

To cite this article: Zainab Masitha and Shofi Widya (2023). THE INFLUENCE OF REGIONAL ORIGINAL REVENUE, GENERAL ALLOCATION FUNDS, SPECIAL ALLOCATION FUNDS, REGIONAL GOVERNMENT SIZE, AND AUDIT OPINION ON THE FINANCIAL PERFORMANCE OF REGIONAL GOVERNMENTS IN CENTRAL JAVA IN 2013-2016, International Journal of Education and Social Science Research (IJESSR) 6 (6): 29-48 Article No. 862, Sub Id 1350

THE INFLUENCE OF REGIONAL ORIGINAL REVENUE, GENERAL ALLOCATION FUNDS, SPECIAL ALLOCATION FUNDS, REGIONAL GOVERNMENT SIZE, AND AUDIT OPINION ON THE FINANCIAL PERFORMANCE OF REGIONAL GOVERNMENTS IN CENTRAL JAVA IN 2013-2016

Zainab Masitha¹ and Shofi Widya²

¹Kendari 66 College of Economics

²Sultan Agung University Semarang

DOI: <https://doi.org/10.37500/IJESSR.2023.6603>

ABSTRACT

This study aims to determine various factors that affect local revenue, general allocation funds, special allocation funds, local government measures, and audit opinions on the financial performance of local governments. The research used is a quantitative study with population of districts / cities in Central Java during 2013-2016. The technique used for the sample is purposive sampling, there are 35 districts / cities. The data analysis technique used in this study is multiple linear regression analysis. The results of this study that the Regional Original Revenue has a positive effect on the financial performance of local governments, General Allocation Funds have a significant negative effect on the financial performance of local governments, Special Allocation Funds have a significant positive effect on the financial performance of local governments, regions, Audit Opinion has no significant positive effect on the performance of local government.

KEYWORDS: Local Revenue, General Allocation Funds, Special Allocation Funds, Size of Local Government, Audit Opinion, Financial Performance

1. INTRODUCTION

Regional government financial performance is managed through regional financial management. Regional financial management is the organization and management of existing resources or wealth in an area to achieve the desired goals of that area.

The purpose of a performance measurement system is *first*, to better communicate strategy. *Second*, to measure financial and non-financial performance in a balanced manner so that progress in strategy achievement can be traced. *Third*, to accommodate understanding of the interests of middle and lower-level managers and motivate them to achieve *goal congruence*. *Fourth*, as a tool to achieve satisfaction based on an individual approach and rational collective abilities (Aziz, 2016).

One measuring tool that can be used to analyze the performance of regional government finances in managing regional finances is to carry out an analysis of the financial ratios of the APBD that have been determined and implemented, namely the regional government financial efficiency ratio. This research uses the efficiency ratio in measuring regional financial performance as a dependent variable because the efficiency ratio is related to the allocation of economic resource use, namely using available economic resources to achieve optimal results in accordance with predetermined targets (Wiguna, 2017).

Original Regional Income (PAD) is the main source of regional financing and expenditure. Therefore, regions must be able to recognize the potential and identify the resources they have to increase local revenue. The greater the contribution of local original income to the APBD structure, the smaller the regional dependence on central government assistance.

This research uses a PAD proxy compared to total income in measuring regional wealth levels because even though PAD's contribution is small to regional government income in Indonesia, PAD is the only financial source that comes from the regional government itself, Wiguna, 2017.

Apart from PAD, regional revenues also come from general allocation funds (DAU) and special allocation funds (DAK). General allocation funds and special allocation funds are funds that come from the Balancing Fund. Large balancing funds received from the central government will show that regional governments are increasingly dependent on the central government to meet their regional needs (Abdullah, *et al.*, 2015).

Research conducted by Abdullah, *et al.*, (2015) states that Regional Original Income (PAD) has a positive effect on regional financial performance, while research conducted by Wiguna (2017) has a negative effect on regional financial performance.

The proxy for the Balancing Fund in this study uses a comparison between total DAU and total income. In research by Mustikarini, *et al.*, (2012), the level of dependence on the center (government income from external sources) is expressed in the amount of General Allocation Funds (DAU) received by each regional government. Puspita, *et al.*, 2012, the dependency ratio is measured by the size of the DAU compared to the total realization of the revenue budget. The higher this ratio, the greater the level of dependency of the regional government on the central government and/or provincial government (Wiguna, 2017).

Research by Wiguna (2017) states that the General Allocation Fund has a positive and significant effect on the efficiency of regional government financial performance, while research conducted by (Abdullah, *et al.*, 2015) states that the General Allocation Fund does not have a positive and insignificant effect on regional financial performance. .

Special Allocation Funds (DAK) are funds sourced from APBN revenues which are allocated to certain regions with the aim of helping to fund special activities which are regional affairs and in accordance with national priorities.

Research conducted by Abdullah (2015) states that Special Allocation Funds have no positive and insignificant effect on local government financial performance

The size of regional government is one of the variables in the size or size of a regional government which can be measured through total assets, number of employees, total income and level of productivity (Puspasari, 2016). In this research, total assets or total assets of regional governments are chosen as a benchmark in determining the size of a regional government.

Sumarjo's (2010) opinion states that the larger the size of a regional government, the better the regional government's financial performance. Large regional governments have great pressure to disclose financial performance. In disclosing their performance reports, local governments will be more encouraged to reveal things that are *good news*.

Research conducted by Azis (2016) states that Regional Government Size (Size) has a positive and significant effect on local government financial performance, while research conducted by Mulyati (2017) states that Regional Government Size (Size) has a significant negative effect on government financial performance. area.

Audit is a form of independent evidence carried out by expert auditors. The statement given by the auditor regarding the fairness of the financial statements is called an audit opinion. Statements related to the fairness of financial statements provided by auditors regarding materiality, financial position and cash flow. Findings, opinions, conclusions or recommendations are the results of examinations carried out by the BPK. There are five opinions issued by BPK RI, namely *unqualified*, *unqualified opinion with modified wording*, *qualified*, *adverse*, and *disclaimer*. *Unqualified* is the best opinion that can be given. *Unqualified* is an opinion indicating that the LKPD report has been presented and disclosed fairly. The worst opinion is *adverse*. *Adverse* is an opinion given because LKPD financial report information is not disclosed fairly. A *disclaimer* occurs when the auditor refuses to provide an opinion, this condition is caused by the limited scope of the audit or because the financial report cannot be audited in accordance with State financial audit standards (SPKN) (Suryaningsih, et al., 2016). Research conducted by Bernstein (2000) concluded that local government performance measurement and monitoring systems include performance audits and program evaluation. Research conducted by (Suryaningsih, 2016) states that audit opinions have a positive and significant effect on the financial performance of district/city regional governments.

The difference between this research and research conducted by Abdullah, *et al.*, (2015) is regarding research variables, research objects, and research observation period. The first difference relating to research variables is that this research adds independent variables in the form of regional government size (Size) and Audit Opinion, where government financial performance is not only obtained from

local original income, general allocation funds, or special allocation funds but is also obtained from government size. area and the existence of an audit opinion.

The second difference relating to the research object is that this research expands the research object to the districts/cities of Central Java Province from previously using districts/cities throughout Southern Sumatra. The third difference related to the observation period is that this research uses a newer budget observation period, namely 4 years (2013-2016) compared to the previous one using a budget observation period of 3 years (2011 - 2013).

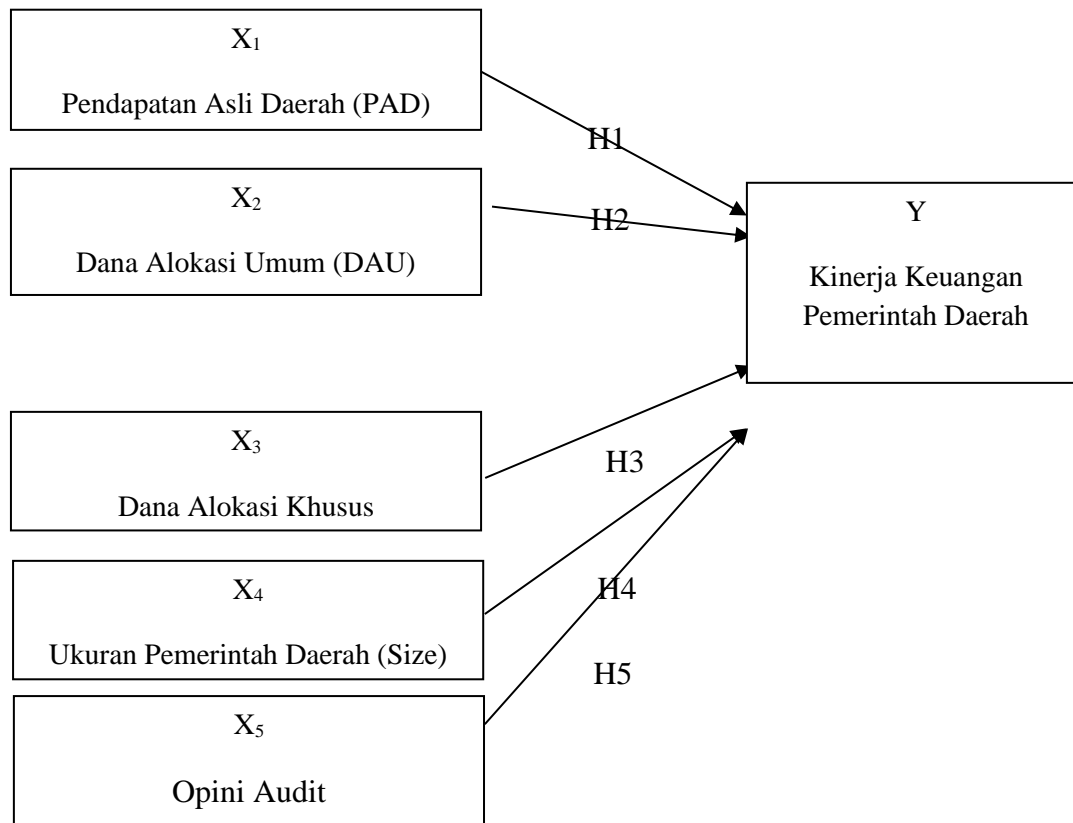
Based on the background of the problem above, the problem formulation in this research is: Does local revenue (PAD) influence the financial performance of Regency/City Governments in Central Java? Do general allocation funds (DAU) affect the financial performance of Regency/City Governments in Central Java? Do special allocation funds (DAK) affect the financial performance of Regency/City Governments in Central Java? Does the size of the regional government (Size) affect the financial performance of Regency/City Governments in Central Java? Does audit opinion affect the financial performance of Regency/City Governments in Central Java?

(Agency Theory)

Agency theory in this research looks at the relationship between the central government and regional governments and also the relationship between the community (principal) and local government (agent). The central government delegates authority to regional governments to independently regulate all government affairs in their regions.

In this research, agency theory becomes *a grand* theory. The community as the principal has the right to assess and evaluate the financial performance of the local government so that it is able to provide services and welfare for the community. Regional governments that have been given the authority to manage the community's budget through Original Regional Revenue, General Allocation Funds, Special Allocation Funds, Regional Government Size (SIZE), and Audit Opinions are required to be agents capable of meeting the expectations and interests of the community.

Theoretical Framework and Hypothesis Development



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

Regional Original Income (PAD) is an important source of income for a region to meet its expenditure. Regional Original Income has a positive effect on direct expenditure allocation. PAD has a significant role in determining regional capacity to carry out government activities and regional development programs. The government has an obligation to improve the level of people's welfare and maintain and maintain public peace and order (Abdullah, *et al.*, 2015).

The greater the contribution of local original income to finance development and community services, it can be said that there is an increase in regional government financial performance. If local original income increases, it can be said that the financial performance of Regency and City Governments has increased (increased).

Research conducted by Abdullah, *et al.*, (2015) concluded that regional original income simultaneously has a significant effect on regional government financial performance. Similar to

research conducted by Jauhar, (2016) concluded that PAD simultaneously has a positive and significant effect on the financial performance of local governments. Research conducted by Puspasari (2016) concluded that local revenue has a positive influence on financial performance.

Based on this explanation, the following hypothesis can be proposed:

H1 : Regional Original Income has a positive effect on Regional Government Financial Performance.

The Influence of General Allocation Funds on Regional Government Financial Performance

DAU is a transfer of central government funds to regional governments sourced from the APBN which is allocated with the aim of equalizing financial capacity between regions to fund regional needs in the context of implementing decentralization.

Julitawati, *et al.*, 2012 examined the influence of DAU as part of the Balancing Fund on the financial performance of district/city governments in Nanggroe Aceh Darussalam Province. The results of his research show that DAU influences the financial performance of district/city governments in the province. Rukmana (2013) also tested the influence of DAU as part of the Balancing Fund on the financial performance of the Riau Islands Provincial Government. The results of his research prove that DAU influences the financial performance of Regional Governments. The higher the amount of DAU received from the center, the lower the Regional Government's Financial Performance.

Based on this explanation, the following hypothesis can be proposed:

H2 : General Allocation Funds have a positive effect on Regional Government Financial Performance.

The Effect of Special Allocation Funds on Regional Government Financial Performance

Special Allocation Funds (DAK) are also funds that come from balancing funds other than general allocation funds and profit sharing funds. The aim of DAK is to reduce the burden of special activity costs that must be borne by local governments.

DAK is given with the aim of financing special activities in certain areas which are regional affairs and in accordance with national priorities, especially to finance the need for basic community service facilities and infrastructure that have not yet reached certain standards or to encourage the acceleration of regional development, the higher the DAK will be. the higher the Regional Government Financial Performance.

Based on this explanation, the following hypothesis can be proposed:

H3 : Special Allocation Funds have a positive effect on Regional Government Financial Performance.

The Influence of Regional Government Size (Size) on Regional Government Financial Performance

Organization size shows how big an organization is. Companies that are larger will have greater pressure from the public to report their mandatory disclosures.

Kusumawardani (2012), as well as research by Mustikarini and Fitriasari (2012) resulted in the conclusion that the larger the size of the region as assessed by the greater the total assets of the regional government, the higher the performance of the regional government is expected to be. Previous research conducted by Aziz (2016) resulted in that regional government size has a positive and significant effect on regional government financial performance, Puspasari (2016) also concluded that regional government size has a significant positive effect on regional government financial performance.

Based on this explanation, the following hypothesis can be proposed:

H4 : Regional Government size has a positive effect on Regional Government Financial Performance.

The Influence of Audit Opinions on Regional Government Financial Performance

The BPK's audit opinions are cases found by the BPK regarding Regional Government financial reports regarding violations committed by a region in terms of internal control and applicable statutory provisions. The more Unreasonable Opinions and No Opinions, the lower the performance of a Regional Government (Sudarsana, 2013). The existence of this opinion causes the BPK to request increased inspection and correction. Thus, the greater the number of unreasonable opinions and no opinion, the lower the performance of the regional government (Nugroho, 2012).

Based on this explanation, the following hypothesis can be proposed:

H5 : Audit Opinion has a positive effect on the Performance of Regency/City Regional Governments throughout Central Java.

Research methods

The type of research used in this research is quantitative research which emphasizes the approach to analyzing secondary financial report data which is measured statistically. The population in this research is districts/cities in Central Java which have the latest reports, namely 2013-2016. The technique for taking research samples uses *Purposive Sampling* data collection techniques, namely *sampling* techniques that are based on considerations of Regional Original Income (X_1), General Allocation Funds (X_2), Special Allocation Funds (X_3), Regional Government Size (X_4), Audit Opinion (X_5) and certain Regional Government Financial Performance (Y) in sampling through

determining criteria that are considered representative of the population. The criteria used are as follows:

1. Districts/Cities in Central Java registered with the Central Statistics Agency respectively in 2013, 2014, 2015 and 2016.
2. The districts/cities studied are districts/cities that have published financial reports.
3. Complete data relating to the measurement of Regency/City research variables in Central Java Province from 2013 to 2016.

This research is based on APBD Budget Realization Reports for all districts/cities in Central Java obtained from the official website www.bps.depkeu.go.id in the form of APBD realization reports in SAP format for 2013-2016, taken from Regional Government Financial Reports (LKPD) Districts/Cities in Central Java in 2013-2016 via www.bps.depkeu.go.id and the websites of the Ministry of Home Affairs, Ministry of Finance and the Financial Audit Agency (BPK) of the Republic of Indonesia. The data required in this research is secondary data.

Variables and Indicators

Locally-generated revenue

According to Halim (2007) Regional original income is regional revenue obtained from sources within its own territory which is collected based on regional regulations in accordance with applicable laws and regulations.

The formula for Original Regional Income is:

$$\text{PAD} = \text{Pajak Daerah} + \text{Retribusi Daerah} + \text{Hasil Pengelolaan}$$

$$\text{Kekayaan Daerah} + \text{Lain-lain PAD yang Sah}$$

General Allocation Fund (DAU)

General allocation funds are used to cover gaps that occur because regional needs exceed existing regional revenue potential (UU No. 33/2004, Article 27). Meanwhile, based on the fiscal gap approach, the amount of DAU received by districts/cities throughout Indonesia is based on the following provisions (Halim, 2007):

1. General allocation funds are set at at least 26% of domestic revenues specified in the APBN.
2. General allocation funds for provincial areas and for districts/cities are set at 10% and 90% of the DAU as mentioned above.

The General Allocation Fund (DAU) variable is measured by the comparison of DAU to total regional income (Wiguna, 2017).

Special Allocation Fund (DAK)

The Special Allocation Fund variable is measured based on general allocation criteria calculations, which are determined by considering regional financial capacity as reflected in APBD general revenues after deducting regional civil servant expenditure.

Local Government Size (Size)

The size of regional government according to (Aziz, 2016) uses total regional government assets because assets indicate economic resources controlled and/or owned by the government as a result of past events and from which future economic benefits are expected to be obtained (Syafitri, 2012).

Regional Government Size Formula (Size):

$$\text{Size} = \text{Total Aset}$$

Audit Opinion

The more WTP and WDP opinions found in a Regency/City government that are found by the BPK audit, the better the government's performance (Virgasari, 2009). The proxy used is if Opinion Without Giving an Opinion (*Disclaimer*) is given a score of 0 (zero), Reasonable Opinion with Exceptions (WDP) is given a score of 1 (one), and Reasonable Opinion Without Exceptions (WTP) is given a score of 2. The audit opinion used in this research refers to research (Suryaningsih, *et al.*, 2016).

Regional Government Financial Performance

Regional Government financial performance is the ability of a region to explore and manage original regional financial resources to meet its needs so that it is not completely dependent on the Central Government.

Regional government financial performance here can be measured by the Regional Financial Efficiency Ratio. Where this efficiency ratio describes the comparison between expenditure (*output*) and receipts (*input*). (Wiguna, 2017).

$$\text{Efficiency Ratio} = \frac{\text{Expenditure Realization}}{\text{Realization of Acceptance}} \times 100\%$$

If financial performance is above 100% or above it can be said to be inefficient, 90% - 100% is less efficient, 80% - 90% is quite efficient, 60% - 80% is efficient and below 60% is very efficient.

The data analysis technique in this research is by using descriptive statistical analysis methods. Descriptive statistical analysis usually presents data information in graphical or numerical form

General Description of Research Objects.

The following are details of the criteria for sample selection in this study and can be seen in the following table:

Table 4.1 Sampling Criteria

No.	Criteria	Amount
1.	Population of Regencies and Cities in Central Java	35
2.	Regencies and Cities that did not publish financial reports during the 2013 – 2016 period	0
3.	Does not have complete data for research	0
4.	The sample consists of 6 cities and 29 districts	35
5.	Sample for 4 years	140

Source: Processed Secondary Data, 2019

Based on table 4.1, it can be explained that there are 35 districts and cities in Central Java registered with the Central Statistics Agency, consisting of 6 cities and 29 districts. It is known that there are no districts and cities that do not publish financial reports and do not have data. The sample consisted of 6 cities and 29 districts for 4 years with 140 data.

**Table 4.2
Descriptive Statistics**

Variable	Minimum	Maximum	Mean	Median	Std. Dev
PAD	74,339,697	1,232,373,211	241,126,843	215,296,473.50	166,378,805.9
DAU	358,331,867	1,398,539,653	877,413,097	873,607,015.00	236,455,918.4
DAK	3,750,100	519,233,478	108,356,043	75,152,780.00	106,095,011.9
Size	14.36	16.97	15.07	14.99	0.45192
Audit opinion	0	1	0.26	0	0.443
Regional government	0.8336	1.3353	1.01910	1.0215	0.07849

financial performance					
-----------------------	--	--	--	--	--

Source: Processed Secondary Data, 2019

Table 4.3 Frequency Distribution of Audit Opinions

Information	Frequency	Percentage	Mode
Non WTP audit opinion	103	73.60	0
WTP audit opinion	37	26.40	

Based on table 4.2, it can be explained that the average original regional income of districts and cities in Central Java for the 2013-2016 period was 241,126,843,000,000, with the lowest original regional income being 74,339,697,000,000 and the highest original regional income being 1,232.373,211,000,000. The standard deviation of original regional income of 166,378,805.9 is smaller than the average value of 241,126,843, which means that the original regional income data in this study is evenly distributed, because the difference between one data and another is not too high.

Based on table 4.2, it can be explained that the average general allocation fund for districts and cities in Central Java for the 2013-2016 period is 877,413,097,000,000, with the lowest general allocation fund being 358,331,867,000,000 and the highest general allocation fund being 1,398.539,653,000,000. The standard deviation of general allocation funds is 236,455,918.4, which is smaller than the average value of 877,413,097, which means that the general allocation fund data in this study is evenly distributed, because the difference between one data and another is not too high.

Based on table 4.2, it can be explained that the average special allocation fund for districts and cities in Central Java for the 2013-2016 period is 108,356,043,000,000, with the lowest special allocation fund being 3,750,100,000,000 and the highest special allocation fund being 519,233.478,000,000. The standard deviation of special allocation funds is 106,095,011.9, which is smaller than the average value of 108,356,043. This means that the special allocation fund data in this study is evenly distributed, because the difference between one data and another is not too high.

Based on table 4.2, it can be explained that the average size of district and city regional governments in Central Java for the 2013-2016 period as measured by total assets is 15.07, with the lowest regional government size being 14.36 and the highest regional government size being 16.97. The standard deviation of regional government size is 0.45192, which is smaller than the average value of 15.07, which means that the regional government size data in this study is evenly distributed, because the difference between one data and another is not too high.

The number of districts and cities in Central Java that received WTP audit opinions during the 2013-2016 period was 26.40 percent, while those that received audit opinions other than WTP, namely WDP

and WTP-DPP, were 73.60 percent. The standard deviation value of 0.443 is greater than the average value of 0.26, which means that the audit opinion data in this study is distributed unevenly, because the difference between one data and another is high.

Based on table 4.2, it can be explained that the average financial performance of district and city governments in Central Java for the 2013-2016 period as measured by the comparison between expenditure and revenue is 1.01910 or 101.91 percent, meaning that it is in a condition of inefficiency, because expenditure is greater. rather than acceptance. The lowest regional government financial performance value was 0.8336 or 83.36 percent and the highest regional government financial performance was 1.3353 or 133.53 percent. The standard deviation of regional government financial performance of 0.07849 is smaller than the average value of 1.019, which means that the regional government financial performance data in this study is evenly distributed, because the difference between one data and another is not too high.

Classic assumption test

1. Data Normality Test

Table 4. 1Data Normality Test Results

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		140
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	.07091341
Most Extreme Differences	Absolute	.055
	Positive	.051
	Negative	-.055
Kolmogorov-Smirnov Z		.654
Asymp. Sig. (2-tailed)		.787

a. Test distribution is Normal.

b. Calculated from data.

Processed secondary data , 2019

Based on the results of the normality table above, it can be seen that the significance value of Kolmogorov-Smirnov Z is 0.787, greater than 0.05. Thus the processed data meets the normality assumption.

2. Multicollinearity Test

Table 4. 2 Multicollinearity Test Results

Coefficients^a

Model		Collinearity Statistics	
		Tolerance	VIF
1	LN_PAD	.527	1.896
	LN_DAU	.594	1.683
	LN_DAK	.679	1.474
	Size	.497	2.014
	Opini audit	.938	1.066

a. Dependent Variable: Kinerja Keuangan

Source: Processed secondary data, 2019

The calculation results in table 4.4 show that the VIF value for each independent variable (original regional income, general allocation funds, special allocation funds, regional government size and audit opinion) is less than 10 and the tolerance is more than 0.1, thus it can be concluded that The regression model in this study did not show symptoms of multicollinearity.

3. Heteroscedasticity Test

Table 4. 3Gletjer Tests

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.321	.364		-.882	.379
	LN_PAD	.027	.016	.195	1.676	.096
	LN_DAU	.012	.022	.058	.529	.598
	LN_DAK	-.011	.009	-.130	-1.262	.209
	Size	-.013	.017	-.091	-.760	.448
	Opini audit	-.006	.012	-.042	-.476	.635

a. Dependent Variable: Abs_res

Source: Processed Secondary Data, 2019

Based on the table above, it can be seen that the significance value of the independent variable in this research is local original income of 0.096; general allocation funds amounting to 0.598; special allocation funds of 0.209; company size is 0.448 and audit opinion is 0.635, greater than 0.05, so it can be interpreted that heteroscedasticity does not occur.

4. Autocorrelation Test

Table 4. 4 Autocorrelation Test Results

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.429 ^a	.184	.153	.0722243	1.945

a. Predictors: (Constant), Opini audit, LN_DAK, LN_PAD, LN_DAU, Size

b. Dependent Variable: Kinerja Keuangan

Source: Processed secondary data, 2019

The results of the calculation above can be explained that the value DW = 1.945 is located before $d_u = 1.802$ and after $4-d_u = 2.198$. Thus, the proposed regression equation model does not contain autocorrelation.

Multiple Linear Regression Analysis

The following are the results of multiple linear regression analysis:

Table 4. 5 Regression Equation Models

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.269	.423		.636	.526
	LN_PAD	.057	.019	.324	3.011	.003
	LN_DAU	-.055	.025	-.221	-2.178	.031
	LN_DAK	.022	.010	.213	2.247	.026
	Size	.025	.019	.145	1.311	.192
	Opini audit	.001	.014	.006	.072	.943

a. Dependent Variable: Kinerja Keuangan

Source: Processed secondary data, 2019

From Table 4.7, the results of data processing with the help of the SPSS program, the final regression equation model is obtained as follows:

$$Y = 0.269 + 0.057X_1 - 0.055X_2 + 0.022X_3 + 0.025X_4 + 0.001X_5 + e$$

The regression equation above can be interpreted as follows:

- a. The constant value is 0.269, which means that if the value of the independent variable is constant or fixed, then financial performance has a positive value of 1.015.
- b. The regression coefficient value of original regional income is 0.057, which means that if original regional income increases by 1 percent, financial performance will increase by 0.057 percent.
- c. The regression coefficient value for general allocation funds is -0.055, which means that if general allocation funds increase by 1 percent, financial performance will decrease by 0.055 percent.
- d. The regression coefficient value for special allocation funds is 0.022, which means that if special allocation funds increase by 1 percent, financial performance will increase by 0.022 percent.
- e. The company size regression coefficient value is 0.025, which means that if the company size increases by 1 percent, then financial performance will increase by 0.025 percent.
- f. The audit opinion regression coefficient value is 0.001, which means that if the audit opinion increases by 1 percent, then financial performance will increase by 0.001 percent.

Model Feasibility Test

a. Simultaneous Statistical Test Results (F Test)

Table 4. 6 Simultaneous Significance Test Results

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.157	5	.031	6.035	.000 ^a
	Residual	.699	134	.005		
	Total	.856	139			

a. Predictors: (Constant), Opini audit, LN_DAK, LN_PAD, LN_DAU, Size

b. Dependent Variable: Kinerja Keuangan

Source: Processed secondary data, 2019

b. Determination Coefficient Test (R2 Test)

Table 4. 7 Coefficients of Determination

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.429 ^a	.184	.153	.0722243	1.945

a. Predictors: (Constant), Opini audit, LN_DAK, LN_PAD, LN_DAU, Size

b. Dependent Variable: Kinerja Keuangan

Source: Processed secondary data, 2019

The coefficient of determination value shown by the *adjusted R square value* is 0.153. This can be interpreted as that the independent variables (regional original income, general allocation funds, special allocation funds, regional government size and audit opinion) can explain 15.30% of the independent variable (financial performance), while the rest is explained by other variables that are not observed in this research, such as grant funds, balancing funds and others.

Test Results (t Test)

Table 4. 8t test results Coefficients ^a

Model	Q	Sig.
1 (Constant)	.636	.526
LN_PAD	3,011	,003
LN_DAU	-2,178	.031
LN_DAK	2,247	.026
Size	1,311	,192
Audit Opinion	,072	,943

Source: Processed Secondary Data, 2019

- The Influence of Regional Original Income on Regional Government Financial Performance**
Based on table 4.7 above, it can be seen that partial testing of local revenue has a significant positive effect on financial performance, this is proven by a regression coefficient value of 3.011 and a significance value of 0.003 where the significance value is <0.05. Thus, hypothesis 1 which states that local revenue has a positive effect on financial performance is accepted.
- The Influence of General Allocation Funds on Regional Government Financial Performance**

Based on table 4.7 above, it can be seen that partial testing of general allocation funds has a significant negative effect on financial performance, this is proven by the regression coefficient value of - 2.178 and a significance value of 0.031 where the significance value is <0.05 . Thus, hypothesis 2 which states that general allocation funds have a positive effect on financial performance is rejected .

3. The Influence of Special Allocation Funds on Regional Government Financial Performance

Based on table 4.7 above, it can be seen that partial testing of special location funds has a significant positive effect on financial performance, this is proven by a regression coefficient value of 2.247 and a significance value of 0.026 where the significance value is <0.05 . Thus, hypothesis 3 which states that special allocation funds have a positive effect on financial performance is accepted.

4. The Influence of Regional Government Size (SIZE) on Regional Government Financial Performance

Based on table 4.7 above, it can be seen that partial testing of regional government size has a positive and insignificant effect on financial performance, this is proven by a regression coefficient value of 1.311 and a significance value of 0.192 where the significance value is > 0.05 . Thus, hypothesis 4 which states that regional government size has a positive and insignificant effect on financial performance is rejected.

5. The Influence of Audit Opinions on Regional Government Financial Performance

Based on table 4.7 above, it can be seen that partial testing of audit opinion has a positive and insignificant effect on financial performance, this is proven by a regression coefficient value of 0.072 and a significance value of 0.943 where the significance value is > 0.05 . Thus, hypothesis 5 which states that audit opinion has a positive and insignificant effect on financial performance is rejected .

The results of this research have proven that there is an influence of local revenue variables, general allocation funds, special allocation funds, regional government size, and audit opinion on regional government financial performance. From the research results, there were no districts/cities that took bad actions to reduce the quality of local government financial performance. Because if it exists, it will have an impact on reducing the quality of performance. The research carried out still has the following limitations: 1. In this research, the low ability of the independent variable to explain the dependent variable was 15.5%.

2. Limited references regarding general allocation funds to regional government financial performance. Future research is expected to add independent variables (such as: flypaper effect, silpa, employee spending, etc.) and dependent variables (such as: human development index, implementation of regional government work programs, etc.).

BIBLIOGRAPHY

- Abdullah., Dri Asmawanti S, and Febriansyah, 2015. "The Influence of Original Regional Income, General Allocation Funds, and Special Allocation Funds on the Financial Performance of Regency/City Regional Governments in Southern Sumatra." *Accounting journal*. Volume 3, Number 1, October 2015, ISSN 2303-0356.
- Aziz, Asmaul, 2016. "The Influence of Regional Government Characteristics on Regional Government Financial Performance (Study of District/City Regional Governments in East Java)". Majapahit Islamic University, Mojokerto. <http://ejournal.stiedewantara.ac.id/>. ISSN: 1907-7513. Vol XI Number 1, 2016.
- Bastian, I. 2010. *Public Sector Accounting: An Introduction*. Edition 3. Yogyakarta: BPFE. *Public sector accounting*. Jakarta: Erlangga.
- Dewata, Evada, Sarikadarwati, and Nyayu Miftahul Ilmiyyah, 2017. "Factors that Influence the Financial Performance of Regency/City Governments in South Sumatra Province 2012-2015". *Journal of Accounting, Economics & Business Management*. Vol. 5 No. 1, July 2017, 147-162 E-ISSN : 2548 – 9836.
- Ghozali, Imam, 2016. *Application of Multivariate Analysis Using the IBM SPSS 21 Program*. UNDIP Publishing Agency. Semarang.
- Indriani, Diah and Sastradipraja, Usman, 2014. "The Influence of Regional Original Income, Balancing Funds and Other Legitimate Income on Regional Government Financial Performance" (Study of the Cirebon Regional Government for Fiscal Year 2008-2012). Telkom University, Jendral Ahmad Yani University Cimahi. *Portfolio* Volume 11 No. 1, May 2014 : 55 - 76.
- Jauhar, Fauzan, 2016. "The Influence of Original Regional Income, General Allocation Funds, Special Allocation Funds and Capital Expenditures on the Financial Performance of Regency/City Regional Governments throughout West Sumatra". *Padang State University article*. Padang State University Faculty of Economics.
- Juliawati, Darwanis and Jalaluddin. 2012. "The Influence of Regional Original Income (PAD) and Balancing Funds on the Financial Performance of Regency/City Governments in Aceh Province". *Syah Kuala University Postgraduate Accounting Journal*. Vol. 1, No. 1. Pg. 15-29.

- Kusumawardani, Media, 2012. "The Influence of Size, Prosperity, Legislative Size, Leverage on the Financial Performance of Regional Governments in Indonesia". *Accounting Analysis Journal UNNES*.
- Mulyani, Sri and Hardiyanto Wibowo, 2017. "Capital Expenditure, Regional Government Size, Intergovernmental Revenue Influence and Regional Original Income on Financial Performance (Regency/City in Central Java Province, 2012 - 2015)". Muhammadiyah University Purwokerto. *Compartment*, Vol. XV No. 1, March 2017.
- Mustikarini, Widya Astuti., Fitriasari, Debby. 2012. "The Influence of Regional Government Characteristics and BPK Audit Findings on the Performance of Regency/City Regional Governments in Indonesia for the 2007 Fiscal Year" . *XV National Accounting Symposium: Banjarmasin*.
- Minister of Home Affairs Regulation no. 13 of 2006 concerning *Guidelines for Regional Financial Management*.
- Puspasari, Indah, 2016. "The Influence of Regional Government Size, Regional Original Income, Leverage, Balancing Funds and Legislative Measures on Regional Government Financial Performance." Faculty of Economics, University of Riau, Pekanbaru, Indonesia. *JOM Fekon* Vol. 3 No. 1 (February) 2016.
- Puspita, Rora., Martani, Dwi. 2012. "Factors that Influence the Level of Voluntary Disclosure on Regional Government Websites in 2010". Paper presented at the 15th *National Accounting Symposium*, Balikpapan, 20-21 September 2012.
- Rukmana, Wan Vidi. 2013. "The Influence of Regional Taxes, Regional Retributions and Balancing Funds on the Financial Performance of the Riau Islands Provincial Government". *Journal of Accounting*. Faculty of Economics, Raja Ali Haji Maritime University, Tanjung Pinang, Riau. Matter. 1-15.
- Suhardjanto, D, Rusmin, Mandasari, Putriesti and Brown, Alistair. 2010. "Mandatory Disclosure Compliance and Local Government Characteristics: Evidence from Indonesian Municipalities". *Public Policy Journal*. January 2010.
- Suryaningsih, Ni Made and Sisdyani, 2016. "Characteristics and Opinions on Regional Government Financial Performance". *Udayana University Accounting E-Journal*. Vol.15.2. May (2016): 1453-1481.



Law no. 33 of 2004 Article 3 Paragraph 1 concerning *Financial Balance between the Center and the Regions*.

Law no. 33 of 2004 Article 27 concerning *the Use of General Allocation Funds*

Wenny, Cherry. 2012. "Analysis of the Influence of Original Regional Income (PAD) on Financial Performance in Regency and City Governments in South Sumatra Province". *STIE MDP Scientific Journal*. Vol. 2, no. 1, p. 39-51.

Wood, L. 1998. *Local Government Dollars & Sense* (Rancho PalosVerdes, CA.: Training Shoppe).
www.bps.depkeu.go.id

www.djpk.depkeu.go.id

Yudha Wiguna, Kusnadi, 2017. *The Influence of Regional Original Income, General Allocation Funds and Regional Government Capital Expenditures on the Financial Performance of Regency/City Regional Governments in South Sumatra*. Musi Rawas University Faculty of Economics.