



THE INFLUENCE OF LOCAL GOVERNMENT CHARACTERISTICS ON DISTRICT/CITY GOVERNMENT PERFORMANCE IN CENTRAL JAVA

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ABSTRACT

Regulatory efficiency is a form of the degree of accomplishment of results from activities or tasks in accordance with the responsibilities that have been given in achieving the goals of an organization. The level of efficiency and effectiveness of local government administration should be improved. In order to track the advancement of local governments within a certain timeframe, a systematic monitoring, assessment, and performance measurement system is also required. With a sample of 105 data and one data outlier, The purpose of this study is to examine the effects of local income, size, reliance, level of regional spending, and audit findings of the Supreme Audit Agency on the performance of district/city regional governments throughout Central Java in 2017–2019. The findings indicated that local government performance was influenced by capital spending, degree of affluence, and regional size, while the level of regional dependence and audit findings had no effect on the performance of district/city regional governments throughout Central Java in 2017-2019.

Keywords: Responsibility, Government Performance, Capital Expenditure, Wealth Level, Regional Size

INTRODUCTION

Decentralization in Indonesia began in 2001 with the transfer of power and responsibility from the central government to local governments, based on Law Number 32 of 2004, which was later amended by Law Number 23 of 2014 concerning regional government, and Law Number 33 of 2004 concerning balancing finance between Central Government and Local Government. Having responsibility over the implementation of regional autonomy is necessary to advance social justice, equity, and welfare for all. Because of this, local government administration needs to be more efficient and effective. Therefore, a systematic system of monitoring, evaluation and performance measurement is needed to measure the

progress of local governments within a predetermined time.

Law Number 23 of 2014 stipulates that each regional head is required to provide a Regional Government Implementation Report to the central government in accordance with Regional Government Implementation Reports to the Government, Regional Head Accountability Reports to the Regional People's Representative Council, and Information Regional Government Administration Services to the Community are covered under Government Regulation Number 3 of 2007.

According to Government Regulation Number 6 of 2008 about Guidelines for Evaluating Regional Government Administration, as revised

by Regulation of the Minister of Home Affairs Number 73 of 2009 regarding Methods for Implementing Regional Government Performance Assessment, and Permendagri Number 74 of 2009 concerning Guidelines for Giving Awards to Organizers local government, article 5 of Permendagri no 73 of 2009 states that the EKPPD uses the LPPD as the main source of information. The Regional Government needs to prepare a budget which is then used as a guide in carrying out its various activities. The budget in the government is called the Budget and Expenditure Revenue (APBD), all regional government revenues and expenditures in the form of money, goods and/services in the desired fiscal year must be budgeted in the APBD.

Governmental efficiency is an indicator of how well outcomes from tasks or activities are met in line with the duties assigned in attaining an organization's objectives. Government performance can be influenced by several factors, specifically, the scope of the government, the size of a large local government provides smoothness in obtaining regional original income, so that it can increase the realization of regional original income and will have an effect on enhancing the financial performance of local government (Sari and Mustanda, 2019). Large total assets or total revenue in government will provide convenience in operational activities and facilitate adequate service. Local governments in disclosing their performance reports will be more motivated to disclose things that are good news in the form of reports on the good performance of the local government. thereby increasing the performance score. In addition to convenience in the operational field, Badruddin, et al. (2019), as well as Karno and Alliyah (2021), provide statistics showing that local governments are likely to function better the larger they are.

Regional Original Revenue is a source of regional original revenue that is investigated in the area to be utilized as a

foundation for financing regional efforts to reduce reliance on the government and promote development (Nugraheni and Adi, 2018). Local own funds serve as the primary source of regional financing, which comes from genuine local taxes, levies, assets, and other regional original revenues. Research by Nugraheni and Adi (2018), Karno and Alliyah (2021) found a positive effect of regional wealth on regional financial performance.

The Public Distribution Fund, a payment from the federal government to regional governments intended to subsidize excessive regional spending, can be used to gauge the degree of reliance on the federal government. This indicates that local governments will become more reliant on the federal government to address their regional demands, which will impair their financial performance. Local governments currently receive General Allocation Fund from the federal government (Kusuma and Handayani, 2017).

Government Regulation Number 71 of 2010 Regulating Government Accounting Standards defines capital expenditures as costs made for the acquisition of assets that are usable across a number of accounting periods. The way that the budget is actually used may be used to determine the capital expenditures that local governments make. Kusuma and Handayani (2017), stated that the better degree of community services should be reflected in the higher local government budget. Also, local governments do better the higher the degree of service offered.

In terms of reporting and preparation of the government budget will be examined by the Republic of Indonesia's Audit Board. The Republic of Indonesia's Audit Board is a powerful entity with considerable power to express comments on reports on the control and accountability of public funds. Audit findings are findings of violations regarding internal control provisions and statutory provisions that

are still in force. If the government does not comply with the legislation, there will be potential losses for the area even to the state, it will also cause a lack of acceptance, inefficiency, inefficiency and ineffectiveness in carrying out regional administrative activities (Nugraheni and Adi, 2018). This shows that the more violations committed by the regional government, the worse the regional financial performance will be.

METHOD

This study employs a quantitative methodology, this research uses secondary data sources, where the data is obtained from financial reports from the Regional Government Implementation Reports (LPPD) of district/city governments throughout Central Java in 2017-2019 through <http://www.bpk.go.id> and <http://www.djpk.kemenkeu.go.id/>.

In this study, district/city governments from 2017 to 2019 in Central Java make up the population. As part of the convenience sampling technique, information from participants in the population who agreed to participate in the study was gathered. 35 x 3 years or as many as 105 sample data. The samples that were exposed to outliers were 1 sample data, so that the number of samples that were eligible for further testing was 104 sample data.

The study's factors include area size, degree of regional wealth, reliance on the center, capital spending, audit results, and regional performance.

RESULTS AND DISCUSSION

Table 1
Recap of Classical Assumption Test Results

No	Variable Name	Sig.	VIF
1	Area Size (X ₁)	0,543	2,655
2	Regional Wealth Level (X ₂)	0,100	1,673
3	Central Government Dependence (X ₃)	0,154	2,135
4	Capital Expenditures (X ₄)	0,501	3,063

5	BPK Audit Findings (X ₅)	0,058	1,085
6	Test Statistics = 0,173		
7	Dubin Waston = 1,706, dL = 1,581, dU= 1,782, 4-dU=2,218		

The normality test can be seen from the statistical test results, from the test results it can be seen that the statistical value is 0.173. This indicates that it is higher than 0.05, indicating that the study is normally distributed and that the claims or assumptions in the regression model are true. If the significant test values for each independent variable in the research are greater than 0.05, heteroscedasticity is not present. The test results show that the significant value is greater than 0.05. So that each independent variable in the study does not contain elements of heteroscedasticity. Judging from the test results for the Dubin Watson value of 1.706 which is then compared with a significant value of 0.05 with a total sample of 104, a dL of 1.581 is obtained and a dU value of 1.782, this means that the DW value is greater and the DW value is less than 4-dU of 2.218 So it can be concluded that the models do not have autocorrelation, so that all models are suitable for use in hypothesis testing. multicollinearity in the regression model.

Tabel 2
Rekap Hasil Uji F dan Uji Hipotesis (Uji T)

No	Variable Name	Regression Coefficient (β)	T_{hitung}	T_{tabel}	Significance Value	Conclusion
1	Area Size (X_1)	-41,712	-3,604	1,983	0,000	Influential
2	Regional Wealth Level (X_2)	-120,872	-2,139	1,983	0,035	Influential
3	Central Government Dependence (X_3)	-102,969	-1,149	1,983	0,253	No effect
4	Capital Expenditures (X_4)	44,323	4,508	1,983	0,000	Influential
5	BPK Audit Findings (X_5)	-4,045	-0,341	1,983	0,743	No effect
5	F value = 5,864; Sig. F = 0,000.					
6	R = 0,480; R Square = 0,230; Adj.R Square = 0,191.					

Based on the results of the test, the F test shows a significance value of 0.000 at a significant level of 0.05. To get the conclusion that using this model test for research is viable. The coefficient of determination test yielded a value of 0.191. This suggests that a combination of regional size, amount of regional income, degree of dependency on central government, capital spending, and audit results may explain 19.1% of the variable local government performance variability. Meanwhile, the remaining 80.9% of local government performance variability is explained by other factors or variables outside the research model. The results of the simultaneous hypothesis testing showed that the combination of regional size, level of regional wealth, level of dependence on central government, capital expenditure, and audit findings influence simultaneously (simultaneously) on local government performance, with an Fcount value of 5.864 more than a Ftable value of 2.31 and a significant value of 0.000 less than = 0.05. This also implies that the data and the regression model utilized are compatible.

1. The Performance of Regency/City Regional Governments in Central Java: The Impact of Regional Size

The results of the t (partial) test for area size variables obtained tcount of 4.050 is greater than ttable of 1.983 with negative parameters. The hypothesis is accepted since the significant level (p-value) of 0.000 is less than the significant level of 0.05. As a result, the performance of local governments is significantly negatively impacted by regional size. This might mean that the bigger the size

The more complicated the degree of financial statement disclosure, the less likely it is that it is a suitable and ideal level of openness for local government. This happens due to the not optimal asset management, lack of asset maintenance, poor asset recording, and not making an optimal contribution. The findings of this analysis support research by Sari and Mustanda (2019), which found that the size of local governments has a considerable negative influence on their financial performance.

2. The Impact of Regional Wealth Level on District/City Regional Governments' Performance in Central Java

The regional wealth level variable's t (partial) test results yielded a tcount of 2.139, which is higher than the ttable of 1.983 with negative parameters. The hypothesis is supported since the significant level (p-value) of 0.035 is lower than the significant level of 0.05. Hence, the performance of local governments is negatively impacted by the degree of regional wealth. This shows that local governments have a tendency to not use regional original income as a source of funding for their local government operations, particularly those for the community and development that are distinguished by a high level of dependency on the central

government. The results of the study show that regional wealth can be reflected by an increase in PAD. Increasing PAD plays a very important role in government independence so that it can be said to be the performance of local government. Naturally, a growth in regional wealth can signal improved government performance since it enables people to access and utilize public facilities that have been paid for by the local government by enhancing the quality of public services. The findings of this study are consistent with those of Mappiasse's (2018) investigation, which found that local governments' financial performance is not significantly impacted by the degree of regional wealth.

3. The Effect of Central Govt Dependency Degree on District/City Good Governance in Central Java

The (partial) t test findings showed a tcount of 1.149, which is lower than the ttable with negative parameters of 1.983 for the variable degree of dependency on the central government. The hypothesis is disproved since the significant level (p-value) of 0.253 is higher than the significant level of 0.05. As a result, the level of reliance on the federal government has little bearing on how well local governments operate. As a result, the level of dependency on the central government cannot have an impact on the effectiveness of regional government administrators. This might be read as meaning that the amount of DAU received by regional governments has not been utilized as effectively. The study's findings indicate that the general allocation fund serves as a gauge of regional dependency. More general allocation funds received by the regions result in higher transfers from the federal government, which increases the fiscal gap and reduces regional fiscal ownership. This should be able to put pressure on regional governments that in the implementation of their administration they will always be

supervised by the central government, so as to be able to provide good financial performance as well. So that the level of regional dependence can be used as regional development financing which has implications for the community because the level of regional dependence is a source of funding. The findings of this study are consistent with studies by Aulia and Rahmawaty (2020), Badruddin et al. (2019), Priyono et al. (2018), Khofifah et al. (2022), and Supriyanto (2021), which found no significant relationship between the degree of regional dependence and the financial performance of local governments.

4. The Influence of Capital Expenditures on the Performance of District/City Regional Governments throughout Central Java

The results of testing the t test (partial) for the capital expenditure variable obtained a tcount of 4.508 which is greater than the ttable of 1.983 with positive parameters. The significant level (p-value) of 0.000 is less than the significant level $\alpha = 0.05$, so the hypothesis is accepted.

Thus, capital investments significantly improve the performance of local governments. According to one interpretation, large capital expenditures are employed to enhance community services, and as a result, an increase in capital expenditures would further enhance the efficiency of local government administrators. The regional government in the realization of its spending has been used to carry out planned programs/activities. In other words, regional expenditures issued by local governments have been used according to their function, namely to facilitate the implementation of development programs that have been designed. The financial performance of local governments will increase with effective and suitable regional spending management.

The study's findings demonstrate that the infrastructure will effectively be built by the government's capital expenditures, facilities and infrastructure needed by the regions to support public services. It goes without saying that local governments must be able to control costs that will enhance their public image. The findings of this study are consistent with those of Sari and Mustanda's (2019) research, which provided empirical evidence of the beneficial impact of capital spending on regional financial performance.

5. The Influence of Audit Findings on the Performance of District/City Local Governments throughout Central Java

The partial t test results for the audit findings variable produced a tcount of 0.341, which is less than the full t table with negative parameters, which was 1.983. The hypothesis is disproved because the significant level (p-value) of 0.743 is higher than the significant level of 0.05. Hence, audit results have no impact on the performance of local government.

The fifth hypothesis, that audit findings have no impact on local government performance, was shown false. This can be interpreted that regions with audit findings or findings of large irregularities in the results of APBN realization reports are usually less or not motivated to strive for good performance in regional financial management. The audit findings show that regional government financial governance is still not in accordance with the rules and regulations in accordance with the law. The greater the audit findings, the area has greater potential in terms of losses. These findings can be intentional or unintentional. Thus, a strong commitment to improving financial management practices is required from relevant agencies in order to protect regional funds, which might then negatively impact the functioning of the regional government.

The conclusions of this study are consistent with research by Amalia, et al. (2021), who discovered that the financial performance of local governments was not significantly impacted by the outcomes of audit exams.

CONCLUSIONS AND RECOMMENDATIONS

Conclusion

The findings of the study lead to the following conclusions: Local government performance is significantly harmed by regional size, hence large regional size as measured by total regional assets cannot ensure high regional government performance. Local governments' effectiveness is negatively impacted by the degree of regional wealth. This may be read as a sign that local governments have a propensity to not use local revenue (PAD) as a source of finance for its operations. The performance of local governments is not significantly impacted by their amount of reliance on the central government, which means that a high level of reliance on the central government will result in ineffectual local government performance. The performance of local governments is significantly influenced favorably by capital spending, and as such, when capital expenditure rises, so does local government performance. Performance of local governments is not much impacted by audit findings; thus, performance of local governments declines the more audit results are proxied by audit opinions. The coefficient of determination test yielded a value of 0.191. This suggests that a combination of regional size, amount of regional income, degree of dependency on central government, capital spending, and audit results may explain 19.1% of the variable local government performance variability. Meanwhile, factors or variables outside the study model account for the remaining 80.9% of the

variation in local government performance.

Suggestion

Based on the limitations above, in order to improve further research, some suggestions are given as follows:

The ability to increase Regional Original Income (PAD) needs to be maintained and increased again because it can increase regional revenues, from this it is expected that regional financial performance can increase. Likewise, capital expenditure needs to be maintained and increased again because the greater the capital expenditure, the more development of infrastructure and facilities in the regions that can increase economic growth.

Local governments must be committed to governance based on good corporate governance so that BPK audit findings are not found which could potentially harm local governments in reporting local government performance.

Future research should use financial ratios in other regional budgets to measure local government performance, such as; independence ratio, efficiency ratio, or effectiveness ratio.

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