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LOCAL GOVERNMENT ABILITY AS PREDICTOR OF ANTI CORRUPTION

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ABTRACT
This paper aims to explain the connectivity of whistleblowing online system between the Witness and Victim Protection Agency (LPSK), the Corruption Eradication Commission (KPK), and 17 ministries/ institutions that has been established since 2017. The challenges raised in the implementation of the whistleblowing online system are discussed in line with a case of the Ministry of Marine and Fisheries Affairs, a non-participant ministry in the connectivity of whistleblowing online system. The reason for selecting this case is to provide a different view of how a non-aligned institution within the network undertakes efforts in eradicating corruption through whistleblowing system. The discussion still leaves several obstacles to achieving an effective whistleblowing system. These constraints include insecurity of mutation in remote areas due to reporting alleged frauds and a response to a fraudulent that consider reasonable. This article is intended to encourage further discussion and research regarding the implementation of whistleblowing online systems in government agencies in Indonesia

Keyword: Local Government Ability, Corruption.

1. INTRODUCTION

Corruption is an abuse of public office to fulfil personal benefit that are contrary to the regulations (Mohamadi et al., 2017; Liu & Lin, 2012; Warren, 2004). Corruption is also defined as the sale of government property illegally, bribes on government projects, and embezzlement of government funds (Shleifer & Vishny, 1993; Svenson, 2005). Mendez & Sepulveda (2006) show that corruption has a complex impact on the economy. The complexity of the impact of corruption can be known through various corruption cases that have occurred in Indonesia over the past few years, which prove that state/regional financial management is not carried out optimally to improve people's welfare. The following is display 1.1 of the number of corruption cases of local government in 2016.

Display 1.1 proves that the highest number of corruption cases is in the West Java local government (154) cases. Meanwhile, North Maluku did not find corruption cases in 2016 (Attorney General's Office, 2016). Guided by display 1.1, the average number of local governments in Indonesia is found to be a corruption case. This proves that the lack of morality, of the perpetrators of corruption (actors), weak law enforcement and bureaucracy, and the weakness of the effectiveness of monitoring, thus providing opportunities for perpetrators of corruption to commit corruption. The 2016 data proves that the process of inquiries and investigation by the Attorney General's Office, the High Prosecutor's Office, the Public Prosecutor's Office, and the District Attorney's Office experienced an increase

Display 1.1
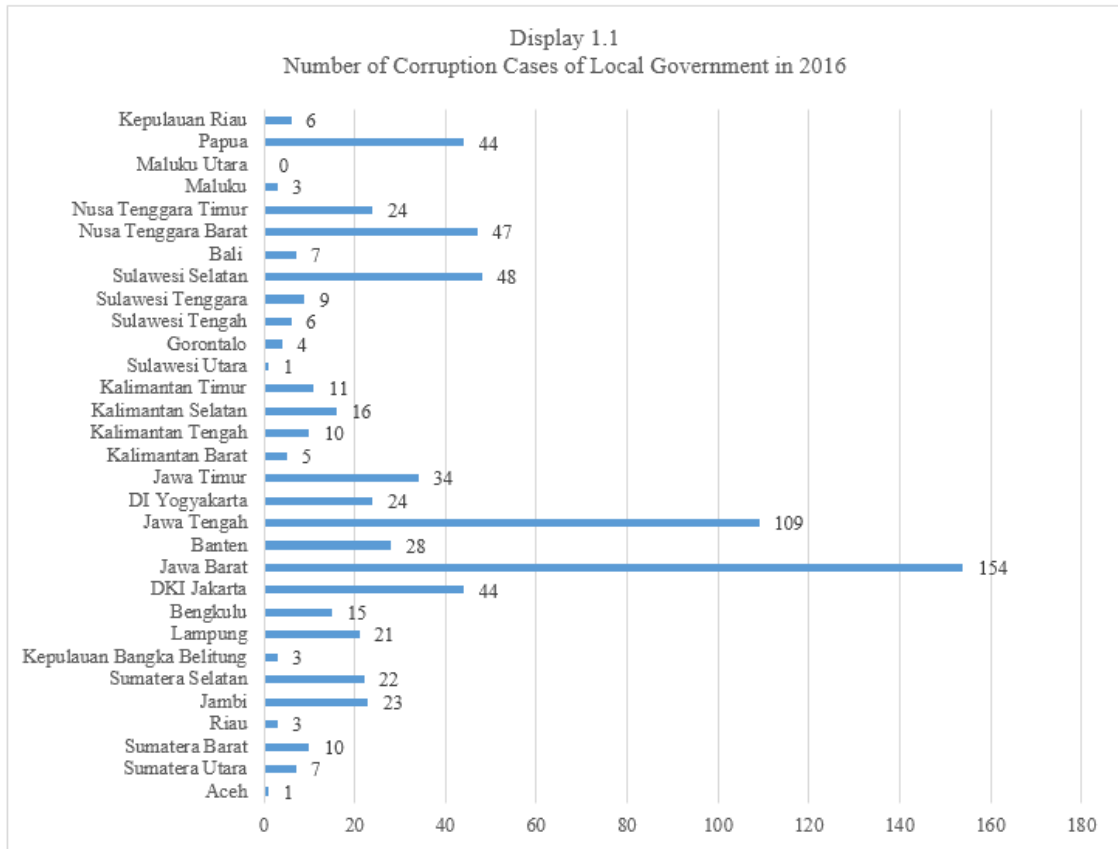Number of Corruption Cases of Local Government in 2016

Figure 1
The number of corruption cases of local government in 2016

Source: processed secondary data, 2018

compared to the target. The target of the investigation and investigation conducted by the Attorney General›s Office is 110. Meanwhile, the achievement of education and investigations is 112 and 133. On the contrary, the target of the inquiries and investigation of the High Prosecutor›s Office, the Public Prosecutor›s Office, and the District Attorney's Office is 1,350.

Meanwhile, the achievement of inquiries and investigation is 1.488 and 1.394 (Attorney General›s Office, 2016). This proves that corruption is still spreading in various regions in Indonesia which can affect the country›s economy in order to improve people›s welfare.

Corruption is not only stopped at the stage of inquiries and investigation. However, the handling of corruption continued to be before

prosecution and prosecution. By 2016, the target of the Attorney General in the case before prosecution and prosecution is 110. Meanwhile, the achievement before prosecution and prosecution stage was 122 and 97. In contrast, the target before prosecution and prosecution of the High Prosecutor›s Office, the Public Prosecutor›s Office, and the District Attorney's Office is 1,350. Meanwhile, the achievement of the pre-prosecution and prosecution stages is 2,337 (Attorney General›s Office, 2016). Finally, the results of achieving the handling of criminal acts of corruption for (1) the number of incracht cases is 1,634; (2) cases that have been executed amount to 1,021; and (3) cases that have not been executed amount to 613. These results prove that corruption is a general phenomenon and is considered as an action that is common in government, so

it does not have a negative effect on the perpetrators of corruption (actors).

An important factor that is the question of the phenomenon of corruption is whether local governments are less capable of managing regional finance, thus providing opportunities for perpetrators of corruption to commit corruption? This study aims to examine and evaluate the effect of local government ability on corruption. Local government ability is the local government›s skills to implement public policies that could lead to the level of efficiency of his government. That is, the competence of local government is one of the important characteristics of government officials to carry out government activities with the aim of increasing efficiency in order to achieve public welfare. Capable local governments will be able to make public policy decisions to achieve a level of efficiency in managing government resources. The skills of local governments come from the experience including understanding the local government about the domains of public policy, strategy and technology. Efficiency efforts carried out by regional governments as a representation of the skills of local governments show that local governments are able to manage regional finances optimally, so they are free from corruption. The aim is to improve public services in order to achieve public welfare.

2. THEORICAL BASIS
Theory and Hypotheses Development

The Fraud Triangle Theory (FTT) explains that there are three important bases for individuals to commit fraud. The three important bases are (1) pressure, (2) opportunity, and (3) rationalization. Pressure is related to the encouragement of individuals to commit corruption. The cause is related to problems and financial needs. The opportunity is related to the access or opportunity of individuals to do corruption. The reasons are the weak system of control, regulation or abuse of office. Rationalization relates to justification for acts of corruption perpetrators who violate ethics, law or regulation. The three important basis of this theory cause individuals to commit corruption (Ruankaew, 2013).

One important factor to reduce the problem of corruption is the need for the ability of local governments to manage regional finance that is transparent, accountable, equitable, and free from corruption. Skills action local government is conducted by the local government in the realization of the right policies to achieve high levels of efficiency in order to improve the welfare of society. Schwab & Sala-i-Martin (2015) explains that government efficiency is related to the reduction of regulatory burdens, cost wastage, and transparency of regulations. Government efficiency will ultimately improve government performance (Lee & Whitford, 2009; Portes & Haller, 2010).

Various appropriate policies can be carried out by capable local governments supported by experience, levels of intelligence services, strategies, and high levels of education, so that regional governments are able to improve public services in order to improve the welfare of the community.

Competent of local government will strive to improve the quality of government performance by using resources appropriately in order to provide added value for the welfare of society rather than the local government must take action corruption at high risk. The social impact of corruption is that the government fails to maintain public trust. Therefore, local governments are capable to be able to manage his government activity well, have accurate estimation capabilities, experts in carrying out their responsibilities, and use appropriate strategies in order to improve people's welfare.

The implications of the knowledge management of public policies, the ability to make effective and efficient decisions, and the expertise possessed by local governments will provide added

value to local governments in increasing regional revenues, so that they can be used for public welfare. Through the skills of local governments, the government tends to act to achieve efficiency in regional financial management, thereby reducing corruption. Based on the description, the formulation of the hypothesis is as follows.

H_1: Local Government Ability negatively effect on corruption

3. METHOD

The population of this study is all local governments in Indonesia with the 2016 time period. The selection of the final sample uses criteria namely, the local government has complate data on publication of corruption cases, the amount of substitute money, financial reports, and Gross Regional Domestic Product (GRDP) in 2016.

This study uses data from some reference, namely (1) the site of Attorney General's Office of the Republic of Indonesia with regard to the data of all local governments in Indonesia is involved in corruption cases in 2016, (2) the site of the Central Bureau of Statistics (CBS) data-related Gross Regional Domestics Product (GRDP) in 2016 , and (3) Site of Directorate General of Financial Balance (DGT) relating to financial report data for all local governments in Indonesia in 2016.

This study uses the main variables namely is the local government ability and the corruption. Meanwhile, the control variables are Gross Regional Domestics Product (GRDP) and Asset Growth. The function of the control variable is to control the influence of independent variables on the dependent variable, thereby reducing the bias of interpretation (Cooper & Schindler, 2014; Hartono, 2017). The following is a measurement of the three variables.

Local Government Ability

Local government's ability is the skills of local governments to implement public policies that could lead the government to the level of efficiency. That

is, the competence of local governments is one of the important characteristics of officials, government to run government activities with the aim of increasing efficiency and in order to achieve public welfare. Local government's ability relates to the knowledge, skills and experience of government officials. The skills of local governments mainly come from the experience including understanding the local government about the domains of public policy, strategy and technology. Government officials who has domain expertise in implementing public policies become more experienced in managing regional finance. Local governments that have high skills produce more revenue based on a set of production factors to improve people›s welfare.

Measurement of local government ability using the Data Envelopment Analysis (DEA). Data Envelopment Analysis (DEA) is an optimization program that is used to evaluate the relative efficiency of a unit in decision making by comparing output or multi output and input or multi input. Measuring the skills of local governments depends on the data Envelopment Analysis (DEA) to estimate the total efficiency of local governments. DEA indicates normative standards that are given all available data. The optimal standard value of DEA is 00%, while the value under 00% indicates less efficient.

DEA requires identification of input and output variables. This study uses revenue for local government as output variables. Meanwhile, the input variables are (1) the amount of local government assets, (2) Outstanding Revenue (Day Revenue), and (3) Expenditure of employees. To calculate the DRO *(Days Outstanding Revenue)*, the researchers used the following equation.

In particular, this study uses the equation to calculate DEA as follows.
   a. Total Asset

This study uses the number of assets as input because assets

are a resource factor that has an important role in generating regional revenues.

b. *Days Revenue Outstanding* (DRO)

This study uses DRO as input to measure the time needed by the local government to generate cash after the account receivable. The sooner the local government gets cash, then the better because it can be used to finance government operations activities.

c. Employee Expenditure

Another resources factor that influence local revenue is employee expenditure. Employee expenditure is a representation of the number of employees in generating local revenue. That is through local government employee, it can be seen that efficiency in generating local revenue for the benefit of public welfare.

Gross Regional Domestic Product (PDRB)

Gross Regional Domestic Product (GRDP) is the amount of added value produced by all business units in a particular area, or is the total value of final goods and services (net) produced by all economic units (CBS, 2010). This study uses Gross Regional Domestic Product (GRDP) at constant prices. Measurement of this variable uses logarithm natural of GRDP.

1. **Asset Growth**

Asset growth is a change in the amount of assets of the local government. This study uses the asset growth ratio to determine the development of changes in the assets of local governments as a result of government operational activities. The aim is to measure the strength of local government in providing public services to the public. The measurement of sales growth is as follows.

$$Asset\ Growth = \frac{(Total\ Asset(t)\text{-}Total\ Asset\ (t\text{-}1)}{(Total\ Asset\ (t\text{-}1)}$$

2. **Corruption**

Corruption is the misuse of public office for personal benefits that are contrary to regulation (Mohamadi et al., 2017 ; Liu & Lin, 2012 ; Warren, 2004) and illegal government property sales , bribery on government projects, and embezzlement of government funds (Shleifer & Vishny , 1993; Svenson, 2005). This study uses the amount of replacement money (RM) paid by the perpetrators of corruption (Actors) based on court decisions and audited. The amount of Replacement Money (RM) reflect the amount of local loss as a result of corruption. The measurement of corruption is as follows.

$$Corruption = \frac{RM\ of\ Corruption\ Based\ on\ Court\ Decision\ (Audit)}{Total\ Asset} X100\%$$

This study uses *ordinary least square* (OLS) to test the research hypothesis. The purpose of using OLS is to reduce the level of residual errors (Gujarati & Poerter, 2009). One form of representation of the use of OLS is testing normality, multicollinearity, and heteroscedasticity. The purpose of normality testing is to provide an explanation regarding the residual distribution of the research sample. Multicollinearity testing was carried out to detect correlation between independent variables.

Meanwhile, the purpose of heteroscedasticity testing is to detect the inequality of residual variance from one observation to another. The BLUE research model is a research model which has a residual i normally distributed, there is no correlation between independent variables, and the variance is homogeneous. The rule of thumb for normality testing is through the significance value of kolmogorov-smirnov (KS) > 0.05 0. Meanwhile, rule of thumb is testing multicollinearity of TOL > 0.1 and VIF < 10. For rule of thumb is testing heteroscedasticity (sig.) Glejser > 0.05. After testing the three classical

assumptions are fulfilled, then testing the hypothesis. The econometric equation testing hypotheses is as follows.

Corruption=α + β1 Local Government Ability + β2 GRDP + β3 Asset Growth + ε

Hypothesis decision making is (1) if β_1 is negative and significant, then H_1 is supported. This means that the skills of local governments have a negative and significant effect on corruption. In other words, local government skills can mitigate corruption i. To find out the control variable, (1) if β_2 is positive and significant, then GRDP has a positive and significant effect on corruption. In other word, the higher of GRDP, the higher of corruption, (2) if β_3 is positive and significant, then asset growth has a positive and significant effect on corruption. In other words, the higher the growth of assets, the higher the corruption.

4. RESEARCH RESULT AND DISCUSSION

Descriptive statistics are an overview of the use of research variables. The following is table 1 of the results of testing the descriptive statistics of each variables used in this study.

Table 1 shows that the number of samples of this study to examine the effect of local government skills on corruption amounted to 31 samples. This study only uses a sample of 31 local governments from 34 regional governments based on published data from the Republic of Indonesia Attorney General›s Office about the number of corruption cases and substitute money based on court decisions and audited.

Descriptive statistics of local government skills in Table 4.1 range from 21.79% to 100%. The value of 21.79% is the value of the skill of the DKI Jakarta government. This means that the use of production factors such as assets, DRO, and personnel expenditure to generate regional revenues has not been carried out efficiently. Meanwhile, the value of 100% is the skill value of Lampung, West Java, Banten, DIY Yogyakarta and West Kalimantan local governments. This shows that the use of production factors such as assets, DRO, and employee expenditure has been carried out efficiently by these five provinces. The average skill score of the local government is 61.42%. Local governments that have skills below the average sample are the governments of West Sumatra, Riau, Jambi, Bangka Belitung Islands, Bengkulu, DKI Jakarta, Central Java, Central Kalimantan, South Kalimantan, East Kalimantan, North Sulawesi, Central Sulawesi, Southeast Sulawesi, Bali, West Nusa Tenggara, East Nusa Tenggara, Maluku, North Maluku, and Riau Islands. Meanwhile, the skills of the regional governments above the average sample are Aceh, North Sumatra, South Sumatra, Lampung, West Java, Banten, DI Yogyakarta, East Java, West Kalimantan, Gorontalo, South Sulawesi, and Papua. The standard deviation of the skills of the government is 20, 70% shows the volatility of the research skills of the local government.

The results of testing descriptive statistics in Table 1 show that GDP at constant prices ranges from 23.79 - 28.06. GRDP value of 23.79 owned by the North Maluku regional

Table 1
Descriptive Variables

Variabel	N	Minimum	Maximum	Mean	Std. Deviation
Local Government Ability	31	21,79	100	61,42	20,705553
GRDP	31	23,79	28,06	25,76	1,150501
Asset Growth	31	-0,0135	0,52	0,14	0,102784
Corruption	31	0,00	1,59	0,08	0,282462

Source: Processed Secondary Data, 2018

government. While The 28.06 GRDP value is owned by the DKI Jakarta government. Local governments that have below average GRDP values are the governments of Aceh, West Sumatra, Jambi, Bangka Belitung Islands, Bengkulu, DI Yogyakarta, West Kalimantan, Central Kalimantan, South Kalimantan, North Sulawesi, Gorontalo, Central Sulawesi, Southeast Sulawesi, Bali, West Nusa Tenggara, East Nusa Tenggara, Maluku, North Maluku, and Papua. Meanwhile, the GRDP value above the sample average is owned by the governments of North Sumatera, Riau, South Sumatera, Lampung, DKI Jakarta, West Java, Banten, Central Java, East Java, East Kalimantan, South Sulawesi and Riau Island. The standard deviation of the GRDP value is 1.15 indicating the volatility of the research variable of GRDP.

Table 1, descriptive analysis shows that the growth of local government assets ranges from (-0.01)-0.52. The asset growth value of -0.01 is owned by the Banten and East Kalimantan regional governments. Meanwhile, the value of asset growth of 0.52 is owned by the local government of Bali. Local governments that have below-average asset gro-wth values are the governments of South Sumatra, Bangka Belitung Islands, Lampung, DKI Jakarta, West Java, Banten, East Java, West Kalimantan, Central Kalimantan, South Kalimantan, East Kalimantan, Gorontalo, Central Sulawesi, Southeast Sulawesi, South Sulawesi, West Nusa Tenggara, Maluku and Riau

Islands. Meanwhile, the value of asset growth above the average sample is owned by the governments of Aceh, South Sumatra, West Sumatra, Riau, Jambi, Bengkulu, Central Java, Yogyakarta, North Sulawesi, Bali, East Nusa Tenggara, North Maluku and Papua. The standard deviation of the asset growth value is 1.10 indicating the volatility of the asset growth research variable.

The results of the systematic descriptive corruption in Table 1 show a range of values between 0.00%-1.59 %. The value of 0.00 % is the value of corruption in the regional government of North Maluku.

That is, in this area there are government corruption and replacement money for 2016. Meanwhile, value of 1.59% is the value proportion Jakarta government corruption. This means that corruption actors (actors) in the DKI Jakarta government commit corruption as much as 1.59% of the assets of the DKI Jakarta government. The higher the proportion value of corruption shows the higher the level of corruption. Proportion corruption mean value was 0.08%. Local governments that have a proportion of corruption below the average sample are the Aceh regional government, North Sumatra, West Sumatra, Riau, South Sumatra, Bangka Belitung Islands, Lampung, Bengkulu, Central Java, DI Yogyakarta, East Java, West Kalimantan, Central Kalimantan, South Kalimantan, East Kalimantan, North Sulawesi, Gorontalo, Central Sulawesi, Southeast Sulawesi, Bali, West Nusa Tenggara, East Nusa Tenggara,

Tabel 2
Classical Assumption Test Results

Asumption	Type of Testing	Variable			Information
		Local Govern-ment Ability	GRDP	Asset Growth	
Normality	K-S		0,971		Supported
	(Sig.)		0,302		
Multicollinearity	Tolerance	0,972	0,955	0,960	Supported
	VIF	1,028	1,047	1,041	
Heteroscedasticity	Glejser (Sig.)	0,564	0,705	0,385	Supported

Source: Processed Secondary Data, 2018

Maluku, North Maluku, Papua and the Riau Islands. Meanwhile, the proportion of corruption above the average sample is Jambi, DKI Jakarta, West Java, Banten and South Sulawesi. The regional standard deviation is 0.28 % indicating the volatility of the corruption research variable.

Table 2 shows the result of testing classical assumption, namely is testing normality, multicollinearity, and hetero-scedasticity. The results of normality testing indicate that the value *of kolmogorov-smirnov* (KS) is 0.971 with a significance of 0.302> 0.050. The results of this test prove that the residuals of the study sample are normally distributed. The results of multicollinearity test showed that the TOL value> 0.1 and VIF value <10 , and the results of heteroscedasticity testing showed that the significance value of the *glejser* test (Sig.> 0.050). The three results of testing classic assumptions prove that this research model has met the classical assumption test.

Table 3 shows the results of testing hypotheses and control variables. H_1 states that the skills of local governments negatively affect corruption. The test results show that the coefficient value of the influence of local government skills on corruption is (-0.005), t-statistic is worth (-2,326), and significance (0.028). The results of this test prove that the skills of local governments have a negative and significant effect on corruption. Capable local governments will strive to improve the quality of their government performance by using resources appropriately in order to provide value added to the welfare of the community than the local government ust carry out high-risk acts of corruption. The implications of the knowledge management of public policies, the ability to make effective and efficient decisions, and the expertise possessed by local governments will provide added value to local governments in increasing regional revenues, so that they can be used for public welfare. Through the skills of local governments, the government tends to act to achieve efficiency in regional financial management, thereby reducing corruption.

The test results of the control variables influence the Gross Regional Domestic Product (GRDP) on corruption show the coefficient value is (0.114), t-statistic is worth (2.889), and significance (0.008). The results of this test prove that Gross Regional Domestic Product (GRDP) has a positive and significant effect on corruption. This finding shows that the higher the Gross Regional Domestic Product (GRDP), the more opportunities for corrupt actors (actors) to commit corruption. GRDP is a representation of regional economic growth, so that when GRDP is high, corruption actors see this as an opportunity to commit corruption because of the availability of production factors.

The test results of the control variables influence the growth of assets on corruption show the coefficient value is (-0.406), t-statistic is worth (-0.925), and significance (0.363). The results of this test prove that the growth of local government assets has no significant effect on corruption. This finding shows that the growth of local government assets cannot cause corruptors

Table 3
Hypothesis Testing Results

Hipotesis	Coefficient	t-Statistic	Sig.	Information
Local Government Ability -> Corruption	-0,005	-2,326	0,028	Supported
Control Variable				
GRDP -> Corruption	0,114	2,889	0,008	Supported
Asset Growth -> Corruption	-0,406	-0,925	0,363	No Supported
Adjusted R^2 = 0,264 F = 4,581 Sig. = 0,010				

Source: Processed Secondary Data, 2018

to commit corruption. When viewed from descriptive statistics, the average growth of regional assets is 0.14 (14%). This shows that changes in regional assets are not too significant.

5. CONCLUSIONS

This research is a research model development based on various pheno-menon of corruption cases that occur in local governments. This phenomenon the becomes an important public concern, so it needs to be empirically tested and the results can be used as recommendation for government policies in managing regional finance that are transparency and anti-corruption. The results of the study have several important implications for the attention of various stakeholders. These implications are related to the theoretical implications and policy. The results of this study have implications for the theory that one important factor for individuals to commit corruption is opportunity. Based on the findings of this study, it can be seen that GRDP has a positive and significant effect on corruption. This means that the high GRDP is seen by perpetrators of corruption as an opportunity for corruption due to the availability of production factors. To reduce the opportunity for corruption, the skills of local governments are needed to manage regional finances that are transparent, accountable, equitable, and corrupt. The findings of this study have implications for government policy, namely, local governments need to make efficiency in managing regional finance as a form of representation of the skills of local governments. Through the efficiency of regional financial management, local governments can improve the quality of their government performance by using resources appropriately, thereby reducing corruption. Finally, public services can be improved and have implications for people›s welfare.

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