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The Effect of Local Government Size, Regional Dependency and Regional Expenditure on Internet Financial Reporting (IFR) in Indonesian Provinces in 2019-2023

Elsa Fitria[1*], Yevi Dwitayanti[2], Yuli Antina Aryani[3]
[1]Politeknik Negeri Sriwijaya, Palembang, Indonesia, elsafitria031203@gmail.com
[2]Politeknik Negeri Sriwijaya, Palembang, Indonesia, yevi_dwitayanti@polsri.ac.id
[3]Politeknik Negeri Sriwijaya, Palembang, Indonesia, tasyaaulia.ahmad@yahoo.com

[*]Corresponding Author: elsafitria031203@gmail.com[1]

Abstract: The purpose of this study is to assess the effect of local government scale, regional dependency, and regional expenditure on Internet Financial Reporting (IFR) in provincial governments in Indonesia during the 2019-2023 period. This research adopts a quantitative approach using secondary data obtained from the official websites of the Indonesian Supreme Audit Agency (BPK) and the Indonesian Central Bureau of Statistics (BPS). The sample consists of 34 provincial governments that consistently publish financial reports online, resulting in a total of 170 panel data observations. The analysis was conducted using panel data regression with the EViews 12 software. The results show that local government size has a positive and significant effect on IFR, regional dependence has a negative and significant effect on IFR, while regional expenditure does not have a significant effect. Simultaneously, the three independent variables have a significant influence on IFR. These findings imply that financial transparency through IFR is influenced by the structural and fiscal characteristics of the region, but is not necessarily determined by the level of government expenditure.

Keywords: Government Size, Regional Dependency, Regional Expenditure, Internet Financial Reporting (IFR).

INTRODUCTION

Performance accountability of government institutions is one form of implementing the obligations of government institutions to be accountable for success and failure in achieving the goals and objectives set through a periodic accountability system (Firly et al., 2019). This financial report is important to provide an overview of the financial management implemented by the local government to the public, given the public's right to access this information openly and comprehensively regarding the local government's accountability in managing its finances.

Transparency represents a key trait of financial management and plays a crucial role in achieving good governance. The more advanced financial information is, the easier access to information should be (Amanda et al., 2025). To achieve transparent financial management,

local governments can utilize information technology to publish local government financial reports in accordance with applicable regulations. Transparency in managing local government finances is achieved through the digital dissemination of LKPD, which is called *Internet Financial Reporting* on the official government *website*.

Internet Financial Reporting (IFR) is a mechanism for disclosing government financial statements via the internet or *websites* owned by local governments. In this way, all interested parties get equal access to the necessary information. Several local governments in Indonesia have utilized information technology to disseminate financial information through internet media as a way to account for local financial management to stakeholders (Putra & Syofyan, 2020).

In 2012, The Ministry of Home Affairs released Instruction Number 188.52/1797/SJ as a directive to promote transparency in regional budget management. The purpose of this instruction is to assist the government in enhancing the quality of financial reporting via online platforms. The instruction requires local governments to publish 12 types of documents Through the local government's official web portal, namely: (1) Summary of SKPD RKA, (2) Summary of PPKD RKA, (3) Draft APBD Regional Regulation, (4) Draft APBD Regional Regulation, (5) APBD Regional Regulation, (6) APBD Regional Regulation, (7) Summary of SKPD DPA, (8) Summary of PPKD DPA, (9) SKPD LRA, (10) PPKD LRA, (11) audited LKPD, and (12) BPK Opinion on LKPD, in order to provide information related to regional budget management.

Several factors can influence IFR in Indonesia, The initial factor considered is the size of the local government, which plays a role in influencing Internet Financial Reporting (IFR). Larger government size can encourage increased disclosure of financial information via the internet, in order to meet monitoring and reporting needs, and Minimize the gap in information access between the government and the public (Azis & Hapsari, 2020) .

Regional dependence is also one of the factors that influence IFR. According to (Desrina et al., 2024) The extent to which local governments rely on central government support affects their administrative performance, particularly when there is an increase in the allocation of funds, the central government will carry out stricter supervision of local government performance. This encourages local governments to provide better services regarding accessibility in obtaining local government financial information.

Regional expenditure is a factor that can affect IFR. The greater the regional expenditure, the more it shows that the budget is used to deliver public services supported by adequate facilities and infrastructure required by the community. This encourages the government to be more active in providing information to the public, As financial reporting becomes more transparent through online platforms, it enables the public to obtain more effective services (Azis & Hapsari, 2020).

The results of research on government driving factors in conducting IFR show inconsistent results. (Santoso, 2019) Suggests that larger local governments tend to have a positive and statistically significant impact on IFR. Meanwhile, Moehardiono & Yuliati,(2021) Suggests that local government size bears no effect on IFR. Research concerning Internet Financial Reporting (IFR) was also conducted by (Anggara & Cheisviyanny, 2020) which concluded that the level of regional dependence has an influence on IFR. Meanwhile, research conducted by (Desrina et al., 2024) states that regional dependence partially has no effect on IFR. Then research conducted by (Masra & Sari, 2020) states that there is an influence of regional spending on IFR, while Winangsih & Fathah(2023) states that regional spending has no significant effect on IFR.

Based on the description above, it can be concluded that accountability and transparency in local government financial management are crucial aspects In achieving the principles of good governance. A key manifestation of transparency is Internet Financial Reporting (IFR),

whereby financial reports of local governments are made accessible via their official websites. Although there are regulations that encourage information disclosure, the level of IFR implementation in various regions still varies. This difference is thought to be influenced by a number of factors such as the size of the local government, dependence on the central government, and the amount of local expenditure. However, the results of previous studies show inconsistent findings regarding the influence of each of these factors on IFR. Therefore, the author is interested in conducting a study entitled **"The Effect of Local Government Size, Regional Dependence and Regional Expenditure on *Internet Financial Reporting* (IFR) in Provinces in Indonesia in 2019-2023".**

METHODS

This study employs a quantitative research approach. The research was conducted on 34 provincial governments in Indonesia that consistently published their financial reports online during the period 2019 to 2023, This led to the acquisition of 170 data entries from observations. The data sources in this study include Local Government Financial Reports (LKPD) obtained from the official website of the Indonesian Supreme Audit Agency (BPK) and Total Population data accessed through the official website of the Indonesian Central Bureau of Statistics (BPS). This study consists of one dependent variable, namely Internet Financial Reporting (IFR), and three independent variables, namely Local Government Size ($X_{1)}$, Regional Dependency (X_2) and Regional Expenditure ($X_{3)}$. The method of data analysis employed in this study is panel data regression analysis, which was conducted using EViews software version 12. The panel data regression model utilized in this research is presented below.

$$Yit = \alpha + \beta1.X1it + \beta2.X2it + \beta3.X3it + eit$$

Description:

Y	: Internet Financial Reporting
α	: Constant
β1, β2, β3, β4	: Independent Variable Coefficients
X1	: Local Government Size
X2	: Regional Dependency
X4	: Regional Expenditure
e	: Error term or Error
i	: Province
t	: Time

Table 1. Internet Financial Reporting Accessibility Index

Point	Score	Description
A	+1	There is a Budget Realization Report on the *website*
B	+1	There is a Statement of Changes in Excess Budget Balance on the *website*
C	+1	There is a Statement of Operations on the *website*
D	+1	There is a Statement of Changes in Equity on the *website*
E	+1	There is a Statement of Cash Flows on the *website*
F	+1	There is a Balance Sheet on the *website*
G	+1	There are Notes to the Financial Statements on the *website*
H	+1	There is an SKPD RKA Summary on the *website*
I	+1	There is a PPKD RKA Summary on the *website*
J	+1	There is a Draft APBD Regional Regulation on the *website*
K	+1	There is a Draft Regional Regulation on APBD Amendments on the *website*
L	+1	There is a local budget regulation on the *website*

Point	Score	Description
M	+1	There are APBD Amendments on the *website*
N	+1	There is SKPD DPA Summary on the *website*
O	+1	There is a PPKD DPA Summary on the *website*
P	+1	There is SKPD LRA on the *website*
Q	+1	There is a PPKD LRA on the *website*
R	+1	There is an Audit Opinion from BPK on the *website*
S	+1	IFR can be downloaded in PDF or HTML format
T	+1	The local government's official website can be accessed easily by entering the name of the local government into the search bar on Google or Yahoo, where it typically appears on the first page of results
U	+1	A link to financial information is available on the homepage menu.
V	+1	A search feature is available to locate financial information.
W	+1	Contact details such as phone number, fax, and email are provided to request financial information data.

Notes:
1. *Internet Financial Reporting* in this case is the 7 components of LKPD that have been audited by BPK and 10 components of the APBD for the 2019-2023 fiscal year.
2. In this context, the website refers to the official website of the local government. If it fulfills the specified criteria, a score is assigned accordingly; otherwise, a score of zero is given

Source: (Azis & Hapsari, 2020) (Data processed, 2025)

RESULTS AND DISCUSSION

Descriptive Statistical Analysis

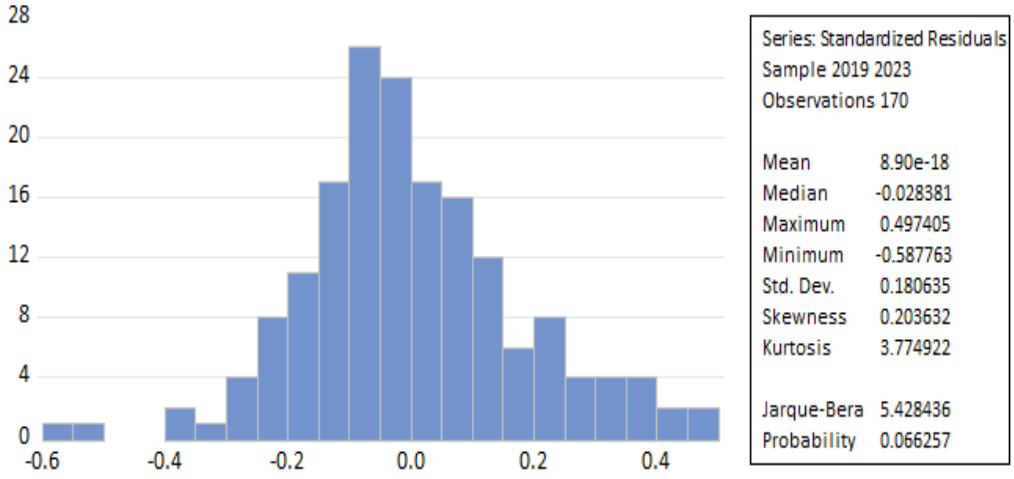
The following are Findings from the descriptive statistical analysis of Internet Financial Reporting, Local Government Size, Regional Dependency, Regional Expenditure.

Table 2. Descriptive Statistical Analysis

Variable	Observation	Max	Min	Mean	Std. Deviation
Internet Financial Reporting (Y)	170	0,957000	0,000000	0,495906	0,293999
Local Government Size (X1)	170	1534,000	1454,000	1481,629	13,64244
Regional Dependency (X2)	170	0,957000	0,234000	0,598559	0,162778
Regional Expenditure (X3)	170	1503,000	1451,000	1470,600	11,92402

Source: Eviews 12 (Data processed, 2025)

Classical Assumption Test



Source: Eviews 12 (Data processed, 2025)

Figure 1. Normality Test Results

The first stage in the kasik assumption test is the normality test, which aims to ensure the normal distribution of data. In the test, the Jarque-Bera value is 5.428436 with a probability of 0.066257. Since the probability value exceeds the significance threshold of 0.05, it can be concluded that the data in this study are normally distributed.

Table 3. Multicollinearity Test Results

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	11.19538	26156.04	NA
X1	15.77220	80897.73	6.796886
X2	0,026745	24.03082	1.646367
X3	21.74111	109862.8	7.150022

Source: Eviews 12 (Data processed, 2025)

The second step in the classical assumption testing is the multicollinearity test, which aims to identify the presence or absence of multicollinearity symptoms by examining the Variance Inflation Factor (VIF) values. Based on table 4.5 above, it is obtained that the *Variance Inflation Factor* (VIF) value of each variable is less than 10, so it is stated that there is no multicollinearity (Zahroh, 2019).

Table 4. Heteroscedasticity Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.663730	0.874515	1.902460	0.0489
X1	-0.694220	1.168649	-0.594036	0.5533
X2	-0.011598	0.041603	-0.278783	0.7808
X3	-0.558805	1.278175	-0.437190	0.6625

Source: Eviews 12 (Data processed, 2025)

The third stage is the heteroscedasticity test, which aims to identify the presence of residual variants that are not constant in regression modeling. The test results explain that the data used is free from heteroscedasticity problems. The proof is that the probability value on each variable exceeds the significance level of 0.05. Thus, these findings indicate that the regression modeling meets the classical assumption testing related to heteroscedasticity. In summary, the data used in this study have successfully met all the classical assumption test requirements.

Panel Data Regression Analysis

Based on the results of the three model tests conducted, the Fixed Effect Model (FEM) is determined to be the most appropriate for this study.

Dependent Variable: Y
Method: Panel Least Squares
Date: 07/05/25 Time: 12:59
Sample: 2019 2023
Periods included: 5
Cross-sections included: 34
Total panel (balanced) observations: 170

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-76.66951	22.35895	-3.429030	0.0008
X1	0.070106	0.015168	4.621966	0.0000
X2	-0.970345	0.379205	-2.558895	0.0116
X3	-0.017765	0.010040	-1.769436	0.0791

Effects Specification

Cross-section fixed (dummy variables)

Root MSE	0.180103	R-squared	0.622504
Mean dependent var	0.495906	Adjusted R-squared	0.520324
S.D. dependent var	0.293999	S.E. of regression	0.203620
Akaike info criterion	-0.155282	Sum squared resid	5.514301
Schwarz criterion	0.527215	Log likelihood	50.19899
Hannan-Quinn criter.	0.121667	F-statistic	6.092257
Durbin-Watson stat	1.615886	Prob(F-statistic)	0.000000

Source: Eviews 12 (Data processed, 2025)

Panel Data Regression Analysis

The panel data regression equation can be formulated as follows.

$$Y = -76.66951 + 0.070106X1 - 0.970345X2 + -0.017765X3 + e$$

The regression equation can be interpreted:

1. The constant value of -76.66951 indicates that the independent variables in the regression, namely local government size, regional dependence, regional spending, are zero, then the value of the internet financial reporting variable is -76.66951 units.
2. The regression coefficient of local government size is 0.070106 by one unit assuming other variables are zero, then internet financial reporting will increase by 0.070106 units. This shows that when the size of the local government increases, internet financial reporting will increase.
3. The regression coefficient of regional dependence is -0.970345 of one unit, assuming other variables are zero, then internet financial reporting will decrease by -0.970345 units. This shows that when regional dependence increases, internet financial reporting will decrease.
4. The regional expenditure regression coefficient is -0.017765 of one unit assuming other variables are zero, then internet financial reporting will decrease by -0.017765 units. This shows that when regional spending increases, internet financial reporting will decrease.
5. It can be concluded that internet financial reporting of -76.66951 will increase by 0.070106 units if there is a change in the size of local government, will decrease by -0.970345 units if there is a change in regional dependence, and will decrease by -017765 units if there is a change in regional spending.

Hypothesis Testing

1. R2 Determination Coefficient Test

   Based on the study results, the Adjusted R-Squared value is 0.520324, which corresponds to 52.0324% when expressed as a percentage, it can be concluded that local government size, regional dependence, regional spending are able to explain internet

financial reporting by 52.0324% and The remaining 47.9676% is influenced by other factors or variables not included in this study.

2. Partial Test (t Test)
   Based on the results of the partial test, the following conclusions can be drawn:
   a. The prob value of local government size is 0.0000 <0.05 with a positive regression coefficient, this indicates that local government size significantly and positively affects the implementation of Internet Financial Reporting.
   b. The prob value of regional dependence is 0.0116 <0.05 with a negative regression coefficient, it can be concluded that regional dependence negatively and significantly influences the quality of Internet Financial Reporting
   c. The prob value of regional expenditure is 0.0791. This value shows 0.0791> 0.05 with a negative regression coefficient Thus, regional spending has no significant effect on Internet Financial Reporting (IFR).

3. Partial Test (F Statistical Test)
   Based on the research results, it is known that the F_{count} value is 6.092257 with a significance of 0.000000. The value of F_{table} which This can be observed in the statistical table at a significance level of 0.05, where the degrees of freedom are df1 = 3 (number of variables minus 1) and df2 = 166 (n − k − 1, or 170 − 3 − 1). Based on these values, the F_{table} value is 2.659052. This shows that F_{count} is greater than $F_{(table)}$ (6.092257 > 2.659052) and the significance value is less than 0.05 (0.000000 < 0.05). Thus, it can be concluded that the variable of Local Government Size has a significant influence within the model, Regional Dependency and Regional Expenditure have a positive and significant effect on *Internet Financial Reporting* simultaneously.

Discussion of Research Results

The effect of Local Government Size on *Internet Financial Reporting* in Provincial Governments in Indonesia in 2019-2023.

The test results show a prob value of 0.0000 which is smaller than 0.05, This finding implies that local government size partially influences Internet Financial Reporting in Indonesian provinces from 2019 to 2023. With a regression coefficient of 0.070106, the relationship is positive, indicating that an increase in government size is associated with higher levels of IFR.

The Effect of Regional Dependence on Internet Financial Reporting in Provincial Governments in Indonesia 2019-2023

The regression results show a prob value of 0.0116 which is smaller than 0.05, which means that regional spending has a partial effect on Internet Financial Reporting in Provinces in Indonesia in 2019-2023. The regression coefficient of regional dependence is -0.970345, which means that it has a negative direction on internet financial reporting, namely when regional dependence decreases, internet financial reporting will increase.

The Effect of Regional Expenditure on Internet Financial Reporting in Provincial Governments in Indonesia in 2019-2023

The regression results indicate a probability value of 0.0791, which is greater than the significance level of 0.05. This suggests that regional expenditure does not have a significant effect on Internet Financial Reporting (IFR) in provinces across Indonesia during the 2019–2023 period.

The Effect of Local Government Size and Regional Expenditure on Internet Financial Reporting in Provincial Governments in Indonesia in 2019-2023

Based on the results of simultaneous testing, it shows that the prob value (F-statistic) is 0.000000 or smaller than 0.05, meaning that the independent variables consisting of local government size, regional dependence, regional spending simultaneously affect the dependent variable, namely internet financial reporting on provincial governments in Indonesia in 2019-2023. The Adjusted R-Square value of 0.520324 or 52.0324% explains that the independent variables of local government size, regional dependence, regional expenditure are able to contribute or explain the dependent variable, namely internet financial reporting calculated by Calculation of Accessibility Index Value of 52.0324%. Meanwhile, the remaining 47.9676% is influenced by other variables not included in this study

CONCLUSION

Based on the results of research and discussion regarding the effect of local government size, regional dependence and regional spending on *Internet Financial Reporting* in Provinces in Indonesia in 2019-2023, Based on the findings, the conclusions are as follows:

1. The variable Local Government Size (X1) partially has a positive and significant effect on *Internet Financial Reporting.*
2. The Regional Dependency Variable (X2) partially has a negative and significant effect on *Internet Financial Reporting*.
3. The variable Regional Expenditure (X3) partially has no effect on Internet Financial Reporting.
4. The variables of Local Government Size, Regional Dependency and Regional Expenditure simultaneously have a significant and significant effect on Internet Financial Reporting.

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