The Relations Of Regional Original Income And Balanced Funds On Financial Performance
(Empirical Study Of Districts And Cities In Central Java 2019-2021)

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Abstract. *The purpose of this study was to determine the effect of (PAD) regional original income and balance funds on the financial performance of district and city governments in Central Java Province. The population used in this study are districts or cities throughout Central Java Province with a total of 36. The sampling method used is purposive sampling. This study uses secondary data in the form of a APBD realization report for the 2019-2021 fiscal year. The data analysis method used is multiple linear regression analysis. Based on the results of the research conducted, it can be seen that regional original income does not have a significant effect on financial performance, while balancing funds have a significant effect on the financial performance of district and city governments in Central Java Province.*

Keywords: *Regional Original Income, Balance Funds, Financial Performance of Local Goverments*

INTRODUCTION

Regional Government Managers, at the Provincial or Regency or City level have entered a new era. In this new era, Law Number 23 of 2014 concerning Regional Government has been issued and has been amended to become Law Number 2 of 2015. This regulation is a challenge and also an opportunity for Regional Governments, because they have quite large authority to regulate the resources they provide. owned efficiently and effectively (Pasaribu ,2020). This is a form of shift from a government system, namely a centralized system to a decentralized system. Centralization itself is centralized leadership based on authority at a top position in the existing organizational structure. Centralization itself had been widely used by previous governments in Indonesia and at that time there was no regional autonomy (Pasaribu 2020).

The weakness of this system is that all regional decisions and policies are made by the Central Government, which can be a waste of time because it takes too long. Decentralization or transfer of rights and responsibilities, resources from the Center to a Region. This means that regions can directly experience the services provided by the Center in a region. In order

for the implementation of regional autonomy to run well, this system is needed. Where this system can be considered effective and efficient to cover the wider community (Amelia et al. 2020). Assessment of the financial performance of Regional Governments is important because the Central Government implements the Regional Autonomy policy which hopes that Regional Governments can be more independent regarding the management of their Regional finances and also not depend on the Central Government. The aim of this is that if there is development, the region does not need to wait for assistance from the center so it can be implemented immediately without taking up much time during construction (N. K. N. I. Putri and Darmayanti 2019).

In literacy, the factors that influence the financial performance of Regional Governments are PAD, DAU and DAK. We can usually understand the characteristics of the government itself from measures of prosperity, legislative measures, leverage, and balancing funds. Performance usually comes from financial information, namely financial reports that can be measured based on the budget that has been prepared (N. K. N. I. Putri and Darmayanti 2019). Regional financial performance can contribute to regional income growth every year. This can be seen from the magnitude of the Regional Government's ability to regulate the financial potential of the region. Financial Performance is a measure by which we can find out about an organization's efforts in carrying out activities related to finance according to predetermined or applicable rules. The implementation of Regional Autonomy, as far as possible, will have an impact on the good of Regional Governments, for example, the Central Java Provincial Government will be able to improve, according to what has been expected or has been budgeted. Regional Original Income or PAD (Hereafter it will be written as PAD) is a route to regional independence which usually originates from economic activities. PAD can influence faster development with assistance from the Central Government. If a region has high PAD in a region, then in development if you rely too much on central aid funds it will take longer for the development process in that region itself (Wahyudin 2020).

Balancing funds are transfers in the form of assistance from the center to the region. The higher the value of the balancing fund, the region can be said to still not be independent and vice versa. It can be said that the size of the balancing fund will have an impact on the quality of financial performance. This incident can, as far as possible, create supervision in financial matters in Regional Governments which must implement autonomy. It is necessary to have an effective and efficient system that covers society at large (Wahyudin 2020). Many people think that the success of regional autonomy can be seen from its PAD, but the reality is that many regional governments themselves depend on central assistance, which is usually

called balancing funds. So that Regional Original Income and the Balancing Fund themselves have a very important role in financing Regional Development, so that it is fast and does not take a long time (Badjra, Mustanda, and Abudanti 2017).

Semarang City is the city recorded as the city government with the highest PAD in Central Java Province, reaching IDR 1.72 trillion. This was recorded in DJPK data in 2018. Meanwhile, the second highest PAD was Banyumas Regency amounting to IDR 648.33 billion, followed by third place, Surakarta City with total PAD amounting to IDR 527.74 billion. Meanwhile, Kudus Regency is the district or city government with the lowest amount of PAD, namely only IDR 39.69 billion. During the pandemic, the Semarang City Government continued to develop services even though regional income experienced a decline. According to the Administrative Assistant for Economy, Development and People's Welfare, the Semarang City Government stated that there were three things that had the impact of this pandemic on the financial sector of the Semarang City Government, namely a decrease in income, revaluation of the APBD and refocusing of the 2020 budget.

In terms of literacy, the results of previous research discussing PAD are the results of research conducted, among others, by Putri & Darmayanti (2019); Wahyudin (2020); Nastiti et al. (2018); Fatmawasti & Pratiwi (2019); Pipit & Cynthya (2019); R. A. R. Putri & Amanah (2018); Budianto & Alexander (2016); N. M. D. P. Sari & Mustanda (2019); Sukma & Panji(2018); Badjra et al (2017); Prastiwi & Aji (2020);N. K. N. I. Putri & Darmayanti (2019); Prastiwi & Aji (2020) The results of this research show that PAD has an effect on financial performance. On the other hand, there is previous research conducted by Andirfa (2016), where the research results show that PAD has no effect on financial performance.

Previous research related to the Balancing Fund has been carried out by several researchers and published. This can be seen from the results of research conducted by Putri & Darmayanti (2019); Wahyudin (2020); Nastiti et al. (2018); Fatmawasti & Pratiwi (2019); R. A. R. Putri & Amanah (2018); I. P. Sari et al. (2019); Budianto & Alexander (2016); Badjra et al. (2017); Prastiwi & Aji (2020), Where the results of research conducted show that balancing funds have an effect on financial performance. However, the results of this study are not in line with previous research conducted by Kristina (2021), where the results of this research state that the Balancing Fund has no effect on Financial Performance.

Theoretical basis

Stewardship theory is a theory discovered by Donaldson and Davis. The theory itself is a theory that explains the situation that managers are not motivated by individual goals but rather target results primarily for the benefit of the organization, therefore this theory has a

psychological and sociological basis which was created so that executives as stewards are motivated to do what the principal wants. Stewards must also be responsible for their organization because stewards must try to achieve the goals that the organization desires (Rofifah 2020a).

Stewardship theory explains the situation, namely that managers are not motivated by individual goals, but by the main results as the interests of the organization. However, if their interests cannot be the same, then stewards must or will try as much as possible to cooperate with the principal and as far as possible there will be no words of opposition. Because these common interests and responsible behavior are the responsibility of stewards whose efforts must be able to achieve the shared or organizational goals that have been set (Noor, 2019). The people can only hope that the Government can realize the organization's goals in accordance with what the people have entrusted to the Government. The government should also be able to make this happen and be held accountable if there are mistakes. So, as much as possible, the Government acts firmly on everything for the progress of an organization (Noor, 2019). Apart from that, many people also think that this theory has a relationship to the success of an organization. Because the success of an organization explains the maximum utility available to the principal group and management. Stewardship theory can also be applied in research related to public sector accounting, it has been prepared so that it can provide information for those related to stewards and principals and also includes public sector accounting (Gide, 2017). The relationship that exists between the steward and the principal is because of trust. The principal gives complete trust to the steward so that the organization's goals run smoothly as desired or in accordance with what has been previously agreed. In conclusion, this theory is related to the financial sector, namely the Government. As much as possible, the Government makes financial reports that have been entrusted or have been mandated so that the financial report data can produce results where the financial reports are of high quality and proven to be correct (Gide, 2017).

Regional Autonomy

The definition of Regional Autonomy itself is an authority or right and obligation of a region which is used in the interests of its people and needs. Regional autonomy has an impact on economic growth and can also give regional governments freedom in financial planning. This implementation also requires an effective and efficient decentralized system so that it can be held accountable to the community itself (N. K. N. I. Putri and Darmayanti 2019). With the regional autonomy policy, the central government will not be able to handle development in the region itself, therefore the central government has taken the initiative to order that the

regional government itself can or is able to independently regulate its region and also ensure the success of development and also in the interests of the region itself so that it becomes better (Budianto and Alexander 2016). Since the reformation, regional governments have provided the opportunity to give their respective opinions (Kristina et al. 2021). Financial management is an important factor and is carried out as much as possible in the Indonesian region. Regional financial management carried out correctly and well will enable the creation of quality regions and can also improve the performance of regional governments if development is achieved as desired (N. M. D. P. Sari and Mustanda 2019).

Regional Finance

In Government Regulation no. 105 of 2000 (replaced by Government regulations number 58 of 2005), Regional finance is all Regional rights and obligations in the administration of Regional Government which can be valued in money, including all forms of wealth related to the rights and obligations of the Region, within the framework of the revenue budget and regional expenditure (APBD). Regional Finance is a right to all the rights and obligations of the Regional Government which can be valued in money, as well as everything in the form of money or goods which can be made into Regional property related to the implementation of these rights and obligations (Ilat and Kusumadewi 2016). Financial management itself is managed by an authorized body or government so people can only trust the financial data contained in financial reports (Sukma and Panji 2018).

Financial Performance in Regional Government

Pratiwi (2018) states that the financial performance of the Regional Government can be seen whether the Region is successful or not in managing natural resources in the Region itself. This can realize a goal, vision and mission that has been determined by the Regional Government itself, whether it is appropriate. (Pasaribu 2020). Financial performance is measured by calculations that have been determined in the financial reports and also the budget (I. Sari, Agusti, and Rofika 2016). To assess the financial performance of regional governments and the central government, regional autonomy policies are also used, namely so that regional governments can be more independent and not depend on central assistance or transfers. If this is in accordance with regional autonomy then it can be said that the region is independent and does not depend on the center, that too. influence on development in the region. Regions that tend to be independent and not dependent on the central government will enable success or progress in terms of development in that region (N. K. N. I. Putri and Darmayanti 2019).

Measuring Financial Performance in Regional Government

The financial performance of the Regional Government is an illustration of the success of a Region in managing the natural resources in that Region, whether this can realize a goal, vision and mission that has been determined by the Regional Government itself, whether it is appropriate. However, if for example the achievements that have been made are not as expected then the financial performance can be said to be bad (Pasaribu 2020). Performance measurement, in order to know whether performance is good or bad, it needs to be measured by calculating and analyzing financial reports, calculating and analyzing using ratios that have been determined in the Government's financial reports in each region. This aims to enable the public to assess financial performance.

Locally-Generated Revenue

PAD is a path to regional independence based on economic activities. The source of PAD itself is usually from natural resources or natural wealth that is owned in the region. PAD can have an impact on faster development and request assistance from the center if the region has high PAD in a region, meaning in development if it relies too much on funds. Central assistance will take longer in the development process in the region itself (Wahyudin 2020). If the PAD received by the Regional Government is large, it is likely that the financial performance of that Region tends to be good and vice versa (I. Sari, Agusti, and Rofika 2016). PAD is the result of original or pure regions without assistance from the center. Derived from regional economic sources. If the original income in the region is high then regional development will be faster and easier, economic growth in the region also affects the regional income and if the regional expenditure is higher for building buildings in the region, the greater the increase in population growth in the region (Sukma and Panji 2018).

Balancing Fund

Balancing Funds, namely funds for assistance or transfers to the Region, are usually used by the Region to cover regional needs, which can be in terms of development or other things. It can be seen that if Jioka asks too much or transfers too much from the center then the region cannot stand alone or is not as independent as it should be if it could be said to be independent. Budianto & Alexander (2016) states that balancing funds are financial assistance from the central government for regions in the form of transfers to regions so that those regions can continue to carry out development. So this area can be said to be not independent because it still depends on government transfers (Sukma and Panji 2018). Balancing funds are transfers of assistance from the center that have been given to help fund needs in a region. If the larger or more frequently a region is transferred by the center, the higher the level of dependence on

transfers from the center, and vice versa, a good region is if the level of dependence from the center is small or low. Balancing Funds are transfers of central assistance that are given to help fund the needs of a region during the implementation of decentralization or in the case of regional development, the central government provides transfers or assistance to the region for progress in terms of development and development progress. If the larger or more frequently a region is transferred by the center, the higher the level of dependence on transfers from the center, and vice versa, a good region is if the level of dependence from the center is small or low (Farieda, 2019).

Financial performance

Regional Government financial performance is an analysis to find out whether its performance is running well in accordance with the rules. Regional Government Financial Performance is calculated and analyzed using three Regional Government financial ratios, in order to conclude its performance. Performance measurement, in order to know whether performance is good or bad, it needs to be measured by calculating and analyzing financial reports. calculate and analyze using the ratios determined in the Government's financial reports in each region. Comparing the financial reports for the specified period will show the results or year and we can analyze the financial performance of the region (Pratiwi, 2018).

PAD (Regional Original Income)

PAD is the result of regional revenue for the region itself which is original or pure without assistance from the center. Derived from regional economic sources. If the original income in the region is high then regional development will be faster and easier, economic growth in the region also affects the regional income and if the regional expenditure is higher for building buildings in the region, the greater the increase in population growth in the region (Sukma and Panji 2018).

Research Hypothesis

The Effect of PAD on Financial Performance

PAD is a path to regional independence which usually originates from economic activities. The source of PAD itself is usually from natural resources or natural wealth that is owned in the region. PAD can have an impact on faster development and without asking for help from the center if the region has high PAD in a region, then the development process will be faster In the region itself, this means that in development, if you rely too much on central aid funds, the development process in the region will take longer. So it can be concluded that if regional PAD is high then financial performance is high because there is no need to ask for central assistance or central government transfers (Wahyudin 2020). In accordance with

stewardship theory, it explains the relationship between the principal, usually called the people, and the stewards, namely the government. PAD affects financial performance, so if the region's original income decreases, performance usually decreases. From this relationship it can be seen that the person responsible for honesty in the financial sector and who also knows more about all information in the financial sector is the government or steward. The people can only hope that the Government can realize the organization's goals in accordance with what the people have entrusted to the Government. The government should also be able to make this happen and be held accountable if there are mistakes. So, as much as possible, the Government acts firmly on everything for the progress of an organization (Noor,2019).

Research Results by Putri & Darmayanti (2019); Wahyudin (2020);Nastiti et al. (2018); Fatmawasti & Pratiwi (2019); Pipit & Cynthya (2019); R. A. R. Putri & Amanah (2018); Budianto & Alexander (2016); N. M. D. P. Sari & Mustanda (2019); Sukma & Panji(2018); Badjra et al (2017); Prastiwi & Aji (2020) shows that PAD has an effect on financial performance. Based on the explanation that has been given, the first hypothesis in this research is:

H1: PAD has an effect on Regional Government Financial Performance.

The Effect of Balancing Funds on Financial Performance

Balancing funds are central assistance in the form of transfers that have been given to help fund the needs of a region during the implementation of decentralization or in the case of regional development, the central government provides transfers or assistance to that region for progress in terms of development and development progress. If the larger or more frequently a region is transferred by the center, the higher the level of dependence on transfers from the center, and vice versa, a good region is if the level of dependence from the center is small or low (Farieda, 2019). In accordance with Stewardship theory, for example, if the Regional Government can be called a steward, it still depends on funds transferred from the center or central assistance, also known as Balancing Funds. For example, the principal can be said to be the central government. Apart from that, there are also many regions whose balance funds are greater than their original regional income. It can be concluded that if the balancing funds transferred by the center are high then the level of independence and dependence on the center is also high (Adriani,2018).

Research results by Putri & Darmayanti (2019); Wahyudin (2020); Nastiti et al. (2018); Fatmawasti & Pratiwi (2019); R. A. R. Putri & Amanah (2018); I. P. Sari et al. (2019); Budianto & Alexander (2016); Badjra et al. (2017); Prastiwi & Aji (2020) shows that the Balancing Fund

has an effect on financial performance. Based on the explanation that has been given, the second hypothesis in this research is:

H2: Balancing Funds influence Regional Government Financial Performance.

Population and Sample

The population used in this research is regencies or cities throughout Central Java Province with a total of 36. This research uses financial data from regencies or cities in Central Java Province for the 2018-2020 period. The sampling technique used in this research is purposive sampling, namely a method that takes samples from the population based on certain criteria. The criteria for this particular sampling are not arbitrary and have also been discussed previously (Setyawan, 2020). Below are the criteria:

1. Regency/city Regional Government financial reports in Central Java 2018-2020 which have been audited by BPK RI from the official website via www.djpk.kemenkeu.go.id
2. Regional Government Financial Report which includes the Budget Realization Report and Balance Sheet.

METHOD

Analysis Method

The quantitative research data was tested with descriptive statistical analysis and also used data quality tests (classical assumption tests) which include normality tests, autocorrelation tests, heteroscedasticity tests and multicollinearity tests. Next, test the model (F test), hypothesis test (multiple linear regression analysis and T test), then the coefficient of determination (R^2). The test uses the SPSS program version 20 (Pasaribu 2020).

Description of Research Objects

The object of this research is the district/city government in Central Java Province. Administratively, Central Java Province consists of 36 districts and cities, of which there are 29 districts and 6 cities and 1 Central Java Province itself. The population of this study is all regencies/cities in Central Java Province, namely 36 regencies/cities and three years of observation, so the data in this study amounted to 108 data.

Research Data Analysis

Descriptive Statistical Analysis

Descriptive statistical testing was carried out on the objects in this research which consisted of the variables Original Regional Income, Balancing Funds and financial performance. The following table shows the minimum value, maximum value, mean value and standard deviation of each variable:

Table 1 Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Regional Original Income	108	10	13	11,56	,601
Balancing Fund	108	12	13	12,03	,165
Financial performance	108	,93	3,18	1,1930	,31026
Valid N (listwise)	108				

Source: Processed secondary data, 2023

The following is an explanation of the results of descriptive statistical analysis based on the output results in table 4.1:

1. Government Financial Performance (Y) has a minimum value of 0.93 and a maximum value of 3.18. Government Financial Performance ranges from 0.93 to 3.18. Government Financial Performance has an average of 1.1930 with a standard deviation of 0.31026. An average value that is greater than the standard deviation indicates that the Financial Performance variable identifies good results because the data is evenly distributed.

2. Regional Original Income (X1) has an average (mean) of 11.56, the highest (maximum) value is 13, the lowest (minimum) value is 10, the standard deviation is 0.601. An average value that is greater than the standard deviation indicates that the Regional Original Income disclosure variable identifies good results because the data is evenly distributed. The region that has the highest value or has the highest PAD is Central Java Province in 2019. Meanwhile, the region that has the lowest PAD is Pekalongan City in 2018.

3. Balancing Fund (X2) has an average (mean) of 12.03, the highest (maximum) value is 12, the lowest (minimum) value is 13, the standard deviation is 0.165. An average value that is greater than the standard deviation indicates that the Dana Perimbangan disclosure variable identifies good results because the data is evenly distributed. In 2020, Central Java Province had the highest balancing funds.

Classic assumption test

Normality test

Data normality testing is determined from the residual distribution of the regression model. Normality testing in this study was carried out statistically using the Kolmogorov-Smirnov test. The following are the results of the Kolmogorov-Smirnov normality test:

Table 2. Normality Test Before Removing Outlier Data

One-Sample Kolmogorov-Smirnov Test	
	Unstandardized Residual
N	108
Asymp. Sig. (2-tailed)	,000
a. Test distribution is Normal.	
b. Calculated from data.	

Source: Processed secondary data, 2023

Based on the table above, it can be seen that the significance level has a value of 0.000 < 0.05 which does not meet the assumption of normality. In order for the regression model to be normal, outliers are needed. This needs to be done to achieve normally distributed data. Outliers for extreme data omission (Ghozali, 2016). In this research, there were originally 108 data. After being carried out or detected, there were 13 outlier data. Then the data is reduced to 95 data. The following are the output results after removing outlier data:

Table 3. Normality Test After Removing Outlier Data

One-Sample Kolmogorov-Smirnov Test	
	Unstandardized Residual
N	95
Asymp. Sig. (2-tailed)	,058
a. Test distribution is Normal.	
b. Calculated from data.	

Source: Processed secondary data, 2023

From the table of normality test results above, it can be seen that Sig. (2-tailed) in the One-Sample Kolmogorov-Smirnov Test is 0.058 > 0.05, so it can be concluded that the residual error of the distributed data meets the normality assumption.

Autocorrelation Test

Table 4. Autocorrelation Test Before Data Transformation

Model Summary[b]	
Model	Durbin-Watson
1	,863
a. Predictors: (Constant), DANA_PERIMBANGAN, PAD	
b. Dependent Variable: KINERJA_KEUANGAN	

Source: Processed secondary data, 2023

Based on the table above, the Durbin Watson value is 0.863, this value will be compared with the DW table value using a significance of 5% with a sample size of 108(n) and a number of variables of 2 (k=2). So the DW value of 0.863 is smaller than the upper limit (du) of 1.7241, so it can be concluded that there is autocorrelation. In order for the regression model to have no autocorrelation, it is necessary to transform the data for autocorrelation itself for healing methods or ways to overcome autocorrelation symptoms including the Cochrane Orcutt Method and Durbin's Two Step Method, in this research using the Durbin's Two Step Method. Durbin's Two Step Method itself consists of 4 types of methods, namely the Durbin Watson d Method, (this method will later be used in the autocorrelation symptom healing method), the Theil Nagar d Method, the Cochrane Orcutt Step 1 Method, and the Cochrane Orcutt Step 2 Method (Ghozali, 2016). Researchers carried out data transformation using LAG. Following are the test results after data transformation:

Table 5. Autocorrelation Test After Data Transformation

Model Summaryᵇ	
Model	Durbin-Watson
1	2,270
a. Predictors: (Constant), LAG_DANA_PERIMBANGAN, LAG_PAD	
b. Dependent Variable: LAG_KINERJA_KEUANGAN	

Source: Processed secondary data, 2023

After carrying out data transformation, it can be concluded that in the table above, the Durbin Watson value is 2.270, this value will be compared with the DW table value using a significance of 5% with a sample size of 108(n) and a number of variables of 2 (k=2). So the DW value of 2.039 is greater than the upper limit (du) of 1.7241, so it can be concluded that there is no autocorrelation in this regression model.

Multicollinearity Test

Table 6. Multicollinearity Test

Coefficientsᵃ			
Model		Collinearity Statistics	
		Tolerance	VIF
1	Regional Original Income	,833	1,200
	Balancing Fund	,833	1,200
a. Dependent Variable: Kinerja Keuangan			

Source: Processed secondary data, 2023

Based on the table above, it can be seen that the PAD variable and the Balancing Fund variable have a tolerance value of $0.833 \geq 0.10$ and a VIF of $1.200 \leq 10$. This means that the regression model in this study does not occur multicollinearity..

Heteroscedasticity test

Table 7. Heteroscedasticity test

Coefficientsᵃ		
Model		Sig.
1	(Constant)	,297
	X1	,070
	X2	,171
a. Dependent Variable: ABS_RES		

Source: Processed secondary data, 2023

Based on the table above, the results processed using the Glesjer test, it can be seen that the significance of each independent variable has a significance level above 0.05, namely PAD of 0.070, balancing funds of 0.171, so it can be concluded that the data variance does not have symptoms of heteroscedasticity.

Model Test (F Test)

The F statistical test is carried out to find out whether the independent variables together can influence the dependent variable. The following are the results of the F statistical test :

Table 8. F Statistical Test

ANOVAᵃ		
Model		Sig.
1	Regression	,000ᵇ
	Residual	
	Total	
a. Dependent Variable: Kinerja Keuangan		
b. Predictors: (Constant), Dana Perimbangan, Pendapatan Asli Daerah		

Source: Processed secondary data, 2023

Based on the output results above, it can be concluded that simultaneously the PAD (Regional Original Income) and balancing fund variables have a significant effect on the regional government's financial performance variables. Because the significance value in the anova table is 0.000, less than 0.05.

T Test

The T statistical test is carried out to determine how far the independent variable can partially explain variations in the dependent variable. The following are the results of the t statistical test :

Table 9. T Test Result

Coefficientsᵃ	
Model	Sig.
(Constant)	,000
Regional Original Income	,262
Balancing Fund	,000
a. Dependent Variable: Kinerja Keuangan	

Source: Processed secondary data, 2023

Based on the table above, the level of significance of each variable can be seen. The Original Regional Income variable has a significance value of $0.262 > 0.05$, so Original Regional Income does not have a significant effect on local government financial performance. The Balancing Fund variable has a significance value of $0.000 < 0.0$, so the Balancing Fund has a significant effect on the financial performance of the Regional Government.

Coefficient of Determination

The coefficient of determination can be used to determine the magnitude of the influence of disclosure of Regional Original Income and Balancing Funds on Financial Performance. The following are the results of testing the coefficient of determination :

Table 10. Coefficient of Determination

Model Summaryᵇ	
Model	Adjusted R Square
1	,318
a. Predictors: (Constant), Balancing Fund, The Original Regional Income	
b. Dependent Variable: Financial Performance	

Source: Processed secondary data, 2023

To find out how much influence the independent variables (PAD, balancing funds) have on the dependent variable (regional government financial performance), the Adjusted R2 value is used. without the moderating variable, namely 0.318, which means that 31.8% of changes in Regional Government financial performance can be explained by the PAD and balancing fund variables. Meanwhile, 68.2% is influenced by other variables outside the model.

DISCUSSION OF RESEARCH RESULTS

The Influence of Original Regional Income (PAD) on Regional Government Financial Performance

The first hypothesis of the research states that Original Regional Income has an influence on the financial performance of Regional Governments and is rejected, because based on the tests that have been carried out, the Original Regional Income variable does not have a significant effect on the financial performance of Regional Governments. This means that if Original Regional Income tends to be high then the Government's Financial Performance is not necessarily better, and vice versa if Original Regional Income is low it does not necessarily mean that the Government's Financial Performance will decrease.

The results of this research are not in line with the underlying theory regarding Regional Original Income, namely Stewardship theory. Where in this theory it is explained that Regional Original Income has an effect on Financial Performance. If the region's original income decreases, its performance decreases. Likewise, if Regional Original Income is high then Financial Performance tends to be better. From this relationship it can be seen that the person responsible for honesty in the financial sector and who also knows more about all information in the financial sector is the Government or steward. The people can only hope that the Government can realize the organization's goals in accordance with what the people have entrusted to the Government (Noor, 2019).

The results of this research are supported by statistical test results which state that Regional Original Income has no effect on Government Financial Performance. This is supported by Regency or City research data. For example, Magelang City in 2020 has a financial performance value of 1.42, this value is greater than the average value of 1.1930, but has a Regional Original Income value of 11.00, this value is smaller than the average value - the average is 11.56. Likewise, Tegal City in 2018 had a financial performance value of 1.35, this value was greater than the average value of 1.1930, but had a Regional Original Income value of 11.00, this value was smaller than the average value -the average is 11.56. In contrast, Brebes Regency in 2018 had a financial performance value of 0.93, this value was smaller than

the average value of 1.1930, but had a Regional Original Income value of 12. This value was greater than the average value, namely of 11.56. Pemalang Regency in 2019 also had a financial performance value of 1.05, this value was smaller than the average value of 1.1930, but had a Regional Original Income value of 12, this value was greater than the average value of 11.56. From research data and statistical tests, research on Regional Original Income is not in line with Sewardship theory.

The results of this research are in line with previous research conducted by Andirfa (2016), which obtained the result that disclosure of Regional Original Income was unable to influence Financial Performance. However, this research is not in line with previous research conducted by Wahyudin (2020); Prastiwi & Aji (2020); Putri & Darmayanti (2019); Fatmawasti & Pratiwi (2019); Pipit & Cynthya (2019); N. M. D. P. Sari & Mustanda (2019); Nastiti et al. (2018); R. A. R. Putri & Amanah (2018); Sukma & Panji(2018); Badjra et al (2017); Budianto & Alexander (2016) The results show that Regional Original Income has an effect on financial performance.

The Effect of Balancing Funds on Regional Government Financial Performance

The second research hypothesis states that the Balancing Fund has an effect on Regional Government Financial Performance is accepted. This means that the Balancing Fund has an influence on the Financial Performance of the Regional Government. The higher the Balancing Fund, the Government's Financial Performance will tend to decline. Likewise, if the Balancing Fund is low, the Government's Financial Performance in that Region tends to be better.

The results of this research are in line with the theory underlying the Balancing Fund variable, namely Stewardship Theory, where the Balancing Fund influences financial performance. If the Balancing Fund tends to be high then it can be said that the city or district is not yet good in its financial performance because it is still dependent on central government transfers. Likewise, if the Balancing Fund is low in each region, the Financial Performance is said to be good. In accordance with the Stewardship theory, for example, if the Regional Government can be called (steward), it still depends on funds transferred from the center or central assistance, also known as Balancing Funds. large amount of its original regional income. It can be concluded that if the balancing funds transferred by the center are high then the level of independence and dependence on the center is also high (Adriani,2018).

The results of this research are supported by statistical test results which state that the Balancing Fund has an effect on Financial Performance. This is supported by Regency or City research data. For example, Blora Regency in 2018 had a financial performance value of 0.99,

this value is smaller than the average value of 1.1930, but had a Balancing Fund value of 12.14, this value is greater than the average value which is at a value of 12.03. Likewise, Grobogan Regency in 2018 had a financial performance value of 1.04, this value was smaller than the average value of 1.1930, but had a Balancing Fund value of 12.18, this value was greater than the average value. The average is 12.00. In contrast, the City of Surakarta in 2020 had a financial performance value of 1.32, this value is greater than the average value of 1.1930, but has a Balancing Fund value of 12.02, this value is smaller than the average value, namely of 12.03. Likewise, Salatiga City in 2019 also had a financial performance value of 1.30, this value is greater than the average value of 1.1930, but has a Balancing Fund value of 11.46, this value is smaller than the average value -the average is 12.03. From research data and statistical tests, research on Balancing Funds is in line with Sewardship theory.

The results of this research are in line with previous research conducted by Wahyudin (2020); Prastiwi & Aji (2020); I. P. Sari et al. (2019); Fatmawasti & Pratiwi (2019); Putri & Darmayanti (2019); Nastiti et al. (2018); R. A. R. Putri & Amanah (2018); Badjra et al. (2017); Budianto & Alexander (2016) Their results have shown that the Balancing Fund has an effect on financial performance. However, the results of this study are not in line with previous research by Kristina (2021) The results of this research state that the Balancing Fund has no effect on Financial Performance.

CONCLUSION

Based on the analysis of data that has been researched by proving the hypothesis of the problem raised, namely regarding the factors that influence the Financial Performance of Regional Governments in Regency or City Governments in Central Java Province, the following conclusions can be drawn from this research:

PAD does not have a significant effect on Financial Performance, therefore it can be concluded that the first hypothesis (H1) is not accepted. This shows that an increase or decrease in Original Regional Income itself does not affect the Financial Performance of the Regional Government.

Balancing Funds have a significant effect on Financial Performance, this shows that the second hypothesis (H2) is accepted. The high Balancing Fund has an effect on the Government's Financial Performance. It can be seen that if the Balancing Fund tends to be high then the region is still dependent on the central government.

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