JURNAL RISET AKUNTANSI TERPADU
Vol.17 No.1, 2024
Hal. 29-42

How Can Indonesia Become a Truly Prosperous Country? An Exploration from An Accounting Perspective.

Iman Teguh
Faculty of Economics and Business, Universitas Kuningan
Iman.teguh@uniku.ac.id

Abstract

The purpose of this study is to analyze the financial condition of local governments and provide enlightenment for Indonesia to become a truly prosperous country Based on an accounting perspective. This research uses a qualitative method with an exploratory approach to local government financial statements. The research sample of this study includes top five the most liveable cities in the world and the top five most liveable cities in Indonesia. The research uses nineteen indicators from six dimensions of the financial condition of local government. The results indicate that Indonesia can become a truly prosperous country if local governments in Indonesia can increase the productivity of cash and cash equivalents that are still idle to improve the quality of public services. Regional governments in Indonesia can use long-term debt mechanisms, maintain financial management patterns in operational activities every fiscal year, continuously explore potential regional income sources, maintain financial flexibility management patterns, and increase per capita spending allocations. The result of this research provides practical implications for local governments in Indonesia in realizing the goal of statehood to become a truly prosperous Indonesia. The originality of this research is to explore the financial condition of local governments to make Indonesia a truly prosperous country.

Keywords: Financial Condition; Local Government; Prosperous Country; Most Liveable Cities

INTRODUCTION

The goal of the Indonesian state is to attain prosperity (Government Regulation of the Republic of Indonesia, 1945). To achieve prosperity, a unitary state government was formed as a republic. This government structure has a logical consequence of creating a central government with the establishment of local governments under laws and regulations. Although local governments have the widest regional autonomy authority, they remain unified with the central government. The purpose of the autonomy authority in local governments is to hasten the realization of prosperity by allowing each regional government to maximize its potential and creativity to achieve state goals (Government Regulation of the Republic of Indonesia, 2014).

The implementation of government functions in Indonesia with regional autonomy mechanisms creates certain rights and obligations that can be assessed monetarily (Government Regulation of the Republic of Indonesia, 2003) The State Revenue and Expenditure Budget (SREB) and the Regional Revenue and Expenditure Budget (RREB) are the

instruments used by the central government and local governments to express their rights and obligations. Proper management of these two instruments is crucial to realizing a prosperous society through public service functions (Mardiasmo, 2004; Sasongko & Ritonga, 2018).

Prosperity is defined as a condition that shows success, especially in the financial field (Bull, 2008). The measurement of prosperity is relatively different from the measurement of the level of welfare. The level of welfare is reflected by per capita income (Yustikasari, 2018). But the context of state life, prosperity is closely related to welfare which is very relevant to community development because it has the potential to benefit from goods and services provided by the state (Evans & Kelley, 2018). Optimal service of goods and services is reflected in livable cities in the world. This happens because livable cities in the world assess which locations around the world provide the best or worst living conditions consisting of aspects of stability, Healthcare, culture and environment, education, and infrastructure (Economist Intelligence Unit, 2023). Thus, in the context of fiscal decentralization in Indonesia, one way to realize Indonesia's prosperity is to improve the quality of local governments (in this case cities and districts) such as the most liveable cities in the World.

The gap between Most Liveable Cities in Indonesia (MLCI) and Most Liveable Cities in the World (MLCW) is still very high. The score of the most liveable cities index for MLCI is below 70, while the score of the most liveable cities index for MLCW is almost 100. This data shows that Indonesia is still far from being truly prosperous. The data are shown in Table 1. As follows:

Table 1. List of Most Liveable Cities in Indonesia and in the World

Nomor	Most Liveable Cities in Indonesia (MLCI)	Score	Most Liveable Cities in The World (MLCW)	Score
1	Surakarta	66,9	Melbourne	98,4
2	Palembang	66,6	Syndey	98,1
3	Balikpapan	65,8	Calgary	97,5
4	Denpasar	65,5	Vancouver	97,3
5	Tangerang Selatan	65,4	Toronto	97,2

Source: Economist Intelligence Unit (2019) & Indonesian Planning Experts Association (2019)

In response to the gap, a question arises. How can Indonesia become a truly prosperous country? This study aims to explore and provide enlightenment for Indonesia to become a truly prosperous country based on an accounting perspective.

Previous research was conducted by Czupich (2020) who compared the financial condition of small towns versus large cities in Poland. In Indonesia, previous research conducted by Indriani et al., 2020) to measure the financial condition of district governments in Kalimantan. Moreover, Mardi Yati & Andra Asmara (2020) research to measure the financial condition index of local governments in Aceh Province. Ferica (2022) also examined the measurement of the financial condition of local governments in Central Java. Another study was also conducted by Nirwana et al., (2023) who examined the financial condition of local governments in Sulawesi.

Based on the author's knowledge, The majority of previous studies focused on measuring financial conditions in only one local government area, while exploratory studies measuring the financial condition of local governments in the most liveable cities in Indonesia and most liveable cities in the world are still very limited, especially those aimed at realizing the prosperity of the Indonesian state. The theoretical contribution of this research is to

enrich the public accounting literature in measuring financial conditions at national and international levels. In addition to theoretical contributions, this research also makes practical contributions to local governments in Indonesia in terms of regional financial management to carry out government functions to realize prosperity as a state goal.

THEORITICAL FRAMEWORK AND HYPOTHESIS

Definition of The Government Financial Condition

The financial condition of the government is the ability of the government to provide public services and fulfill obligations in the future. All these obligations require payment from financial sources owned today or financial sources in the future (Zafra-Gómez et al., 2009). If the organization can pay these obligations without experiencing significant difficulties, then the government is declared to have a healthy financial condition (Wang et al., 2007).

Development of Local Government Financial Condition Measurement Models in the World

Measurement of the financial condition of local governments is still relatively new and began to become the subject of attention of practitioners and academics around 1970 (Kloha et al., 2005) the first research was only carried out in 1980 (Ritonga et al., 2019). In terms of analysis, financial conditions are very complex in both public and private organizations (Rivenbark & Roenigk, 2011).

The Measurement Model of Local Government financial condition in the world has undergone many developments, even until now it is still being developed with the aim of presenting a model that truly measures the financial condition of Local Government. In addition, a very high level of complexity related to the need for information about financial conditions for stakeholders to make decisions can reach the realm of predicting financial crises that may be faced with their current financial conditions (Zafra-Gómez et al., 2009a). On the other hand, this complexity is also a challenge to create flexible models like Zafra-Gómez et al., (2009b). However, subsequent challenges continue to emerge such as a significant momentum in the financial condition of local governments caused by increasing demand, population shifts, and increasing costs of service providers in providing public services (Alam et al., 2017).

The first model developed to measure the financial condition of local governments was the Fiscal Trend Monitoring System (FTMS) in 1980 by the International City/Country Management Association (ICMA) and further improvements were made in 1994 and 2003 (Ritonga, 2014). This model uses 2 factors, namely financial factors and environmental factors which are divided into 11 dimensions with a total of 42 indicators spread across the 11 dimensions.

An advantage of the FTMS model is that it uses the concept of defining the financial condition of local governments before determining the indicators of financial condition that make this model meet the face validity attribute. However, the first financial location is the completeness of the description offered about the factors forming the financial situation of local governments and is aligned with bond rating institutions to meet the validity of concurrents.

The Second Model was developed by Brown (1993). The development of Brown's financial condition measurement model is to calculate ratios with a total of 10 ratios called the 10-point test with special limitations that are only suitable for local governments with a population of less than 100,000. The ten ratios in question represent the four basic financial

factors of local governments consisting of revenue, expenditure, operating position, and debt structure. This model has been carried out further research conducted by Maher & Nollenberger, (2009).

Financial condition measurement models continue to evolve as developed by Kloha et al., (2005); Wang et al., (2007); Zafra-Gómez et al., (2009b, 2009a). In addition, some countries still have not made adjustments to models that are truly applicable to the country, along with differences in regulations in each country that affect the need for model adjustments for that country (Zafra-Gómez et al., 2009b). One adequate example in this regard is the creation of the first model for local governments in Indonesia that refers to the principle of fiscal decentralization using clusters so that the comparison of the financial condition of each Regional Government becomes more effective and presents a way to optimize the assessment of the financial condition of Regional Governments in Indonesia is the model conducted by Ritonga (2014).

Financial Condition Measurement Model By Ritonga (2014)

Ritonga, (2014) has developed a model of measuring the financial condition of local governments using demand and supply theory. The financial condition measurement model includes six dimensions of measuring the financial condition of local governments. The six dimensions consist of Short-Run Solvency, Long-Run Solvency, Budgetary Solvency, Financial Independency, Financial Flexibility, and Service-Level Solvency dimensions. The study fully implements the financial condition measurement model developed by Ritonga (2014). The use of this financial condition measurement model is based on the consideration that the local government's financial condition measurement model has succeeded in complementing the weaknesses in previous models. In addition, the financial condition measurement model is the first in Indonesia and was adopted, and ratified in one of the government regulations in Indonesia concerning the Local Financial Management Index (Minister of Home Affairs of the Republic of Indonesia, 2020).

RESEARCH METHOD

Research Sample

The samples used in this study are Indonesia's most livable cities and the world's most livable cities in 2019. The year 2019 was chosen because information data on the most livable cities was released based on a survey by the Association of Planning Experts (IAP) and The Economist Intelligence Unit (EIU) at the end of 2018 or at the beginning of 2019. In that period, the world was assumed to be in normal conditions and the financial condition of local governments had not been affected by policies to handle the Covid-19 pandemic. The most livable cities in Indonesia are represented by five cities: Surakarta, Palembang, Balikpapan, Denpasar, and South Tangerang. The most livable cities in the world are represented by five cities namely Melbourne, Sydney, Calgary, Vancouver, and Toronto. The data is presented in the table as follows.

Data Collection

The data collection technique in this study used documentation to collect secondary data. The documentation was performed from searchs on government websites and Bureau of Statistics of Republic of Indonesia (BPS).

Table 2. Sample

Number	The Most Liveable Cities in Indonesia 2019	The Most Liveable Cities in The World 2019
1	Surakarta	Melbourne
2	Palembang	Sydney
3	Balikpapan	Calgary
4	Denpasar	Vancouver
5	Tangerang Selatan	Toronto

Source: Economist Intelligence Unit (2019) & Indonesian Planning Experts Association (2019)

Data Analysis

This research uses an exploratory method with a qualitative approach. The data used is secondary data, namely audited local government financial statements so that the financial information used is of high quality. In addition, researchers also used population data obtained from the BPS website. The local government financial report data used are the 2017 and 2018 financial statements. The use of this period is based on the consideration that the financial condition of local governments in 2019-2022 is affected by regulations for reallocation and refocusing activities in handling the COVID-19 pandemic (see Indonesian President Instruction number 4/2020). The data was processed using Microsoft Excel to measure the financial condition of local governments with a measurement model of local government financial condition developed by Ritonga (2014).

The study began with the collection of secondary data obtained from the local government website that was the sample of this study and population data from the BPS website. After the data is obtained, the researcher inputs the necessary data into Microsoft Excel. Data inputted into Microsoft Excel in the form of numbers needed following indicators measuring financial condition. There are several calculation results on several indicators that are not equivalent as in the short-run solvency dimension with times units, while the service solvency dimension is per capita. Therefore, researchers transform data using natural logarithms to equalize data units on each indicator. After calculating the overall indicators measuring the financial condition of local governments, researchers explored the results of measuring financial condition indicators comprehensively on each indicator in each dimension based on an accounting perspective.

The calculation results of each indicator are not continued until the index creation stage. This is based on the consideration that the creation of the index is intended to compare financial conditions. However, comparing financial conditions fairly will only be achieved if it is done on a single cluster built on similar characteristics. Therefore, this study does not create an index because it does not aim to compare, but to explore financial condition through each element of financial condition measuring indicators based on an accounting perspective.

RESULT AND DISCUSSION

Result

Based on the results of the calculation of all indicators in six dimensions measuring the financial condition of local governments developed by Ritonga (2014) the following results were obtained.

Short-run Solvency

Table 3. MLCI Short-Run Solvency

MLCI Short-Run Solvency						
City	**2017**			**2018**		
	Ratio A	**Ratio B**	**Ratio C**	**Ratio A**	**Ratio B**	**Ratio C**
Surakarta	6.11	7.96	8.38	4.69	6.59	7.08
Palembang	0.74	3.62	3.94	0.22	1.39	1.56
Balikpapan	3.73	6.64	7.05	6.17	9.84	10.29
Denpasar	12.36	22.42	23.20	16.47	26.32	28.24
Tangerang Selatan	26.96	55.68	58.77	88.71	158.27	169.23

Table 4. MLCW Short-Run Solvency

MLCW Short-Run Solvency						
City	**2017**			**2018**		
	Ratio A	**Ratio B**	**Ratio C**	**Ratio A**	**Ratio B**	**Ratio C**
Melbourne	1.03	1.42	1.97	1.11	1.53	1.59
Sydney	1.80	2.27	2.30	2.42	2.74	3.18
Calgary	0.15	0.51	0.61	0.24	0.59	0.67
Vancouver	0.47	1.00	1.07	0.63	1.18	1.23
Toronto	0.57	0.98	1.11	0.82	1.26	1.38

Based on the data in Tables 3 and 4, Ratio A in MLCW shows a range of numbers less than 1 and less than 2.5. The calculation results of Ratio B and Ratio C also did not show a significant difference, both in 2017 and 2018 when compared to the results of calculating ratios in MLCI. MLCI shows the results of a very varied A ratio calculation that ranges from less than 1 to more than 85. The results of the calculation of ratio B and ratio C in MLCI also tend to show significant differences. This means that financial management patterns in MLCW tend not to leave cash and cash equivalents idle when faced with current liabilities. In addition, MLCW tends to have much better receivables management compared to MLCI when faced with its current obligations.

Based on the Short-run Solvency dimension, local governments in Indonesia are recommended to produce cash and cash equivalents that are still idle as MLCW does to improve the quality of public services.

Long-run Solvency

Table 5. MLCI Long-Run Solvency

MLCI Long-Run Solvency						
City	**2017**			**2018**		
	Ratio A	**Ratio B**	**Ratio C**	**Ratio A**	**Ratio B**	**Ratio C**
Surakarta	5.26	8.52	5.26	5.24	9.71	5.24
Palembang	4.63	30.24	4.62	3.76	30.30	3.74
Balikpapan	4.99	29.69	4.99	5.46	30.04	5.45
Denpasar	4.88	28.87	4.90	5.60	29.43	5.59
Tangerang Selatan	8.04	30.58	8.04	7.08	30.64	7.08

Table 6. MLCW Long-Run Solvency

MLCW Long-Run Solvency				
City	2017		2018	
	Ratio A	Ratio B	Ratio A	Ratio B
Melbourne	4.81	3.31	4.89	3.33
Sydney	4.30	4.18	4.31	4.19
Calgary	1.51	0.53	1.23	0.51
Vancouver	2.49	1.25	2.56	1.25
Toronto	1.93	0.87	1.92	0.83

In this dimension, MLCI is measured by three ratios, while MLCW is only two ratios. This is because there are differences in standards in the presentation of financial statements which cause the unavailability of the information needed. Therefore, the analysis focuses on ratio A and ratio B. Based on the data in Tables 5 and 6, the results of the calculation of ratio A show similarities in total debt management between MLCI and MLCW. However, the results of the B ratio calculation show that only the city of Surakarta has long-term debt in carrying out public service functions during the 2017 and 2018 periods. While all cities within MLCW have Long-term debt.

Based on the long-run solvency dimension, local governments in Indonesia can use long-term debt mechanisms such as the city of Surakarta to improve the quality of public services, as long as the total assets owned are one to five times more than long-term debt.

Budgetary Solvency

Table 7. Budgetary Solvency of MLCI

Budgetary Solvency of MLCI								
City	2017				2018			
	Ratio A	Ratio B	Ratio C	Ratio D	Ratio A	Ratio B	Ratio C	Ratio D
Surakarta	1.26	1.26	2.40	1.02	1.19	1.20	2.44	0.98
Palembang	1.31	1.31	2.11	1.09	1.14	1.14	1.98	1.00
Balikpapan	1.38	1.39	3.15	1.06	1.41	1.42	2.94	1.05
Denpasar	1.12	1.29	2.69	1.05	1.08	1.20	2.47	1.01
Tangerang Selatan	1.47	1.47	3.01	1.01	1.36	1.36	2.57	0.98

Table 8. Budgetary Solvency of MLCW

Budgetary Solvency of MLCW								
City	2017				2018			
	Ratio A	Ratio B	Ratio C	Ratio D	Ratio A	Ratio B	Ratio C	Ratio D
Melbourne	1.32	1.36	2.85	1.13	1.18	1.21	2.60	0.99
Sydney	1.26	1.40	2.75	0.99	1.42	1.42	2.81	1.18
Calgary	1.18	1.18	1.87	0.96	1.21	1.21	1.96	1.00
Vancouver	1.16	1.16	1.88	1.14	1.23	1.23	2.01	1.21
Toronto	1.19	1.37	2.15	0.95	1.16	1.34	2.20	0.94

Based on the data presented in Tables 7 and 8, it can be stated that actually in terms of budget solvency, the value is almost the same and not much different for both MLCI and MLCW. The increase and decrease in the value of each ratio used are not so significantly different between the two, so in terms of budget solvency, both indicate the ability to obtain revenue that is not much different to meet operational activities every fiscal year.

Based on the budgetary solvency dimension, local governments in Indonesia are recommended to maintain a pattern of financial management in operational activities every fiscal year.

Financial Independency

Table 9. MLCI Financial Independency

MLCI Financial Independency				
City	**2017**		**2018**	
	Ratio A	**Ratio B**	**Ratio A**	**Ratio B**
Surakarta	0.29	0.30	0.28	0.27
Palembang	0.32	0.35	0.27	0.27
Balikpapan	0,33	0,35	0,29	0,30
Denpasar	0.49	0.51	0.44	0.45
Tangerang Selatan	0.54	0.55	0.51	0.50

Table 10. MLCW Financial Independency

MLCW Financial Independency				
City	**2017**		**2018**	
	Ratio A	**Ratio B**	**Ratio A**	**Ratio B**
Melbourne	0.97	1.10	0.96	0.95
Sydney	0.81	0.80	0.80	0.95
Calgary	0.75	0.72	0.76	0.76
Vancouver	0.75	0.85	0.78	0.95
Toronto	0.78	0.74	0.74	0.70

The higher the value of these ratios, the greater the contribution of local original income in funding public service activities carried out by local governments. Thus, the greater the value of the two ratios, the better the financial independence of local governments and the less dependence on funding sources that are beyond their control, both from national and international funding sources.

Based on the data in Tables 9 and 10, we can see that the value of ratio A which measures the total original income of the region when faced with the total income for MLCW shows that almost all of its income is sourced from the original income of the region. Meanwhile, MLCI shows that the maximum local original income that can be collected is only half of the total income. This shows that the majority of MLCI are still not financially independent to carry out public service functions and are still very dependent on the central government as their source of revenue. In addition, data on the MLCW B ratio shows that the total local original revenue can meet all expenditures incurred in the relevant budget period,

while MLCI regional original revenue in MLCI is only able to cover a maximum of half of the expenditure incurred in the relevant fiscal year.

Based on the financial independence dimension, local governments in Indonesia are recommended to continue to explore the potential of local sources of income so that they can be financially independent so that the quality of public services can be improved without having to rely on the central government.

Financial Flexibility

Table 11. MLCI Financial Flexibility

City	**MLCI Financial Flexibility**							
	2017				**2018**			
	Ratio A	**Ratio B**	**Ratio C**	**Ratio D**	**Ratio A**	**Ratio B**	**Ratio C**	**Ratio D**
Surakarta	2.94	1.44	2.85	1.65	2.99	1.44	3.38	1.65
Palembang	0.82	1.08	12.20	1.35	12.17	0.65	12.17	0.96
Balikpapan	12.09	1.37	12.09	1.53	12.15	1.48	12.15	1.66
Denpasar	12.12	1.70	12.12	1.89	12.11	1.77	12.11	1.97
Tangerang Selatan	12.28	2.49	12.28	2.67	12.27	2.04	12.27	2.25

Table 12. MLCW Financial Flexibility

City	MLCW Financial Flexibility							
	2017				2018			
	Ratio A	Ratio B	Ratio C	Ratio D	Ratio A	Ratio B	Ratio C	Ratio D
Melbourne	2.50	0.32	0.97	0.48	2.43	0.24	0.92	0.43
Sydney	5.58	0.32	0.37	0.52	5.60	0.34	0.34	0.53
Calgary	2.27	-0.27	0.16	0.06	2.62	0.79	0.10	1.08
Vancouver	-0.28	-0.12	-2.06	-0.12	-0.19	-0.10	-2.05	-0.10
Toronto	0.44	-0.42	0.04	-0.15	2.11	-0.44	0.03	-0.18

Based on the data in Tables 11 and 12, MLCI generally has better financial flexibility than the most comfortable cities in the world by not showing a negative value for each ratio used in measuring financial flexibility. Almost all of Indonesia's most comfortable cities show financial flexibility stability for the 2017 and 2018 budget periods. The increase or decrease that occurs can still be considered reasonable because it is not too significant.

Different flexibility conditions are shown by all MLCWs that show the value of each financial flexibility ratio that is not greater than the value of each MLCI financial flexibility ratio. In fact, several cities in the MLCW show negative financial flexibility ratios, namely Calgary, Vancouver and Toronto.

Based on the financial flexibility dimension, local governments in Indonesia are recommended to maintain the pattern of financial flexibility management. This is based on the consideration that each local government has different risks it faces, such as the risk of natural disasters influenced by geographical factors. By maintaining the pattern of financial flexibility management, it is expected that local governments in Indonesia have good financial flexibility in managing risks in carrying out public service functions.

Service-level Solvency

Table 13. MLCI Service-Level Solvency

MLCI Service-Level Solvency				
City		Ratio A	Ratio B	Ratio C
Surakarta	2017	14.472.947,29	14.472.947,29	3.697.367,18
	2018	14.932.927,49	14.932.927,49	3.426.349,76
Palembang	2017	8.346.174,50	8.346.174,50	4.215.366,01
	2018	8.535.244,27	8.737.748,44	2.122.464,19
Balikpapan	2017	12.279.780,86	12.363.699,59	10.415.124,92
	2018	17.077.600,75	17.150.840,35	15.091.514,28
Denpasar	2017	7.588.792,95	7.645.214,97	4.215.366,01
	2018	12.669.851,97	12.716.952,57	4.415.990,79
Tangerang Selatan	2017	11.634.966,83	11.634.966,83	1.804.143,18
	2018	12.001.654,22	12.001.654,22	1.928.566,04

Table 14. MLCW Service-Level Solvency

MLCW Service-Level Solvency				
City		Ratio A	Ratio B	Ratio C
Melbourne	2017	9.526.384,70	9.888.673,35	1.322.647,02
	2018	9.921.436,50	10.287.994,49	1.338.246,68
Sydney	2017	25.615.865,92	26.015.077,42	1.279.838,67
	2018	25.580.730,59	25.975.249,79	1.151.835,75
Calgary	2017	138.063.633,81	177.700.705,80	23.600.872,22
	2018	141.665.918,61	180.296.695,94	22.975.072,54
Vancouver	2017	30.679.335,90	39.425.787,29	6.523.956,50
	2018	31.935.588,69	41.057.260,23	6.662.364,55
Toronto	2017	43.973.787,57	72.237.896,84	21.496.044,72
	2018	41.965.683,86	77.833.638,93	20.001.757,07

The information presented in Tables 13 and 14 is financial ratio information. MLCI is expressed in Indonesian Rupiah (IDR) and MLCW is also expressed in IDR converted from Australian Dollar (AUD) and Canadian Dollar (CAD) using the central bank's middle rate in the relevant period. Ratio A indicates equity per capita, Ratio B indicates assets per capita, and Ratio C indicates expenditure per capita. The limitation of data for service-level solvency analysis in this study is that the data period used is less long, so inadequate time series data is one of the limitations of this study.

Based on this information, MLCW's A ratio shows values in the range of IDR.7.5 million to IDR.14.9 million per capita, while MLCW's ratio shows the range of values between IDR. 9.9 million to IDR. 141 million per capita. This shows a gap in total net assets that is very far reaching 10 times the total net assets of MLCW used to provide public services. This value is relatively no different from the value of ratio B. However, the allocation of expenditure per capita in ratio C for MLCI also reflects an allocation that tends to be not much different in the majority of MLCI and MLCW. If MLCI can allocate higher per capita expenditure, the value of assets and net assets will likely increase which will have an impact on improving the quality of public services.

Based on the Service-Level Solvency dimension, local governments in Indonesia are recommended to increase the allocation of per capita expenditure to address the gap with MLCW in providing public services. The results of this dimensional analysis provide new ideas for future researchers to measure how far the gap between public services provided by MLCW and public services provided by MLCI.

Discussion

The purpose of the Republic of Indonesia is to become a prosperous country. To achieve such prosperity, Indonesia implements fiscal decentralization that gives rise to rights and obligations between the central government and local governments that can be assessed with money. Prosperity is closely related to welfare which is very relevant to community development because it has the potential to benefit from goods and services provided by the state. Optimal service of goods and services is reflected in livable cities in the world. This happens because livable cities in the world assess which locations around the world provide the best or worst living conditions consisting of aspects of stability, Healthcare, culture and environment, education, and infrastructure. Thus, in the context of fiscal decentralization in Indonesia, one way to realize Indonesia's prosperity is to improve the quality of local governments (in this case cities and districts) such as the most liveable cities in the World.

The gap between Most Liveable Cities in Indonesia (MLCI) and Most Liveable Cities in the World (MLCW) is still very high. In response to the gap, a question arises. How can Indonesia become a truly prosperous country? This question is answered through an exploration of the financial condition of local governments based on an accounting perspective. This is in connection with the financial condition of government is the ability of the government to provide public services and fulfill obligations in the future.

The financial condition of local governments is measured using six dimensions. The results of this exploration show that based on the Short-run Solvency dimension, local governments in Indonesia are recommended to produce cash and cash equivalents that are still idle as MLCW does to improve the quality of public services. Based on the long-run solvency dimension, local governments in Indonesia can use long-term debt mechanisms such as the city of Surakarta to improve the quality of public services, as long as the total assets owned are one to five times more than long-term debt. Based on the budgetary solvency dimension, local governments in Indonesia are recommended to maintain a pattern of financial management in operational activities every fiscal year.

Based on the financial independence dimension, local governments in Indonesia are recommended to continue to explore the potential of local sources of income so that they can be financially independent so that the quality of public services can be improved without having to rely on the central government. Based on the financial flexibility dimension, local governments in Indonesia are recommended to maintain the pattern of financial flexibility management. This is based on the consideration that each local government has different risks it faces, such as the risk of natural disasters influenced by geographical factors. By maintaining the pattern of financial flexibility management, it is expected that local governments in Indonesia have good financial flexibility in managing risks in carrying out public service functions. Based on the Service-Level Solvency dimension, local governments in Indonesia are recommended to increase the allocation of per capita expenditure to address the gap with MLCW in providing public services. The results of this dimensional analysis provide new ideas for future researchers to measure how far the gap between public services provided by MLCW and public services provided by MLCI.

CONCLUSIONS

Based on the results of exploration using an accounting perspective on the financial condition of MLCI and MLCW, Indonesia can become a truly prosperous country with local governments in Indonesia recommended to produce cash and cash equivalents that are still

idle as MLCW does to improve the quality of public services. Moreover, local governments in Indonesia can use long-term debt mechanisms such as the city of Surakarta to improve the quality of public services, as long as the total assets owned are one to five times more than long-term debt. Local governments in Indonesia are also recommended to maintain a pattern of financial management in operational activities every fiscal year. Then, local governments in Indonesia are recommended to continue to explore the potential of local sources of income so that they can be financially independent so that the quality of public services can be improved without having to rely on the central government. Moreover, local governments in Indonesia are recommended to maintain the pattern of financial flexibility management. Last, local governments in Indonesia are recommended to increase the allocation of per capita expenditure to address the gap with MLCW in providing public services.

This study provides practical implications for local governments in Indonesia in realizing the goal of statehood to become a truly prosperous Indonesia. Local governments in Indonesia are recommended to make improvements in the management of financial conditions following financial elements that must be maintained, and improved by MLCI.

This study also provides theoretical implications for the development of public accounting literature, especially in terms of measuring the financial condition of local governments to realize a prosperous country which is currently still developing and officially implemented in every local government in Indonesia. In terms of exploration of the service-level solvency dimension, data on the service-level gap between MLCI and MLCW were obtained. This gap is very interesting for future researchers.

This study has limitations, i.e., in exploring the dimension of service-level solvency This study has limitations in the quantity of time series data to explore the trend of each indicator measuring the dimension of service-level solvency.

REFERENCES

Alam, M., Alam, M., & Hoque, A. (2017). Measuring Financial Condition Of Urban Local Government: A Study of Municipalities In Bangladesh. *The Journal of Depeloping Areas*, *51*(2), 71–83.

Brown, K. W. (1993). The 10-Point Test of Financial Condition: Toward an Easy-to-Use Assesment Tool for Smaller Cities. *Government Financial Review*, 21–26.

Bull, V. (2008). *Oxford learner's pocket dictionary fourth edition* (V. Bull, Ed.; 4th ed.). Oxford University Press.

Czupich, M. (2020). Local Government Financial Condition – Small Towns Versus Large Cities in Poland. *Lex Localis - Journal of Local Self-Government*, *18*(4), 807–834. https://doi.org/10.4335/18.3.807-834(2020)

Economist Intelligence Unit. (2019). *The Global Liveability Index 2019*. https://www.eiu.com/n/the-global-liveability-index-2019/

Economist Intelligence Unit. (2023, June). *The Global Liveablity Index 2023 Optimism amid Instability*. 6–6. https://www.eiu.com/n/eius-global-liveability-index-hits-a-15-year-high/

Evans, M., & Kelley, J. (2018). Strong Welfare States Do Not Intensify Public Support for Income Redistribution, but Even Reduce It among the Prosperous: A Multilevel Analysis of Public Opinion in 30 Countries. *Societies*, *8*(4), 105. https://doi.org/10.3390/soc8040105

Ferica C, P. (2022). Kondisi Keuangan Provinsi Jawa Tengah. *Jurnal Manajemen Ekonomi Dan Akuntansi*, *11*(2).

Undang-Undang Republik Indonesia Nomor 17 Tahun 2003 Tentang Keuangan Negara, Pub. L. No. 17/2003 (2003).

Ikatan Ahli Perencanaan Indonesia. (2019). *Kota Layak Huni di Indonesia*. https://dpu.kulonprogokab.go.id/detil/161/kota-layak-huni-di-indonesia

Indriani, I. K., Lestari, M. P., & Triani, M. (2020). Analisis Kondisi Keuangan Pemerintah Kabupaten Di Kalimantan. *INVENTORY: JURNAL AKUNTANSI*, *4*(2), 175. https://doi.org/10.25273/inventory.v4i2.7675

Kloha, P., Weissert, C. S., & Kleine, R. (2005). Developing and Testing a Composite Model to Predict Local Fiscal Distress. *Public Administration Review*, *65*(3), 313–323. https://doi.org/10.1111/j.1540-6210.2005.00456.x

Maher, C. S., & Nollenberger, K. (2009). Revisiting Kenneth Brown's "10-Point Test." *Government Finance Review*, *25*(5), 61–66. https://www.proquest.com/trade-journals/revisiting-kenneth-browns-10-point-test/docview/229743250/se-2

Mardi Yati, I., & Andra Asmara, J. (2020). Analisis Indeks Kondisi Keuangan Pemerintah Daerah Provinsi Aceh 2015-2017. *Jurnal Ilmiah Mahasiswa Ekonomi Akuntansi (JIMEKA)*, *5*(2), 1.

Mardiasmo. (2004). *Akuntansi Sektor Publik*. Andi.

Peraturan Menteri Dalam Negeri Nomor 19 Tahun 2020 Tentang Indeks Pengelolaan Keuangan Daerah, (2020).

Nirwana, Seseang, R. H., & Salsabila, A. (2023). Analysis of Regional Financial Conditions in Local Governments of Enrekang Regency, South Sulawesi Province, Indonesia. *International Journal of Professional Business Review*, *8*(3), e01014. https://doi.org/10.26668/businessreview/2023.v8i3.1014

Undang-Undang Dasar Negara Republik Indonesia, (1945).

Republic of Indonesia. (2014). *Undang-Undang Republik Indonesia Nomor 23 Tahun 2014 Tentang Pemerintah Daerah*.

Ritonga, I. T. (2014). DEVELOPING A MEASURE OF LOCAL GOVERNMENT'S FINANCIAL CONDITION 1 Irwan Taufiq Ritonga. *Journal of Indonesian Economy and Business*, *29*(2), 142–164.

Ritonga, I. T., Clark, C., & Wickremasinghe, G. (2019). Factors Affecting Financial Condition of Local Government in Indonesia. *Journal of Accounting and Investment*, *20*(2). https://doi.org/10.18196/jai.2002114

Rivenbark, W. C., & Roenigk, D. J. (2011). IMPLEMENTATION OF FINANCIAL CONDITION ANALYSIS IN LOCAL GOVERNMENT. In *Source: Public Administration Quarterly* (Vol. 35, Issue 2). https://www.jstor.org/stable/41506755

Sasongko, P. A., & Ritonga, I. T. (2018). *Pengklasteran Pemerintah Daerah di Indonesia untuk Optimalisasi Analisis Kondisi Keuangan* [Master Thesis, Universitas Gadjah Mada]. http://etd.repository.ugm.ac.id/penelitian/detail/157802

Wang, X., Dennis, L., & Tu, Y. sen jeff. (2007). Measuring financial condition: A Study of U.S. States. *Public Budgeting and Finance*, *27*(2), 1–21. https://doi.org/10.1111/j.1540-5850.2007.00872.x

Yustikasari, Y. (2018). Pengaruh Kualitas Laporan Keuangan, Kompleksitas Pemerintahan, dan Tingkat Kesejahteraan Daerah Terhadap Tingkat pengungkapan sukarela informasi keuangan padawebsite pemerintah daerah (Studi Kasus Pemerintah Daerah Tingkat Provinsi Se-Indonesia). *Jurnal Riset Akuntansi Terpadu*, *11*(1), 28–44. https://doi.org/http://dx.doi.org/10.35448/jrat.v11i1

Zafra-Gómez, J. L., López-Hernández, A. M., & Hernández-Bastida, A. (2009a). Developing an alert system for local governments in financial crisis. *Public Money & Management*, *29*(3), 175–181. https://doi.org/10.1080/09540960902891731

Zafra-Gómez, J. L., López-Hernández, A. M., & Hernández-Bastida, A. (2009b). Evaluating financial performance in local government: maximizing the benchmarking value. *International Review of Administrative Sciences*, *75*(1), 151–167. https://doi.org/10.1177/0020852308099510