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The Influence of SPIP Maturity and SAKIP Quality on the Performance of Local Government Financial Management

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Abstract

Performance is an effort to achieve targets and objectives translated from the vision, mission, and strategy of the organization. Good management of local government performance can improve public welfare. One way to assess the management of local government performance is by looking at accountability in regional financial management as shown in the Report on local government finances (LKPD). However, the performance of local government financial management in Indonesia has mostly not shown good results. So, it is necessary to implement the principles of good governance as an effort to improve accountability, transparent and performance in managing regional finances. This study aims to analyze the effect of internal control and performance accountability on the performance of local government financial management in Regencies/Cities for the 2021 period. The method used is descriptive statistics and multiple linear regression models with the variables used being SPIP maturity and SAKIP quality on the performance of local government financial management. The results of the study showed that the SPIP element was proven to have a positive effect on the performance of local government financial management. Then, the implementation of SAKIP was proven to have a positive effect on the performance of local government financial management.

Keywords: local government financial management, SAKIP quality, SPIP maturity

1. Introduction

1.1 Introduce the Problem

The performance of the local government shows how successful the agenda that has been approved can be implemented in accordance with the performance plan. Good governance can be seen from the accountable government bureaucratic system. A form of accountability for regional financial management is the preparation of Report on local government finances (LKPD). The performance of local government financial management in Indonesia has mostly not shown good results.

Vol. 9, No.01; 2025

ISSN: 2456-7760

1.2 Importance of the Problem

According to the report of the Ministry of Home Affairs (Kemendagri), the results of measuring the regional financial management index for 331 Regency/City local Governments in 2021 still showed that 72% of Regencies/Cities received a quality index with a value of B (Rating Needs Improvement), 15% of Regencies/Cities with a value of C (Rating Very Needs Improvement) and only 14% of Regencies/Cities with a value of A (Good Rating). Local governments are increasingly prioritizing regional financial management to maintain regional economic stability and achieve development goals. Strong internal control is essential in ensuring the effective use of public funds in accordance with relevant regulations (Karina et al., 2023). The government's internal control system plays an important role in determining the performance carried out by the local government. The maturity of SPIP as one indicator of the quality of the internal control system owned by an organization (Winarna et al., 2021). The maturity of SPIP has a positive effect on public services (Utami and Widarjo, 2022).

1.3 Relevant Scholarship

Previous studies have found that important determinants of local government financial management performance include the quality of financial reports (Nirwana and Haliah, 2018), regional spending and dependence of district/city governments on the central government (Rusmita, 2019), size of local government (Lubis and Ningsi, 2022), central revenue and BPK audit opinion (Mega and Saring, 2022), internal control (Nirmalasari and Sari, 2023), and accountability (Muliang et al., 2023). Previous studies have revealed conflicting results, namely research related to internal control, found by Nirmalasari & Sari (2023) claiming that internal control has a significant effect on the quality of local government financial reports. Meanwhile, research by Ningtyas et al. (2019) concluded that the SPIP variable in their study could not directly affect performance accountability. In research related to accountability, the results of the analysis by Pratolo et al. (2018) showed that accountability has a positive and significant effect on local government performance using the value for money approach.

1.4 Hypotheses

Based on the description above, this study tries to assess the influence of SPIP maturity and SAKIP quality on the performance of local government financial management and presents a new discussion on the role of SPIP maturity and SAKIP quality as independent variables. SPIP maturity and SAKIP quality are important concerns in improving financial management performance. The formulation of the problem is as follows: 1) does SPIP maturity have a positive effect on the performance of local government financial management; 2) does SAKIP quality have a positive effect on the performance of local government financial management. Thus, the hypotheses formed are: 1) H1: SPIP maturity has a positive effect on the performance of local government financial management; 2) H2: SAKIP quality has a positive effect on the performance of local government financial management.

Vol. 9, No.01; 2025

ISSN: 2456-7760

2. Method

2.1 Population

The population in this study is the Local Government in Indonesia that has been evaluated on the performance of local government financial management, namely 514 Regencies/Cities in the 2021 period.

2.2 Sampling Procedures

Purpose sampling is a non-probability sampling technique that allows researchers to select samples based on research objectives. The samples in this study are the results of the SPIP, SAKIP and IPKD assessments in 2021 that have been published by the district/city government.

2.3 Research Design

This research is a causal-comparative study. Based on the type of data used, this research is classified as a quantitative research type. The data used is secondary data, which comes from reports of district/city governments in Indonesia in 2021 including: the results of the maturity assessment of the Government Internal Control System (SPIP); the results of Implementation of the Government Agency Performance Accountability System (SAKIP) assessment; and the results of Regional Financial Management Index (IPKD) assessment.

The data collection technique used in this study is the documentation method. SPIP maturity data is sourced from the website of the Financial and Development Supervisory Board (https://www.bpkp.go.id/); SAKIP quality data from the Deputy for Reformation of Bureaucratic, Accountability of Civil Servants, and Supervision; and data on the performance of local government financial management from the Domestic Policy Strategy Agency of the Ministry of Home Affairs.

2.4 Operational Definition

2.4.1 Dependent Variable (Y)

The performance of local government financial management (Y) is determined by the Regional Financial Management Index (IPKD), namely a unit of measurement that is determined based on a set of dimensions and indicators to assess the quality of efficient, effective, transparent and accountable regional financial management performance in a certain period.

2.4.1 Independent Variable (X)

1. SPIP Maturity

SPIP Maturity (X1) is the level of maturity/perfection of SPIP implementation in achieving control objectives which include efficient and effective implementation of activities, reliability of financial reporting, security of state assets, and compliance with regulations. The final SPIP Maturity value is in the form of a number in the interval 1 to 5, then translated into a quality description consisting of Level 1 (Pioneer Predicate), Level 2 (Developing Predicate), Level 3

Vol. 9, No.01; 2025

ISSN: 2456-7760

(Defined Predicate), Level 4 (Managed and Measurable Predicate), and Level 5 (Optimum Predicate).

2. SAKIP Quality

The quality of SAKIP (X2) is obtained from the results of the assessment of the implementation of the government agency performance accountability system. The quality of SAKIP is determined by a measure based on categories consisting of the AA predicate (very satisfactory interpretation), A predicate (satisfactory interpretation), BB predicate (very good interpretation), B predicate (good interpretation), CC predicate (sufficient/adequate interpretation), C predicate (poor interpretation), and D predicate (very poor interpretation).

2.5 Data Analysis Techniques

2.5.1 Descriptive Statistics

Descriptive statistics include determining the minimum, maximum, average, and standard deviation values of each observed variable. IBM SPSS Statistics Release 25 is the analysis tool used in this study to process descriptive statistical data.

2.5.2 Classical Assumption Test

1. Normality Test

This study uses the Kolmogorov-Smirnov (K-S) one-sample normality test. A p-value > 0.05 indicates that the residuals follow a normal distribution; conversely, a p-value < 0.05 indicates that the residuals do not follow a normal distribution (Ghozali, 2018).

2. Multicollinearity

There are two requirements to evaluate multicollinearity. Multicollinearity does not exist if the tolerance value of the independent variable is > 0.01 and the variance inflation factor (VIF) value is < 10. Conversely, multicollinearity occurs if the tolerance value of the independent variable is < 0.01 and the VIF value is > 10 (Ghozali, 2018).

3. Heteroscedasticity Test

The Glejser method is used for this purpose, producing the absolute value of the dependent variable remainder (Ghozali, 2018). A p-value > 0.05 indicates that the residual does not experience heteroscedasticity. Conversely, if the p-value < 0.05, the residual experiences heteroscedasticity.

2.5.3 Hypothesis Test

1. Multiple Linear Regression Model

Multiple linear regression analysis aims to test the research hypothesis using IBM SPSS 25. To find out how the independent variables affect the dependent variable, a hypothesis test is carried out (Ghozali, 2018). The analysis model is:

$$Y_{123} = \beta 0 + \beta 1 X_1 + \beta 2 X_2 + e \quad (1)$$

Vol. 9, No.01; 2025

ISSN: 2456-7760

Information:
Y_{123} = The performance of local government financial management
X1 = Government Internal Control System Maturity (SPIP)
X2 = Implementation of the Government Agency Performance Accountability System (SAKIP)
β0 = Constant
e = error

2. Coefficient of Determination (R2)

The extent to which the model can explain changes in the dependent variable is indicated by the coefficient of determination (R2) (Ghozali, 2018). Higher values indicate that the model is more effective in explaining fluctuations in the dependent variable. The R2 value is a number between 0 and 1.

3. Simultaneous Significant Test (F Test)

The F statistical test according to (Ghozali, 2018) is essentially used to determine whether each independent variable in the study has an influence on the dependent variable simultaneously. The F-value> F-table or p-value <significance level (0.05), then the null hypothesis cannot be rejected, meaning that overall, the independent variable has a significant effect on the dependent variable. The p-value> significance level (0.05) or the F-value <F-table then the null hypothesis cannot be accepted, meaning that the independent variable does not have a real effect on the dependent variable.

4. Test the Significance of Individual Parameters (t Test)

According to (Ghozali, 2018), the t-statistic test is essentially used to determine the extent to which each dependent variable is influenced by each independent variable. The p-value <significance level (0.05) or t-value> t-table value, then the null hypothesis (Ho) is rejected, meaning that the independent variable has a significant influence on the dependent variable. The p-value> significance level (0.05) or t-count <t-table value, then the null hypothesis (Ho) is not rejected, meaning that the independent variable has no real effect on the dependent variable.

3. Results

3.1 Descriptive Statistics

Table 1. Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Standard Deviation
SPIP Maturity	225	1	3	2,55	0,55
SAKIP Quality	225	2	6	4,19	0,67
IPKD	225	12,94	85,42	64,23	10,44

Vol. 9, No.01; 2025

ISSN: 2456-7760

Table 1 shows that from 225 regencies/cities, the minimum value of the SPIP maturity level is at Level 1 (Pilot Predicate), while the maximum value is at Level 3 (Defined Predicate). The average SPIP maturity level is 2.55 or at Level 3 with a standard deviation of 0.55. In the quality of SAKIP based on 225 regencies/cities, the minimum value of SAKIP quality with Predicate C (Poor Interpretation) which has an interval value of > 30-50, while the maximum value with Predicate A (Satisfactory Interpretation) which has an interval value of > 80-90. The average SAKIP quality level is 4.19 or at Predicate B (Good Interpretation) which has an interval value of > 60-70, with a standard deviation of 0.67. In IPKD based on 225 regencies/cities, the minimum value of IPKD is 12.94, while the maximum value is 85.42. The average IPKD is 64.23 with a standard deviation of 10.44.

3.2 Classical Assumption Test

3.2.1 Normality Test

In the initial normality test, the residuals were not normally distributed. So, the transformation was carried out using SQRT (k-x), where k is the highest value of the raw data x. The results of the normality test with Kolmogorov-Smirnov (KS) after data transformation are as follows:

Table 2. Normality Test

Kolmogorov-Smirnov (KS)	P-value	**Information**
0,035	0,200	Following normal distribution

Table 2 shows the results of the normality test showing a p-value or significance of 0.200 > 0.05, so it can be concluded that the residual follows a normal distribution. The results of the normality test after data transformation using the probability plot are as follows:

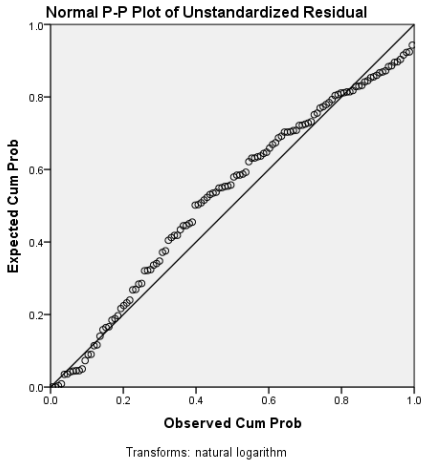

Figure 1. Normality Test

Vol. 9, No.01; 2025

ISSN: 2456-7760

Figure 1 shows the results of the normality test after data transformation using a probability plot showing that the data is spread around the line in the form of dots that follow the direction of the line. So, it can be concluded that the residuals follow a normal distribution.

3.2.2 Multicollinearity

Table 3. Multicolinearity

Variable	VIF	Tolerance	Information
SPIP Maturity	0,828	1,208	There is no multicollinearity
SAKIP Quality	0,828	1,208	

Table 3 shows the results of the multicollinearity test showing that both the SPIP Maturity variable and the SAKIP quality variable have VIF values <10 and tolerance> 0.1. So, it can be concluded that there is no case of multicollinearity.

3.2 Heteroscedasticity Test

Table 4. Heteroscedasticity Test

Variable	t-value	P-value	Information
SPIP Maturity	-1,618	0,107	There is no heteroscedasticity
SAKIP Quality	-1,532	0,127	

Table 4 shows that the results of the Park test show that the p-value of SPIP maturity and SAKIP quality is > 0.050, so it can be concluded that there is no case of heteroscedasticity.

3.3 Hypothesis Test

3.3.1 Multiple Linear Regression Model

The results of the multiple regression model are as follows:

$$Y = 29{,}759 + 5{,}833X_1 + 5{,}137X_3 \quad (2)$$

The linear regression model between SPIP maturity and SAKIP quality on the performance of local government financial management has the following meanings:

a) The constant of 29.759 means that if SPIP maturity and SAKIP quality are ignored or have a value of zero, then IPKD is 29.759.
b) The regression coefficient (b1) of the SPIP maturity variable of 5.833 means that if there is an increase in SPIP maturity, then IPKD will increase by 5.833 or the level of local government financial management performance will be higher.
c) The regression coefficient (b2) of the SAKIP quality variable of 5.137 means that if there is an increase in SAKIP quality, then IPKD will increase by 5.137 or the level of local government financial management performance will be higher.

Vol. 9, No.01; 2025

ISSN: 2456-7760

3.3.2 Coefficient of Determination (R2)

The R2 value or coefficient of determination is 0.535 or 53.5%. The R2 value of 53.5% means that the performance variable of local government financial management can be influenced by the independent variables of SPIP maturity and SAKIP quality with a percentage of 53.5%. While the remaining 46.5% is influenced by other variables outside the model.

3.3.3 Simultaneous Significant Test (F Test)

Table 5. F Test

F	P-value	Information
44,504	0,000	It has a significant influence

Table 5 shows the results of the simultaneous significance test (F Test) showing a p-value or significance of 0.000 <0.05, so it can be concluded that all the SPIP maturity and SAKIP quality variables have a significant effect on the performance of regional government financial management.

3.3.4 Test the Significance of Individual Parameters (t Test)

Table 6. t Test

Variable	B	T	P-value	Information
SPIP Maturity	5,833	4,926	0,000	Positive influence
SAKIP Quality	5,137	5,278	0,000	Positive influence

Table 6 shows that in SPIP maturity, the results of the individual parameter significance test (t-test) show a positive regression coefficient and a p-value or significance of 0.000 <0.05, so that H1, namely SPIP maturity has a positive effect on the performance of local government financial management is accepted. In the quality of SAKIP, the results of the individual parameter significance test (t-test) show a positive regression coefficient and a p-value or significance of 0.000 <0.05, so it can be concluded that the quality of SAKIP has a positive effect on the performance of local government financial management. H2, namely the quality of SAKIP has a positive effect on the performance of local government financial management is accepted.

4. Discussion

4.1 SPIP Maturity

Based on the results of the regression analysis, the regression coefficient value for SPIP maturity is 5.833, which indicates that SPIP maturity significantly influences the improvement of local government financial management performance. The p-value or significance value of 0.000 is smaller than 0.05, which indicates that SPIP maturity has a positive and significant effect on local government financial management performance. This shows that the better the

Vol. 9, No.01; 2025

ISSN: 2456-7760

government's internal control system in an agency, the higher the level of effectiveness of the regional financial management implemented.

The results of this study are supported by the theory of Romney and John Steinbart (2017) in Welly (2021) which states that the success of government agency performance will be influenced by SPIP to achieve its goals, including asset protection, detailed record keeping, delivery of accurate and reliable information, financial reporting in accordance with established rules, increasing operational efficiency, implementing compliance with specified managerial policies and complying with applicable laws and regulations.

This study is in line with Probohudono & Heinrich (2023) which states that SPIP has a positive and significant effect on the quality of financial reports in Kaimana Regency. The effectiveness of SPIP implementation is one of the factors that determines the quality of an organization's financial reports. If SPIP is not implemented massively and internal control does not run well, it will affect the quality of financial reports. So, it is very important to implement SPIP massively and ensure that internal control runs well (Probohudono & Heinrich, 2023).

4.2 SAKIP Quality

Based on the results of the regression analysis, the regression coefficient value for the quality of SAKIP is 5.137, which indicates that the quality of SAKIP significantly influences the improvement of the performance of local government financial management. The p-value or significance value of 0.000 is smaller than 0.05, which indicates that the quality of SAKIP has a positive and significant effect on the performance of local government financial management. This shows that the better the accountability system for the performance of government agencies in an agency, the higher the level of effectiveness of the regional financial management implemented.

The results of this study are supported by the theory of LAN and BPKP (2000) which states that the Government Agency Performance Accountability System (SAKIP) is basically an instrument used by government agencies in fulfilling the obligation to be accountable for the success and failure of the implementation of the organization's mission. In addition, SAKIP as an answer to the challenges of Public Sector Accounting in realizing public accountability and good governance is the goal of SAKIP. SAKIP has elements consisting of strategic planning, activity planning, performance measurement, performance evaluation, and performance accountability analysis. Agencies that realize accountability through the implementation of SAKIP are very important for the application of good governance principles. The goal is to produce adequate confidence that the goals of a specific agency will be achieved, and to prevent loss of resources (Akbar and Nurdian, 2016).

The results of this study are in line with Akbar and Nurdian (2016) who stated that the implementation of SAKIP has a positive and significant effect on good governance at the BKPLD office in Tasikmalaya Regency. In theory, the relationship between SAKIP variables and the implementation of good governance can be accepted. SAKIP is an efficient tool in

Vol. 9, No.01; 2025

ISSN: 2456-7760

relation to good governance. If the implementation of SAKIP is getting better, then the implementation of good governance will also be good. So that evidence is found that the implementation of SAKIP is a factor that influences the implementation of good governance.

5. Conclusion and Suggestions

To answer the first problem formulation, it can be observed that the results show support for the proposed hypothesis. This means that the elements of the Government Internal Control System (SPIP) consisting of the control environment, risk control, control activities, information and communication, and control monitoring have been proven to have a positive effect on the performance of local government financial management. This shows that the better the implementation of SPIP in local government, the more optimal the financial management performance will be.

Then in answering the second problem formulation, it can be observed that the results show support for the proposed hypothesis. This means that the implementation of the Government Agency Performance Accountability System (SAKIP) consisting of the preparation of strategic plans, preparation of performance agreements, preparation and presentation of performance reports, and performance studies and evaluations has been proven to have a positive effect on the performance of local government financial management. This shows that the better the implementation of SAKIP in local governments, the more optimal the financial management performance produced will be.

The performance variable of local government financial management can be explained by the SPIP maturity variable and the quality of SAKIP by 53.5%, with the remaining 46.5% explained by other variables outside the model. Therefore, further research is recommended to add other variables that can support the performance of local government financial management such as leadership quality, political stability, or public participation. Adding qualitative data such as interviews or case studies would provide more context on how SPIP and SAKIP are practically implemented. Furthermore, to strengthen the results of the study, it is necessary to conduct a re-test to see the consistency of this study with previous studies. Based on the results of the hypothesis, both SPIP maturity and SAKIP quality have a positive influence on the performance of local government financial management. So, for local governments in the Regency/City, so that the performance of local government financial management can achieve optimal results, it can be done by increasing the maturity of the Government Internal Control System and the quality of Implementation of the Government Agency Performance Accountability System.

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Vol. 9, No.01; 2025

ISSN: 2456-7760

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Vol. 9, No.01; 2025

ISSN: 2456-7760

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