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OPTIMIZING TAXPAYER COMPLIANCE IN FREELANCE SECTOR: A STUDY OF AWARENESS, REGULATIONS UNDERSTANDING, AND SYSTEM EFFECTIVENESS

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Abstract: The study focuses on the impact of taxpayer awareness, understanding of tax regulations, and the effectiveness of the tax system on the compliance of individual taxpayers engaged in freelance work. One factor that hinders and reduces the compliance of individual taxpayers who do free work to fulfil their tax obligations is the attitude of taxpayers who consider paying taxes unimportant. The research method was quantitative, where data collection uses the distribution of questionnaires to respondents. This study was conducted based on the findings of the distribution of questionnaires to 100 respondents. Descriptive statistical calculations reveal the distribution of scores and characteristics of the independent variables: taxpayer awareness, understanding of tax regulations, and effectiveness of the tax system. Through regression analysis, it was determined that all three independent variables have a significant favourable influence on taxpayer compliance. The findings indicate that informed taxpayers are more likely to comply with their tax obligations. Additionally, understanding tax regulations and perceiving the tax system as effective enhance compliance. The research further discusses the implications of these findings for tax policy and administration. It suggests that promoting awareness, knowledge, and perceived effectiveness of the tax system can enhance compliance among freelance taxpayers.

Keywords: taxpayer compliance, awareness, understanding, tax regulations, tax system effectiveness, tax policy

Abstrak: Studi ini berfokus pada dampak kesadaran wajib pajak, pemahaman tentang peraturan perpajakan, dan efektivitas sistem pajak terhadap kepatuhan wajib pajak orang pribadi yang terlibat dalam pekerjaan freelance. Salah satu faktor yang menghambat dan mengurangi kepatuhan wajib pajak orang pribadi yang melakukan pekerjaan bebas untuk memenuhi kewajibannya adalah sikap wajib pajak yang menganggap membayar pajak tidak penting. Metode penelitian adalah kuantitatif, dimana pengumpulan data menggunakan distribusi kuesioner kepada responden. Penelitian ini dilakukan berdasarkan temuan sebaran kuesioner kepada 100 responden. Perhitungan statistik deskriptif mengungkapkan distribusi skor dan karakteristik variabel independen: kesadaran wajib pajak, pemahaman tentang peraturan perpajakan, dan efektivitas sistem perpajakan. Melalui analisis regresi, ditetapkan bahwa ketiga variabel independen tersebut memiliki pengaruh positif yang signifikan terhadap kepatuhan wajib pajak. Temuan menunjukkan bahwa wajib pajak yang terinformasi lebih mungkin untuk mematuhi kewajiban pajak mereka. Selain itu, riset ini menemukan bahwa memahami peraturan perpajakan dan menganggap sistem pajak efektif dapat meningkatkan kepatuhan. Penelitian ini lebih lanjut membahas implikasi dari temuan ini untuk kebijakan dan administrasi pajak. Ini menunjukkan bahwa mempromosikan kesadaran, pengetahuan, dan efektivitas yang dirasakan dari sistem pajak dapat meningkatkan kepatuhan di antara wajib pajak freelance.

Keywords: kepatuhan wajib pajak, kesadaran, pemahaman, peraturan pajak, efektivitas sistem pajak, kebijakan pajak

INTRODUCTION

Taxes have a significant influence on the Indonesian economy and its citizens. The Indonesian government relies heavily on tax revenues to fund its public programs and services. In Indonesia, taxes are collected by the government through the Directorate General of Taxes. A large budget is needed to achieve the country's development goals. In the Indonesian economy, the country's largest source of income is from the tax sector. Because the role of taxes is critical in the country's development for the benefit of the Indonesian people, knowledge and understanding of the importance of paying taxes is needed.

Active public participation in the form of taxes can increase the independence of Indonesian citizens in financing development and organizing state activities. In Indonesia, one type of tax that functions as a means of collecting money for the government is an income tax, which is a source of state revenue regulated by Law of the Republic of Indonesia No. 17 of 2000 concerning the Third Amendment to Law Number 7 of 1983 concerning Income Tax. Income tax is charged on salaries, wages, allowances, and other income individuals and entities earn. They were withholding the income tax of the Taxpayer from the amount to be used for state funding to run the country's development program. However, many people still lack the knowledge to calculate and pay their taxes. Based on data accessed from the *website* of the Ministry of Finance of the Republic of Indonesia (djpb.kemenkeu.go.id), tax growth in 2023 is excellent, reaching IDR 162.23 trillion, growing 48.6% and 9.44% of the 2023 State Budget target This shows that the most significant revenue from the tax sector is obtained from withholding taxpayer income.

Over time, the history of the tax collection system has evolved. It is also important to remember that tax laws and regulations are subject to change. Change from *Official* Assessment to self assessment, where Taxpayers determine, pay, and disclose the amount of tax that should be owed following applicable laws and regulations. As a result, taxpayer compliance is an essential element that ensures successful tax collection. The Indonesian government must increase public confidence to pay their taxes. Public awareness of paying taxes affects how the government provides consultation to the public to answer questions or concerns about taxes in Indonesia.

Several factors can affect tax compliance. Common factors of public compliance in paying taxes are commonly encountered, such as tax knowledge that a Taxpayer must have and understanding tax laws and regulations is fundamental to ensure proper compliance. Taxpayers aware of their tax responsibilities are more likely to comply than those unaware. According to taxpayers, the complexity of the tax system and the use of computer systems in the tax return reporting process is challenging and not easy to understand. So important is the role of taxes for the community that the government needs to make strategic efforts to maximize tax revenue, such as providing an understanding of the procedures for using computer systems run by the government very effectively.

The intricacies of taxation play a pivotal role in a nation's economic stability and development. Amidst this landscape, understanding the factors that drive taxpayer compliance is paramount. This article delves into the research question and gap within the study that aims to uncover the influence of taxpayer awareness, understanding of tax regulations, and the perceived effectiveness of the tax system on compliance behaviours among individuals

engaged in freelance work. The central question of this study is: How do taxpayer awareness, understanding of tax regulations, and the perceived effectiveness of the tax system impact compliance among individuals in the freelance sector? Despite the extensive body of research on tax compliance, a noticeable gap persists regarding the distinct compliance patterns within the freelance sector. The literature predominantly focuses on general compliance factors, overlooking freelancers' unique challenges and dynamics. This study addresses this research gap by directing attention towards a previously underexplored segment of taxpayers: those engaged in freelance work. Freelancers operate within a distinct economic ecosystem characterized by variable income streams, irregularity in business transactions, and a different set of tax obligations compared to traditional employees.

There is extensive research on tax compliance drawing from theories like deterrence theory, social psychology theory, fiscal psychology theory, and slippery slope framework (Muehlbacher et al., 2011). Unfortunately, existing compliance theories might not fully encapsulate the compliance behaviours within this sector. This research strives to fill this gap by providing insights into the factors driving freelance taxpayers' compliance decisions. Moreover, previous studies often concentrate on quantitative measures without profoundly examining the qualitative aspects of taxpayers' perceptions (Hofmann et al., 2017; Korndörfer et al., 2014). This research aims to bridge this gap through quantitative analyses to understand how awareness, understanding, and system effectiveness contribute to compliance choices among freelancers (Kleven et al., 2011; Naritomi, 2019). The research question addressed in this study, alongside the identified research gap, underscores the importance of understanding compliance behaviours within the context of the freelance sector. By exploring the influence of awareness, understanding, and system effectiveness, this research contributes valuable insights to the field of taxation. Addressing this research gap is not only academically significant but also has practical implications for tax policy formulation and administration strategies tailored to the unique challenges faced by freelance taxpayers.

In the realm of taxpayers, freelancers, serving as autonomous contractors engaged in project-based work, often manage to evade tax obligations. This prompts an exploration into the factors underpinning this behaviour, including taxpayer awareness, comprehension of tax regulations, and the tax system's efficiency. Researchers endeavour to understand the intricate interplay of these elements. The research questions formulated are: Does taxpayer awareness impact compliance? Does knowledge of tax regulations affect mandatory applicant compliance? Does tax system effectiveness influence taxpayer compliance?

Additionally, the study aims to gauge whether taxpayers' perceptions of system efficacy, awareness, understanding, and knowledge shape their willingness to adhere to tax requirements. By delving into these aspects, the research sheds light on the intricate dynamics within the tax compliance landscape among freelancers. This understanding leads to the conclusion that the frame of mind provides a conceptually provisional explanation of the relationship between problem objects based on theory. The frame of mind of the variables involved in this study was as follows:

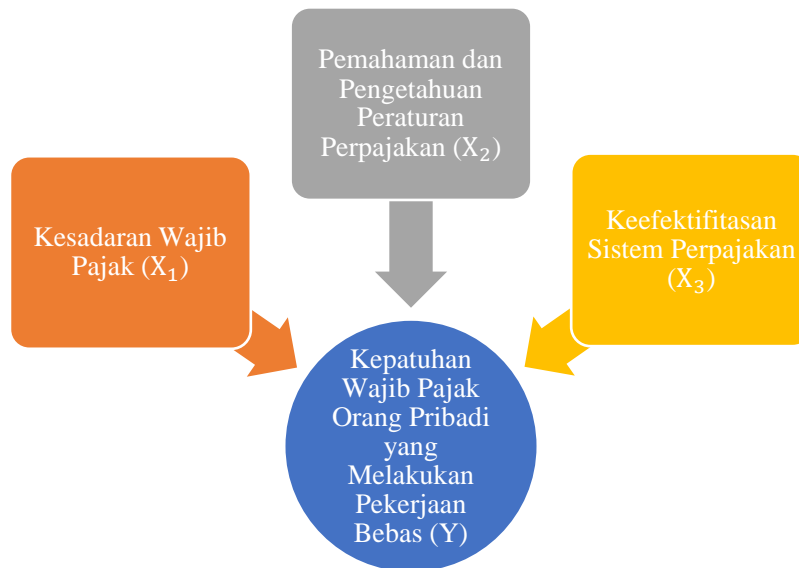


Figure 1. Research framework
Source: data processed by researchers

LITERATURE REVIEW

In the literature on taxes, tax compliance has been thoroughly examined. Previous research has examined the effects on compliance attitudes and actions of several variables, including taxpayer awareness, regulatory knowledge, impression of justice, service quality, etc. Various environmental and personal variables influence tax compliance attitudes and actions (Alm et al., 2010; Devos, 2014; Kirchler et al., 2008). According to Trivedi et al., (2003), essential variables include peer reporting, audits, tax inequality, risk preference, moral reasoning, and value orientation. Jimenez & Iyer, (2016) highlighted how perceptions of justice, societal norms, and faith in the government influence people's intentions to comply. Nurkhin et al., (2018) emphasized the significance of views of tax amnesty, awareness, and comprehension in promoting compliance. Finally, Alm & Torgler, (2011) emphasized how social norms affect compliance, noting that various nations have varied effects. These results highlight the importance of societal, situational, and personal variables in influencing tax compliance attitudes and actions.

Due to their unpredictable and irregular revenue patterns and different tax requirements from regular workers, freelancers and independent contractors constitute a unique group of taxpayers (Lai et al., 2017; Long & Swingen, 2016). This difference is especially noticeable in the individual income tax system since flexible workers often experience discrimination. The necessity for customized tax laws is further highlighted by the growth of independent contractors and freelancers in various professions, including speech-language therapy. It is essential to comprehend the compliance behaviour shown by these taxpayers, as it has implications for the long-term viability of small enterprises.

This paper deftly frames its analysis in the framework of Indonesia's fast-expanding yet loosely regulated freelancing industry. The quantitative approach makes the measurement of the correlations between relevant variables possible. The degree of freelancer compliance and the three independent factors were shown to have significant beneficial impacts. Although this study adds valuable information to the field, further qualitative research on independent

contractors may provide fascinating insights into their subjective compliance calculations. From a policy perspective, these results highlight the need for focused efforts by revenue authorities to increase freelance taxpayers' knowledge and understanding of tax laws. This study provides a foundation for future investigations into the compliance practices of specific taxpayer populations, such as freelancers.

A significant deficiency found in earlier empirical studies is the neglect of the dynamics of tax compliance in the freelance/independent labour market. Most research examines compliance practices in broad taxpayer populations without breaking them down into particular economic or occupational categories (Alm & Torgler, 2011; Kirchler et al., 2008). Nonetheless, a thorough analysis of the factors influencing their compliance is necessary because of the unique nature of freelancers' work arrangements and revenue streams. The popular theories and models may not sufficiently capture the specific incentives and limitations affecting freelancers. Therefore, there is a straightforward study vacuum when comprehending the compliance habits of this quickly expanding yet loosely regulated group of individual taxpayers.

Over the last ten years, a great deal of empirical research has examined the variables that affect tax compliance, morale, and attitudes among general taxpayer populations in various national settings (Alm et al., 2010; Alm & Torgler, 2011; Damayanti et al., 2015). Important factors examined via experiments and surveys include societal norms, perceived justice, system complexity, tax understanding, and service quality. These numerical investigations have yielded valuable preliminary data about broader taxpayer behaviour. Nevertheless, the compliance dynamics of freelancers and self-employed taxpayers have not been specifically identified as a separate category for research (Lai et al., 2017; Long & Swingen, 2016). With the knowledge asymmetry and considerable freedom that taxpayers have, further investigation into this understudied population may provide essential insights.

The current analysis closes this substantial gap by concentrating only on independent contractors who file taxes. It investigates how awareness, regulatory knowledge, and system efficacy affect this cohort's compliance choices via survey techniques. Although the quantitative method produces valuable findings, additional qualitative approaches may deepen our knowledge of the subjective beliefs that influence compliance among independent contractors. Therefore, there is still a need for further in-depth ethnographic and interview-based research with independent contractors in many industries to get a nuanced understanding of their compliance calculations.

RESEARCH METHODOLOGY

The research conducted for this study was quantitative. The identification of observed variables allows for the measurement of relationships between variables. The researcher provided several questions (questionnaires) to collect data from respondents for the study. The purpose of this study was to examine three hypotheses regarding the impact of tax awareness (X1), knowledge and understanding of tax regulations (X2), and the effectiveness of the tax system (X3) on the compliance of individual taxpayers who do free work (Y). For the study under consideration, researchers used primary data. Sugiono (2018), as an expert, claims that primary data provides information to data collectors so they can become data sources. Direct

access to the initial source or location of the research object was how researchers searched for data. To collect data, researchers were currently using *Google Forms* to deliver questionnaires to respondents who were a study population sample.

Individual taxpayers who earn income by doing free work were the object of this study.

Table 1. Operational Variable

Variable	Variable Concept	Indicators	Scale
Taxpayer Awareness (X1)	The concept of taxpayer awareness was the good faith of taxpayers to fulfil the obligation to pay taxes voluntarily (Astana & Merkusiwati, 2017)	<ol style="list-style-type: none"> 1. Taxpayers are aware of the obligation to pay taxes 2. By paying taxes means participating in the development and welfare of the State. 3. If the Taxpayer delays the payment of tax, it will cause losses to the State 4. Taxes determined under the Law can then be imposed 	Likert scale
Understanding and Knowledge of Tax Regulations (X2)	Understanding and knowledge of tax regulations become tax information that taxpayers use as the basis for actions, decisions, and implementation of specific policies or strategies related to the implementation of tax rights and obligations (Kartikasari & Yadnyana, 2020)	<ol style="list-style-type: none"> 1. Know about payment and reporting deadlines. 2. Know about the general provisions and procedures for taxation. 3. Know about the tax system 	Likert scale
The effectiveness of the Taxation System (X3)	The tax system was a tax procedure that was intended to provide more justice or convenience in order to improve services to taxpayers or provide convenience to taxpayer awareness (Kurniawan, 2014)	<ol style="list-style-type: none"> 1. Simplify the implementation of tax payments 2. Effective tax reporting and submission 3. Easy access to registration or information about taxation. 	Likert scale
Compliance of Individual Taxpayers Performing Free Work (Y)	Taxpayer compliance is about the attitude of taxpayers in fulfilling their obligations, reporting and registering tax returns, and calculating and paying taxes under applicable tax rates (Putri Wangi, 2018)	<ol style="list-style-type: none"> 1. Register as a Taxpayer 2. Deposit tax returns on time 3. Calculate and pay yourself on his income 	Likert scale

Source: data processed by researchers

Data Collection Techniques

Data collection techniques, or data *collection*, are research activities where a researcher uses scientific techniques to collect data methodically for analysis. This data collection technique involves giving questionnaires to taxpayers who earn income through free work. Responses to questions are the responsibility of the respondent. Using the Likert scale, assess respondents' perceptions of taxpayer awareness, understanding and knowledge of tax regulations, and the effectiveness of the tax system on compliance.

RESULTS AND DISCUSSION

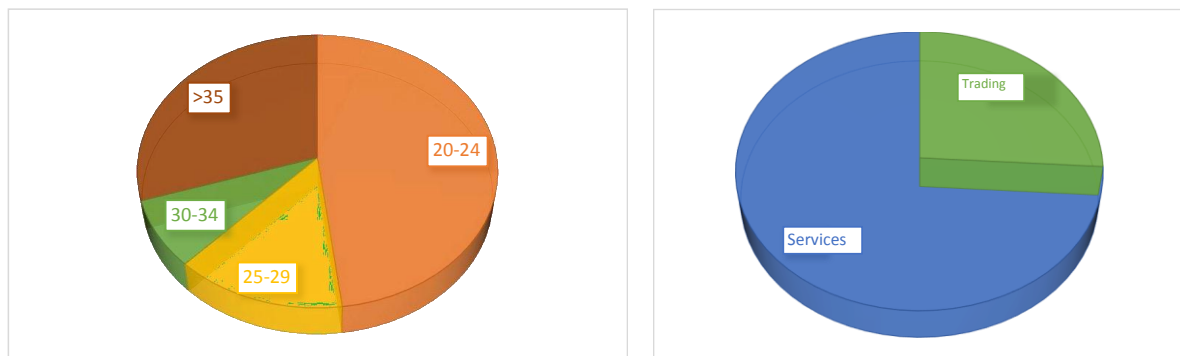


Figure 2. Characteristics of respondent
Source: data processed by researchers

Corresponding to picture 2, there were 48 respondents in the age range of 20 to 24 with a percentage of 48%, 14 respondents in the age range of 25 to 29 with a percentage of 14%, eight respondents in the age range of 30 to 34 with a percentage of 8%, and 30 respondents in the age range of 35 to 44 with a percentage of 30%. Based on the business sector, 26 respondents worked in the trade sector, with a significant percentage of 26%, while 74 respondents worked in the service sector, with a significant percentage of 74%.

Moreover, based on descriptive statistical calculations, the independent variable of taxpayer awareness (X1) has a maximum score of 25, a minimum score of 5, an average real value (mean) of 20.95, and a standard deviation of 3.56009. For descriptive statistical calculations, the independent variable Understanding and Knowledge of Tax Regulations (X2) has a maximum score of 25, a minimum score of 5, a real average value (mean), and a standard deviation of 3.2624. The minimum score value was 5. The average actual value was 21.27. Referring to descriptive statistical calculations, it can be said that the maximum score value for the independent variable Tax System Effectiveness (X3) was 25, the minimum score value was 5, the average actual value (mean) was 29.95, and the standard deviation was 3.31624. According to descriptive statistical calculations, the taxpayer awareness dependence variable (X1) has a maximum score of 25, a minimum score of 5, an average actual value (mean), and a standard deviation of 3.0335.

Based on the **Validity test**, The Taxpayer awareness variable (X1) applies to all question items. With a tolerance level of 5% or 0.05 and n data points totalling 100 respondents, conclusions were drawn. As a result, the r value of the table was calculated to be 0.196 (df = 100 - 2 = 98, and the statistical significance was set at 0.05). According to the calculation findings, the corrected specified r value displays a higher number from the r table. The variable question of taxpayer awareness (X1) can be concluded to have all its elements valid. The variables of understanding and knowledge of tax regulations (X2) and the variable effectiveness of the tax system (X3) were also valid.

At the same time, the **Reliability test** showed that The reliability coefficient values for each variable statement item obtained from the reality test on each statement item were 0.811 for variable statement item X1, 0.853 for variable statement item X2, 0.838 for variable statement item X3, and 0.788 for variable statement item Y. claiming that the validity of the questionnaire was distributed. The **normality test** indicates that the value of Asymp. Sig. (2-

tailed) was 0.200, which was more significant than 0.05, so it was concluded that the data was normally distributed.

Meanwhile, the Autocorrelation Test showed Durbin Watson's value was 1.965, concerning the basis of decision making, then the DW number, which was 1.965, was at -2 to +2; this means that this regression model has no autocorrelation. **The heteroskedasticity test** showed that the ScatterPlot graph shows that the points were scattered randomly and above and below the Y - 0 axis value. Since this regression model does not show heteroskedasticity, it can be used to examine the effect of taxpayer awareness, understanding and knowledge of tax regulations, as well as the effectiveness of the tax system, on the compliance of individual taxpayers who do free work. Then, the **Multicollinearity test** indicated that when the tolerance value was more significant than 0.1, and the VIF value was lower than 10, a regression model free of multicollinearity was used as the basis for decision-making. This can indicate that independent variables, such as taxpayer awareness, understanding and knowledge of tax regulations, and tax system efficiency, do not indicate multicollinearity.

Multiple Linear Regression

In this equation below, Y signifies the dependent variable, while Taxpayer Awareness, Tax Regulations, and tax effectiveness were independent variables. The coefficients associated with each independent variable (0.205, 0.358, and 0.326, respectively) quantify the impact of these variables on the dependent variable. The coefficients (0.205, 0.358, and 0.326) denote the change in the predicted value of Y for a unit increase in Taxpayer Awareness, Tax Regulations, and tax effectiveness while keeping the other variables constant.

$$Y = 2.357 + 0.205 \text{ Taxpayer Awareness} + 0.358 \text{ Tax regulations} + 0.326 \text{ Taxes effectiveness}$$

The intercept term, 2.357, was the predicted value of Y when all independent variables were set to zero. Suppose the independent variable increases by one unit, and the value of the other independent variable is estimated to be constant or equal to zero. In that case, the value of the dependent variable was estimated to rise or fall according to the sign of the regression coefficient of the independent variable. It can be said that Since the value of 2.357 was a constant, the compliance variable of the Individual Taxpayer doing free work (Y) will have a value of 2.357 regardless of the effects of the three independent variables and other variables. The value of $Y = 2.357$ can be obtained from the multiple regression equation $Y = 2.357 + 0.205 (0) + 0.358 (0) + 0.326 (0)$. Due to taxpayer awareness, knowledge of tax regulations and the effectiveness of the tax system were not affected by the Y value of 2,357—taxpayer Awareness (X1) about the compliance of Individual Taxpayers who do free work (Y). The regression coefficient of Taxpayer consciousness for X1 was 0.205, a positive number. Assuming that the other independent variables were variables of understanding and knowledge of tax regulations, as well as the effectiveness of the tax system of the fixed regression model, this means that for every increase in taxpayer awareness, the compliance variable of Individual Taxpayers doing free work (Y), will increase by 0.205.

Regarding the compliance of Individual Taxpayers who do free work (Y), an understanding and knowledge of tax regulations (X2) was required. The regression coefficient of taxpayer awareness for variable X2 was 0.358, which was positive. That was, if the other

independent variables were the taxpayer awareness variable and the effectiveness of the taxation system from the fixed regression model, then the compliance variable of Individual Taxpayers doing free work (Y) would increase by 0.358 for every increase in taxpayer awareness. The impact of the effectiveness of the tax system (X3) on the compliance of Individual Taxpayers who do free work (Y). The regression coefficient of taxpayer awareness for the variable X3 has a value of 0.326 and was positive. Assuming that the other independent variables were taxpayer awareness, understanding, and knowledge of tax regulations, this indicates that for every increase in taxpayer awareness, the compliance variable of Individual Taxpayers doing free work (Y) will increase by 0.326.

Coefficient of Determination (R^2)

The adjusted R Square table has a value of 0.656, indicating that the percentage must be multiplied by 100% to be determined. Therefore, $0.656 \times 100\%$ was equal to 65.6%. This suggests that variations in three independent factors, namely taxpayer awareness, understanding and knowledge of tax regulations, and the effectiveness of the tax system, may explain 65.6% of the compliance variables of certain taxpayers performing free services. The remaining percentage ($100\% - 65.6\% = 34.4\%$) was explained by factors not included in the model. To see the relationship between the magnitude of the contribution of variables X1, X2, and X3 simultaneously to Y can be seen in the table above. It can be concluded that the R number listed was 0.816, which shows that the correlation or multiple regression relationship between taxpayer awareness, understanding and knowledge of tax regulations and the effectiveness of the tax system was quite strong.

Test-t

Table 2. T-test

Descriptions	Unstandardized Coefficients		Standardized Coefficients	t-test	Sig. Score
	B	Std. error	Beta		
Taxpayer Awareness	0,392	0,076	0,460	5,125	0.000
Regulatory Understanding	0,703	0.062	0,756	11.419	0.000
Effectiveness of Tax System	0,678	0.062	0,742	10.941	0.000

Source: data processed by researchers

The results of the t-test above can be concluded by hypotheses as follows: Taxpayer awareness (X1) on the compliance of Individual Taxpayers who do free work (Y) has a calculated t value of $5,125 > 1,984$ and a sig value. $0.000 < 0.05$, then as a result of this rejection, H_0H_1 was accepted. It was concluded that Taxpayer awareness (X1) positively affects the compliance of Individual Taxpayers who do free work (Y). Understanding and knowledge of tax regulations (X2) on the compliance of Individual Taxpayers who do free work (Y) have a calculated t value of $11,416 > 1,984$ and a sig value. $0.000 < 0.05$. Then, as a result of this rejection, H_0H_2 was accepted. It was concluded that understanding and knowledge of tax regulations (X2) positively affect the compliance of Individual Taxpayers who do free work (Y). Meanwhile, the effectiveness of the tax system (X3) on the compliance of individual taxpayers who do free work (Y) has a calculated t value of $10,941 > 1,984$ and a sig value.

$0.000 < 0.05$. Then, as a result of this rejection, H_0H_3 was accepted. It was concluded that the effectiveness of the tax system (X3) positively affects the compliance of Individual Taxpayers who do free work (Y). **For Test F (Simultaneous Test)**, that $F \text{ count} = 63.817 > F \text{ table } 2.70$ and $\text{sig. } 0.000 < 0.05$ means that the variables of taxpayer awareness, understanding and knowledge of tax regulations, and the tax system's effectiveness influence the variable compliance of individual taxpayers who do free work.

The effect of the variable awareness of Taxpayers on the compliance of Individual Taxpayers who do free work

Taxpayer awareness, the independent variable of the X1 study, was the subject of five questions. The recapitulation results of respondents' evaluations show that the taxpayer stress variable has a considerable effect. The above statistics show how aware Taxpayers were that the public was aware of their rights and responsibilities in the provisions of the current tax law. The more Taxpayers were informed about their obligations, the more aware other Taxpayers were of contributing under laws and regulations to help the growth of the State. This result aligns with research conducted by Dian Lestari Siregar (2017). Taxes realized by the community as a source of state income in financing state development of public facilities and infrastructure have increased the level of taxpayer compliance in paying taxes, and this was proven when the realization of tax revenue in Batam City reached the target. However, the number of taxpayers who return tax returns has not been 100%. The number of taxpayers who report their tax returns yearly continues to increase—however, the results of research conducted by Rita. J. D. Atarwaman (2020) was not aligned, which states that compulsory awareness arises from several factors, namely internal factors and external factors. The internal factor was from within the Taxpayer itself, while the external factor was a program carried out by the government where the government also issues tax returns owed. The higher the taxpayer awareness regarding taxation, the higher the level of tax compliance also increases because that awareness arises from the Taxpayer. However, when viewed from the opinion of taxpayers, they still do not have the awareness to carry out their obligations in tax affairs.

The influence between the variables of Understanding and Knowledge of Tax Regulations on the compliance of Individual Taxpayers who do free work

Five question points comprise the understanding and knowledge of tax regulations (X2), independent variables in this investigation. The result was that understanding and knowledge of tax regulations significantly impact the compliance of Individual Taxpayers who do free work. One of the critical elements in tax operations was knowledge and awareness of applicable taxation regulations and regulations, such as the need for NPWP, tax payment schedule, and tax provisions and rates. The willingness of taxpayers to make tax payments will be encouraged if they are aware of their duties.

This result was in line with research conducted by Siti Khadijah, Harry Barli, and Wiwit Irawati (2021), which states that with an understanding of tax regulations, taxpayers know their rights and obligations in paying taxes so that taxpayer compliance increases. However, it was not in line with research conducted by Fenty Astrina and Chessy Septiani (2019), which states that taxpayers who have high knowledge of general provisions and tax procedures, knowledge of tax regulations in Indonesia, knowledge of tax functions were not factors in facilitating the

implementation of their tax obligations. So, the high and low understanding of tax regulations was not more compliant for taxpayers in fulfilling their tax obligations.

The influence between the variables of the Effectiveness of the Tax System on the compliance of Individual Taxpayers who do free work

The effectiveness of the tax system (X3), the independent variable in this study, was formed from five question items. The results of the recapitulation of respondents' ratings show that the effectiveness of tax system variables has a considerable effect on the compliance of the Waajib Pajak Orang Prbadi, who does free work. These findings suggest that variable Y will be more compliant with the tax code if they have a positive perception of the system's effectiveness and that taxpayers with a negative perception of its effectiveness will be less compliant. A superior contemporary tax system and the professionalism of the tax officer's job can increase taxpayer satisfaction and change how they view the tax system. This study's results align with the research conducted by Hery Setyo Utomo (2019), which states that the better the effectiveness of the tax system, the better the willingness to pay taxes. However, there were several reasons why the effectiveness of the tax system has not been maximized, namely the tax administration system. So that the effectiveness of the tax system was less than optimal. Furthermore, the impact on the willingness to pay taxes was less than optimal. However, some results were not aligned, namely research by Hidayatul Husniah, which states that the higher the excellent perception of the effectiveness of the tax system, the more significant an increase in willingness to pay taxes, but the effect was not significant because the attitude of taxpayers who were less willing to state that the methods carried out in the efficiency system were less attractive or less known by taxpayers.

The influence between the variables of Taxpayer Awareness, Understanding and Knowledge of Tax Regulations and the Effectiveness of the Tax System on the compliance of Individual Taxpayers who do free work

Analysis of variables of taxpayer awareness, understanding and knowledge of tax regulations, as well as the effectiveness of the tax system on the compliance of individual taxpayers who carry out free work, contain substantial and beneficial influences. This data analysis shows the concomitant significant and beneficial effects of the independent variable of taxpayer awareness, understanding and knowledge of tax regulations and the effectiveness of the tax system on the dependent variable of compliance of individual taxpayers who do independent work. Three variables were independent of taxpayer awareness, understanding and knowledge of tax flow, and the effectiveness of the tax system that has more excellent value. This result was in line with research conducted by Edwin Nugroho (2015), which states the factors that affect the willingness to pay taxes for individuals who do free work at KPP Pratama Yogyakarta that awareness of paying taxes, knowledge and understanding of tax regulations, good perception of the tax system, and tax sanctions have a positive and significant effect together on the willingness to pay taxes of individual taxpayers who do free work. However, an inconsistent study was conducted by Pancawati Hardiningsih (2011), which stated that several factors in the willingness to pay taxes did not have a significant effect. Such as understanding and knowledge of tax regulations that do not significantly affect the willingness

to pay taxes and the effectiveness of the tax system that does not significantly affect the willingness to pay taxes.

CONCLUSION

The research demonstrates the crucial role of taxpayer awareness, understanding, and perception of the tax system's effectiveness in influencing compliance behaviour. The results align with prior studies emphasizing the importance of taxpayer education and public perception of taxation. An informed and positively inclined taxpayer base contributes to higher compliance rates. This has implications not only for revenue collection but also for building trust between taxpayers and tax authorities. Furthermore, exploring the interplay between individual characteristics and compliance behaviour could provide valuable insights for future research and policy formulation. In conclusion, fostering an environment of awareness and understanding within the tax system can lead to positive compliance outcomes and contribute to the overall economic development of a nation.

In light of the extensive research, several conclusions emerge from the analysis. First, it becomes evident that individual taxpayers who engage in freelance work exhibit a heightened inclination to adhere to tax regulations when they possess a comprehensive awareness of their fiscal responsibilities. This outcome underscores the pivotal role of informed awareness in fostering compliance. The research findings accentuate how the identified issue is meticulously delineated and explicated. It was discerned that the level of obligatory comprehension significantly shapes the propensity of independent workers to conform to tax mandates, delineating a nuanced relationship between awareness and compliance. Secondly, the study reveals a robust and affirmative correlation between the compliance of Orang Pribadio Taxpayers involved in freelance endeavours and their diverse levels of understanding and knowledge concerning tax regulations. This substantiates the intricate interplay between comprehension and adherence, elucidating that the extent of individual taxpayers' compliance was intrinsically tied to their grasp of regulatory intricacies. The research outcomes aptly underscore the systematic investigation into the delineated quandary. Notably, these findings underline that the degree of adherence to tax regulations was intricately intertwined with individuals' depth of understanding and familiarity regarding these regulations.

Furthermore, the research uncovers a salient connection between the efficacy of the tax system and the compliance behaviour of private individuals undertaking freelance work. The empirical evidence delineates that an effective tax system significantly bolsters the propensity of individual taxpayers to uphold legal obligations, offering an insightful perspective on the dynamic interrelation between system efficacy and tax compliance. Importantly, this holistic understanding underscores the pivotal role of the tax system's effectiveness in shaping freelancers' compliance patterns. The comprehensive exploration of taxpayer awareness, comprehension of tax regulations, and tax system efficacy culminates in a profound understanding of their collective impact on the compliance behaviour of individual taxpayers engaged in freelance work. These findings collectively affirm the multifaceted nature of compliance, wherein informed awareness, regulatory knowledge, and a well-functioning tax system converge to catalyze a culture of tax adherence among freelancers, thus contributing to the broader discourse on tax compliance and governance.

The researchers made suggestions that should mitigate the limitations of the study. These findings may support previous research and serve as a basis for further research, especially regarding variables affecting taxpayer compliance to carry out taxpayer obligations. One can increase the independent variable sample size or use other research methodologies to get results more accurately reflect the real world. Taxpayer compliance must be improved once again to increase state revenue for nation-building. Increasing taxpayers' awareness, understanding, and knowledge of their tax laws was one aspect of this, as was their positive perception of the tax system's efficiency. To help the public understand Indonesia's tax system and rules, the Directorate General of Taxes (DGT) offers comprehensive tax socialization.

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THE INFLUENCE OF ZAKAT INFAK SHADAQOH (ZIS) AND OPEN UNEMPLOYMENT TO POVERTY IN INDONESIA PERIOD 2012-2022

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Abstract: *This study aims to determine how much ZIS affects poverty, how much open unemployment affects poverty, and how much ZIS and open unemployment affect poverty. The research method in this study is descriptive quantitative. This research uses purposive sampling, in the form of ZIS (zakat infak and shadakah) financial reports from 34 provinces in Indonesia recorded in BAZNAS every year. Open unemployment and poverty data in this study are sourced from the Central Bureau of Statistics. This report amounts to 11 years, namely from the period 2012-2022. This study uses secondary data obtained from the annual financial report of ZIS zakat infak sedekah distribution and the annual financial report of open unemployment and poverty. All of this data is sourced from the official websites of BAZNAS and BPS, namely www.baznas.go.id and www.bps.go.id. This study uses multiple linear regression spss version 22 as an analytical tool. The stages consist of the classic assumption test analysis, t statistical test, F statistical test, correlation coefficient test and determination coefficient test. There are three conclusions from the research results, namely partially there is a negative effect of ZIS on poverty, partially there is a positive effect of unemployment on poverty, and simultaneously there is a simultaneous effect of unemployment and zakat infak sedekah (ZIS) on poverty in Indonesia.*

Keywords: Zakat Infak Sedekah (ZIS), Open unemployment, Poverty.

Abstrak: *Penelitian ini ditujukan untuk mengetahui seberapa besar ZIS berpengaruh pada kemiskinan, seberapa besar pengangguran terbuka berpengaruh terhadap kemiskinan, dan seberapa besar ZIS dan pengangguran terbuka berpengaruh terhadap kemiskinan. Metode penelitian pada penelitian ini berbentuk deskriptif kuantitatif. Penelitian ini menggunakan purposive sampling, berupa laporan keuangan ZIS (zakat infak dan shadakah) dari 34 provinsi di Indonesia yang tercatat dalam BAZNAS setiap tahunnya. Data pengangguran terbuka dan kemiskinan pada penelitian ini bersumber dari Badan Pusat Statistik. Laporan ini berjumlah 11 tahun, yaitu dari periode 2012-2022. Penelitian ini menggunakan data sekunder yang diperoleh dari laporan keuangan tahunan penyaluran ZIS zakat infak sedekah dan laporan keuangan tahunan pengangguran terbuka dan kemiskinan. Semua data ini penelitian bersumber dari website resmi BAZNAS dan BPS yaitu www.baznas.go.id dan www.bps.go.id. Penelitian ini menggunakan regresi linear berganda spss versi 22 sebagai alat analisis. Adapun tahapan ini terdiri dari tahapan analisis uji asumsi klasik, uji Statistik t, uji Statistik F, Uji Koefisien Korelasi dan Uji Koefisien Determinasi. Terdapat tiga kesimpulan dari hasil penelitian yaitu secara parsial ada pengaruh negatif ZIS terhadap kemiskinan, secara parsial ada pengaruh positif pengangguran terhadap kemiskinan, serta secara simultan ada pengaruh secara simultan pengangguran dan zakat infak sedekah (ZIS) terhadap kemiskinan di Indonesia.*

Kata Kunci: Zakat Infak Sedekah (ZIS), Pengangguran terbuka, Kemiskinan..

INTRODUCTION

Poverty is a major factor that must be resolved by a country, because it will hinder the country's economic growth. The existence of poverty levels comes from individuals in their lives to meet daily needs that cannot be met properly. According to the World Bank (Efendy, 2015) in poverty is caused by assets and income that cannot meet individual needs, such as food, clothing, shelter, health and education. In this condition, Islam provides a view that poverty has a negative impact on the lives of individuals, because they cannot balance their lives on the needs they must fulfill.

The existence of poverty is caused by a low level of education, not being able to fulfill the ability and willingness to work, the existence of laziness in him towards the work he does, termination of employment (PHK), and so on. If this problem is not corrected either from individuals or from the government as a party who cares about this problem, other problems will occur such as robbing, stealing, gambling, begging, corruption, prostitution, and so on. This problem also has an impact on the economy in a country that will be hampered by its growth and will have an impact on this country having a bad reputation from the views of other countries.

Indonesia is one of the countries that has a population that has the lowest income (poor). The existence of this problem, the Indonesian government has made efforts so that this poverty level is quickly resolved and can again cooperate and provide synergy to other countries so that economic growth in this country strengthens again. Based on data obtained from BPS (Central Bureau of Statistics) until September 2023 poverty in Indonesia fell to 1.74% from the previous condition in March 2022 of 2.04%. The government's target is aimed at all locations, both villages and cities, so that if the synergy continues, the extreme poverty rate in 2024 of zero percent will be achieved (Supanji, 2023). Poverty in Indonesia currently continues to decline every year. This can be seen in 2020 the number of poor Indonesians reached. 27.55 million people, in 2020 it fell to 26.50 million people and in 2022 it fell to 26.36 million people.

Based on the data above, although there is a decrease in the level of poverty in Indonesia, there needs to be synergy again for this country so that the level of poverty in Indonesia really does not exist. Of course, this effort will be assisted by Islamic economic instruments through infaq, zakat and sadaqah. This form of activity will help Indonesian people who are in poverty and need to improve the ability of the community to be more productive. Of course this form of activity is carried out by the National Amil Zakat Agency (BAZNAS) as an institution that has the aim of providing the welfare of the people. The goals carried out by this institution are aimed at improving the welfare of people who initially experienced problems in their poor lives, and reducing the level of national inequality. Activities in this institution are supported by information technology to reach the conditions of the poor and get fast service to them. So that the distribution is right on target and those who get help and services can change and improve their lives into productive communities so that they can compete with other communities regarding the skills or abilities they have from the results of the assistance provided by this institution through education and training tailored to their abilities and talents (*Profil BAZNAS*, 2023).

Based on BAZNAS financial report data, the form of zakat infak sedakah (ZIS) distribution carried out by BAZNAS every year has increased significantly, starting in 2012,

BAZNAS distributed ZIS amounting to IDR 45,365,383,247. In 2013, the distribution increased to Rp 50,615,218,917. This form of distribution continues to increase until 2022 to Rp 530,590,260,168. The increase in the distribution of ZIS funds is evidence of the Muslim community's awareness of zakat and alms and the contribution of funds to be distributed will also increase for mustahik. However, if you look at the ratio of the population in Indonesia, this number who are classified as poor in 2022 of 26.36 million people is very far compared to the amount of funds distributed is still far away, thus giving problems to the poverty that exists in Indonesia today.

The occurrence of poverty, the government and BAZNAS institutions should also provide opportunities for people who have the ability to be employed, so that they become productive people and do not rely every day on the distribution of zakat given by this institution. This condition certainly must be cooperated by the local government, because they really know the condition of the population. Because in Indonesia today unemployment is the main problem today. Unemployment in Indonesia is currently in the form of open unemployment, which is the condition of people who do not have jobs so they do not get income. The open unemployment rate in Indonesia for the last 11 years, from 2012 to 2022, has fluctuated, the highest unemployment of 7.1% occurred in 2020, where this condition was a massive layoff due to the covid 19 case, where part of the company was unable to meet its liquidity level. Until 2022 the unemployment rate in Indonesia tends to decline to 5.9%. If calculated on the total population of 8.42 million people in Indonesia become unemployed. The occurrence of unemployment in Indonesia is due to the low level of education, as well as their lack of foreign language skills, so they cannot compete with other workers. Unemployment is therefore a problem in this country and will have an impact on the level of poverty if there is no policy firmness carried out by the government to overcome this problem (CNN Indonesia, 2023).

The occurrence of poverty is not only caused by the condition of unemployment, but there are other factors, such as laziness in working, not having the ability and ability to work. The role of BAZNAS in channeling its assistance to mustahik also has problems if it is wrongly targeted. Because the population in Indonesia is very large, so it must be right on target. However, to see the extent to which the effect of ZIS influence on poverty in Indonesia needs to be proven quantitatively, as well as related to the problem of unemployment. The existence of this research study will make it easier for the government to make quick and precise decisions regarding solving the problem of poverty.

The uncertainty of the impact will certainly provide an increasing poverty problem because the problem cannot be solved by environmental conditions or activities carried out by the government and society. On this basis, researchers formulated the problem of the Effect of Zakat Infak Sedekah (ZIS) and Unemployment on Poverty in Indonesia for the Period 2012-2022.

LITERATURE REVIEW

According to (Prasetyoningrum & Sukmawati, 2018) HDI (Human Development Index) has a negative influence on the poverty rate. Meanwhile, the economic growth rate has no effect on the poverty rate. Furthermore, unemployment has a significant positive effect on poverty. The results of this study also show that unemployment can provide mediation between poverty

and HDI. Furthermore, unemployment can also mediate between poverty and economic growth (Prasetyoningrum & Sukmawati, 2018).

According to the results of research from (Baihaqy & Puspitasari, 2019) analyzing the impact of unemployment, zakat, HDI and GRDP on poverty in Aceh. The results of this research show that these variables have a significant effect on poverty (Baihaqy & Puspitasari, 2019).

According to Dasangga and Cahyono (2020) analyzed the role of zakat with the cibest model. The results of this study indicate that productive zakat programs can increase mustahik income and reduce material poverty and absolute poverty levels (Dasangga & Cahyono, 2020).

According to Afa Rosfalita Nur Alifia (2020), analyzing the effect of zakat infak sedakah (ZIS), unemployment and economic growth on poverty in Indonesia in 2003-2018. The results of this study indicate that partially ZIS distribution has a negative and significant effect on poverty in Indonesia. Unemployment has a significant positive effect on poverty in Indonesia, economic growth has a negative and insignificant effect on poverty in Indonesia (Alifia, 2020).

According to Murobbi (2021) analyzing the Effect of Zakat, Infaq Sadaqah, and Inflation on Poverty in Indonesia for the period 2001-2018. The results showed that zakat revenue had a significant effect in reducing the number of poor people. Meanwhile, infaq sedekah and inflation do not have a significant relationship with poverty and have a negative relationship (Murobbi, 2021).

According to Fitrya Amanatillah and Imam Mukhlis (2022) analyzed the effect of zakat, infaq, pm and unemployment rate on poverty in Aceh province in 2007-2019. The results of this study indicate, partially zakat, and ipm have a significant positive effect on poverty, while infaq and the open unemployment rate have a negative effect on unemployment. Similarly, these four variables have a significant effect on poverty in Aceh (Amanatillah & Mukhlis, 2022).

According to (Wahdati, 2022) analyzing the Effect of Zakat, Infaq and Alms, Human Development Index, Unemployment and Inflation on Economic Growth and Poverty Levels in Indonesia in 2011-2021. The results of this study indicate that (1) Zakat, infaq and alms, human development index, unemployment and inflation affect Indonesia's economic growth in 2011-2021. (2) Zakat, infaq and alms, human development index, unemployment, inflation and economic growth affect Indonesia's poverty rate in 2011-2021. (3) Zakat, infaq and alms, human development index, unemployment and inflation affect Indonesia's poverty rate in 2011-2021 through economic growth variables (Wahdati, 2022).

According to (Nurhalim et al., 2022), analyzing the Effect of Zakat and Islamic Human Development Index on Poverty in Central Java in 2017-2020. The regression results show that zakat has a negative and significant effect on the poverty rate in Central Java in 2017-2020, while IHDI has a negative but insignificant effect. Simultaneously, zakat and IHDI have an influence on the poverty rate in Central Java in 2017-2020. One of the policy implications that can be carried out by the Central Java government to minimize the poverty rate is to increase the realization of the collection and distribution of zakat funds and cooperation from all related parties is also needed, including the government, zakat management institutions, banks, and the community (Nurhalim et al., 2022).

RESEARCH METHODOLOGY

This study uses a quantitative approach, which is part of a scientific approach to making managerial and economic decisions (Kuncoro, 2011). The data analysis used is descriptive statistical analysis to describe the data that has been collected without the intention of making applicable conclusions (Sugiyono, 2015).

The data used in this study are secondary data obtained through intermediaries from other parties in the form of the Annual Financial Report of the National Amil Zakat Agency (BAZNAS) and data on open unemployment and poverty rates obtained from the Central Statistics Agency (BPS) from 2012-2022. Other supporting data in this research are journals, internet etc. This research was conducted at BAZNAS and BPS. The research time was conducted for 6 months

The population in this study is in the form of BAZNAS financial reports 2012-2023, unemployment and poverty data from BPS. The sample in this study is purposive sampling. on the basis of this sampling the researcher uses an annual financial report in the form of distribution of zakat, infaq and alms from 2012-2022, data on the level of open unemployment and poverty for the period 2012-2022.

This research technique is in the form of documentation and library research aimed at collecting data. The researcher's documentation technique uses the BAZNAS Annual Financial Report for 2012-2022, open unemployment rate data and poverty data for the 2012-2022 period. In addition, researchers use literature studies in the form of books, literature, notes and reports that have to do with the problem to be studied.

This research has 2 variables:

Dependent Variable (Y)

Poverty

Poverty is the lack or absence of property or money that a person has. poverty is part of a multifaceted form of economic, social and political elements (Saputra, 2023).

Independent Variable (X)

Zakat Infaq Sedekah (ZIS) (X1)

Zakat is part of worship related to property in which it has good benefits and wisdom for the muzakki and the mustahik. Zakat is an asset that is required to be issued by the Muslim community or business entities owned by Muslims and given to mustahik (Menteri Agama RI, 2019). According to BAZNAS, infaq is an amount of property given from the Muslim community or business entities outside of zakat which is intended for overall benefit (According to Law No. 23 of 2011 concerning Zakat Management in Chapter I Article 1).

Infak is a practice that cannot be separated from the lives of Muslims. Infak comes from the aran language word "anfaqa" which means giving or spending money. Infak means spending money (BAZNAS, 2023). According to BAZNAS, the word alms is a very popular word for Muslims. The word Sadaqah is taken from the Arabic word "shadaqah", which comes from the word sidq (sidq) which means "truth". Based on BAZNAS regulation No.2 of 2016,

alms are assets or non-assets by a person or business entity issued outside of zakat and have a function as a community benefit (BAZNAS, 2023).

Open unemployment (X2)

According to Suparmono (2018) in (Sinaga, 2023), unemployment is the powerlessness or inability of the labor force to get a job that is suitable for those who want and need it. According to Elmizan and Asy'ari (2021) in (Sinaga, 2023), unemployment refers to the number of people looking for work of working age. If a person of working age is looking for work and cannot find a job, that person can be said to be unemployed.

Data Analysis Method

To determine the effect of zakat, infaq, sedekah (ZIS) and unemployment on poverty, this study uses an analytical tool in the form of multiple linear regression. The stages carried out in this research analysis begin with the classical assumption test. According to Ghozali (2018) the classical assumption test is the initial stage used before multiple linear regression analysis. This part of the test is carried out in order to ensure that the regression coefficient cannot be biased and will be consistent and have accuracy in the estimate. The classic assumption test is used to show that the test carried out has passed data normality, multicollinearity, autocorrelation, and heteroscedasticity so that testing can be carried out to linear regression analysis. After continuing to do hypothesis testing. Hypothesis testing in this study used Multiple Linear Regression analysis because the number of independent variables studied was more than one variable.

Then do the coefficient of determination. The coefficient of determination (R^2) is a measuring tool to see how far the model's ability to explain variations in the dependent variable. The value of the coefficient of determination is between zero and one. A small R^2 value indicates the ability of the independent variables to explain the limited variation in the dependent variable. A value that may be close to one means that the independent variables provide almost all the information needed to predict the variation in the dependent variable (Ghozali, 2018). According to Ghozali (2018), the fundamental weakness of using the coefficient of determination is bias towards the number of independent variables included in the model. For every additional independent variable, R^2 must increase regardless of whether the variable has a significant effect on the dependent variable. Therefore, many researchers suggest using the Adjusted R^2 value when evaluating which is the best regression model. Unlike R^2 , the adjusted R^2 value can increase or decrease when one independent variable is added to the model. In this fact, the adjusted R^2 can be negative even though the desired value should be positive. If in the empirical test a negative R^2 value is obtained, the adjusted value is considered to be 0 (Ghozali, 2018).

According to Ghozali (2018) the simultaneous test is useful to determine the relationship between the independent variables simultaneously influencing the dependent variable and to measure the accuracy of the function of the sample regression to estimate the actual value through goodness of fit. The hypothesis will be tested with a significance level of 0.05. If the significance value is <0.05 then the hypothesis is accepted, where there is a significant influence between the dependent and independent variables. Goodness of fit can be measured by comparing the calculated F value with the F table. The F table value can be seen from the df_1 and df_2 values. The df_1 value is the number of independent variables used in the study.

Df2 is obtained through the number of observations minus the number of independent variables for the sample and minus one ($n-k-1$). If the calculated F value is greater than the F table value, it indicates that the sample regression function in estimating the actual value is correct or the regression model can be used to predict the independent variable.

The last step is to carry out the individual parameter significance test stage (t statistical test) The t statistical test basically looks at how far the influence of one explanatory / independent variable individually explains the variation in the dependent variable. The t statistical test has a significance of 5%. According to Ghozali (2018), to test this hypothesis, the t statistic is used with the following decision-making criteria: 1. Quick look: when the number of degrees of freedom (df) is 20 or more and the degree of confidence is 5%, then H_0 is rejected if the t value is greater than 2 (in absolute value). So H_a is accepted with the statement that an independent variable partially affects the dependent variable. 2. Make a comparison between the calculated t statistical value and the t table. When t count is greater than the t table value, H_0 is rejected and H_a is accepted by stating that an independent variable partially affects the dependent variable (Ghazali, 2018).

RESULT AND DISCUSSION

Classical Assumption Test

The requirements of the classical assumption test must pass the stages of testing data normality, autocorrelation, multicollinearity, and heteroscedasticity so that testing can be carried out to linear regression analysis.

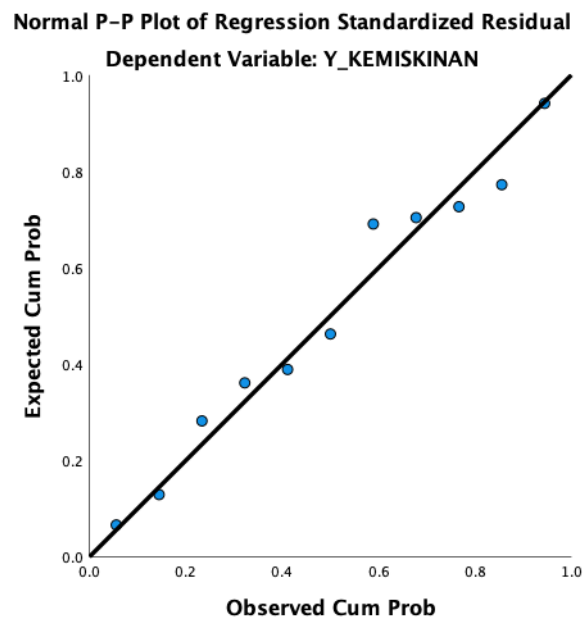


Figure 1. Normality Test Results of variables X1, X2 on Y
Source: data processed by researchers

Figure 1 shows that the normality test results are free from symptoms of normality, because the point is close to the diagonal line and the sig value (2-tailed) is greater than 0.05. The second stage conducts a heteroscedasticity test

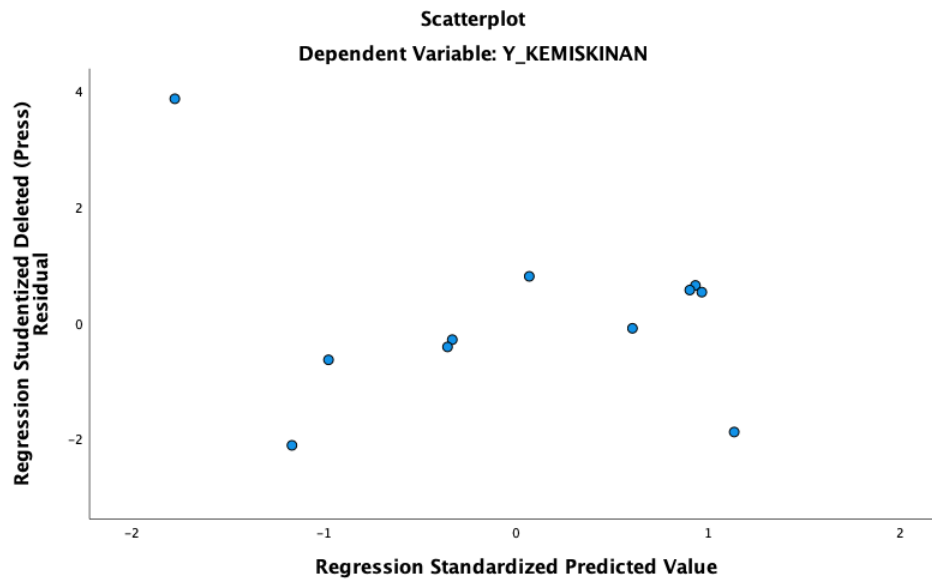


Figure 2. Heteroscedasticity Test Results Variable X1, X2 on Y
Source: data processed by researchers

Figure 2 shows that in the heteroscedasticity test there are no symptoms of heteroscedasticity, because the points spread above zero. The third stage conducts a multicollinearity test.

Table 1. Multicollinearity Test Results Variables X1, X2 on Y

Model	B	Std. Error	Std. Coefficients Beta	t	Sig	Collinearity Statistics	
						Tolerance	VIF
1 (Constant)	1.873E+9	257018422		7.287	.000		
X1_ZIS	-.001	.000	-.680	-3.665	.006	.962	1.040
X2_PENG ANGGUR ANTERBU KA	1.575E+10	4.363E+9	.670	3.611	.007	.962	1.040

a. Dependent Variable: Y_KEMISKINAN

Source: data processed by researchers

The table shows that the multicollinearity test does not occur multicollinearity symptoms, because the tolerance value of the results of this study > 0.100 and the VIF value < 10.00. Furthermore, the autocorrelation test is carried out as the last test.

Table 2. Autocorrelation Test Results of Variables X1, X2 on Y

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.857 ^a	.735	.668	72583884.6	.905

a. Predictors: (Constant), X2_PENGANGGURANTERBUKA, X1_ZIS

b. Dependent Variable: Y_KEMISKINAN

Source: data processed by researchers

Table 2 shows the Durbin Watson autocorrelation test in the results of this study Durbin Watson (0.905) < du (1.604) < 4-du (2.396). So it is concluded that this value occurs autocorrelation. To solve this problem is done with durbin's two step method. The following are the results of the autocorrelation test using the durbin's two step method formula. There are four methods in this test, the first method uses Durbin Watson. The second uses the Theil-Nagar d method. the third uses the Cochrane-Orcutt step 1 method. The fourth uses the Cochrane-Orcutt step 2 method (Widiyant Fang, Youtube).

Table 3. Autocorrelation Test Results using durbin's two step method
Variable X1, X2 on Y
Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.903 ^a	.816	.763	.01890	1.621

a. Predictors: (Constant), LnX2@3, LnX1@3

b. Dependent Variable: LnY@3

Source: data processed by researchers

Table 3 of the test results using the Cochrane-Orcutt step 1 method, looks at the Durbin Watson autocorrelation test in the results of this study du (1.604) < Durbin Watson (1.621) < 4-du (2.396). So it is concluded that this value does not occur autocorrelation.

Regression Coefficient Test

The second stage is to test the regression coefficient, the following data shows the results of the regression coefficient in this study.

Table 4. Regression Coefficient Results X1, X2
Coefficients^a

Model	B	Std. Error	Std. Coefficients Beta	t	Sig	Collinearity Statistics	
						Tolerance	VIF
1 (Constant)	10.799	.195		55.519	.000		
LnX1@3	-.034	.014	-.395	-2.429	.045	.995	1.005
LnX2@3	.347	.067	.841	5.165	.001	.995	1.005

a. Dependent Variable: LnY@3

Source: data processed by researchers

Table 4 shows the constant value (Y) of 10.799, meaning that if the independent variables (X1, and X2) are fixed or zero, then the poverty that occurs is 10.799. Meanwhile, the X1 regression coefficient is -0.34 with a negative coefficient direction, meaning that if ZIS is owned by one percent, it will reduce poverty by 0.34 with the assumption that other variables are constant. For the X2 coefficient of 0.347 with a positive coefficient direction, meaning that if open unemployment is owned by one percent, it will increase total assets by 0.347 assuming that other variables are constant.

Hypothesis Test

t test

The following shows the results of the t test in this study

Table 5. Results of regression coefficients X1 and X2
Coefficients^a

Model	B	Std. Error	Std. Coefficients Beta	t	Sig	Collinearity Statistics	
						Tolerance	VIF
1 (Constant)	10.799	.195		55.519	.000		
LnX1@3	-.034	.014	-.395	-2.429	.045	.995	1.005
LnX2@3	.347	.067	.841	5.165	.001	.995	1.005

b. Dependent Variable: LnY@3

Source: data processed by researchers

Table 5 shows the results of the t statistical test. The results of this study show that variable X1 (ZIS) has a calculated t value of -2.429 and a significance value of 0.045 < 0.05. This shows that variable X1 has a significant negative effect on poverty.

Variable X2 (open disturbance) has a t value of 5.165 and a significance value of 0.045 < 0.05. This shows that variable X1 has a significant positive effect on poverty. Next is to test the f statistical test to see the effect simultaneously.

F Test

The following data shows the results of the f statistical test research

Table 6. F Test Results X1, X2

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig
1	Regression	.011	2	.006	15.472	.003 ^b
	Residual	.003	7	.000		
	Total	.014	9			

a. Dependent Variable: LnY@3

b. Predictors: (Constant), LnX2@3, LnX1@3

Source: data processed by researchers

Table 6 shows the results of the f statistical test. The results of this test show the calculated f value of 15.472. In addition, the significance value is < 0.05, meaning that there is a significant positive effect of variables X1, and X2 on Y.

Correlation Coefficient Test and Determination Coefficient Test

Table 7. Model Summary X1,X2

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.903 ^a	.816	.763	.01890	1.621

c. Predictors: (Constant), LnX2@3, LnX1@3

d. Dependent Variable: LnY@3

Source: data processed by researchers

Based on table 7, it can be seen that the correlation coefficient (R) is 0.816, which means that the level of relationship between variables X1 and X2 to Y is very strong, because it is in the interval (0.8-100).

For the coefficient of determination (r^2) of 0.763 or ($0.763 \times 100\% = 76.3\%$). This shows that variables X1 and X2 have a contribution to influence poverty by 76.3%. While the remaining $100\% - 76.3\% = 23.7\%$ is explained by other factors.

Discussion

Variable X1 (ZIS) has a t value of -2.429 and a significance value of $0.045 < 0.05$. This shows that variable X1 has a significant negative effect on poverty. If there is an increase in the provision of ZIS, the poverty rate will decrease, so that ZIS will have a negative effect on poverty. The results of the study are the same as the results of this study conducted by (Alifia, 2020) and obtained the results of ZIS distribution has a negative and significant effect on poverty in Indonesia.

Variable X2 (open disturbance) has a t value of 5.165 and a significance value of $0.045 < 0.05$. This shows that variable X1 has a significant positive effect on poverty. If Indonesia's open unemployment is higher, it is likely that the poverty rate in Indonesia will increase, so it will have a positive effect. The results of this study support the research conducted by (Wahdati, 2022) which shows unemployment has an effect on poverty. In addition, the results of this study differ from the results of research (Amanatillah & Mukhlis, 2022), where unemployment has no effect on poverty.

The result of statistic f test. The results of this test show the value of f count 15.472. In addition, the significance value is < 0.05 , meaning that there is a significant positive effect of variables X1, and X2 on Y. The results of this study have not been done before, so this is new research.

CONCLUSION

Based on the results of the above research, the following conclusions are obtained: Zakat Infak Sedekah (ZIS) has a negative effect on poverty. Open unemployment has a positive effect on poverty. ZIS and open unemployment have a positive effect on poverty.

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USING DIAMOND FRAUD ANALYSIS, DETERMINING FINANCIAL INFORMATION DISHONESTY'S IMPACTS

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Abstract: The purpose of this research is to determine and analyses the impact of financial statement fraud on financial stability, board of commissioners, change of public accounting firm, and partial change of board of directors. This study's population consists of non-financial state-owned enterprises registered on the Indonesia Stock Exchange between 2016 and 2020, totaling up to 16 companies. The sample was chosen using the Purposive sampling approach, with sample collection scheduled depending on the desired sample qualification. Descriptive Analysis, Multiple Linear Analysis, and the Classical Assumption Test are the data analysis methodologies employed, with data processing carried out using the spss 25 program. Partial Results of *Ineffective Monitoring* proxied by the Board of Independent Commissioners, *Rationalization* Proxied by Change of Public Accounting Firm and *Cappability* Proxy by Change of Board of Directors had No Effect and were Not Significant on Financial Statement Fraud, whereas for Partial Results of *Financial Stability* Proxied by *Achange* proven to have a positive and significant effect on financial statement fraud.

Keywords: Financial Stability, Ineffective Monitoring, Rationalization dan Cappability

Abstrak: Tujuan penelitian ini adalah untuk mengetahui dan menganalisis dampak kecurangan laporan keuangan terhadap stabilitas keuangan, dewan komisaris, pergantian kantor akuntan publik, dan pergantian sebagian dewan direksi. Populasi penelitian ini terdiri dari BUMN non-keuangan yang terdaftar di Bursa Efek Indonesia pada tahun 2016 hingga 2020 yang berjumlah 16 perusahaan. Pemilihan sampel dilakukan dengan pendekatan Purposive sampling, dengan pengambilan sampel dijadwalkan tergantung pada kualifikasi sampel yang diinginkan. Analisis deskriptif, Analisis Linier Berganda, dan Uji Asumsi Klasik merupakan metodologi analisis data yang digunakan, dengan pengolahan data dilakukan dengan menggunakan program spss 25. Hasil Parsial Pengawasan Tidak Efektif yang diproksi Dewan Komisaris Independen, Rasionalisasi yang Diproksikan Pergantian Kantor Akuntan Publik dan Kapabilitas yang Diproksikan Pergantian Direksi Tidak Berpengaruh dan Tidak Signifikan terhadap Kecurangan Laporan Keuangan, sedangkan untuk Hasil Parsial Stabilitas Keuangan Diproksikan by *Achange* terbukti berpengaruh positif dan signifikan terhadap kecurangan laporan keuangan.

Kata Kunci: Stabilitas Keuangan, Pengawasan yang Tidak Efektif, Rasionalisasi dan Kapabilitas

INTRODUCTION

Financial *Statement* is a report that needs to be contained in a business entity. This is because financial statements provide information for users both *internal* and *external* that can be used to make decisions that are consistent with the state of the company. In addition, the content of important information in a financial statement makes managers more motivated to improve the performance of business entities so that existence in the business world will be maintained.

Financial accounts are detailed, however, there is frequently fraud in the report. Financial reporting fraud can be done on purpose to deceive financial statement users by presenting the significant value of falsified financial statements. Many factors contribute to the commission of fraud (misrepresentation), including a conflict of interest between management as an agent and investors as a Principal that favors one party and leads to financial fraud reports.

A good corporate entity needs clean, efficient financial reporting procedures. In order to prevent financial statement fraud, which could result in potentially incorrect and unwanted explanations with notification synchronization, the explanation provided in the financial statements displays all accounting activities of the Business Entity and is intended to meet the standards for the explanation that are currently in place.

Cheating is a common knowledge that consists of numerous forms that may be used for human cunning and exploited by a person to profit from other people based on incorrect activities. Fraud is committed to earn profits in the form of income and assets in order to avoid paying service losses, avoid paying taxes, and save the necessities of individuals or businesses. Financial statement fraud is also sometimes committed by businesses that are in the midst of a financial crisis and are motivated by misplaced opportunism.

The need to constantly update and improve an organization's capacity to build its wealth, which may then be stated in the financial statements, is typically what drives an organization's propensity to engage in financial statement fraud. Based on this, business entities frequently engage in profit management and different iterations to improve their financial accounts in order to draw in investors. Financial statement fraud can occur frequently if there is no detection or protection.

Financial statement fraud could lead to inaccurate justifications and a violation of financial notification protocols. The Association of Certified Fraud Examiners defines fraud as a phishing or deviation activity carried out by people or organizations who are aware that irregularities may result in benefits that are detrimental to people or businesses. Financial statement fraud is an important topic to research because public SOE Business Entities in Indonesia have recently experienced accounting issues. According to popular view, fraud is typically defined as fraud or deception that aims to make both material and immaterial profits.

According to the 2019 ACFE survey findings, corruption is the fraud that causes the most harm in Indonesia. According to 167 respondents in total, or 69.9%, corruption is the most harmful form of fraud in Indonesia. In the following order, 50 respondents, or 20.9%, claimed that misuse of state assets, corporate assets, and assets caused losses. While 22 respondents, or 9.2%, reported financial statement fraud that caused losses in the third place.

The number of fraud cases that occur should be carried out a strategy to detect and handle this. However, it is not as easy as imagined, detecting fraud will be more difficult to detect

because based on SAS 82 fraud will generally be polished and will be hidden properly so that material misstatements will be difficult for auditors to find.

Differences in interest (conflict, of interest) between management as agent and investor as principal can lead to fraud. Where investors are interested in receiving a big return on their investment and agents are interested in receiving a substantial remuneration for the results of their labor. This is what will motivate management (agents) to take acts that benefit them but harm investors (principal), such as committing fraud (fraud). Investors may be particularly affected by losses caused by fraudulent practices because the decisions they make can affect the returns on their assets. 2020 Mekarsari

Integrity risk, also known as fraud risk, refers to the possibility that management or employees will commit fraud, that the company will engage in illegal activity, or that there will be other deviations from the norm that could damage the company's good name and reputation and its ability to continue existing. Companies must learn how to spot fraud at its earliest stages since the risk of fraud necessitates that they adopt preventive measures (Priantara, 2013, p. 211).

Measures for fraud detection cannot be used universally. To be able to detect fraud, it is essential to have a thorough grasp of the different types of fraud that could occur in the organization. Each fraud has its own unique features. Additionally, fraud can be detected by spotting certain traits that serve as early warning signs. Fraudsters are typically found in managerial and lesser positions.

The diamond fraud theory, according to Sari & Rofi (2020), can be used to identify financial statement fraud. The fraud triangle idea has been further developed in the form of a fraud diamond. However, the capability component has been included as a refining factor in diamond fraud. The factors in diamond fraud are actually the same as the factors in the fraud triangle. Wolfe and Hermanson (2004)'s fraud triangle included capability as a factor of renewal.

There are a number of earlier research findings on the impact of financial statement fraud. Financial stability pressure has a beneficial impact on financial statement fraud as the first factor. This study concurs with that of Dharma Pangestu et al., (2020), but does not concur with that of Permatasari & Laila, (2021), which claims that Financial Statement fraud is unaffected by changes to the financial stability metric.

Ineffective oversight by the board of commissioners is the second factor. Opportunity has a major impact on the discovery of financial statement fraud, according to study by Annisa Dida Ramadhani & Nurbaiti, (2020), and Izzah et al., (2021), although this research is inconsistent with other studies that have found the opposite.

Rationalization, as measured by new auditors, is the third factor. Research by Izzah et al., (2021), Annisa Dida Ramadhani & Nurbaiti, (2020), and Although this research differs from that of Permatasari & Laila, (2021) and Dharma Pangestu et al., (2020), rationalization has a substantial impact on the identification of financial statement fraud. The identification of financial statement fraud is unaffected by rationalization.

The final element is the ability that would be replaced by the Board of Directors. Capability has a favorable impact on the detection of financial statement fraud, according to study by Primastiwi et al. and Annisa Dida Ramadhani & Nurbaiti from 2020 and 2021, respectively. However, this research contradicts claims of has no impact on financial statement fraud.

The results of earlier studies varied from those of the current study, and certain instances of financial statement fraud have not yet been widely recognized. By employing Fraud Diamond as an Independent Variable, this study also brought up the subject of Financial Statement Fraud.

Then the companies were chosen as the study's population and sample because, according to an ACFE Indonesia (2020) survey performed in 2019, state companies are the second most prevalent institution for fraud cases in Indonesia, accounting for 31.8% of all fraud instances. State-owned businesses that are not in the financial sector and are listed on the Indonesia Stock Exchange for the years 2016 to 2020 make up the population of this study.

Statement of the Problem

Based on the information provided, the following issue formulation is obtained:

1. Does Financial Stability affect the likelihood that state-owned businesses that are not in the financial sector will discover financial statement fraud between 2016 and 2020?
2. Does Opportunity have an impact on the likelihood of spotting financial statement fraud in state-owned businesses that aren't in the banking sector and are listed on the Indonesia Stock Exchange between 2016 and 2020?
3. Will rationalization influence how state-owned businesses that are not in the banking sector and are listed on the Indonesia Stock Exchange between 2016 and 2020 will be able to identify the danger of financial statement fraud?
4. Does the capacity of state-owned non-financial firms listed on the Indonesia Stock Exchange between 2016 and 2020 affect the risk of detecting financial statement fraud?

Research Purposes

1. The first objective of this study is to ascertain whether the chance of detecting financial statement fraud in state-owned non-financial firms listed on the Indonesia Stock Exchange between 2016 and 2020 is influenced by financial stability.
2. To ascertain if state-owned non-financial firms listed on the Indonesia Stock Exchange are at danger of financial statement fraud detection for the 2016–2020 period.
3. To ascertain, for the period from 2016 to 2020, whether rationalization affects the possibility of spotting financial statement fraud in state-owned non-financial firms listed on the Indonesia Stock Exchange.
4. To determine whether competence affects the risk of financial statement fraud detection in state-owned non-financial firms listed on the Indonesia Stock Exchange for the 2016-2020 period.

LITERATURE REVIEW

A. Behavioral Theory

This theory places a lot of focus on the viewpoint of beliefs that might lead someone to act in a certain way. According to the believing perspective, the will to act is formed by combining several traits, features, and aspects of specific knowledge.

Planned behavior theory, according to Fishbein and Ajzen (1975), is an advancement over reasoned action theory. According to the reasoned action theory, there are two factors subjective norms and attitudes toward behavior that influence whether a person intends to

take a particular action. Ajzen (1988) added one aspect a few years later, and it was the control of individual perceptual behavior or perceived behavioral control. These elements transform planned behavior theory from justified action theory into planned behavior theory.

B. Fraudulent Financial Statements

Financial statement fraud (fraud) is a widely held belief that encompasses a wide range of variations and is committed for the purpose of personal deceit on behalf of a person seeking to gain financial gain through deception. There are two different ways to define fraudulent financial statements. The first description covers situations where management intended to give external users financial statement explanations that were materially inaccurate. Asset irregularities for central managers are a part of the second category. The chairman, vice chairman, chief executive officer, president, chief financial officer, and treasurer make up the central management.

C. Fraud diamond

The diamond fraud theory replaces Cressey's fraud triangle idea from 1953. The fraud diamond's variables are very identical to those in the fraud triangle since it also includes capability variables to complete those variables. The fraud triangle developed by Wolfe and Hermanson has the flexibility to evaluate fraud events. According to Wolfe and Hermanson (2004), deception cannot be carried out without the precise execution of every aspect of the deception.

D. Pressure

The inclination or pressure that leads someone to cheat is pressure. According to Vidella, A., Afiah (2020), based on SAS No. 99, there are a number of circumstances related to pressure that lead someone to commit fraud, including financial stability, external pressure, and internal pressure.

E. Opportunity

Ineffective monitoring, as defined by SAS No. 99 of 2008, is a circumstance in which the company's internal control system is ineffective. This may happen as a result of the board of commissioners' and audit committee's insufficient oversight of the internal control system, financial reporting procedures, and similar matters. Skousen et al. (2009)'s list of proxy potential includes the industry's nature, ineffective monitoring, and organisational structure.

F. Rationalization

As stated in Statement of Auditing Standards No. 99 of 2008 (Shelton, 2014), The three components of rationalisation are change in auditor, total accrual, and auditor opinion. Rationalisation is the attitude or rationalisation of board members, management, or staff that permits them to participate in rationalising financial statement deception.

G. Abilities

According to Wolfe and Hermanson (2004), it is desirable to add proficiency to support and prevent a fraud incident by including the fourth variable, capability. Where the position and skill do not exist in other people, the position or duty of an individual in a Business Entity can present opportunity for people to engage in fraud acts.

Hypothesis

Financial Statement Impact of Financial Stability Identifying risks

According to SA No.99 of 2008, perils resulting from business operations, entity operations, or unpredictable industrial conditions may put pressure on management of the company to engage in fraud. The request to manage the company's consistent financial performance in order to increase the company's value provided the drive.

According to Nugraheni and Triatmoko (2017), if asset growth turns negative or is relatively low, it may indicate that the company's operations are subpar and will threaten its capacity to maintain its financial stability. The lack of asset growth is what motivates management at the organization to falsify its financial accounts.

The findings of this study are at contrast with those of Sihombing and Raharjo (2014), Skousen, et al (2009), and Aprilia (2017), which demonstrate that financial stability (ACHANGE) significantly reduces the likelihood of financial statement fraud. As a result, the study's first hypothesis is:

H₁: Financial stability has a negative impact on financial statement risk detection.

The Impact of Rationalisation on the Identification of Financial Statement Risk

Justification for management's activities to conduct statement fraud is called rationalisation. Accounting fraud tactics used by corporate management may be reflected in the company's overall accruals.

According to Dewi & Lestari (2020), the primary motivation for people to carry out an activity is their intention in the Theory of Planned Behaviour (TPB). Attitudes, subjective norms, and the perception of behavioural control all have an impact on intention. An individual's intention to react to an object is influenced by their attitude towards it. In addition to attitudes, subjective norms the support of a behaviour by those in one's immediate vicinity have an impact on intentions (Ajzen, 1991).

Studies by Stice (1991) and Pierre and Anderson (1984) demonstrate that auditor changes can take place for valid causes. According to research by Rachmawati (2014), auditor change coupled with rationalisation has a favourable impact on financial statement fraud. Based to the given description, the research thesis is as follows:

H₂: Rationalization effect Post on Financial Statement Risk Detection.

Opportunity's Impact on Financial Statement Identifying risks

When a corporation lacks a supervisory unit that effectively monitors corporate performance, there is inadequate monitoring or supervision (Maghfiroh, 2015). According to Siddiq et al. (2017), Beasley et al. (1999) found that a company's percentage of independent board members has an impact on the frequency of financial statement fraud. According to Putriasih (2014), Financial Statement Fraud can be detected or influenced by ineffective monitoring.

Dewi & Lestari's (2020) analysis According to the Theory of Planned Behaviour (TPB), people's intentions are the primary drivers of their behaviour. Attitudes, subjective norms, and the perception of behavioural control all have an impact on intention.

An individual's intention to react to an object is influenced by their attitude towards it. In addition to attitudes, subjective norms the support of a behaviour by those in one's immediate vicinity have an impact on intentions (Ajzen, 1991).

According to research by Kusumawardhani (2013), financial statement fraud, or the manipulation of financial statements as represented by earnings management, is significantly influenced by ineffective monitoring. This is consistent with research by Agusputri (2019), which found that inadequate monitoring contributes to financial statement fraud. The opposite is true, according to study by Maghfiroh (2015), who indicates that inadequate monitoring has little bearing on financial statement fraud.

H₃: Ineffective Monitoring of Positive's Impact on Financial Statement Risk Detection

Capability's Impact on Financial Statements Identifying risks

Utilizing individual capabilities, the capability is a factor that promotes fraud in a firm. The skill in question is the capacity for situational reading and opportunity spotting, which is promoted by pressure to commit fraud from both within and from outside sources.

According to Dewi & Lestari (2020), the primary motivation for people to carry out an activity is their intention in the Theory of Planned Behavior (TPB). Attitudes, subjective norms, and the perception of behavioral control all have an impact on intention. An individual's intention to react to an object is influenced by their attitude towards it. In addition to attitudes, intentions are influenced by subjective norms which are support from people around individuals for a behavior carried out by individuals (Ajzen, 1991). The change of directors becomes a capability indicator, signaling that the danger of fraud in a company's financial statements would increase, according to Zulfa & Bayagub's (2018) research.

H₄: Capability has an objective effect on Financial Statement Risk Detection.

RESEARCH METHODOLOGY

Research and Measurement Variables

a. Dependent Variables

The detection of the risk of financial statement fraud serves as the study's dependent variable. For the purpose of calculating financial statement fraud detection, the Beneish M-score model is employed. The Dummy approach :

$$\begin{aligned} \text{M score} = & -4.840 + 0,920 * \text{DSRI} + 0,528 * \text{GMI} + 0,0404 * \text{AQI} + 0,892 \\ & * \text{SGI} + 0,115 * \text{DEPI} - 0,172 * \text{SGAI} - 0,327 * \text{LVGI} + 4,697 \\ & * \text{TATA} \end{aligned}$$

Dummy Method:

0 = if the result of the Beneish Ratio Index < -2.22, then the company is not indicated to have committed financial statement fraud

1 = if the result of the Beneish Ratio Index > -2.22, then the company is indicated to have committed financial statement fraud.

b. Independent Variables

Pressure

Financial stability is used as a proxy for variable pressure. A company entity that is in a steady state is said to have financial stability. The company's asset condition provides insight

into the stability of the company's situation. ACHANGE, which measures the ratio of changes in total assets over a two-year period, serves as a proxy for financial stability. *Financial stability* is formulated with the asset change ratio (ACHANGE):

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

Opportunity

Ineffective monitoring is a situation in which the company has a supervisory unit that effectively monitors the performance of company management.

According to research by Vidella, A, Afiah, (2020), fraud can be reduced in a number of ways, one of which is with a good supervision mechanism, one of which is with a board of commissioners who are independent of the business or, more commonly, independent commissioners, so that the company's performance will be more effective.

Ineffective monitoring is proxied with BDOUT which is formulated as follows:

$$\text{Bdout} = \frac{\text{Number of independent board of Commissioners}}{\text{Total number of board of commissioners}}$$

Rationalization

The Rationaization Element in this study uses a change in auditor proxy with auditor change (AUDCHANGE) measured by dummy variables. If a public accounting company changes over the 2016–2020 period, it will be assigned a code of 1, but if there is no change during that time, it will be assigned a code of 0.

Capability

The more open opportunities for fraud, stress times brought on by changes in directors may affect those opportunities (Wolfe and Hermanson, 2004). Therefore, the change in directors of the company (DCHANGE), which is quantified by the dummy variable, serves as a proxy for capacity in this study. It is given the code 1 if the company's board of directors changes during the 2016–2020 period; otherwise, it is given the value 0 if there are no changes to the board of directors during that time.

c. Sample, population and research techniques

a. Population

The companies included in the non-financial Public State-Owned Enterprises (SOEs) on the Indonesia Stock Exchange make up the study's population. There are roughly 16 Business Entities.

b. Sample

The sample considered in this study includes state-owned, non-financial businesses that are scheduled to list on the Indonesia Stock Exchange between 2016 and 2020. Purposive sampling was employed in this study as the sample strategy. A planned sample collection based on the necessary sample qualification is known as a purposeful sampling method. 16 businesses served as the study's samples.

c. Data Collection Methodologies

The method used in this investigation is quantitative research. This study made use of secondary data from state-owned, non-financial companies that are listed on the

Indonesia Stock Exchange. The source of the data was the commercial financial statements of the listed companies on the Indonesia Stock Exchange website, www.idx.co.id. The data collection strategies used in this study were the literature study strategy and the documentation method.

d. Data Analysis Techniques

Descriptive statistical analysis and logistic regression analysis are the analysis techniques employed in this study to test and validate the hypothesis with the use of the SPSS programme version 25.

RESULT AND DISCUSSION

1. Descriptive Statistical Analysis

Table 1. Descriptive Statistics

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic
ACHANGE	80	-,29	1,45	13,82	,1728	,27115
BDOUT	80	,17	,60	28,37	,3546	,08776
AUDCHANGE	80	0	1	21	,26	,443
DCHANGE	80	0	1	36	,45	,501
M-SCORE	80	0	1	27	,34	,476
Valid N (listwise)	80					

Source: data processed by researchers

2. Logistic Regression Analysis

Table 2. Variables in the Equation

		B	S.E.	Forest	df	Itself.	Exp(B)
Step 1 ^a	ACHANGE	2,346	1,045	5,035	1	,025	10,441
	BDOUT	-,329	2,922	,013	1	,910	,720
	AUDCHANGE	,395	,557	,502	1	,478	1,484
	DCHANGE	,102	,512	,039	1	,843	1,107
	Constant	-1,148	1,096	1,096	1	,295	,317

a. Variable(s) entered on step 1: ACHANGE, BDOUT, AUDCHANGE, DCHANGE.

Source: data processed by researchers

Based on the results of the SPSS Logistic Regression Test Output data, the following equation can be arranged:

$$\text{FRAUD} = -1,148 + 2,346 \text{ ACHANGE} + -0,329 \text{ BDOUT} + 0,395 \text{ AUDCHANGE} + 0,102 \text{ DCHANGE}$$

Discussion

1. The *Financial Stability's* Impact on Financial Statement Fraud

The Financial Stability Variable (ACHANGE) achieved an Exp (B) value of 10.441 with a significance value of $0.025 < 0.05$, according to the study's findings. The financial stability has a major impact on financial statement fraud in non-financial SOEs listed on the Indonesia Stock Exchange in 2016–2020, according to these data, which support hypothesis one (H1) and reject hypothesis zero (H0). The ACHANGE Variable has a positive effect, therefore every rise in its value will result in a 10,441-fold increase in the exposure of signs of financial statement fraud.

The higher the degree of financial statement fraud, the lower the likelihood of fraudulent financial statement practices; conversely, the lower the level of financial statement fraud, the higher the amount of financial statement fraud. When a company's stability is good, it means that the company can manage its assets well. As a result, corporations are no longer forced to mislead financial accounts. When a company's financial status is poor or unstable, the likelihood of financial statement fraud increases.

This is consistent with the findings of (Dharma Pangestu, A., Oktavia, R., & Amelia, Y. (2020). and (Suprayogi, B., & Purnamasari, P. (2018) who discovered a negative and significant relationship between financial stability and financial statement fraud, with high financial stability causing a tendency to commit low financial statement fraud. This is due to the fact that when a company's financial situation is stable, the probability of financial statement fraud lowers. This is owing to the company's efficient financial stability early warning system.

In addition, the company's assets are expanding in value, reflecting the true value of growth and demonstrating that it is not the consequence of manipulation. As a result, management won't engage in fraud even if the company's financial situation is precarious.

2. The Board of Commissioners' Influence on Financial Statement Fraud

The board of commissioners' variable received an $\text{Exp}(B)$ value of 0.720 with a significance of $0.910 > 0.05$ based on the findings of the logistic regression test. Based on these findings, the first hypothesis (H2) was rejected and H0 was accepted, indicating that the board of commissioners has no substantial influence on Financial Statement Fraud in non-financial state-owned companies listed on the Indonesia Stock Exchange between 2016 and 2020.

An independent board of commissioners, in general, guarantees that the company's oversight is more impartial and objective. A more independent board of commissioners is thought to improve the company's success. However, if there is an intervention in the independent board of commissioners, the objective of the independent board of commissioners' supervision will become non-objective, so the number or number of independent board of commissioners in a company is not an effective factor in increasing the company's operational supervision.

This study contradicts the findings of Lestari and Kurniawan, (2021), Arjapratama et al., (2020), and Primastiwi et al., (2021), who found that the Board of Commissioners had an impact on Financial Statement Fraud. This suggests that a large number of independent commissioners on a business's board of directors does not guarantee that the company does not commit financial report fraud, because the company may merely establish independent commissioners to comply with requirements. Furthermore, practically all significant corporations, such as manufacturing firms listed on the Indonesia Stock Exchange, have independent commissioners consisting of more than one person operational oversight.

3. The Impact of a Change in Public Accounting Firm on Financial Statement Fraud

The logistic regression test findings showed that the Public Accounting Firm Change variable had an $\text{Exp}(B)$ value of 1.484 with a significance of $0.478 < 0.05$. Based on these findings, the first hypothesis (H3) was accepted and H0 was accepted, indicating that

changing public accounting firms had no substantial impact on financial statement fraud in non-financial state-owned companies listed on the Indonesia Stock Exchange between 2016 and 2020.

The findings of this study are consistent with those of Annisa Dida Ramadhani and Nurbaiti (2020), (Luhri et al., 2021), and (Lorena, 2019), who found that changing public accounting firms has no effect on financial statement fraud.

This could occur if the corporation was dissatisfied with the auditor's performance the previous year. Not all corporations that change auditors are the result of financial statement fraud. Companies with strong and positive motivation will almost probably seek the services of objective and independent auditors. Furthermore, changes in auditors made by the company may not be motivated by a desire to diminish financial statement fraud detection by previous auditors.

4. The Impact of a Change in the Board of Directors on Financial Statement Fraud

According to the logistic regression test results, the variable Change of the Board of Directors had an $\text{Exp}(B)$ value of 1.107 with a significance of $0.843 > 0.05$. Based on these findings, the first hypothesis (H4) was rejected and H_0 was accepted, indicating that a change in the Board of Directors has no substantial impact on Financial Statement Fraud in non-Financial State-Owned Companies listed on the Indonesia Stock Exchange between 2016 and 2020.

Changes in directors, according to (Sihombing & Rahardjo, 2014), frequently occur owing to the desire of the highest stakeholders to improve company performance through changes in directors who are perceived more capable than prior directors. The company's board of directors is changing not only to cover up the fraud, but also to improve the company's performance. When the directors are not performing adequately, it is necessary to replace them with more competent ones in order to improve the company's quality.

The findings of this study align with those of Ferdiansah et al., (2020), Rahayuningsih & Sukirman, (2021), and Nor Aini Aprilia & Furqani, (2021), who found no influence of Board of Directors Change on Financial Statement Fraud. This demonstrates that the size of the board of directors' change has no effect on the occurrence of Financial Statement Fraud.

CONCLUSION

Based on the findings of the previous chapter, it is possible to conclude

1. Based on the findings of the discussion in the preceding chapter, it can be said that Financial Stability has a positive and significant impact on Financial Statement Fraud, according to the findings of the first study on Diamond Fraud Factors as Pressure Variables using Financial Stability Proxies. An enterprise's overall assets may have changed substantially, but this does not always mean fraud has occurred.
2. According to research on the Opportunity Variables used in Ineffective Monitoring Proxies, the Second Diamond Fraud Factor, it can be said that Financial Statement Fraud is affected by Ineffective Monitoring but that it is not a substantial factor. This is so that corporate performance can be improved and so that the business can continue to be maintained or run

- appropriately. An independent commissioner acts as a measurement instrument for ineffective supervisory variables.
3. Based on research on the third Diamond Fraud Factor's Rationalization Variables, which use the Public Accounting Firm Change proxy as a proxy, it can be said that the Financial Statement Fraud is affected by but not significantly impacted by the Public Accounting Firm Change. This could occur if the business is not content with the auditor's performance from the prior year.
 4. Based on the study's findings on the fourth Diamond Fraud Factor, Capability Variables that Use the Proxy for Change of the Board of Directors, it is possible to draw the conclusion that the Change of the Board of Directors Has an Effect but Is Not Significant on Financial Statement Fraud. The highest stakeholders typically want to improve firm performance through changes in directors who are seen as more competent than the previous directors, which is why changes in directors frequently take place.

Author Limitations

This research includes drawbacks that make it far from perfect, but it can be utilized as a starting point for further research. This study has the following limitations:

1. The population and study sample are restricted to non-bank state-owned enterprises registered on the Indonesia Stock Exchange (IDX) between 2016 and 2020.
2. This study only includes one variable from each Diamond Fraud factor, such as the Pressure factor, which is proxied by the Financial Stability variable, the Opportunity factor, which is proxied by the Ineffective Monitoring variable, the Rationalization factor, which is proxied by the Public Accounting Firm Change variable, and the Capability factor, which is proxied by the Change of Board of Directors.
3. It only has one variable from each diamond fraud component.

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THE QUALITY OF MERAUKE REGENCY GOVERNMENT FINANCIAL STATEMENT

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Abstract: This study aims to determine the effect of Accounting Information System, Application of Government Accounting Standards and Internal Control System on the Quality of Merauke Regency Government's Financial Statements. This study using primary data, which was obtained using a questionnaire. The sample of this study, which was selected using convenience sampling method, is 115 employees from 839 employees in Merauke Regency's SKPD. The data were analyzed using multiple linear regression analysis with the help from software Smart PLS 3.0. The results of this study indicate that: 1. The Accounting Information System has no effect on the Quality of Merauke Regency Government's Financial Statements, 2. The application of Government Accounting Standards has a positive effect on the Quality of Merauke Regency Government's Financial Statements, and 3. The Internal Control System has a positive effect on the Quality of Merauke Regency Government's Financial Statements.

Keywords: accounting information system, application of government accounting standards, quality of financial reports, internal control system

Abstrak : Penelitian ini bertujuan untuk mengetahui Pengaruh Sistem Informasi Akuntansi, Penerapan Standar Akuntansi Pemerintahan dan Sistem Pengendalian Intern Terhadap Kualitas Laporan Keuangan Pemerintah Kabupaten Merauke. Penelitian ini menggunakan data primer yang diperoleh dengan menggunakan kuesioner. Sampel penelitian ini yang dipilih dengan menggunakan metode convenience sampling adalah 115 pegawai dari 839 pegawai di SKPD Kabupaten Merauke. Data dianalisis menggunakan analisis regresi linier berganda dengan bantuan software Smart PLS 3.0. Hasil penelitian ini menunjukkan bahwa: 1. Sistem Informasi Akuntansi tidak berpengaruh terhadap Kualitas Laporan Keuangan Pemerintah Kabupaten Merauke, 2. Penerapan Standar Akuntansi Pemerintahan berpengaruh positif terhadap Kualitas Laporan Keuangan Pemerintah Kabupaten Merauke, dan 3. Sistem Pengendalian Intern berpengaruh positif terhadap Kualitas Laporan Keuangan Pemerintah Kabupaten Merauke.

Kata Kunci: sistem informasi akuntansi, penerapan standar akuntansi pemerintahan, kualitas laporan keuangan, sistem pengendalian internal

INTRODUCTION

Local Government Financial Statements are financial statements that must be made by local governments. Local government financial statement that was prepared by local governments must be able to accomplish the purpose of reporting and preparing these financial statements. Quality financial statements are financial reports that can carry out their goals well.

The quality of Local Government Financial Statements can be measured through several criteria such as accountability, transparency, can be used to government organization's management, relevant, trustworthy, presenting true or honest data and balance between generations. However, it is not frequently also available Local Government Financial Statements to be issued but there is fraud in it. We can see this from several cases that have occurred in Indonesia and were discovered by the Supreme Audit Agency.

One example of a fraud case revealed by the Supreme Audit Agency was in the Local Government Financial Statements of the West Sumatra Provincial Government in 2020. In this case, the Supreme Audit Agency found several irregularities on the budget listed in West Sumatra Province's Financial Statements in 2020. These irregularities were explained by the Head of the West Sumatra Supreme Audit Agency Representative, Yusna Dewi, in a press conference held on Friday, May 7, 2021. In her presentation, Yusna Dewi said that the irregularities in the West Sumatra Province's Financial Statements were in the payment for the Online Student Admissions activity by the West Sumatra Education Office amounted to IDR 516.7 million where the budget was not in accordance with applicable regulations. In addition, Yusna Dewi also explained that in this West Sumatra Province's Financial Statement, the budget for the procurement of goods for handling COVID-19 of IDR 12.47 billion was not in accordance with the provisions (Nasution & Sujatmiko, 2021).

In addition, at the beginning of 2020, Indonesia's Supreme Audit Agency stated that nine percent of Local Government Financial Statement in the first semester of 2020 received a Fair with Exception audit opinion and one percent of Local Government Financial Statement for the 2019 fiscal year received a Disclaimer of Opinion's audit opinion. In addition, Indonesia's Supreme Audit Agency also stated that, there were several regions whose financial statements initially received an Unqualified audit opinion which in the end after being re-examined the opinion turned into a Qualified Opinion or changed to a Disclaimer of Opinion. The problem of changing the audit opinion occurred because of problems in the internal control system of five thousand one hundred and seventy five problems and problems due to non-compliance with laws and regulations amounting to IDR 1.52 trillion. In addition, Indonesia's Supreme Audit Agency also stated that, in the first semester of 2020 from the results of their examination of the Local Government Financial Statement, they succeeded in revealing one thousand one hundred and sixty findings with ten thousand four hundred ninety-nine problems (Satyagraha & Yuniyanto, 2020).

Besides that, the increasing of the public requirement for better governance, especially in terms of their region's development, have made the central government established that government organizations, both regional and central governments, must have public accountability. Good public accountability will be seen and rated by public, once is through the Local Government Financial Statement which they can access and view on the

government website. Therefore, the government must always maintain and improve the quality of its financial statement and present financial statement that are free from material misstatement or free from fraud, so that through the existing financial statements the government can answer the public requirement. In an attempt to improve the quality of Local Government Financial Statement, the government implements several things including implement of Accounting Information Systems, Government Accounting Standards and Internal Control Systems.

The development of information technology in this millennial era also plays an important role in accounting science. The role of information technology in accounting can be seen from the Accounting Information System (AIS). In the current era, accounting information systems play an important role in the preparation of financial statements by both private companies and government organizations. In government organizations, accounting information systems have been used to prepare financial reports by both local governments and by the central government. However, the implementation of this accounting information system has not been completely good or it's still abused by its users, so it is not frequently for Supreme Audit Agency to find that local government financial statements that are not proper or not in accordance with the applicable rules.

According to the Ministry of Home Affairs Number 29 of 2009 the accounting information system is an accounting system that includes the process of recording, classifying, interpreting, summarizing financial transactions or events and financial reporting in the context of implementing the regional revenue and expenditure budget, carried out in accordance with generally accepted accounting principles. Therefore, with the implementation of accounting information system, it is expected to improve the quality of reports related to the implementation of the regional revenue and expenditure budget (in this case the local government financial reports). The accounting information system has three objectives, specifically as supporting daily operations, supporting the management function and supporting the management decision-making process (Hall, 2015). From these three objectives, we can conclude that the Accounting Information System is applied to improve the quality of financial reports through support for the application of government accounting standards and internal control systems by implementing the processes that exist in the Accounting Information System, so that the financial statements can be free from misstatements, either due to daily data input errors or management errors.

According to Bastian (2010: 137), government accounting standards are requirements that have legal force used in an effort to improve the quality of financial statements made by the government in Indonesia. Therefore, with the implementation of government accounting standards, it is hoped that the government can improve the quality of its financial reports so that it can describe the actual financial condition so that it can show its accountability to the public.

According to the Government Regulation of the Republic of Indonesia Number 60 of 2008 concerning the Government's Internal Control System, the internal control system is an integral process of actions and activities carried out continuously by the leadership and all employees to provide sufficient confidence in the achievement of organizational goals through effective and efficient activities, reliability of financial reporting, safeguarding state assets and compliance with laws and regulations. With this internal control system, it's hoped

that the resulting financial statements will be more reliable than before. Therefore, the existence of an internal control system is expected to improve the quality of the financial reports produced later.

From the description above, it can be stated that, Accounting Information Systems, Government Accounting Standards and Internal Control Systems are implemented with one of the objectives to improve the quality of local government financial statements. However, in practice there are still many weaknesses found in the financial statement that produced by local governments in Indonesia, one of the example is from the case found by Supreme Audit Agency above, where from this case we can conclude that the Local Government Financial Reports in several regions in Indonesia still have many shortage and do not have the good quality as expected by public. For example, from the West Sumatra Government's Financial Statement case, we can see that the existing local government financial statements do not describe the actual conditions are not even in accordance with the applicable provisions. This is contrary to the criteria for local government financial statements themselves. Local government financial statements should describe the actual situation and contain an element of honesty, because from local government financial statements the public must be able to see the accountability and performance of the real government. Local Government Financial Statements should not only inform or contain good or large values or numbers that the public wants to see, but the figures do not match the actual situation or do not in accordance with the applicable regulations. However, the Local Government Financial Statements must contain information that is expected by the community, specifically information that can describe the actual financial condition and development of the area. Local Government Financial Statement must also be able to describe the accountability of a government organization, especially local government.

Besides that, from the findings found by BPK that have been described above, it follows that it can also be concluded that the problems that arise in this Local Government Financial Statements are due to a weak or poor internal control system and non-compliance with the application of laws and regulations. In this case what is meant by statutory regulations is the provisions in budgeting and reporting on budget realization which we usually know as Government Accounting Standards.

Based on the description of the theory and facts as well as the case above, the researcher is interested in examining whether the good implementation of Accounting Information System, Internal Control System and Government Accounting Standards can affect the quality of local government financial statement as expected before. Previously, there had been previous research on this matter, where in this study it was explained that the accounting information system had a significant positive effect on the quality of local government financial reports (Zulfah et al., 2017), which means that a good accounting information system will produce good Local Government Financial Statement. This is in line with research from Trihandaru & Setiawati (2020), which says that the implementation of accounting information systems affects the quality of financial reports in this case is Local Government Financial Statement. However, this is not in line with the research conducted by Tampaty et al. (2020) which states that the use of technology in accounting information systems has a significant negative effect on the quality of Local Government Financial Reports.

In other previous studies it was also said that, the internal control system has a significant effect on the quality of local government financial statement (Yuliza et al., 2018). This is in line with the research conducted by Faishol (2016) on the LKPD of Lamongan Regency, which states that the internal control system has a significant effect on the quality of local government financial statement. However, this is not in line with the results of research conducted by Septarini & Papilaya (2016) which states that internal control has no effect on the quality of Local Government Financial Statements.

In addition, in other previous studies, it was also said that the application of government accounting standards had a significant positive effect on the quality of local government financial statements (Rahmawati et al., 2018). However, this is not in line with the results of research from Rahmah & Zulkifli (2018), which states that the application of government accounting standards accrual based has a positive and insignificant effect on the quality of financial statements. The Research conducted by Modo et al. (2016) also stated that, the comprehension of accrual based SAP regulations had a negative and insignificant effect on the statistical quality of financial statement information.

Based on the existing problems and differences in the results of previous studies, the researcher will re-examine whether there is an effect of Accounting Information System, Implementation of Financial Accounting Standards and Internal Control System on the quality of local government financial reports with the scope of research is at the regional government of Merauke Regency. The purpose of this study was to examine the effect of each independent variable (Accounting Information System, Implementation of Government Accounting Standards and Internal Control System) on the dependent variable (Quality of Financial Reports of the Regional Government of Merauke Regency). The novelty in this research is the use of new indicators on the Implementation of Government Accounting Standards variable, which is based on the contents of Government Regulation of the Republic of Indonesia Number 71 of 2010 concerning Government Accounting Standards concerning Government Accounting Standards that are correct and are expected to be applied by local governments in making their financial statements.

LITERATURE REVIEW

Quality of Local Government Financial Statement

Local government financial statements prepared by local governments must be able to meet the objectives of reporting and preparing these financial statements. Quality financial statement are financial statements that can carry out their goal as well. According to Bagjana et al. (2021:8), Local Government Financial Statements have two purposes, specifically first is the general purpose is to provide information of financial position, budget realization, excess budget balance, cash flow, operating results and changes in equity in reporting entities that are useful for stakeholders and users in making decisions and evaluating decisions regarding the allocation of resources and the second is specific purpose is to provide information that is useful for decision making and to demonstrate the accountability of the reporting entity (which in this case is local government) for the resources entrusted to it.

Based on the description above, it can be concluded that the purpose of local government financial statement is to provide information to users of financial statements, both internal

and external parties, regarding the financial position in a local government organization/entity, realization of Local Revenue and Expenditures, excess budget balance, cash flow within the organization/ a regional government entity that is useful for decision making and shows the accountability of an entity/organization of the regional government. Therefore, financial statements that can present all the information needed by users in accordance with the description above are financial statements that have good quality. In addition, good quality financial statement are financial reports that can be understood by users and are used for decision making and measuring the accountability of the government organization. A good local financial statement must be in accordance with SAP and applicable accounting policies.

According to Bagjana et al. (2021:9), a complete regional government financial statement consists of the following report components. 1) Budget Realization Report; 2) Report on Changes in Budget Balance; 3) Balance Sheet; 4) Operational Reports; 5) Equity Change Reports; 6) Cash Flow Statement; 7) Notes to Financial Statements. In addition, Bagjana et al. (2021:11) also said that “Financial reports must be prepared in Indonesian” and “Reports must be stated in rupiah currency”.

According to Bagjana et al. (2021:12), consistency must also be applied in the preparation of local government financial statements. This means that there should be no change from one accounting method to another. The accounting method can be changed on the condition that the new method applied is able to provide better information than the old method and the effect of the change must be included in the Notes to Financial Statements.

The presentation of financial statements is based on the concept of materiality. Items with material amounts are presented separately in the financial statements. Meanwhile, items whose amounts are immaterial can be combined as long as they have similar properties or functions. Information is considered material if the omission to include or an error in recording the information can affect the decisions taken Bagjana et al. (2021:13).

Based on the description above, it can be concluded that a good local government financial statement is a complete financial report, presented in Indonesian and in rupiah currency. In addition, a good local government financial statements is a financial report that has consistency in the accounting methods it uses and is free from material errors

Accounting Information Systems.

Accounting information systems (AIS) is the intelligence – the information – providing vehicle – of that language (Romney et al., 2021:36). According to Romney et al. (2021:37), Accounting Information Systems has six components, specifically: 1). The people who use the system, 2). The procedures and instructions used to collect, process and store data, 3). The data about the organization and its business activities, 4). The software used to process the data), 5). The information technology infrastructure, including the computers, peripheral devices, and network communications device used in the AIS, 6). The internal controls and security measures that safeguard AIS data.

According to Romney et al. (2021:37), the six components above will support an AIS in carrying out its functions, according to which AIS also has three functions within a company or organization, specifically as collecting and storing data on activities, resources, and organizational personnel, converting data into information so that management can plan,

execute, control, and evaluate activities, resources and personnel, and provide adequate controls to safeguard the organization's assets and data.

Based on the description above, it can be concluded that the application of an Accounting Information System (AIS) in an organization or company will support the recording of every accounting or financial activity of the organization or company. If the implementation of AIS is carried out properly and AIS is successful in carrying out its functions properly, the accounting challenges in organizations and companies that use AIS will be smaller than when they do not use AIS. A good AIS application will produce accounting information in the form of financial reports that can support good and appropriate management decision-making processes. In addition, if the AIS is implemented well in an organization, then the AIS should also be used as a reference for implementing good internal control within the organization. This is because, if the SIA succeeds in producing an accounting information in this case in the form of financial statements if the AIS is good, then the AIS will support good decision making, one of which is a good internal control system for the organization and the company. Based on this explanation, the hypothesis that can be formulated is:

H1: Accounting information system has a positive effect on the Quality of Merauke Regency Government's Financial Statements.

Implementation of Government Accounting Standards.

According to c, Government Accounting Standards are accounting principles applied in preparing and presenting government financial statements.

According to Bastian (2010: 137), Government Accounting Standards are requirements that have legal force used in an effort to improve the quality of financial statement made by the government in Indonesia.

According to Mahmudi (2011:271), Government Accounting Standards are accounting principles that applied in preparing and presenting government financial statements.

Based on the three definitions above, it can be concluded that, Government Accounting Standards are accounting principles that have legal force which are then implied in preparing and presenting financial statement made by government entities in Indonesia in order to improve the quality of financial statements produced by the entity. This is means, Government Accounting Standards is not only used by the central government but all government entities in Indonesia, both the center and local government entities also use Government Accounting Standards as a guidelines or principles for preparing and presenting their financial statements. Therefore, can be concluded that in the preparation of Local Government Financial Statements by the government at the regency level will also use Government Accounting Standards as a guide in its preparation, so it is also hoped that the application of Government Accounting Standards in the process of making a local government financial statements will improved the quality of the Local Government Financial Standards. Based on these explanations, so the hypothesis that can be formulated is:

H2: Implementation of Government Financial Standards has a positive effect on the Quality of Merauke Regency Government's Financial Statements.

Internal Control System.

According to Government Regulation of the Republic of Indonesia Number 60 of 2008, the internal control system is an integral process of actions and activities carried out continuously by the leaders and all employees to provide reasonable assurance on the achievement of organizational goals through effective activities and efficiency, reliability of financial reporting, assets security state and compliance with legislation.

According to I Gusti Agung Rai (2010), internal control system is the policies and procedures designed to provide reasonable assurance to management that organization achieves its goals and objectives.

From the description above, it can be concluded that the internal control system in government entities is a policies and procedures that has an integral process, which was design to provide reasonable assurance about the achievement of organizational goals through an effective and efficient activities, reliability of financial reporting, assets security state and compliance with legislation. This mean, one of the goals from internal control system is the reliability of financial reporting. The quality of financial statement can be measured by the reliability of existing financial reporting, so that can be conclude the good financial statements will be created when the internal control over employees in an entity or company is running well and in accordance with the value of integrity, norms and applicable laws. Based on this description, so we can formulate the hypothesis is:

H3: Internal Control System has a positive effect on the Quality of Merauke Regency Government's Financial Statements.

RESEARCH METHODOLOGY

Data Sources and Types.

The type of data used in this study is primary data, where was obtain from questionnaires which was directly filled out by respondents.

Population and Sample.

The population in this study were all employees or staff in Merauke City Regional Apparatus Work Unit, amounting eight hundred and thirty-nine employees. The sampling method in this study is non-probability sampling, namely convenience sampling with criteria that the respondents are employees or staff of the finance department or general department or administrative department of each regional work unit in Merauke Regency.

Variable Operationalization.

The dependent variable of this study is The Quality of Merauke Regency Financial Statements and the independent variables in this study are Accounting Information Systems (AIS), Implementation of Government Accounting Standards and Internal Control Systems. All variables contained in this study were measured using the questions contained in questionnaire based on indicators and scales as shown in table 1.

Table 1. Variable Operationalization

Variable	Indicator	Measurement Scale
The Quality of Merauke Regency Financial Statements (KLKPD)	Relevant local government's financial statements	
	Reliable local government's financial statements	1 = Strongly disagree
	Local government's financial statements can be compared	2 = Disagree
	Local government's financial statements can be understood	3 = Agree 4 = Strongly Agree
Accounting Information Systems (SIA)	The hardware used is adequate	
	The software used is easy to used and adequate	1 = Strongly disagree
	Network and telecommunications are adequate	2 = Disagree
	The database is secure and not easily accessible by other divisions	3 = Agree 4 = Strongly Agree
Implementation of Government Accounting Standards (PSAP)	Accrual based application for statement of financial position	
	Application of the same basis as the basis used by regional revenue and expenditure budget for budget realization reports.	1 = Strongly disagree
	There are regional head regulations regarding regional government accounting systems and regional government accounting policies.	2 = Disagree
		3 = Agree 4 = Strongly Agree
Internal Control Systems (SPI)	Control Environment	
	Risk assessment	1 = Strongly disagree
	Control activities	2 = Disagree
	Information and communication	3 = Agree
	Supervision	4 = Strongly Agree

Source: Primary data has been processed.

Data analysis method.

In this study, the data was processed using multiple linear regression analysis techniques with the help of Smart PLS 3.0. The regression equation used in this study is as follows.

$$KLKPD = \alpha + \beta_1 SIA + \beta_2 PSAP + \beta_3 SPI + e$$

The tests carried out on the data obtained in this study consisted of, validity test, reliability test, classical assumption test (normality test, multicollinearity test and heteroscedasticity test), multiple linear regression analysis and hypothesis testing (coefficient of determination test, F test and t test).

RESULTS AND DISCUSSION

A total of 200 questionnaires were distributed directly to respondents via email and managed to collect as many as 115 questionnaires which we received back with details as in table 2.

Table 2. Distribution and Return Questionnaires

Descriptions	Total	Percentage (%)
Questionnaire Shared	200	100%
Questionnaire Received Back	115	57,50%
Questionnaire Not Received Back	85	42,50%

Source: Primary data has been processed.

Respondent Demographics.

Respondents in this study have been grouped based on gender, age and length period of work, as we can see in table 3.

Table 3. Respondent Demographics

Information	Total	Percentage (%)
Gender		
Male	55	47,80%
Female	60	52,20%
Age		
< 25 years old	4	3,50%
25-29 years old	23	20,00%
30-34 years old	19	16,50%
35-39 years old	44	38,30%
40 years old	7	6,10%
>40 years old	18	15,70%
Length Period of Work		
Less than one year	13	11,30%
One year	36	31,30%
More than one year	66	57,40%

Source: Primary data has been processed.

In table 3 it can be seen that, from 115 respondents in this study who were less than 25 years old as many as four people (3.50%), aged between 25 to 29 years as many as twenty three people (20%), aged between 30 to 34 years as many as nineteen people (16.5%), aged between 35 to 39 years old as many as forty four people (38.3%), seven people 40 years old (6.10%) and eighteen people over 40 years old (15.7%). Based on gender, in table 3 it can be seen that the male respondents were fifty-five people (47.8%) and female respondents were sixty people (52.2%).

Based on the length of work period, in table 3 it can be seen that the respondents in this study had a period of working for less than one year as much as 11.30%, for one year as much as 31.30% and for more than one year as many as 57.40%.

Validity Test.

The data that has been obtained is then processed using Smart PLS 3.0 software to test the validity of the instrument using a validity test. Of the 10 indicators of the variable quality of financial reports, there are 4 indicators whose outer loading value is below 0.5 so that the four indicators are deleted. Of the 8 indicators of accounting information system variables, there are 4 indicators whose outer loading value is below 0.5 so that the four indicators are deleted. Of the 5 variable indicators of implementing government accounting standards, there is 1 indicator whose outer loading value is below 0.5 so that one indicator is removed. Of the 10 indicators of internal control system variables, there are 5 indicators whose outer loading

value is below 0.5 so that the five indicators are deleted. The following presents the indicators used for each variable in this study.

Table 4. Validity Test

Indicator	Outer Loading	Conclusion
The Quality of Merauke Regency Government's Financial Statements		
KLKPD 1	0,743	Valid
KLKPD 3	0,761	Valid
KLKPD 5	0,784	Valid
KLKPD 7	0,742	Valid
KLKPD 9	0,713	Valid
KLKPD 11	0,733	Valid
Accounting Information Systems (SIA)		
SIA 2	0,851	Valid
SIA 4	0,821	Valid
SIA 6	0,689	Valid
SIA 8	0,680	Valid
Implementation of Government Accounting Standards (PSAP)		
PSAP 1	0,665	Valid
PSAP 2	0,735	Valid
PSAP 3	0,697	Valid
PSAP 4	0,566	Valid
Internal Control Systems (SPI)		
SPI 1	0,743	Valid
SPI 3	0,761	Valid
SPI 5	0,784	Valid
SPI 7	0,742	Valid
SPI 9	0,713	Valid
SPI 11	0,733	Valid

Source: Primary data has been processed.

Reliability Test.

Furthermore, after testing the instrument validity of each of the existing variables, we will test the reliability of the variables contained in this study, both the dependent variable and the independent variable. The purpose of this test is to test the reliability of the instrument that has been declared valid in the validity test. In this reliability test, we will compare the Composite Reliability value with the Critical value (0.60). If the Composite Reliability value > 0.60 then the variable can be declared reliable.

Table 5. Reliability Test

Variable	Cronbach's Alpha	R _{critical}	Conclusion
The Quality of Merauke Regency Government's Financial Statements	0,883	0,60	Reliable
Accounting Information Systems	0,847	0,60	Reliable
Implementation of Government Accounting Standards	0,762	0,60	Reliable
Internal Control Systems	0,868	0,60	Reliable

Source: Primary data has been processed.

In table 5 it can be seen that, the Composite Reliability value of each variable is greater than 0,60 ($r_{\text{alpha}} > 0,60$). This is means, that all the variables in this study can be declared reliable.

Table 6. Multiple Linear Regression Analysis

Variable	Coefficient	P values
SIA	0,062	0,622
PSAP	0,198	0,024
SPI	0,443	0,000

Source: Primary data has been processed.

Multiple Linear Regression Analysis.

This analysis was conducted to see how much influence the independent variable has on the dependent variable.

Based on table 6, it can be seen that the Accounting Information System has a significance value ($0,622 > \alpha (0,05)$), this means that H1 in this study is rejected. Based on table 6, it can also be seen that the Implementation of Government's Accounting Standard has a significance value ($0,024 < \alpha (0,05)$), this means that H2 in this study is accepted. Based on table 6, it can be seen that the Internal Control System has a significance value ($0,000 < \alpha (0,05)$), this means that H3 in this study is accepted. Based on these results, it can be concluded that the Accounting Information System have a no effect on the Quality of Merauke Regency Government's Financial Statement, the Implementation of Government Accounting Standards and the Internal Control System partially have a positive effect on the Quality of Merauke Regency Government's Financial Statement.

Table 7. R Square

R Square	Adjusted R Square
0,287	0,265

Source: Primary data has been processed.

Coefficient of Determination Test.

The coefficient of determination is used to measure the regression model in explaining the variation of the independent variable on the dependent variable or it can also be said as the proportion of the influence of all independent variables on the dependent variable. Based on table 7, we can see that the value of Adjusted R Square is 0.265 (26.5%), this means that the dependent variable in this study (Quality of Merauke Regency Government's Financial Statement) can be explained by the independent variable (Accounting Information System, Implementation of Government Accounting Standards and Internal Control System) of 26.5%, while the remaining 73.5% is a determinant or contribution of other factors not examined in this study or not included in the model.

Based on the results of the research that has been done above regarding the Effect of Accounting Information Systems, Application of Government Accounting Standards and Internal Control Systems on the Quality of Merauke Regency Government's Financial Statement, which was carried out on all employees of the financial or administrative division in all Merauke Regency Regional Apparatus Work Units, the results of the previously predicted hypothesis have been obtained. In the results of testing the first hypothesis, it is

concluded that the Accounting Information System has no effect on the Quality of Merauke Regency Government's Financial Statements.

According to Turner et al. (2017), Accounting information system consisting of processes, procedures and systems that capture accounting data from business processes, record accounting data in appropriate records, process accounting data in detail by classifying, summarizing and combining, and reporting concise accounting data to internal and external users. From this understanding we can conclude that this Accounting Information System is applied with the aim of processing accounting data owned by an entity or company to produce output in the form of accounting reports or what we are more often familiar with as concise financial statements so that they are easy to understand and use by consumers. the users of the report are both internal and external users. In addition, the application of this accounting information system is also expected to be able to classify transactions or accounting data contained in an entity or company with proper classification based on existing accounts so as to minimize data misstatements due to misclassification of data in the resulting report.

According to Romney et al. (2021:37), Accounting Information Systems has six components, specifically: 1). The people who use the system, 2). The procedures and instructions used to collect, process and store data, 3). The data about the organization and its business activities, 4). The software used to process the data), 5). The information technology infrastructure, including the computers, peripheral devices, and network communications device used in the AIS, 6). The internal controls and security measures that safeguard AIS data.

Based on the description above, it can be concluded that, the accounting information system applied is getting better, it will produce reports related to accounting data that are concise and easy to understand by users of the report, and are free from misstatements caused by wrong classification of transaction. But it cannot be denied there are some components that will improve the Accounting Information System Quality and when the Accounting Information System Quality is poor because the components are not working well so the implementation of Accounting Information System to increase the Quality of Financial Statement are poor to. Therefore the existence of Accounting Information System will not improve the Quality of Financial Statement to. This problem occurs in Merauke Regency Government, where based on the result of this study the employees in the Merauke Regency Government have not fully mastered the technology of Accounting Information System that used in Merauke Regency Government and most of the employees feel that the system is difficult to learn so they cannot run the system properly, that's why even Merauke Regency Government has used an Accounting Information System but it will not improve or decrease the quality of their financial statement, it is because the system was not run properly.

Furthermore, on the results of testing the second hypothesis, it is concluded that the implementation of Government Accounting Standards has a significant positive effect on the Quality of Merauke Regency Government's Financial Statements. This means that, the better implementation of local government accounting standards in the Merauke district government in the process of making financial reports, the better the quality of the local government financial reports produced. According to Bastian (2010), government accounting standards

are requirements that have legal force used in an effort to improve the quality of financial statement made by the government in Indonesia.

From the description above, it can be concluded that, with the implementation of government accounting standards, the quality of financial reports made by the government in Indonesia can increase. According to Government Regulation of the Republic of Indonesia Number 71 of 2010 concerning Government Accounting Standards, Government Accounting Standards are accounting principles applied in preparing and presenting government financial statements. Therefore, if Government Accounting Standards is implemented properly, the application of accounting principles in making financial statements is also good. According to Gie (2020), accounting principles are useful for making financial statements accurate. Therefore, if the application of accounting principles in making financial statements is even better, then the quality of financial statements will also be better because the financial statements will be more accurate. Based on this, it can be concluded that the implementation of good Government Accounting Standards will apply good accounting principles and the application of good accounting principles will result in better quality financial reports because the financial statements will be more accurate. This supports the results of existing research, namely the implementation of Government Accounting Standards has a positive effect on the Quality of Merauke Regency Government's Financial Statements.

Furthermore, on the results of testing the third hypothesis, it is concluded that the Internal Control System has a significant positive effect on the Quality of Merauke Regency Government's Financial Statements. This means that the better the internal control system carried out and implemented by the leadership of the Regional Apparatus Work Unit as well as by the regional government of Merauke Regency will make the better quality of the financial statements produced. According to Government Regulation of the Republic of Indonesia Number 60 of 2008, the internal control system is an integral process of actions and activities carried out continuously by the leaders and all employees to provide reasonable assurance on the achievement of organizational goals through effective activities and efficiency, reliability of financial reporting, assets security state and compliance with legislation.

Based on the description above, it can be concluded that, the internal control system is applied to provide confidence that the objectives of the organization have been achieved, one way to provide assurance about the achievement of the organization's objectives is to provide reliable financial statements. Therefore, if the internal control system is carried out better, more reliable financial statements will be produced. The more reliable the financial statements of an entity or organization will produce the better the quality of the financial statements. Therefore, it can be concluded that if the internal control system implemented by the leadership and all employees in a government organization is better implemented, it will produce a more reliable financial report and if the financial statements produced are more reliable, it will produce the better quality of the financial report. This also applies to regional government of Merauke Regency, so this theory supports the results of the research that has been done.

CONCLUSION

The Accounting Information System has no effect on the Quality of Merauke Regency Government's Financial Statements. The application of Government Accounting Standards has a significant positive effect on the Quality of Merauke Regency Government's Financial Statements. This means that, the better the application of local government accounting standards in the Merauke district government in the process of making financial statements, the better the quality of the local government financial statements produced. The Internal Control System has a significant positive effect on the Quality of Merauke Regency Government's Financial Statements. This means that the better the internal control system carried out and implemented by the leader of the Regional Apparatus Work Unit as well as by the regional government of Merauke Regency, the better the quality of the financial statements will be produced.

The results of this study are expected to be a reference for the Merauke Regency Government to improve the Quality of Merauke Regency Government's Financial Statements by improving the quality of the Accounting Information System. To improve the quality of the Accounting Information System it will be done by provide teaching and training that related to the system used to employees, so the employees dan implemented the system properly, so it will make the using of Accounting Information System will have an effect to the Quality of Merauke Regency's Financial Statement. In addition, it is also hoped that the Merauke Regency Government can be more assertive in implementing the rules and sanctions to improve the Internal Control System so that it can suppress existing violations and can improve implementation Government Accounting Standards in the preparation of their financial statements so that they can be more improve the quality of its financial reports.

In addition, the results of this study can be used as a reference for further research. It is hoped that further researchers can add other variables such as commitment organization, budget execution, Human Resources (HR) capacity, adherence to laws and regulations and other variables which are internal and external factors that are suspected to significantly affect the Quality of Merauke Regency Government's Financial Statements as well as conducting research with a long period of time longer so that it can collect questionnaires according to the desired target previously.

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STRATEGIC MODEL OF SOCIAL SECURITY FOR SUSTAINABLE DEVELOPMENT GOALS IN INDONESIA

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Abstract: The discourse about security and its derivatives has become the main and interesting theme of discussion in every field of knowledge, including social security. It has undergone several principal changes ranging from public responsibility (social security) and national security to human security. This paper aims to revisit the social security concept in the world and highlight its role with an additional perspective in Islam as a reliable option to achieve sustainable development goals. This study also proposes a strategic model for social security instruments (financial inclusion) and all stakeholders (participation) to enhance implementation with the specific target of the SDGs in Indonesia. With the methodology of qualitative paradigm for analysing the available literature, this paper finds that social security concepts in the world need a justification to attain the Sustainable Development Goals, especially among Muslim countries.

Keywords: Social Security, Islam, Sustainable Development Goals, Stakeholders.

Abstrak: Wacana mengenai keamanan dan turunannya menjadi tema utama dan menarik untuk diperbincangkan dalam setiap bidang ilmu termasuk jaminan sosial. Telah mengalami beberapa tahapan perubahan mendasar mulai dari tanggung jawab publik (jaminan sosial), keamanan nasional hingga keamanan manusia. Tulisan ini bertujuan untuk meninjau kembali konsep jaminan sosial di dunia dan menyoroti perannya dengan perspektif tambahan dalam Islam sebagai pilihan yang dapat diandalkan untuk mencapai Tujuan Pembangunan Berkelanjutan. Studi ini juga mengusulkan model strategis bagi instrumen jaminan sosial (inklusi keuangan) dan seluruh pemangku kepentingan (partisipasi) untuk meningkatkan implementasi SDGs dengan target spesifik di Indonesia. Dengan metodologi paradigma kualitatif untuk menganalisis literatur yang ada, makalah ini menemukan bahwa konsep jaminan sosial di dunia memerlukan sedikit pembenaran untuk mencapai Tujuan Pembangunan Berkelanjutan khususnya di kalangan negara-negara Muslim.

Kata Kunci: Jaminan Sosial, Islam, Tujuan Pembangunan Berkelanjutan, Pemangku Kepentingan.

INTRODUCTION

The discussion about security worldwide has been developed and evolved following the needs and demands of its era. At the beginning of the 17th century, when the war had not broken, security discussion was public responsibility for the sick, poor and homeless.¹ Then, the concept changed when the First World War erupted into national security (Hamilton, 1787). When the Cold War ended in early 1990, peace and security experts and academia increasingly discussed human security discourses as they assumed that the national security discourse was too narrow in the development of human life (Lewis, 2015). Since then, social, national and human securities have been part of the development theme and discussed in peace and security discourses.

Recently, the concern of development issues encompasses climate change to human security; therefore, the United Nations General Assembly 2015 committed 17 goals as part of the 2030 Agenda. The purpose of the agenda is an action plan for the good of humans, the planet, and the general welfare; thus, the implementation requires strong commitment and accountability (UN, 2015). But this agenda is not an easy task. A fundamental move needs to be made, particularly for middle-income countries where expecting funds from the government is insufficient to implement the entire agenda. Therefore, financial inclusion and participation are the key principles for this development agenda. Government, investors, companies, philanthropy, civil society and academia must be integrated with partnership programs, and this collaboration requires improvisation in the contribution of each stakeholder. The experience of implementing the MDG program 2000-2015 provides lessons that private sector contributions are often excluded and only focus on government programs.²

This paper attempts to restore the mainstream social security concept and its spirit not only as a provider of assistance but as an endowment to the poor and other unfortunate people such as elderly aid, blind people assistance, maternal pensions, unemployment, delivery (birth) assistance, rehabilitation of the disabled and other public assistance (Witte, 1944) but also to provide equal opportunities for access in the economy, resources and energy including human resources, finance, technology and education. Alternatively, from the perspective of Islam, social security offers potential financing (philanthropy) and the concept that can be integrated into government social security programs. Remarkably, the framework of the Sustainable Development Goals has many commonalities with the *maqasid-based* (the higher objectives of shariah) development agenda (Khan, 2015), and the Islamic financial sector has the potential to contribute to seize the Sustainable Development Goals (Ahmad, Mahmoud Mohieldin, Verbeek, & Aboulmagd, 2015).

This paper aim to provide a strategic model of all stakeholders before specific set objectives following the concept of Islamic social security. This paper's scope is limited to analysing only the global concept of social security with an additional strategic integration model of stakeholders in addressing the achievement of the SDGs.

¹ Social security in Britain. (1964). Prepared by Reference Division Central Office of Information London. Printed by Her Majesty's Stationery Office Press, Harrow. pp.4; Historical Development of the Irish System of Social Security. Downloaded on March 22nd, 2017 from http://www.gillmacmillan.ie/AcuCustom/Sitename/DAM/056/Social_Security_in_Ireland.pdf pp.3

² <http://www.id.undp.org/content/indonesia/en/home/presscenter/articles/2018/sdgs-in-indonesia--2018-and-beyond.html>

LITERATURE REVIEW

Social Security Paradigms: Mainstream and Islamic

Social security has plenty terms used by organisations or scholars, for example “social protection” which defines as the protection of basic living standards, or against social risks (European Commission, 2003; ILO, 2017). Social security also often reworded as social insurance and economic security (Barry, 1991; Pitzer, 2003; Tsereteli, 2008). One thing must be underlined is the usage word where social security does not mean talking about socialism as normally understood all runs by the government. In fact, social security theme has been discussed widely and experienced several stages of transformations in accordance with its demand.

Mainstream Social Security Concept

According to Syed, the current concept of social security only focuses on old age benefits, benefits for being unemployment, family benefits, health insurance, death insurance, disability compensation.(Ibrahim, n.d.) where the International Labor Organization formulates social security is a social protection whereby the community is guaranteed individually and with family access to health and income guarantees especially in the case of not working, retirement, health, physical disability, work accident, death or protection when pregnant and giving birth.³ But this concept should not only for a “safety-net” matter argued by Guhan, (1994) but more important is the prevention of uncertain situations and opportunities for increasing individual development. In sum, the aims of social security are how to share risks from individual to a larger group in the society as a whole and considered as primary of human rights where every single person should get a decent life.

Social security has been a part of the communities ever since but the concept that applies today has changed and resulted in variety of formats. Those differences can be affected by several things such as the condition of the state’s economy, developed countries or developing countries, the ideology embraced by the ruling government, or even the world economy at the time. Thus, the mechanism and concept of social security which are used by some countries quite different from time to time. Britain was who firstly applied the principle of public responsibility for the relief of the poor through the Poor Law Act of 1601 which required the parishes, the smallest unit of local government, to provide from the rates (local taxation) for the sick, the needy, the homeless.⁴ Then followed by Austria in 1854 came up with their first social security concept by introducing health insurance scheme to compelled mine owners under General Mining Law and expanded the schemes in larger-scale three years after.⁵ Meanwhile, German emperor under Reich Chancellor Bismarck enacted the first legislation of social security in 1883, the Health Insurance Act provided medical treatment, medicaments, and sickness benefit for workers then followed accident insurance a year after. While in 1889, the Old Age Security Act established which paid out pensions to wage earners and low-income

³ International Labor Organization. <http://www.ilo.org/communication> [Accessed on March 20th, 2017]

⁴ Social security in Britain. (1964). Prepared by Reference Division Central Office of Information London. Printed by Her Majesty’s Stationery Office Press, Harrow. pp.4; Poor Relief 1601-1834. Lincolnshire Archives. https://www.lincolnshire.gov.uk/upload/public/attachments/1197/poor_relief_160118341.pdf [Accessed on March 23rd, 2017]

⁵ Social security in Austria. (1988). Published by the Federal Press Service Vienna (Ed. Peter Stiegnitz)

salariated workers when they became incapable of work or 70 years of age. This German Social Insurance became the model for many other countries because it was the first systematic approach to social policy (Neuhaus, 1979; Wallace, 1999). Table below captures sequentially the history of social security concept from around the world:

Table 1. History of embodied social security applications

Year	Social security application	Country
1601	The Poor Law Act	Britain
1838	The Irish Poor Relief Act	Ireland
1854	Health insurance scheme under General Mining Law	Austria
1887	Accident Insurance Law for employees in factories, foundries & power station	Austria
1888	Worker's Health Insurance Law for workers in trade and industry	Austria
1906	Pensions Insurance Law for privately employed officials	Austria
1908	The Old Age Pensions Act	Britain
1911	National Insurance Act	Britain
1919	National Health Insurance Act	Britain
1920	Blind Persons Act; Unemployment Insurance Act Health Insurance Law for state civil servants. Unemployment Insurance Law	Britain Austria
1925	Widows, Orphans, and Old Age Contributory Act	Britain
1927	Old-age and Disablement Insurance schemes	Austria
1929	Pensions Act	Britain
1934	Unemployment Act	Britain
1936	Unemployment (Agriculture) Act	Britain
1945	Family Allowance Act	Britain; Northern Ireland
1946	National Insurance Act	Britain; Northern Ireland
1948	National Assistance Act	Britain

Source: Authors compilation

Regarding to the source of funds, the Poor Law Act funded by the middle and upper classes through taxes but in 1834 the Poor Law Act modified after years of complaint because the poor are payed to be lazy and avoid to work.⁶ Different concepts applied in Ireland who learned a lot from failures faced by the Britain Poor law Act, where the poor rate (the source of funding for the Poor Law) was obtained from land owner (McCashin, 2004). In summary of the mainstream social security around the world, there are four general systems of social security. Firstly, the model which implemented by Scandinavia's countries where social security provided by the government and roughly allocates 60% of the total national expenditure on social program. Secondly, Germany and Austria follow an institutional model wherein every institution, including government, private companies, and workers, offers its scheme. Thirdly, the residual model of the US, UK, and Australia, in which the government works only to support the weak, like the poor, disabled, and unemployed. A fourth reason is that Latina and Asian countries with limited budgets use the minimal model (Mediaty, Said, Syahrir, & Indrijawati, 2015). Furthermore, the beneficiaries do not have to pay taxes to receive the funds.

⁶ See 1834 Poor Law What did people think of the New Poor Law? The National Archives. <http://www.nationalarchives.gov.uk/documents/education/poor-law.pdf> [Accessed on March, 23rd 2017]

Therefore, the financial source issues in developing countries where available funds are very limited and in general developing countries tend to have high levels of poverty and relatively low quality of human resources (Cottarelli & IMF, 2011; Devarajan, 1990). In terms of social security, one of the facts that faces us today is that more than half of the population (workers and dependents) does not have access to formal social security protection, such as contribution-based insurance schemes and tax-financed social assistance schemes (Ginneken, 2002).

Social Security in the Perspective of Islam

Differently and unique, social security system in Islam generates funds from philanthropic concept. The well-known term for philanthropy in Islam is *zakat*, *infaq* and *waqf* (*awqaf* for plural). The concept itself does not only in the spheres of social protection, health insurance, or social assistance but cover areas like individual and family level, society and community level, also national and state level (Jalil, Haris, Ramli, & Said, 2015). The concept does not differ much from the mainstream concept at the individual and family levels since it offers concepts that protect every individual and every family from any contingencies during their lifetime, but most importantly, addresses the needs of people with low incomes and those who are unable to meet their needs. At the society and community level, social security of Islam serves as the mutual protection especially for the less fortunate, the poor and the needy neighbors. At the national level, social security in Islam play a role on the economic prosperity for all, through the distribution of economic resources, wealth and prosperity, and equitable income which will creates social justice to ensure that there is no one left behind. Ibn Ashur (2013) declares that social security is one of the objectives of Sharia, which is to create an equal and prosperous society. Moreover, *zakat* and *waqf* with its nature are a long term beneficial thus positively affect economic growth and intergenerational income (Obaidullah, 2015).

RESEARCH METHODOLOG

This study uses descriptive analysis to propose a strategic model of social security for SDGs in Indonesia. This study employs library research approach to collect secondary data from journal articles, books, reports, and websites that contain existing social security model and and SDGs. The proposed model invent in different angle of Islamic perspective which highlighting the Islamic social finance instruments like *waqf* and *zakat* (Ubaidullah et al, (2020). These instruments have played important roles in establishing the goal of SDGs in improving social security aspect of Indonesian people. To propose this strategic model, the Islamic social finance instruments will be address and integrated in the national social security system aimed to ensure social protection for all Indonesian people and SDGs

RESULT AND DISCUSSION

Financial Inclusion and Stakeholders Participation Model Towards the Sustainable Development Goals

An integrated model of stakeholders and social security instruments can arguably be a more practical approach to achieving sustainable development goals in the advanced economies of our day by solving three problems: the problem of value creation and trade, the ethical problem of capitalism, and the managerial dilemma. (Parmar et al., 2010). From the

Islamic perspective, social security refers to the distribution of wealth that benefits society and the nation since wealth does not circulate solely among the rich. Therefore, poverty gaps will be narrowed, and social equality will improve. Effectively, zakat and waqf distributes in the form of productive allowance for the poor rather than consumptive assistance. Therefore, they can start to initiate their own (micro) enterprise and participate more in the economy.

For a massive impact from this system, the key principles for the development agenda are financial inclusion and participation from government, business sectors, philanthropic institutions, civil society and academia. The pattern of cooperation requires improvisation to get to know more about the contribution that can be made by each party for the SDGs also depend on the extent to which stakeholders engaged.

According to Mathur, Price, & Austin, (2008), by using a strategic management perspective in seeing how the involvement of stakeholders aims to gain knowledge, increase user responsibility for the program, reduce friction of interest, encourage innovation and improvisation and facilitate spin-off partnerships. From an ethical standpoint, involving multiple stakeholders can increase decision-making inclusively, promote equality, enhance local decision-making, and build social capital. Both perspectives have essential benefits for sustainability. Nonetheless, stakeholders can also be engaged through social learning, where diverse stakeholders can create shared forums, share values and roles, reflect and create shared visions and goals.

An active role is needed from all stakeholders; hence, they can align their vision and work at the same frequency. If the stakeholder theory is adopted into this social development area, it can be understood as elements that form a society that has relationships because of each other's interests (Freeman, 1984; Jones, 1995; Walsh & P., 2005). Using stakeholder theory, a voluntary exchange system is best suited to address community problems, such as value creation and trade, capitalism ethics, and managerial mindset (Parmar et al., 2010).

Figure 1 shows how financial inclusion between state budget and philanthropic budget in Islam are integrated under joint control of institutions with participation of all stakeholders to create values and trust and how this relationship can work well whether in the short term or long term. In this paper to be highlighted, social security fund is not limited only in Islamic instruments but opens for any kind of endowment funds such as corporate social responsibility fund and other charity funds either from individual, group or community.

One thing needs to be underlined in this scheme, in the funding authorities and stakeholders stages, it is intended to go directly to the participation stage of stakeholders and no longer through ministerial mediation to prevent a large conflict of interest and also to shorten the procedural path thus the programs can be as effective as possible.

At the stakeholders stage, academia, expertise, private business, civil society and media shall work together either bilateral or multilateral cooperation and illustrated in this figure by the lines that connects each other. For example, academic and professional expertise can contribute ideas and programs that effectively improve education quality for rural residents who lack access to technology and infrastructure. Private business works together with the academics by creating training program for young entrepreneur or skills enhancement training program or probably creating awareness for good sanitation and clean environment. In the Islamic social security concept, civil society holds an important role in relation to financial funding resources because it is this society as a source of philanthropic funds and also even

able to play a role as supervisor of the use of public funds. The role of media become as important as other factor to generate public trust through the spread of positive information and transparency hence the trust of the society is maintaining towards government and Islamic social security institutions.

In obtaining the maximum outputs from this financial inclusion in order to achieve the SDGs target 2030, the seventeen goals extracted and set certain goals based on the IMF reports to put in front as priority agendas but other goals remain important as well. In addition because waqf, zakat and other social security instrument in Islam are pious endowment therefore strengthen human dignity and spirituality. In the long term, these Islamic social security instruments gain more collection when more Muslim's prosperity improved, they will become the donors, not as beneficiary anymore.

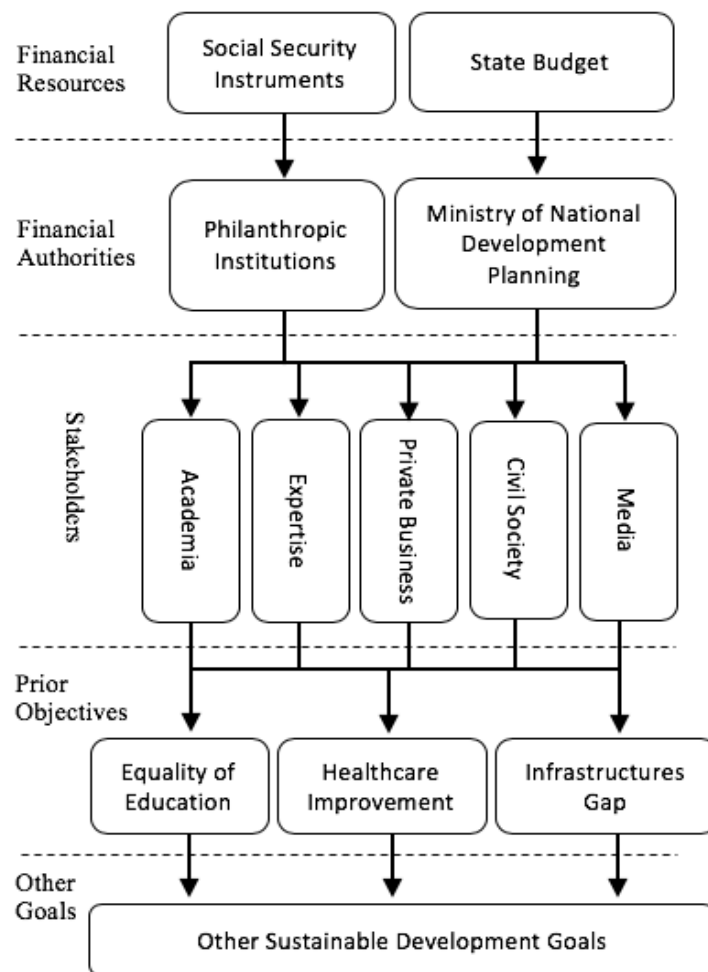


Figure 1. Strategic Model of Social Security for SDGs

Source: Developed from different sources

The role of Zakat and Waqf Toward Sustainable Development Goals

1. Zakat and the Sustainable Development Goals

Zakat and the Sustainable Development Goals have common objective where poverty is the priority level to be concerned. Conceptually, zakat givers are those who have excess assets (the minimum amount applied) and mandatory by the shariah to allocate certain amount (in percent) of their belonging wealth to the recipients of zakat which is usually difficult in daily life to fulfill their needs. Since zakat relies on the accumulation of assets

rather than income, it is more effective at redistributing wealth more consistently because wealth accumulation can last longer than one income period, particularly for individual members of society (Ismail and Shaikh, 2017). This also proves that progressive income taxes that are widely applied today cannot reducing the level of income inequality and distribution of wealth. Hartman (2002) found that progressive tax was intended to reduce income gaps in the US economy, but failed after the income share rose by 15% after the remainder of the share declined by 13% in the last four decades (Hartman, 2007).

Some other sustainable development goals such as to end hunger, to have a good health and well-being are also still descended from the poverty issue. Thus, the distribution of resources is a very vital and crucial thing to increase the income of the poor. Arguably, the productive assistance programs must take precedence over consumptive assistance to reduce poverty such as improving the quality of health and education which are not spared from improving their capacity and skills. A quality education is an essential part of the sustainable development goal of getting out of poverty, improving skills and boosting competitiveness. In connection with these, the system of wealth redistribution and income distribution can provide additional income for those classes to meet their daily needs, to improve their skills and competitiveness to compete in the economy. In addition to improving public health, zakat can also be used to enhance education.

2. Waqf and the Sustainable Development Goals

In the Islamic economics system, waqf plays an important role as a social institution. Waqf can be in the form of either by dedicating immovable assets such as properties and real estates or moveable assets such as vehicles, furniture and fixtures. Moreover, liquid forms of money or shares also can be formed as waqf. Cash waqf is also a potential source of funds from wider community participation (Aziz, Johari, & Yusof, 2013) in order to build infrastructure Education, health, environmental protection programs or even financial institutions such as waqf based microfinance (Ahmed, 2007; Sadeq, 2002) and social banks (Mohammad, 2011). The nature of waqf which is more flexible in the utilisation of funds which provides ample space for the management authority compare to zakat fund in order to make aid programs more targeted according to the needs of the region concerned.

Islamic Social security for SDGs in Indonesia

Indonesia has been actively participating since the General Assembly of the United Nations adopted the resolution in September 2015. It is proven by the overall SDG performance Indonesia rank at the position of 98 out of 149 countries with score or value of 54.4 out of 100 in three years.⁷ BPS's report indicates Indonesia has met 49 out of 67 SDG indicators, and has 18 unfinished agendas. Among those achievements are primary education for all, promote gender equality and empowerment of women, and the reduction of child mortality while the agendas that have not been reached are exterminating extreme poverty and hunger, reducing maternal mortality rate, combating HIV/AIDS, malaria and other disease, to ensure

⁷ SDG Index and Dashboard Global Report, Country Profiles, July 2016 by BertelsmannStiftung and Sustainable Development Solutions Network.

environmentally sustain (for example forest cover, CO2 emission, rural drinking water, and affordable sanitation), also global partnership for development become remaining homework to do.⁸

As part of that unfinished agenda, the International NGO Forum on Indonesian Development (INFID) report showed that citizen perceptions of socioeconomic inequality remained high. Based on INFID's survey of 34 provinces in 2017, the inequality index grew from 5.6 to 6% in 2018. That means six out of 10 areas are considered unequal. There are three main sources of inequality in the three underdeveloped regions: income, job opportunities, and property ownership.

Indonesia has aligned its national development priorities with the SDGs agenda, incorporated them further into its national and sub-national development plans, and allocated resources consistently. Learning from experience in the application of the MDGs, wider participation is needed not only from the government but also from civil society (Abdullah, 2018). Therefore, the integration between the government, the private sector and other parties is essential.

One factor that is quite interesting to be included is the social security system in Islam because in it, there is a considerable potential for funds as well as human resources. Due to Zakat's charitable nature, waqf does not trade off outreach for sustainability. Therefore, zakat and waqf can be potential sources of subsidies for lowering financial services costs (Ahmed, 2002, 2011; Kahf, 2004). It is particularly relevant in Indonesia, where the majority of the population is Muslim, the initiative has taken part by maximising the benefits contained in Islamic Finance for the SDGs. Even Baznas and UNDP have collaborated in supporting the collection of zakat for SDG as a whole.

As far as the Islamic philanthropic funds and the Sustainable Development Goals (SDGs) are concerned, they share five fundamental goals of *Maqasid al-Shariah*,⁹ namely protection of:

1. Faith; reducing vulnerability, particularly poverty, hunger, poor health, and water contamination (SDGs 1, 2, 3, 6, 10).
2. Life; eliminating food insecurity, ensuring healthy lives, tackling water scarcity, poor water quality, insufficient sanitation, ensuring decent work, and developing safe and sustainable cities (SDGs 2, 3, 6, 8, 11).
3. Progeny; peace and environmental protection (SDGs 3, 5, 7, 11, 12, 13, 14, 15, 16).
4. Intellect; making healthy nutrition and quality education accessible (SDGs 1, 2, 4, 9), and
5. Wealth; by generating economic activity and ensuring social safety (SDGs 1,3,8,10).

Furthermore, according to the International Monetary Fund, (2018) reports on ASEAN Leaders Gathering in 2018 pointed sectors that needs additional attention are health, education, and infrastructure sectors. Following description is illustrating progress and challenges ahead of those three sectors:

- a. Indonesian governments allocate a relatively small amount of funds to the education sector, which makes up 3.6% of GDP (\$516 per student) and about 7% of GDP overall. However,

⁸ <https://www.bps.go.id>

⁹ UNDP and Baznas brief on zakat; <http://www.id.undp.org/content/indonesia/en/home/library/sustainable-development-goals/the-role-of-zakat-in-supporting-the-sustainable-development-goal.html>

- compared to countries with good education performance, it slightly lags behind. According to the costing exercise, Indonesia could close the performance gap with the best countries by increasing government education spending by less than half a percentage point.
- b. In 2018, Indonesia's health SDG index was 62, compared to 78 for emerging markets. The total health expenditure per year is approximately 3.5 per cent of the GDP, of which 1.5 per cent is public expenditure. It is recommended that total health expenditures increase to close to 6.5 per cent of GDP by 2030 as a means of improving health outcomes. By increasing the number of doctors and other health staff as a share of the population, doctors' average salaries in Indonesia would reach those of the best peer countries.
 - c. Several infrastructure gaps need to be closed by 2030 through additional spending.
 - i. Roads. Based on benchmarking and regression analysis, the IMF estimates Indonesia needs 173,000 kilometres of roads during 2018-2030 to increase rural access. Investments in construction and maintenance would reach almost 1 per cent of GDP if construction and maintenance costs were included.
 - ii. Water. Two-thirds of the rural population lacks access to hand-washing, despite 86 per cent of the urban population having it. Two World Bank studies (2015 and 2016) suggest that the public sector would cover most of the investment needed to achieve the 2030 SDG targets of universal safe access.
 - iii. Electricity. 97 per cent of the Indonesian population has access to electricity, but their per capita consumption is only 900 kWh per year, a far cry from the average usage in emerging markets of 2,679 kWh. Investment expenditures would have to increase by almost 1 per cent per year to achieve universal access and emerging market consumption per capita by 2030.

In sum, the social security concepts in Islam and the Sustainable Development Goals can be illustrated like two different magnetic poles that attract one another. These two systems moves on the same track heading to the same direction. Especially in Indonesia, one side requires additional funding to achieve its objective, the other side contain huge potential of funds even though recent condition is still far from expectation yet gradually increased time over time. To illustrate the potential, the number of studies have estimated that zakat in Indonesia could range from US\$1.4 billion (Rp 19.3 trillion) to US\$16.2 billion (Rp 217 trillion) or 3.4 percent of GDP. According to the Islamic Development Bank (IDB), zakat alone could cost up to US\$16 billion (Rp 217 trillion).¹⁰ Yet, according to the table 1 only 3 percent of these potentials was realised in 2017:

Table 2. Social Security Instruments Collection in Indonesia (2011-2016)

Year	IDR (billion)	USD (million)	Growth (%)	GDP Growth (%)
2011	1729	125.84	15.30	6.5
2012	2200	160.12	27.24	6.23
2013	2700	196.51	22.73	5.78
2014	3300	240.17	22.22	5.02
2015	3700	269.29	12.21	4.79
2016	5000	363.90	35.14	4.98

Source: Baznas, (2017)

¹⁰ "Overlooked" Zakat Could Unlock Billions in New SDG funding: UNDP: <https://news.un.org/en/audio/2017/11/635862#.WmAVAqiWbct>.

CONCLUSION

Since its introduction in Islam, social security has shown great success in improving the well-being of the community in general, but especially of the poor (Abdullah, 2018). It does not impossible that this success can be repeated in the context of today because the potential of zakat and awqaf are not less compared to the past. Interestingly that what is the main target of SDG in line with the principles and objectives of social security in Islam, which concern to the morality of society and the development of social capital, in facing the challenges of modern economic materialism.

But with the existence of subsidies is not enough for the poor, their productivity and skills must be improved with the aim that they can be independent someday and get out of the poverty line or even become donors which eventually create intergenerational transfers. Therefore, the utilisation of this financial support should be in the form of productive program rather than consumptive aids such as education and life skills training, health assistance, proper shelter and sanitation, and more productive incentive to escape from poverty. Haneef et. al. (2014) and Obaidullah, (2008) argue that the lack of business training and financial access prevents micro-entrepreneurs from unleashing their potential.

Realising the implementation program for SDGs where financial is one of the central issue, hence mobilisation of zakat and awqaf as the social security instrument in Islam and other CSR funds become extremely important considering its massive potential to finance various economic activities for the benefit of the community. Zakat and waqf can be assumed as leading role to fill the financial gap especially for most developing countries where welfare budget is limited. Together with government budget, CSR funds from privates entities, Islamic social security funds in Islam and collaboration of stakeholders, mobilisation resources will be more systematic, goals oriented thus benefited for all stakeholders. As zakat and waqf are philanthropic concepts, public trust is essential to maximizing this potential. Even though zakat is considered an obligation for Muslims, establishing public trust is essential. Some of the factors that can enhance community public trust are accountability and transparency by utilising the role of media and it becomes quite interesting. Moreover, social media nowadays is one of the biggest platform for crowdfunding activities both socially and commercially.

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