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LOCAL GOVERNMENT DEPENDENCE, CAPITAL EXPENDITURES, TRANSPARENCY LEVEL: MODERATING ROLE OF LOCAL GOVERNMENT SIZE

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Abstract:

Research objective - This research aims to examine the influence of local governments dependence and capital expenditure on the local government's transparency level including the influence of local government's size as moderating variable in the association.

Method - According to the purposive sampling technique, the sample selected in the study is nine local governments in Bali. The data were collected by accessing the local government's official website to search for financial information from 2016 to 2020. Hypothesis testing was conducted by multiple regression analysis for panel data.

Research findings - The results show that local government dependence and capital expenditure negatively affect local government transparency while local government size has no moderating effect on the relationship between variables.

Practical implication - This study suggests that the Indonesian Ministry of Home Affairs should enhance the supervision for improving the local governments' financial information transparency.

Keywords: Local Government; Transparency; Dependence; Capital Expenditure; Size.

Abstrak:

Tujuan penelitian - Penelitian ini bertujuan untuk menguji pengaruh ketergantungan dan belanja modal pemerintah daerah terhadap tingkat transparansi pemerintah daerah termasuk pengaruh ukuran pemerintah daerah sebagai variabel pemoderasi.

Metode - Berdasarkan teknik purposive sampling, sampel yang dipilih dalam penelitian ini adalah sembilan pemerintah daerah di Bali. Pengumpulan data dilakukan dengan mengakses situs resmi pemerintah daerah untuk mencari informasi keuangan tahun 2016 hingga 2020. Pengujian hipotesis dilakukan dengan analisis regresi berganda untuk data panel.

Temuan Penelitian - Hasil penelitian menunjukkan bahwa tingkat ketergantungan dan belanja modal pemerintah daerah berpengaruh negatif terhadap transparansi pemerintah daerah sedangkan ukuran pemerintah daerah tidak memiliki pengaruh moderasi terhadap hubungan antar variabel.

Implikasi praktis - Penelitian ini menyarankan agar Kementerian Dalam Negeri dapat meningkatkan pengawasan untuk meningkatkan transparansi informasi keuangan pemerintah daerah.

Kata kunci: Pemerintah Daerah; Transparansi; Ketergantungan; Belanja Modal; Ukuran.

INTRODUCTION

Transparency of Financial Statements is important in the government and society's relationship. Good transparency will foster public trust, impacting support for activities that the government will implement in the future (Widhawati et al., 2021). Through the Ministry

of Finance, all kinds of information about the State Revenue and Expenditure Budget (APBN), starting from the budgeting process, implementation, and reporting, are properly disclosed through various media. An international survey called the Open Budget Survey assesses comparative, independent, and regular transparency, supervision, and participation worldwide in national budgets for over 120 countries and gives a score of 70 for the level of budget transparency in Indonesia for the year 2021 (International Budget, 2021). It places Indonesia in 17th position out of all countries surveyed and in first place for countries in ASEAN (International Budget, 2021). In contrast to the central government, transparency in regional financial management, such as in Java, Sulawesi, Kalimantan, Bali, NTB, and NTT, produces low value. This condition is relevant to several studies, such as Adriana and Ritonga (2018), Insani and Ritonga (2017), Prihatin and Ritonga (2017), and Setyaningrum and Ritonga (2017). Inadequate disclosure of information indicates that a local government has not considered the transparency of financial reporting information. Low concentration on the disclosure of financial information can depict that the quality of government financial management is not good. Human resources in government agencies seem not serious in their duties to serve the public by providing the financial information they manage. A low level of transparency will also create information asymmetry between the government and citizens. This asymmetric information will incentivize government officials to do things that can benefit their personal and group interests without being recognized by the community as the resource owner. It can create opportunities for government officials to abuse their power and commit corrupt acts.

The resources managed or regulated by the national government constitute all resources in one country. It boosts the transparency of financial information important to do. In Indonesia, the level of transparency of national government financial information is quite good, as seen from a survey conducted by The International Budget. The citizens' awareness throughout the country has forced the central financial government to fulfill its obligation to disclose government management information. Meanwhile, local governments have an insufficient level of disclosure of financial information. Whereas the resources managed by a government, no matter how small the government, always have great value because they relate to the people's interests. To supervise resource governance, communities in the regions need and have the right to access information on financial management by the local government. Some examples of resources whose management is large enough to be supervised are local revenues, including large transfer income, capital expenditures for purchasing and investing fixed assets, and total assets in the local government. With the number of funds managed and the level of disclosure of insufficient local government financial reports, the study of transparency in the regions needs to be reviewed further. Low levels of local government financial transparency can encourage public distrust. In an agency relationship, the local government, as an agent, runs the government to provide services to the public. Budget planning and activity programs up to financial reporting presented by local governments can reflect the accountability of local governments to the public. The public can monitor local government performance concerning the services provided to the public. However, not all local governments are transparent in providing this financial information. As a result, the public does not know that the activities carried out by the local government have fulfilled their needs as a principle. Therefore, reviews on the level of transparency of local governments need further investigation.

Capital spending and dependence on local governments are easily recognizable characteristics associated with fiscal decentralization. Local governments need to provide infrastructure services to the community. In addition, until now, many local governments are still dependent on transfers from the central government as their original local revenues. According to data from the Central Statistics Agency or BPS, original local revenues (PAD) in all Indonesian local governments from 2016 to 2020 have a value that is always below

balance funds (transfers) from the center. It illustrates that the dependence of the local government on the Central Government through transfer funds is quite large. Of course, with the size of the transfer funds, accountability for fund management is highly considered by donors, in this case, the central government. Based on the Regulation of the Minister of Finance Number 139/PMK.07/2019 concerning The Management of Profit-Sharing Funds, General Allocation Funds, and Special Autonomy Funds, it is stated that local government heads are required to submit an accountability report on these funds to the Minister of Finance through the Directorate that facilitates transfers to local governments (Peraturan Menteri Keuangan RI, 2019). However, this regulation does not mention the provisions regarding transparency from local governments to citizens in their respective regions. Thus, the level of uptake of transfer funds is only known by the donor (in this case, the Ministry of Finance), but the people in the areas receiving the balancing funds are not yet aware of the existence of these funds and what they are used for. Nuryani & Firmansyah (2020) found that local government dependence is not associated with the local government transparency level. Akrom and Firmansyah (2017) found that local government dependence is positively associated with local government transparency level. These findings involve all local governments in Indonesia. The inconsistency of the previous test results and the need to use specific regions' data resulted in reexamining this relationship.

Capital expenditure is one of the budget items that can be given more attention because the value is quite large. In the 2010-2014 National Medium-Term Development Plan (RPJMN), there is a requirement that regions must allocate a minimum amount of expenditure budget as a proportion of the total expenditure area. This percentage must continue to increase yearly, with targets of 26%, 27%, 28%, 29%, and 30% (Yusuf, 2017). In capital expenditure, the local government should positively impact society by building infrastructure for basic services to the community (Firmansyah et al., 2022). Nuryani and Firmansyah (2020) found that local government expenditures are positively associated with the local government transparency level. Capital expenditure, part of local government expenditure, is important information useful for the public in its operations. Capital expenditure information provided to the public indicates that local governments are more transparent in providing financial information. The research object is all the district-level governments in the province of Bali. Bali is a province well known for its tourist destinations both on the domestic and international levels. Many international-level events have also been held in Bali, so Bali must provide various facilities to support these activities. The provision of facilities and infrastructure in Bali involves all parties, especially the role of the local government. In supporting tourism performance, local governments in Bali carry out infrastructure procurement reflected in capital expenditures where the funds come from locally generated revenue (PAD) and Balancing Funds from the Center. Many development projects and infrastructure improvements in Bali make accountability and transparency of government administrators important to implement. Several previous studies, such as those conducted by Setyaningrum and Ritonga (2017) and Welly et al. (2021), proved that the level of transparency of local government financial management information in Bali is still low or insufficient. Nulailah and Syamsul (2021) stated that the local budget management transparency index (TPAD) in several local governments, including Bali, is still included in the non-transparent classification. Octavio (2022) found that the average level of transparency for local governments in Bali scores 2.5, which indicates there is not enough transparency on government websites.

The difference with previous research is that this study includes the size of local government as a moderating variable and chooses the province of Bali, which has not been widely researched specifically to test local government throughout the island of Bali in 2016 - 2020. The previous studies suggested that local government size is positively associated with local government transparency level (Nuryani & Firmansyah, 2020; Puspita & Martani, 2012).

Local governments with large sizes are considered more responsible for providing financial information to the public. Therefore, local government size can provide a positive moderating effect in this study. In addition, the capital expenditure was also chosen to be examined on local government transparency level because it is not yet much literature that tests this association. This study examines local governments' dependence and capital expenditure on local governments' transparency level. It is expected that this research related to the financial transparency of the Bali local government will contribute in the form of additional literature on financial accounting and public administration. This research is also expected to be a consideration for the local governments in Bali so that they can be more concerned about disclosing financial information to their communities. The Indonesian Ministry of Home Affairs can also employ this research to monitor local government financial information transparency.

LITERATURE REVIEW

The government is an organization that manages the resources belonging to a country's people to create welfare for its citizens. It is the relationship between the government as an agent and the public or community according as principal to agency theory (Nuryani & Firmansyah, 2020). Community members act as principals entitled to information and accountability for resources managed by agents, in this case, the government. On the other hand, the agent is obliged to be able to report all its activities to the principal. Any form of activity report made by the government will be effective if submitted openly to the community. Openly disclosing accounts enables citizens to control and monitor all activities that use public resources. For this reason, the principle of transparency plays an important role in supporting the principal's behavior. Balancing funds are a source of funds provided by the central government from the State Revenue and Expenditure Budget (APBN) to meet local government needs in the decentralization process. One form of the balancing fund is the general allocation fund (DAU), used to finance expenditures in decentralization and improve the financial balance between regions. As intergovernmental revenue, DAU shows how much local governments depend on central government transfers. In addition to the General Allocation Fund (DAU), the Special Allocation Fund (DAK) is divided into physical and non-physical DAK. Physical DAK supports infrastructure development, while non-physical DAK supports government programs such as education, health, and other basic services. Both types of intergovernmental transfers, DAU and DAK, are part of the financial transfer from the central government to the regions to enhance fiscal balance among regions and finance decentralization expenditures. However, DAU is a general form of intergovernmental transfer used to finance the general needs of the regions, while DAK is a specific form of intergovernmental transfer that is given to finance certain programs or activities. In the context of the dependence of local governments on financial transfers from the central government, both DAU and DAK can be used as indicators. However, since DAU is a general form of intergovernmental transfer, the amount and proportion of DAU a region receives can indicate the local government's dependence on intergovernmental transfers from the central government in general. On the other hand, DAK is used for specific programs and can be used as an indicator of the local government's dependence on intergovernmental transfers for certain activities or programs.

In general, local governments in the Province of Bali have sufficient resources to disclose financial information to provide optimal services to the public. However, the more local governments depend on DAU from the central government, the worse the quality of the local government's financial reports will be. Nur and Murwaningsari (2020), and Nuryani and Firmansyah (2020) provided empirical evidence that local government dependence does not affect the disclosure of local government financial reports. Meanwhile, Akrom and Firmansyah (2017) and Pandansari (2016) found that local government dependence

positively affects local government transparency. Local governments tend to hide that they rely heavily on general allocation funds because they are expected to be seen as independent entities by their communities. They intend to be seen as capable of providing public services using their local revenues. This stigma is very common among local governments in Bali because their area is a tourist destination for tourists from all over the world, so their original local revenues are expected to be sufficient to finance its operations. Based on the argument, the first hypothesis (H_1) is defined as follows: *local government dependence has a negative effect on local government transparency level.*

According to stewardship theory, managers responsible as stewards will disclose all information to the public as principals because organizational interests, not individual goals, drive them (Donaldson & Davis, 1991). It can be seen from the high capital expenditure ratio, which shows that the local government is attempting to improve people's welfare. Capital expenditure will make local government performance more positive in the eyes of the public through increased investment and better service to the community. Regional spending is the obligation of the local governments, which funds government affairs that are the authority of the province or regency/city. Two types of local government spending are optional and mandatory, divided into direct and indirect. In several recent legal regulations, the nomenclature of direct and indirect spending may no longer be explicitly used, but financing for direct and indirect needs is still relevant in managing local finances. For example, Law No. 17 of 2003 concerning State Finances only mentions two types of spending, direct and indirect, without further details. However, direct and indirect spending is still differentiated and further regulated in implementing regulations and other rules. In addition, recent legal regulations such as Law No. 23 of 2014 concerning Local Governments and Law No. 33 of 2020 concerning Financial Balancing between the Central Government and Local Governments still consider financing to meet direct and indirect needs in managing local finances. Capital expenditure is one type of direct expenditure consisting of purchasing infrastructure, equipment, and other fixed assets owned by local governments. The capital expenditure ratio determines priority budget allocation between operational/routine spending and development more optimally. However, there are no definite guidelines regarding the ratio of operational/routine spending and capital spending because they depend on development dynamics and investment needs to achieve the expected growth. The capital expenditure ratio is calculated by dividing the total capital expenditure by the total expenditure in the APBD.

Previous studies show that local government spending generally affects the level of information disclosure, and the amount of capital expenditure positively affects the level of transparency. Firmansyah et al. (2022) found no relationship between capital expenditures for basic services and financial statements quality. This finding indicates that the quality of financial reporting is not dependent on the capital expenditure programs implemented by local governments, including capital expenditures for basic services to the community. The lack of influence from capital expenditures indicates a lack of attention from local governments toward disclosing the use of local government budget in meeting the community's basic needs. However, Nuryani and Firmansyah (2020) found that local government expenditures are positively associated with local government transparency level. Thus, local governments still need to improve the importance of disclosing information about using funds to the public. Based on the argument, the second hypothesis (H_2) is formulated as follows: *the local government capital expenditure is positively associated with the local government transparency level.*

According to Nuryani and Firmansyah (2020), to carry out administration and serve many stakeholders, local governments with a large size manage more and higher resources, which are provided by various parties such as the community, central government, creditors, and grants. Local governments fulfill accountability by disclosing information on managing

financial resources more efficiently and effectively when disseminated via the Internet. Styles and Tennyson (2007) examined the effect of local government size on the level of access and availability of financial information in the United States. The test result proved that the size of the local government positively affects the level of access and availability of local government financial information on the Internet. This result is in line with the finding of Puspita and Martani (2012). Local governments with larger sizes are responsible for being more transparent in providing financial information to the public. In addition, local governments with large sizes have higher assets, so local governments are considered successful in utilizing transfer funds that the central government has received. Based on the explanation, the third hypothesis (H₃) is structured as follows: *local government size weakens the negative effect of local government dependence on local government transparency level.*

Assets that are usually significant in the calculation of total assets are fixed assets. Local governments with many fixed assets and are in a condition appropriate to their designation can be called local governments with large sizes. Capital expenditure plays a role in the procurement of these fixed assets. Substantial funds were disbursed to invest in fixed assets. According to (Hadi & Setiawan, 2020), the size of a large local government can indicate that the area also has many assets, so supervision from the community of all government activities will be increasingly stringent. There is concern from the community that there will be a misappropriation of funds by the local government. Nuryani and Firmansyah (2020) suggested that local government size is positively associated with local government transparency level. In addition to large local governments having higher responsibilities in presenting their financial information to the public, large local governments are deemed successful in allocating their budgets for capital expenditures. The output of capital expenditure is in the form of fixed assets related to infrastructure for those used for government administration and those provided for services to the public. Based on the aforementioned explanation, the fourth hypothesis (H₄) is defined as follows: *local government size strengthens the positive effect of local government capital expenditure on local government transparency level.*

RESEARCH METHOD

This type of quantitative research measures research variables based on the theory that builds them. Data collection in this study was done by accessing the local government website to find the information needed to complete the data from all variables. The financial information observed and collected is from 2016 to 2020. The population in this study were all district/city local governments in the Province of Bali. The sampling technique uses a purposive sampling technique, which is a sampling technique that is carried out with certain criteria. This study chose a sample of all local governments on the island of Bali because they have official websites, making it easier to overview the transparency level of financial information. The criteria used in sampling are as follows.

The dependent variable in this study is local government transparency. This study's level of government transparency is measured by the scoring index method is carried out by giving a score to the disclosure of information required by government accounting standards on regency/city government financial reports as Nuryani & Firmansyah (2020). A score of 1 will be given for each disclosure item available on the Regency/City government website and a score of 0 for a disclosure item not available on the Regency/City government website. The independent variables in this study include local government dependence and capital spending. Thus, the local government transparency index is calculated by the following equation.

$$LGT = \frac{\sum_{i=1}^{29} \text{Budget Management Document}}{29}$$

Table 1. Sample Selection

Criteria	Number
Regency/City local governments in the Province of Bali already have official websites to be accessed by the public	9
Research period (years)	5
Total Sample	45

The proxy of local government dependence (LGD) follows Nuryani and Firmansyah (2020).

$$\text{LGD} = \frac{\text{General Allocation Fund (DAU)}}{\text{Total Realization Of Local Revenues}}$$

Capital expenditure measures the proportion of capital expenditure issued to total regional expenditure in providing services to the community. Capital expenditure in this study is calculated using the following equation as Atmoko and Khairudin (2022):

$$\text{LGCE} = \frac{\text{Capital Expenditure}}{\text{Total Local Government Spending}}$$

The moderating variable in this study is the size of the local government. This research seeks to examine how the size of the local government affects the local government's transparency level. Local government size is measured using the logarithm of total assets as Nuryani and Firmansyah (2020).

$$\text{Size} = \text{Ln}(\text{Total Local Government Assets})$$

Hypothesis testing was carried out utilizing multiple linear regression analysis for panel data. Testing hypotheses 1 and 2 using the equation 1 model:

$$\text{LGT} = \beta_0 + \beta_1 \text{LGD} + \beta_2 \text{LGCE} + \varepsilon$$

Furthermore, testing hypotheses 3 and 4 using the equation 2 model:

$$\text{LGT} = \beta_0 + \beta_1 \text{LGD} + \beta_2 \text{LGCE} + \beta_3 \text{SIZE} + \beta_4 \text{LGD} * \text{SIZE} + \beta_5 \text{LGCE} * \text{SIZE} + \varepsilon$$

Where, LGT is local government transparency, LGD is local government dependence (Proxied by General Allocated Fund), LGCE is defined as local government capital Expenditure, and SIZE stands for size of local government.

RESULTS AND DISCUSSION

The data that has been obtained is processed and analyzed using an application called Eviews. The software can be used to solve problems related to data in the form of panel data. The results of processed data from Eviews are depicted in Table 2. Based on Table 2, the average transparency of financial information is 0.358 from an ideal score of 1. The disclosure of financial information for local governments throughout the island of Bali is still low. After that, from the Chow test, the Lagrange Multiplier test, and the Hausman test, it was determined that the equations of model 1 and model 2 would be tested using the fixed effect model method. The summary of the results of the hypothesis testing for model 1 and model 2 after the multicollinearity test and heteroscedasticity test were carried out are depicted in Table 3.

Based on Table 3, we can interpret the effect of each independent variable on the dependent variable. A constant of 1.984 states that if the independent variable is constant, then the value of the Local Government Transparency variable is 1.984. In addition, model 1 shows that the coefficient and t-stat have a negative value, which means that the dependency and local government capital expenditure has a negative effect on the transparency of financial information.

Table 2. Descriptive Statistics

Variable	LGT	LGD	LGCE	SIZE
Mean	0.358	0.402	0.147	28.521
Median	0.345	0.455	0.137	28.424
Standard Deviation	0.211	0.135	0.059	0.767
Minimum	0.000	0.061	0.051	27.556
Maximum	0.759	0.546	0.294	30.495

Based on the regression test analysis that tests the hypothesis, it can be concluded that the local government dependence is negatively associated with local government transparency level. This result indicates that local government still depends on the General Allocation Fund from the central government. It does not align with the finding of Akrom and Firmansyah (2017) and Nuryani and Firmansyah (2020). The test result indicates poor DAU management in local governments (district/city level) across the province of Bali. DAU is a portion of funds allocated by the central government APBN to each region in Indonesia. DAU aids in the distribution of each area's financial capacity. The DAU formula is derived from each region's basic allocation plus the Fiscal gap. DAU is granted annually, and the use of these funds is entirely at the region's discretion in the context of implementing autonomy (block grant). Granting full authority in using DAU will allow local governments to use these funds in ways that do not necessarily align with the DAU's objectives of inter-regional financial equity in providing basic services, such as being allocated to personnel expenditure only.

Local governments also conceal the existence of a sizable DAU to be perceived as an independent entity by the people. They want to be perceived as capable of funding all public-sector activities with original local revenues (PAD). This stigma is all too familiar to local governments in Bali, given that their area is a popular tourist destination for visitors worldwide, meaning their original local revenues should be sufficient to fund their operations. The absence of official government regulations to disclose the realization of the General Allocation Fund to the general public contributes to the lack of financial information disclosure. DAU accountability only requires local governments to submit DAU realization reports to the central government (funder), in this case, the Ministry of Finance represented by the Directorate General of Fiscal Balance. There is the potential for greater information asymmetry with full authority over the management of the DAU and disclosure of accountability reports that are not yet mandatory to the wider community. It is similar to the problem in agency theory, where the emergence of information asymmetry is caused by the agent having more internal information than the principal and being able to make decisions without the principal's knowledge (the public). It is a critical issue for the Bali government because the local government relies heavily on the central government, but financial information disclosure remains low.

Based on the regression test analysis that tests the hypothesis, it can be concluded that local government capital expenditure is negatively associated with local government transparency level. This result is not in line with Nuryani and Firmansyah (2020). This result indicates that the greater the capital expenditure in a local government, the lower the financial information disclosure level. In addition, it also suggests that capital expenditure with a large value can be ridden by various interests of management, in this case, government officials. Local governments have a track record that is not as good as the central government. Many frauds and corruption occur due to large capital expenditures. Large capital expenditures can reduce transparency because of indications or allegations of poor management of local government capital expenditures.

Table 3. Hypotheses Test Results Summary

Variable	Model 1			Model 2		
	Coeff	t-Stat.	Prob.	Coeff	t-Stat.	Prob.
C	1.984	4.049	0.000	-26.135	-1.725	0.047
LGD	-3.710	-2.904	0.003	29.192	0.603	0.275
LGCE	-0.910	-1.731	0.046	-21.163	-0.954	0.174
SIZE				0.951	1.788	0.042
LGD*SIZE				-1.084	-0.630	0.267
LGCE*SIZE				0.728	0.940	0.177
R		0.594			0.732	
Adj. R ²		0.475			0.619	
F-Stat		4.973			6.498	
Prob (F-Stat)		0.000			0.000	

As a well-known tourist destination, the province of Bali provides the expectation for local governments to increase revenue from the tourism sector by attracting foreign tourists. To increase tourist interest, adequate infrastructure must be developed to improve Bali's facilities. Infrastructure development is carried out with APBD and APBN funds (Transfer). The greater the money used, the more intense the infrastructure development projects will be. Because of the many infrastructure developments, local governments are overburdened in managing and supervising existing projects. Because the local government does not want to appear unprofessional in managing the finances of projects in Bali, it further reduces the disclosure of financial information related to capital expenditure. Another reason is the Balinese people's lack of interest in promoting transparency and accountability in their government's capital spending. Bali's people are expected to be more focused on managing their area as a tourist destination. Finally, the Bali local government was unmotivated to disclose capital expenditure information in various media.

Based on the regression test results for the moderating effect, it was found that the size of the local government had no significant effect with a prob of 0.267 greater than 0.050. The results of testing the hypothesis show that the local government size cannot weaken the negative effect of dependence on the local government transparency level. Although the amount of local government assets in Bali as a measure of local government is an indication of the local government's success in increasing the level of transparency of local government finances, the size of the local government cannot reduce the local government's level of dependency, which has an impact on the level of transparency of information provided to the public. The local government does not take advantage of its assets to avoid relying on transfer funds from the central government, even though the local government's primary source of income in Bali is tourism.

Based on the regression test results for the moderating effect, it was found that the size of the local government had no significant effect with a prob of 0.177 greater than 0.050. Local government size cannot strengthen the positive effect of local government capital expenditures on local government capital expenditures. Local governments in Bali with large populations cannot guarantee that they will be able to increase financial transparency if the local government makes capital investments. Even though larger local governments are more responsible for disclosing financial information to the public, this condition does not encourage large capital expenditures by local governments. Local governments own most of their assets as fixed assets, and capital expenditures are local government expenditures that

also produce fixed assets. Large capital expenditures are inextricably linked to accountability for local government expenditures. Meanwhile, the size of the local government reflects the value of assets recorded in the local government's balance sheet. Thus, the number of assets owned by local governments and the accountability process for capital expenditures are two pieces of information inconsistent with the public disclosure of local government financial information.

CONCLUSION AND SUGGESTION

This study discovered that local government dependence is negatively related to the level of transparency in local government. Because local governments rely on central government transfer funds, they are less transparent in providing financial information. The results for testing capital expenditure on the level of local government transparency are the same. The management of capital expenditure, mostly for infrastructure provision, has not gone well. As a result, local governments with large capital expenditures continue to provide limited financial information. Furthermore, this study discovered that the size of local government does not play a moderating role in examining the level of dependence of local government on the level of transparency. The balance sheet contains information on the size of local government, whereas the budget realization report contains information on the level of dependency and capital expenditure of local government. Compared to the financial information in the budget realization report, local governments will be more transparent in conveying the information in the balance sheet.

This study has limitations in that the observation time is quite short, so assessing the disclosure of financial information from planning, implementation, and reporting can only be seen from the main local government website. Then, when making observations, there were network and maintenance problems on several local government websites resulting in difficulty accessing data collection. Furthermore, the determination of the level of transparency is only from the perspective of researchers by determining the availability score and accessibility score so that it does not consider the validity of the parties concerned with the financial information of the local governments in Bali. In addition, in this study, the sample chosen was only local governments in Bali, so it cannot be used as a standard for all local governments in Indonesia. Future research is recommended using samples from local governments on other islands and a longer time horizon to obtain more complete data and better testing.

This study suggests to the Indonesian Ministry of Home Affairs increase the public's monitoring of local government financial information transparency. Also, this study indicates that local governments on the island of Bali need to increase the disclosure of reports on their transfer funds to the public in addition to their accountability obligations to the transferor or the central government. In addition, local governments on the island of Bali must be willing to disclose capital expenditure information to the public. It protects the agents, in this case, the local government in Bali, from diverting financial resources from the principals, considering that capital expenditure has a fairly large proportion. Finally, the people in the regions should have concerned about the financial information of their respective local governments. It encourages local governments to always be willing to disclose information transparently and accountable and maintain good governance.

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