

# Regional Financial Monitoring Models With Community Participation And Public Policy Transparency As Moderators

Eduard Yohannis Tamaela<sup>1</sup>, Victor Pattiasina<sup>2</sup>, Margaretha B. Dasinapa<sup>3</sup>, Yohanes Marani<sup>4</sup>, Jimmi Ari Duri<sup>5</sup>

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**Abstract**— *The purpose of this study is to examine the effect of legislative members' knowledge of the budget on Regional Development Budget with public participation and transparency of public policy as a moderating variable. The sample of the current study were members of the legislative of the Regional People's Representative of Papua Province, in the period 2019-2024. The number of respondents in this study was 45 legislative members. Hypothesis testing was examined using simple linear regression analysis and MRA (moderated regression analysis). The results showed that the knowledge of legislative members about the budget has had a positive and significant effect on regional financial supervision which proved that the higher the legislative member's knowledge about the budget, the better the supervision of regional finance. Other results show that public participation and transparency of public policies are proven to be able to positively and significantly influence the relationship of the knowledge of legislative members about the budget towards Regional Development Budget. This finding indicates that public participation and transparency in public policy has proven to strengthen the knowledge of legislators about the budget in increasing Regional Development Budget.*

**Keywords**— *Legislative Member Knowledge, Regional Development Budget, Community Participation, Public Policy, Transparency, Papua.*

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## 1 INTRODUCTION

The demands to realize good governance has become one of the crucial issues in Indonesia since the financial crisis that occurred in 1997 s.d. 1998. The crisis then expanded into a multidimensional crisis and has led to a backflow that demands reforms in the administration of the country including its government. In its development, efforts to realize good governance began to be seen from the birth of one of the regulations namely Law (Law) No. 14 of 2008 concerning disclosure of public information, including the budget following the provisions of the Act. To support this regulation, it is necessary to have a monitoring system both internally and externally (Isma Coryanata, 2012) which is indirectly closely related to one of the functions of the

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<sup>1</sup>First Author, STIA Said Perintah, Indonesia, <sup>2</sup> Correspondence Author, Universitas Yapis Papua, Indonesia, <sup>3-5</sup> Universitas Ottow Geissler Papua, Indonesia

legislative body namely the supervisory function. Internal factors are factors that are owned by legislators who directly influence the oversight carried out by legislators, one of which is knowledge of the budget. While external factors are external influences on the oversight function by legislators who indirectly influence the oversight carried out by legislators, including the existence of public participation and transparency of public policies (Isma Coryanata, 2012).

The function of oversight by the legislature itself has always been a topic of discussion which is always debated because of the adverse implications of supervision which will lead to the rampant diversion of state finances. Data in 2018 by the Indonesia Corruption Watch (ICW) recorded 30 regional heads from the Governor, Regent / Deputy Regent and Mayor / Deputy Mayor have been suspected of corruption cases throughout (Mochamad Januar Rizki, 2018). The majority of the regional head's legal issues are related to the misuse of APBD. State losses are estimated at Rp. 231 billion and a bribe value of Rp. Forty-one billion of these cases (Mochamad Januar Rizki, 2018). Based on the sector, the village budget is the most corrupted allocation with a state loss of Rp. 39.3 billion. Then, state losses due to corruption in the government and education sectors reached Rp. 255 billion and Rp. 81.8 billion in that period (Mochamad Januar Rizki, 2018).

This fact indirectly proves that the function of legislative oversight has not been able to become a crucial point of creating good governance, because it has proven unable to narrow the space for the occurrence of disgraceful acts which are carried out by individual government officials themselves. This statement is also based on the opinion of LIPI researcher Siti Zuhro who said that the performance of the legislative body (DPR) is still very suboptimal, including in terms of supervision which should prioritize transparency and accountability to cut the state budget deviations chain (Eko Supriyadi, 2016).

Empirical evidence concerning oversight by the legislature has been widely carried out, including by Isma Coryanata, (2012) who based on the results of his study stated that the knowledge of legislative members about the budget had a positive and significant effect on the supervision of public finances. The results of this study are supported by the results of a study by Agustina Iga Pangesti, (2013) which also proves that there is an influence between the knowledge of legislators about the budget on Regional Development Budget (APBD). The two results of the study above are also supported by; Trini Wulandari and Deviani, (2013); Faisal, Yusri Hazmi, Ali Imran, (2014); Sudiarta, Sulindawati, & Sujana, (2014); Sari, (2018) and Maisyarah, (2018). However, the results of a different study were also conveyed by Utami, (2013) who stated the contradictory results, namely the knowledge of legislators about the budget proved not to affect regional financial supervision.

The results of testing the influence of moderation between public participation and transparency of public policy on the relationship between the knowledge of members of the legislature on Regional Development Budget have been carried out in Indonesia in the last ten years, including Isma Coryanata, (2012) which proves that public participation and transparency of public policy affect relations between legislative members' knowledge of the budget and significant oversight of public finances. This result is supported by the results of an empirical study by; Faisal, Yusri Hazmi, Ali Imran, (2014); Sudiarta et al., (2014) and Maisyarah, (2018). However, the results of the above studies were disputed by Agustina Iga Pangesti, (2013) which stated that public participation and transparency of public policy had no effect on the relationship between the

knowledge of legislative members and Regional Development Budget (APBD) which was also supported by the results of other consistent studies namely; Utami, (2013); Trini Wulandari and Deviani, (2013) and Sari, (2018).

Analysis of the results of the empirical study clearly shows that there is an ambivalence or a gap in the results of the study (research gap). This motivates the researcher to replicate the conceptual model of the empirical studies above to be re-tested with the general objective of reducing ambivalence or the gap in the results of the research and accurately to analyze the effect of the knowledge of legislative members about the budget on regional financial supervision with public participation and transparency public policy as a moderator with the object of research on members of the Papua Province DPRD.

## **2 LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT**

### **2.1 Agency Theory**

Lupia & McCubbins, (2000) state that citizens are principals who appoint their representatives to serve them as agents in parliament, while Andvig, Fjeldstad, Amundsen, Sissener, & Søreide, (2001) say voters are principals from parliament. Hagen, (2001) 2002) in terms of policymaking argued that the principal-agent relationship that occurs between voters and the legislature shows how voters choose politicians to make decisions about public spending for them and they provide funds by paying taxes. When the legislature then involved in making decisions on the allocation of spending in the budget, then they are expected to represent the interests or preferences of principals or voters. The legislature, as an agent for the public, does not always have the same interests as the public (Syukriy Abdullah and Jhon Andra Asmara, 2007).

### **2.2 Regional Financial Supervision**

Supervision carried out by legislative members begins during the process of drafting the APBD, ratification of the APBD, implementation of the APBD and APBD accountability. Alamsyah, (1997) states that the purpose of the existence of APBD supervision is to: (1) ensure that the compiled budget is run, (2) keep the implementation of the APBD following the budget outlined, and (3) keep the implementation of the APBD correctly.

### **2.3 Previous Research and Hypothesis Development**

Isma Coryanata (2012), based on the results of her study, stated that the knowledge of legislative members about the budget had a positive and significant effect on the supervision of public finances. The results of this study are supported by the results of a study by Agustina Iga Pangesti, (2013) which also proves that there is an influence between the knowledge of legislators about the budget on Regional Development Budget (APBD). The two results of the study above are also supported by; Trini Wulandari and Deviani, (2013); Faisal, Yusri Hazmi, Ali Imran, (2014); Sudiarta et al., (2014); Sari, (2018) and Maisyarah, (2018). Based on the results of the empirical studies above, the first hypothesis proposed is "Knowledge of the budget influences Regional Development Budget in Jayapura Regency, Papua Province" (H1).

The results of testing the influence of moderation between public participation and transparency of public policy on the relationship between the knowledge of legislative members on Regional Development

Budget was delivered by Isma Coryanata, (2012) which proves that public participation and transparency of public policy affect the relationship between legislative members' knowledge of the budget and financial oversight significantly public. This result is supported by the results of an empirical study by; Faisal, Yusri Hazmi, Ali Imran, (2014); Sudiarta et al., (2014) and Maisyarah, (2018). Based on the results of the empirical studies above, the second and the third hypothesis proposed is "Public participation can moderate the influence of legislative members' knowledge of the budget on Regional Development Budget in Jayapura Regency, Papua Province" (H2); and "Transparency of public policy can moderate the influence of legislative members' knowledge of the budget on Regional Development Budget in Jayapura Regency, Papua Province" (H3).

### **3 METHODOLOGY**

The current research is a descriptive study which explains the influence of knowledge of the budget on regional financial supervision moderated by public participation and transparency of public policy. The population in this study were all members of the Jayapura Regency DPRD in Papua Province during the 2019-2024 service period, totalling 45 people. Determination of the sample used in this study using census techniques so that the number of samples is equal to the total population. Data collection using a questionnaire and unstructured interview instruments. The analysis technique used to answer the problem and research objectives is simple linear regression analysis and MRA (Moderated Regression Analysis) regression analysis.

### **4 RESULT AND DISCUSSION**

#### **Research Instrument Testing**

Testing instruments in this study are intended to test the validity or validity of the questionnaire used by researchers, namely the validity and reliability tests. Validity testing in this study uses Product Moment Person correlation, where the validity of the instrument can be determined by comparing the Product-Moment-Person correlation index with a significant 5%. Furthermore, reliability testing uses Alpha Cronbachs where an instrument can be said to be reliable if it has a reliability coefficient greater than or equal to 0.6 meaning that if  $\alpha = 0.6$  then the instrument can be said to be reliable.

Furthermore, The results of the validity test have also indicated that overall, the current research variable is stated to be valid because the significance level (sig) ranges from 0,000 to 0.008 which is less than 0.05. While the reliability test results have a correlation coefficient ranging from 0.605 to 0.822 which is more significant or above 0.60 so that all of the research data can be said to be reliable, which means that this data is feasible to proceed in the next stage of data processing.

Next, regular distribution of the current research data has been conducted as shown below.

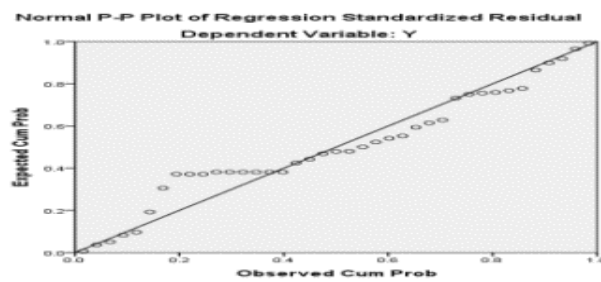


Figure 1.  
Normality Test

Based on the typical probability plot above, the data of this study can be stated to have met the norms of normality because it appears that the data spread is following a diagonal line, spreads randomly and does not form specific patterns.

Furthermore, heteroscedasticity testing was conducted. Heteroscedasticity testing in this study was carried out by looking at scatterplot charts images, as shown in Figure 2 below.

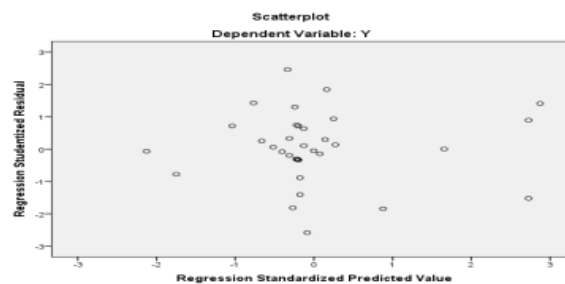


Figure 2.  
Heteroscedasticity Test

The figure above shows that the research data is heteroscedasticity free because the data points spread above and below the number 0 on the Y-axis. Furthermore, multicollinearity testing is performed. Multicollinearity testing in this study used the value of Variance Inflation Factor (VIF). The following are the results of multicollinearity testing. The instrument testing itself used several methods, including; discriminant validity, composite reliability, convergent validity, R-square measurement, and goodness of fit (GoF) index, as well as Loading Factor and an average score of each indicator.

Table 1. Multicollinearity Testing  
 Model Collinearity Statistics

Model	Collinearity Statistics	
	Tolerance	VIF
Legislative Member Knowledge	0.838	1.193
Society participation	0.222	4.512
Moderation 1	0.242	4.135
Moderation 2	0.838	1.193

Note:

- $\alpha$  = Constant
- X1 = Legislative Member Knowledge
- X2 = Society participation (Moderation Variable)
- X3 = Public Policy Transparency (Moderation Variable)
- X1\*X2 = Interaction between Legislative Member Knowledge and Community Participation (Moderation 1)
- X1\*X3 = Interaction between Legislative Member Knowledge and Community Participation (Moderation 2)
- Y = Regional Financial Supervision
- $\beta_1$  = Regression coefficient of hypothesis testing 1
- $\beta_2$  = MRA coefficient of hypothesis testing 2
- $\beta_3$  = MRA coefficient of hypothesis testing 3
- e = Error

### Hypothesis 1 Testing

Based on the testing, T count value is 5830 which is more significant than t table of 1.685 with a significance of 0.000 so that  $H_a$  is accepted or it means that the first hypothesis is accepted or the legislative member's knowledge of the budget has a positive and significant effect on regional financial supervision. Influence of the knowledge of legislators about the budget to the supervision of regional finances (APBD) is possible. This is possible because the majority of the members of the Papua Province DPRD have an undergraduate education and have held this political position for two periods and there are even three periods. This fact shows that the majority of DPRD members have a level of education and work experience that is certainly able to form a good understanding of understanding budget preparation.

Judging from the agency theory applied to public sector organizations, legislative members are required to have adequate knowledge. This adequate knowledge can be seen from the characteristics of legislative members consisting of various backgrounds including age, level of education, formal education, last job as a member of the DPRD, length of service and position in the DPRD are supporting factors in increasing

the knowledge of legislators. The characteristics of different members of the legislature are expected to arise sharing behaviour and complementing knowledge, creating synergy between members of the legislature or it can be said that the higher the legislative member's knowledge of the budget, the better in performing the APBD oversight function as one manifestation of the implementation the principles of good governance (good governance). The results of this study are in line with research obtained by; Isma Coryanata, (2012); Agustina Iga Pangesti, (2013); Trini Wulandari and Deviani, (2013); Faisal, Yusri Hazmi, Ali Imran, (2014); Sudiarta et al., (2014); Sari, (2018) and Maisyarah, (2018)).

### **Testing of Hypothesis 2 and 3**

The results of the analysis show that the value of t calculated Moderation 1 coefficient of 3,281 which is more significant than t table of 1,685 with a significance of 0.002 which is smaller than the value of p-value 0.05 so  $H_a$  is accepted means that the second hypothesis is accepted or community participation can positively moderate and significant influence of legislative members' knowledge of the budget on Regional Development Budget (APBD).

Judging from the agency theory, people are not just beneficiaries or objects, but agents (subjects) who have a significant portion in all government activities. With the principle of community participation, the public/community has access to each stage of the APBD. Community participation is intended to guarantee that the APBD prepared reflects the aspirations of the community. In order for the principle of community participation to be realized, one of which is the need for socialization or communication of policy changes in the APBD to the public so that the community can be directly involved in providing input when preparing general APBD directions and policies.

The results of the third hypothesis testing show that the value of the t count moderation of public policy transparency is 2,168 which is more significant than t table of 1,685 with a significance of 0.037 which is smaller than the p-value of 0.05 so  $H_a$  is accepted which means the third hypothesis is accepted or transparency of public policy can positively and significantly moderate the influence of legislative members' knowledge of the budget on Regional Development Budget (APBD). Judging from the agency theory, it can be stated that supervision by legislative members of the regional budget (APBD) carried out by the executive can reduce the asymmetric information and reduce uncertainty. Reducing uncertainty in the stages of APBD preparation requires a system of providing information to the public that can improve budget transparency policies and implementation of other public policies through the convenience provided for the public to be able to access, manage and utilise information quickly and accurately to encourage the realization of a clean government, transparent and able to respond to demands for change effectively and efficiently. This finding is following the results of empirical studies by Coryanata (2012); Faisal, Yusri Hazmi, Ali Imran, (2014); Sudiarta et al., (2014) and Maisyarah, (2018).

## **5 CONCLUSION AND SUGGESTION**

Based on the results of the research and the discussion previously, the following conclusions are stated as follows.

1. Legislative members' knowledge of the budget has a significant positive effect on Regional Development Budget (APBD). The results of this study provide evidence that the higher the knowledge of legislators about the budget, the better the supervision of regional finances (APBD).

2. Public participation can positively and significantly influence the knowledge of legislative members about the budget on Regional Development Budget (APBD). The results of this study indicate that community participation strengthens the knowledge of legislative members about the budget in increasing Regional Development Budget (APBD).

3. Transparency of public policies can positively and significantly influence the knowledge of legislative members about the budget on Regional Development Budget (APBD). The results of this study indicate that the transparency of public policy strengthens the knowledge of legislators about the budget in increasing Regional Development Budget (APBD).

The confirmed hypotheses of the current research have several practical and theoretical implications as follows;

#### 1. Theoretical Implications

As explained earlier, which shows the influence of legislative members' knowledge of the budget on Regional Development Budget (APBD) with public participation and transparency of public policy as a moderating variable. Theoretically, this study supports the grand theory of Agency Theory and encourages further research directions to more accurately examine other variables that can affect Regional Development Budget (APBD).

#### 2. Practical Implications

This research has practical implications that for members of the legislature in improving their performance is expected to have adequate budget knowledge so that they can support decision making. Both the executive and legislative branches of government are expected to increase public participation and transparency of public policies on the budget so that it will increase the level of budget oversight. This research is expected to be useful for the development of literature in the area of regional financial supervision.

Next, based on the conclusion, it is suggested several points as follows. (1) Public knowledge about the budget for Regional Development Budget (APBD) needs to be maintained or if possible. This can be achieved through the involvement of legislative members in training activities or seminars that focus on budget oversight. Increased knowledge of legislative members is expected to be able to identify failures and leakages in the implementation of regional finances (APBD). (2) Community participation in Regional Development Budget (APBD) needs to be further enhanced not only in determining APBD strategies and priorities but also in budget formulation and as a consideration for budget revision. (3) The need for an increase in public policy transparency towards Regional Development Budget (APBD) through the convenience of the public in accessing public documents and accommodating community proposals on the budget.

Undeniable, the current study still has many limitations that might affect the results of the study, including;



1. This research only uses the object of research in the Papua Provincial DPRD so that it cannot yet provide a clearer picture or all of the objects concerning Regional Development Budget (APBD) can be analyzed; therefore further research can further expand the object of research in the existing district and city DPRD in the province of Papua.

2. The number of samples is still limited. It would be better if the sample also came from the City and Regency DPRD in Papua Province.

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