

# Affecting Financial Performance: Factors In Local Government, Indonesia

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**Abstract.** This study aims at examining the effect of legislative size, regional government size, and level of regional wealth on the financial performance of district/city government in West Java Province. This study's population is the Budget Realization Report of all districts/cities in West Java Province. The sample was determined by using the Quota Sampling method with the number of 110 observations data. The research data used the secondary data in District / City Budget Realization Reports in West Java Province 2014-2018. This study uses descriptive and verification methods and panel data regression analysis technique. The results showed that the legislative size, the regional government size, and the level of regional wealth have positive and significant effect on local government's financial performance

**Keywords:** legislative size; regional government size; regional wealth level; local government financial performance

## 1 Introduction

The existence of Law No. 23/2014 on regional governance has made city districts own the widest possible authority in carrying out regional autonomy. This forces districts / cities to be capable of exploring their own potential. With this regional autonomy, it is hoped that districts / cities can reduce dependence on the central government in financing development and regional management. According to (Rai, 2008), the way to achieve the progress of an organization is by measuring performance. Bastian (2006) defines performance as a description of the achievement of implementation / programs / policies in realizing the goals, objectives, mission and vision of an organization. Performance appraisal usually uses the financial aspect because many think that the financial situation will reflect the situation as a whole (Samudra, 2008). Regional financial performance is reflected in regional independence, the higher the financial independence of a region, the lower the dependence of the region on government and provincial assistance.

According to Halim & Kusufi (2012) the self-reliance ratio is defined as the ability of local governments to self-finance government activities, development, and services to people who have contributed in fulfilling tax and retribution payment obligations. Independence is determined by the size of the local government revenue (PAD/Pendapatan Asli Daerah) compared to the total transfer income (Halim, 2007). The capacity of the regions in implementing decentralization is reflected in the contribution of PAD. The following table is the results of the Financial Performance calculation of Regency / City Government in West Java Province 2014-2018.

**Table 1.** Results of Financial Performance Calculation of Regency / City Government in West Java Province in 2014-2018

No	Regency / City	2014	2015	2016	2017	2018	Average
1.	Kab. Bandung	22,69%	22,97%	23,99%	27,37%	25,50%	24,51%
2.	Kab. Bekasi	66,79%	70,87%	72,82%	87,29%	74,82%	74,52%
3.	Kab. Bogor	49,00%	51,90%	63,74%	80,43%	70,82%	63,18%
4.	Kab. Ciamis	10,49%	9,50%	10,51%	11,86%	11,80%	10,83%
5.	Kab. Cianjur	19,61%	19,13%	19,40%	22,25%	23,11%	20,70%
6.	Kab. Cirebon	20,90%	18,95%	19,74%	28,88%	21,19%	21,93%
7.	Kab. Garut	14,18%	14,94%	13,53%	19,29%	13,03%	15,00%
8.	Kab. Indramayu	15,95%	15,35%	16,99%	26,57%	16,42%	18,26%
9.	Kab. Karawang	40,59%	65,06%	40,08%	51,91%	42,46%	48,02%
10.	Kab. Kuningan	12,32%	12,23%	13,93%	20,91%	17,05%	15,29%
11.	Kab. Majalengka	13,52%	14,56%	15,81%	24,01%	21,18%	17,81%
12.	Kab. Purwakarta	23,53%	24,52%	22,55%	30,31%	22,06%	24,59%
13.	Kab. Subang	13,39%	15,46%	16,71%	25,53%	17,58%	17,73%
14.	Kab. Sukabumi	20,16%	20,54%	20,02%	28,49%	20,04%	21,85%
15.	Kab. Sumedang	18,42%	17,45%	18,26%	28,60%	21,67%	20,88%
16.	Kab. Tasikmalaya	07,54%	8,49%	9,64%	15,98%	9,69%	10,27%
17.	Kota Bandung	55,95%	59,14%	67,55%	83,81%	78,33%	68,96%
18.	Kota Bekasi	56,00%	65,63%	68,03%	81,72%	81,83%	70,64%
19.	Kota Bogor	45,84%	51,51%	60,41%	75,62%	69,98%	60,67%
20.	Kota Cirebon	34,18%	33,05%	38,45%	49,31%	48,71%	40,74%
21.	Kota Depok	43,05%	50,90%	59,21%	74,80%	61,77%	57,94%
22.	Kota Sukabumi	36,40%	38,13%	36,88%	46,78%	45,55%	40,75%
23.	Kota Tasikmalaya	22,16%	20,85%	21,77%	28,19%	22,34%	23,06%
24.	Kota Cimahi	26,57%	30,62%	32,10%	40,92%	36,57%	33,35%
25.	Kota Banjar	21,40%	23,10%	19,41%	22,00%	19,94%	21,17%
26.	Kab. Bandung Barat	15,89%	18,40%	21,06%	30,39%	21,50%	21,45%
27.	Kab. Pangandaran	5,45%	7,72%	8,33%	9,00%	12,27%	8,55%
							32,32%

Base on table 1, the average level of regional financial independence in regencies / cities of West Java Province is only 32.32%, while according to the Minister of Home Affairs (Menteri Dalam Negeri) Decree No.690.900.327 of 1996 states that the ability of regional financial independence can be categorized as high if it reaches 75%. But in fact the average is still below 75%. Based on the data, it can be seen that in the implementation of regional autonomy, the role of the central government is more dominant than the regions' role. Based on Law Number 23 of 2014 in the implementation of regional government, they must regulate and manage government affairs and the interests of the community themselves so that the aspirations of the people will be easily channeled, regions become more advanced, independent, can prosper the people and realize good governance.

The financial performance of regional governments according to the Minister of Home Affairs Regulation Number 13 of 2006 is all the rights and obligations of the regions in the context of implementing regional government which can be valued in money, including all forms of wealth related to the rights and obligations of the region. The factors that influence local government financial performance include audit opinion, legislative size, intergovernmental revenue, size, leverage, regional wealth level and regional financial capacity clusters (Ilmiyyah et. al, 2017). Legislative size is defined as the large number of

legislative (DPRD) members who have the task of supervising local governments in planning budgets so that they can be used properly (Noviyanti & Kiswanto, 2016). The number of DPRD members is expected to improve the financial performance of local governments. Meanwhile, the size of local government can be indicated by the amount of assets owned by a region. Maiyora, (2012) states that the large size of the local government will be able to help their operational activities accompanied by increased financial performance of local governments. Apart from the size of the legislature and the size of the local government, another factor that influences regional financial performance is the level of regional wealth. The level of regional wealth is defined as the ability of local government to produce revenue. The higher the level of regional wealth, the better and clearer the information on the financial statements will be as an accountability to the community and show stakeholders that the performance of the local government is high. (Ramdhani in Deka Anugrah Hadi, 2016).

Research on the factors that affect the financial performance of local governments has been carried out with different results. Research related to Legislative Size was conducted by Saragih and Saragih & Setyaningrum (2015), Muflihatin (2016) which stated that Legislative Measures have a positive and significant effect on the financial performance of local governments, the more DPRD members in a region, the better the local government's performance. In contrast to research conducted by Sari et al (2016) and Maiyora (2012) which stated that legislative size has a negative effect on the financial performance of local governments. Research related to Regional Government Size conducted by Maiyora (2012), (Lestari et. al (2019) and (Nugroho & Prasetyo, 2018) stated that the size of local government has a positive effect on the financial performance of local governments. In contrast to research conducted by Noviyanti & Kiswanto (2016) stated that government size has no effect on the financial performance of local governments.

## **2 Method**

The research method according to Sugiyono (2016) "is basically a scientific way to get data with specific purposes and uses". In this research, the method used is descriptive and verification methods. This study's population is the Financial Statements of Regency / City Government in West Java Province for the period 2014-2018. West Java Province has 27 districts / cities consisting of 18 districts and 9 cities or as many as  $27 \times 5 = 135$  observational data. The Quota Sampling technique was used to obtain 22 districts / cities with a research period of 5 years so that there are 110 sample data. The data used in this study is secondary data. Legislative Size data is measured by the number of DPRD members from the West Java General Election Commission (KPU) obtained from the website [http: jabar.kpu.go.id](http://jabar.kpu.go.id) while data on Regional Government Size and Regional Wealth Levels were obtained from the Directorate General of Fiscal Balance, Ministry of Finance by referring to Realization Reports Regency / city government budgets in West Java Province for the 2014-2018 period-obtained from the website [www.djpk.kemenkeu.go.id](http://www.djpk.kemenkeu.go.id). Using data processing techniques, namely descriptive analysis and tool such as Eviews 9.0 for panel data regression analysis.

### **2.1. Operational Variable**

#### **2.1.1. Legislative Size**

Based on Law Number 23 of 2014 article 149 concerning Regional Government, DPRD has the function of forming local regulation for district / city, budgeting and monitoring.

DPRD performs a supervisory function to oversee the implementation of regulations and monitor the implementation of budget revenues and expenditures. The indicators used to measure the legislative size can be formulated as follows:

$$\text{Legislative size} = \text{Numbers of DPRD Members}$$

### 2.1.2. Local Government Size

According to Patrick (2007) in (Purnama & Alfina, 2019) Regional size is a significant predictor of accounting compliance and is an element of organizational structure. Size can be measured in various ways, including the number of employees, total assets, total income, and production levels. The indicators used to measure the size of local government can be formulated as follows:

$$\text{Local Government Size} = \text{Total Asset}$$

### 2.1.3. Regional Wealth Level

Wealth is the ability to meet needs. The level of regional wealth is reflected in the locally-generated revenue (Noviyanti & Kiswanto 2016). According to Law no. 33 of 2004 Article 1, paragraph 18, The level of regional wealth can be measured by PAD. Local government revenue, hereinafter referred to as PAD, is revenue obtained by the region which is collected based on regional regulations in accordance with statutory regulations. The indicators used to measure the level of regional wealth can be formulated as follows:

$$\text{Regional Wealth Level} = \frac{\text{PAD}}{\text{Total Revenue}} \times 100\%$$

### 2.1.4. Regional Government Financial Performance

According to the Minister of Home Affairs Regulation Number 13 of 2006 concerning Guidelines for Regional Financial Management, it is stated that "Regional Finance is all the rights and obligations of the region in the context of implementing regional government which can be valued in money including all forms of wealth related to rights and obligations of the area".

$$\text{Regional Government Financial Performance} = \frac{\text{PAD}}{\text{Total Transfer Revenue}} \times 100\%$$

To facilitate understanding in this study, the following research paradigm was made:

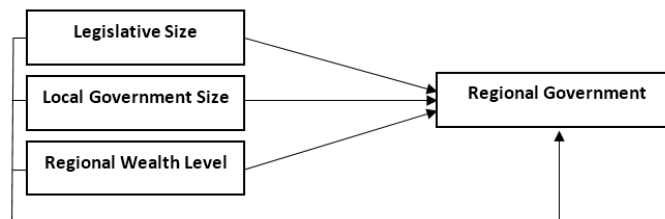


Figure 1. Research Paradigm

## **2.2. Research Hypothesis**

### **2.2.1. Legislative Size Has a Positive Effect on the Financial Performance of Regional Government**

People's Representative Council (DPRD) is an institution that carries out the oversight function of the implementation of regional regulations and APBD. DPRD as people's representatives must keep the government running according to the aspirations of the people. In carrying out supervision, the DPRD must pay attention to how much income will be received and expenditures that will be used by the local government (Maiyora, 2012). The legislature has a strategic role in supervising regional finances. Judging from the regional finances, it will show the performance of the local government. A high level of willingness to work will affect the achievement of local government performance results. The legislative measure in this research used a proxy for the number of DPRD members. The large number of DPRD members is expected to increase oversight and will increase LKPD disclosure (Purnama & Alfina, 2019).

The more DPRD members, the higher the local government's financial performance become, with the supervision carried out by the DPRD. This is in line with research conducted by Muflihatin (2016); Saragih & Setyaningrum (2015); Setyaningrum & Martani (2018) and Utama et. al (2019) which stated that Legislative Measures have a positive effect on Regional Government Financial Performance. Based on the description above, the hypothesis in this study is formulated as follows:

H2: Legislative Size has a positive effect on Regional Government Financial Performance

### **2.2.2. The Local Government Size Has a Positive Effect on Regional Government Financial Performance**

Size of local government can be seen from the size of the object of the local government, one of which is by knowing the total assets of the local government (Noviyanti & Kiswanto, 2016). Regions with large total assets are expected to have good financial performance compared to regions with small total assets. The large size of the government can make it easier for the government to carry out activities or programs to provide services to the community (Masdiantini & Erawati, 2016). Local governments must manage regional assets properly so that their performance can be achieved (Janah, 2019).

The bigger the size of the local government, the higher the financial performance of the local government will be, because the local government can provide good services to the community. This is in line with research conducted by (Lestari et al., 2019; Maiyora, 2012; Nugroho & Prasetyo, 2018; Purnama & Alfina, 2019; Sari et al., 2016) that the size of local government affects positively on Regional Government Financial Performance. Based on the description above, the hypothesis in this study is formulated as follows:

H3: Local Government Size has a positive effect on Regional Government Financial Performance

### **2.2.3. The Level of Regional Wealth Has a Positive Effect on Regional Government Financial Performance**

Level of Regional Wealth is reflected in Locally-generated Revenue (Noviyanti and Kiswanto 2016). The Locally-generated Revenue received is used as the basic fund of the regional government to defray regional development and efforts to reduce dependence on the central government. The greater the contribution of Locally-generated Revenue to the APBD, the better the performance of the government is (Maiyora, 2012). A high PAD can indicate that local governments have a higher level of regional wealth than regions with low PAD. The

level of regional wealth will certainly have an impact on better performance levels. This is in line with research conducted by Hidayah (2018); Nurdin & Nurkholis (2015); Saifudin (2020); Setyaningrum & Martani (2018); Sunaryo & Ghofar (2015) that the level of regional wealth has a positive effect on regional government financial performance. Based on the description above, the hypothesis in this study is formulated as follows:

H4: The level of regional wealth has a positive effect on the financial performance of local governments.

### 3 Result and Discussion

#### 3.1. Classical Assumption Test

##### 3.1.1. Normality Test

Based on the results of the Normality Test above, the variables of Legislative Size, Regional Government Size and Regional Wealth Level show the  $p$ -value of  $0.063219 > 0.05$  so it can be concluded that the data residuals are normally distributed, so that the data meets the Normality Test.

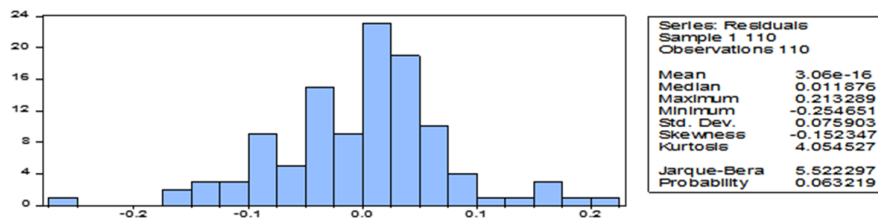


Figure 2. Normality Test Results

##### 3.1.2. Multicollinearity Test

Based on table 4.10 it was found that the correlation coefficient value for all the variables is  $< 0.8$ , means that there is no Multicollinearity in regression model.

Table 2. Multicollinearity Test

	UL	UPD	TKD	KNJ
UL	1.000000	0.336094	0.085889	0.107117
UPD	0.336094	1.000000	0.630151	0.655950
TKD	0.085889	0.630151	1.000000	0.988954
KNJ	0.107117	0.655950	0.988954	1.000000

##### 3.1.3. Autocorrelation Test

The results of the autocorrelation Test value show the Durbin Watson value of 1.993776, with a number of  $n$ : 110,  $k$ : 3, the Table Durbin Watson shows that the  $dL$  value: 1.6336, the  $Dw$  value: 1.9939, the  $dU$  value: 1.7455, and the  $4-dU$  value =  $4-1.7455 = 2.2545$ . Then:  $dL < dw < 4-dU = (1.6336 < 1.9939 < 2.2545)$ . Based on the results of the criteria that  $dL < dw < 4-dU$  ( $1.6336 < 1.9939 < 2.2545$ ), it can be concluded that there is no autocorrelation in the regression model.

**Table 3. Autocorrelation Test Results**

R-squared	0.165407	Mean dependent var	1.34E-16
Adjusted R-squared	0.116790	S.D. dependent var	0.029565
S.E. of regression	0.027785	Akaike info criterion	-4.267128
Sum squared resid	0.079516	Schwarz criterion	-4.095279
Log likelihood	241.6920	Hannan-Quinn criter.	-4.197425
F-statistic	3.402245	Durbin-Watson stat	1.993876
Prob(F-statistic)	0.004202		

**3.1.4. Heteroscedasticity Test**

Based on the table above, it can be seen p-value obs \* Rsquare 0.2024 is > 0.05 then H0 is accepted and Ha is rejected, so it can be concluded that Heteroscedasticity did not happen.

**Table 4. Results**

Heteroscedasticity Test: Breusch-Pagan-Godfrey

F-statistic	1.546815	Prob. F(3,106)	0.2067
Obs*R-squared	4.613583	Prob. Chi-Square(3)	0.2024
Scaled explained SS	6.543025	Prob. Chi-Square(3)	0.0880

**3.1.5. Results of Model Selection Test****Table 5. Housman Test Results**

Correlated Random Effects - Housman Test

Pool: POOL

Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	30.668941	3	0.0000

Based on the table above, the Chi-Square p-value is 0.0000 < 0.05, then H0 is rejected. Thus, the appropriate model for this study is the Fixed Effect model. Then the estimation results using the fixed effect model can be formed as the following equation:

$$Y_{it} = -2.078091 + 0.363934_{kabdng} + 0.435805_{kabdngbrt} + 0.324334_{kabbks} + 0.276284_{kabbgr} + 0.439143_{kabcnj} + 0.424308_{kaberb} + 0.462345_{kabindra} + 0.342096_{kabkrwng} - 1.586928_{kabmj} - 1.474092_{kabpwkt} - 0.779805_{kabsbng} - 1.592627_{kabskbn} - 0.739920_{kabsmdng} - 0.031330_{kotbdng} - 0.350742_{kotbnjr} + 0.327285_{kotbks} + 0.374758_{kotbgr} + 0.299432_{kotemh} + 0.415009_{koterb} + 0.453333_{kotdtk} + 0.419990_{kotskbn} + 0.495903_{kottasik} + 0.260687_{UL} + 0.139554_{UPD} + 1.709200_{TKD} + \epsilon_{it}$$

### 3.1.6. Coefficient Determination

**Table 6.** Test Results The coefficient of determination (R2)

Cross-section fixed (dummy variables)			
RS	0.990974	MDV	0.369727
Adjusted RS	0.988426	S.D. D. V	0.208355
S.E. of regression	0.022416	AIC	-4.561387
SSR	0.042710	SC	-3.947642
Log likelihood	275.8763	Hannan-Quinn criter.	-4.312449
F	388.8466	DW	1.721947
Prob F	0.000000		

Based on the table above, this research model shows an Adjusted R-squared value of 0.988426, which means that 98.84% of changes in Regional Government Financial Performance variables can be explained by the variables of Legislative Size, Regional Government Size and the Level of Regional Wealth, while the remaining 1.16% is influenced by other variables that were not examined in this study.

### 3.2. Hypothesis

#### 3.2.1. Testing F test / Simultaneous

F test basically shows whether all the independent variables included affect the dependent variable. In addition, the F test can be used to see if the regression model used is fixed or not, provided that  $p$ -value  $<(\alpha) = 0.05$  and F count  $> F$  table, it means that the model is fixed and can be used to test the hypothesis.

**Table 7.** Simultaneous Test Results (F Test)

Cross-section fixed (dummy variables)			
RS	0.990974	MDV	0.369727
Adjusted RS	0.988426	S.D. D. V	0.208355
S.E. of regression	0.022416	AIC	-4.561387
SSR	0.042710	SC	-3.947642
Log likelihood	275.8763	Hannan-Quinn criter.	-4.312449
F	388.8466	DW	1.721947
Prob F	0.000000		

Based on the F test in the table above, it can be seen that the Fcount value is 388.8466 with a significant level of 0.000000 and  $df_1 = K_4$  and  $df_2 = 110 - 3 - 1 = 106$ , the Ftable value is 2.46. So that Fcount  $> F$ table (388.8466  $>$  2.46). This means that the variables of Legislative Size, Size of Regional Government and Level of Regional Wealth have simultaneously affect the Regional Government Financial Performance and a probability value of 0.000000  $<$  0.05 means significant



### 3.2.2. Test of t/Partial

**Table 8.** Partial Test Results (t test)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2.078091	0.572273	-3.631294	0.0005
UL?	0.260687	0.062380	4.179020	0.0001
UPD?	0.139554	0.045386	3.074791	0.0028
TKD?	1.709200	0.123538	13.83545	0.0000

Based on the calculation of  $t_{table}$  with the criteria of a significant level of 0.05 and degrees of freedom  $Df = 110 - 3 = 107$ , then the  $t_{table}$  is 1.65922. Based on the t test value obtained, the effect of each variable is explained as follows:

- Variable of Legislative Size has a  $t_{count}$  value of 4.179020 and  $t_{table}$  value with 0.05 significance level of 1.65922. When comparing the  $t_{count} > t_{table}$  which is  $4.179020 > 1.65922$  with significance level of  $0.0001 < 0.05$ , means that the legislative size has a positive and significant effect on the financial performance of local governments.
- Variable of Local Government Size has  $t_{count}$  value of 3.074791 and  $t_{table}$  value with 0.05 significance level of 1.65922. When comparing the  $t_{count} > t_{table}$  which is  $3.074791 > 1.65922$  with significance level of  $0.0028 < 0.05$ , means that the size of the local government has a positive and significant effect on the financial performance of local governments.
- Variable of Regional Wealth Level has a t-calculation value of 13.83545 and the  $t_{table}$  value with 0.05 significance level of 1.65922. When comparing the t-calculation  $> t_{table}$  which was  $13.83545 > 1.65922$  with significance level of  $0.0000 < 0.05$ , means that the level of regional wealth has a positive and significant effect on the financial performance of regional governments.

#### **The Effect of Legislative Size, Regional Government Size and Regional Wealth Level on Regional Government Financial Performance**

In accordance with Agency theory, the government acts as an agent. The public sector context states that accountability is the obligation of the trustee (government) to provide accountability, present, report, and disclose all activities that become their responsibility to the party giving the trust (the community) who has the right to hold this accountable.

#### **The Effect of Legislative Size on Local Government Financial Performance**

The main objective of the DPRD's oversight function is to enable local governments to allocate existing budgets and use them appropriately. In accordance with Agency theory, it requires local governments to supervise so as to reduce the occurrence of agency problems. This is done by the Regional People's Representative Council (DPRD) which supervises the running of regional government. It is hoped that the supervision carried out by the DPRD can assist local governments in fulfilling their obligations for public services and for the welfare of the community. This means that the more DPRD members in a region, the better the Regional Government's Financial Performance, and vice versa, the fewer DPRD members in a region, the lower the Regional Government's Financial Performance.

The large number of DPRD members who are tasked with supervising local governments is expected to increase supervision and improve the financial performance of local governments. This research is supported by research conducted by (Muflihatin, 2016; Saragih

& Setyaningrum, 2015; Setyaningrum & Martani, 2018; Utama et al., 2019) which stated that Legislative Size has a positive effect on Regional Government Financial Performance.

#### **The Effect of Local Government Size on Regional Government Financial Performance**

Providing the best service to the community is the main objective of local government work programs. To provide good service, adequate resources and facilities are needed. In other words, good resources and facilities are supported by the existence of large assets, this explains that the great size of the local government affects the local government performance enhancement because the local government is able to provide good services to the community, and vice versa. The large size of the local government also indicates a large amount of wealth so that local governments can fund all their government activities independently and the community supervise local government activities more carefully so that the local government will make every effort to improve its performance. This research is supported by research conducted by (Lestari et al., 2019; Maiyora, 2012; Nugroho & Prasetyo, 2018; Purnama & Alfina, 2019; Sari et al., 2016) that the size of local government has a positive effect on Regional Government Financial Performance.

#### **The Effect of the Regional Wealth Level on Regional Government Financial Performance**

Increasing PAD is an access to economic growth. The amount of increase in PAD contribution will greatly play a role for local governments to be more independent, which can be said to be the performance of local governments. Possessing large assets will surely give greater pressure from the community to manage and use their resources in order to improve performance. This explains that the greater the level of regional wealth, the better the performance carried out by the regional government, and vice versa, the smaller the level of regional wealth, the lower the financial performance of the regional government. A high PAD can indicate that local governments have a higher level of regional wealth than regions with low PAD. The level of regional wealth will certainly have an impact on better performance levels. This research is supported by research conducted by (Hidayah, 2018; Nurdin & Nurkholis, 2015; Saifudin, 2020; Setyaningrum & Martani, 2018; Sunaryo & Ghofar, 2015) that the level of regional wealth has a positive effect on regional government financial performance.

## **4 Conclusion**

Legislative Size, Regional Government Size and Regional Wealth Level simultaneously influence the Financial Performance of Local Government in West Java Province. This means that the changes in Legislative Size, Regional Government Size and Regional Wealth Level will affect the Financial Performance of Regional Governments. Legislative Size has a positive and significant effect on the Financial Performance of District / City Government in West Java Province. This means that the greater the number of DPRD members, the higher the performance of local governments will be, and vice versa. The size of the Regional Government has a positive and significant effect on the Financial Performance of Regency / City Government in West Java Province.

This means that the greater the size of the regional government, the higher the performance of regional government, and vice versa. The level of regional wealth has a positive and

significant effect on the financial performance of district / city governments in West Java Province. This means that the higher the Local Government Revenue (PAD), the higher the Regional Government's Financial Performance, and vice versa. Based on the results of the study, it is stated that the Legislative Size, the Regional Government Size and the Regional Wealth Level simultaneously influence the Financial Performance of the District / City Government in West Java Province, so to improve their Financial Performance, the Regional Government must pay attention to Legislative Size, Regional Government Size and the Regional Wealth Level in local government management.

Based on the results of the research, the Legislative Size has a significant positive effect on the Financial Performance of Regional Governments in West Java Province, so to increase the Financial Performance of Regional Governments, it is suggested that the government should increase the DPRD supervision more carefully. The supervision that is carried out by the DPRD, has a function to avoid fraud in the implementation of Government activities. Based on the results of the research, the Size of Regional Government has a significant positive effect on the Financial Performance of Regional Government in West Java Province, so to improve Local Government Financial Performance, they need to increase the total value of its assets.

With large total assets, local governments are expected to be capable of optimizing them so that they will improve the Regional Government's Financial Performance. Based on the results of the research, the level of regional wealth has a positive and significant effect on the financial performance of regional governments in West Java province, so to improve the financial performance of regional governments, the government need to increase and explore the potential of local revenue. This can be done by intensifying and extending local taxes and retributions.

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