

## THE ROLE OF FINANCIAL SIGNALS IN REGIONAL REVENUE AND EXPENDITURE BUDGETS REGIONAL GOVERNMENT PERFORMANCE

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### ABSTRACT

*This research aims to allocate the APBD made and planned by the Regional Government to improve the performance of the Regional Government, especially in terms of regional welfare and development. The research population is 34 provinces in Indonesia in 2019-2021. This study uses several independent variables, namely regional wealth, regional size, and capital spending to examine the relationship between the dependency variables proxied by local government performance. The study used quantitative methods with multiple regression analysis using the IBM SPSS 25 statistical test tool. The results showed that regional wealth, regional size, and spending capital had no effect on regional government performance.*

### ABSTRAK

Penelitian bertujuan apakah alokasi APBD yang dibuat dan direncanakan oleh Pemda dapat meningkatkan kinerja Pemerintah Daerah terutama dalam hal kesejahteraan dan pembangunan Daerah. Populasi penelitian yaitu 34 provinsi di Indonesia dengan tahun 2019-2021. Penelitian menggunakan beberapa variabel independen yaitu kekayaan Daerah, ukuran Daerah, dan belanja modal untuk menguji hubungan pengaruhnya terhadap variabel dependen yang di proksikan dengan kinerja Pemerintah Daerah. Penelitian menggunakan metode kuantitatif dengan analisis regresi berganda dengan alat uji statistik IBM SPSS 25. Hasil penelitian menunjukkan bahwa kekayaan Daerah, ukuran Daerah, dan belanja modal tidak berpengaruh terhadap kinerja Pemerintah Daerah.

## 1. INTRODUCTION

Economic growth is one indicator that countries can to grow and increase in terms of finance and well-being both in the central and regional sectors. According to (Saputri, 2020), Indonesia has enter a transfer within the meaning of the Government's original direction command and control and is currently a matter of service interest and a forward orientation to meet public demands and ultimately form an autonomous Government. Based on Law No. 32 Year 2004 concerning Local Government, as well as the determination of regulations by Government, the authority possessed by the ruler of the territory is to regulate Area mapping, covering various management activities that cover regulatory and assessment activities, and implementation programming and activities supervision (Rahmawati, 2019). There is regional autonomy, rulers The region has the authority to regulate and manage existing resources with his ability, and take care of his own Government matters. Authority for the allocation of resources in an independent way obliges the ruler of the territory Organize good financial management information in accordance with principles regional financial management, which will be used as one of the databases in assessment of the performance capability of regional local governments (Aminah et al., 2019).

According to (Mardiasmo, 2011), one meaningful view on Implementation of regional autonomy as well as carefully regulated decentralization is a problem of regional financial management and calculation regions to create regional autonomy and great decentralization, obviously, and responsible regional financial management is needed that is able to monitor and manage regional financial policy in a low-cost way, Efficient, Efficient, Transparent, and Accountable. The success of area autonomy not exempt from the power of the area ruler in managing his finances by means of the orderly, obeying the rules of law, having usefulness, economical, efficient, transparent and responsible. Ability evaluation Financial management is tried to the regional budget that will be used by the ruler Regions that must deliver financial responsibility information His area to see if the ruler of the territory successfully implemented the task is good or not (Harahap, 2020). According to (Ernawati, 2017), The linkage with the granting of autonomy authority requires the territory to Carry out development in various aspects, especially for services and development of proper tools and infrastructure. APBD information for each region can be used as a measure on the way

of regional development. That information can be help citizens evaluate the ability of the ruler in managing the finances of the region, has the distribution of income been suitable with the wishes of the community or not (Aziz, 2016).

According to Aulia & Rahmawaty, (2020), capability measurement can be carried out by Looking at the achievements obtained from time span to time span Further then appealed. Application of financial comparisons to APBD, is a comparison of capabilities, a comparison of effectiveness, a comparison Independence and comparative development is one of many A benchmark that can be used to describe the financial capabilities of the ruler region Regarding managing the finances of the region. Local Original Revenue is an important base of income for the region autonomy of various sector zones such as levies as well as regional taxes, yield management of the wealth of the separated area, as well as other PAD that is legal (Saputri, 2020), (Abdullah & Asmawanti, 2015), and (Darwanis, 2012).

Wrong One marker of the independence of a region is measured through increments Indigenous Incorporation of Territories every year therefore, PAD has a meaningful position on ensuring the financial capability of the region as well as territorial independence (Liando, 2017). Based on data obtained from the ministry of finance, at the end October 2022 Government (Pemda) budget that settles in banks reached IDR 278.73 trillion. The amount of local government budget stored and Settling in the banks, this is due to the distribution of the budget to each of them. each area of Local Government that is not well realized, then In terms of budget absorption that has not been maximized due to improper planning at the beginning of the preparation of regional expenditure activities, so that in this case make the realization of the performance of the Regional Government in Proxies with finances become not optimal, resulting in Welfare and equitable development for the community are not working well. Figure 1 shows the data obtained in katadata.co.id Some regions in Indonesia have low APBD absorption.



Figure 1. The Lowest Realization of the Local Government Budget in 2022

Based on the data above, at the end of 2022, precisely in October Some local governments in Indonesia still have the performance of local governments that has not been maximized in distributing its APBD funds Especially for eastern Indonesia such as Papua, if you look at this will have a significant effect on well-being or turnover The economy in the area will be disrupted. So it will affect the level of welfare that will be received by the citizens of the region and will result in the performance of the Government in turnover The spending it has will be bad in the absorption that will be achieved.

Based on the description and explanation above, this research was conducted to find out more about the role of Local Government in doing realization of the APBD for the development and progress of the Region. So as to show the extent of the results of the performance of Local Governments in Its implementation is for the development of its autonomous region, besides this research focuses in certain indicators such as some factors that affect performance Local Government such as Regional Wealth, Regional Size, and Capital Expenditure The focus and attention in this research is to measure performance Local Governments in 2019-2021 in all provinces in Indonesia. Using the above variables can give you an idea of whether Financial signal factors will have an impact on the realization of either or poor performance of local governments and

provides an idea of whether with flexibility in terms of autonomy granted by the people as mandated through the Act providing faster access in Realization for Community Welfare and Equitable Development to improve the economy of the Region. The results of this research will later be provide information both theoretically and practically. Theoretically provide implication results whether the research results will support existing theories, So that a new theoretical study can emerge, then to Practice studies can be the basis for reference for regulators to be able to take decisions or policies in the future. According to Jensen, M., C., (1976), agency is a kind of agreement between principals and agents, focusing on allocating some authority on the agent to make a decision in terms of execution Government. In a group of public sector organisations, the agency philosophy can be carried out in Government with the main objective that, the community can Easier and more advanced in terms of economic access sourced from in agreement between principles in this case the central government as the main controller of the state economy to the Regional Government as an agent implementers to support and assist the central Government in matters of economic equality and development of citizens and their communities in the Regions (Lane, 2000) and (Aulia & Rahmawaty, 2020).

According to (Verawaty, 2017), agency philosophy can be applied to implementation of Government. Form the concept of the relationship between agent and principal is a very useful analytical framework for explaining problems incentives to institutions of public sector organizations with two possible situations, There are several principals with each mission and need. Incoherent and principals can also play a role that does not fit into the needs citizens, but prioritize needs of a smaller character. Agency relations with the ruler are carried out based on the ruler's regulations territory and not just to meet the needs of principals. When In relation to the financial capacity of the region, the central ruler is principal where the central ruler is the party who plays a role as a donor command and work to monitor, share evaluations and feedback on obligations already carried out by the ruler of the territory. If the financial capacity of the territory governed by the territorial lord is good, the power of a territory is made Manage the region's original financial resources to meet its needs It also wants to be fulfilled and not entirely dependent on the central ruler (Verawatyet al., 2020). For Zimmerman (1977), agency problems exist in all types Either groups are public sector

zones or private sector zones. In sector zones Private is established between stakeholders and their management, vice versa in the zone Public Sector Bureau This dilemma is intertwined between the ruler and the person (citizen) where the person is the principal who delegates authority and the ruler as an agent, to set his Government on the distribution chart services to citizens (Aminahet al., 2019). Illustration of agency in Government between the executive as well as the legislature. executive as agent and legislature as principal (Fozzard, 2001). Between executives and legislators are often involved in clashes On ensuring discretion, Kala cites an agency decree.

Therefore, the assumption tried by (Lupia, 2000), reported that Problems that are often experienced by the legislature can be referred to as events A phenomenon called agency theory. On the principle of agency that Good, principals or agents sometimes behave unethically. Both often Carrying out a breach of a contract of similar activity, is the presence of Time deviations in the categorization of calculations to meet needs principal (Colombatto, 2001). As for (Andvig et al., 2001) politicians Using calculations for personal needs and or groups. Government Regulation No. 12 of 2019 concerning Financial Management Regions report that performance is the output or result of the program or activities that are about or have been achieved in connection with the use of calculations with measurable amounts and quality (Saputri, 2020).

If the output is large compared to the input, so it continues to be a large level efficiency of a group (Andirfa, M., H. Basri, 2016). Reverse Ability Regional Finance is the level of achievement of a result of activities in the field Regional finance using financial markers that have been formalized First with the mission to recognize the power of a region in regulating its finances (Wibawa et al., 2017). Regional Native Incorporation or so-called PAD is an insertion derived from the ability of the area levied in accordance with the regulations Legislation (Saputri, 2020). PAD as the backbone of the territorial financing that has a constriction to APBD with a description, the income of the territory obtained so that the financial capacity of the Ruler Regions are considered capable of creating their own Regions and can allow the territory to fulfill the whims of unrelated territorial activities in the central ruler. Territorial Indigenous Incorporation has a position quite important in the operational activities of regional rulers (Liando, 2017).

Regional Original Income (PAD) is a supporting aspect of economic capability big. Positive developments urge an increase in capital as a result by The concurrent way of capital is to urge an increase in infrastructure correction region. Good regional infrastructure and accompanied by large capital in a region is about to raise the PAD of the Pemda (Mustikarini, 2012). The high PAD can minimize regional dependence on funding drives from the center. There are several studies previous who found significant results of association between PAD and Local Government performance as conducted by (Muttaqinet al., 2021), (Apridiyanti, 2019), and (Verawatyet al., 2020) who gave opinions that with high PAD can reduce the level of dependence Local Government to the transfer of funds from the central government so that the realization of local government performance becomes faster. With theoretical studies as well as Previous research that can be concluded for the first hypothesis viz.

H1: Local Original Revenue (PAD) has a significant positive effect to the performance of Local Governments. The larger the scale of the estimated area becomes the total overall size regional assets owned by the Regional Government, so that it continues become also great performance capabilities of the autonomous regions it controls (Kusumawardhani, 2012). if the local government has the same amount Large may limit the ability of causes such as shopping that should be enjoyed by allocated citizens for the maintenance of large enough assets, So that the number of assets owned can produce capabilities bureaucracy Poor governance. Another subject was said by (Marfiana, 2013) and (Nugroho, 2018) for him the size of the local government proxied With the size of the overall asset does not prove good or not the ability of the local government, this is because there is an aspect of ability in management of assets and the amount of inheritance owned by each In fact, the local government does not increase the ability of the local government in this regard because of this Because the many relics in the local government are relics that cannot be used in a productive way. With theoretical studies and research of researchers Earlier it can be concluded that the second hypothesis i.e.

H2: Regional Size has a significant positive effect on performance Local Government. In Government Regulation No. 71 of 2010 concerning Standards Government accounting claims that capital expenditure is an expense Create asset acquisitions (consistent assets or other assets) that are useful more than one accounting time span (Nugraheni



& Adi, 2020). Required territories Prepare a budget at the beginning of the time period so that it is on a time span The existing development is suitable and does not share Losses to the territory because each regional activity is based on budgeted calculations. Capital shopping attempted by The regional government can be observed from how the realization of the calculation is used.

One of the functions of capital expenditure is for development infrastructure, so capital spending is thought to mean economic activity region (Sedyaningsih, 2015). The infrastructure formed is expected to be able to increase services to regional residents (Darwanis, & Saputra, 2014). By study Theories and some previous research studies can be concluded that The third hypothesis is.

H3: Capital Expenditure has a significant effect on the performance of Local Governments.

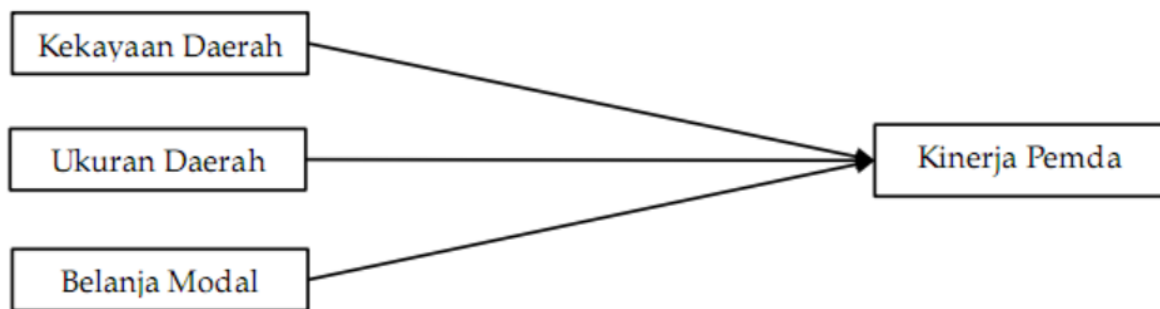


Figure 2. Scrap Research Thinking

## 2. RESEARCH METHODS

Research is this quantitative existence which means to analyze bonds influence between independent variable and dependent variable, (Ghozali, 2018), variable The freedom used in this research is the wealth of the proxied region in the form of PAD, the size of the Proxied Area with the overall assets owned by the local government, as well as capital expenditures in the regional budget, then for the varaibel tied to this research is the performance of the Regional Government.

Information and data are combined by means of documentation for determination of terms of conditions and realities relating to flexible study tried (Sugiyono, 2019). The necessary data and information are contained in the data Finance based on budget realization information and information local government finances contained in the Statistics Center Agency or the Ministry Finances obtained online by accessing the



website [www.bps.go.id](http://www.bps.go.id) and [www.djpk.kemenkeu.go.id](http://www.djpk.kemenkeu.go.id). The population in this study represents the entire Local Government level provinces in Indonesia that consistently every year between 2019-2021 is already in the nomenclature of the Unitary State of the Republic of Indonesia. Research It uses information presented in internal data and publication data with observation time span 2019-2021.

The stage of testing data in this research is using testing Statistics that have been computed in Excel. Next will be testing The classic assumption is first to see if the data will be tested Regression has been freed from the problem of classical assumptions. Here are the stages of data testing: statistics for this research . Normality Testing using one sample Kolmogorov- Smirnov. In testing when the result of one sample kolmogorov- Smirnov significant value above 0.05 hence the distribution of normally distributed data However, if the signification result is below 0.05, the data is not distributed with normal (Ghozali, 2018). Heteroscedasticity Testing performed by Test Glacier, to see if the data dispersal points spread randomly or No, if the probability of scattered independent variable data shows significance 0.05 then no symptoms of heterokedasticity occur in the form of a model regression (Ghozali, 2018). Multicollinearity testing is performed to ensure Whether the regression model formed found a correlation between variables independent and independent variables, this is seen from the test results if the value tolerance is more than 0.01 and VIF value is less than 10 (Ghozali, 2018). Testing Autocorrelation is performed to see and determine whether there is a correlation relationship in the statistical value of the data, test using Run Test, if the value Significant more than 0.05 eating no correlation occurs but if the value is less from 0.05 then a correlation occurs (Ghozali, 2018). Regression Analysis Testing Multiple to test partially between independent variable and bound variable with other variables considered constant (Ghozali, 2018). If significance is lacking from 0.05 that the assumption of the hypothesis is accepted, if it is more than 0. 05 Hypothesis assumptions rejected.

In this research, it is focused on some of the variables used, namely: District's wealth proxied on the existence of PAD, the scale of the District's size Proxied with the overall assets of the local government, as well as existing capital expenditures in The APBD will then be tested to the dependent variable, namely performance capability

Local Government. For operationalization of independent and bound variables can be See the table below.

Table 1. Variable Operationalization

No	Variabel	Indikator	Skala
1	Kinerja Pemda	$KP = \frac{\text{Total Realisasi Belanja Daerah}}{\text{Total Realisasi Pendapatan Daerah}} \times 100\%$	Skala Rasio
2	Kekayaan Daerah	$KD = \frac{\text{PAD}}{\text{Total Pendapatan}} \times 100\%$	Skala Rasio
3	Ukuran Daerah	Ukuran Daerah menggunakan logaritma natural total aset ( $LnTA$ )	Skala Interval
4	Belanja Modal	$BM = \frac{\text{Total Belanja Modal}}{\text{Total Belanja Daerah}} \times 100\%$	Skala Rasio

### 3. RESULTS AND DISCUSSION

The respondents used in this study were auditors who worked in Public Accounting

Table 2. Normality Test Results

One-Sample Kolmogorov-Smirnov Test	
	<i>Unstandardized Residual</i>
N	34
Asymp. Sig. (2-tailed)	0,200

The results of the above research confirm the classical assumption of normality using Kolomogorov Smirnov's experiment can be observed in the chart above in created form of regression. Directed in numbers Sig. 2- tailed prove value 0. 200 which means more than 0.05 as a result of the regression form built on This research is fulfilled in the experiment of testing the classical assumption of normality, this matter fits the explanation put forward by (Ghozali, 2018).

Table 3. Glejer Heterokedasticity Test Results

Model	t	Sig.
(Constant)	-0,489	0,628
Kekayaan Daerah	-0,944	0,353
Ukuran Daerah	0,738	0,466
Belanja Modal	0,702	0,488

Based on the test results seen in table 3 above, we can: recognize that the results of experiments are classical presumptions to see signs Heterokesdasticity proves the number of each form of regression constructed In this study shown in the column of

each significant result more magnitude of 0.05 as a result of this reported no sign on Heterokedacity in this form of regression can be said to be the result the testing is already in accordance with the philosophy presented by (Ghozali, 2018).

Table 4. Multicollinearity Test Results

Model	Collinearity Statistics	
	Tolerance	VIF
Kekayaan Daerah	0,609	1,642
Ukuran Daerah	0,654	1,529
Belanja Modal	0,915	1,093

Based on table 4 above, it can be seen that the results of presumption testing Classic multicollinearity proves a tolerance number of more than 0.1 as well as a number VIF busty below the value of 10. It is presented that the resulting tolerance value by Regional Wealth, Regional Size and Capital Expenditure is 0.609; 0.654; 0.915 while for the VIF value generated by Regional Wealth, Size Regional and Capital Expenditure was 1,642; 1.529; 1.093. When observed form in research This satisfies the provisions of the classical notion of multicollinearity. So that the data The resulting processing is qualified and in accordance with the theory that already submitted by (Ghozali, 2018).

Table 5. Run Test Autocorrelation Tracking Results

	Unstandardized Residual
Total Cases	34
Asymp. Sig. (2-tailed)	0862

Based on the results of the SPSS output test that was tried and obtained data obtained and shown in table 5 above can be observed if Asymp numbers. Sig (2- tailed) form of regression is 0. 862 that can It is concluded that the number obtained is greater than 0.05 as a result it can be It was concluded that there were no autocorrelation constraints. So that the results obtained on The results of this classic autocorrelation presumption test have matched opinions and philosophies informed by (Ghozali, 2018).

Table 6. Regression Test Results

Model	Unstandardized Coefficients		t	Sig.
	B	Std. Error		
(Constant)	1010,726	37,902	26,666	0,000
KD	-0,021	0,024	-0,866	0,394
UD	-0,003	0,009	-0,282	0,780
BM	-0,001	0,088	-0,013	0,990

Based on the test results of multiple regression analysis in the table above, It is known that such testing is related to direct influence One way with IBM SPSS 25 software. When we make it into an equation Regression formed in research then the results are as follows.

$$Y = 0.000 + 0.394KD - 0.780UD - 0.990BM$$

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The regression model above shows that the independent variables that indicated by Regional wealth, Regional size and capital expenditure if One of the independent variables changes from each other consistently so that changes in dependent variables that are indicated by local government performance with equal to the beta coefficient (b) derived from the value of the variable the independent. The table shows that the value of regional wealth shows The test of the research model obtained is 0.394 which shows Significant values with a negative coefficient that do not meet the requirements because it is above the set standard of more than 0.05 so the assumption The first hypothesis in this regression model was rejected. Then value the size of the Region It is 0.780 with a negative coefficient where The value does not meet the requirements according to the standards that have been set i.e. more than 0.05 so that the assumption of the second hypothesis is rejected. Next variable Capital expenditure shows a significant value of 0.990 with the direction of the coefficient negative where the value is greater than 0.05 thus the third hypothesis rejected. In the first test result, namely the wealth of the region on the performance of Regional Government, in this research regional wealth is measured from comparison between expenditure realization and regional income shows results that do not have a significant effect on the performance of the Government Area. According to research conducted by (Apridiyanti, 2019) stated that the amount and increase in contributions generated by Original Income Regional (PAD) will have very significant direct implications in the independence of the Regional Government in making its contribution to the progress of the Region from all directions for the progress of the Region it leads, This can be reflected and interpreted which can be said to be performance Local Government finance. Consistently improving from period to period the next period in the year that the Local Original Revenue (PAD) becomes hope to reduce the dependence of local governments on the government central on the allocation of funds provided by the central government for the progress

of the regions then, this opinion is also supported by the opinion (Anjani, E. S. D., Akram, A., & Handajani, 2016) In the research he conducted, such as: that so that local governments can also flexibly use its income to finance the needs or expenditures of its own Region. However, based on the research conducted, this is not in accordance with These studies and opinions show that the wealth is getting bigger Regional or not, does not have implications for the performance of local governments will be influenced by the size of the existing daerah, because the indicator is not As the main reference, there may be other factors that can affect him. Large or small levels of regional wealth are not Being a benchmark for the running of infrastructure then this also agrees with research conducted by (Azhar, 2021) that the high power the ability of the Region or autonomous region in generating and managing The original income of the region, it will not have a high effect anyway on actions and decisions to use and realize the original revenue of the area that has been mapped and planned with Regional needs and development. Theoretically ever delivered by (Mardiasmo, 2011) in his book for public sector accounting that based on the purpose of measuring the performance of government financial management One area is to increase the effectiveness of giving public services, if related to the results of this research Government provincial level in Indonesia for the policies taken has not been maximized in maximizing PAD for the progress of the region. So this study contrary to the results developed by (Taufik Dasmal, Yesi Mutia Basri, 2020), (Verawaty et al., 2020), and (Muttaqinet al., 2021) who found the existence of the relationship between the wealth of the region and the performance of the local government.

Based on the results of testing the second hypothesis that the size of the area which is indicated by the total assets owned by the Government Regions provide results that do not affect the performance of the Government Area. Large total assets provide greater potential in advancing the region, but in the results of the resulting research this is not, that the greater the total assets owned by the Provincial Government in Indonesia, the lower the performance produced by the Regional Government, this is due to the role of total assets in improving the performance of the Government Regions in Indonesia have not been able to function properly and still Not yet optimal in providing services to the public in order to improving the welfare of the region (Rahmawati, 2019). The majority of assets are owned by the Regional Government is a less productive asset and has

significant implications for improving government performance District. That is due not only to the large amount of assets, but to the large amount of assets. management of the human resource base of Local Government in the Province found in Indonesia must also be able to use and manage assets that It is owned in order to provide an effective and efficient income effect for Local Governments in terms of improving their economic welfare (Nugroho, 2018). This is also supported by research conducted by (Millenia, 2022) and (Natariasari et al., 2015) which revealed that size The area indicated by the large number of assets it owns can be assist and provide full support to operational activities Local Government that will improve the performance of that Regional Government alone. This can be due to one of the factors is because Local governments with very large total asset sizes have pressure It is also very large to do the disclosure and presentation of the top the financial statements it reports. This is one of the causes Local governments that have large asset sizes will be required to perform better in terms of the management of its territory compared to local governments that are small in size which is not too much Significant. So this research is also not in line with the research that conducted by (Hadi & Setiawan, 2020), and (Alviniet al., 2018) who found significant relationship between regional size and performance Local Government. Based on the results of testing the third hypothesis that capital expenditure in This research test did not provide a significant effect of influence linkage to the performance of Local Governments. This is in line with the research produced in research conducted by (Dasmal & Basri, 2020) if known that the Regional budget prepared has the following objectives; big is to provide services and welfare to the community and for those autonomous regions. If the allocation of APBD funds is greater on allocation for the operation of the Local Government itself, then the builder Infrastructure will not occur significantly and result in the performance of The autonomous government was not implemented optimally. In words Another that capital expenditure that has negative implications will have an effect in Local Government in terms of improving regional development to provide good public services so that the response generated by Society is also not in accordance with expectations in general in theory Associated agencies in accounting and public sector management. So that This research is also not in line with the opinions and results expressed by (Saputri, 2020), (Nugroho, 2012), (Leki & Naukoko, 2018), (Angelinaet al., 2020), (Andirfa, 2016) and (Lathifa, 2019) which found



a connection significant influence between capital expenditure and local government performance generated for the citizens of the autonomous region.

#### 4. CONCLUSION

Based on the results of the analysis and based on theoretical studies and research The previous implementation above can be concluded that Regional wealth, Regional size and capital expenditure in financial statements submitted by the Provincial Government in Indonesia does not have significant influence on the performance of local governments. Limitations This study only used three variables in testing performance Regional Government, so the results obtained are not varied enough. Then for the next research can be developed again to use of any factors affecting the performance of the Government Later areas for theoretical study can be added again as it happens to the government sector in other countries, so that it can become Compare and strengthen the results of data analysis.

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