement of financial performance accountability concerning using expenditure income budgets. The analysis method used is an analysis of variance and growth through two significant stages of the investigation, each through two testing processes. The data used is time-series data about the realization of using the expenditure budget in the 2016-2020 period. The results show an income budget of 93.64%, a 90.95% expenditure budget, a revenue budget growth of 3.78%, and a spending growth of 4.49%. Although statistically, the use of the budget and the revenue and expenditure growth rate has increased on the revenue usage side, it could have been more efficient and proven to be a high percentage of income used in financing district government spending. The government should have undertaken and implemented strategies to adjust for the use of the budget. Some research related to the issue of transparency of financial statements through this approach has been carried out previously, but the differences are present at the time of the study. The limitation of this study is not to analyze the ratio needed and not to analyze the period cut off in the current budget period and for researchers conducting similar research to meet research limitations and expand sampling.

Keywords: *Accountability, Analysis Of Variance, Time Series*

INTRODUCTION

The Indonesian government's policy of presenting a regional autonomy policy 18 years ago, more precisely since 2004, is an attempt by the Indonesian government the government at the provincial and city/district levels can optimally manage finances to increase the income and development of their respective regions. Amanda, (2019) states that regional autonomy is the delegation of authority from the central government to local governments in managing and determining the Income and shopping budget tailored to the needs through discussion and legislative approval. On the other hand, this regional autonomy policy makes it easy for the central government to measure the financial performance of the budget-based municipal / district government as a measure outlined in the draft revenue and expenditure budget and the realization of the use of the budget. Based on some of the results of previous research that have been obtained that found the performance of the municipal/district government for the implementation of regional autonomy through the measurement of revenue and expenditure budget management shows poor results, as research conducted by Fitrah & Efendi, (2020) and Paulus K., (2019).

The Enrekang district government experienced something similar. As a district that is part of the province of South Sulawesi - Indonesia, it is among the leading communities in implementing Good Corporate Governance. It has proven itself through records of the results of examinations and audits released by the Financial Examiner Agency that travel the financial statements of the Enrekang district government Year to Year never once experienced an "unnatural" condition or "disclaimer" This condition shows that the Enrekang district government from the side of accountability and transparency in every financial management is appropriate based on principles. Good Corporate Governance and Government Accounting Principles. Nevertheless, in reality, on the other hand, reporting on the management of income and expenditure budgets shows unfavorable conditions, even experiencing a budget deficit over the past three years.

The information provides separate questions so that researchers are interested in conducting research and search related to income and expenditure budgets and the causes of the income and expenditure budget deficit experienced by the Enrekang district government.

LITERATURE REVIEW
In this study, researchers raised the fundamental theories of decision usefulness theory as an essential footing for developing and explaining the research results to be obtained.

Decision Usefulness Theory, commonly known as the "use of decision theory," was first introduced in 1954 by George J. Staubus.

The emergence of this theory is related to the paradigm that states that the accounting system's historical concept is irrelevant to the current fair market/price prices. Nevertheless, in its development, this theory is not only related to the issue of historical costs. Still, it concerns the subject of decision-making based on the quality of information on the financial statements examined.

The researchers deliberately relate it to this research because design and allocation in managing income and expenditure budgets must be based on appropriate and accurate accounting and financial information.

The information in question is historical or a track record of financial information that has been compared with conditions that occur in the period to be running. The explanation presented by Sujarweni V. Wiratna, (2015) is that the budget is a file or document containing information about receipts and expenses that have been achieved in a certain period measured by monetary units by including past data information.

As a planning tool, a control tool, a tool for determining fiscal and monetary policy, evaluating financial performance, and so on, the budget is a unity that cannot be separated from a decision whose function is mentioned earlier. It is also essential to understand that in determining the draft revenue and budget that has been prepared, there are conditions of "refocusing" that cause sudden changes due to changes in monetary conditions that are somewhat difficult to predict. Suppose this change needs to be followed by appropriate financial information and veins or vice versa. That case results in a wrong decision that has implications for a deficit in the income and expenditure budget.

Article 1, paragraph 2, law number 64 of 2020, explains that the regional expenditure budget is a financial plan prepared annually and determined through local government regulations. Meanwhile, in budget-related statements, as stated by Halim & Kusufi, (2017) and Sujarweni V.

Wiratna, (2015), there is no difference that the budget is information on a financial performance estimation plan consisting of receipts and expenses expressed in income and expenditure that is valued in terms of monetary units to be achieved in a certain period as well as historically. In addition to historical information, the budget also has functioned for budgeting, namely as a planning tool, a control tool, a fiscal policy tool, a political tool, a coordinating and communication tool, a performance appraisal tool, a motivational tool, and a tool to create public space.

On the other side, budgeting is considered very important because, in the presence of budgeting, the government can direct social-economic development, ensure the continuity of the government, improve the quality of life of the people, and control the needs and desires of an increasingly unlimited society. At the same time, natural resources are minimal, and as a form of government responsibility to the public for their trust in managing state finances.

Based on PSAK No. 23 in paragraph 7 of 2015, income is information on the gross value of cash inflows incurred by the economic activity of an organization/company in a period so that it impacts the rise in equity values that do not originate from capital planting.

Harnanto, (2019) states that income increases and increases in assets and a decrease in liabilities simultaneously due to economic activities, both goods and services. Whereas Adam, (2015) states that income is a gross increase in the capital as a result of economic activity carried out by an organization/company originating from the sale of goods and services, the existence of leasing assets, lending money, and other activities whose primary purpose is to obtain maximum profits.

The purpose of preparing the income is to provide financial information around the recognition and recording of the payment itself and provide tentative, clear, precise, and predictive data. The data will allow the government to calculate the number of funds from income to finance spending on activities carried out.

Local governments have made clear about regional spending through Government Regulation number 12 of 2019 in article 1 paragraph 13 (Peraturan Pemerintah (PP) Nomor 12 Tahun 2019 Tentang Pengelolaan Keuangan Daerah, n.d.) concerning the regional financial management that provincial spending is an obligation of the local government as a whole which has been recognized as a deduction from the value of net worth during the fiscal year period. At the same time, Siregar, (2017) states that regional expenditure is the expenditure on restricted available cash, thereby reducing budget balances, more in the budget period and no recovery from payments made by local governments. There are several groups in spending by group: general administrative expenditure, operating and maintenance spending, capital expenditure and profit-sharing, and financial assistance.

Fahmi, (2016:142) explains that financial performance is an analysis tool to see whether the organization/company has performed its financial functions by the system correctly and adequately. Determination of economic performance is deliberately made to see and assess the successes and failures that might be achieved in achieving predetermined targets and as a tool to track the extent of milestones through the financial performance of organizations/companies.

At the same time, financial performance reports are income and expenditure realization reports

deliberately made based on the applied accounting system as PP No. 19 of 2020 concerning Local Government Financial Statements (Pedoman Penyusunan Anggaran Pendapatan Dan Belanja Daerah Tahun Anggaran 2021, 2020), which states that local government financial statements are the responsibility of regional financial management as per the reporting entity during one reporting period. Financial statements by local governments are not made haphazardly but must be completed and prepared following applicable rules or standards.

Analysis of variance is a tool for analyzing income by searching for the difference between budgeted income and spending and realized revenue and spending.

According to Mahmudi, (2016), local governments have good financial revenue performance if they can obtain revenue beyond the budgeted amount (budget target). Conversely, if the realization of income is below the budgeted amount, it is considered less good. As for the shopping side, the apparent difference occurs when the completion of spending is smaller than the budget, while an unfavorable difference occurs if spending is greater than the budget.

Analysts of revenue and spending growth are very useful. The development of the financial performance of the revenue and expenditure side can be known so that the ability of the government to absorb revenue and how much spending can be financed can be seen. Although the tendency for increases will always occur on the expensive side, this results from the effect of changes in macroeconomic conditions experienced.

According to Mahmudi, (2016), income growth dialysis has a purpose and uses to understand whether there is negative or positive growth in budget performance in a fiscal year. If the trend on the revenue side rises, it will trigger positive results so that there can be a marked increase in income items collected by local governments. Still, if otherwise, it will indicate a decline in financial performance, so it is necessary to know what factors trigger a decrease in income immediately.

On the budget side, see and know the magnitude of spending growth. The outstanding value of this site is the decline in the budget from previous years. It is worth considering when the growth trend on the expenditure budget side tends to decline, and it can be concluded that the expenditure budget has been well planned and controlled so that local governments can maintain fiscal sustainability and stability. But on the contrary, there must be a logical and rational explanation considering that the budget is the side that must be strictly and planned accountable

METHOD

This type of research uses a quantitative research approach through a case study of the use of income and expenditure budgets in the government of Enrekang district, South Sulawesi province - Indonesia. The data used in this study used secondary data on the Enrekang district government revenue and expenditure budget reports. They select samples using purposive sampling and time series with population taking and sample selection in words from 2016 to 2020.

In this study, the data analysis method sampled used two large stages of analysis, each stage through two tests, namely: Variance Analysis.

This analysis method will analyze data used as samples by analyzing income and expenditure variance. This analysis of variance in income is to look at the

difference between budgeted income targets with realized ones. The size indicator used to assess the results of this method is when the realization of the income achieved exceeds that budgeted and then goes into the valuation category favorite (sound). Conversely, if not, enter the unfavorable (not good) assessment category. The formula used to find differences in this analysis is:

VP = IDR - AP

Note:

> VP   =   Income Variance
> IDR   =   Realization of Revenue
> AP   =   Budget Revenue

While to calculate the percentage of income achievable through the formula:

$$\text{Percentage} = \frac{\text{IDR year t}}{\text{AP year t}} \times 100\%$$

The peruse is to analyze the variance of shopping to see and assess whether there is a clear difference on the shopping site or not. The size indicator used to evaluate the results of this method is that if there is a realization of spending, it turns out to be smaller than the budget. It can be said to be a difference unfavorable (unprofitable). But if the opposite happens when there is a clear difference (favorite). The formula used in this analysis method is:

VB = RB - AB

Note:

> VB   =   Shopping Variance
> RB   =   Shopping Realization
> AB   =   Shopping Budget

While To Calculate The Percentage Of Shopping Achievements Through The Formula:

$$\text{Percentage} = \frac{\text{RB year t}}{\text{AB year t}} \times 100\%$$

In this analysis method, data used as samples will be analyzed by analyzing revenue growth and spending. This revenue growth analysis aims to assess whether there is a positive trend/natural growth or just the opposite on the budget performance in one budget period.

The size indicator used to assess results in this method is if there is an increase in revenue realization in one budget period, then there is a financial increase from the revenue side. But if the opposite is true, then the financial performance of this site is considered declining or rather nasty.

The formula used in this method is:

$$PP = \frac{\text{IDR year t - IDR year (t-1)}}{\text{IDR year t (t-1)}} \times 100\%$$

Note:

> PP   =   Revenue Growth
> IDR year t   =   Realization of Year's income now
> IDR year (t-1)   =   Realization of Year's Revenue then

This analysis of spending growth aims to assess whether there is a positive trend/natural growth in one budget period or just the opposite of the budget performance.

The size indicator used to assess results in this method is if in one budget period, there is growth that tends to increase in the realization of spending, then there is an increase in finance from the expenditure side, or it can also be said that on the budget side, the expenditure can be planned and appropriately controlled. But if the opposite is true, then the financial performance of this site is declining and tends to deteriorate. The formula used in this method is:

$$PB = \frac{RB \text{ year t - RB year (t-1)}}{RB \text{ year t (t-1)}} \times 100\%$$

Note :

PB	=	Shopping Growth
RB year t	=	Realization of Shopping year now
RB year (t-1)	=	Realization of Shopping year then

RESULTS AND DISCUSSION

Based on the results of the analysis that has been done, it was found that: Variance Analysis, the result shows: (a) The average revenue budget in the period 2016-2020 is IDR 1,113,525,532,188.40 with a realization rate of IDR 1,042,610,803,089.54 with a percentage of 93.64%. Based on this result, it can be concluded this variance can be categorized as "not good (unfavorable)" because the realization of income is smaller than the budget that has been set. (b) According to the analysis of expenditure variance, the above analysis results show that the average 2016-2020 expenditure budget is IDR 1,151,966,801,649.00 with a realization rate of IDR 1,047,477,169,712.35 with a percentage of 90, 95%. Based on this result, it can be categorized as "good (favorable)" because the realization of spending does not exceed the budget that has been set.

Growth Analysis. Based on the results of the analysis that has been carried out, it can be known that: (a) Revenue growth shows positive growth with an average gain of 3.78%. It shows the ability of local government performance to maintain and increase budget usage that has been achieved from one period to the next with a growth that is suitable for each income component. (b) The results of the expenditure growth analysis the results show that the expenditure growth trend is also seen to experience favorable

conditions. It can be seen by an average of 4.49%. It shows the performance of local governments in allocating spending in the budget is getting better because the realization of the expenditure in the previous year is smaller than the current year.

The realization of the revenue budget is a minimum limit to the amount of revenue to be targeted and must be obtained from local governments. A government can be good at managing its source of income if the realization of regional payment exceeds the budgeted amount. The results obtained by the Enrekang Regency Government are just the opposite. The average revenue budget with a realization rate in the period 2016-2020 was only IDR 1,042,610,803,089.54 from IDR 1,113,525,532,188.40. In mean the percentage of realization is 93.64%. Despite experiencing statistically volatile conditions, it tends to decrease, so it can be concluded that the Enrekang district government needs to be optimized in obtaining revenue that should exceed budgeted targets. The opportunity to get revenue absorption beyond what has been achieved in the 2016-2020 period is a great opportunity considering that almost all sectors/fields have entered a new chapter after COVID-19 hit the world, including Indonesia. These results also tend not to support the research results on research conducted by Mahmudi, (2016).

The analysis of the Enrekang Regency Government expenditure budget shows a tendency to increase despite the up and down value. The budget absorption value with an achievement of IDR 1,047,477,169,712.35 from the budgeted value of IDR 1,151,966,801,649,000 or around 90.95% shows a positive trend because the local government of Enrekang district is able to absorb optimally. Although not 100% absorption, the absorption does not exceed the budget value. This result shows that it is in the good category assessment because it does

not exceed the budget/expenditure. These results support the results of research conducted by Mahmudi, (2016).

Based on the analysis results obtained, it is found that the growth of the Enrekang Regency Regional Government revenue budget over the period 2016-2020 shows that revenue growth from 2016 to 2022 experienced quite positive growth. There is a tendency for growth disclosure of 12.28%, which means that the realization in the previous year is smaller than the current year (in 2015). In 2017 experienced negative growth of -3.14%, which was maintained more remarkably during the last year than in 2017. The slowdown in economic growth due to high inflation of 3.61% than last year was the main cause until income growth experienced negative sentiment at -3.14. In 2018 experienced positive growth of 1.36%, which means that the realization in the previous year was bigger than last year in 2017. In 2019 experienced a positive growth of 4.99% which means that the completion in the last year was bigger than the current year (in 2018). In 2020, although experienced a positive growth of 3.43%, the realization in the previous year was smaller than the year after that. These results support the research results of Fitrah & Efendi, (2020) and Ramadani et al., (2016).

While on the growth side of the budget, the expenditure is due to positive growth. It can be seen in spending growth in 2016, experiencing positive growth of 20.84%, which means that the realization in the current year is greater than the previous year. In 2017, experienced negative sentiment growth of -9.51%, which was maintained in 2016 more significantly than in 2017. In 2018 experienced positive growth of 1.91% which means that the realization in the current year is greater than the last year in 2017. In 2019 experienced a positive growth of 4.38%. In 2020 also experienced a positive growth of 4.83%,

meaning the realization in the previous year was smaller than the year after. These results support the results of research that has been obtained by Ramadani et al., (2016) and Setiani & Nurul Madila, (2019).

CONCLUSIONS AND SUGGESTION

Refers to a theory usefulness decision, some are noted in taking policies and decisions in setting budgets. As previously mentioned in implementing budget realization, there are conditions that cause refocusing in the eyes of the Enrekang district government revenue and expenditure budget. This condition causes a review mechanism to be made and decides to change the eye value of the income and expenditure budget. Ini yang terjadi di tahun 2017 sehingga hasil dari analisa pertumbuhan kabupaten Enrekang mendapatkan sentiment negative dan berada pada nilai -3.14.

The period 2019-2020 was the period of a global decline in economic and income charts due to the COVID-19 pandemic, which was supposed to. The Enrekang district government immediately decided to change the value of the budget of these revenues and expenditure budget items, but this was not done, so maybe this is the cause of why it happened deficit in revenue generation that the Enrekang district government has difficulty financing the budget. The limitation of this study is not to analyze the ratio needed and not to analyze the period cut off in the current budget period and for researchers conducting similar research to meet research limitations and expand sampling and not just one district in Indonesia and conduct analysis through analytical tools, Vector Autoregressive (VAR) to predict the possibility of economic changes that will occur that have an impact on local government revenue and expenditure budgets.

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