

Optimizing Regional Financial Management by Implementing Good Government Governance

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Abstract

The paradigm of regional financial management has undergone a very fundamental change since the enactment of regional autonomy in 2001. Law no. 32 of 2004 and Law no. 33 of 2004 which became the main foundation in implementing regional autonomy in essence provides greater opportunities to the region to further optimize the potential of the region, whether concerning human resources, funds, and other resources that are regional wealth. Therefore, in the framework of the management of regional finances is further regulated in Government Regulation no. 58 of 2005 on Regional Financial Management. Basically the thoughts that lie behind the publication of Government Regulation no. 58 of 2005 on Regional Financial Management is the desire to manage state and regional finances effectively and efficiently, the basic idea is certainly to be implemented through good governance that has three main pillars of transparency, accountability and participatory.

This research used descriptive and verifikatif approach, research method used descriptive survey and explanatory survey. In this study, the sample was the Regional Device Work Unit of 180 units of the Working Area. The method of analysis in this study used Path analysis. The results show that the management of local finance in East Priangan can be optimal by applying good governance.

Keywords: Good Governance, Financial Management

Introduction

By looking at the findings of the Supreme Audit Agency's examination of the Local Government Financial Report and the opinion given by most of them with the exception, it shows that the local government financial performance is not yet optimal in the management of regional finances. As Mardiasmo (2004: 9) pointed out, one aspect of local governance that must be carefully regulated is the issue of local financial management and local budgets. Thomas G Weiss in journal stated that the forces of democratisation and globalisation are pressuring good governance proponents to reorient their priorities from the exigencies of economic growth and efficiency to those governance policies and institutions that best promote greater freedom, genuine participation and sustainable human development.

Related to financial management, in accordance with the mandate set forth in Article 3 paragraph (1) of Law Number 17 of 2003 on State Finance, which requires the State Finance to be managed in an orderly, law-abiding, efficient, economical, effective, Transparent and accountable with due regard to the sense of justice and propriety, can be further embodied. Therefore, in the framework of the management of regional finances is further regulated in Government Regulation No. 58 of 2005 on Regional Financial Management.

Basically the thoughts that lie behind the publication of Government Regulation no. 58 of 2005 on Regional Financial Management is the desire to manage state and regional finances effectively and efficiently, the basic idea is certainly to be implemented through good governance that has three main pillars of transparency, accountability and participatory. The problem formulation in this research is how the management of regional finance is influenced by good governance in East Priangan.

The purpose of this study is to provide an overview and explain the relationship of financial management with good governance. The benefits of this research to develop the field of management science regarding financial management. Benefits to Dear government are to improve local government financial management by implementing good governance.

Good Governance. In the explanation Government Regulation No. 58 of 2005 on Regional Financial Management that good governance has three main pillars: transparency, accountability and participation. It was also mentioned by Mardiasmo (2004: 30) "The three main pillars in implementing good governance is transparency, it means the openness of government in providing information related to the activities of management of public resources to the parties who need information". The local government as regional financial manager must be able to provide necessary financial information accurately, relevant, timely and reliable. Therefore, local governments are required to have a reliable regional financial information system. In Mardiasmo (2009: 18) argued that of the nine basic characteristics of good governance issued by UNDP, there are at least three things that can be played by the public sector, namely the creation of transparency, public accountability, and value for money (economy, effectiveness and effectiveness) .

Financial Management includes activities budgeting, financial administration (cash administration procedures cash receipts / disbursements), and reporting or accounting procedures. Ahamad Yani (2013: 348) argues that "Regional financial management is the whole activity that includes planning, implementation, administration, reporting, accountability, and monitoring of local finances". Suhadak (2007: 136) said that "the problem of local financial management and local budgets is an aspect that must be carefully regulated by the local government". Regional financial management is an overall activity that includes planning, implementation, petaniusahaan, reporting, accountability, and financial oversight of the region where a very important aspect in the management of local finances.

Government Regulation Article 4 No.105 of 2000 affirms that the management of regional finances must be conducted in an orderly manner, in compliance with prevailing, efficient, effective, transparent and accountable legislation with due regard to justice and compliance.

From the study of theory and framework of thought can be described the relationship between variables studied as follows:

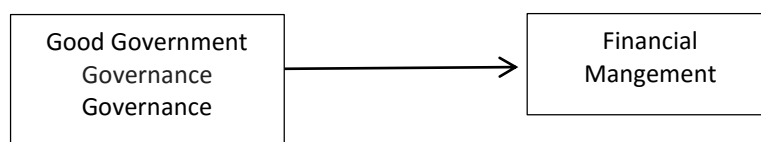


Figure 1. The Framework of Variable Relation

The picture above explains that to achieve good financial management is determined by the implementation of good governance. Good financial management must be carried out in an orderly, lawful, efficient, effective, transparent and accountable manner with due regard to justice and compliance.

The hypothesis proposed is the application of good government governance has a strong influence on financial management.

Objectives

This study aims to analyze, examine, know and give an idea of the ability of local government in East Priangan in improving financial management by applying good governance.

Materials and methods

This research uses descriptive and verifikatif approach, research method used descriptive survey and explanatory survey. Descriptive survey is conducted to get a picture of the variables studied. While the explanatory survey to obtain a picture of causal relationships between variables examined through hypothesis testing based on data obtained in the field.

In this study, the Unit of Analysis is the Local Government and the City in East Priangan with the observation unit of the Head of Local Government Work Unit as many as 180 units of work of regional apparatus. To get the research data is done by questionnaires to 180 respondents and interviews with experts to produce qualitative data.

Analysis method in this research use Path analysis to analyze descriptive and verification data.

Results

➤ Descriptive results

Good Government Governance is measured by 15 items of statement with 3 (three) dimensions, namely: 1) Transparency, 2) Accountability and 3) Participatory. The results of the 15 items of the proposed statement to measure the variables of Good Governance. Based on the results of data collection that refers to the questionnaire, obtained score range of data values for Government Governance variables represented by 15 items statement for 180 SKPD. Responses of respondents to Government Governance variables consisted of 15 items statement with frequency details as follows: Number of respondents answer items stated that answering scale 1 of 0.67 percent, answering scale 2 of 1.41 percent, answering scale 3 of 8.44 Percent, answering scale 4 of 26.37 percent, and answering scale 5 of 63.11 percent. This means that the data is scattered from the smallest to the largest with an average value of 3.201 with a standard deviation of 0.905 with the answer category being in the range of 2,296 - 4,106 with the low criterion towards good.

Judging from the average score of each dimension, it is known that: 1) the transparency dimension earns an average score of 2,937 with fairly good criteria, 2) the accountability dimension obtains an average value of 3.504 with fairly good criteria, and 3) the participatory dimension The average value of 3,216 with the criteria is quite good.

From the three dimensions above the transparency dimension earns the lowest average score of 2.937. It can be seen from several aspects, namely: item statement no. 1 is the existence of openness in providing information relating to the management of public activities with an average value of 2,312, the statement no.5 ie transparency in the bidding and the determination of tenders or contracts of local government projects to third parties with an average value of 2,326.

While the dimension that has the highest average value is the dimension of Accountability with an average value of 3.504. It can be seen from several aspects, namely: item statement 18, which is Doing a comprehensive aspect about the aspect of financial integrity with an average value of 3.858 and item statement no. 7 that is the responsibility of the main tasks and functions of agencies with an average value of 3.629.

Financial Management is measured by 19 items of statement with 4 (four) dimensions, namely: 1) planning, 2) administration, 3) accountability and 4) supervision. The results of the 19 items of statements proposed to measure the variables of financial management. Based on the results of data collection that refers to the questionnaire, obtained the score range of data values for financial management variables represented by 19 items statement for 180 SKPD. Description of respondents' responses to financial management variables consisting of 19 items of statements with frequency details as follows: Number of respondents answer items that declared answering scale 1 of 1.401 percent, answering scale 2 of 0.96 percent, answering scale 3 of 7.63 percent , Answer the scale 4 of 24.89 percent, and answer the scale of 5 by 91.78 percent. This means that the data is scattered from the smallest to the largest with an average value of 3.326 with a standard deviation of 0.861 with the answer category is in the range of 2,465 - 4,187 with the low criterion towards good.

Judging from the average score of each dimension, it is known that: 1) planning dimension gets average value 2,854 with good enough criterion, 2) dimension of administration gets average value 3,765 with good enough criterion, 3) dimension of accountability gets value Average of 3,681 with good enough criteria, and 4) the dimension of supervision earned an average value of 3,524 with fairly good criteria.



From the four dimensions above, the planning dimension which gets the lowest average score of 2.854. It can be seen from several aspects, namely: item statement no. 5 in the planning is applied the principle of Discipline, yaitu APBD plan must have been submitted in accordance with the time schedule that has been determined so it needs to be considered when the preparation and endorsement with an average value of 2.448, item statement no.7 that In planning is applied Priority principle, yaitu preparation of budget Strived to sharpen the virtue of the use of funds available for financing programs and activities with an average value of 2,517, item statement no. 6 that is in the planning applied flexbel, that is because it is realized that the budget is still basically a plan so that in its implementation it is possible to change with an average value of 2.810 and item statement no 2 that is In the planning applied comprehensive principle, that is all the activities to be done and Have financial results should be included in the budget with an average value of 2.871.

While the dimension that has the highest average value is the dimension of administration with an average value of 3.765. It can be seen from several aspects, namely: item statement no 10 that is every shopping recorded in the bookkeeping with an average value of 3.858 and item statement no. 11 ie every regional kekakyaan recorded in the bookkeeping with an average value of 3.858.

Table 1. Criteria for Achievement of Scores of Each Variable

Variabel	N	Mean	Std. Dev	Range	
Good Government Governance	180	3,201	0,905	2,296	4,106
Financial Management	180	3,326	0,861	2,465	4,187

Source: Results of Data processing

➤ **Verifikative Results**

Based on the calculation of correlation value and path coefficient that has been done, then obtained degree of contribution from Good Government Governance to Financial Management, as shown in Table 2 below:

Table 2. The Effect of Good Government Governance on Financial Management

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	,782 ^a	,611	,605	3,96354	,611	92,338	3	176	,000

A. Predictors: Good Government Governance

Source: Results of Data Processing

The results of the analysis of the variables of Good Government Governance to Financial Management can be explained in Figure 2 below:

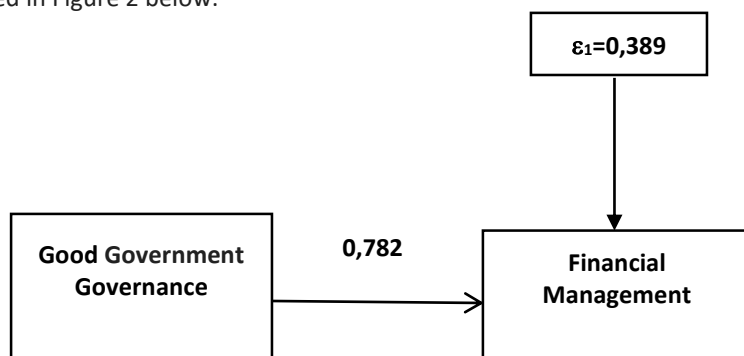


Figure 2 The Effects of Good Government Governance on Financial Management

Based on figure 2, we get the following path equation:

$$Y = \rho_{yx}.X + \varepsilon_1$$

➤ $Y = 0,839 X + \varepsilon_1$

Where:

X = Good Government Governance

Y = Financial Management

Based on the calculation of correlation value and path coefficient that has been done, then obtained the degree of contribution from Good Government Governance to Financial Management of 0.782. So the better the implementation of Good Government Governance will be the better Financial Management with a contribution value of 0.782.

The Effect of Governance on Financial Management is 0.611. This indicates that the financial management is influenced by the Governance of 61.10%, meaning that the higher the implementation of Good Government Governance, the better the management of Finance, because with the level of implementation of high Good Government Governance will create a good Financial Management.

Discussion

Good Government Governance

Based on the results of data processing descriptive, it can be concluded that the variable Governance is in the criteria of low to good. The Governmental Governance Variable Measurement refers to the theory of LAN and BPKP (200: 6) with three dimensions: 1) Transparency, 2) Accountability and 3) Participatory. When viewed from the average score of each dimension, it is known that: 1). Dimensions of transparency with low criteria, it can be seen that there is no openness in providing information related to the management of public activities and not yet transparent in bidding and stipulating the tender or contract of local government projects to third parties, 2). Dimensions of Accountability with good enough criteria, it can be seen that the responsibility for the main tasks and functions of the institution, including comprehensive aspects of financial integrity, covering the economic aspects, including aspects of the procedure and 3). Participatory dimensions with criteria are quite good, where decision-making involves related parties.

From the results of data processing, it is known that for the variable of Good Government Governance, the highest dimension lies in the dimension of accountability. While the lowest dimension lies in the dimension of transparency, this can be seen from the aspect: the openness in providing information related to the management of public activity is still low and the transparency in bidding and tendering of local government projects or tenders to third parties is still low. As the expert judgment argues that transparency is low due to the first change in the structural and functional but there is no change in the culture and local government still think that the documents on government finance are not public documents. Secondly, the local government still uses the cash register so that the cash base can still play so that the transparency is reduced and added by the big political elements.

Financial Management

Based on the results of data processing descriptive that the variable of Regional Financial Management is on the low criteria towards good. Measurement of Local Financial Management Variables refers to Ahmad Yani's theory (2013: 348) with four dimensions: 1) planning, 2) administration, 3) accountability and 4) supervision.

When viewed from the average score of each dimension, it is known that: 1). Dimensions of planning with good enough criteria, 2) dimensions of administration with good enough criteria, 3) the dimensions of accountability with the criteria is quite good and 4) the dimension of supervision with the criteria quite well. Among the four dimensions that get the highest average value lies in the dimension of administration while the lowest dimension lies in the planning dimension. This is because there are some aspects in the planning is still low, the application of disciplinary principles is still not implemented, the APBD plan has not been timely in accordance with the predetermined schedule, the implementation of the priority principle in the preparation of the budget has not been fully implemented, nor is the principle of flexible and comprehensive not fully held.



The same thing is expressed by expert judgment Prof. Dr. Sadu Wasistiono, M.Si, that the planning in financial management is still low. According to him, there are several reasons why: 1) inconsistency between long-term, medium-term and short-term planning with national planning, 2) DPRD always ask for out-of-planning allocations on the grounds of community aspirations, and 3) planning is not based on Needs but based on desire. Meanwhile, according to Dr. Iwan Saputra, M.S. that the low planning is due to the fact that the planning has not fully applied the 3 E principle (Efficient, Economical and Effective). In addition to the lack of understanding of the rules.

Conclusion

Related to financial management, in accordance with the mandate set forth in Article 3 paragraph (1) of Law Number 17 of 2003 on State Finance, which requires the State Finance to be managed in an orderly, law-abiding, efficient, economical, effective, Transparent and accountable with due regard to the sense of justice and propriety, can be further embodied.

Therefore, in the framework of regional financial management, it is further stipulated in Government Regulation no. 58 of 2005 on Regional Financial Management. Basically the thoughts that lie behind the publication of Government Regulation no. 58 of 2005 on Regional Financial Management is the desire to manage state and regional finances effectively and efficiently, the basic idea is certainly to be implemented through Good Government Governance that has three main pillars of transparency, accountability, and participatory.

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