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THE EFFECT OF LOCAL REVENUE, BALANCE FUND AND CAPITAL EXPENDITURE ON FINANCIAL PERFORMANCE AT THE REGIONAL FINANCIAL AND ASSET MANAGEMENT AGENCY (BPKAD) OF BADUNG REGENCY

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Abstract: The financial performance of local governments is important for local governments and external parties. The financial performance of local governments is a benchmark for local governments to ensure the ability of regions to implement financial implementation rules properly and correctly, where higher assessments are demands that must be met somewhat external parties decide to invest in the regions. This study aims to determine and analyze the influence of local income factors, balance funds, and capital expenditures on financial performance at the Regional Financial and Asset Management Agency of Badung Regency. To apply this purpose, data collection techniques are used through the form of regional financial statements. Meanwhile, the data analysis techniques used are descriptive analysis, multiple linear analysis, classical assumption testing, and hypothesis testing. The results of this study found that the original regional income factor had a significant negative effect on financial performance at the Badung Regency Regional Financial and Asset Management Agency, the balance fund factor had a significant positive effect on financial performance at the Badung Regency Regional Financial and Asset Management Agency, the capital expenditure factor had a significant negative effect on financial performance at the Badung Regency Regional Financial and Asset Management Agency.

Keywords: local income, balance fund, capital expenditure and regional financial performance

Abstract: The financial performance of local governments is an important issue for local governments and external parties. The financial performance of local governments is a benchmark for local governments to ensure the ability of regions to carry out financial implementation rules properly and correctly, where a higher assessment is a demand that must be met when external parties decide to invest in the region. This study aims to determine and analyze the influence of local revenue, balancing funds, and capital expenditures on financial performance at the Regional Financial and Asset Management Agency of Badung Regency. To apply these objectives, data collection techniques are used in the form of regional financial reports. While the data analysis techniques used are descriptive analysis, multiple linear analysis, classical assumption test, and hypothesis testing. The results of this study found that the local revenue factor had a significant negative effect on financial performance at the Regional Financial and Asset Management Agency of Badung Regency, the balancing fund factor had a significant positive effect on financial performance at the Regional Financial and Asset Management Agency of Badung Regency, the capital expenditure factor had a significant negative effect on the financial performance of the Regional Financial and Asset Management Agency of Badung Regency

Keywords: local revenue, balancing funds, capital expenditures and regional financial performance.

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Introduction

The establishment of Law No.32 of 2004 concerning Local Government and Law No. 33 of 2004 concerning Financial Balance between the central and regional governments is the beginning of regional self-financing. Regional autonomy is given the authority to create regional governance related to the management of resources in sync over potential related regions.

To provide support for the implementation of the regional self-reliance, a broad, real and balanced authority is needed on the finances of the central government on the Law is the embodiment of a broader gift of authority derived from the central government authority at the district / city government authority in the implementation of all local government activities related to planning potential regional sectors to create, governance, control and also evaluate all resources. This is done to support local governments in empowering their regions.

Local Governments in an effort to make improvements to financial performance use the concept of the value of money which has the meaning of governance in the public sector including, its economy, its efficiency, and its effectiveness. Improving the performance of the budget and financial management of the region has a major role in the strategy of empowering its Local government in the process of implementing its regional autonomy as well as in the process of implementing broad, real and responsible decentralization. The process of planning expenses that have a performance orientation can make improvements to the performance of local rules. Performance is the ability to work visible on the results of his work. Financial performance can be concluded as a description of the financial state of the organization whose measurement is carried out based on the realization of income and expenditures that are prepared on an accrual basis that concludes the level of success of the organization in its financial management.

To provide support for the implementation of local government, a broad, real and balanced authority is needed in the finances of local governments on the Law is the embodiment of a broader gift of authority derived from local government authorities in the district / city government authorities in the implementation of all local government activities related to planning potential regional sectors to create, governance, control and also evaluate all resources (Mahsun et al., 2013) . This is done to support local governments in empowering their regions. Regional financial governance needs support from appropriate financial capabilities.

The ability of local governments to explore their regional financial capabilities is seen through regional financial performance based on the measurement of their financial ratio analysis. The regional expenditure revenue regulation can be used as a reference by the local government to measure the ability of the government authority to carry out financing of its development activities.

Local Governments in an effort to make improvements to financial performance use the concept of the value of money which has the meaning of public sector governance including, its economy, its efficiency, and its effectiveness as well as improvements in budget performance and regional financial management have a main role in the empowerment strategy of its Regional government in the process of implementing its regional autonomy as well as in the process of implementing broad, real and responsible decentralization.

Regional financial governance rules need the support of appropriate financial capabilities. The ability of local governments to explore their regional financial capabilities is seen through regional financial performance based on the measurement of their financial ratio analysis (Rahmat et al., 2013). The government in each region is obliged to improve the services and standard of life of its people by applying the principles of democracy, justice, equality, and continuity. If the government has the ability to manage its regional potential, in terms of its natural resources, its human resources also come from its financial resources to the maximum, causing the government authority to be said to have successfully carried out its obligations (Mahsun et al., 2015).

The regional expenditure revenue regulation can be used as a reference by the local government to measure the ability of the government authority to carry out financing of its development activities. Success is seen in the origin of the dependence on the central government is smaller and greater The original income of the region for financing the activities of its regions within the stipulated period of time. The manifestation of its transparency and the financial accountability of the country can be seen from the process of preparing its financial reporting.

Reports from local governments are useful as a medium for presenting data that can be used when formulating accountability decisions. Local Governments as managers of existing resources to carry out their government activities, development also provides services to their people, have the obligation to present regional financial reports so that they can get an evaluation related to the success of the government and the use of its funds.

Local Governments in an effort to make improvements to financial performance use the concept of the value of money which has the meaning of governance in the public sector including, its economy, its efficiency, and its effectiveness. Improving the performance of the budget and financial management of the region has a major role in the strategy of empowering its Local government in the process of implementing its regional autonomy as well as in the process of implementing broad, real and responsible decentralization. The process of planning expenses that have a performance orientation can make improvements to the performance of local rules. Performance is the ability to work visible on the results of his work.

Financial performance can be concluded as a description of the financial state of the organization whose measurement is carried out based on the realization of income and expenditures that are prepared on an accrual basis that concludes the level of success of the organization in its financial management. The financial performance of the Badung Regency Regional Government is measured by conducting a combination of comparative analysis of financial statements, trend analysis and ratio analysis.

Method

This research uses quantitative methods because the information collected is in the form of numbers in regional financial statements that have a philosophical basis of positivism, the data source used is a secondary data source derived from the Regional Financial and Asset Management Agency (BPKAD) of Badung Regency related to the regional budget and its realization, in this study the population is the financial report data of the Regional Financial and Asset Management Agency (BPKAD) of Badung Regency located on jl. Raya Sempidi. the sample on this study is a portion of the total population that represents the characteristics of his study. The research sample used is in the span of the last five years (2017 - 2021). The

variables in this study consist of three variables (X) namely regional original income, balance funds and capital expenditures and variables (Y) namely regional financial performance (BPKAD). The data analysis techniques used are classical assumption tests consisting of normality tests, multicollinearity tests, heteroskedasticity tests, multiple linear regression analysis, coefficient of determination (R^2), correlation tests simultaneously (F test) and correlation tests simultaneously (t-test).

Results and Discussions/ Result and Discussion

Based on the results of the analysis carried out, a discussion can be made as follows:

- **The Effect of Regional Original Income on Regional Financial Performance at the Regional Financial and Asset Management Agency (BPKAD) of Badung Regency**

- Based on the results of the analysis carried out, it can be seen that the significance of the Regional Original Income variable to Financial Performance of 0.002 is smaller than the alpha value (α) of 0.05 ($0.002 < 0.05$) with a coefficient value of -1.329 (negative), so that H1 is accepted. This means that the variable of Regional Original Income has a significant negative effect on Regional Financial Performance at the Regional Financial and Asset Management Agency (BPKAD) of Badung Regency, this shows that the increasing regional original income will reduce financial performance so that the first hypothesis in this study is accepted.

Regional Original Revenue aims to give authority to local governments to fund the implementation of regional autonomy in accordance with regional potential as a manifestation, where PAD is obtained from the proceeds of regional taxes, regional levies, management of segregated regional wealth, and other legitimate PAD. The increasing PAD is expected to fulfill the obligations of local governments in providing public services to the community. A local government is able to achieve a high amount of regional income, of course, it has the availability of a sufficient amount of cash to finance the work program activities that have been budgeted by the local government concerned, thus creating a good Local Government Financial Performance. The higher the receipt of local original income (PAD), the financial performance of the local government will increase or be good in financing development activities for the welfare of the people in the area.

- **Effect of Equalization Fund on Regional Financial Performance at the Regional Financial and Asset Management Agency (BPKAD) of Badung Regency**

- Based on the results of the analysis carried out, it can be seen that the significance value of the Balance Fund variable in terms of Financial Performance of 0.006 is smaller than the alpha value (α) of 0.05 ($0.006 < 0.05$) with a coefficient value of 0.408 (positive), so that H2 is accepted. This means that the Balance Fund variable has a positive and significant effect on regional financial performance at the Regional Financial and Asset Management Agency (BPKAD) of Badung Regency. This shows that the increasing Balance Fund will improve Financial Performance. The Balance Fund, according to Halim (2016) that the balance fund is a fund sourced from the receipts of the State Budget (APBN) allocated to regions to finance regional needs, which consists of: Profit Sharing Fund, General Allocation Fund (DAU) and Special Allocation Fund (DAK).

Regional balance funds are funds sourced from state budget revenues allocated to regions to fund regional needs in the context of implementing decentralization. The Balance Fund or what is often referred to as the Transfer Fund has an important role, especially to achieve efficiency and fairness in the provision of public services. The Balance Fund affects the Financial Performance of Local Governments, namely the funds received from the central government will show that the stronger the local government depends on the central government for its regional needs, which will make the Financial Performance of local governments decrease. This means that the higher the balance fund, the stronger the regional financial performance to finance regional needs, but if the balance fund is low, the regional financial performance to finance all regional needs will also be lower.

- **The Effect of Capital Expenditure on Regional Financial Performance at the Regional Financial and Asset Management Agency (BPKAD) of Badung Regency**

- Based on the results of the analysis carried out, it can be seen that the significance value of the Capital Expenditure variable to Financial Performance of 0.020 is smaller than the alpha value (α) of 0.05 ($0.020 < 0.05$) and the coefficient value of -0.062 (negative), so that H3 is accepted. This means that the capital expenditure variable has a significant negative effect on regional financial performance at the Regional Financial and Asset Management Agency (BPKAD) of Badung Regency. and Ady (2008).

Capital expenditure shows an increase in investment made so that the higher the regional financial performance. Capital expenditures issued by local governments which have the meaning of expenditures made in the context of purchases / expenditures or payments of tangible fixed assets that have a benefit value of more than twelve months for government activities and provide benefits to the community, where the allocation of capital expenditures in this study has a significant influence on improving regional financial performance.

Conclusion

Based on the results of the discussion that has been presented in the previous chapter, the conclusions of the research results are as follows:

5 Regional Original Income has a significant negative effect on regional financial performance at the Regional Financial and Asset Management Agency (BPKAD) of Badung Regency. The Regional Native Income Variable (X1) shows a coefficient of -1.329 (negative), and the significance probability value of 0.002 is less than the alpha (α) value of 0.05.

The Equalization Fund has a positive and significant effect on regional financial performance at the Regional Financial and Asset Management Agency (BPKAD) of Badung Regency. The Equalization Fund variable (X2) shows a coefficient of 0.408 (positive), and the significance probability value of 0.006 is less than the alpha value (α) of 0.05. Capital expenditure has a significant negative effect on regional financial performance at the Regional Financial and Asset Management Agency (BPKAD) of Badung Regency. The Capital Expenditure variable (X3) shows a coefficient of -0.062 (negative), and the significance probability value of 0.020 is less than the alpha (α) value of 0.05.

Local revenues, balance funds and capital expenditures have a simultaneous and significant influence on the financial performance of the Regional Financial and Asset Management Agency of Badung Regency.

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