



A New Era of Government Financial Management: A Case Study of Non-Cash Policies in Local Governments

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ABSTRACT

This study aims to understand the implementation steps of non-cash transaction policies in the Central Java Provincial Government, with the Policy Implementation Theory from Edward III (1980) to analyze the supporting and inhibiting factors of implementation. The use of non-cash as a transaction tool, there is still debate regarding the benefits and disadvantages of using non-cash transactions to the public. This research is descriptive qualitative research with a case study approach. The results showed that the implementation of the non-cash policy in the Central Java Provincial Government carried out the following steps: preparation, implementation, control. Supporting factors in implementation come from communication and financial resources. Meanwhile, human resources, physical resources, dispositions, and bureaucracy need to be evaluated because they can hinder implementation in the Central Java Provincial Government. Research shows that the implementation of the non-cash transaction policy has been going well in terms of the implementer's understanding of non-cash administration.

INTRODUCTION

Today, the issue of accountability has become something essential in state finances management. Basically, accountability is interpreted as an individual or organization's effort to account for the performance expected by other parties [1]. Mardiasmo states that the community as a party that gives trust to the government to manage public finances has the right to obtain government financial information to conduct government evaluations, [2]. The government's effort to overcome accountability issues is by implementing good governance. One of them is implementing a regional transaction electronification policy, namely a non-cash transaction policy in the revenue and expenditure sector of state finances. This is in line with the study result of [3] states non-cash transactions are considered to be able to increase the realization of the principles of good governance, especially the principles of accountability and transparency. One of the benefits of non-cash transactions is that it reduces budget leakage and increases the effectiveness of state financial management. Therefore, public trust can increase, such as in the provision of social assistance. The transfer system of social assistance (non-cash) can increase public trust in the government in Tanzania [4]. The non-cash transaction policy is also predicted to be able to narrow the movement of corruption deviations. Non-cash transactions can reduce petty corruption, which is the lowest level of corruption compared to all forms of corruption in the government [5], [6].

Non-cash transaction policies at the implementation level are still experiencing severe challenges in developing countries [7]–[9]. The complexity of the policy itself causes challenges and obstacles in implementing the policy, and it cannot be resolved in routine ways. The resistance of organizational actors to organizational change is a severe obstacle to the success of a policy, including the non-cash transaction policy. Chang states that changes in the organizational environment can be caused by homogeneity, which creates barriers to new organizational practices, [10]. In line with Wahab's opinion, an important factor for policy is at the level of the policy implementation, where the policy concerns the realm of conflict, complicated issues, and the issue of who gets the benefits from a policy, [11].

The non-cash transaction policy in Indonesia is based on Presidential Instruction (Inpres), [12] concerning Actions for Prevention and Eradication of Corruption and Circular of the Minister of Home Affairs, No. 910/1866/SJ of 2017 concerning Implementation of Non-cash Transactions. Gradually, the central/regional government is required to implement a non-cash transaction policy in financial management. The Central Java Provincial Government has begun to implement a non-cash transaction policy with the Governor's Instruction, No. 198 of 2017 concerning the Implementation of Non-cash Transactions in the Central Java Provincial Government. Implementing non-cash policies in the Central Java Provincial Government is still relatively low after almost two years of implementation. From the initial interviews, it can be seen that it is still tough to implement non-cash spending within the OPD scope. There are still many transactions with small amounts of expenditure that still use cash and the availability of infrastructure, and there are still obstacles related to supporting banking [15]–[17].

Previous research related to non-cash has been carried out by [3], [5]–[9], [17], [18]. These studies discuss non-cash transactions, the benefits of non-cash transactions, and their relation to the financial management of public sector organizations. However, the results of Passas's (2018) research suggest otherwise. It refutes the argument that cashless payment restrictions can help reduce serious crime while pointing to some detrimental consequences for the public interest, such as privacy.

Unlike the previous research, this research was conducted based on several considerations: first, this study focuses on non-cash transaction policies using Edwards III's public policy theory analysis. Second, there is research on gaps and existing phenomena. Therefore, this study aims to understand the steps for implementing non-cash transaction policies in regional financial management.

LITERATURE REVIEW

Theory of Public Policy Implementation

Theory of Public Policy Implementation from Edward III, (1980) Theory of Public Policy Implementation from Edward III (1980) is the

public policy that will be successfully implemented if viewed from the two questions first, the factors that support and hinder the success of policy implementation. From these two questions, four factors are formulated: the main requirements for the success of the process: implementation, namely communication, resources, the attitude of implementers and organizational structure, including bureaucratic workflow. Communication is defined as the process of delivering communicator information to the communicant. Information about public policies needs to be conveyed to policy actors so that they know what must be prepared and what needs to be done to implement the policy. Therefore, the goals and objectives of the policy can be achieved as expected. Resources have an important role in policy implementation. These resources include human resources, budget resources, and equipment resources. Disposition is the willingness, desire, and tendency of policy actors to carry out the policy seriously to realize the policy's goal. Policy implementation may still be ineffective due to the inefficiency of the bureaucratic structure. The bureaucratic structure includes bureaucratic structure, division of authority, relationships between organizational units, etc.

Selection of Edward III Theory as an Analytical Tool

Based on some of the organizational theories above, the researcher did not choose Lewin, (1951) theory of Organizational Change because the researcher focused on policy implementation, not the process of organizational change. The researcher did not choose New Institutional Theory from DiMaggio & Powell, (1983) because this theory focuses on the adaptation phase (isomorphism) rather than policy implementation.

The researcher chose the Public Policy Implementation Theory from Edward III (1980) because of the following considerations. First, it follows the problem conditions where implementation can be started from two statements: the requirements and the obstacles to the success of policy implementation. Edward III (1980) answered these two questions with four crucial factors in implementing public policy. They are communication, resources, disposition and bureaucratic structure. Second, the selection of Edward III's theory (1980) is based on the consideration that it can explain the

supporting elements and obstacles to the success of program implementation in terms of the internal organization that is in line with the study that the researcher wants to do. Third, the selection of this theory is also based on the consideration that substantially, the four implementation factors are directed to the government bureaucratic apparatus. The model proposed by Edward III (1980) is top-down and suitable to be implemented at a structured bureaucracy in a government institution where each level of the hierarchy has a role and function in policy elaboration.

RESEARCH METHODS

This research is descriptive qualitative research with a case study approach. The claim that non-cash transaction policies can increase local government financial management accountability made the researchers use the Edwards III theory as an analytical method to capture the reality of implementing non-cash policies in the field. It also serves as a tool to explain the implementation of the policies mentioned above. The location of the research was carried out in the Central Java Provincial Government. Site selection is based on several considerations; they are; (1) The Central Java Provincial Government has a significant APBD value, one of the biggest APBA value; (2) the implementation of the non-cash transaction policy is not yet 100% optimal; (3) availability of access to explore this research.

Primary and secondary data were used in this study, primary data were obtained from interviews and observations. Interviews were conducted with informants who have the capacity and role in implementing the non-cash transaction policy. Meanwhile, the secondary data was obtained in the form of documents, such as government regulations or governor regulations and other documents related to non-cash transactions. Qualitative data analysis adapts Huberman & Miles, 2002, namely; (1) data reduction; (2) Data presentation; and (3) Conclusion or verification.

FINDINGS AND DISCUSSION

Non-Cash Policy Implementation

The non-cash transaction policy implementation period has begun in the financial

management of the 2018 fiscal year. During the two periods of financial management, the Central Java Provincial Government was guided by Presidential Instruction No. 10 of 2016 and SE Minister of Home Affairs No. 1866 of 2017 and Governor's Instruction No. 198 of 2017 as the central policies in managing non-cash based finance. These three regulations have resulted in a non-cash transaction policy in regional financial management.

Preparation Stage of Non-Cash Transaction Policy

The Central Java Provincial Government carries out the preparation stage at the beginning of the fiscal year. The Central Java Provincial Government is in the preparation stage for implementing the non-cash policy, dividing these stages into forming a finance team, policy socialization, and training of regional apparatus organizations. The development of non-cash implementation is seen in socialization and training, where the process of understanding non-cash material by regional apparatus organizations (OPD) has been seen.

Implementation Stage of the Non-Cash Transaction Policy

The implementation stage plays a vital role to determine the output of non-cash-based financial management. The Central Java Provincial Government divides this stage into several steps: financial administration reconciliation, coordination and consultation, and financial system integration. The financial system as an obstacle in the initial non-cash administration has been overcome by integrating host-to-host applications with banking services. Financial management Regional apparatus organizations are given convenience in the process of financial transactions.

Control Stage of Non-Cash Transaction Policy

In the implementation of the non-cash policy, problems are found, both intentional and unintentional. It is necessary to control policies, namely inspectorate supervision and monitoring and evaluation (monev), to avoid (minimize the occurrence of problems) and detect obstacles or problems to make improvements immediately. The control system is attached to management in the form of internal control.

Analysis of Non Cash Policy Implementation

Implementation of non-cash transaction policies to support success, analysis of policy implementation was carried out using Edward III (1980) Theory at all stages of policy implementation. This model groups the supporting and inhibiting factors for successful implementation from the inner side of the organization into four factors: communication, resources, disposition, and bureaucratic structure.

Communication

In the communication process, the Central Java Provincial Government has fulfilled the dimensions of transmission, clarity and consistency as stated in Edward III's Theory (1980). The Central Java Provincial Government carries out the transmission dimension by conducting policy socialization to Regional Apparatus Organizations.

The Central Java Provincial Government consistently documents all technical instructions to ensure clarity of communication in the implementation of non-cash policies. Meanwhile, in guaranteeing the consistency of communication, the Central Java Provincial Government consistently coordinates with BPKAD and OPD intensively.

Based on the description above, it can be concluded that communication is a supporting factor in policy implementation. It can be seen from the results of communication that lead to the attitude of the need for non-cash in financial administration.

Resources

Resources play a role as fuel in the implementation of the policy. The resources here are human resources and other policy support resources (such as financial and physical). Resources are an essential factor because when policy communication has been carried out, it plays an important role in policy implementation. The analysis of the resource factor at the preparation stage for the implementation of non-cash transactions is as follows:

1. Human Resources

Human resources are one of the variables that influence the commitment to policy implementation. Edward III (1980) stated that "maybe the most essential resource in

implementing policy is the staff.” Edward III (1980) added, “no matter how clear and consistent the order of implementation is and no matter how accurately they are dispatched, if they lack the resource of the personnel or the staff responsible for the policy implementation, it will not be effective.” In policy implementation, human resources have a role since the preparation stage of the policy implementation. The adequacy of the HR factor is not only seen in the quantity but also the quality. It is essential to have enough or adequate Human Resources to support the successful implementation of the non-cash transaction policy in the Central Java Provincial Government.

From the description above, it can be seen that the factor of human resource become the hinder of the policy implementation. The obstacle arises from the minimal amount of personnel who have the competency and understand accounting and information technology. Moreover, the availability of human resources and the distribution in each OPD are not evenly distributed.

2. Financial Resources

The Central Java Provincial Government has budgeted for socialization and training in the BPKAD budget, so as to provide optimal output in non-cash administration.

The stages of policy implementation that receive the most significant funding support are the stages of preparation for policy implementation (socialization and technical guidance) to guarantee the success of the next stage. Thus, it can be concluded that financial resources are a supporting factor in implementing policies in the Central Java Provincial Government.

3. Physical Resources

Physical resources in facilities and infrastructure have a significant role in achieving policy objectives for policy implementation. The facilities and infrastructure in the Central Java Provincial Government are considered good. Although there are few obstacles in the integration of information systems related to organizations outside the Central Java Provincial

Government, the policy implementation has been running.

From the descriptions and results of the interviews above, we can conclude that physical resources in system integration form are still minimal to inhibit policy implementation even though the budget for the fulfillment of facilities and infrastructure is supported.

Disposition

The policy implementers’ disposition is the third factor that significantly influences the non-cash policy implementation. If the implementers are different, i.e., have the same view of the order, this means support and vice versa. The same happens if the behavior or perspective of the implementers is different from the decision-makers, then the implementation process of a policy will become more challenging. (Edward III, 1980).

From the description above, it can be said that the dispositional factors that hindered the policy came from the organizers stating that there were too many applications on the treasurer.

The Structure of Organization

The bureaucratic structure is the last inhibiting factor in the implementation of the non-cash policy of the Central Java Provincial Government. This obstacle comes from the Standard Operating Procedure (SOP) and bureaucratic fragmentation. SOPs that become obstacles are SOPs for transactions with different banks and the unavailability of a Standard Chart of Accounts for administrative expense accounts.

The fragmentation that becomes the obstacle is the different perceptions between departments which causes differences in non-cash liability documents.

CONCLUSION

The Central Java government carries out the following steps in policy implementation: 1) preparation (formation of the Finance Team, socialization/technical guidance, and policy training); 2) implementation (financial administration reconciliation, coordination and consultation, and financial administration system); 3) control (inspectorate supervision,

monitoring, and evaluation). The Central Java government carries out these steps in policy implementation: 1) preparation (formation of the Finance Team, socialization/technical guidance and policy training); 2) implementation (financial administration reconciliation, coordination/consultation and financial administration system); 3) control (inspectorate supervision, monitoring and evaluation).

The research results related to the analysis of the implementation of the non-cash transaction policy using the analysis tool of Edward III's Theory (1980) showed the inhibiting factors for the implementation of the Central Java Provincial Government. These factors are resources, disposition, and bureaucratic structure.

The first internal factor comes from policy communication. The conclusion regarding the communication factor in implementing the non-cash transaction policy shows that communication has been carried out well. The Central Java Provincial Government, through BPKAD does a lot of socialization and coordination in implementing policies. Socialization and coordination are carried out internally and externally (Bank Jateng and related parties). Coordination is carried out by making full use of technology support (WhatsApp, Facebook, and website.).

Several supporting and inhibiting factors were found through the analysis of resources at all steps of policy implementation (HR, Finance, and Infrastructure). The supporting factor comes from financial resources, where the Central Java Provincial Government places a large portion of

the budget in DPA related to the implementation of OPD regional financial administration on non-cash policies. The inhibiting factor comes from human resources and infrastructure. The Central Java Provincial Government's mutation process is rigid due to the minimal composition of human resources in finance and information technology. Physical infrastructure in the form of banking access is very minimal because it only uses one bank, namely Bank Jateng.

From the disposition factor in all steps of the non-cash transaction policy implementation, there are things that the Central Java provincial government needs to consider. The disposition of the implementer is at an insufficient level related to the transaction implementation process that uses three applications (CMS Bank Jateng, eAdministration and eBiling Director General of Taxes), increasing the complexity of operating information systems that are not yet integrated, and the long process of SPJ match between the application systems.

Related to the bureaucratic structure factor in all steps of the non-cash transaction policy implementation, the Central Java Provincial Government needs to pay attention to SOP issues, namely: 1) SOPs for non-cash transactions involving other than Central Java Banks and do not have bank accounts yet; 2) Standard Chart of Accounts (BAS) related to interbank administration fees; 3) Better coordination between departments after the implementation of non-cash transactions; 4) simplifying SOPs for non-cash transactions through regional regulations to improve the efficiency of non-cash transaction policies.

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