Financial Information Disclosure Measurement on The Website of Indonesian Local Government

20 November 2010

Budi Hermana
Faculty of Economic, Gunadarma University
Depok, Indonesia

Avinanta Tarigan
Center Study of Cryptography and Security System, Gunadarma University
Depok, Indonesia

Henny Medyawati
Faculty of Economic, Gunadarma University
Depok, Indonesia

Widya Silfianti
Development Center, Gunadarma University
Depok, Indonesia

Ringkasan

Indonesian government still faces a number of challenges that might hinder the implementation of e-Government, including telecommunications infrastructure insufficiency; funding sustainability, lack of coordination and integration, various laws and regulations regarding e-Commerce and e-government. This research aims to develop a model to evaluate performance of e-Government in Indonesia based on financial information transparency disclosure model. Research objects are the website of 33 province, 349 districts, and 91 cities in Indonesia. The evaluation is focused on the features and availability of financial report on the website. Financial transparency is measured using IFDI which includes web design and web contents. The number of websites that are accessible at the time of data collection period is as much as 374 websites. In general, financial information disclosure index is relatively lower than website features index. This fact shows that policy of financial transparency and public accountability should be more promoted and implemented.

Keywords-component; formatting; style; styling; insert (key words)

1 Introduction

Indonesia is the world’s 16th-largest country in terms of land area at 1,919,440 square kilometers. It comprises over 17,503 islands where 9634 of them have not been given name [7]. According to Permerdagri no. 18 in the year 2005, administratively, Indonesia consists of 33 provinces, 349 regencies, 91 cities, 5,263 sub-districts, 7,123 village-groupings, and 62,806 villages. With more than 230 million population people, Indonesia is world’s fourth most populous country. These demographic and geographic data show potential as well as challenge in connecting government agencies in order to serve the citizens using information technology.

In April 2001, Indonesian government released a policy (Inpres no 6) providing guidelines in developing and utilization of information and communication technology (ICT) for public use. This guideline consists of 75 action plans which are grouped into four categories namely, policy, human resource development, infrastructure, and ICT application in public and private sector. Actions plans that have been conducted are (1) Policy reformation to support ICT development including e-government; (2) Human resource development to support ICT and e-government; (3) Forming international cooperation to accelerate ICT infrastructure development; (4) The development of various e-Government applications; (5) Revitalization of e-Government portals; (6) Implementation of e-government strategy; and (7) Development of interoperability systems for e-government.

This research aims to develop a model to evaluate performance of e-Government in Indonesia based on financial information transparency disclosure model. Since organizational reform in 2004, the policy has been changed from centralized to decentralized and more on local government otonomy. Therefore, the measurement of financial information transparency through Internet is one of effort in promoting the transparency and accountability of local government in Indonesia. This objective has close relationship with the effort to increase information integrity and the quality of public services. This research identifies and analyzes digital devide amongst geographical area as well as
level of government, namely province, cities, and district, in terms of information transparency and financial report disclosure in the website.

2 Theoretical Framework

2.1 E-Government

E-government, as is presented in UNO report on UN Global e-Readiness Reports is utilization of ICT and implementation by the government to provide information and service to the public. The objective of e-government is to provide governmental information management that is more efficient, to provide better service, and empowerment of people through access to information and participation in public decision making.

2.2 Literature Review

Kumar [11] states that e-government allows greater public participation in politics and decision makings; something that is not possible to conduct in the past. Participation has increased the mutual trust between government and society and also among the public. Welch and Hinnant [14], state that the use of the Internet shows a positive correlation with the level of satisfaction with the transparency, and transparency, together with the satisfaction of interactivity are positively related to public trust in government. E-government adoption model by community [1] can also be a good reference model when an e-government services have been built.

Cook [5] states that the development of e-government is basically an alternation way between communities and companies in interacting with government. Some results of the survey in the United States showed that people require the services of government websites in terms of management of the SIM; voter registration, information on city parks; election via the Internet; one-stop government services; request different types of certificate or certificates such as birth, death, and marriage; tax filing, and access to health services information.

Salahuddin and Rusli [13] mentioned that the term e-government was first introduced as public service in Indonesia through the Presidential Instruction No. 6 / 2001 regarding the Information and Communication Technology known as Telematics. The decree stated that the Indonesian government should use ICT to support good governance. The development of e-government is an effort to build structures, systems, and efficient administration that are effective, transparent and accountable.

Stages of e-government development, according to Baum and Maio in the Saber et al. [2], consists of four phases: emergence, interaction, transaction, and transformation. These phases are chronological phases in developing e-government. One interesting concept in the implementation of e-government is how to integrate these various systems or applications between central and local government, between one department with another department, or between institutions that are related in function and authority. The concept of integration of various departments and various applications systems in each of these institutions has been presented by Mak [12].

Freed [8] stated that the most successful website is the one that can serve public to find information quickly and easily. Many e-government website are responsible for managing and organizing important public information. Thus, the search function, features, and navigation becomes very important.

According to Bertot, Jaeger, and McClure [4], e-government users include people who need services and information from government, immigrants or immigrants who need the information on their new place, government employees who use e-government in carrying out its functions, people abroad who requires information on the country concerned.

Hanafi, Kasim, Ibrahim, and Hancock [9] mentions that some of the research on corporate reports that is published on the Internet using various indices to measure the degree of disclosure. But the various indices used today still has the weakness in terms of its coverage, which is limited to disclosure of financial information.

3 Methodology

The research objects are the website of 33 province, 349 districts, and 91 cities in Indonesia. This sample is about 50% of population using proportional stratified random sampling. The main strata factor is the governance level (province, district, and city) and the secondary strata factor is location, inside Java Island and outside the Java Islands. This factor is mandatory to analyze digital divide geographically. Performance measurement of e-government consists of four research variable, namely (1) Internet Financial Disclosure Index (IFDI); (2) E-Government Web-metrics Index (EGWI); (2) E-Government Readiness Index (EGRI), dan (3) E-Government Satisfaction Index (EGSI). This research is in the preliminary stage. The evaluation is focused on the features and availability of financial report on the website.

Financial transparency is measured using IFDI which includes web design and web contents. Instrument used in this research is adopted from Hanafi, Karim, and Ibrahim [9]. This research are
emphasized on the two parameters there are the degree of comprehensiveness of services or features provided by the website and the disclosure or transparency of financial information. In order to collect and to measure the website services, research team and the surveyors conducted direct observation and evaluation on each website. The worksheet consists of questioner which includes: (a) The comprehensiveness of website services; measurement of 18 standard features that a local government website might implement, ranging from standard features such as news, to advanced features such as e-procurement, and (b) The disclosure of financial information; measured from 15 questions, for example, the availability of budgetary and realization documents, inventory of assets, local policy, and information related to the tax.

4 Result and Discussion

4.1 E-Government Implementation in Indonesia

Most local governments in Indonesia is relatively behind in terms of implementing e-government. In general, the root of the problem consists of two perspectives, namely (a) the rate of application of information technology remains low in government and community officials or citizens, and (b) availability problems and human resource support in a relatively powerful government agencies in developing and implementing information and communication technology. This problem is also related to the availability of information and communication technology facilities and effective in their government. The general problem can be overcome by increasing cooperation between local governments with the education or information technology activists, especially those that have the competence and qualifications in the field of e-government. The system can improve information access and quality of public services to the community, with a record of community itself has been classified as Internet literacy. Point of view of public interest in this Internet thing will be one of the supporting activities in e-government implementation in Indonesia.

The Indonesian government already has a roadmap for dealing with e-Government is composed of five phases: preparation, stage appearance, stage action, participation phase, and phase transformation. Apparently the stages in the adoption phase of the road map is its step-by Baum and Maio already described previously. General view of the road map can be seen in Figure 1. below.

E-government development and its application in particular need to consider several factors that often become obstacles in developing countries. These constraints are (a) digital divide (digital divide), (b) differences in language and written characters, (c) coordination and policy, and (d) technical aspects such as: infrastructure, people's purchasing power for computers, human resources, cost for information technology, and so forth. According Harijadi and Satriya[10], beyond a commitment to e-government, the Indonesian government still faces a number of challenges that might hinder the implementation of e-Government, including (1) insufficiency and high capacity telecommunications infrastructure; (2) The problem of funding sustainability of various initiatives on e-government, (3) Lack of coordination and integration, and (4) The process of finalizing a lot of various laws and regulations regarding e-Commerce and e-government.

4.2 Website Features Evaluation

Data collection and evaluation are carried out on all 443 local governments in Indonesia, which already has an official website. The number of websites that are accessible at the time of data collection period is as much as 374 websites. Meaning that there are 69 websites which are not accessible during this period. Index value ranges from 0 to 1 with an average national index of 0.629. Website feature that is the most widely deployed by local government is "news", while the feature which seldom available is "FAQ". This result is presented in Figure 2. as follows.

The top-ten national rank on website features is dominated by 6 district government websites. Nevertheless, the first position is taken by the City of Pekanbaru. Two municipalities that enter the top ten is Prabumulih and Banjarbaru. The only provincial government ranked in the top ten is West Java. The national top rank is presented in the following table. The completed list of province top rank, district top rank and city top rank cannot be presented here because of the page limitation.

![Indonesia's Roadmap to e-government](image-url)
From the total of 443 websites, only 375 is accessible during the evaluation period. Index value is ranging from 0 to 0.8 with average index value of 0.191. Local government policy related documents are the most documents available with index of 0.536. Whereas financial fraud related documents are the rarest documents available with index of 0.011. These results are presented in the following figures.

In general, financial information disclosure index is relatively lower than website features index. This fact shows that policy of financial transparency and public accountability should be more promoted and implemented. This research has a limitation that the research is in the preliminary stage. The continuation of the research is going to be work so the result will be more complete.

### 5 Conclusion

In general, financial information disclosure index is relatively lower than website features index. This fact shows that policy of financial transparency and public accountability should be more promoted and implemented. This research has a limitation that the research is in the preliminary stage. The continuation of the research is going to be work so the result will be more complete.
Figure 5: Status Map of Province Financial Disclosure Index

Figure 6: Financial Information Disclosure Index

Figure 7: Financial Disclosure Index

Figure 8: Website Features Index

References


