



Factors Affecting the Disclosure of Government Financial Statements: A Systematic Reviews

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Abstract. This study examines the existing literature on the factors that impact the disclosure of government finance reports. The aim is to assist both the central government and local governments in submitting accountability reports in the form of financial reports. These reports not only comply with regulations but also provide comprehensive disclosures that enhance the understanding of report users. The government conducts research to create models and enhance policies with the aim of achieving effective governance and enhancing openness and accountability in the management of government finances. The data were collected from 19 empirical research published between 2013 and 2023, sourced from various locations worldwide and indexed by Scopus. The analysis yielded 21 factors that positively and significantly influenced the disclosure of government financial reports. The findings indicate that future research should focus on developing disclosure determinants based on a theory that may generate disclosure reports containing all essential information without being overloaded.

Keywords: *Government Financial Statements Disclosure*

1. Introduction

The field of financial disclosure has garnered significant interest from both researchers and practitioners. Notably, each country has implemented legislation and policies to ensure accountability in disclosure practices. Financial reports are facing a substantial and increasing issue of excessive disclosure, as reported by the financial press (e.g., Monga and Chasan, 2015). This is crucial because it alerts standard regulators and decision-makers to the need for improving and simplifying financial reporting (Drake et al., 2019).

Several stakeholders, particularly preparers, contend that the extensive amount of disclosures in financial reports contributes to unwarranted intricacy in financial reporting (KPMG and FERF 2011; ICAS and NZICA 2011; EFRAG 2012), resulting in financial reports that are now being criticized as being "uninformative or confusing" (Lev and Rajgopal 2016, 10). Nevertheless, the length of a 10-K document may not pose a significant issue, particularly for proficient users equipped with the expertise and tools to employ focused search techniques (Hodge and Pronk 2006; Elliott et al. 2008). This study presents empirical data regarding the benefits of transparency by conducting a survey among professional users of financial statements, specifically individuals who regularly utilize financial information in their work.

The fundamental concern of good governance lies in devising a suitable reporting mechanism model, achieved through institutional arrangements and contractual agreements, to ensure that the decision-making behavior of government officials (agents) aligns with the public interest (principal) and to reduce the costs associated with agency relationships. The quality of report disclosure is enhanced by good governance performance (Zhang et al., 2023). Nevertheless, there exists a lack of equal information between the principal and the principal agents, hindering the principal's understanding and supervision of the processes that are connected to the rewards and punishments of the agents. This issue is highlighted in a study which reveals that the limited financial transparency among Ghanaian governments is causing information asymmetry within the government institutions (Krah & Mertens, 2020).

According to Abelson et al. (2004), individuals who are enthusiastic about participating in the public policy process actively seek out information that is easily accessible and reliable. This helps to enhance their ability to participate constructively to the policymaking process. In the principal-agent paradigm, the government is responsible for providing comprehensive, precise, and pertinent information about its operations to the inhabitants of the country. This is done to address the issue of information asymmetry between the government and the citizens. In order to facilitate citizen participation in government decision-making, it is important to fully utilize technology, such as e-Government, for the compilation and dissemination of financial reports through websites (Bolívar et al., 2007). E-government not only enhances the accessibility of government services but also improves transparency and accountability in public sector management (Naidu et al., 2022).

The objective of this study is to investigate the reasons behind the variations in the disclosure of government financial reports. To be more precise, the objective of this document:

1. Identify the elements that influence the disclosure of financial reports by the government.
2. To assess the appropriateness of the collective elements utilized in different studies across time to elucidate the disclosure of government financial reports.

This study is predicated on the premise that the ratio of financial statement disclosures should be commensurate with the necessary requirements, encompassing crucial information without being unduly comprehensible, hence mitigating information asymmetry.

2. Method

2.1 Scope

The studies included in this evaluation were identified using a rigorous and methodical methodology. An initial literature search was conducted on the Scopus database to identify research published worldwide between 2013 and 2023. The search focused on the topic of government financial reports disclosure, using relevant keywords. Only papers meeting the following criteria are acceptable for inclusion in this review: (1) articles indexed by Scopus Q1, Q2, Q3, Q4, and (2) empirical articles discussing variables that impact financial disclosure reporting.

The writer has discovered 435 articles that mention the disclosure of government financial reports. Following identification, the author excludes publications that are not readily available to authors and eliminates articles that do not satisfy the writer's criteria. In addition, we conducted a thorough examination of the reference list provided in the paper in order to identify any relevant studies. Therefore, this article will incorporate a comprehensive assessment of 20 investigations. A substantial volume of data has been accumulated over the past decade, originating from many regions including America (3), Indonesia (7), Spain (3), Europe (1), Sweden (1), China (2), Africa (1), 30 Small Islands (1), and Malaysia (1). The data has been gathered from multiple nations, with Indonesia being the most prominent contributor with 7 articles. These articles will elucidate the elements that impact the disclosure of government financial reports in the respective countries. The inclusion of diverse studies in this research is advantageous for several reasons. Firstly, enhance and reinforce the factors that have a reciprocal impact on the disclosure of financial statements. Furthermore, it is worthwhile to enhance the examination of current variety in future research.

2.2 Analytic Approach

The evaluated research utilized a meta-analysis approach to synthesize the flow literature findings. Meta-analysis is a collection of statistical methods used to combine the results of multiple research studies into a single estimate of the overall effect.

Table 1. Key References

Author(s)	Year of Publication	Statistics Method	Country of Data Collection	Publisher
1. Dambra, Even-Tov & Naughton	2022	Cross-sectional analysis	US	Elsevier
2. Nor, Hudaya & Novriyandana	2019	Regression analysis	Indonesia	Emerald
3. Moreno-Enguix, Gras-Gil & Henández-Fernández	2018	Multivariat analysis	Spanyol	Emerald
4. Thio Arya Raditya, et al.	2022	Multiple regressions	Indonesia	Business Perspectives
5. Azwir Nasir, et al.	2022	Multiple regressions	Indonesia	Business Perspectives
6. Syamsuri Rahim, et al.	2020	Multiple regressions	Indonesia	Atlantis Press
7. Khoirul Aswar, et al.	2021	Multiple regressions	Indonesia	Business Perspectives
8. Eka Hariyani, et al.	2022	Multiple regressions	Indonesia	Business Perspectives
9. Kanapickiene & Keliuotyte-Staniuleniene	2019	Multiple regressions	Lithuania	MDPI
10. Drake, Hales & Rees	2019	Cross-sectional analysis	US	Wiley
11. Qi Zhang, Zheng & Zhou	2023	Regression analysis	China	Routledge
12. Cristina Abad, et al.	2019	Descriptive method	Europe	Routledge
13. Pierre Donatella, Haraldson & Tagesson	2021	Logistic regressions	Swedish	Emerald
14. Chen, Pan, Wang &	2016	Descriptive	China	Elsevier

Shen		method		
15. Redeemer Krah & Mertens	2020	Regression analysis	Africa	Emerald
16. Manuel Bolivar, et al.	2007	Descriptive method	Spain	SAGE
17. Jinhai Yu	2021	Regression analysis	US	Routledge
18. Ana Cárcaba García & García	2008	Multiple regressions	Spain	Taylor & Francis
19. Suwastika Naidu, et al.	2022	Regression analysis	30 Small Island	IGI Global
20. Teruki, Nyamori & Ahmed	2018	Descriptive method	Malaysia	Emerald

3. Result

3.1 Policy of the Governmental Accounting Standards Board (GASB)

The GASB policy standardizes the disclosure requirements for pension liabilities in local government. More precisely, GASB 68 has an impact on the financial statement disclosures that were investigated by Michael Dambra, Omri Even-Tov, and James P. Naughton. From a temporal standpoint, the change we observe occurs concurrently with the implementation of GASB 68, which demonstrates that managers proactively incorporate new information into their planning process rather than waiting for external stakeholders to take action. Therefore, this has an impact on the transparency of government financial disclosures. Furthermore, it is crucial to consider the financial significance of new information, such as the extent of unfunded pension liabilities compared to contribution requirements. Additionally, there is a chance that the disclosure of new conditions may reveal previously unknown information that could have an impact on fiscal responses to standards (Dambra et al., 2022). Furthermore, a study conducted on GASB 45 reveals that financial disclosure in accordance with the GASB 45 policy, which is crucial for public reporting, has yielded valuable information and enhanced government accountability (Yu, 2022). The current practice has recognized accounting disclosure policies as a specific issue (Abad et al., 2020). This is because financial statement disclosures frequently include a multitude of significant information that is not relevant. Therefore, the Board is required to create standardized disclosures that assist policymakers in differentiating important accounting rules. Centralizing the disclosure of development objectives can be a strategy to enhance the specificity of disclosures for each company, as well as to promote uniformity across various standard disclosure practices.

3.2 Audit Opinion

Public disclosure of the audit results of financial reports in the form of an opinion is a means of providing transparency and accountability to the public as a principal. Online publication of financial reports can serve as a means for local governments to disseminate information pertaining to their financial management. Furthermore, society has the ability to evaluate the government's performance, in addition to actively participating in the success and development of many sectors. This is achieved through the government's oversight and control of financial matters. In addition,

online financial disclosure reports can facilitate local governments in achieving government accountability and transparency, while efficiently and effectively disseminating economic information to society at large (Nor et al., 2019).

3.3 Internal Control

The government requires a higher level of financial information reporting in some areas as mandated by law. These results strongly indicate that internal control significantly affects the distribution of financial information through transparent portals. Due to the economic crisis and the demands of citizens, the public administration has agreed to implement various policies aimed at promoting the management of application systems. This includes emphasizing internal control over application and system enhancement to improve the preparation of financial information and provide citizens with easy access through a more transparent portal. These measures promote transparency and mitigate corruption (Moreno-Enguix et al., 2018). The results are consistent with a prior study on the model, since the government area with high-quality financial information stated on the website has improved internal controls.

3.4 Financial Independence Ratio

The research conducted by Raditya et al. (2022) in Indonesia reveals a significant correlation between the level of disclosure of local government financial reports and the percentage of financial autonomy. This demonstrates the correlation between regions and their respective local income, which consists of a significant portion of funds contributed directly by the public to local governments. As a result, local governments are under pressure to enhance transparency in their financial reports, as the current level of disclosure falls short of meeting the expectations of the public.

3.5 Government Revenue

Revenue has a substantial impact on the level of information given in financial statements by local governments (Nasir et al., 2023). The research findings by Hariyani et al. (2022) demonstrate that the income of a particular region has an impact on the publication of financial reports by the government. This is significant as it helps the public comprehend the need of accurately paying taxes on time. Consequently, local administrations are under significant strain. Research conducted in Lithuania has found that towns with higher incomes are more likely to provide comprehensive and accurate information on accounting practices (Kanapickiene & Keliuotyte-Staniulieniene, 2019)..

3.6 Jurisdiction of Local Governments

Azwir Nasir and his colleagues are undertaking study on the legal systems in Indonesia, specifically focusing on the differences between Javanese and non-Javanese jurisdictions. At a macroeconomic level, it can be observed that the infrastructure of Javanese society is more developed than that of non-Javanese communities in terms of public services, social structures, and cultural practices. Arifin et al. (2015) discovered that the inclusion of compulsory information in financial statements has an impact on jurisdictions inside and outside of Java. The jurisdiction in both Javanese and non-Javanese regions is influenced by FSD. Local governments are facing significant strain, despite the fact that Java Island has more effective governance compared to other regions of Java (Sumatra) (Nasir et al., 2023).

3.7 Regional Wealth Level

The government's ownership of wealth is a sign of a prosperous region. Regions that can optimize taxes and levies will have a significant influence on raising their level of autonomy, thereby compelling the government to disclose its financial report. The role of stewards and principals in the interface between government and the public can be beneficial. This can lead to an increase in the level of motivation and awareness within the government sector, resulting in improved adherence to SAP disclosures (Womb et al., 2020).

3.8 Regional Dependence Level

The rate is contingent upon the federal money. The reliance on federal money demonstrates the extent to which monies are transferred from the government center to the government area in order to pay its activities. The dependency area proposes the establishment of a government center with the potential to impose constraints on fund usage. Additionally, it calls for increased openness in order to effectively oversee the allocation of these money. Internal local government must adhere to the regulations established by the central government when utilizing these monies. The study's findings indicate a positive and substantial relationship between the level of municipal government dependency and the level of disclosure in government city financial statements (Womb et al., 2020).

3.9 Population Size

The more the resident population increases, the more complex it becomes for the government to provide services in the area. The government's provision of services varies depending on the size of the resident population, with larger populations typically requiring more services. The need for diversity necessitates a proactive effort from the government to enhance the clarity and transparency of financial statements through improved communication. The transparency report on local government finances is more significant at higher levels. As the population grows, the government faces a greater and more varied demand for services. The government is being urged to implement a diversity request service in order to enhance financial transparency reporting, as suggested by Womb et al. (2020).

3.10 Number of Units Work

A research conducted in Indonesia examined the government's differentiation of functional units of work in Indonesia it called SKPD. SKPD mean regional government work units. Increased differentiation in the government sector leads to a greater abundance of ideas, information, and innovation available in the disclosure of SKPD's activities. This encompasses various aspects of government priorities in regional development. As the number of businesses prioritized by the regional government increases, the complexity of governance also increases (Rahim et al., 2020). PSAP 04 mandates the sharing of successes in programs and performance based on activities by local government.

3.11 Number of Audit Findings

The auditors have identified violations in the disclosure findings auditing form pertaining to internal control and compliance with laws and regulations during their inspection. The conclusions of the audit do not comply with the relevant criteria. Following each inspection, the auditor will offer recommendations for repairing any identified auditing results. The findings and recommendations will be transmitted to the object of inspection for repair and correction. The

results of the study indicate that the number of findings in the inspection is positively and significantly connected with the level of disclosure in the financial reports of the district/city. Upon discovering the existence of these facts, the CPC will formally urge that necessary corrections be made and that disclosure be increased. Consequently, as the number of findings increases, there is a corresponding increase in the amount of additional disclosure needed by the CPC in the financial report (Womb et al., 2020).

3.12 Government Size

A larger government area tends to have more comprehensive financial information. Additionally, larger government areas are generally more well-known to the public, which leads to more complex financial management. This complexity allows for closer supervision of government finances, promoting transparency and accountability (Hardiningsih et al., 2020). The study conducted by Aswar et al. (2021) demonstrates a significant and favorable relationship between the level of government ownership and financial transparency reporting. The results are consistent with Rahman and Sobhan's (2020) opinion that there is a favorable relationship between disclosure and company size. The greater the richness of a certain location, the larger the local government tends to be. The age of an agency to provide a thorough presentation is determined by the scale of local government.

3.13 Legislative Size

The primary purpose of legislative oversight is to ensure the effective execution of the government system in accordance with the expectations of the public. This includes monitoring the implementation process and overseeing the financial reporting of the local region. The disclosure report on finance is significant and influential in terms of its legislative size and positive impact. Consequently, as the extent of legislation in a region increases, the level of disclosure also increases. The findings align with the phenomenon of coercive isomorphism resulting from the central government's exertion of pressure on regional governments to enhance financial oversight. The regional government bears the responsibility of producing accurate financial statements, which are necessary to promote transparency and comply with relevant regulations (Aswar et al., 2021).

3.14 Audit Finding

The objective of audits conducted by the Internal Audit Standards (SAI) is to identify and verify the accuracy and fairness of financial reports, ensuring that they are devoid of significant errors and misrepresentations that could impact the financial statements (Agustina & Setyaningrum, 2020). Following the completion of the auditing process, SAI will proceed to construct an auditing report. This report will provide a detailed analysis of the financial reporting issues, including opinions, conclusions, and recommendations. Audited financial statements are utilized to enhance the precision of government financial reports in relation to transparency and accountability. According to Laupe et al. (2018), there is a positive correlation between the extent of auditing and the level of disclosure necessary. The study conducted by Aswar et al. (2021) demonstrates that the audit findings have a substantial and statistically significant impact on the disclosure of financial reports. This study corroborates the research of Martani and Liestiani (2010), which established a favorable correlation between audit findings and disclosures made by municipal governments. It is thought that an increase in audit findings necessitates a corresponding increase in the government's disclosure of lots.

3.15 Financial Condition

Marsella and Aswar (2019) assert that improving the financial position of the government sector will enhance the transparency of financial reporting. In their study, Giroux and McLelland (2003) discovered that the financial state of governance can enhance the value of information provided by regulation. The condition of finance can have an impact on the publication of financial reports, as these reports are a key component of the government's financial credibility (Ingram & DeJong, 1987). The financial conditions exert an impact on the disclosure of government financial reports. The study by Hariyani et al. (2022) indicates that a higher debt ratio makes it more challenging for state governments to effectively manage their budgets.

3.16 Regional Financial Independence

Local governments that possess a significant degree of financial autonomy have the ability to impact the disclosure of government financial reports. In cases where financial autonomy is substantial, regional governments are obligated to provide comprehensive information regarding the sources of received funds and the amount of fund balance that has been accepted. This information is crucial for central authorities in making informed economic decisions. A larger ratio of regional government financial independence indicates that local governments have greater autonomy in supporting government activities, development, and services for their own community. This reflects a significant level of self-reliance and reduced reliance on other parties. The motivation behind local governments making finance reports more transparent is driven by factors such as those identified by Hariyani et al. (2022).

3.17 Political Competition

Intense political competition has compelled regional administrations to more effectively pursue their interests on behalf of all parties involved. The growing presence of political parties endorsing regional leaders, along with the community and other parties, particularly rivals in post-conflict regional elections, is placing greater pressure on regional governments to enhance transparency in regional financial management. Facilitating access to regional financial information on the official government website of the respective area can effectively achieve regional financial accountability. The purpose of this is to ensure that the government focuses not only on personal interests, but also on the broader public interest. The greater the number of political parties that support Lots party, the more varied and specific the demands of each party become. Intense political competition is anticipated to lead to more transparency in the disclosure of regional financial reports (Aswar et al., 2021). The findings align with a study conducted in Spanish, which suggests that factors such as intense political competition inside an institution or a strong political desire to project a positive investment image to citizens can influence the disclosure of financial information (Teruki et al., 2019). However, according to a study conducted by Donatella et al. (2021), the findings indicate that political competitiveness has a detrimental effect on disclosure during the COVID-19 crisis. Empirical studies, as stated by Rodríguez Bolívar et al. (2013), yield relatively inconclusive findings about the relationship between political competitiveness and other variables.

3.18 Government Intervention

When the score index of government intervention is high, the level of marketization and the supremacy of law are enhanced (Zhao, 2013). This effectively minimizes or even eliminates the abuse of power by government administrative agencies on financial institutions, companies, institutions, and investors. The user's text is empty. Additionally, it decreases communication expenses between financial institutions and government officials, while enhancing investment

efficiency. This, in turn, leads to a reduction in financing costs for local government investment and financing platforms. In this situation, government involvement can lead to the substitution effect on the disclosure of financial information. As a result, government intervention reduces the efficacy of disclosing government finances, which in turn affects the cost of debt financing (Chen et al., 2016).

3.19 Democracy

Democracy has been shown to promote greater transparency in financial matters, as supported by earlier studies conducted by Curtin and Meijer (2006), Fairbanks et al. (2007), and Bauhr and Grimes (2014). Consequently, as democracy flourishes in Ghana, the level of financial openness in local government is also on the rise. Transparency in the government sector can be enhanced by fostering a deeper culture of democracy in the country. In addition, a high level of transparency in government operations can lead to the simple detection of corruption and other financial mismanagement practices, hence reducing them (Yu, 2022).

3.20 Political Ideology

The study revealed that political ideology has a significant impact on the level of transparency observed in local government. The right-wing orientation of the government may contribute to its lack of transparency, maybe due to its strong emphasis on capitalism policies and the promotion of a robust national market. The findings of this study support the previous conclusions of Piotrowski and Van Ryzin (2007) and Cuadrado Ballesteros et al. (2013), but contradict the results of Araujo and Tejedo-Romero (2016). Araujo and Tejedo-Romero claimed that government regions governed by right-wing parties are more transparent than those governed by left-wing parties. While there is ongoing discussion on the ideological orientation that best supports transparency, there is general agreement that the orientation of the government has a substantial impact on the extent to which information is made available to the public (Sol, 2013). Regarding this matter, it is imperative for civil society organizations and major political parties in the region to prioritize the promotion of transparency in local government, as advocated by the convergence philosophy (Yu, 2022).

4. Conclusion

The literature research reveals that there are 20 elements that influence the disclosure of government financial reports. These findings are based on 20 empirical studies indexed by Scopus over the previous 16 years. These characteristics are primarily influenced by substantial positive factors, specifically the results of 20 research articles. However, there are also factors that have a negative influence, such as political competition. There are varying results in the political rivalry due to specific factors, and it can be inferred that the outcome of the political competition is different. Additional research is being conducted to enhance comprehension of government financial report disclosure. The aim is to identify and analyze various factors that impact the reliability and comprehensibility of government financial reports. It is crucial to strike a balance between disclosing all pertinent information and ensuring it is presented in a comprehensive manner.

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