# The Effects of Transparency, Accountability, Discretionary Accruals, and Total Assets on Corruption Levels in Indonesian Provinces

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| Article Info | ABSTRACT |
|---|---|
| | The amount of corruption in Indonesia always increases every year. This indicates that the handling of corruption in Indonesia is still not optimal. This study aims to empirically re-examine the effect of transparency, accountability, discretionary accruals, and total assets on the level of corruption. This research is a quantitative study using the panel data regression analysis method. The sample of this study was taken using a purposive sampling method from the entire population of provinces in Indonesia from 2021 to 2022, obtaining a research sample of 66 data from 33 provinces during the study year. The results of this study indicate that transparency does not affect corruption in provinces throughout Indonesia. Accountability also has no significant impact on the level of corruption. The value of discretionary accruals is not proven to reduce corruption. However, total assets are proven to significantly have a positive influence on the level of corruption. This research can be used as a foundation for the government in increasing efforts to prevent corruption and can develop anti-corruption policies to be even more effective. |

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## 1. INTRODUCTION

Corruption is defined as the intentional misuse of one's authority in the government sector for personal gain. Bribery, illegal buying and selling of state assets, gratuities, and government fund embezzlement are examples of such behaviors. The sociological approach defines corruption as the abuse of official authority for personal gain. The existence of interest problems between the government and society is one of the factors that trigger corruption (Kurniawati & Pratama, 2021).

Corruption is one of the major and very important problems that must be addressed immediately. Corruption still exists in many places, including in local government. Many things can cause corruption. These include the perpetrators or individuals who commit corruption, law enforcement, or circumstances in government institutions and agencies (Fuadi & Mabrur, 2021). Based on data from

the Attorney General's Office of the Republic of Indonesia, East Java Province was declared the province with the highest number of corruption cases throughout Indonesia in 2021-2022 with 171 cases occurring in 2022. Central Java Province's corruption cases are the second highest number in 2021-2022 with 138 cases occurring in 2022, followed by South Sulawesi with 113 cases occurring in 2022, and West Nusa Tenggara with 111 cases in 2022.  (Kejaksaan Agung RI, 2023).
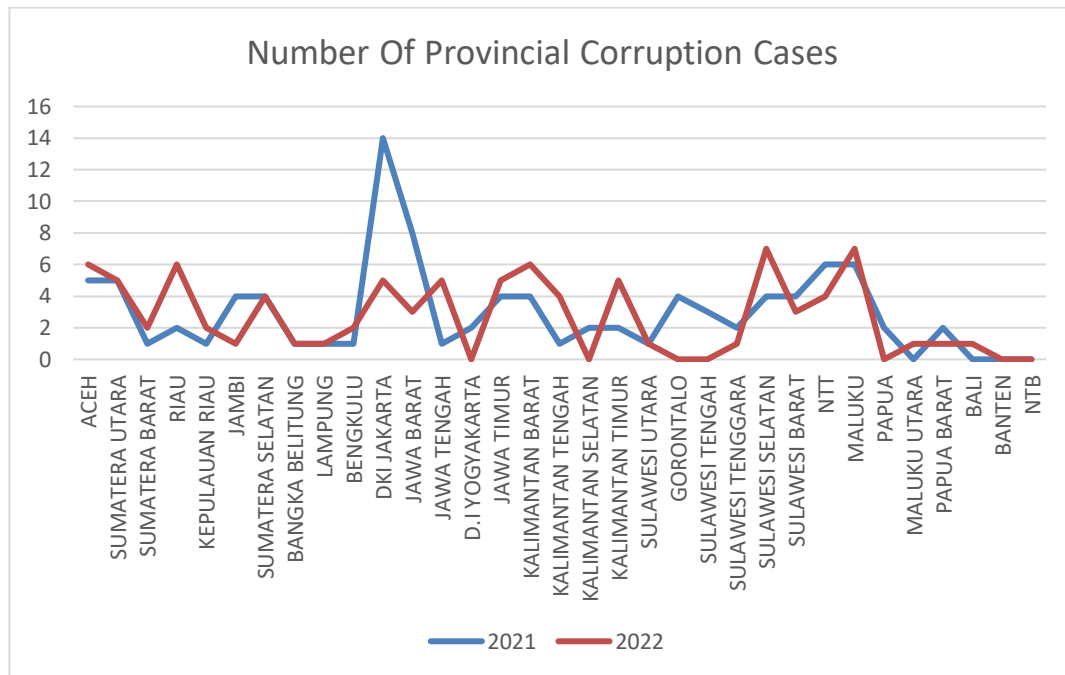


Figure 1. Number of Provincial Corruptions in 2021 and 2022
Source: https://www.kejaksaan.go.id/

A significant increase in corruption cases occurred in all provinces in Indonesia with a total of 1575 cases in 2021 and then increased to 2023 cases in 2022. Almost all provinces experienced an increase in corruption crimes, the most increase occurred in West Nusa Tenggara province, which increased by 92 cases. Followed by East Java province with an increase of 70 cases, Central Java increased by 45 cases, West Sumatra increased by 29 cases, Aceh increased by 27 cases and DKI Jakarta increased by 22 cases. (Kejaksaan Agung RI, 2023).

The first factor that influences the level of corruption is transparency. Transparency has been recognized as an essential aspect of good governance. To ensure democratic accountability, people must have access to information about government actions and their outcomes. Government transparency means the openness of the government system through clear processes and procedures and easy access to public information for citizens (Chen & Neshkova, 2020).

Transparency can help hierarchical and pluralistic countries reduce corruption. Transparency provides an opportunity for the wider public to indirectly oversee how the government manages the funds entrusted to the public. They can also report indications of mismanagement through media provided by supervisors or law enforcement officials (Cinintya et al., 2022). Greater transparency in local governments will lead to lower levels of corruption. Likewise, a more effective accountability mechanism will reduce the level of corruption (Gamayuni et al., 2023). However, in practice, there are still many provincial government websites that are not transparent in presenting various data that should be known by the public.

Based on the research results by Cinintya et al (2020) and Brusca et al., (2018), the implementation of transparency from the provincial government has a negative impact for the corruptions level. In line, with the results of Chen & Neshkova's research, (2020) which shows that fiscal transparency is took a vital role in the final stage of the fiscal year because it illustrates actual government spending and can serve as an effective anti-corruption tool. Different results were found by Gamayuni et al. (2023) and Ismail et al. (2018) that transparency was not proven to reduce corruption in the Indonesian provincial government.

The second factor that affects the level of corruption is accountability.  Accountability describes the government responsibility for public resources, how public resources are allocated, and responsibility for the results obtained with these public resources. Accountability is one of the important things in tackling corruption. Planning and budgeting, ethics and behavior of officials who manage public funds, and accountability oversight are some of the components that contribute to increased accountability (Gamayuni et al., 2023).

In Indonesia, average accountability performance scores are high and often remaining in the stagnant position or do not increased significantly. This might occur due to the accountable performance reporting only fulfills the obligation to implemented the law, without attempting to improve the assessment over the previous period. This is an act of fraud that will eventually lead to corruption (Fuadi and Mabrur, 2021). Local governments with low performance accountability and high audit response rates are more prone to corruption. This demonstrates how accountability can help reduce corruption. Muhtar et al. (2018). But in reality, the provincial government makes accountability only a target that needs to be achieved, such as an unqualified opinion from BPK RI.

Triwibowo, (2020), Phiri Joseph, (2019), Muhtar et al., (2018), Rahayuningtyas & Setyaningrum, (2017), Ikhwan et al., (2016), and Rini & Sarah, (2015) show that accountability has a negative effect on the level of corruption found in audit opinion affects corruption in the long term in a region. In contrast to research by Gamayuni et al., (2023) and Fuadi & Mabrur, (2021) which show that accountability has not been proven to reduce corruption in the Indonesian provincial government.

The third factor that affects the level of corruption is Discretionary Accruals. Discretionary Accruals are variable error terms or changes that are not related to economic conditions but are caused by government policies (Gamayuni et al., 2023). Discretionary Accruals in government is an activity of determining accounting treatment for financial statements or setting accounting numbers. Discretionary Accruals has another name earnings management in private companies. In local government, earnings management has become a way for politicians to manipulate financial statement numbers according to their interests (Cohen et al., (2019).

In Indonesian provincial governments, Discretionary Accruals show that some surpluses and deficits are larger than they actually are. As a result, local governments tend to use procedures or policies to enlarge their surpluses or deficits to be close to zero, such as abnormally raising revenue returns, abnormally lowering depreciation expenses. Discretionary Accruals can lead to fraud and have the effect of increasing the level of corruption. When there is an increase in Discretionary Accruals, the number of corruption crimes will also increase (Gamayuni et al., 2023).

Research by Gamayuni et al. (2023) revealed that discretionary accruals have a positive impact on the corruption level in provincial governments in Indonesia. In line with research conducted by Xu

et al. (2019), discretionary accruals affect the level of corruption in the United States, and earnings management practices (discretionary accruals) of local governments are known in companies located in corrupt areas of the United States. The fourth factor that affects the level of corruption is total assets. Total assets are the amount of resource wealth owned by a group of companies in units of money and are based on how quickly the changes are converted into units of cash. Local governments that have a sufficient amount of fixed assets will have the capacity to allocate a budget for capital expenditures (Widiasmara, 2019). Large total regional assets that will be difficult to record, monitor, and manage will provide irresponsible individuals who can commit fraud, one of which is corruption. The greater the total assets owned by the government, the greater the level of corruption that may occur (Nuruddinia & Rahmawati, 2021). Research by Nuruddinia & Rahmawati (2021) and Maria et al. (2019) states that total assets have a positive effect on corruption. Not in line with research (Gamayuni et al., 2023) which states that the province's total assets do not affect the amount of corruption that occurs. This research is a development of research Gamayuni et al. (2023), "The Effect of Good Government Governance and Discretionary Accrual on the Level of Corruption in Indonesia's Local Government." This research was conducted on all provincial governments in Indonesia in 2021-2022. Based on the background description above, the researchers are interested in taking research with the title " The Effect of Transparency, Accountability, Discretionary Accruals and Total Assets on Corruption Levels in Indonesian Provinces".

## Literature Review

### Agency Theory

Agency theory explains that the relationship between principal and agent is formed through a contract, in which the principal assigns responsibilities to the agent (Jensen & Meckling 1976). In the interaction between the principal and the agent, there is an opportunity for information asymmetry because the agent has more information than the principal. Information asymmetry causes moral hazard and adverse selection. Moral hazard occurs when agents act against the interests of the principal to maximize their benefits, while adverse selection occurs when the principal cannot properly monitor whether the agent is carrying out his interests properly (Fuadi & Mabrur, 2021).

Governments can also see agency conflicts, which are often associated with fraud or corruption. When there is information asymmetry in the relationship between agents and leaders, there is a risk of corruption. Information asymmetry encourages agents to do things that go against the interests of the leader and ignore the interests of the public or society to maintain their position and obtain the most financial benefits for themselves Rahayuningtyas & Setyaningrum, (2017).

This can be described in terms of agency theory with the public as the principal and local government as the agent. Local governments use state money in the form of the Regional Budget (APBD) and the public demands transparency and accountability for the budget. Involving the public to actively participate in the anti-corruption movement can increase the chances of success in eradicating corruption in the future (Kurniawati & Pratama, 2021).

### Corruption Level

In the government sector, corruption is an act of abuse of power using means that are contrary to the provisions and rules of law by public officials for personal gain. Corruption is related to the misuse of public office for personal gain (Fuadi & Mabrur, 2021). Based on Law Number 20 of 2001 concerning the Eradication of Corruption, Corruption is the abuse of authority by unlawful means to obtain personal or group benefits or benefits that can harm the public interests. In this study, corruption is measured by the number of corruption cases that occur annually in each province with data obtained from the Attorney General's Office of the Republic of Indonesia in 2021-2022 (Gamayuni et al., 2023).

### Transparency

Based on the Indonesian Government Regulation (PP) Number 71 of 2010 concerning Government Accounting Standards, transparency is providing open and honest financial information to the public based on the consideration that the public has the right to know openly and thoroughly about the government's accountability in managing the resources entrusted to it and its compliance with laws and regulations (Gamayuni et al., 2023).

Transparency at the end of the fiscal year is crucial in describing government budget expenditures and can be used as an effective anti-corruption tool for the government. Increasing budget transparency can be used to prevent opportunities for dishonest officials to commit fraud, so this can reduce corruption Chen & Neshkova, (2020).

In this study, transparency is measured based on the government's openness in providing a website that includes information about LHKPN (State Organizer's Wealth Report), LR (Budget Realization Report), LAK (Cash Flow Report), CALK (Notes to Financial Statements), RKPD (Local Government Work Plan), LKIP (Government Agency Performance Report) with a score of 1-7 according to the number of documents available and accessible to the public. his indicator is based on Information Commission Regulation No. 1/2010 on Public Information Service Standards (Cinintya et al., 2022).

### Accountability

Based on Government Regulation (PP) Number 71 of 2010 concerning Government Accounting Standards, accountability is to account for the management of resources and the implementation of policies entrusted to the reporting entity in achieving predetermined goals periodically (Gamayuni et al., 2023). Based on Presidential Regulation Number 29 of 2014 concerning the Government Agency Performance Accountability System, performance accountability is a manifestation of the obligation of a government agency to account for the results of the implementation of programs and activities in achieving the agency's mission as measured by the targets set through performance reports that are prepared periodically (Fuadi & Mabrur, 2021).

Government structures and accountability institutions require accountability and oversight of this accountability to reduce the level of corruption. Directly, accountability can have an effect in reducing corruption (Phiri Joseph, 2019). In this study, accountability is measured based on the results of the BPK RI examination. The score set is 1-4 according to the opinion given, namely score 1 for TMP (No Opinion / Disclaimer) opinion, score 2 for TW (Unreasonable) opinion, score 3 for WDP (Reasonable With Exceptions) opinion, and score 4 for WTP (Unqualified) opinion (Gamayuni et al., 2023).

### Discretionary Accruals

Discretionary Accruals in government is the government's policy to choose accounting treatment, or in other words to manage accounting numbers such as total accruals, revenue, receivables, buildings, property, and equipment, or in private companies called earnings management (Gamayuni et al., 2023).Indonesia considers earnings management practices as opportunistic behavior, which means managers act in their interest rather than the interest of shareholders. It is the same in government when the government behaves opportunistically at the expense of the people's interests.

In this study, discretionary accruals are measured by the discretionary accruals equation and based on the modified Jones formula for discretionary accruals (Brahmono & Purwaningsih, 2022).

*Total Assets*

Total Assets are all assets owned by individuals or groups that are tangible or intangible, which have value for the benefit of each person or company (Daniel & Chariri, 2024). The amount of total assets owned by a region will be a consideration for its government in allocating its budget for capital expenditures. Local governments that already have sufficient fixed assets will consider the procurement of fixed assets or infrastructure in (Widiasmara, 2019).

The large number of assets of a region indicates that the region has a large size and has the ability to carry out its economic activities. However, there are still many local governments that cannot manage and record their assets. Large local governments tend to have loose supervision. The large number of regional assets and the difficulty of recording, monitoring, and managing these assets are opportunities for irresponsible parties to commit corruption (Nuruddinia & Rahmawati, 2021). In this study, total assets are measured by the natural log of total provincial assets derived from the Local Government Financial Statements (LKPD) (Gamayuni et al., 2023).

**Hypotheses Development**

Based on the agency theory perspective, fiscal transparency has the potential to reduce corruption by assigning responsibility to elected officials. This can only be achieved if the public is aware of the actions of their representatives and can reconsider bad policies. An open environment reduces information asymmetry between the public and public officials. It also helps align the interests of agents with those of principals. In fiscal information, transparency means that the government must report to citizens on the actual execution of budgets and spending plans (Chen & Neshkova, 2020). The more open financial management documents are as a form of transparency, the less corruption the government will commit. Transparency allows financial managers to be more compliant with regulations because the public can assess whether resources are being managed properly. It is expected that the implementation of the transparency process will make governments more careful in managing the finances entrusted to them and prevent them from misappropriating the assets they manage. With the increasing transparency of the government in disclosing information, the level of corruption will decrease (Cinintya et al., 2022).

The results of research by Cinintya et al., (2022) and Brusca et al., (2018) show that transparency has a negative effect on corruption. In line with Chen & Neshkova's research, (2020) data from 2006-2014 on 95 countries shows that fiscal transparency is very important in the final stage of the fiscal year because it illustrates actual government spending and can serve as an effective anti-corruption tool.

H1: Transparency has a negative effect on the level of corruption.

Based on agency theory, it is emphasized that the government is the principal and the community is the agent. One way to prevent asymmetric behavior between principals and agents is to increase government accountability. Accountability is one of the important elements in the fight against corruption which shows that the government responsible for public resources is also responsible for how these resources are allocated and used, as well as the results achieved from these uses (Gamayuni et al., 2023). To reduce corrupt practices that occur and encourage accountability in government, some African countries are stated to have implemented various accounting, auditing, and accountability institutions. It is hoped that increasing government accountability can reduce the level of corruption in the government (Phiri Joseph, 2019).

Research by Triwibowo, (2020), Phiri Joseph, (2019), Muhtar et al., (2018), Rahayuningtyas & Setyaningrum, (2017), Ikhwan et al., (2016), and Rini & Sarah, (2015) shows that accountability has a negative effect on the level of corruption contained in the audit opinion in the long term in a region.

H2: Accountability has a negative effect on the level of corruption.

Based on agency theory, accountability must be owned by the government (principal) as a form of responsibility to society (agent). Discretionary Accruals are a form of asymmetrical government behavior towards accountability. Discretionary Accruals are accounting treatments used to manage accounting numbers in financial statements or companies this is called earnings management (Gamayuni et al., 2023). According to, financial statement management in local government is a tactic for politicians to manipulate the numbers in the financial statements for their interests (Cohen et al., 2019). The manipulation activities, for example, in the presentation of financial statements, need to be well presented because it will affect the acquisition of subsidies from the central government and the Unqualified Opinion (WTP) by BPK RI on its financial statements. This is one of the factors for corruption in local government. The higher the Discretionary Accruals behavior, the higher the level of corruption. It is hoped that the government will reduce Discretionary Accrual behavior in presenting its financial statements to reduce corruption (Bisogno & Donatella, 2022).

Research conducted by Gamayuni et al., (2023) that Discretionary Accruals have a positive and significant effect on the level of corruption. In line with research by Xu et al., (2019) found that there is a relationship between local government earnings management practices in companies located in corrupt regions in the United States and political corruption in the country. Higher earnings management (Discretionary Accruals) is associated with higher corruption.

H3: Discretionary Accruals have a positive effect on the Level of Corruption

Corruption will not occur without opportunity. The government as a principal manages total assets as a government responsibility to the people (agent). The government will not commit criminal acts of corruption without opportunity. One of the opportunities that exist is that the large amount of total assets makes supervision of government financial management limited and is one of the causes of criminal acts of corruption. The greater the total assets owned by the government, the greater the corruption that will occur (Nuruddinia & Rahmawati, 2021).

The results of Nuruddinia & Rahmawati's research, (2021) state that total assets have a positive influence on corruption, which is one of the fraudulent behaviors in government finance. In line with the research of Maria et al., (2019) states that total assets have a significant positive effect on corruption. Therefore the authors set the hypothesis as follows:

H4: Total assets have a positive effect on the level of corruption

## 2. METHOD
### Research Design

This research is a quantitative study using secondary data. The objects in this study are all provincial governments in Indonesia with a research period from 2021 to 2022. This study aims to

examine the effect of transparency, accountability, discretionary accruals, and total assets on the level of corruption. Therefore, this research is included in the analysis model as follows.
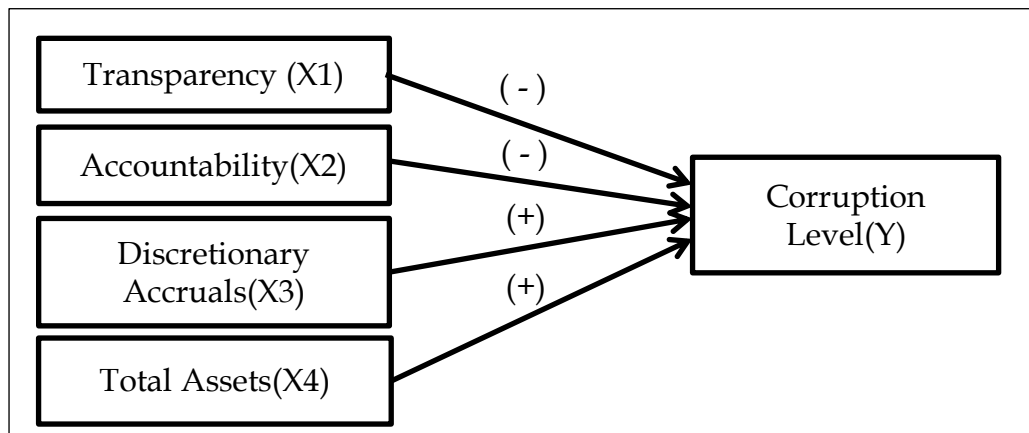


Figure 1: Conceptual Framework

Keterangan
COR = Corruption Level (Y)
TRANS = Transparency (X1)
AKUN = Accountability (X2)
DA = Discretionary Accruals (X3)
TA = Total Assets (X4)

**Participants/Sample Selection and Data Sources**

The population of this study is all provincial governments in Indonesia in 2021-2022. The sample selection technique used is a purposive sampling technique with the following criteria:

1. Provinces included in the recapitulation of the Indonesian Attorney General's Office's corruption crimes in 2021-2022

2. Provinces that provide official websites regarding information disclosure that can be accessed by the public

3. Provinces that have an Examination Report (LHP) by BPK RI for 2021-2022

Based on the above criteria, 33 provinces were selected that met the research sample criteria. The data obtained in this study were 66 data.

**Instrumentation/Data Collection**

The data used in this study are secondary in the form of documentation obtained from the 2021-2022 annual report of the Attorney General's Office which presents information to measure corruption, the website of each province which presents information to measure transparency, the audit report (LHP) of each province which presents information to measure accountability, discretionary accruals, and total assets. The data obtained were recorded and reviewed before being analyzed. A literature review is obtained from previous research, books, and information sources.

**Data Analysis/Estimating Model/Variable Measurement**

This study uses a quantitative analysis method with Eviews 12 Student Version Lite as a data analysis tool. Panel data regression is used in this study to determine the effect of independent variables in the form of transparency, accountability, discretionary accruals, and total assets on the dependent

variable, namely the level of corruption. The analysis carried out is a model selection test, classical assumption test, and regression test.

Variable measurements in this study are carried out as follows:

Table 1. Variable measurment

| Variable name | Abbreviations | Description | Reference |
|---|---|---|---|
| Corruption Level | *COR* | Number of corruption cases per year at the prosecution stage for each province from data derived from the AGO's annual report. | (Gamayuni et al., 2023) |
| Transparency | TRAN | Availability of annual data on the website: RKPD, LHKPN, LKIP, LRA, Balance Sheet, LAK, and CALK documents<br>Measurement criteria:<br>Score 0: if no documents are available<br>Score 1: 1 document<br>Score 2: 2 documents<br>Score 3: 3 documents<br>Score 4: 4 documents<br>Score 5: 5 documents<br>Score 6: 6 documents<br>Score 7: if all documents are available<br><br>RKPD = Local Government Work Plan, LHKPN = State Organizer's Treasure Report, LRA = Budget Realization Report, LAK = Cash Flow Statement, CALK = Notes to Financial Statements, LKIP = Government Agency Performance Report | (Cinintya et al., 2022) |
| Accountability | AKUN | Weight 1 - 4 for opinions.<br>1. Score 1 for a TMP opinion.<br>2. Score 2 for TW opinion.<br>3. Score 3 for WDP opinion.<br>4. Score 4 for WTP opinion.<br>TMP = disclaimer, TW = adverse, WDP = unqualified, WTP = unqual | (Gamayuni et al., 2023) |
| Discretionary Accruals | DA | Equation for finding Discretionary Accruals:<br><br>$DISCACCR_{jt} = TACCR_{jt} - EXPACCR_{jt}$ [1]<br>$ACCR_{jt} = -DY_{jt} + COFO_{jt} = COFO_{jt} - Dy_{jt}$ [2]<br><br>$ACCR_{jt}/TA_{jt-1} = \alpha\, 1/TA_{jt-1} + \beta\, (deltaREV_{jt}/TA_{jt-1}) + \gamma\, (APD_{jt}/TA_{jt-1}) + \varepsilon_{j,t}$ [3]. | (Gamayuni et al., 2023) |

Modified Jones model formula:

$$ACCR_{jt}/TA_{j\,t-1} = \alpha\,(1/TA_{j\,t-1}) + \beta\,(\text{delta } REV_{jt}/TA_{jt-1} - \text{delta } AR_{jt}/TA_{j\,t-1}) + \gamma\,(PPE_{jt}/TA_{j\,t-1}) + \varepsilon_{j,t}\,[4].$$

Notes:

$DISCACCR_{jt}$ = discretionary accruals of province j, year t.

$TACCR_{jt}$ = Total Accruals of province j, year t.

$EXPACCR_{jt}$ = Expected Accruals or non-discretionary accruals of province j, year t.

$DY_{jt}$ = Surplus/Deficit of province j, year t.

$COFO_{jt}$ = Cash flow from operations of province j, year t.

$ACCR_{jt}$ = Total accruals of province j, year t.

$REV_{jt}$ = Revenue of province j, year t

$ACCR_{jt}$ = Total accruals of province j, year t

$AR_{jt}$ = Accounts Receivable of province j, year t

$PPE_{jt}$ = Plant, Property, Equipment, province j, year t.

$TA_{jt-1}$ = Total assets of province j, year t-1

| Total Assets | TA | Natural Log of Total Assets Province j | (Nuruddinia & Rahmawati, 2021) |
|---|---|---|---|

## 3. RESULTS AND DISCUSSION

**Results**

**Statistik Deskriptif**

Table 2. Statistik Deskriptif

|  | Minimum | Maximum | Mean | Std. Dev | Observations |
|---|---|---|---|---|---|
| Y_COR | 9.000000 | 171.0000 | 53.30303 | 30.84551 | 66 |
| X1_TRAN. | 0.000000 | 7.000000 | 4.439394 | 2.367269 | 66 |
| X2_AKUN | 3.000000 | 4.000000 | 3.969697 | 0.172733 | 66 |

| | | | | | |
|---|---|---|---|---|---|
| X3_DA | -0.206440 | 0.204083 | -0.037318 | 0.048927 | 66 |
| X4_TA | 28.56278 | 34.16041 | 30.37448 | 0.972522 | 66 |

(Source: Eviews Output, 2024)

Table 2 shows that the corruption level variable (Y) has an average value of 53.30, which means that there are 53 cases of corruption in provinces throughout Indonesia in the 2021-2022 annual report of the Indonesian Attorney General's Office. DKI Jakarta Province has the highest case of 171 in 2021, while Bali and North Maluku Provinces have the lowest case of 0 in 2021, and DIY Province has the lowest case of 9 in 2021.

The Transparency variable (X1) has an average value of 4.43, meaning that transparency in provincial governments in Indonesia is still incomplete (1 - 7). The highest transparency value is 7, where the province has disclosed seven documents on its website which include LHKPN (State Organizer's Wealth Report), RKPD (Local Government Work Plan), LKIP (Government Agency Performance Report), LRA (Budget Realization Report), Balance Sheet, LAK (Cash Flow Statement), and CALK (Notes to Financial Statements).

The Accountability variable (X2) has an average value of 3.96, which indicates that the audit opinion by the Supreme Audit Agency (BPK) of the Republic of Indonesia on the Regional Government Financial Statements (LKPD) of the provincial governments in Indonesia can be categorized as good because it is close to the maximum value of 4. Every province in Indonesia obtained a value of 4 with an unqualified opinion (WTP), except for the provinces of Papua and North Maluku in 2022, which obtained a value of 3.

The Discretionary Accruals variable (X3) has an average value of -0.03, the average discretionary accrual is negative which indicates a higher surplus / deficit or not in accordance with reality. This means that the government is indicated to carry out earnings management using discretionary accruals to reduce the surplus / deficit figure.

Then the last, namely the Total Asset variable (X4) has an average value of 30.37 with the highest value of 34.16 by the DKI Jakarta provincial government in 2022. The lowest total asset value is 28.56 by the Gorontalo provincial government in 2021.

**Model Selection**

Table 4. Model selection

| | Prob. | Result | Desicion |
|---|---|---|---|
| Chow Test | 0.0003 | FEM | Proceed to Hausman test |
| Hausman Test | 0.5519 | REM | Proceed to LM test |

| LM Test | 0.0013 | REM | Finished |
|---------|--------|-----|----------|

From the Model selection test above, the random effect model (REM) was selected as the regression model. REM was chosen because the Prob value was 0.00 <0.05 in the LM test. Because the selected model is the random effect model (REM), therefore no classical assumption test is required (Gujarati, 2012).

**Regression Test**

Table 6. Regression Test Results

| Variables | Coefficient | Std. Error | t-Statistic | Prob. |
|-----------|-------------|------------|-------------|-------|
| C | -337.9515 | 170.0049 | -1.987893 | 0.0513 |
| X1_TRAN | 0.811110 | 1.432343 | 0.566282 | 0.5733 |
| X2_AKUN | 0.816646 | 16.35958 | 0.049919 | 0.9604 |
| X3_DA | 73.81093 | 70.55418 | 1.046159 | 0.2996 |
| X4_TA | 12.74643 | 5.103464 | 2.497604 | 0.0152 |
| R-squared | 0.175242 | | | |
| Adjusted R-squared | 0.121160 | | | |
| Pro(F-statistic) | 0.017798 | | | |

The following is the panel data regression equation from the regression test:

Y_COR = -337.95 + 0.81*X1_TRAN + 0.81*X2_AKUN + 73.81*X3_DA + 12.74*X4_TA
Description:
Y_COR            = Corruption Level
X1_TRAN          = Transpararency
X3_DA            = Discretionary Accruals
X4_TA            = Total Assets

The Prob(F-statistic) value is $0.01 < 0.05$, meaning that the data has met the goodness of fit requirements. Therefore, the analysis can be continued.

The adjusted R-squared value is 0.121160 which means Transparency, Accountability, Discretionary Accruals, and Total Assets can explain 12,11% of the Corruption Level.

**Hypothesis Test Results**

Table 8. Hypotesis Test Result

| | Description | Coefficient | Prob. | Desicion |
|---|-------------|-------------|-------|----------|
| H1 | Transparency has a negative effect on the level of corruption | 0.811110 | 0.57 | Rejected |
| H2 | Accountability has a negative effect on the level of corruption | 0.816646 | 0.96 | Rejected |
| H3 | Discretionary accruals have a positive effect on the level of corruption | 73.81093 | 0.29 | Rejected |
| H4 | Total assets have a positive effect on the level of corruption | 12.74643 | 0.01 | Accepted |

**Discussion**

### The Effect of Transparency on the Level of Corruption

The results of testing this research hypothesis confirm that transparency does not affect the level of corruption; more transparent provincial governments in providing online documents have not been proven to reduce the level of corruption. Provincial governments across Indonesia still lack transparency in providing Government Agency Performance Reports (LKIP), Local Government Work Plans (RKPD), and State Organizer Wealth Reports (LHKPN).

The results of this study are in line with research by Gamayuni et al. (2023) and Ismail et al. (2018) that transparency is not proven to reduce corruption in the Indonesian provincial government. However, the results of this study differ from the research of Cinintya et al., (2022), and (Brusca et al., 2018) showing that provincial government transparency has a negative effect on the level of corruption. Likewise, the results of research by Chen & Neshkova, (2020) in Gamayuni et al., (2023) show that fiscal transparency can describe government spending and can serve as an effective anti-corruption tool.

### The Effect of Accountability on the Level of Corruption

The results show that accountability has no impact on the level of corruption. Based on the Indonesian Supreme Audit Agency's (BPK RI) assessment of provincial governments' annual financial reports, there is no evidence to suggest that there has been a significant reduction in the level of corruption in provincial governments in Indonesia. Almost all provinces in Indonesia received an unqualified opinion (WTP) with a score of 4, but this still has no effect on reducing the level of corruption because the WTP opinion is used as a target in government so that it does not necessarily show the real conditions.

The results are in line with the research of Gamayuni et al. (2023), and Fuadi & Mabrur (2021), which show that there is no evidence that accountability influences reducing corruption in Indonesia's provincial governments. However, research by Triwibowo (2020), Phiri Joseph (2019), Muhtar et al. (2018), Rahayuningtyas & Setyaningrum (2017), Ikhwan et al. (2016), and Rini & Sarah (2015) shows that accountability significantly has a negative effect on corruption.

### The Effect of Discretionary Accruals on the Level of Corruption

The test results prove that Discretionary Accruals do not affect the level of corruption. The level of Discretionary Accruals made by the government does not significantly affect the level of corruption in provinces throughout Indonesia. Surplus/deficit management is carried out by managing accrual accounts including receivables, income, and PPE (Plan, Property, and Equipment).

The results of this study are in line with the research of Jumardi & Marina Palimbong, (2022) which states that earnings management behavior does not necessarily include corrupt acts so it does not affect corruption. However, it is not in line with the research of Gamayuni et al. (2023) which shows that Discretionary Accruals have a positive influence on the level of corruption in provincial governments in Indonesia. Likewise, research conducted by Xu et al. (2019) found that Discretionary Accruals affect the level of corruption in the United States.

### The Effect of Total Assets on the Corruption Rate

Based on the test results, total assets influence the level of corruption. The higher the total assets owned by the provincial government can significantly increase the level of corruption that occurs in provinces throughout Indonesia. Total assets in this study is a comparison of the total assets of a

province with the total assets of all provinces in Indonesia. The results of this study are in line with the research of Nuruddinia & Rahmawati, (2021) and Maria et al., (2019) which state that total assets have a positive influence on corruption. However, this study is not in line with research (Gamayuni et al., 2023) which states that total provincial assets do not affect the amount of corruption that occurs.

## 4.    CONCLUSION

The purpose of this study is to examining the way of transparency, accountability, discretionary accruals, and total assets affect corruption in Indonesian provincial governments. According to the previous analysis, transparency has no effect on corruption levels in Indonesia due to the country's low transparency in provincial governments. Accountability also has no effect on the level of corruption because opinion as a measure of accountability is simply a goal that the government must achieve by experimenting with different approaches. Discretionary accruals, a type of earnings management, have no significant impact on the level of corruption. On the other hand, total assets have a positive influence on corruption; the higher a provincial government's total assets, the more corruption occurs.

Theoretically, this study should be expected to improve understanding and self-knowledge about corruption, which can then be used to develop future research on corruption, provincial government governance, and financial statements. Especially in Indonesia. This research can help the government develop more effective anti-corruption policies. Understanding the root causes of corruption and the influencing factors allows the provincial government to create more targeted policies that have a real impact on fighting corruption.

This study certainly has limitations, namely the measure of corruption used. It is very difficult to find an appropriate measure that shows the level of corruption of the provincial government. Since data on the corruption perception index of all local governments is not available, as indicated by the Transparency International Indonesia (TII) survey that the corruption perception index is widely used in research related to corruption with the object of the state, it cannot be used in this study which uses provincial objects. Therefore, the proxy for corruption in this study is based on the number of corruption cases decided by the Attorney General's Office of the Republic of Indonesia in the annual report. However, it is possible that corruption cases have not been decided in court until the data collection of this study, which is not addressed in this study.

Thus, future research is expected to look for additional proxies that can better and more thoroughly describe the level of corruption in provincial governments, such as based on the integrity index or the amount of losses caused by state corruption. In addition to these limitations, future research can also extend the year so that it can capture more data related to the effect of transparency, accountability, discretionary accruals, and total assets on the level of corruption in the provincial government as a whole and research with good testing.

## 5.    REFERENCES

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