

**ANALYZE FACTORS AFFECTING THE POLICY ON LOCAL FISCAL GOVERNANCE
(Study in Kabupaten Sukoharjo and Kabupaten Karanganyar)**

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ABSTRACT

Policy on local fiscal governance in Indonesia has been changed fundamentally since January 1, 2001. This change is recognized as the local fiscal reform. A centralistic policy implemented in the New era period has been changed into a decentralized policy. Most of the Central Government's authorities have been hand-over to the Local Governments, especially at the Kabupaten /Kota level. The reform was undertaken based on the implementation of the good governance principles. However, in practice, many challenges and obstacles were faced by the Kabupaten /Kota Governments in managing their local fiscal optimally.

This research is aimed to analyze factors affecting the policy on local fiscal governance with the case study in Kabupaten Sukoharjo and Kabupaten Karanganyar. These two regions have experienced controversial phenomenon in managing their local fiscal.

The research method used in the research was included quantitative and qualitative analysis which utilize primary and secondary data. It was found that there were many different perceptions on the good local fiscal governance policy between local government officials and stakeholders in Kabupaten Sukoharjo and Karanganyar especially in the participation, rule of law, responsiveness, and consensus orientation aspects. The perception on good governance among local government's officials was the most significant factor influencing the policy on local fiscal decentralization, local potential, oversight institution, and regulation. The research results also show that there were various problems existed in the formulation and establishment of local fiscal governance policy in both kabupatens.

The Government of Kabupaten Sukoharjo and Kabupaten Karanganyar were suggested to increase the understanding on good local fiscal governance, improve human resource quality, and maintaining the commitment of bureaucracy and local politicians. Various problems should be maintained by involving all local stakeholders. Furthermore, the two governments should maintain their consistency in implementing relevant regulations on local fiscal. A report function should be implemented accurately in order to improve the opinion on local fiscal utilization resulted from the supervision and audit.

Keywords : governance, local fiscal, policy, perception.

1.Introduction

Financial governance policies districts / cities in Indonesia has undergone a paradigm shift since January 1, 2001. These changes are known by the local finance reform one of his goals is to create local governance good. Reform is a follow up of the national policy towards good governance at central and local levels. By applying the policy of fiscal decentralization, the regional finance is managed in accordance with the policy of regional autonomy within the framework of the Unitary Republic of Indonesia (NKRI).

Financial management policy is expected to run well by applying the principles of good governance which has been declared by the Indonesian Government in line with the spirit of the financial reform of the state and local levels. In accordance with the criteria of the United Nations Development Programme (UNDP), there are nine principles that determine good governance. The principles of good governance is very important to be implemented in the area of financial governance in order to achieve successful development.(Mardiasmo (2002: 17-18), Financial governance policy areas have been implemented with the approach of the principles of performance-based budget that is expected to improve the achievement of development targets and welfare. But in fact the subject is far from what is expected, even cause a variety of problems that result in loss of State. The principles of financial governance policy is a policy area of local government in the area of financial management and a public policy about regional finances. According to Dunn (in Subarsono, 2008: 8-14) the public policy process is a series of intellectual activities undertaken in the process of political activities.

Good governance can be defined as a way of managing public affairs. World Bank gives a definition of good governance as "the way state power is used in managing economic and social resources for development of society". Meanwhile, UNDP defines good governance as "the exercise of political, economic, and administrative authority to manage a nation's affairs at all levels". World Bank put more emphasis on how governments manage the social and economic resources for the benefit of community development, while UNDP focuses on aspects of politics, economics, and administration in managing the state. Political governance refers to the process of policy-making, whereas economic governance refers to the process of economic decision-making that have implications on issues pemerataan, poverty reduction and improved quality of life. As for administrative governance refers to the system of policy implementation (Mardiasmo, 2002: 17).

History has shown that the financial dependence of the area were very high from the central government can not be separated from the less precise meaning of autonomy in the law No. 5 of 1974 concerning Regional Government Principles. The Act may be cited as the implementation of centralized government than is decentralized. In general, saalah a very important government revenue comes from taxes (taxes) and loans, while local revenues are sourced directly from the potential of the region in the form of charges (user charges) the income of potential areas / communities that benefit must be directly returned to the area. (Musgrave and Musgrave, 1991).

Regional finance reform implemented with financial management policies are aligned with regional autonomy is regulated by various laws and regulations. Legislation include Law No. 22 of 1999 on Regional Government and Law No. 25 of 1999 on Financial Balance between Central and Regional Government. In the process, both the legislation and then been revised by Law No. 32 of 2004 on Regional Government and Law No. 33 of 2004 on Financial Balance between Central and Regional Government. The law followed up with various government regulations and rules of the Minister of the Interior. PP No. 105 of 2000 on Regional Financial Management, PP 55 of 2005 on the Fund Balance, PP 58 Year 2005 on Regional Financial Management, Decree No. 29 Year 2002 on Guidelines for Management, Accountability and Supervision of Local Financial and Budgetary Procedures Revenue and Expenditure, Regional Finance and Business Management Implementation Calculation Budget Preparation and Expenditure and Regulation No. 13 of 2006 on Regional Financial Management Guidelines.

Based on the literature review and pre-finance research on areas that have been carried out from April to December 2009 in Sukoharjo and Karanganyar, implicitly and partially there are factors that can influence the process of policy formulation financial governance area. The factors may include the perception of good governance and other factors, namely the potential of the region, human resources, oversight agencies / inspectors, fiscal decentralization policy, local politics, and legislation on local finances. The possibilities are many other factors that have not been able to be observed and discovered from various sources. However, a variety of previous studies regarding local finance has not been explicitly examined seven factors influence on the policy of financial governance area.

Selection of research Kabupaten Sukoharjo and Karanganyar based on the similarity of the status of local government administration, ie both counties who have conditions / potential which is not much different. In addition,

the two districts known to have a phenomenon that is very controversial, that echoes the successful organization of local government that is opposed to the fact there have been various cases of law violations and irregularities in the finance area. The reason this is interesting and needs to be investigated to determine whether there is a difference of perception on good governance at the local government bodies in Sukoharjo and following in Karanganyar stakeholders in the policy formulation process financial governance area. Factors perception of good governance and other factors believed to influence the policy formulation process financial governance area. The research was conducted by observing a period of financial governance policy areas in fiscal year 2005 to 2009.

Urgency of research is that the factor of " perception " to be very important , as indicated by strengthening perceptions of people who think that there are policies in the area of financial governance Sukoharjo and Karanganyar who has not run optimally . The formation of the perception of which is sourced from the percentage of PAD to components of the Regional Budget (APBD) , in addition to CPC opinion on financial management as a whole in the two districts that have not reached the WTP . Actually , there are still many problems in the area of financial governance policies in Sukoharjo and Karanganyar .

a. Research Purposes

This research aims to:

- (1) analyze the differences in the perception of good governance among local government officials and stakeholders in Sukoharjo with Karanganyar in the formulation of regional policies of financial governance
- (2) to analyze the process of policy formulation in the area of financial governance Kabupaten Sukoharjo and Karanganyar ;
- (3) identify the factors that influence policy formulation in the area of financial governance Kabupaten Sukoharjo and Karanganyar ; and
- (4) analyze the influence of various factors on policy formulation in the area of financial governance Kabupaten Sukoharjo and Karanganyar .

2.Theory and Hypotheses

In the literature review presented some of the opinions of other previously associated with this research topic , but not all expert opinion can be delivered in this literature review . In the book study found a variety of research studies relevant to this research , including research on :

- (1) potensi daerah oleh Halim (2001), Nanga (2005).
- (2) SDM oleh King dan Mc Leod (2000), Adi dan Setiaji (2007).
- (3) lembaga pengawas/pemeriksa oleh Jaweng (2009), Keban (1999).
- (4) kebijakan desentralisasi fiskal oleh Bird and Valaincourt (1998), Pevcin ,Choi dan deveureux (2005), Kumorotomo (2008).
- (5) politik lokal oleh Kumorotomo (2008), Retnaningsih (2008), Keban (1999), Bovaird dan loffler (2003).
- (6) Persepsi oleh ICW (2009), TII (2007-2009), Keban (1999).
- (7) peraturan perundang-undangan dan peraturan lain tentang keuangan daerah: Kumorotomo (2008), modul pelatihan Depdagri (2002 dan 2006), Halim (2007).

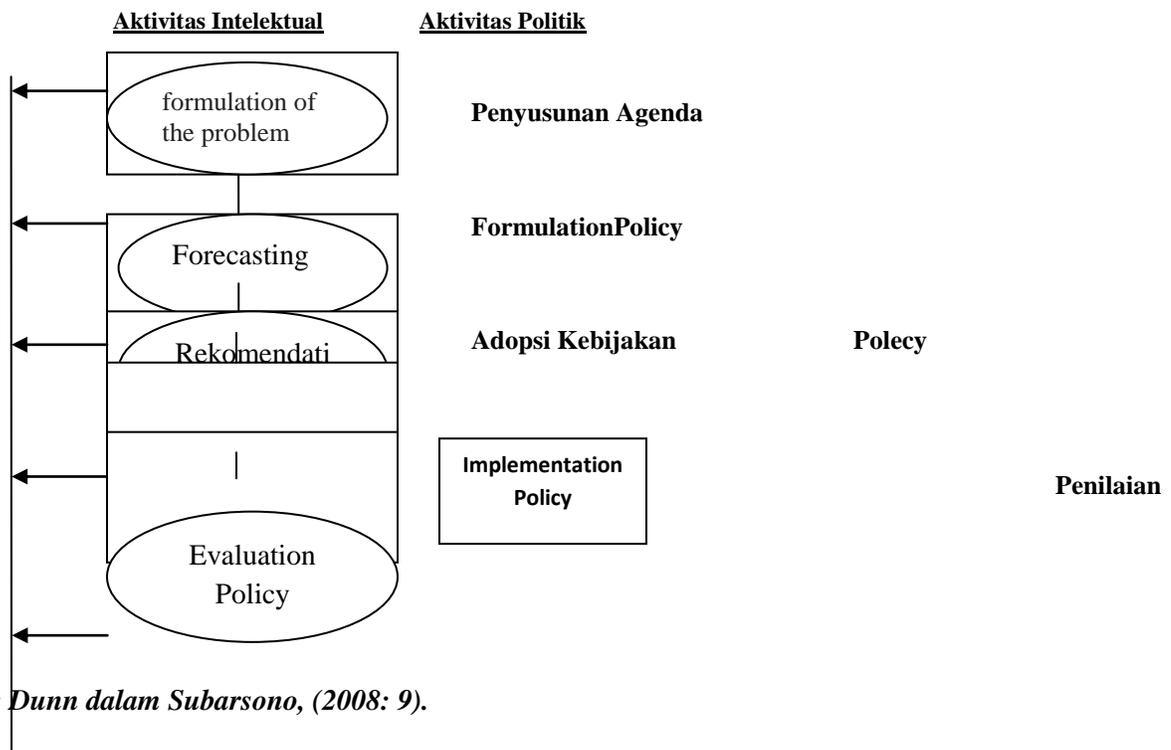
Analysis of perception is done with Alport theory approach (in Mar'at, 1991: 13). Perceptions of individuals affected by the functional and structural factors. Functional factors are factors that are personal. For example individual needs, age, past experience, personality, gender, and other things that are subjective. Structural factors are beyond individual factors, such as environmental, cultural, and social norms influence on a person in perceiving things. From the description above can be drawn a conclusion, that perception is influenced by several internal and external factors, namely factor pemersepsi (perceiver), perceived object and context of the perception of the situation is done. Perception becomes extremely important and determines if it is supported by many participants and has a strong influence on the environment even frequent very strong perception can immerse absolute truth, so that perception can be important. Finance area with the application of performance-based budgeting systems theory (performance budgeting system) has been implemented in accordance with government regulations , based on the Presidential Directive 7 of 1999 on Government Performance Accountability Report . The implementation of performance budgeting also in line with article 19 paragraph 1 and paragraph 2 of Law No. 17 Year 2003 on State Finance that says that in order to draft the local budget , on education as the budget users prepare a work plan and budget with performance-based approach will

be achieved . Mardiasmo (2002 : 84) states , budget performance (performance budgeting) are arranged to overcome the weaknesses of traditional budget approach and emphasis on value for money . One aspect that is measured in performance assessment of local governments is the financial aspect in the form of performance-based budgeting (ABK) .

Theory of governance based on the theory of the principles of good governance according to criteria established UNDP (Mardiasmo, 2002: 17-18)

Analysis of the public policy process is done with the approach proposed by Dunn's theory about the process of public policy that defines a series of intellectual activities undertaken in the process of political activities. Political activity is visible in a series of activities that include preparation of agenda, policy formulation, policy adoption, implementation and assessment of policies, while activity problem formulation, forecasting, recommendation, monitoring and evaluation of policies is an activity that is more intellectual. Policy analysis consists of stages: formulation of the problem with the preparation of the agenda, forecasting (forecasting) with policy formulation, policy recommendations with the adoption of policies, monitoring policy to policy implementation and the latter is the evaluation of the policy with the policy assessment (Dunn, in Subarsono, 2008: 8-14).

Gambar 2.1. Public policy process



Sumber: Dunn dalam Subarsono, (2008: 9).

In the reform era , Financial Management Theory approach or APBD is a change from the budget performance to the traditional budget . Traditional budget dominated Posted Budgetary That is the line item and incrementalism . Budget performance is a system preparation and local budget management oriented towards achieving results or performance Government or public organizations , not only how much the realization of the budget year before is often at odds with real needs and interests society (Mardiasmo , 2002: 84) .

Factors perception of good governance is thought to be an influential factor is very important in the area of financial governance policies , so that will be analyzed in depth . Deepening study on the effect of the perception of good governance would be done using different test . Analysis directed untu know the following two possibilities .

1) Presence or absence of a difference in perception about good governance among local government officials and stakeholders in Sukoharjo with Karanganyar . Different test results will then be supported by descriptive statistical analysis based on secondary data from PAD and BPK opinion on the financial and asset management areas .,(2)

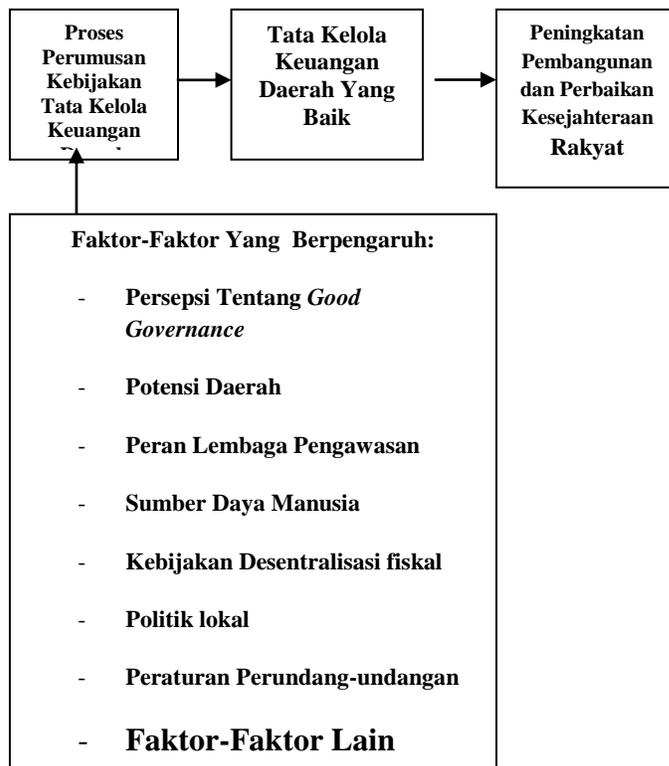
Whether or not the difference in perception between government officials (executive) with Parliament (legislative) . Different test here is intended to address the urgency of differences in the perception of good governance in the area of financial governance policies .

Different test results are intended to answer the question first research on the formulation of the problem , while the second research question will be answered using qualitative methods supported by the results of the analysis of quantitative methods . The third research question and keempat will be answered by using the method of multiple regression analysis deepened with qualitative methods to obtain research results more mundane and profound . The scope of this study is limited to the process of policy formulation financial governance area , while the process of implementation / monitoring and evaluation / assessment of policies is not analyzed .

That hypothesis will be tested hearts husband Research consists of :

- H1 : There is a difference perception about the participation in the formulation governance policies at the Regional Finance between local government bodies , parliament , and stakeholders in Kabupaten Sukoharjo and Karanganyar .
- H2 : There is a difference perception about the rule of law in the formulation of governance policies at the Regional Finance between local government bodies , parliament , and stakeholders in Sukoharjo with Karanganyar .
- H3 : There is a difference perception about transparency in the formulation of governance policies at the Regional Finance between local government bodies , parliament , and stakeholders in Sukoharjo with Karanganyar .
- H4 : There is a difference in the hearts perception response Regarding the formulation of governance policies at the Regional Finance between local government bodies , parliament , and stakeholders in Sukoharjo with Karanganyar .
- H5: There are differences in the perception of the Consensus orientation in policy formulation in the area of financial governance among local government bodies, legislature and stakeholders in Sukoharjo with Karanganyar.
- H6: There are differences in perceptions about equity in policy formulation in the area of financial governance among local government bodies, legislature and stakeholders in Sukoharjo with Karanganyar.
- H7: There are differences in the perception of the efficiency and effectiveness in policy formulation in the area of financial governance among local government bodies, legislature and stakeholders in Sukoharjo with Karanganyar.
- H8: There are differences in perceptions about accountability in policy formulation in the area of financial governance among local government bodies, legislature and stakeholders in Sukoharjo with Karanganyar.
- H9: There are differences in perceptions about the strategic vision in policy formulation in the area of financial governance among local government bodies, legislature and stakeholders in Sukoharjo with Karanganyar.
- H10: There are differences in perception regarding the application of the principles of good governance in policy formulation in the area of financial governance among local government bodies through Parliament in Sukoharjo.
- H11: There are differences in perception regarding the application of the principles of good governance in policy formulation in the area of financial governance among local government bodies through Parliament in Karanganyar.
- H12: Perceptions of good governance influence on policy formulation in the area of financial governance Sukoharjo.
- H13: Potential areas to determine policy formulation in the area of financial governance Sukoharjo.
- H14: The role of oversight agencies to determine policy formulation in the area of financial governance Sukoharjo.
- H15: Human resources influence on policy formulation in the area of financial governance Sukoharjo.
- H16: Local politics affect the policy formulation in the area of financial governance Sukoharjo.
- H17: The fiscal decentralization policy influence on policy formulation in the area of financial governance Sukoharjo.
- H18: legislation and other regulations influence the policy formulation in the area of financial governance Sukoharjo.
- H19: Perceptions of good governance influence on policy formulation in the area of financial governance Karanganyar.
- H20: Potential areas to determine policy formulation in the area of financial governance Karanganyar.

3. ROADMAP



H21: The role of oversight agencies to determine policy formulation in the area of financial governance Karanganyar.

H22: Human resources influence on policy formulation in the area of financial governance Karanganyar.

H23: Local politics affect the policy formulation in the area of financial governance Karanganyar.

H24: The fiscal decentralization policy influence on policy formulation in the area of financial governance Karanganyar.

H25: legislation and other regulations influence the policy formulation in the area of financial governance Karanganyar.

The stages are carried out is the following.

(1) to analyze differences in perception about good governance among local government officials and stakeholders in Sukoharjo with Karanganyar in the process of policy formulation financial governance area by using a different test two independent sample-Mann Whitney test. This analysis is intended to answer the urgency or importance of differences in the perception of good governance are supposed to influence the policy formulation process as well as the area of financial governance will be the interest factor which has never been found in previous studies and literature. Test different perception of good governance is then performed to prove the existence of differences in perception between local government bodies through Parliament in each district.

(2) Conducting multiple regression analysis to answer the research questions about the factors that influence the process of policy formulation local financial governance and how to effect the process of policy formulation in the area of financial governance Sukoharjo and Karanganyar.

(3) Analyze the process of policy formulation financial governance area that includes the formulation and preparation of the agenda issues, forecasting and policy formulation, as well as policy recommendations or the adoption of policies.

4. Data Collection and Analytical Methods

a. Scope of Research

The scope of the research is intended to limit the problems studied so that research can be more focused, grounded, and depth.

- 1) The research was conducted in Sukoharjo and Karanganyar, so that research results can only be used primarily as a reference for financial governance improvement areas in the two districts and not automatically be used as a reference for other regions in Indonesia.
- 2) The period of investigation is limited to observing the policy formulation in the area of financial governance Sukoharjo and Karanganyar from 2005 to 2009.
- 3) in-depth study is only conducted to determine the perception of good governance and policy formulation policies focused on financial governance area. As for the stages of implementation, monitoring, and evaluation or assessment of financial governance policy areas are not analyzed in depth.

Limited research on the influence of the perception of the principles of good governance UNDP version cumulatively and simultaneously in the process of policy formulation in the area of financial governance Sukoharjo and Karanganyar. The study did not analyze in depth perception of each of the principles of good governance partially or effect of any principle in each district.

b. Population and Sample

Data sourced from samples in this study were collected using a questionnaire instrument . Population is used as an object of research is the government in Sukoharjo and Karanganyar which consists of the Regional Secretariat Officials , Head of SKPD (Department / Agency / Office) , the Budget Committee , Member of Parliament , as well as stakeholders that include Lembaga Swadaya Masyarakat (LSM) , Organisasi Massa (Ormas) , and Political Organizations (political organizations) . The parties will serve as a resource or survey respondents , due to understand and engage directly in the process of policy formulation and determination of financial governance area.

c. Data Quality Test Method

Prior to the analysis further, diverse data collected from the questionnaires need to be tested for validity and reliability.

1). Test Validity

Validity test is done to determine whether the questions contained in the questionnaire are valid. A questionnaire considered valid, if the questions posed able to express something that is measured by the questionnaire. Validity testing is done by using Pearson (product moment correlation), that is by comparing the count r with r table for degree of freedom (df) = nk and error rate (α) < 0.05. A variable is said to be valid if the resulting value of r arithmetic > R table (Ghozali, 2006: 49).

2). Test Reliability

Reliability test performed to measure the quality of the instruments which is an indicator of the variable. A questionnaire said to be reliable if the answers of the respondents are consistent or stable over time to the questions posed. Reliability testing conducted in this study by using Cronbach alpha. A variable is said to be reliable if it has a value of Cronbach alpha > 0.60 (Ghozali, 2006: 45).

d. Test Classical Assumptions

1) Normality Test

One important assumption of a linear regression model is that the dependent variable and independent variables both have a normal distribution. One way to detect normality is to look at the value of Kolmogorov Smirnov test. Data are considered normal distribution if the value is greater than the significance level of 0.05 (Ghozali, 2006: 147).

2) Test Heteroskedasticity

Heteroskedasticity test is used to determine whether there is inequality residual variance of an observation to another observation from the regression model (Ghozali, 2006: 125). In this study, the detection of the heteroskedasticity done using Glejser test. The data is said to not have heteroskedasticity if the significance level is greater than 0.05.

3) Test Multicollinearity

A regression model assumes that in between two or more independent variables does not occur perfect linear relationship. One way to determine whether there is deviation from these assumptions is to look at the tolerance value and variance inflation factor (VIF). The threshold values are acceptable tolerance value > 0.1 and VIF < 10 (Widodo, 2006: 95).

e. Analysis method

The analysis by utilizing the primary data and secondary data in this study is done with a combination of quantitative and qualitative analysis approach or better known as triangulation analysis.

1) . Quantitative Analysis

The formula used in two independent sample - Mann Whitney test were:

(a) Test Different

Analysis of the different test in this study is done by using two independent sample - Mann Whitney test with SPSS 13.0 . Different test carried out on the variables that become the principles of good governance UNDP versions , namely participation , rule of law , transparency , responsiveness , consensus orientatation , equity , efficiency and effectiveness , accountability , and strategic vision . Each of these principles have been established as hypotheses H1 , H2 , H3 , H4 , H5 , H6 , H7 , H8 , H9 , H10 , and H11 .

$$U_1 = n_1n_2 + \frac{n_1(n_1+1)}{2} - R_1$$

(b) Multiple Regression

Multiple regression was used to test the hypothesis H12, H13, H14, H15, H16, H17, H18, H19, H20, H21, H22, H23, H24, and H25. Multiple regression analysis is the analytical techniques used to determine the influence of the independent variable / independent to dependent variable / dependent.

Multiple regression formula used is as follows (Abdurahman, 2007: 187):

To Sukoharjo

$$Y_s = a_0 + a_1X_1s + a_2X_2s + a_3X_3s + a_4X_4s + a_5X_5s + a_6X_6s + a_7X_7s + e$$

To Karanganyar

$$Y_k = b_0 + b_1X_1k + b_2X_2k + b_3X_3k + b_4X_4k + b_5X_5k + b_6X_6k + b_7X_7k + e$$

Where:

Y = policymaking regional financial governance;

X1 = perception of good governance;

X2 = the potential of the area;

X3 = supervisory agency;

X4 = HR;

X5 = local politics;

X6 = fiscal decentralization policy;

X7 = legislation and other regulations;

e = factor residue (error term);

s = Sukoharjo; and

k = Kabupaten Karanganyar.

2) . Qualitative Analysis

Qualitative analysis is a natural research used to process primary data from focus group discussions, interviews , and observations . The instrument used was triangulation analysis which is an integration of quantitative analysis with qualitative analysis . Triangulation analysis is intended to deepen the analysis of the perception of the principles of good governance and the factors that influence policy formulation in the area of financial governance Sukoharjo and Karanganyar .

5.Result

a. Different Perception Test Results Between Local Government Reform And Stakeholders in Sukoharjo With In Karanganyar

To answer the first research conducted purpose different test against the criteria of good governance UNDP version . Different test conducted to determine the differences in perception between local government bodies and stakeholders in Sukoharjo with in Karanganyar . The approach used in different test is two independent - Mann Whitney test .

**Hasil Uji Beda Two Independent Sample Test-Mann Whitney
Terhadap 9 Karakteristik Good Governance**

Karakteristik Good Governance	Mean		Test Statistic		Keterangan
	Kabupaten Sukoharjo	Kabupaten Karanganyar	z hitung	Sign	
Participation	64,67	46,51	-2,979	0,003	Signifikan
Rule of Law	43,37	69,82	-4,365	0,000	Signifikan
Transparency	54,09	58,08	-0,656	0,512	Tidak Signifikan
Responsiveness	45,80	67,16	-3,513	0,000	Signifikan
Consensus Orientation	44,95	68,09	-3,811	0,000	Signifikan
Equity	59,43	52,25	1,178	0,239	Tidak Signifikan
Efficiency and Effectiveness	54,91	57,20	-0,377	0,706	Tidak Signifikan
Accountability	53,96	58,24	-0,703	0,482	Tidak Signifikan
Strategic Vision	57,08	54,82	0,372	0,710	Tidak Signifikan

Sumber: Hasil analisis.

Based on the different test results of two independent sample-Mann Whitney test for participation in mind that there are significant differences in perceptions between local government bodies and stakeholders in Sukoharjo with in Karanganyar. This conclusion was drawn based on the number probability $0,003 < 0,05$. Local government officials and stakeholders in Sukoharjo has an average value of 64.67 is higher than Karanganyar with an average value of 46.51. Means that the level of participation in policy formulation in the area of financial governance Sukoharjo better than in Karanganyar.

This finding is supported by the facts on the ground. Public participation in Musrenbang from the village level up to the district in Sukoharjo been arranged by Bappeda by a mechanism quite well. The results obtained from Musrenbang has been well documented and the subject of the budget process in Sukoharjo. Sukoharjo regent has issued Technical Guidelines Musrenbang in which emphasize that community proposals to be included in the budget should have supporting evidence was discussed and agreed in Musrenbang forum.

Different conditions encountered in Karanganyar. Of FGD revealed that there is saturation in the community against Musrenbang process that has been running for this. According to the society, the process of budget formulation more influenced by the proximity of the proposed carrier with policy makers, namely the Regent and DPRD. Without proximity or access, the proposal which is a form of public participation in the planning process of development will not be realized in the next budget year.

Characteristics of the rule of law has a probability of $0,000 < 0,05$. Its meaning is that there is a significant difference in the perception of the rule of law among local government officials and stakeholders in Sukoharjo with in Karanganyar. Karanganyar has an average value of 69.82 higher than Sukoharjo with an average value of 43.37. Thus,

it can be concluded that the law enforcement process in policy formulation in the area of financial governance Karanganyar better than in 6.2.3 . Different Perception Test Results Between the Executive and the Legislature in Karanganyar

Differences in perception between the executive and the legislature in Karanganyar towards good governance variables proved significant . This is indicated by the probability value $0.002 < 0.05$, so the H11 hypothesis can not be rejected . It was also found that the legislature in Karanganyar has an average value which is higher when compared to the executive . Its meaning is that the legislature in Karanganyar more oriented towards the implementation of good governance rather than the executive . The same conditions as in Sukoharjo This strengthens the argument that the understanding of the legislative in the area is still better than executives in the region in terms of good governance in financial governance policy formulation area.

In fact, in Sukoharjo there are still some cases of violations of the law which has not been resolved. Of FGD revealed any cases of procurement of motorcycles Parliament, Terminal Kartasura, Bekonang Market, and several other cases that have not been completed by punishing the parties responsible. By contrast, in Karanganyar, case law generally well done. An example is the case of a direct Griya Asri Lawu can drag responsible party, even though the person concerned is the husband of a regent who is in power today. However, some community members still do not seem satisfied with the resolution of the case, because it has not touched the other actors were also allegedly involved in the case (FGD)

For transparency characteristics there is no difference between the perception of local government officials and stakeholders in Sukoharjo with in Karanganyar. The resulting probability value is $0.512 > 0.05$. Thus, understanding the quality of local government bodies and stakeholders in both districts is the same. Similar findings were found also to the characteristics of equity, efficiency and effectiveness, accountability, and strategic vision.areas in Karanganyar cumulatively better when compared to in Sukoharjo . To understand more about whether there is a difference of perception internally , we then tested the different perceptions of good governance between the executive and the legislature in each district .

b. Different Perception Test Results Between the Executive and the Legislature in Sukoharjo

Different test results showed that in Sukoharjo there is a difference of perception between the executive and the legislature regarding the formulation of good governance in the area of financial governance policies . This is indicated by the probability value $0.038 < 0.05$, so the H10 hypothesis can not be rejected . Legislative in Sukoharjo proved to have an average value higher than the executive , so that it can be concluded that the legislature in this district is more oriented to the implementation of good governance rather than the executive .

**Two different test results Independent Sample Test - Mann Whitney
The Executive Between the Legislature in Sukoharjo**

Variabel	Mean		Test Statistic		Keterangan
	Eksekutif	Legislatif	z hitung	Sig	
Total Good Governance	22,53	31,38	2,076	0,038	Sig

Sumber: Hasil analisis.

c. Different Perception Test Results Between the Executive and the Legislature in Kabupaten Karanganyar

Differences in perception between the executive and the legislature in Karanganyar towards good governance variables proved significant . This is indicated by the probability value $0.002 < 0.05$, so the H11 hypothesis can not be rejected . It was also found that the legislature in Karanganyar has an average value which is higher when compared to the executive . Its meaning is that the legislature in Karanganyar more oriented towards the implementation of good governance rather than the executive . The same conditions as in Sukoharjo This strengthens the argument that the understanding of the legislative in the area is still better than executives in the region in terms of good governance in financial governance policy formulation area.

**Tabel Differences test result Two Independent Sample Test-Mann Whitney
Between Eksekutif and Legislatif in Kabupaten Karanganyar**

Variabel	Mean		Test Statistic		Ket
	Eksekutif	Legislatif	<i>z hitung</i>	<i>Sign</i>	
Total Good Governance	19,03	32,00	-3,115	0,002	Sign

Sumber: Analysis. Result

d. The results of multiple regression equation

1) In Sukoharjo

$$Y_s = -1,702 + 0,188X_{1s} + 0,058X_{2s} + 0,017X_{3s} + 0,016X_{4s} + 0,051X_{5s} + 0,004X_{6s} - 0,016X_{7s} + e_s$$

2) In Karanganyar

$$Y_k = -7,163 + 0,161X_{1k} + 0,002X_{2k} - 0,047X_{3k} + 0,241X_{4k} + 0,139X_{5k} + 0,130X_{6k} + 0,036X_{7k} + e_k$$

e. Results Analysis of FGD

FGD is intended to enrich and deepen the various aspects studied . With the parties that are competent and experienced , then through brainstorming , researchers obtain inputs related to the research topic , namely the formulation of policy financial governance area. FGD held in both districts and was attended by 10 participants in each FGD . Overall , FGD lasts 8 times , ie in each of the 4 times in Sukoharjo and 4 times in Karanganyar .

First Stage FGD material made to agree on a questionnaire , particularly regarding variables that will be asked of the respondents . The variables are discussed is a synthesis of the literature review , previous studies , and pre-study conducted by researchers . First Stage of FGD obtained an agreement on the use of financial governance policy formulation area as the dependent variable and independent variables consisting of different perceptions about good governance , the potential of the region , the role of supervisory institutions , human resources , local politics . fiscal decentralization policy , as well as legislation and other regulations .

In the Second Stage FGD conducted exposure draft questionnaire to be agreed before distributed to the respondents . Discussion continued to identify the issues contained in each district associated with the criteria of good governance and the UNDP version 6 factors that may affect financial governance policy formulation area. FGD Phase Two is a questionnaire that is ready to be distributed to the respondents and the issues related to policy formulation in the area of financial governance Sukoharjo and Karanganyar .

Deepening performed on FGD Stage Three to analyze various aspects around the 9 criteria of good governance and the 6 factors that can influence the process of policy formulation financial governance area. Discussions evolve at the level of concept and by discussing examples of cases encountered in the field. At this stage were also presented and agreed upon while the test results of quantitative and qualitative analyzes .

Fourth Stage FGD or last used to check the results of the Third Phase FGD . In addition , the discussion continued on the results of the quantitative analysis are complementary synergy with the results of qualitative analysis . The aim is to obtain results and in-depth research grounded . At this FGD has also disclosed a few grains of conclusions and recommendations derived from the analysis .

f. Factors Affecting the Policy Formulation Financial Governance areas

Results of multiple regression analysis has proved the existence of the factors significantly influence the policy formulation process financial governance area. In Sukoharjo, only two factors were significant and positive impact, namely the perception of good governance and the potential of the region. While 5 other factors, namely the role of supervisory institutions, human resources, local politics, fiscal decentralization policy, as well as legislation and other regulations, does not affect the financial governance policy formulation area. In Karanganyar, factors that are statistically significant and positive impact on policy formulation covering the area of financial governance perception

of good governance, human resources, local political and fiscal decentralization policy. The factors that have no effect are potential areas, the role of supervisory institutions, as well as **legislation** and other regulations.

7. CONCLUSIONS AND RECOMMENDATIONS

a.. Conclusion

Based on the analysis and discussion in the previous chapters , some conclusions can be drawn as follows.

(1) In the formulation of financial governance policy areas there is still a difference of perception on good governance to the characteristics of participation , rule of law , responsiveness , and consensus orientation among local government officials and stakeholders in Sukoharjo with in Karanganyar difference in perception has implications for policy formulation procedures financial management area is not optimal , as indicated by the rate of revenue growth is relatively slow and CPC opinion on the financial and asset management areas not yet reached the WTP .

(2) Application of good governance in the formulation of policies in the area of financial governance Karanganyar better when compared to in Sukoharjo to karakteristik rule of law , responsiveness , and consensus orientation . As for the criteria for participation , note that Sukoharjo better than Karanganyar .

(3) For the other characteristics of good governance , namely transparency , efficiency and effectiveness , equity , accountability , and strategic vision , there are differences in perception between local government bodies and stakeholders in Sukoharjo with in Karanganyar .

(4) The difference in the perception of good governance into fundamental problems that could hinder the achievement of financial governance policy areas are ideal .

(5) There are factors that influence policy formulation in the area of financial governance Sukoharjo and Karanganyar . For Sukoharjo , factors perception of good governance and the potential areas of significant influence and positive impact on the process of policy formulation financial governance area. While other factors , namely the supervisory institution / investigator , human resources, local politics , fiscal decentralization policy , as well as legislation and other regulations do not affect the regional financial policy formulation financial governance area

(6) To Karanganyar , it was found that the perception factor of good governance , human resources, local political and fiscal decentralization policy significant and positive impact on the financial governance policy formulation area. The factors which do not include the potential effect on the region , the role of supervisory institutions , as well as legislation and other regulations regarding local finance .

b.Suggestion

Based on the conclusion of the study , can be delivered the following suggestions .

(1) local governments need to disseminate good governance intensively so that an understanding of the principles of good governance for the better . Understanding and application of good governance are true and correct in the area of financial governance policies are expected to improve the quality of financial management . Socialization efforts are very very reasonable , because research shows that the perception of good governance at local government bodies and stakeholders significant influence and positive impact on local financial governance policies and shown to correlate with the direction of the real indicators of financial performance area .

(2) The Central Government is expected to provide guidance , direction , mentoring , and supervision over medai . The smaping the necessary instructions for the President that good governance at the local government can be implemented optimally .

(3) local governments need to make improvements in the formulation of financial governance policy areas, especially in the field of improvement / intensification PAD by doing improve regulation of PAD , PAD update the data , as well as increase the professionalism and morale of civil servants who take care of PAD .

4) The role of BPK and BPKP should be further enhanced in the examination and supervision of the financial and asset management areas. Partnership and cooperation among local governments with BPK and BPKP is not expected to diminish the role and duties of both institutions in the field of financial audit and supervision of construction.

(5) It should be published soon as a follow-up regulations of Law No. 25 of 2004 which specifically discusses the planning documents as RKPD proposals that accommodate people who enter into indirect spending, such as financial aid, as well as grants and assistance social.

(6) The Central Government too often advised not to change the legislation in a relatively short period of time, due to difficult local government bodies in charge of financial management. In addition, changes in laws and regulations need to be carried substantially, so as to overcome the main problem frequently encountered in financial management in the area, and do not add to complexity.

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