



Research Paper

The Effect of Regional Revenue, Balancing Fund, Capital Expenditure, and Fiscal Stress on North Toraja Regency Regional Government Financial Performance

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The purpose of this study is to determine and analyze the effect of regional revenue (PAD), Balance Fund, capital expenditure, and fiscal stress partially on the financial performance of local governments in Toraja Utara Regency. The type of data used in this study is secondary data including data on the realization report of the Toraja Utara Regency regional budget from 2009 to 2021 as the basic source of calculation for the variables in this study sourced from the Central Statistics Agency (BPS) of Toraja Utara Regency and the Regional Finance and assets agency (BKAD) of Toraja Utara Regency. Data were processed using multiple linear regression statistical test method with SPSS Ver.25.0. The results of this study prove that regional revenue, balance fund, and fiscal stress partially positive and significant effect on the financial performance of local governments in Toraja Utara. While capital expenditure has no effect on the financial performance of the local government in Toraja Utara regency.

Keywords: Regional revenue, balance fund, capital expenditure, fiscal stress, local government financial performance.

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I. INTRODUCTION

As a consequence of the wide-ranging autonomy authority, regional governments have an obligation to improve services and social welfare in a fair, equitable and sustainable manner. This obligation is fulfilled if the local government is able to manage the potential of the region, namely the potential of natural resources, human resources and the potential of its financial resources optimally (Halim, 2002). To be able to improve services to the community, the Regional Government must be able to manage its resources, especially financial resources optimally, which can be seen, one way or another, by measuring the financial performance of the region itself.

Regional financial management performance can be seen from the size of the ratio analysis of local government finances. This measurement is used to determine regional financial capacity and regional financial conditions in the implementation of regional autonomy. However, until now there are still many regions that still have fiscal dependence on the central government so that they are not yet financially independent.

Measurement of the financial performance of the local government of North Toraja Regency for the 2009-2021 period as measured by the dependency ratio can be seen in the table below:

Table 1.1 Fiscal Dependence of North Toraja Regency Government for 2009-2021

Tahun	Total Transfer Funds	Total Regional Revenue	Percentage
2009	157.522.243.780,00	177.220.949.066,80	88,88
2010	316.125.386.161,83	399.386.094.837,07	79,15
2011	372.009.584.812,00	488.116.919.631,82	76,21
2012	469.048.670.300,54	507.094.586.608,74	92,50
2013	595.393.439.887,86	621.559.875.695,23	95,79
2014	686.107.456.548,56	718.221.345.091,50	95,53
2015	750.631.032.166,94	791.081.953.121,51	94,89
2016	677.025.597.393,00	873.277.459.288,95	77,53
2017	711.002.965.149,00	937.099.748.186,12	75,87
2018	795.904.719.613,00	1.058.775.411.390,30	75,17
2019	763.972.242.419,00	1.118.131.308.458,12	68,33
2020	818.017.849.776,00	1.039.254.357.675,43	78,71

2021	887.435.896.052,00	1.012.666.347.397,38	87,63
Average			83,55

From the data in table 1.1, it can be seen that in the last thirteen years, the average fiscal dependence of the North Toraja district government was 83.55%. The period with the highest average fiscal dependence was in 2013 with a fiscal dependence of 95.79%. The lowest average fiscal dependence was in 2019 of 68.33%. This shows that the North Toraja district government actually still has a high fiscal dependence on the central government.

One of the instruments that can show the financial performance of local governments is the regional revenue and expenditure budget (APBD) which consists of Regional Revenue (PAD), balancing funds and other legal revenues and regional expenditures. Therefore, local governments must make real and structured efforts to produce APBD that can reflect the real needs of the community in accordance with the potential of each region that is oriented to the public interest.

Regional Revenue reflects the level of independence of a region. The higher the Regional Revenue, the higher the level of independence in an area. For this reason, the Regional Government must optimize the management of regional revenue sources originating from Regional Revenue, both by increasing existing PAD revenue sources and by exploring new PAD sources in accordance with the provisions and taking into account the conditions and economic potential of the community. The local regional government must try to increase sectors that are considered to have the potential to improve its economy (Baskara et al., 2018). Self-sufficiency in the financial sector in the regions can be cultivated by increasing Regional Revenue (PAD) and reducing dependence on central assistance. One way to reduce dependence on central assistance is to increase PAD revenues through regional taxes or levies. (Yuliastuti and Dewi, 2017).

North Toraja Regency is one of the regencies/cities located in the province of South Sulawesi. North Toraja Regency is the result of the division of Tana Toraja Regency in 2008, which was formed based on Law of the Republic of Indonesia Number 28 of 2008. After the division process, North Toraja Regency is expected to be able to manage regional finances.

In general, from 2009 to 2021, the realization obtained has not reached the set targets which can be seen in the following table:

Table 1.2 Regional Revenue of North Toraja Regency for 2009-2021

No	Year	PAD Budget	PAD Realization
1	2009	5.888.685.000,00	5.809.001.980,80
2	2010	9.000.000.000,00	8.282.309.919,69
3	2011	12.714.888.450,00	13.555.800.419,00
4	2012	18.088.401.950,00	16.614.816.498,20
5	2013	19.037.468.221,20	19.824.778.307,37
6	2014	22.019.023.868,00	32.113.888.542,94
7	2015	39.203.596.900,00	33.808.406.729,57
8	2016	41.387.724.280,00	34.896.515.041,55
9	2017	66.508.803.000,00	44.165.976.209,12
10	2018	58.220.028.100,00	41.975.878.751,30
11	2019	56.220.028.100,00	51.882.966.518,99
12	2020	77.433.903.735,00	55.672.229.593,93
13	2021	57.732.296.542,61	46.186.064.285,50

Based on the figure above, it shows that local governments were only able to increase PAD in 2013 and 2014. Furthermore, it experienced a continuous decline from 2009-2012 and 2015-2021.

The Regional Revenue figure which has not yet reached the set target gives the impression that, quantitatively, there is still weakness or inability of the North Toraja Regional Government in promoting regional independence. It is strongly suspected that managerial performance, which should be able to be improved every year, has left an indication that it is not optimal. For this reason, good management is needed through decisions and systems created by the North Toraja Regional Government so that solid and sustainable regional goals are realized.

The capability of a region to finance operational activities varies, so as to reduce fiscal imbalances between these regions. The Central Government provides assistance in the form of a Balancing Fund which is regulated in Law Number 33 of 2004 concerning the Financial Balance of the Central and Regional Governments. According to Law no. 32 of 2004 the financial balance between the central government and regional governments is a system of financial distribution that is fair, proportional, democratic, transparent and accountable in the framework of funding the implementation of decentralization by taking into account the

potential, conditions and needs of the regions as well as the amount of funding for the implementation of deconcentration and co-administration. Law No. 23 of 2014 concerning Regional Government also emphasizes that regions have the authority to determine the allocation of sources of funds into expenditures by adhering to the principles of compliance, needs and regional capabilities.

In general, conditions regarding the comparison between PAD and Balancing Funds in North Toraja Regency from 2009-2021 can be seen in the following table:

Table 1.3 Comparison of PAD Funds and Balancing Funds for North Toraja Regency for 2009-2021

No	Year	PAD Realization	Balancing Funds Realization
1	2009	5.809.001.980,80	157.522.243.780,00
2	2010	8.282.309.919,69	316.125.386.161,83
3	2011	13.555.800.419,00	372.009.584.812,00
4	2012	16.614.816.498,20	469.048.670.300,54
5	2013	19.824.778.307,37	595.393.439.887,86
6	2014	32.113.888.542,94	686.107.456.548,56
7	2015	33.808.406.729,57	750.631.032.166,94
8	2016	34.896.515.041,55	677.025.597.393,00
9	2017	44.165.976.209,12	711.002.965.149,00
10	2018	41.975.878.751,30	795.904.719.613,00
11	2019	51.882.966.518,99	763.972.242.419,00
12	2020	55.672.229.593,93	818.017.849.776,00
13	2021	46.186.064.285,50	887.435.896.052,00

Based on the table above, the Balancing Fund of North Toraja Regency always increases every year, but in 2016 it decreased from 750,631,032,166.94 to 677,025,597,393.00 then in 2017 it increased again to 711,002,965,149.00. And in 2019 it decreased again to 763,972,242,419.00. Then it has increased again in the last two years, namely 818,017,849,776.00 for 2020 and 887,435,896,052.00 in 2021.

The explanation above shows that the acquisition of Balancing Funds in North Toraja district is always greater when compared to Regional Revenue. Because for years PAD and fees have never reached the target, even though this fee is a community obligation that must be paid to the government. And the Balancing Fund is always increasing every year, meaning that North Toraja Regency is still dependent on the Central Government. Not achieving this target will affect the APBD structure. This means that the regional financial performance must be improved.

One of the factors for good regional financial performance is capital expenditure. Capital expenditure is an expenditure that can be regarded as routine expenditure in the framework of the formation of existing capital. Capital expenditures are expenditures made to add to existing fixed assets or investments so that they will provide distinct benefits in a certain period. The ratio of capital expenditures to total regional expenditures reflects the portion of regional expenditures spent on capital expenditures. Capital expenditures plus operational expenditures are government expenditures that are expected to have a significant influence on the economic growth of a region, aside from the private sector, households and abroad. Therefore, the higher the ratio, the better the effect on economic growth.

Capital expenditure is used as one of the independent variables in this study, it is assumed that it influences regional income growth which is a projection of local government financial performance. Allocation of funds to more capital expenditures can later help the regions obtain financial resources to generate regional income, so that this has implications for improving the financial performance of local governments.

The realization of regional capital spending for North Toraja district for the 2009-2021 period is presented in table 1.4 as follows:

Table 1.4 Capital Expenditures for North Toraja Regency for 2009-2021

No	Year	Capital Expenditure Realization
1	2009	12.911.494.045,00
2	2010	97.897.722.635,80
3	2011	98.597.836.029,00
4	2012	141.888.574.138,00
5	2013	162.526.622.958,00
6	2014	183.352.541.755,00
7	2015	178.680.331.536,00
8	2016	207.462.233.258,30
9	2017	211.570.489.218,32
10	2018	216.243.328.945,00

11	2019	242.326.354.964,00
12	2020	238.365.260.518,56
13	2021	144.308.996.695,25

From Table 1.4 above, it can be concluded temporarily that the trend of capital expenditure for the North Toraja district government for the period 2009 to 2021 in general, experiences fluctuations.

Several regions are classified as lucky areas because they have potential sources of revenue, which come from taxes, regional levies, as well as the availability of adequate natural resources which can be used as a source of regional revenue. However, on the other hand, for some regions, autonomy may cause problems of its own, bearing in mind there are demands to increase regional independence. The regions experienced a higher increase in fiscal pressure compared to the pre-autonomy era. Regions are required to optimize every potential and fiscal capacity in order to reduce the level of dependence on the central government.

The following is an overview of the realization of Regional Revenue and the realization of regional spending in North Toraja district in 2009-2021.

Table 1.5 PAD and Regional Expenditures Realization for North Toraja Regency in 2009-2021

No	Tahun	PAD Realization	Regional Expenditure Realization
1	2009	5.809.001.980,80	166.605.040.610,00
2	2010	8.282.309.919,69	361.674.275.151,80
3	2011	13.555.800.419,00	441.014.005.804,60
4	2012	16.614.816.498,20	534.401.357.644,85
5	2013	19.824.778.307,37	605.018.377.725,50
6	2014	32.113.888.542,94	702.694.675.951,00
7	2015	33.808.406.729,57	809.432.359.987,46
8	2016	34.896.515.041,55	882.261.499.073,30
9	2017	44.165.976.209,12	930.420.467.071,32
10	2018	41.975.878.751,30	1.027.592.287.967,00
11	2019	51.882.966.518,99	1.092.739.951.498,00
12	2020	55.672.229.593,93	1.078.216.920.290,50
13	2021	46.186.064.285,50	1.017.128.624.552,41

Referring to the realization of regional spending in North Toraja district, it shows an increase in regional spending every year which identifies the phenomenon of fiscal stress where to fund existing expenditures, local governments still have to rely on balancing funds originating from the central government, causing the regional government's financial performance to decline.

II. LITERATURE REVIEW

2.1. Stewardship Theory

According to Wolfenshon, President of the World Bank (1999) there are two main theories related to Corporate Governance, namely Stewardship theory and Agency theory (Hardikasari 2011). Stewardship theory is built on the basis of philosophical assumptions about human nature which are essentially trustworthy, capable of acting responsibly, and have integration and honesty with other parties. In other words, stewardship theory views management as a trust to act as well as possible for the public interest in general and stakeholders in particular.

2.2. Signalling Theory

According to Richard D. Morris (1987), signal theory was developed to deal with the problem of information asymmetry in companies by increasing the signaling of information from parties who have more information to stakeholders who have less information. The implications of signaling theory for this research can explain local government as a party that is given the mandate to give signals to the public through the implementation of regional financial performance that is optimal and public interest oriented.

2.3. Regional Government Financial Performance

Regional Government Financial Performance is the output/result of activities/programs that will be or have been achieved in connection with the use of regional budgets with measurable quantity and quality, regional capabilities can be measured by assessing the efficiency of services provided to the community (Hendro Sumarjo, 2010). Meanwhile, According to Ibnu Syamsi (1986), Regional Government Financial Performance is the ability of a region to explore and manage regional original financial sources in meeting its

needs to support the running of the government system, service to the community and regional development without being fully dependent on the central government and having the flexibility in using the funds for the benefit of the local community within the limits determined by laws and regulations.

2.4. Regional Revenue

Regional Revenue (PAD) is the definition of a source of regional income in a narrow sense. Regional Revenue is income that comes from the area itself, whether in the form of self-help or private income or from the local government. Regional Revenues can be in the form of regional taxes/levies, results of regional companies and other legitimate regional revenues. Regional Revenue is one of the important variables in the framework of regional autonomy, autonomy means self-governing in the discourse of public administration, autonomous regions are often referred to as local self-government.

Regional Revenue (PAD), is part of the source of regional income revenue whose collection must always be strived to be more effective and efficient so as to support the financing of government administration and regional development. Broadly speaking, regional own-source revenue comes from several things, namely (1) taxes, (2) regional fees, (3) separated regional wealth management results and (4) other legitimate regional income.

2.5. Balancing Fund

The balancing fund is a system of vertical financial relations between the central and regional governments (intergovernmental fiscal relation system), as a result of the implementation of regional autonomy in the form of handing over some of the authority of the central government. This system of financial relations between the central government and local governments is regulated in Law (UU) Number 33 of 2004 (Wiraswasta, Pudjihardjo and Adis, 2018). Law Number 33 of 2004 states that Balancing Funds are funds originating from APBN revenues allocated to the Regions to fund Regional needs in the context of implementing Decentralization. In the same Law, Article 10 states that the Balancing Fund consists of Profit Sharing Funds, General Allocation Funds, and Special Allocation Funds.

2.6. Capital Expenditure

According to Halim and Kusufi (2013: 107), capital expenditure is a budget expenditure for the acquisition of fixed assets and other assets that provide benefits for more than one period. Capital Expenditure as referred to in article 50 letter c of Permendagri No 59 of 2007 concerning changes to Permendagri Number 13/2006 concerning Regional Financial Management is used for expenditures made in the context of procuring tangible fixed assets that have a benefit value of more than 12 (twelve) months to be used in government activities.

Capital expenditure is a reflection of the numbers of infrastructure and facilities built. The more development that is done will improve regional financial performance. Capital expenditures are generally allocated for the acquisition of fixed assets that can be used as a means of regional development. With the rapid development of development, it is hoped that there will be an increase in regional independence in financing its activities, especially in financial terms.

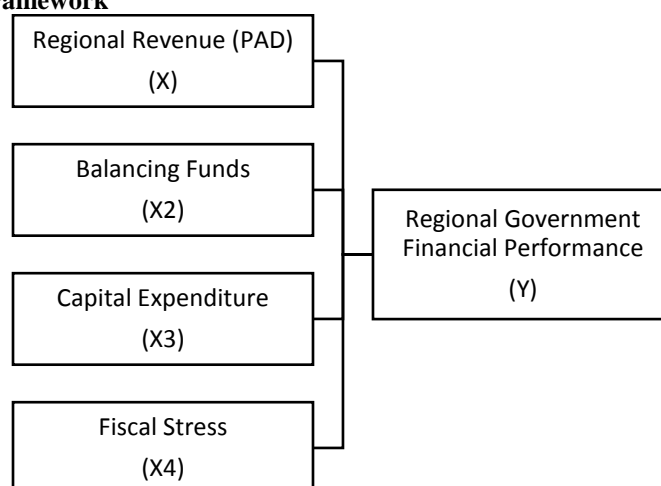
2.7. Fiscal Stress

Fiscal stress is the inability of the (regional) government to fulfill its financial obligations, both short and long term, including the ability to increase regional revenues or provide public goods and services (services) needed by its citizens (Arnett, 2011).

Fiscal stress can be indicated when regional expenditure, in this case capital expenditure, has increased, but if it is not matched by adequate sources of regional income, this can trigger a state of fiscal stress (Shamsub and Akoto, 2004). This shows that to reduce the occurrence of fiscal stress, local governments must reduce the growth rate of expenditure in line with the growth rate of regional income. Where the fiscal stress is higher if there is a demand for increased independence aimed at increasing personal revenue (potential in the region) to finance existing expenditures. The availability of potential regional resources and regional readiness in managing them are important factors for success in the era of autonomy.

III. CONCEPTUAL FRAMEWORK

3.1. Conceptual Framework



3.2. Research Hypothesis

The hypothesis in this study based on the conceptual framework is as follows:

1. PAD has a positive effect on local government financial performance.
2. Balancing funds have a positive effect on local government financial performance.
3. Capital expenditure has a positive effect on local government financial performance.
4. Fiscal stress has a positive effect on local government financial performance.

IV. RESEARCH METHOD

4.1. Research Design

This research is a causal effect research, namely research conducted to obtain facts from existing phenomena and seek factual information about the relationship and influence of a variable on other variables. The causal relationship (causal effect) in this study is the effect of Regional Revenue, Balancing Funds, Capital Expenditure and Fiscal Stress on the Financial Performance of Local Governments in North Toraja Regency, namely 2009-2021.

4.2. Operational Definition

Table 4.1. Operational Definition

No	Variable	Operational Definition	Indicator
1	Regional Revenue (X1)	Regional Revenue is the realization of PAD revenue in the fiscal year originating from "regional taxes, levies, results of separated regional wealth management and other legitimate PAD."	Realization of Regional Revenue (PAD) North Toraja Regency Year 2009-2021
2	Balancing Funds (X2)	Balancing funds are funds sourced from the APBN that are used for regional development.	Realization of Balancing Funds North Toraja Regency in 2009/2021
3	Capital Expenditure (X3)	Capital expenditure is a budget expenditure for the acquisition of fixed assets and other assets that benefit more than one accounting period.	Realization of North Toraja Regency Capital Expenditures in 2009-2021
4	Fiscal Stress (X4)	Fiscal Stress, is the financial pressure experienced by the regions due to the implementation of regional autonomy.	$\frac{PAD\ Realization}{Regional\ Expenditure\ Realization} \times 100\%$ Junita & Abdullah (2006)
5	Regional Government Financial Performance (Y)	Regional government financial performance is an assessment of local government financial management which consists of regional income and expenditure so that it shows the level of regional independence.	$\frac{PAD\ Realization}{Revenue\ from\ Transfers} \times 100\%$ *) Central/Provincial/Loan Assistance Halim (2002)

4.3. Data Types and Sources

The type of data used in this research is secondary data. Secondary data is data obtained from other parties, both from the literature, literature studies, or previous similar studies related to this research.

Secondary data is data that includes data on the Realization Report of the North Toraja Regency Regional Revenue and Expenditure Budget from 2009 to 2021 as a basic source of calculations for the variables in this study. The data obtained for these calculations comes from the Financial Statistics Report published by the North Toraja Regency Central Statistics Agency (BPS) and the North Toraja Regency Regional Financial and Asset Agency (BKAD).

4.4. Data Gathering Methods

Collecting data in a study is intended to obtain materials that are relevant, accurate and realistic. The method used in collecting data in this study is the literature study method, which is obtained from related agencies, reference books, and economic journals.

The data used is time series data, namely time series data which is data that is collected, recorded, or observed over time sequentially, with the type of data used is secondary data.

V. RESEARCH RESULT

5.1. Descriptive Statistics Analysis

Descriptive statistical analysis is used to determine the description of a data seen from the maximum value, minimum value, average value (mean), and standard deviation value. In this study, the variables used in the calculation of descriptive statistics are Regional Government Financial Performance (KKPD), Regional Revenue (PAD), Balancing Funds (BF), Capital Expenditures (CE) and Fiscal Stress (FS). Based on descriptive statistical analysis, the following description is obtained:

Table 5.1. Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std. Deviation
PAD	13	22,48	24,74	23,9653	0,72728
BF	13	25,78	27,51	27,0559	0,49444
CE	13	23,28	26,21	25,6600	0,77383
FS	13	0,83	1,64	1,3479	0,23159
RGFP	13	0,96	1,92	1,5146	0,29355
Valid N (listwise)	13				

Based on table 5.1 Descriptive Statistics above can be explained as follows:

1. Regional Revenue (X1)

Regional Revenue variable which is the independent variable (X1) has a standard deviation value of 0.727 and an average value (mean) of 23.96. This indicates a deviation of 0.727 from the average (mean) value of the item on Regional Revenue. The Regional Revenue Variable (X1) as measured based on the 2009-2021 APBD shows that the lowest PAD was in 2009, and the highest was in 2020. The standard deviation indicates that there is a gap caused by several factors such as compliance and awareness of taxpayers or levy relatively low, high degree of centralization in the field of taxation and the lack of role of Regional Companies as a source of regional income.

2. Balancing Fund (X2)

The Balancing Fund variable which is the independent variable (X2) has a standard deviation value of 0.494 and an average value (mean) of 27.05. This indicates a deviation of 0.494 from the average (mean) value of the Balancing Fund item. The Balancing Fund variable (X2) as measured based on the 2009-2021 APBD shows that Balancing Fund assistance from the Central, Provincial and Loans is lowest in 2009, and the highest is in 2021. The standard deviation indicates a gap caused by differences in gaps fiscal gap or fiscal capacity imbalance and fiscal needs in each fiscal year.

3. Capital Expenditures (X3)

The Capital Expenditure variable which is the independent variable (X3) has a standard deviation value of 0.773 and an average value (mean) of 25.66. This indicates a deviation of 0.773 from the average (mean) value of the item on Capital Expenditures. The Capital Expenditure Variable (X3) as measured based on the 2009-2021 APBD shows that the lowest Capital Expenditure was in 2009, and the highest was in 2019. The standard deviation shows that there is a gap caused by differences in the frequency of development in North Toraja district each year, such as development infrastructure and additional regional assets or regional investment.

4. Fiscal Stress (X4)

The Fiscal Stress variable which is the independent variable (X4) has a standard deviation value of 0.231 and an average value (mean) of 1.34. This indicates a deviation of 0.231 from the average (mean) value of the Fiscal Stress item. The Fiscal Stress variable (X3) measured based on the 2009-2021 APBD shows that the lowest Fiscal Stress was in 2009, and the highest was in 2019. The standard deviation shows that there is a gap

caused by differences in the management of regional spending each year in the framework of development in Toraja district North.

5. Local Government Financial Performance (Y)

The variable of Local Government Financial Performance which is the dependent variable (Y) has a standard deviation value of 0.293 and an average value (mean) of 1.51. This indicates a deviation of 0.293 from the average (mean) value of the item on Regional Government Financial Performance. The Regional Government Financial Performance Variable (Y) as measured based on the 2009-2021 APBD shows that the lowest Regional Government Financial Performance was in 2019, and the highest was in 2013. The standard deviation indicates a gap caused by differences in potential regional tax revenues and regional levies every year.

5.2. Hypothesis Testing

Hypothesis testing is carried out to determine whether there is an effect of the independent variable on the dependent variable either simultaneously or partially, and to find out how much the value of the influence is.

1. Multiple Linear Regression Analysis

The data analysis technique used in this study uses multiple linear regression analysis techniques. The analysis technique was carried out using the Statistical Product and Service Solutions (SPSS) data processing analysis program version 25.0.

Table 5.2 Regression Calculation Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	5,822	2,218		2,625	0,030
	PAD	0,391	0,100	1,064	3,887	0,005
	BF	0,736	0,205	1,363	3,587	0,007
	CE	0,189	0,070	0,547	2,106	0,067
	FS	1,035	0,100	0,814	8,388	0,046

The multiple linear regression equation model that can be written from these results is as follows:

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon$$

$$Y = (5,822) + 0,391X_1 + 0,736X_2 + 0,189X_3 + 1,035X_4$$

Based on table 5.6, it is known that:

1. The constant value (α) has a positive value of 5.822. The positive sign means that it shows a unidirectional influence between the independent variable and the dependent variable. This shows that if all the independent variables which include Regional Revenue (X1), Balancing Funds (X2), Capital Expenditure (X3) and Fiscal Stress (X4) are 0 percent or do not change, then the value of Regional Government Financial Performance (KKPD) is 5.822.
2. The regression coefficient value for the Regional Revenue variable (X1) has a positive value of 0.391. This shows that if the Regional Revenue increases by 1%, then the Regional Government Financial Performance will increase by 0.391 assuming the other independent variables are held constant. The positive sign means that it shows a unidirectional influence between the independent variable and the dependent variable.
3. The regression coefficient value for the Balancing Fund variable (X2) has a positive value of 0.736. This shows that if the Balancing Fund increases by 1%, then the Regional Government Financial Performance will increase by 0.736 assuming the other independent variables are considered constant. The positive sign means that it shows a unidirectional influence between the independent variable and the dependent variable.
4. The regression coefficient value for the Capital Expenditure variable (X3) has a positive value of 0.189. This shows that if Capital Expenditure increases by 1%, the Regional Government Financial Performance will increase by 0.189 assuming the other independent variables are held constant. The positive sign means that it shows a unidirectional influence between the independent variable and the dependent variable.
5. The regression coefficient value for the Fiscal Stress variable (X4) has a positive value of 1.035. This shows that if Fiscal Stress increases by 1%, the Regional Government Financial Performance will increase by 1.035 assuming the other independent variables are held constant. The positive sign means that it shows a unidirectional effect between the independent and dependent variables.

5.3. Statistic Criteria Testing

1. Individual Parameter Significance Test (t Statistical Test)

Once it is known that there is an influence between the independent variables on the dependent variable together, then a statistical t test is carried out to find out whether partially the independent variables have a significant effect on the dependent variable.

Table 5.3 Partial Test Results (t test)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	5,822	2,218		2,625	0,030
	PAD	0,391	0,100	1,064	3,887	0,005
	DP	0,736	0,205	1,363	3,587	0,007
	BM	0,189	0,070	0,547	2,106	0,067
	FS	1,035	0,100	0,814	8,388	0,046

Based on Table 5.3 above, the results of the t test for each variable can be explained as follows:

- a. Based on the comparison of the value of t count with t table
 - If the value of t count > t table, then there is an effect of the independent variable (X) on the dependent variable (Y) or the hypothesis is accepted
 - If the value of t count < t table then there is no effect of the independent variable (X) on the dependent variable (Y) or the hypothesis is rejected.

With a significant figure of 5% ($\alpha = 0.05$) and the value of df (degree of freedom) $n-k (10-5) = 5$, it can be seen that the t table value is 2.015.

- b. Based on Significance Value (Sig.)
 - If the value is Significance (Sig). < probability 0.05 then there is an influence of the independent variable (X) on the dependent variable (Y) or the hypothesis is accepted.
 - If the value is Significance (Sig). > probability 0.05, so there is no effect of the independent variable (X) on the dependent variable (Y) or the hypothesis is rejected.

From the above criteria, the effect of each independent variable on the dependent variable will be explained as follows:

1. The Effect of Regional Revenue on the Financial Performance of the North Toraja Regency Regional Government.

The first hypothesis states that Regional Revenue is thought to have a positive and significant effect on the Financial Performance of the Regional Government of North Toraja Regency. Based on the table, it is known that the tcount is (3.887) greater than ttable (2.306) and a significance level of 0.005 is less than 0.05 (significant level = 5%). Thus the hypothesis which states that Regional Revenue has a positive and significant effect on the Financial Performance of the Regional Government of North Toraja Regency is accepted.

2. The Effect of Balancing Funds on the Financial Performance of the North Toraja Regency Regional Government.

The second hypothesis states that the Balancing Fund is thought to have a positive and significant effect on the Financial Performance of the Regional Government of North Toraja Regency. Based on the table, it is known that the tcount is (3.587) greater than ttable (2.306) and the significance level is 0.007 less than 0.05 (significant level = 5%), the hypothesis states that the Balancing Fund has a positive and significant effect on the Financial Performance of the District Government North Toraja accepted.

3. The Effect of Capital Expenditure on the Financial Performance of North Toraja Regency Regional Government.

The third hypothesis states that Capital Expenditure is thought to have a positive and significant effect on the Financial Performance of the North Toraja Regency Regional Government. Based on the table, it is known that the tcount is (2.106) smaller than ttable (2.306) and a significance level of 0.067 is greater than 0.05 (significant level = 5%). then, the hypothesis which states that Capital Expenditure has a positive and significant effect on the Financial Performance of the North Toraja Regency Regional Government is rejected (not proven).

4. Effect of Fiscal Stress on the Financial Performance of North Toraja Regency Regional Government.

The fourth hypothesis states that Fiscal Stress is thought to have a positive and significant effect on the Financial Performance of the Regional Government of North Toraja Regency. Based on the table, it is known that the tcount value is (8.388) greater than ttable (2.306) and a significance level of 0.046 is less than 0.05

(significant level = 5%), the hypothesis states that Fiscal Stress has a positive and significant effect on the Financial Performance of the District Government North Toraja accepted.

From the results of the partial test (t test), it is known that of the four independent/independent variables (X), only three variables have a positive and significant effect on the Financial Performance of the North Toraja Regency Government (Y), namely the variables Regional Revenue, Balancing Funds and Fiscal Stress variable. While the Capital Expenditure variable has no positive and significant effect on the Financial Performance of the North Toraja Regency Regional Government.

2. Simultaneous Testing (Test F)

The F test functions to test the variables of Regional Revenue, Balancing Funds, Capital Expenditures, and Fiscal Stress, whether the four variables studied simultaneously influence the Financial Performance of the North Toraja Regency Regional Government.

Table 5.4 Simultaneous Test Results (Test F)

Model	Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	0,818	4	0,204	44,608	,000 ^b
	Residual	0,037	8	0,005		
	Total	0,854	12			

Based on Table 5.8 above, the F test results of the four independent variables can be explained as follows:

- a. Based on a comparison of calculated F values with F tables.
 - If the value of F count > F table, then the hypothesis is accepted. This means that the variables Regional Revenue, Balancing Funds, Capital Expenditures, and Fiscal Stress simultaneously affect the Financial Performance of Regional Governments.
 - If the value of F count < F table, then the hypothesis is rejected. This means that the variables Regional Revenue, Balancing Funds, Capital Expenditures, and Fiscal Stress simultaneously have no effect on Regional Government Financial Performance.
- b. Based on the Significance Value (Sig.) of the F Test Output
 - If the Sig. < 0.05, then the hypothesis is accepted. This means that the variables Regional Revenue, Balancing Funds, Capital Expenditures, and Fiscal Stress simultaneously affect the Financial Performance of Regional Governments.
 - If the Sig. > 0.05, then the hypothesis is rejected. This means that the variables Regional Revenue, Balancing Funds, Capital Expenditures, and Fiscal Stress simultaneously have no effect on Regional Government Financial Performance.

It can be seen in table 5.4 that the output of linear regression shows an Fcount value of 44.608 (44.608 > 6.00) and a significance number of 0.000 (0.000 < 0.05) so that it can be concluded that the four independent variables are Regional Revenue, Balancing Funds, Capital Expenditures, and Fiscal Stress simultaneously has a significant effect on the Financial Performance of the Regional Government of North Toraja Regency.

3. Testing the Coefficient of Determination (R2)

This study also found the magnitude of the influence of the independent (free) variable on the dependent (dependent) variable which can be seen from the value of the coefficient of determination (R square) in the following table:

Table 5.5 Determination Test Results (R2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,978 ^a	0,957	0,936	0,06769

The coefficient of determination (R square) is 0.957 which means that the independent variable (X) which includes Regional Revenue, Balancing Funds, Capital Expenditures, and Fiscal Stress contributes to the Financial Performance of the Toraja District Government by 95.7%, while the remaining 4.3% is influenced by other variables not included in this study.

VI. DISCUSSION

Based on the results of the hypothesis testing that has been done, the results of the research between the independent variables and the dependent variable can be interpreted as follows:

6.1. The Effect of Regional Revenue (PAD) on Regional Government Financial Performance

The results of this study support the first hypothesis that the variable Regional Revenue (PAD) has a positive effect on the Financial Performance of the North Toraja Regency Regional Government for the 2009-2021 Fiscal Year. This is indicated by the significance level of Regional Revenue of 0.005 which is less than 0.05 (significant level = 5%) and the tcount value of 3.887 is greater than the ttable of 2.306. The test results of this study indicate that Regional Revenue (X1) has a positive and significant effect on local government financial performance (Y).

Regional Revenue as a source of net income that is entitled to be recognized by the local government in which the regional government is authorized and has freedom in terms of managing sources of income originating from its own region. The higher the acceptance of Regional Revenue which consists of Regional Taxes, Regional Retribution, Results of Separate Regional Wealth Management, and Other Legitimate Regional Revenues, it shows the ability of a region to manage and optimize the potential and sources of income of an area so that it will maximize regional government revenue which will later have an impact on the better Regional Government Financial Performance.

The North Toraja Regency Government places more emphasis on the results of Regional Revenue, especially from sources of Regional Tax revenue and Regional Levies because these two sectors are the biggest contributors to Regional Revenue. The greater the Regional Revenue owned by the local government, the better the Financial Performance of the Regional Government. With the understanding that the Financial Performance of Regional Governments shows the financial independence of local governments in financing their own government activities will increase, and will no longer depend on assistance from the central government.

The results of this study are in accordance with the signaling theory, where the implication of the signaling theory in this study is to provide a positive signal to the community through increasing PAD so that the government is still supported by the community. This research proves the success of local governments in increasing Regional Revenues through local taxes and fees. PAD is used by the regional government for regional spending which shows regional independence in development and the realization of regional autonomy. This shows that the financial performance of local governments has increased.

This research is supported by research by Sihite (2010) who found that Regional Revenue (PAD) has a positive effect on the financial performance of local governments in the districts/cities of North Sumatra province in 2004-2008. Research shows an increase in the realization of PAD from the PAD budget. This shows very good economic conditions where local governments can optimize regional revenues from existing resources. In line with Leki, et al (2018) conducted research in West Halmahera district in 2008-2017 which proved PAD had a positive effect on local government financial performance. Ajani, et al (2015) which proves that PAD has a significant positive effect on regional financial performance in West Nusa Tenggara as measured by the independence ratio. This indicates that the greater the PAD obtained by the local government, the better or independent financial performance, because with increased PAD the local government in NTB can fulfill its financing for regional expenditures.

In contrast to the research conducted by Mulyani and Wibowo (2017) which proved PAD had a significant negative effect on the financial performance of district/city regional governments in Central Java Province in 2012-2015. This study shows that the greater the regional income of districts/cities in Central Java Province, the lower the ratio efficiency of local government financial performance.

6.2. The Effect of Balancing Funds on Regional Government Financial Performance

The results of the second hypothesis in this study are that the Balancing Fund has a positive and significant effect on the Financial Performance of the North Toraja Regency Regional Government for the 2009-2021 Fiscal Year. This is indicated by the significance level of Balancing Funds of 0.007 which is less than 0.05 (significant level = 5%) and the tcount value of 3.587 is greater than the ttable of 2.306. The results of this test prove that balancing funds (X2) have a positive and significant effect on local government financial performance (Y). Any increase in balancing funds obtained from the central government will lead to an increase in local government financial performance. This shows that the second hypothesis in this study is accepted.

Balancing Funds which include General Allocation Funds (DAU), Special Allocation Funds (DAK) and Revenue Sharing Funds (DBH) are transfer funds from the central government to regional governments with the aim of financing excess regional spending. If the realization of regional spending is higher than regional income, a deficit will occur. Therefore, to cover the shortage of regional spending, the central government will transfer funds in the form of Balancing Funds to regional governments. In addition, the

obligations of the central government to the regions are still urgently needed to support regional development, so a Balancing Fund is needed to accelerate regional development.

In addition, the level of regional ability to collect income varies greatly depending on the conditions of the region concerned. With regard to regions that have natural resource wealth or not, regions with high or low intensity of economic activity, as well as the obligation to maintain the achievement of minimum service standards in each region. Regions with few resources need subsidies or Balancing Funds in order to achieve these minimum service standards. Therefore, with the Balance Fund provided by the central government, local governments can improve Regional Government Financial Performance.

The results of this study are in accordance with the stewardship theory, namely that local governments prioritize common interests rather than individual interests. The local government seeks to develop the economy with the help of balancing funds. This research shows that an increase in balancing funds is followed by an increase in local own-source revenue (PAD) originating from regional taxes, levies and other regionally-generated revenues. The increase in the receipt of well-managed balance funds for development has led to an increase in the financial performance of local governments.

This research is supported by Badjra, et al (2017) which shows that balancing funds have a positive and significant effect on regional financial performance in the Province of Bali. The district/city governments of the Province of Bali in general are still dependent on transfers from the central government in improving financial performance because they have not been able to manage PAD properly. This indicates that the higher the transfer of balancing funds, the higher the financial performance of the local government.

In contrast to the research results of Andirfa, (2016) and Budianto and Alexander (2016) which prove that balancing funds have a negative effect on local government financial performance. The results of this study indicate that if the realization of regional spending is higher than regional income, there will be a budget deficit so that to cover the shortfall from regional expenditure, a balance transfer of funds is needed from the central government. The amount of balancing fund transfers shows that the regional government's financial performance has decreased.

6.3. Effect of Capital Expenditure on Regional Government Financial Performance

Capital expenditures are government expenditures used as investments to increase regional revenues. The results of the study prove that capital expenditure has no effect on local government financial performance. This is indicated by the significance level of Capital Expenditures of 0.067 which is greater than 0.05 (significant level = 5%) and the tcount value of 2.106 is smaller than the ttable of 2.306. Therefore the hypothesis in the study which says that capital expenditure has an effect on the financial performance of the North Toraja district government is rejected (not proven).

The results of this study are in accordance with the signaling theory where the North Toraja district government is trying to give a good signal through capital expenditure. The realization of the capital expenditure by the regional government is intended so that the people can continue to support the government so that it can run well. In this study, the capital expenditure allocated by the North Toraja district government has not been able to attract public motivation to contribute to development. In addition, the realization of capital expenditure which tends to be slow in the development of infrastructure and public facilities in various regions has resulted in capital expenditure not having a significant impact on increasing regional revenues. This is why capital expenditure does not affect the financial performance of the North Toraja district government.

The results of this study are in accordance with Leki, (2018) which proves that capital expenditure has a positive but not significant effect on the financial performance of local governments in West Halmahera Regency. The allocation of capital expenditure is still lacking in financing development due to the relatively very low PAD generated by local governments in the 2008-2017 period. In line with Kurniawati (2017) who stated that capital expenditure did not affect financial performance in West Nusa Tenggara Province in 2011-2015. Capital expenditure has not been able to increase people's productivity in West Nusa Tenggara Province. Infrastructure development in the regions is uneven because government operational spending is more dominant than capital spending. So that in this case capital expenditure is not a determinant of local government financial performance.

This research is different from the research of Mulyani and Wibowo (2017) which shows that capital expenditure has a significant positive effect on the financial performance of local governments in the districts/cities of Central Java Province. As well as Ajani, (2015) which states that capital expenditure has a positive and significant effect on the financial performance of local governments in West Nusa Tenggara. This research indicates that the higher the capital expenditure realized by the local government, the government's financial performance will increase. This proves that capital expenditure issued by local governments can encourage people to increase economic development. Research by Nugroho and Rohman (2012) shows that capital expenditure has a negative effect on the financial performance of local governments in the 2008-2010

period in Central Java Province. This is because employee performance is not optimal and there is a tendency to commit acts of corruption by misusing the capital expenditure budget for personal gain.

6.4. Effect of Fiscal Stress on Regional Government Financial Performance

Fiscal stress is financial pressure caused by high regional spending. The results of this study indicate that fiscal stress has a positive and significant effect on the financial performance of the North Toraja district government. Through hypothesis testing, it is known that the significance level of Fiscal Stress is 0.046 which is less than 0.05 (significant level = 5%) and the tcount value is 8.388 which is greater than the ttable 2.306. The higher the fiscal stress, the financial performance of the local government will increase. This shows that the fiscal stress hypothesis (X4) has an effect on local government financial performance (Y) is accepted.

The results of this study are in accordance with the stewardship theory where the local government acts as the steward and the community as the principal. In running the government, local governments will try their best to improve people's welfare. In this study, the high regional spending in the capital expenditure category led to a state of fiscal stress. This condition motivates local governments to explore regional potential, both local taxes and regional levies, so that Regional Revenue (PAD) increases. This indicates that fiscal stress conditions can improve local government financial performance.

This research is in line with Sihite (2010) which shows that fiscal stress has a positive effect on regional financial performance. The size of the fiscal stress depends on the size of the tax revenue. The greater the receipt, the greater the fiscal stress. Purnaninthesa (2006) shows that fiscal stress has a significant effect on the financial performance of district/city governments in Central Java Province. Fiscal stress conditions can cause motivation for regions to increase their own regional income which ultimately leads to economic growth in a region so that the financial performance of local governments increases.

VII. CONCLUSION

Generally, this study aims to determine, test and analyze the effect of Regional Revenue, Balancing Funds, Capital Expenditure and Fiscal Stress on the Financial Performance of the Toraja District Government. Data analysis techniques using Statistical Product and Service Solutions (SPSS) Version. 25.0. Based on the results of data analysis and discussion, the research conclusions can be stated as follows:

1. The Regional Revenue (PAD) variable has a positive and significant effect on the income of the Regional Government Financial Performance of North Toraja Regency. Based on the estimation results, it is obtained that the tcount value is positive at 3.887 and the probability value is 0.005 where $0.005 < 0.05$, the hypothesis H_a is accepted. This means that if the Regional Revenue increases, it will increase the Financial Performance of the North Toraja Regency Regional Government, conversely if the Regional Revenue decreases, it will reduce the Financial Performance of the North Toraja Regency Regional Government. Thus it can be concluded that Regional Revenue has a positive and significant effect on the Financial Performance of the Regional Government of North Toraja district.
2. The Balancing Fund Variable has a positive and significant effect on the Financial Performance of the North Toraja Regency Regional Government. Based on the estimation results, it is obtained that the tcount value is positive at 3.587 and the probability value is 0.007 where $0.007 < 0.05$, the hypothesis H_a is accepted. This shows that the more Balancing Funds obtained from both the central and provincial governments can improve the Financial Performance of the North Toraja Regency Regional Government.
3. The Capital Expenditure Variable has no effect on the Financial Performance of the North Toraja Regency Regional Government. Based on the estimation results, it is obtained that the tcount value which is positive is 2.106 which is smaller than the ttable which is 2.306 and the probability value is 0.067 where $0.067 > 0.05$ then the hypothesis H_a is rejected. This means that the allocation of capital expenditure does not directly affect the Financial Performance of Regional Governments. This means that if Capital Expenditure increases or decreases, it will not be able to increase or decrease Regional Government Financial Performance.
4. The Fiscal Stress Variable has a significant effect on the Financial Performance of the North Toraja Regency Regional Government. Based on the estimation results, the tcount value is greater than ttable ($8.388 > 2.306$) and the probability value is smaller than the Sig value ($0.046 > 0.05$), so the hypothesis H_a is accepted. This means that if the Fiscal Stress increases, it will increase the Financial Performance of the North Toraja Regency Regional Government, conversely if the Fiscal Stress decreases, it will reduce the Financial Performance of the North Toraja Regency Regional Government.

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