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Factors that Affect the Local Government Financial Performance (Study on District/City Governments in Jambi Province)

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Abstract

The purpose of this study is to examine and analyze the effect of the level of regional wealth on local government financial performance, to examine and to analyze the effect of capital expenditure on government financial performance, to examine and to analyze the effect of intergovernmental revenue on local government financial performance, to examine and to analyze the effect of BPK audit findings on local government financial performance. Then also to examine government size moderating the relationship between the level of regional wealth, capital expenditures, intergovernmental revenue and BPK audit findings on government financial performance. This research was conducted in eleven (11) districts / cities throughout Jambi Province. The research method used is quantitative research and the analytical tool used in this study is to use the Smart PLS version 5.0 application. The results of this study are that level of regional wealth has a significant positive effect on government financial performance, capital expenditure has a significant positive effect on local government financial performance, Intergovernmental revenue has no significant positive effect on local government financial performance, BPK audit findings have no significant positive effect on local government financial performance and Government size is only able to moderate the relationship between the level of regional wealth and local government financial performance.

Keywords: Level of Regional Wealth, Capital Expenditure, Intergovernmental Revenue, BPK Audit Findings, Government Size, Local Government Financial Performance

Introduction

The audit opinion of the Supreme Audit Agency of the Republic of Indonesia (BPK RI) is a written statement or evidence whether a financial report has been fairly presented in various material aspects based on the evaluation of audit evidence obtained and audit findings. BPK's audit opinion is one of the benchmarks for the success of accountability in regional financial management. Local governments are led to continue to demonstrate that accountability and transparency in the management of regional finances are to achieve good governance and clean governance. According to Retnowati (2016), local government is a party or part that carries out all aspects of the government's wheels in order to realize a clean government.

There are four types of audit opinions issued or issued by the State Audit Board, namely 1) unqualified opinion, 2) qualified opinion, 3) unqualified and 4) not providing income. Indonesia started decentralization and entered the era of regional autonomy after the issuance of Law Number 22 of 1999 concerning regional autonomy, as amended by Law Number 32 of 2004, concerning Regional Government and subsequently amended again by Law Number 23 of 2014, concerning Regional Government and concerning Financial Balance between Regional Governments having the authority to regulate and manage their own government affairs based on autonomy (Lestari et al., 2019).

The realization of the regional autonomy system basically started in 1999, where in general local governments were given the freedom to manage the existing regional potential. Creating people's welfare is the main goal of the regional autonomy system (Parwanto and Harto, 2017). Although sometimes regional autonomy still has problems in its implementation.

In the regional financial management system in Indonesia, it is specifically regulated in a standard in Indonesia known as Government Accounting Standards (SAP). Every financial report preparation must use SAP, this aims to be effective, efficient, and accountable. To assess the government's performance, especially financial performance evaluation, it is necessary to carry out an ongoing evaluation in order to assess whether it is in accordance with the applicable SAP (Parwanto and Harto, 2017). Based on the opinion of the LKPD BPK Jambi Province Representative in 2016-2018, it can be seen in the table below:

Tabel 1.1
Opinion of LKPD BPK Jambi Province Representative 2016-2018

No	Daerah	Opini		
		2016	2017	2018
1	Provinsi Jambi	WTP	WTP	WTP
2	Sungai Penuh	WTP	WTP	WTP
3	<u>Kerinci</u>	WTP	WTP	WTP
4	<u>Bungo</u>	WDP	WDP	WTP
5	<u>Tebo</u>	WTP	WTP	WTP
6	Batanghari	WTP	WTP	WTP
7	Kota Jambi	WTP	WTP	WTP
8	<u>Sarolangun</u>	WTP	WTP	WTP
9	<u>Merangin</u>	WTP	WTP	WTP
10	<u>Muaro Jambi</u>	WTP	WTP	WTP
11	<u>Tanjung Jabung Barat</u>	TMP	WDP	WTP
12	<u>Tanjung Jabung Timur</u>	WDP	WTP	WTP

Sumber: www.jambi.bpk.go.id

It can be seen from the table above that those who received WTP opinions issued by BPK representatives of Jambi Province in a row for 3 years were the regional governments of Jambi Province, Sungai Full, Kerinci, Tebo, Batanghari, Jambi City, Sarolangun, Meragin and Muaro Jambi. . On the other hand, the district/city governments that have not received WTP for 3 consecutive years are Bungo District, West Tanjung Jabung and East Tanjung Jabung.

Government performance can be measured by several factors, including the level of regional wealth. Previous research examining the effect of the level of regional wealth on government performance was conducted by Renas (2014) whose research results found that regional wealth had a positive impact on government financial performance. In contrast to the results of previous research by Noviyanti and Kiswanto (2016) the results show that the

level of regional wealth does not have an effect on the performance of local governments. This means that the size of the regional wealth will have an influence on the performance of the government.

Capital expenditure is a form of instrument carried out by the government in improving the government's financial performance in terms of adding government fixed assets in order to have benefits within a certain period. Research conducted by Andirfa et al (2016) shows that capital expenditure activities have a positive effect on the performance of local governments, in contrast to the findings of Qowi and Prabowo (2017) who found that capital expenditures have a negative effect on local government performance. In general, it can be described that there are still gaps or differences in the results of research on the treatment of capital expenditure in government.

In general, the General Allocation Fund is a fund from the center or sourced from the APBN which is intended for regional governments, in order to assist regional governments in carrying out their main tasks (tupoksi) for services to the community (Aminah et al., 2019). Previous research on intergovernmental revenue has been conducted by Marhawai (2015) the results are that Intergovernmental revenue has a positive effect on the performance of local governments. In contrast to Andirfa, et al (2016) the results found that intergovernmental revenue had a negative effect on the performance of local governments. It can be concluded that the size of the intergovernmental revenue which is assessed as a comparison between the General Allocation Fund and total revenue can affect the government's financial performance.

District/City and Provincial governments that have a high number of audit findings, this can prove that the behavior of state administration must have a high commitment in realizing clean governance. In essence, BPK's findings of large or small leakages of funds can describe the government's performance, especially the government's financial performance. (Qowi and Prabowo, 2017). Previous research conducted by Renas (2014); Noviyanti and Kiswanto (2016); Qowi and Prabowo (2017) showed that the same audit findings had a negative effect on local government performance. Conceptually and research results are very different that the size of the findings can not affect local government financial performance.

The size of the shape of an area can make a strength in the development of the area. Local governments must manage assets seriously. Problems that often occur include the lack of maintenance of local government assets so that a lot of regional income is still not maximized, so asset maintenance funds will appear, then the allocation of funds for the welfare of the people will decrease (Aminah et al., 2019). The results of Renas' research (2014) which state that government size has a negative effect on local government performance, while Alvini (2018); Aminah (2019) results prove that government size has a positive effect on local government performance. It can be illustrated that large assets or small assets can have an impact on improving local government financial performance.

Literature Review

Agency Theory

The concept of agency theory is a theory or material that describes two or more relationships that explain two different functions, namely the agent and the principal (Qowi and Prabowo, 2017). The concept of agency occurs when there is a separation of duties and responsibilities based on the existing structure. It can be seen that if the two parties interact optimally, an organization will run well, and agency problems will be reduced (Halim and Abdullah, 2006).

Qowi and Prabowo (2017) argue that in the agency context in Indonesia, namely the separation of interests and responsibilities between the state administration (district/city government, province and central government) and the supervisory party (BPK, BPKP, DPR, etc.). This separation of responsibilities basically refers to the applicable law. Conflicts between the organizing party and the supervisory party if the horn with the applicable rules will not occur. Basically the context of research on local government in Indonesia, agency theory.

Local Government Financial Performance (LGFP)

The assessment of the quality of government performance can be seen from several perspectives, including non-financial government performance and local government financial performance. Achievement of non-financial performance can be seen from the achievement of targets that are not based on numbers, while the achievement of financial performance is based on work performance figures. The government's financial performance is calculated using units of money, such as the target of local revenue which is assessed from the given target with the results obtained. The government's performance is basically a measure of the success of the government, so that it can reflect its good or bad performance. Provincial and central district/city governments are part of the agents, so that their performance will be assessed from the principal, namely BPKP, BPK, DPR etc. so that the government administration must be able to improve its performance (Noviyanti and Kiswanto, 2016).

Regional Wealth Level (RWL)

The level of regional wealth (Wealth) is an illustration of the level of strength in meeting the needs of state administration (Aminah et al, 2019). The strength of regional original income (PAD) is a measuring point for the level of regional wealth. Regional original income is a form of regional financial income sourced from various existing posts such as taxes, asset management, user fees and others. The development of an area can run well if an area can produce high PAD, so that it can finance development. In other words, PAD is the basic capital in the development of a region (Renas, 2014). Revenue from the PAD sector will run well, if the organizers and government supervisors work together optimally.

Capital Expenditure (CE)

Capital Expenditures are basically activities that provide added value or more benefits from spending on assets or adding to the wealth of an area, such as buying buildings for the benefit of the community. Capital Expenditures can be interpreted as state expenditures aimed at adding fixed assets or can be in the form of new investments in physical form within a certain period for the benefit of public services (Mardiasmo, 2009 in Andirfa et al, 2016).

Intergovernmental Revenue (IR)

Intergovernmental Revenue is a comparison between the General Allocation Fund and total revenue. Intergovernmental revenue commonly known as balancing funds comes from the Revenue Sharing Fund, the General Allocation Fund and the Special Allocation Fund (Andirfa et al., 2016).

BPK Audit Findings (AF)

All local governments, both district / city and provincial governments, are obliged or must submit local government financial reports because they can be an assessment of government performance from the financial sector. Local government financial reports are submitted to government supervisors, and assessed whether they are in accordance with applicable government accounting principles.

Local government financial reports are a form of government accountability which are assessed by the Supreme Audit Agency (BPK) which serves as the government's external auditor. The results of the opinion issued by the Supreme Audit Agency (BPK) must be followed up as well as records of findings of the form or amount of state losses that will be experienced by the state. (Qowi and Prabowo, 2017).

Government Size (GS)

The size of the government is the size or strength of a government which is judged by the number of assets owned, in other words the ability of the government to produce assets in an area. The amount of assets of a region can reflect the ability to generate income for the region itself, provided that the government must be able to manage assets optimally. In contrast, if the assets of a region are large but the regional income is small, this shows the ineffectiveness of the region's performance. Total assets, number of employees, total income, age of the government can be said to be a measure of the government (Damanpour, 1991 in Alvini, 2018).

This study has a research design in the form of looking at the performance achievements that have been carried out by local governments in Jambi Province. The object of research is the financial reports issued by each local government, both the Jambi provincial government, and all district/city government financial reports in Jambi Province. The research was conducted for 3 consecutive years (2017,2018, and 2019). Research activities include identifying financial items related to the variables in this study. It is hoped that this research can make a small contribution to improving the financial performance of local governments in Jambi Province.

Research Hypotheses

The Relationship between Regional Wealth Level and Local Government Financial Performance

The success of a government cannot be separated from the effectiveness of government officials in running the wheels of government. The high or the number of natural resources can be one of the characteristics of an area that is said to be prosperous. The amount of Regional Original Income can be seen from the level of existing natural resources.

Testing the relationship between the level of regional wealth and the financial performance of the regional government, the higher the level of regional wealth, the better the financial performance of the regional government and vice versa. The lower the level of regional wealth, the lower the financial performance of the regional government (Noviyanti and Kiswanto, 2016).

Research conducted by Renas (2014) found that the level of regional wealth has a positive effect on local government financial performance. Research conducted by Noviyanti and Kiswanto (2016) the level of regional wealth has no effect on the performance of local governments. In addition, research by Qowi and Prabowo (2017) finds that the level of

regional wealth has a positive effect on local government financial performance. Based on this description, the hypotheses in this study are:

H1: The level of regional wealth has a significant positive effect on local government financial performance

Relationship between Capital Expenditure and Local Government Performance

Qowi and Prabowo (2017) state that in agency relations, local governments as agents of the legislature and the public expect to be able to organize their government well so that they receive positive evaluations from the legislature and the public. One indication of the success of local governance is the large amount of infrastructure being built, which is reflected in the large portion of capital expenditure in the regional expenditure planning budget.

The policy of increasing the share of capital expenditure is also an indication that the local government is actually carrying out its duties as an agent for the public interest and the legislature as the principal (Qowi and Prabowo, 2017). The size of regional spending can affect government performance, so that public services can run optimally (Aminah et al., 2019).

Research conducted by Andirfa, et al (2016) found that capital expenditure has a positive effect on local government performance, but it is different from the results of research conducted by Qowi and Prabowo (2017) which found that capital expenditure has a negative effect on local government performance, while Aminah's research results, et al (2019) stated that the level of capital expenditure has a positive effect on the performance of local governments. Based on this description, the hypotheses in this study are:

H2 : Capital expenditure has a significant positive effect on local government financial performance

Relationship between Intergovernmental Revenue and Local Government Financial Performance

The more general allocation funds, the greater the funds obtained in financing the main tasks of the regional government to improve public services to the community. Increasing the quality of public services will have an impact on better performance. This shows that the local government has succeeded in optimizing these funds (Aminah et al, 2019).

Research conducted by Marhawai (2015) states that Intergovernmental revenue has a positive effect on the performance of local governments, which means that the higher the intergovernmental revenue, the better the government's financial performance. In contrast to the results of research conducted by Andirfa, et al (2016) found that intergovernmental revenue has a negative effect on the performance of local governments, this is because the greater the transfer of balancing funds received from the central government, the stronger the local government depends on the central government to fulfill its needs. regional needs. This will reduce the regional financial performance. The results of other research conducted by Aminah, et al (2019) show that intergovernmental revenue has a positive effect on the performance of local governments. Based on this description, the hypotheses in this study are:

H3: Intergovernmental revenue has a significant positive effect on local government financial performance.

Relationship between BPK Audit Findings and Local Government Financial Performance

The relationship between the local government, in this case the executive, as the agent and the community as the principal, conflicts can occur if there is an information asymmetry. This is because the local government has more information about the resources owned by the region contained in the APBD compared to the community. The existence of information asymmetry regarding regional finances can cause local governments to apply moral hazard, they violate laws and regulations related to state and regional finance for their own interests. Local governments that have a high number of BPK audit findings indicate that opportunistic behavior (moral hazard) is still strong in the administration of local government. The existence of a BPK examination should be used as a mechanism to minimize the risk of moral hazard and other forms of agency problems within the local government environment. In other words, the number of BPK audit findings actually illustrates how low the performance of local governments is, the greater the number of BPK audit findings, the lower the performance of regional governments (Qowi and Prabowo, 2017).

The results of research conducted by Renas (2014), Noviyanti and Kiswanto (2016), and Qowi and Prabowo (2017) show the same results that BPK audit findings have a negative effect on local government performance. From the agency's point of view, local governments that have a high number of BPK audit findings indicate that opportunistic behavior (moral hazard) is still strong in the administration of local government. In contrast to the results of research conducted by Susilawati (2016), the findings of the BPK audit have a significant effect on the financial performance of local governments. The existence of a BPK examination should be used as a mechanism to minimize the risk of moral hazard and other forms of agency problems within the local government environment. Based on this description, the hypotheses in this study are:

H4: BPK audit findings have a significant positive effect on local government financial performance.

Relationship between Government Size and Local Government Financial Performance

The larger the size of the region, which is judged by the greater the total assets of the regional government, the higher the performance of the regional government. However, if the local government has large assets, it is likely to hamper performance because for example, expenditures that should be enjoyed by the community are allocated for asset maintenance, so that many assets can make the government's performance worse (Aminah et al., 2019). The results of Renas' research (2014) which state that government size has a negative effect on local government performance, while the results of research conducted by Alvini (2018) state that government size has a positive effect on local government performance, in line with research conducted by Aminah (2019) showing that the size of the government has a positive effect on the performance of local governments. Based on this description, the hypotheses in this study are:

H5: Government size moderates the relationship between wealth level, capital expenditure, intergovernmental revenue and BPK audit findings on local government financial performance.

Research Method

The type of research designed in this study is quantitative, which is tested using deductive theories which are the foundation in taking and solving the problems studied (Indriantoro and Supomo, 2014). The object of this research is the financial reports of

district/city governments throughout Jambi Province with as many as 11 district and city governments throughout Jambi Province.

Operational Variables

An explanation of each variable used in the study can be seen as follows:

Tabel 4.1

Operasional Variables

No	Variables	Definition	Measure	Measuring Scale
1	Local Government Financial Performance (LGFP), Nugroho and Prasetyo (2018)	As an achievement achieved by the organization in a certain period. local government financial performance by looking at the efficiency level of the local government	$\text{LGFP} = \frac{\text{Expenditure Actual}}{\text{Revenue Realization}}$	Ratio
2	Regional Wealth Level (RWL), Sudarsana and Raharjo (2013)	According to Law No. 33 of 2004, Regional Original Revenue is a source of original regional revenue that is dug up in the area to be used as the basic capital of the regional government in financing development and regional efforts to minimize dependence on funds from the central government.	$\text{RWL} = \frac{\text{locally-generated revenue}}{\text{Total income}}$	Ratio
3	Capital Expenditure (CE), Sudarsana and Raharjo (2013)	Budget expenditures for the acquisition of fixed assets and other assets that benefit more than one accounting period. Capital expenditures include, among others, capital expenditures for the acquisition of land, buildings and buildings, equipment, and intangible assets.	$\text{CE} = \frac{\text{Capital Expenditure Total}}{\text{Actual Expenditure}}$	Ratio
4	<i>Intergovernmental revenue</i> (IR), Nugroho (2018)	It is part of the income that comes from the external environment	General Allocation	Ratio

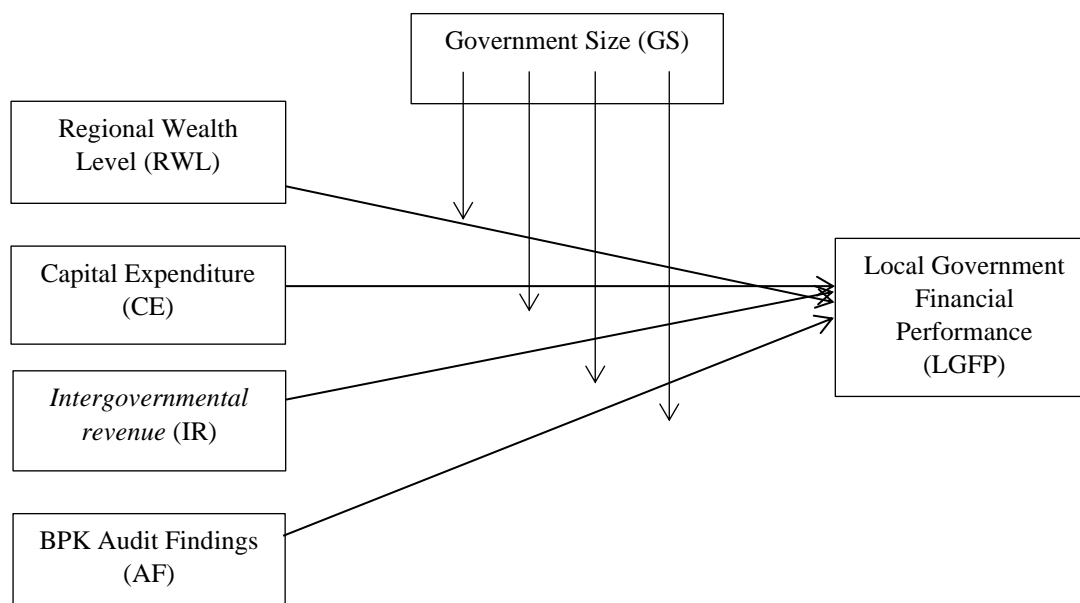
		and the large dependence of the Regional Government on transfers from the central government	$IR = \frac{\text{Fund}}{\text{Total Income}}$	
5	BPK Audit Findings (AF), Sudarsana and Raharjo (2013)	It is a finding by BPK on cases in the financial statements in the form of discrepancies and confusion with the realization of the report and identified as a violation	Audit findings use dummy variables. The dummy variable only has 2 (two) values, namely 1 and 0, and is given the symbol D. The dummy has a value of 1 (D=1) if the local government has BPK audit findings and (D=0) if there are no BPK findings	Nominal
6	Government Size (GS), Sumarjo (2010)	Shows the size of the government of a region that can be measured by total assets, number of employees, total income and productivity levels	$\text{LnGS} = \text{Logarithma natural Government Assets}$	Nominal

Research Model

The design of this research model can be seen as follows:

Figure.1

Research Model



This study has a research design in the form of looking at the performance achievements that have been carried out by local governments in Jambi Province. The object

of research is the financial reports issued by each local government, both the Jambi provincial government, and all district / city government financial reports in Jambi Province. The research was conducted for 3 consecutive years (2016, 2017 and 2018). Research activities include identifying financial items related to the variables in this study. It is hoped that this research can make a small contribution to improving the financial performance of local governments in Jambi Province.

Data Analysis Method

This study uses data processing techniques carried out using the WarpPLS Version 5 application program, which aims to examine the effect of the independent variable and the dependent variable as well as the moderating variable. In other words, path analysis is an extension of multiple linear regression analysis in which the use of regression analysis aims to estimate the causal relationship between variables (casual model) that has been determined previously based on theory. This study uses a confidence level of 5% or with a degree = 0.05.

Hypothesis Evaluation

The last step of evaluating the structural model that must be done is to look at the significant P-value to find out the influence between variables based on the hypothesis built through the resampling procedure. To see the evaluation of the hypothesis, it can be seen from the output results of the WarpPLS application in the view path coefficients and P-value section. According to Ghazali and Latan (2012), the significant value used is a P-value of 0.10 (significance level = 10%), 0.05 (significance level = 5%) and 0.01 (significance level = 1%). This study uses a P-value of 0.05 (significance level = 5%)

Moderate Effect Test

Testing the moderating effect in the WarpPLS 5.0 application can be done directly using the moderating link option menu, which can directly prove whether the research is moderating or not. To see the evaluation of the moderation test, it can be seen from the output of the WarpPLS application in the view path coefficients and P-value section, where it can be seen the multiplication between the independent variable and the moderating variable. According to Ghazali and Latan, the magnitude of the significant value used in determining moderation occurs with the condition that it is positive and the P-value is 0.10 (significance level = 10%), 0.05 (significance level = 5%) and 0.01 (significance level = 5%). level = 1%) adjusted for significance level in each study. This study used a P-value of 0.05 (significance level = 5%).

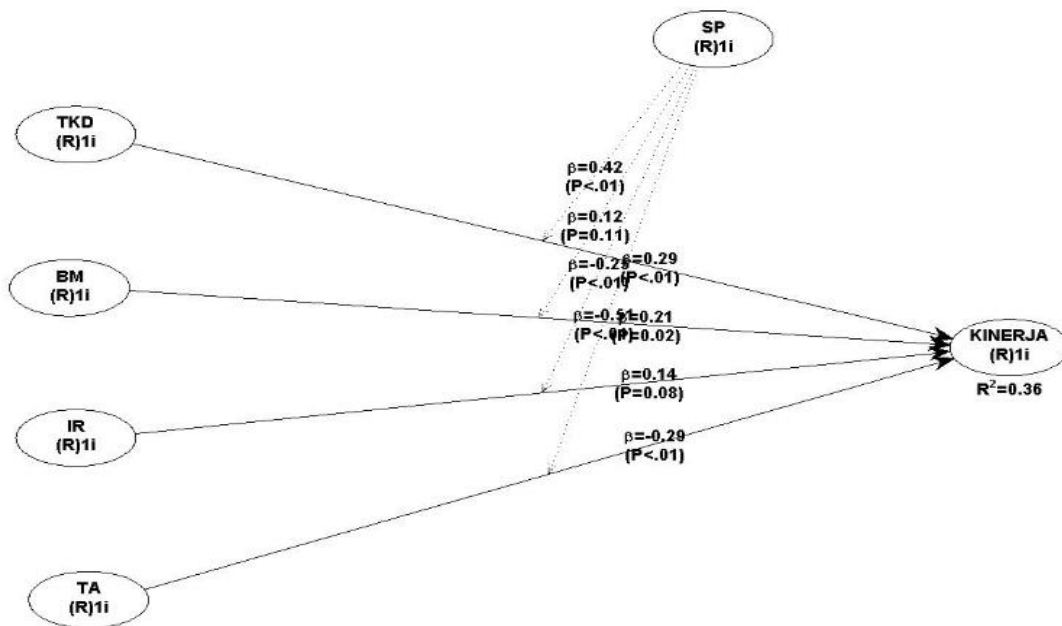
Research Results and Discussion

Based on the results of statistical tools using WarpPLS Version 5, the results can be seen as follows:

Research Results

Figure 2.

Statistical Results



Sumber : Output WarpPLS Ver. 5

Figure 3.

Out Put Path Coefficients and P Values Hasil

Path coefficients										
	TKD	BM	IR	TA	SP	KINERJA	SP*TKD	SP*BM	SP*IR	SP*TA
TKD										
BM										
IR										
TA										
SP										
KINERJA	0.289	0.206	0.140	-0.287			0.423	0.119	-0.246	-0.512
SP*TKD										
SP*BM										
SP*IR										
SP*TA										

P values										
	TKD	BM	IR	TA	SP	KINERJA	SP*TKD	SP*BM	SP*IR	SP*TA
TKD										
BM										
IR										
TA										
SP										
KINERJA	0.003	0.020	0.077	0.003			<0.001	0.112	0.008	<0.001
SP*TKD										
SP*BM										
SP*IR										
SP*TA										

Sumber : Output WarpPLS Ver. 5

Based on the results of the study, it can be seen that hypothesis 1 of the influence of the regional wealth level variable (RWL) has a p-value of 0.003 < 0.05 and has a positive direction so that H1 is accepted. Hypothesis 2 the effect of capital expenditure (CE) has a p-

value of $0.02 < 0.05$ and has a positive direction so that H2 is accepted. Hypothesis 3 the effect of intergovernmental revenue (IR) has a p-value of $0.077 > 0.05$ and has a positive direction so that H3 is rejected, and Hypothesis 4 the effect of audit findings (AF) has a p-value of $0.003 < 0.05$ and has a negative direction so that H4 is rejected. . Hypothesis 5 only government size (GS) is proven to moderate the relationship between the level of regional wealth and government financial performance, it is proven by the p-value $SP * RWL 0.001 < 0.05$ which has a positive direction so that specifically the relationship between regional wealth and regional financial performance can be moderated by government size. which means H5 is accepted.

Discussion

The Influence of Regional Wealth Level and Local Government Financial Performance

Based on the results of the study, the variable level of regional wealth has path coefficients of 0.289 with a significant level of 0.003 and 0.05. This means that the level of regional wealth has a significant positive effect, this shows that hypothesis 1 is accepted.

The results of this study are in line with research conducted by Noviyanti and Kiswanto (2016), Nugroho and Prasetyo (2018), Dasmal, et al (2020) and Primadiva, et al (2021), which found evidence that the higher the level of regional wealth, the better. Regional Financial Performance and vice versa. The lower the level of regional wealth, the lower the financial performance of the regional government that basically the level of regional wealth has no effect on the performance of the regional government. Jambi Province has positive growth to encourage investment so that at the same time this investment will encourage regional infrastructure improvements. Good regional infrastructure and high investment in an area will increase the local government's PAD.

Effect of Capital Expenditure on Local Government Financial Performance

Referring to the research output of the relationship between capital expenditures and government finances, it has a coefficient value of 0.206 and a significance value of 0.020 or 0.005. These results indicate that the relationship between capital expenditures and government finances has a significant positive direction, in other words, hypothesis 2 is accepted.

The results of this study are in line with research conducted by Andirfa, et al (2016); Qowi and Prabowo (2017); Antari (2018), Novianti and Kiswanto (2018); Leki, et al (2018); Aminah, et al (2019) the results found that capital expenditure has a positive effect on local government financial performance. The policy of increasing the share of capital expenditure is also an indication that the local government is actually carrying out its duties as an agent for the public interest and the legislature as the principal. The amount of expenditure issued by a region can make it easier for the regional government to carry out development programs that have been designed in the region. Efficient and appropriate management of regional expenditures will improve regional financial performance.

Influence of Intergovernmental Revenue on Local Government Financial Performance

Based on the results of this study, the Intergovernmental Revenue variable has no significant positive effect on local government financial performance. The output results show a coefficient of 0.140 and a significant level of $0.077 > 0.05$, meaning that hypothesis 3 is rejected.

The results of this study are in line with research conducted by Ernawati (2019) which states that Intergovernmental revenue does not affect local government financial performance. The results of his research conclude that there is a lack of supervision from the central government on regional government balancing funds. This has an impact on the allocation of balancing funds from the center to the regions which aim to bridge the fiscal gap that has not been used properly. Most of the transfer funds from the central government are still used for regional apparatus expenditures. As a result, there are fewer funds for public services, resulting in ineffectiveness in the use of regional expenditures.

Effect of BPK Audit Findings on Local Government Financial Performance

Based on the output results, the magnitude of the variable coefficient of the BPK audit findings on the government's financial performance is -0.287 with a significant level of 0.003. This means that hypothesis 4 is rejected. The existence of audit findings can affect the financial performance of local governments.

The results of this study are in line with research conducted by Renas (2014), Noviyanti and Kiswanto (2016), Qowi and Prabowo (2017) and Ditasari (2020), showing the same results that BPK audit findings have a negative effect on local government financial performance. From the agency's point of view, local governments that have a high number of BPK audit findings indicate that opportunistic behavior (moral hazard) is still strong in the administration of local government. The existence of a BPK examination should be used as a mechanism to minimize the risk of moral hazard and other forms of agency problems within local government financial performance.

Government size moderates the relationship between wealth level, regional capital expenditure, intergovernmental revenue and BPK audit findings on local government financial performance. Based on the results of the output size of the government in moderating the relationship between the level of wealth, capital expenditure, intergovernmental revenue and BPK audit findings on local government financial performance, it is proven that the size of the government can only moderate the relationship between the level of regional wealth and government financial performance with a coefficient level of 0.423 with a level of 0.001 below 0.05. While the other variables were not proven to have moderation.

The results of this study prove that a large government size can strengthen the relationship between the level of regional wealth and local government financial performance. With a strong government measure, and a high level of regional wealth, it can bind the government's financial performance.

Conclusion

Based on the results of the study, several conclusions were obtained, including the following: The level of regional wealth, Capital expenditures has a significant positive effect on local government financial performance. Whereas Intergovernmental revenue, and The audit findings does not affect local government financial performance. And The size of the government is only proven to moderate the relationship between the level of wealth and local government financial performance

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