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# The Role of Government Internal Supervisory Apparatus and Corruption Control on Regional Independence

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## Abstract

This study aims to examine the role of the government internal supervisory apparatus (APIP) and corruption control in enhancing regional fiscal independence. Regional fiscal independence refers to the condition where local governments can manage their finances autonomously without relying on central government funds. The study uses data from 1,018 observations consisting of provincial/regency/city governments in Indonesia during 2021-2022, with a final sample of 509 after excluding 33 regions lacking corruption control data. The main findings show that APIP's capacity for effective supervision positively contributes to corruption control and ultimately increases regional fiscal independence. Regions with strong internal supervision tend to have more transparent and accountable budget management, reducing dependence on central funds. Furthermore, the study reveals that the age of the regional government, government status, and geographic location also significantly affect the level of fiscal independence. Therefore, strengthening APIP capacity and improving the effectiveness of corruption control should be prioritized to achieve sustainable regional fiscal independence.

**Keywords:** regional fiscal independence, APIP, corruption control.

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## I. INTRODUCTION

Regional autonomy is an important indicator for assessing the extent to which local governments are able to finance governmental and development activities without relying too heavily on funds from the central government. A study by Ermawati and Aswar (2020) shows that locally generated revenue (PAD), which consists of regional taxes, regional levies, and other legitimate income, plays an important role in enhancing regional financial independence. One of the main findings of the study is that regions with a high level of financial independence tend to be more capable of improving public services and regional development without relying on funding allocations from the central government. Paranata (2022), a region's independence can be measured by its ability to generate its own locally generated revenue (PAD). However, in reality, the more financially independent a region becomes, the greater the revenue it obtains. This also increases the risk of budget leakage. Therefore, the best policy is to strengthen budget oversight by involving all relevant stakeholders.

In Indonesia, strengthening the role of the government internal supervisory apparatus (APIP) is crucial in promoting regional fiscal independence through effective oversight of locally generated revenue (PAD) management and the prevention of

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corruption (Erika et al., 2017). APIP not only functions as a supervisory body but also serves as a strategic partner in the planning and implementation of sustainable regional fiscal policies. APIP identifies and mitigates potential obstacles in regional tax revenue collection and provides analysis-based recommendations to improve the efficiency and effectiveness of locally generated revenue (PAD) collection. APIP is actively involved in developing risk-based audit planning to identify issues in PAD management and formulate control strategies, ultimately supporting the enhancement of regional fiscal independence. However, APIP's effectiveness is often hindered by limited human resources, suboptimal independence, and a lack of political support from regional leaders. Therefore, strengthening APIP's capacity and independence is crucial to ensuring effective internal oversight and contributing to clean and accountable governance (Riwanto & Suryaningsih, 2024). A study by Khoirunnisa and Sofilda (2023), It shows that the stronger the supervision by APIP, the higher the level of regional financial independence. By strengthening the role of APIP and implementing comprehensive anti-corruption control strategies, local governments can improve financial management efficiency, reduce dependence on central government transfer funds, and achieve sustainable fiscal independence.

The phenomenon of corruption in Indonesia, especially at the regional government level, has become a significant obstacle in efforts to achieve regional independence. Corrupt practices such as intervention by regional heads in the planning and management of the regional budget (APBD), procurement of goods and services, as well as the buying and selling of positions, reflect the weak governance and institutional integrity of regional administrations (Riwanto & Suryaningsih, 2024). This not only damages public trust but also hinders economic development and reduces the quality of public services, ultimately obstructing regional fiscal and administrative independence. Efforts to prevent corruption at the regional level require a comprehensive and coordinated approach, involving various policies and strategies designed to close loopholes that allow abuse of authority. These prevention strategies must include strengthening supervisory institutions, enhancing transparency and accountability, and actively involving the community in government oversight. Thus, corruption control becomes an essential prerequisite for achieving sustainable and integrity-based regional independence.

In this regard, research analyzing the role of the government internal supervisory apparatus (APIP) and corruption control on regional independence has developed. Several previous studies show a strong relationship between effective internal supervision and the reduction of corruption levels, which ultimately drives the improvement of regional independence. For instance, a study by Fahrizal and Bintoro (2022) highlights that strengthening APIP, along with enhancing accountability and transparency, is an important step in improving governance that can reduce abuse of power and increase regional fiscal independence. With an effective supervisory system, regions can become more independent in managing their finances and reduce dependence on central government funds (Fitri et al., 2025). Research by Sakinah et al. (2024), indicates that internal supervision conducted by APIP plays a crucial role in mitigating corruption risks at the regional level. This aligns with findings that effective APIP contributes to more transparent and accountable regional financial management, which in turn supports regional independence through more efficient and corruption-free budget utilization. Another study by Indriyani et al. (2024), demonstrates that effective corruption control has a direct impact on regional independence. This study shows that improving government supervisory capacity, including stricter control over corrupt practices, plays

a role in strengthening fiscal resilience and regional independence, ultimately promoting sustainable local development. Research by Yudanto and Pesudo (2020) also confirms that corruption control in the public sector has a significant impact on regional independence. Their study reveals that regions successful in controlling corruption tend to have greater resources to fund local development projects without relying on assistance from the central government, thereby supporting regional independence.

The success of regional independence heavily depends on the active role of local governments in managing available resources and policies to achieve better autonomy. According to Astuti et al. (2024) a major weakness is the lack of effective internal control and supervision within local governments. This affects the effectiveness of existing corruption prevention systems in the regions, which in turn impacts regional independence. The commitment of regional heads and officials, as well as the crucial role of the government internal supervisory apparatus (APIP) in ensuring successful internal oversight, is essential to enhance regional fiscal independence.

Nevertheless, several previous studies have examined the role of APIP and corruption prevention strategies in local government. However, there remain research gaps that need further exploration, particularly regarding how APIP can effectively oversee and control corruption while considering aspects of regional independence. Therefore, this study aims to fill the existing research gaps by conducting an in-depth analysis of APIP's role in corruption control and its impact on regional independence. This study is expected to provide both theoretical and practical contributions to strengthening the internal supervision system at the regional level in order to achieve cleaner, more transparent, and autonomous governance.

Based on data from 2021-2022 with a total sample of 1,018 observations consisting of provincial, regency, and municipal governments, this study generally finds that the role of APIP influences regional independence through corruption control. The findings and contributions can be outlined as follows. First, the study shows that regions with stronger APIP capacity tend to have higher levels of fiscal independence. This indicates that regions with effective internal oversight systems are better able to manage their resources efficiently, thereby reducing their dependence on funding from the central government. Second, the study emphasizes the importance of effective internal supervision by APIP and strong corruption control in strengthening regional autonomy. With more transparent and accountable budget management, regions are able to reduce their reliance on central government transfers, enhance regional autonomy, and optimize local economic potential.

## **II. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT**

### **2.1. Theoretical Framework**

#### **2.1.1. Good governance theory**

Good governance theory emphasizes fundamental principles of good government management, such as transparency, accountability, public participation, rule of law, and effectiveness and efficiency in decision-making. In the context of the study titled "the role of the government internal supervisory apparatus and corruption control on regional independence," the application of this theory is highly relevant, considering that internal supervision and anti-corruption efforts play crucial roles in strengthening these principles, particularly accountability and transparency in governance. The government internal supervisory apparatus (APIP) has a primary role in maintaining the integrity of regional governance by ensuring that administrative processes, especially those related to budget management and public policies, are conducted honestly, efficiently, and in

accordance with regulations. Effective supervision can prevent abuse of authority, budget manipulation, and corrupt acts that harm regional finances, while also enhancing more independent financial management, reducing dependency on central government funds, and improving regional fiscal independence, ultimately driving more inclusive and sustainable development goals (Karso, 2022). highlights the importance of corruption eradication to achieve efficient governance and healthy economic growth. This indicates that focusing on anti-corruption can be part of a broader governance strategy, where the role of APIP is vital to ensure transparent, efficient financial management at the regional level and reduce corruption risks, thereby supporting regional independence.

## 2.2. Hypothesis Development

### 2.2.1. The influence of APIP capability on regional independence

The role of the internal government supervisory apparatus (APIP) has a significant positive impact on regional financial performance. Effective supervision can moderate the relationship between capital expenditures, local revenue, general allocation funds, and regional financial performance (Angelina et al., 2020). With effective oversight by APIP, the management of regional budgets and resources is ensured to be transparent, accountable, and in accordance with applicable regulations. This reduces the potential for budget misuse and increases efficiency in the use of public funds, which in turn strengthens the fiscal independence of the region (Erika et al., 2017; Gazali et al., 2024; and Wibisono & Khoirunurrofik, 2023). Therefore, APIP positively influences regional independence.

**H<sub>1</sub>**: the capability of APIP has a positive impact on regional independence.

### 2.2.2. The influence of corruption control on regional independence

Corruption control has a positive effect on reducing corruption and enhancing regional fiscal independence because transparency and accountability measures have been proven to strengthen governance, reduce corruption, and improve the sustainability of fiscal independence in managing local government budgets (Astuti et al., 2024). Research by emphasizes that corruption control efforts carried out through public complaint systems and effective accountability mechanisms can significantly reduce opportunities for corrupt practices at the regional government level and directly support regional fiscal independence.

**H<sub>2</sub>**: the ability to control corruption has a positive impact on regional independence.

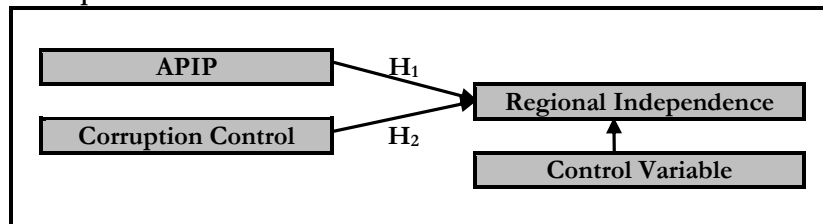
## III. RESEARCH METHODOLOGY

### 3.1. Research Model

The following Figure 3.1 clarifies the relationship between APIP, corruption control, and regional independence of the study.

Figure 3.1

#### Conceptual Framework



### 3.2. Data Collecting Method

This study employs a quantitative approach with a causal-comparative research design. The objective is to examine the extent to which the role of the government internal supervisory apparatus (APIP) and corruption control influence the level of regional independence. The population in this study consists of all district/municipal governments in Indonesia. The sampling technique used is purposive sampling. A total of 542 regional government units (provinces, regencies, and municipalities) across Indonesia for the years 2021 and 2022 were initially included. However, due to the absence of corruption control data in 33 regions, the final sample consisted of 509 regional governments. Given the two-year observation period (2021 and 2022), the total number of final observations used in this study is 1,018. The data used in this study were obtained from official Indonesian government institutions. APIP capacity and corruption control data were sourced from BPKP (the financial and development supervisory agency), particularly from APIP capability performance reports and corruption-related data. Meanwhile, data on regional fiscal independence were accessed from the fiscal independence ratio published by the directorate general of fiscal balance (DJPK, n.d.).

This study employs STATA as the data analysis tool. The choice of STATA as the analytical software is based on its superior capability in handling panel data, multivariate regression, and complex econometric models such as logistic regression, fixed effects, and random effects models, which are commonly used in quantitative research in economics and business. In this research, variables such as financial literacy, financial inclusion, and business sustainability are measured through indicators that require validity and reliability testing, as well as in-depth regression analysis. STATA offers more efficient and precise analytical features, along with syntax support that facilitates the replication of statistical analyses. Unlike SPSS, which is more suitable for basic or descriptive analysis, STATA allows for more comprehensive and flexible data exploration, aligning with the operational definitions of variables that demand quantitative measurement and analysis of complex inter-variable relationships.

### 3.3. Empirical Model and Variable Operationalization

To address the research problems and simultaneously test by hypotheses, the empirical model in this study is formulated as follows:

$$\text{fiskalmandri}_{it} = \beta_0 + \beta_1 \text{APIP}_{it} + \beta_2 \text{IEPK}_{it} + \beta_3 \text{ages}_{it} + \beta_4 \text{mun}_{it} + \beta_5 \text{island}_{it} + \epsilon_{it} \quad 1$$

The variables in this study include  $\text{APIP}_{it}$ ,  $\text{IEPK}_{it}$ ,  $\text{ages}_{it}$ ,  $\text{mun}_{it}$ , and  $\text{island}_{it}$ . The dependent variable,  $\text{fiskalmandri}_{it}$ , reflects the level of regional fiscal independence, where a higher value indicates greater autonomy of a region in managing its finances without relying on the central government. The variable  $\text{APIP}_{it}$  represents the existence and quality of the government internal supervisory apparatus (APIP), which plays an important role in ensuring transparency and accountability in regional financial management. Meanwhile,  $\text{IEPK}_{it}$  is the corruption control effectiveness index, a measure that assesses the extent to which local governments can control corrupt practices within bureaucracy and public finance. This index reflects the integrity of the supervisory system, institutional strength, and successful implementation of anti-corruption policies, which directly impact the quality of financial governance.  $\text{ages}_{it}$ ,  $\text{mun}_{it}$ , and  $\text{island}_{it}$  are control variables in this study, measured using the natural logarithm (Ln) of total asset values. The variable  $\text{ages}_{it}$  represents the age of the regional government from 2021 to 2022, measured by the number of years since the establishment of the local government until 2022, indicating the region's age or the tenure of officials, which is assumed to influence experience and maturity in budget management. The variable  $\text{mun}_{it}$  is a fixed

effect for each regency/city that captures unique characteristics of the region that do not change over time; this also includes the government status, measured by a dummy variable where provincial governments are assigned “2”, city governments “1”, and others (such as regencies) “0”. Meanwhile,  $island_{it}$  is a geographic dummy variable measured as “1” if the local government is located on Java island and “0” if outside Java Island, to control for geographic influences across islands on a region’s fiscal capacity. Lastly,  $\epsilon_t$  represents the error term accounting for other variables outside the model that affect regional fiscal independence. The variables  $ages_{it}$ ,  $mun_{it}$ , and  $island$  are included as control variables because they can indirectly influence regional independence. Ages controls for differences in institutional capacity based on the region’s age,  $mun_{it}$  controls for fiscal characteristic differences between cities and regencies, and  $island$  controls for geographic influences affecting economic access and supervision. Together, these help ensure that the influence of APIP and corruption control on regional independence is not biased by these structural factors.

**Table 3.1****Variable Operationalization and Data Sources**

Name	Variable Operational	Data Sources
$fiskalmandiri_{it}$	Ratio of local own-source revenue to total revenue (PAD/Total Revenue).	Ministry of Finance, Directorate General of Fiscal Balance.
$APIP_{it}$	Capability of the government internal supervisory apparatus (APIP)	Financial and Development Supervisory Agency (BPKP).
$IEPK_{it}$	Corruption prevention effectiveness index	Financial and Development Supervisory Agency (BPKP).
$ages_{it}$	Age of regional government in 2021-2022, measured based on the number of years since the establishment of the regional government up to 2021-2022	Ministry of Home Affairs.
$mun_{it}$	Status of regional government, measured using a dummy variable for government status: provincial government= “2”, city government= “1”, and others =“0”	Ministry of Home Affairs.
$island_{it}$	Geographical location of regional government, measured with a dummy for islands: “1” represents Java island, “0” represents other islands	Ministry of Home Affairs.

Source: processed by the author (2025).

### III. RESEARCH METHODOLOGY

This study adopts a policy analysis approach based on document review, focusing solely on evaluating the policy through relevant documents and literature rather than through direct interviews or surveys. A descriptive-qualitative approach is used to understand and assess the impact of minister of finance regulation (PMK) No. 13 of 2025 on the property sector and housing affordability for middle-to-lower income groups. Thus, the study seeks to explore how the policy is perceived to influence homeownership among target groups.

The descriptive-qualitative approach was chosen for its flexibility in analyzing the policy in depth without the constraints of rigid quantitative data. The study identifies various aspects of the regulation under review, including policy structure, implementation, and its potential impact on housing prices, access to mortgage credit,

and consumer purchasing power. This method allows the research to explore how the government-borne VAT incentive policy is perceived to shape housing market dynamics and how it is experienced by the intended target groups.

The data analysis technique used in this study is content analysis, applied to policy documents and related reports. Content analysis is used to examine the substance of the government-borne VAT incentive policy in PMK 13/2025 by highlighting key aspects such as incentive coverage, implementation mechanisms, and the beneficiary groups. This approach enables the identification of emerging patterns in the policy documents and an evaluation of their implications for the housing sector. In addition, the study employs a comparative analysis with previous tax incentive policies (PMK 120/2023 and PMK 7/2024) to assess whether the latest policy is more effective in enhancing housing affordability compared to its predecessors. This analysis seeks to understand how changes in the tax incentive structure are perceived to influence the property market and how the new policy is viewed in relation to housing affordability.

The policy evaluation also includes an analysis of the potential impact on housing prices, mortgage credit access, and consumer purchasing power by comparing historical data and property market trends before and after the implementation of the government-borne VAT incentive policy.

### **3.1. Data Source**

This research utilizes secondary data from various credible sources relevant to tax incentive policies in the property sector. These secondary data sources include:

- 1) Official tax regulation documents, especially PMK 13/2025, which is the primary focus of this study. Additionally, previous regulations such as PMK 120/2023 and PMK 7/2024 are reviewed for comparative purposes to assess the evolution of property tax policies.
- 2) Property market reports published by the central bureau of statistics (BPS), Bank Indonesia (BI), and the Ministry of Finance, which include data on housing price trends, property demand, and housing affordability indicators.
- 3) Academic studies and policy articles from research journals, public policy analysis reports, and academic publications discussing tax incentive policies in the property sector in Indonesia and abroad. These sources help understand global trends in tax incentives and their effectiveness in boosting homeownership.

## **IV. RESULTS AND DISCUSSION**

### **4.1. Empirical Results**

Insert Table 4.1 here.

Table 2 presents the descriptive statistics of several variables used in the regression analysis. The variable *fiskalmandiri* has 1,018 observations, with a mean of 13.98 and a standard deviation of 12.27. The minimum value is 0.28, and the maximum is 80.39, indicating substantial variation in fiscal independence across the observed regions. While most regions exhibit relatively low levels of fiscal independence, there are also regions with very high values. The variable *APIP<sub>it</sub>*, which measures the quality of the government internal supervisory apparatus, also has 1,018 observations, with a mean of 2.44 and a standard deviation of 6.05. The minimum value is 1, and the maximum is 3, suggesting that the majority of regions have low to moderate levels of internal supervision quality. The variable *IEPK<sub>it</sub>*, which measures the effectiveness of corruption control, has a mean of 1.77 and a standard deviation of 4.90. With a minimum of 1 and a maximum of 3, this indicates considerable variation across regions in terms of corruption control, with most

regions tending toward low to moderate effectiveness. The variable  $ages_{it}$ , representing either the age of the region or the age of its administrative officials, has a mean of 45.00 and a standard deviation of 23.84. The minimum value is 7 years, and the maximum is 72 years, reflecting a wide range in the age of regions or their key personnel. The variable  $mun_{it}$ , which reflects the status of local government, has a mean of 2.98 and a standard deviation of 5.82, with a minimum of 0 and a maximum of 2. This indicates variability in the types of local governments, with the majority categorized as provinces (value 2) or cities (value 1), and a smaller number in other categories (value 0). Finally,  $island_{it}$ , which captures geographic effects based on island location, has a mean of 2.14 and a standard deviation of 4.10. The minimum value is 0 and the maximum is 1, showing that most observed regions are located on large islands (value 1), while fewer are located on smaller islands (value 0).

**Table 4.1****Descriptive Statistics of Variables**

Variable	Obs.	Mean	Std. Dev.	Min.	Max.
$fiskalmandiri_{it}$	1,018	13.98	12.27	.28	80.39
$APIP_{it}$	1,018	02.44	06.05	1	3
$IEPK_{it}$	1,018	01.77	04.90	1	3
$ages_{it}$	1,018	45.00	23.84	7	72
$mun_{it}$	1,018	02.98	05.82	0	2
$island_{it}$	1,018	02.14	04.10	0	1

Notes:  $fiskalmandiri_{it}$  is the dependent variable that reflects the level of regional fiscal independence, where higher values indicate a greater ability of a region to manage its finances independently without relying on the central government. The variable  $APIP_{it}$  represents the presence and quality of the government internal supervisory apparatus (APIP), which plays a crucial role in ensuring transparency and accountability in local financial management. Furthermore,  $IEPK_{it}$  is the corruption control effectiveness index, which measures the extent to which regional governments are able to control corrupt practices within the bureaucracy and public finance. This index reflects the integrity of the oversight system, the strength of institutions, and the success of anti-corruption policy implementation, all of which directly impact the quality of financial governance. The variables  $ages_{it}$ ,  $mun_{it}$ , and  $island_{it}$  are control variables in this study, measured using the natural logarithm (Ln) of total asset values. The variable  $ages_{it}$  refers to the age of the regional government during the 2021-2022 period, measured by the number of years since the establishment of the local government up to 2022. It represents the maturity or experience of the government or its officials, which is assumed to influence budget management capability. The variable  $mun_{it}$  is a fixed effect for each district/municipality, capturing unique regional characteristics that do not change over time. It also reflects the status of the local government, measured using a dummy variable: provincial governments are assigned a value of “2”, municipal governments “1”, and others (such as regencies) “0”. The variable  $island_{it}$  represents the geographical location of the regional government, also measured using a dummy variable, where “1” indicates that the region is located on the island of Java, and “0” if it is outside Java. This is intended to control for geographic disparities between islands that may affect a region’s fiscal capacity. Finally,  $\epsilon$  is the error term that captures other unobserved factors outside the model that may also influence regional fiscal independence. Source: processed secondary data from STATA-17 output (2025).

Table 4.2 shows that the correlation between  $fiskalmandiri_{it}$  and  $APIP_{it}$  is 0.3432, indicating a moderate positive correlation between these two variables, although not very strong. The correlation between  $fiskalmandiri_{it}$  and  $IEPK_{it}$  is 0.2705, also showing a positive relationship but weaker compared to the correlation between  $fiskalmandiri_{it}$  and  $APIP_{it}$ . The correlation between  $fiskalmandiri_{it}$  and  $ages_{it}$  is 0.3667, indicating a fairly

strong relationship between fiscal independence and age. Meanwhile, the correlation between  $fiskalmandiri_{it}$  and  $mun_{it}$  is more significant, at 0.6636, showing a strong positive relationship. The correlation between  $fiskalmandiri_{it}$  and  $island_{it}$  is 0.3935, which also indicates a moderate positive relationship. For  $APIP_{it}$ , there is a moderate positive correlation with  $IEPK_{it}$  (0.3222), and weaker correlations with  $ages_{it}$  (0.2275),  $mun_{it}$  (0.2461), and  $island_{it}$  (0.0887). The weak correlation between  $APIP_{it}$  and  $island_{it}$  suggests a very low relationship. Furthermore, the correlation between  $IEPK_{it}$  and  $ages_{it}$  is 0.2123, showing a very weak but positive relationship. The correlation between  $IEPK_{it}$  and  $mun_{it}$  is 0.1342, which is also weak but still positive. The correlation with  $island_{it}$  is 0.0853, indicating almost no significant relationship. The correlation between  $mun_{it}$  and  $island_{it}$  is 0.0756, which is very weak but remains positive. Overall, this table shows that most variables have positive correlations with each other, although the strength of these correlations varies from weak to moderate. There are no very strong correlations among the variables, indicating that the relationships between these variables are not dominant or deterministic.

Table 4.2

## Variable Correlation Analysis

	$fiskalmandiri_{it}$	$APIP_{it}$	$IEPK_{it}$	$ages_{it}$	$mun_{it}$	$island_{it}$
$fiskalmandiri_{it}$	1.0000					
$APIP_{it}$	0.3432*** 0.0000	1.0000				
$IEPK_{it}$	0.2705*** 0.0000	0.3222*** 0.0000	1.0000			
$ages_{it}$	0.3667*** 0.0000	0.2275*** 0.0000	0.2123*** 0.0000	1.0000		
$mun_{it}$	0.6636*** 0.0000	0.2461*** 0.0000	0.1342*** 0.0010	0.0756*** 0.0159	1.0000	
$island_{it}$	0.3935*** 0.0000	0.0887*** 0.0046	0.0853*** 0.0064	0.4431*** 0.0000	0.0284*** 0.3658	1.0000

Notes: number of observations= 1.018, operational definition of variables is provided in Table 3.1, and \*\*\*= significant at the 1% p-value level and source= processed secondary data from STATA-17 output (2025).

Table 4.3

## Hypothesis Testing

Variabel	Expected Sign.	$fiskalmandiri$
Cons		-4.625 0.000
$APIP_{it}$	H <sub>1</sub> : (+)	2.080*** 0.000
$IEPK_{it}$	H <sub>2</sub> : (+)	2.506*** 0.000
$ages_{it}$	(+/-)	.0752*** 0.000
$mun_{it}$	(+/-)	12.763*** 0.000
$island_{it}$	(+/-)	8.793*** 0.000
Prov.>F		0.0000
Adj R-Square		0.6316
Obs.		1.018

Notes: operational definition of variables is provided in Table 3.1, \*\*\*= significant at the 1% p-value level, and source= processed secondary data from STATA-17 output (2025).

Table 4.3 presents the results of the regression analysis with  $fiskalmandiri_{it}$  as the dependent variable and several other variables as independent variables. The constant (intercept) value is -4.625 with a very small p-value (0.000), indicating that the constant is statistically significant in the model and can be interpreted as the baseline effect when all independent variables are equal to zero. The coefficient for  $APIP_{it}$  is 2.080 with a p-value of 0.000, showing a positive and significant relationship between  $APIP_{it}$  and  $fiskalmandiri_{it}$ , supporting hypothesis H<sub>1</sub>. The coefficient for  $IEPK_{it}$  is 2.506, also with a p-value of 0.000, indicating a significant positive relationship with  $fiskalmandiri_{it}$  and supporting hypothesis H<sub>2</sub>.  $Agas_{it}$  has a coefficient of 0.0752 with a p-value of 0.000, indicating a significant positive relationship with  $fiskalmandiri_{it}$ , although this relationship could potentially be either positive or negative depending on context. The coefficient for  $mun_{it}$  is 12.763 with a p-value of 0.000, indicating a very strong positive relationship with  $fiskalmandiri_{it}$ , suggesting that the higher the  $mun_{it}$  value, the greater the value of  $fiskalmandiri_{it}$ .  $Island_{it}$  has a coefficient of 8.793 with a p-value of 0.000, also showing a significant positive relationship with  $fiskalmandiri_{it}$ , even though the initial hypothesis did not specify a clear directional expectation. The F-statistic p-value of 0.0000 indicates that the regression model is overall statistically significant, meaning that the independent variables collectively have a substantial effect on  $fiskalmandiri_{it}$ . The adjusted R-square value of 0.6316 suggests that approximately 63.16% of the variation in  $fiskalmandiri_{it}$  can be explained by this model, indicating a fairly strong model, although other factors not included in the model may also contribute. A total of 1,018 observations were used in this analysis, providing a robust dataset for the regression model.

## 4.2. Discussion

The acceptance of the first hypothesis, which indicates that APIP has a positive effect on regional fiscal independence, is supported by various previous studies stating that strengthening the government internal supervisory apparatus (APIP) and enhancing accountability and transparency are crucial steps in improving governance. These efforts can reduce the abuse of power and increase regional fiscal independence. With an effective supervisory system, regions can become more autonomous in managing their finances and reduce dependence on central government funds (Primastuti et al., 2020). Oversight of funds received from the central government is necessary to improve management effectiveness; APIP plays a role in ensuring that the use of balancing funds and transfer revenues aligns with regional development goals and reduces long-term dependence on the central government (Sanga & Yulia Jaeng, 2023). Research by Rohanda and Azhar (2023) shows that with good supervision, the realization of capital expenditures at the regional level can proceed according to the approved budget, contributing to improved regional financial performance and independence.

Furthermore, the second hypothesis, which states that corruption control positively affects regional independence, is supported by Astuti et al. (2024), who argue that corruption control and increased fiscal independence can be achieved through effective transparency and accountability measures that strengthen governance, reduce corruption, and improve fiscal sustainability in regional budget management. Paranata (2022) also highlights that corruption control efforts through public complaint systems and effective accountability mechanisms can significantly reduce corruption opportunities at the regional government level and directly contribute to enhancing fiscal independence. Research by Fahrizal and Bintoro (2022) emphasizes that effective supervision and corruption control policies are vital elements in creating transparent and

accountable governance. APIP's role is essential in ensuring accountability, transparency, and preventing corrupt practices that harm regions. APIP plays a key role in ensuring that regional financial reports comply with applicable standards and are not manipulated by parties with personal interests. From these studies, it can be concluded that this research empirically demonstrates the relationship between APIP and corruption control with regional fiscal independence. Previous research has indicated that the role of APIP and corruption control is critical in creating fiscally independent regional governments. As stated by Ermawati and Aswar (2020), regional original revenue (PAD) is a primary indicator for measuring regional fiscal independence, enabling regions to finance government activities and development without reliance on central funds. However, they also highlight that the more independent a region is, the greater the potential for budget leakage. Therefore, oversight of budget management is vital to maintain transparency and prevent abuse of authority. Paranata (2022) adds that corruption control measures through public complaint systems and effective accountability mechanisms can reduce corrupt practices at the regional level, thereby supporting improved regional fiscal independence. In this context, Erika et al. (2022) emphasize that strengthening APIP functions not only as a supervisor but also as a strategic partner in fiscal policy planning and implementation. APIP helps identify potential obstacles in regional tax revenue collection and provides analysis-based recommendations to increase the efficiency and effectiveness of PAD collection, which ultimately supports fiscal independence. Moreover, Sakinah et al. (2024) show that internal supervision by APIP plays a crucial role in reducing corruption risks at the regional level. With effective supervision, budget use can be more efficient and free from corrupt practices, supporting regional independence. These findings align with Indriyani et al. (2024), who reveal that effective corruption control, involving enhanced government supervisory capacity, contributes to better fiscal resilience and supports regional independence. Indriyani et al. (2024), also emphasize that regions successful in controlling corruption have more resources to fund local development projects without depending on central government assistance, thereby supporting fiscal independence. Yudanto and Pesudo (2020) warn that weak internal control and supervision can hinder the achievement of regional independence. Although APIP has developed several supervisory programs, evaluations show some weaknesses in implementation, resulting in abuse of authority at the regional government level (Izzati et al., 2024). Therefore, strengthening APIP capacity and improving corruption control systems must be priorities for regional governments. With better supervision and more effective corruption control, regions will be able to manage resources more efficiently, reduce dependence on central government funds, and ultimately achieve sustainable fiscal independence. This study provides evidence that enhancing internal supervision and corruption control significantly contributes to strengthening regional independence, which in turn supports more autonomous and sustainable regional development.

## **V. CONCLUSION**

Based on the findings of this study, it can be concluded that strengthening the government internal supervisory apparatus (APIP) and implementing effective corruption control measures play a crucial role in enhancing regional independence. APIP's ability to conduct effective supervision can improve transparency and accountability in regional financial management, which ultimately contributes to reducing regional dependence on budget allocations from the central government. With stronger internal oversight and robust corruption control mechanisms—through public complaint systems and other internal policies—the potential for corrupt practices can be

significantly reduced, thereby increasing regional fiscal autonomy. The reduction of corruption is directly linked to more efficient and accountable financial management, which in turn strengthens the region's fiscal position. Therefore, enhancing the capacity of APIP, along with the implementation of effective and comprehensive anti-corruption strategies, is a key factor in realizing a self-reliant, efficient, and sustainable local government, free from excessive dependence on central government funding.

This study has significant implications for both public policy and the practice of regional governance in Indonesia. Enhancing the capacity of APIP and strengthening effective corruption control mechanisms can serve as strategic solutions to reduce regional dependence on central government transfers. With a more transparent, accountable, and efficient budgeting system, local governments can become more self-reliant in managing their finances and improve the efficiency of resource utilization. This enables regions to accelerate development and achieve greater fiscal independence, which is essential for promoting public welfare. The implications of these findings are highly relevant to regional development planning that prioritizes autonomy and long-term sustainability, rather than relying solely on assistance from the central government.

Despite its valuable contribution to understanding the relationship between corruption control and regional independence, this study has several limitations that should be acknowledged. First, the study uses data from only one time period—2021 to 2022—which may not fully capture the long-term dynamics of the relationship between corruption control and regional independence. Therefore, using data spanning a longer timeframe would provide a more comprehensive and dynamic view of this relationship. Second, although the study incorporates various relevant variables, there may still be external factors not fully accounted for in the model that could influence the level of regional fiscal independence, such as changes in national policy or global economic fluctuations that affect regional financial stability.

Given these limitations, future research is recommended to examine the relationship between corruption control and regional independence over a longer and more sustained period. Longitudinal studies would allow for a clearer understanding of how this relationship evolves over time. In addition, future research could develop more complex models by incorporating a wider range of external variables, such as socio-economic factors or changes in national fiscal policies, that may affect regional autonomy. Researchers are also encouraged to conduct comparative studies between regions with varying levels of oversight in order to identify factors that influence the effectiveness of supervision in promoting regional independence. Thus, future findings can offer deeper insights into how to enhance the effectiveness of oversight, improve corruption control, and strengthen APIP's capacity to achieve better regional independence moving forward.

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