

The Influence of the Age of Local Government on the Characteristics of Local Governments on the Financial Performance of Local Governments in North Maluku Province

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ABSTRACT

The purpose of the study was to find out and obtain empirical evidence about the size of local governments, the level of wealth of local governments, the level of dependence on the central government, the age of local governments, capital expenditures, and the findings of BPK influence the financial performance of local governments. This study uses quantitative research methods with 11 research objects. The data analysis method used in this study was multiple linear regression analysis with purposive sampling as the sampling technique. The data analysis method used in this study is SPSS software version 22. The results show that the size of the local government, the level of local government wealth, the level of dependence on the central government, the age of the local government, capital expenditure, and BPK findings affect the financial performance of local governments.

INTRODUCTION

Financial performance is a performance that is assessed based on the size of the number in units of value for money. Non-financial performance is not assessed based on the size of the number in units of value for money. The local government as the agent in carrying out the mandate given by the community as the principal party, the local government must improve its financial performance. According to (Halim, 2012), defining regional financial performance is one measure that can be used to see the ability of regions to carry out regional autonomy. Performance measurement aims to communicate strategy well, indicators of achievement of financial and non-financial performance, inform managers in decision making, and measure individual and group satisfaction levels rationally (Mardiasmo, 2009). Measurement of local government financial performance needs to be done because the central government implements regional autonomy policies with the hope that local governments can be more independent in managing their regional finances with the aim that the development process carried out by the regions can be completed quickly without having to wait for funding assistance from the center (Antari and Sedana, 2018). The financial performance of the regional government shows the level of achievement of the work in regional finance which includes regional revenues and expenditures using the financial system through policies or statutory provisions for a certain period. During this period, the government is expected to be able to produce optimal performance with a predetermined and approved budget draft.

Measurement of financial performance for the public interest can be used as an evaluation and restoration of performance by comparing work schemes and their implementation. The financial performance of local governments can contribute to the growth of regional income every year, seen from the ability of

local governments to explore their regional potentials (Antari and Sedana, 2018). Improving the government's financial performance will have an impact on the welfare of the community, where the greater the ability of the region to explore regional potentials, apart from being used to finance the running of the government system and regional development, it is also used to improve services to the community optimally. According to Halim (2008:230), the tool to analyze the financial performance of local governments is to apply financial ratios to the APBD. These ratios include the ratio of regional financial independence, efficiency ratio, growth ratio, and effectiveness ratio. The measurement of local government financial performance in this study was measured using the efficiency ratio. The efficiency ratio is useful for knowing the comparison between the number of costs incurred to obtain income and the realization of the income received.

(Bastian, 2010) states that financial performance can be defined as the achievements achieved by the organization within a certain period. One way that can be used to measure the financial performance of local governments is by looking at the level of efficiency of the local government (Sumarjo, 2010). Meanwhile, according to (Sesotyaningtyas, 2012), performance measurement is very important to assess organizational accountability, namely by spending efficiently and effectively in public services. Accountability can be realized one of them by reporting performance through financial reports (Mahmudi, 2010). The efficiency ratio is a comparison between the costs incurred and the income received. Local government revenue efficiency if the ratio is <1 or $<100\%$. Analysis of local government financial performance is essentially not only a form of control but also helps all users of local government financial reports, including the community, to be able to evaluate the performance of local governments. (Prasetyo and Nugroho, 2017). In the implementation of regional finance, it is necessary to record and report which is part of regional financial accounting. Regional financial accounting is one of the fields in public sector accounting that has received great attention from various parties since the reform.

Regional finances can be interpreted as all rights and obligations that can be valued in money, as well as everything in the form of money or goods that can be used as regional assets if they are not owned or controlled by a higher state or region and other parties in accordance with provisions or regulations. Applicable laws and regulations (Mamesah, 1995). Regional finance has a scope consisting of regional finances that are managed directly and regional assets that are separated. Regional finances that are directly managed are the Regional Revenue and Expenditure Budget (APBD) and regional inventory items. On the other hand, separated regional finance includes Regional Owned Enterprises (Kurniawan and Simbolon, 2016). Another factor that influences financial performance is prosperity. Prosperity (wealth) of local governments can be expressed by the amount of Regional Original Income (PAD) (Maiyora, 2015). Financial sources from PAD are more important than sources from outside PAD because, with growth, local government finances are used by the government to encourage investment so that simultaneously these investments will encourage improvements in regional infrastructure (Sumarjo, 2010).

Research conducted by (Mustikarini and Fitriyani, 2012), uses the size of the region (size), the level of regional wealth, the level of dependence on the central government, and regional spending in explaining the characteristics of local governments, research conducted by (Prasetyo and Nugroho, 2017) the size of local government size has a negative effect on the financial performance of local governments because most assets owned by local governments are assets that are less productive to improve the financial performance of local governments

RESEARCH METHOD

This type of research is quantitative research. Quantitative research is data that is measured on a numerical scale (numbers) that can be analyzed using statistical analysis. Quantitative research according to (Sugiyono, 2009:8) can be interpreted as a research method based on the philosophy of positivism, used to examine certain populations or samples, data collection using research instruments, quantitative/statistical data analysis, with the aim of testing predetermined hypotheses. The independent variables in this study are the size of the local government (X1), the level of PAD (X2), the level of dependence on the central government (X3), the age of the region (X4), and BPK findings on statutory compliance (X5) and performance local government finances (Y1) is the dependent variable.

This research was conducted at 8 district levels, 2 city levels, and 1 provincial-level in North Maluku Province. The research location was chosen by the researcher with the aim of analyzing the financial performance of the local government at 8 district levels, 2 city levels, and 1 provincial-level in North Maluku Province. The research period is 6 months, from June 2020 to December 2020. Data collection was carried out in this study by the author submitting a research permit to the relevant agencies. The method of collecting

data related to the problem that will be discussed by researchers in this study uses secondary. Secondary data sources are obtained from related institutions or agencies such as the Regional Planning Agency (BAPPEDA), Revenue Service and BPKAD, 10 Regencies/Cities in and other related 10 Regency/City agencies, articles, journals, and books that have relevance to the problems raised in this study, which were obtained through the library and the internet, were relevant to the title of the researcher.

RESULTS AND DISCUSSION

North Maluku Province is one of the youngest provinces in the archipelago, which was officially formed on October 4, 1999, with a legal umbrella in Law no. 46 of 1999 and Law no. 6 of 2003. Before becoming a province, North Maluku was part of the Maluku Province, namely the North Maluku Regency. At the beginning of its establishment, the province of North Maluku was capitalized in Ternate, which was located at the foot of Mount Gamalama for 11 years, to be exact until August 4, 2010. Over time, during the 11-year transition period and infrastructure preparation, the capital of North Maluku Province was then moved to the city. Sofi is located on the island of Halmahera which is the largest island in North Maluku Province.

Based on the results of testing the independent variable with the dependent variable, the results of the multiple regression analysis using SPSS 20 software can be seen for the following reasons:

Table 1. Multiple Linear Regression Test Results

Dependent Variable: Regional financial performance			
Adjusted R2 = 0.717			
F count = 23,797			
Significant = 0.000			
Constant = -946,792			
Variable	Unstandardized coefficient B	t count	Sig.
Local government size	10,827	2,040	0.047
Level of regional wealth	5,650	2,119	0.039
Level of dependence on the central government	8,295	2,060	0.045
Local government age	1,561	2,267	0.028
BPK audit findings	4,124	2,355	0.023

Source: Processed Data 2021

Based on the results of the multiple regression analysis above, the value of the multiple regression coefficients for the local government size variable is 10,827, the regional wealth level variable is 5,650, the dependency level variable on the central government is 8,295, the age variable for local government is 1,561 and the BPK audit findings variable is 4,124. Each of these variables is significant at the 0.05% level with a coefficient of determination (Adjusted R2) of 0.717 and the Statistic value of 23,797. This simultaneously confirms and proves that partially or simultaneously the variables of the size of the local government, the level of regional wealth, the level of dependence on the central government, the age of the local government, and the findings of the BPK audit influence the variables of the financial performance of the local government in North Maluku Province.

Then from the value of the multiple regression coefficients above, it can also be explained that among the five independent variables, namely the size of the local government, the size of the local government gives a greater contribution to the financial performance of the local government with a coefficient value of 10.827, followed by the variable level of dependence on the central government of 8.295 and the level of regional wealth of 5,650. This shows that the size of the local government, the level of dependence on the central government, and the level of regional wealth have an important role in improving the government's financial performance in North Maluku Province. The results of the research statistical test explained that simultaneously or together, the variables of the size of the local government, the level of regional wealth, the level of dependence on the central government, the age of the local government, and the findings of the BPK audit proved to influence the financial performance of the local government in North Maluku Province. This

shows that the variable size of local government (X1), variable level of regional wealth (X2), level of dependence on the central government (X3), age of local government (X4), and BPK audit findings (X5) as predictor variables that affect changes in performance variables local government finances (Y).

DISCUSSION

This study aims to determine the effect of age of local government in local government characteristics on financial performance in cities/districts in North Maluku Province. The results of the descriptive analysis are used to describe or summarize research data so that the data is easy to understand. This data depiction is useful for providing better guidance on research data. From the results of data processing, it will be explained about the size of the regional government, the level of regional wealth, the level of dependence on the central government, the age of the regional government, capital expenditures, and the findings of the BPK audit.

The Influence of Local Government Size on Regional Financial Performance

The size of the local government has a significant positive effect on regional financial performance at eight district levels, two city levels, and one provincial level in North Maluku Province. Size is a benchmark or reference to find out how big, medium, or small a certain object is. If a certain object is associated with an agency or organization, the size can be seen directly (physically) or indirectly. But the measurement of an organization or agency does not have to be based on its physical appearance, such as the size and area of the agency's office because there are no definite benchmarks about this (Rachmawati, 2016). Sudarmadji and Sularto, 2007 (Nugroho, 2014) state that the size of the company can be expressed in total assets, sales, and market capitalization. The greater the total assets, sales, and market capitalization, the larger the size of the company.

The Influence of Regional Wealth Level on Regional Financial Performance

The second hypothesis in this study which states that the total level of regional wealth has a significant positive effect on regional financial performance at eight district levels, two city levels, and one provincial level in North Maluku Province is accepted. The results of this study support previous research conducted by (Lestiani, 2008) showing that regional wealth has a significant positive effect on the level of disclosure of local government financial statements. (Juliawati et al., 2012). PAD has a significant role in determining the ability of regions to carry out government activities and development programs.

The Effect of Dependency on the Central Government on Regional Financial Performance

The results showed that the level of dependence on the central government had a significant positive effect on regional financial performance. This means that the third hypothesis in this study is accepted by the results of empirical research. The results of this study are in line with previous research conducted by (Suhardjanto, 2011) and (Susilo, 2015) who conducted research on the level of dependence of local governments on financial statement disclosures which resulted in a positive and significant relationship between the level of dependence and disclosure of district/city government financial statements. . Illustrates that a high level of dependence will slightly limit local government operations as a form of performance monitoring by local governments.

The Effect of Local Government Age on Regional Financial Performance

The results of the study indicate that the age of the local government has an effect on regional financial performance. So that the fourth hypothesis in this study which states that the age of the local government has a significant positive effect on regional financial performance at eight district levels, two city levels, and one province level in North Maluku Province is accepted. The administrative age of the regional government is the year a regional government was formed based on the Law on the establishment of regional government financial information in order to create a transparent and accountable regional government atmosphere (Suransi et al., 2015). The results of this study support previous research conducted by (Lesmana, 2010) and (Syafitri, 2012) which resulted that the age of the local government had a positive and significant effect on the disclosure of financial statements, so that the older the age of a local government, it will encourage local governments to disclose more reports. finance, because long-established governments have more information than new ones.

The Effect of BPK's Audit Findings on Regional Financial Performance

The results of the study succeeded in proving the sixth hypothesis which states that BPK audit findings have a significant positive effect on regional financial performance in 10 cities/districts in North Maluku Province. Audit findings are cases found by BPK against local government financial reports for violations committed. According to (Bastian, 2006), audits on public entities are different from audits on private entities because in public entities, in this case, local governments that are not-for-profit, the audits carried out are related to the management of state-owned assets. The types of BPK audit audits consist of financial audits, performance audits, and investigative audits (Bastian, 2006). The results of this study are in line with previous research conducted by (Virgasari, 2009) and (Indrarti, 2011), namely; Opinion is a professional statement as the auditor's conclusion regarding the fairness of the information presented in the financial statements. BPK's opinion can be used as a benchmark (indicator) to assess the accountability of a government entity. This opinion can increase or decrease the level of stakeholder confidence in the reporting presented by the audited party, in this case, the local government entity.

CONCLUSIONS

Based on the results of the data analysis described in the previous chapter, some conclusions can be drawn as follows. The size of the local government has a significant positive effect on regional financial performance at 8 district levels, 2 city levels and 1 provincial-level in North Maluku in North Maluku province and the level of regional wealth has a significant positive effect on regional financial performance at 8 district levels, 2 city levels and 1 Provincial Level in North Maluku in North Maluku Province. The level of dependence on the central government has a significant positive effect on regional financial performance at 8 district levels, 2 city levels, and 1 provincial-level in North Maluku in North Maluku Province. The age of the local government has a significant positive effect on regional financial performance at 8 district levels, 2 city levels, and 1 provincial-level in North Maluku in North Maluku Province. Capital expenditures have a significant positive effect on regional financial performance at 8 district levels, 2 city levels, and 1 provincial-level in North Maluku in North Maluku province. BPK audit findings have a significant positive effect on regional financial performance at 8 district levels, 2 city levels, and 1 level Province in North Maluku in North Maluku Province.

SUGGESTION

local governments are expected to continue to increase awareness and supervision related to government financial performance, and the better the performance of local governments, the services provided to the community will be better so that it will have an impact on the creation of good governance. For further researchers, they can examine other variables, and use other analytical tools organization.

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