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Assessment of the Performance of Regency and City Governments in Central Java Through Characteristics and Level of Financial Health

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Abstract

This study aims to examine the effect of Local Own Source Revenue , Capital Expenditure , Dependency Level, and Fiscal Balance Funds on Local Government Financial Performance, with Financial Health as a moderator variable . The research was conducted on regency and municipal governments in Central Java Province using Local Government Financial Statements for the 2022–2024 period . A quantitative approach with a causal research design was employed . The sampling technique used was saturated sampling, in which all regency and municipal governments in Central Java Province were included as research Samples . Data were analyzed using multiple linear regression and moderated regression analysis , preceded by classical assumption tests to ensure the validity of the regression model. The results indicate that Local Own Source Revenue has a positive and significant effect on Local Government Financial Performance, while Capital Expenditure does not have a significant effect . The Dependency Level has a negative effect on Local Government Financial Performance, indicating that higher dependence on central government transfers tends to reduce financial Fiscal performance Balance Funds are found to have a significant effect on Local Government Financial Performance, reflecting their important role in supporting regional fiscal capacity . Furthermore , the moderated regression analysis shows that Financial Health does not moderate the relationship between Local Own Source Revenue , Capital Expenditure , Dependency Level, and Fiscal Balance Funds on Local Government Financial Performance. These findings suggest that improvements in local government financial performance is not solely determined by financial health conditions , but are also influenced by the effectiveness of revenue management and fiscal policy implementation at the regional level. This study is expected to contribute to the empirical literature on public sector accounting and provide insights for local governments in formulating more effective and sustainable financial management policies .

Keywords : *Local Government Financial Performance; Local Own Source Revenue ; Capital Expenditure ; Fiscal Balance Funds ; Financial Health*

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INTRODUCTION

The implementation of fiscal decentralization aims to empower local governments focused on improving the welfare of constituents by providing public services. Local governments are considered to have superior knowledge of the demographics of their specific jurisdictions, allowing them to use public resources

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with greater efficiency and effectiveness than the central government (Firmansyah et al. al. , 2024). Fiscal decentralization is the delegation of expenditure and revenue functions to the regional government level with the aim of increasing fiscal independence and the quality of regional financial management.

The success of regional governments in financial management depends heavily on their ability to maximize regional revenue sources. The implementation of fiscal decentralization is expected to provide additional fiscal capacity to regional governments and reduce dependence on the central government. Central government intervention through fiscal transfers is intended to increase regional government independence in managing their affairs, while simultaneously promoting the efficiency and effectiveness of regional financial management (Firmansyah et al. et al. , 2024).

However, in practice, not all local governments are able to optimize their potential regional revenues. Local governments still face challenges in increasing local revenues because some high-value taxes are collected by the central government. This condition causes local governments to tend to rely on transfer funds, resulting in regional financial management often being deemed inefficient and unable to generate optimal revenue from regional sources (Firmansyah et et al. , 2024).

The inability of local governments to effectively plan and generate regional revenue is reflected in their relatively low financial performance. Yet, the primary goal of fiscal decentralization is to promote local government independence in funding development and reduce dependence on central government transfers. In this context, improving local government financial performance is a crucial indicator for assessing the success of fiscal decentralization.

Regional government financial performance is influenced by various factors, including regional original revenue, capital expenditures, the level of dependence on transfer funds, and balancing funds. Regional Original Revenue reflects a region's ability to independently finance development programs and activities. Capital expenditures relate to the allocation of funds for long-term asset development, which is expected to improve public services and stimulate regional economic growth. The level of dependence indicates the extent to which a regional government relies on transfer funds from the central government, while balancing funds serve to reduce fiscal disparities between regions.

Various previous studies have shown inconsistent results regarding the influence of these variables on local government financial performance. Thalib and Ekaningtias' (2019) study found that local revenue had a positive effect on local government financial performance, while Azhar (2021) stated that local revenue had no effect on government financial performance. Firmansyah et al.'s (2019) study et al. (2024) showed that capital expenditure has a positive effect on the financial performance of local governments, but other studies have shown the opposite.

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Inconsistencies in research results were also found in the variables of dependency level and balancing funds (Digdowiseiso et et al. , 2022).

In addition, the use of the financial health level variable as a moderating variable in the relationship between regional original income, capital expenditure, dependency level, and balancing funds on regional government financial performance is still relatively limited. Firmansyah et et al. (2024) emphasized that the level of financial health plays a significant role in moderating the influence of capital expenditure and the level of dependency on local government financial performance, but did not integrate all key variables into a single research framework.

Based on these conditions, this study aims to explore the influence of local revenue, capital expenditure, dependency level, and balancing funds on local government financial performance by including the level of financial health as a moderating variable . This study uses data from the Regional Government Financial Reports of districts and cities in Central Java Province for 2022–2024. It is expected to provide relevant empirical contributions to the development of public sector accounting literature and serve as a consideration for local governments in improving financial performance sustainably.

METHODOLOGY

This research aims to demonstrate the truth and solve problems using appropriate and relevant methods. Based on its objectives, this research falls into the category of causality research, namely research used to investigate the relationship between variables. This research uses an associative quantitative approach by examining the relationship between two or more variables. The research was conducted at Regency and City Governments in Central Java Province that have published Regional Government Financial Reports (LKPD) for the period 2022–2024. The variables studied include local revenue, capital expenditure, dependency level, and balancing funds on government financial performance with the level of financial health as a moderating variable .

The population in this study comprised all district and city governments in Central Java Province, comprising 29 districts and 6 cities. The sampling technique used was saturated sampling, thus the entire population served as the research sample. With a three-year observation period, from 2022 to 2024, 105 observations were obtained. A data selection process was then conducted to ensure the feasibility of the analysis, resulting in 91 observations used as the final sample.

The data used in this study are secondary data obtained indirectly through documentation methods. Data collection was conducted through literature review in the form of journals, books, and scientific articles, as well as through a search of published financial reports. The primary data source comes from the Regional Revenue and Expenditure Budget Realization Report of Regency and City Governments in Central Java Province for 2022–2024, obtained through the website of the Directorate General of Fiscal Balance, Ministry of Finance of the Republic of

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Indonesia. The data collected includes information on regional original revenue, capital expenditure, balancing funds, dependency levels, government financial performance, and financial health.

The data analysis method used in this study is multiple linear regression analysis. Prior to the regression test, classical assumption tests were first conducted, including normality tests , multicollinearity tests , heteroscedasticity tests , and autocorrelation tests to ensure the feasibility of the research model. Hypothesis testing was carried out using the F statistic test to determine the simultaneous effect of independent variables on the dependent variable, and the t statistic test to determine the partial effect of each variable. All data processing and analysis processes in this study were assisted by using SPSS statistical software.

RESULTS AND DISCUSSION

Description of Research Object

The object of this research is the financial reports of the Regency and City Governments in Central Java Province for the period 2022–2024. This research was conducted on all regency and city governments in Central Java Province using a saturated sampling method, so that the entire population was used as the research sample. The total number of regency and city governments in Central Java Province is 35, consisting of 29 regencies and 6 cities.

This study uses secondary data obtained from Regional Government Financial Reports for the observation period of 2022 to 2024. Thus, the total initial observation data obtained in this study is 105 observations, derived from the result of multiplying the number of regional governments by the number of observation years (35 districts/cities × 3 years). Subsequently, data selection and processing were carried out to ensure the appropriateness of the data used in the analysis.

Table 1. Research Sample

Criteria	Amount
Number of Regencies/Cities in Central Java	**35**
Observation Year (2022-2024)	**3 (x)**
Total Local Government	**105**
Outlier Data	**14 (-)**
Total Sample	**91**

During the data processing stage, several data points were identified with extreme or unusual values, thus being categorized as outliers . Based on the results of outlier identification and testing , 14 observations were removed from the research data. Therefore, the final sample size for this study was 91 observations.

With this sample size, this study is expected to provide a representative picture of the financial performance of district and city governments in Central Java Province during the observation period. The selected data were then used in statistical analysis to examine the relationship between regional original revenue, capital expenditure,

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dependency level, balancing funds, government financial performance, and financial health as a moderating variable .

Descriptive Statistics of Research Variables

Descriptive statistical analysis was used to provide an overview of the characteristics of the research data, including the minimum, maximum, average, and standard deviation values of each studied variable. The variables analyzed in this study were Regional Original Revenue, Capital Expenditure, Dependency Level, Balanced Funds, Government Financial Performance, and Financial Health Level. These descriptive statistics aimed to examine the distribution of data and the trend in the values of each variable during the observation period of 2022–2024.

Table 2 Descriptive Statistics of Research Variables

Descriptive Statistics

	N	Minimum	Maximum	Mean	Standard Deviation
PAD	90	.11	.54	.1947	.07024
BM	90	.01	.27	.1241	.04124
Kindergarten	90	1.20	6.91	3.5253	1.11376
DP	90	.22	7.58	1.6226	1.66316
Ministry of Marine Affairs and Fisheries	90	.11	.60	.2150	.08447
KK	90	1.38	18.07	5.4897	3.32907
Valid N (listwise)	90				

Local Original Income has a minimum value of 0.110 and a maximum value of 0.540, with an average value of 0.1947 and a standard deviation of 0.07024. The lower standard deviation value compared to the average value indicates that the level of Local Original Income in the sample local governments is relatively homogeneous, so that the difference in PAD contributions between regions is not too large during the observation period.

Capital Expenditure has a minimum value of 0.010 and a maximum value of 0.270, with an average value of 0.1241 and a standard deviation of 0.04124. A standard deviation value smaller than the average value indicates that the allocation of capital expenditure among local governments is relatively uniform, so there is no significant difference in capital expenditure spending policies during the study period.

The Dependency Level has a minimum value of 1.200 and a maximum value of 6.910, with an average value of 3.5253 and a standard deviation of 1.11376. A standard deviation value that is smaller than the average value indicates that the level of dependence of local governments on transfer funds is relatively stable, although there are still variations in the level of dependence between regions in the research sample.

The Balancing Fund has a minimum value of 0.220 and a maximum value of 7.580, with an average value of 1.6226 and a standard deviation of 1.66316. The

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standard deviation value, which is close to the average value, indicates that the level of dependence of regional governments on balancing funds varies relatively, so that there is a significant difference in the proportion of balancing funds between regions during the observation period.

Government Financial Performance has a minimum value of 0.110 and a maximum value of 0.600, with an average value of 0.2150 and a standard deviation of 0.08447. The lower standard deviation value compared to the average value indicates that the financial performance of local governments in the research sample is relatively homogeneous, so that differences in financial performance levels between regions are not too striking.

The Financial Health Level has a minimum value of 1.380 and a maximum value of 18.070, with an average value of 5.4897 and a standard deviation of 3.32907. The standard deviation value is smaller than the average value indicating that the level of financial health of local governments in the research sample is relatively homogeneous, although there are still variations in financial health conditions between regions during the observation period.

Classical Assumption Test

This study uses multiple linear regression analysis, so before testing the hypothesis, a classical assumption test is first performed. The classical assumption test aims to ensure that the regression model meets the required statistical assumptions , ensuring that the estimated results are unbiased and can be interpreted accurately. The classical assumption tests used in this study include normality , multicollinearity , autocorrelation , and heteroscedasticity .

normality test is conducted to determine whether the residual data in the regression model is normally distributed . In this study, the normality test was conducted using the One Sample method. Kolmogorov – Smirnov Monte Carlo. The basis for decision-making in the normality test is that if the significance value is greater than 0.05, then the residual data is declared to be normally distributed .

Table 3 Normality Test Results

One- Sample Kolmogorov-Smirnov Test			
			Unstandardized Residual
N			90
Normal Parameters [a,b]	Mean		.0000000
	Standard Deviation		.01703940
Most Extreme Differences	Absolute		.093
	Positive		.080
	Negative		-.093
Test Statistics			.093
Asymp . Sig . (2-tailed)			.054 [c]
Monte Carlo Sig . (2-tailed)	Sig .		.399 [d]
	99% Confidence Interval	Lower Bound	.386
		Upper Bound	.411

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normality test results presented in the table, the Monte Carlo significance value is 0.399, which is greater than 0.05. This result indicates that the residual data in the regression model is normally distributed , thus meeting the normality assumption .

multicollinearity test is conducted to determine whether there is a strong relationship between the independent variables in the regression model. This test is performed by examining the Tolerance and Variance values. Inflation Factor (VIF). A regression model is declared free from multicollinearity if the Tolerance value is greater than 0.10 and the VIF value is less than 10.

Table 4 Multicollinearity Test Results

		Unstandardized Coefficients		Collinearity Statistics	
Model		B	Std . Error	Tolerance	VIF
1	(Constant)	.004	.023		
	PAD	1,130	.050	.284	3,515
	BM	-.043	.050	.824	1,214
	Kindergarten	-.005	.003	.289	3,464
	DP	.002	.001	.780	1,282
	KK	.002	.001	.861	1,162

The test results show that all independent variables, namely Regional Original Income, Capital Expenditure, Dependency Level, Balancing Funds, and Financial Health have a Tolerance value above 0.10 and a VIF value below 10. Thus, it can be concluded that the regression model does not experience multicollinearity .

autocorrelation test is conducted to determine whether there is a correlation between residuals in one observation and other observations. The autocorrelation test in this study uses the run test. test . The basis for decision making is if the Asymp . Sig . (2-tailed) value is greater than 0.05, then the residuals are random and there is no autocorrelation .

Table 5 Autocorrelation Test Results (Run Test)

Runs Test

	Unstandardized Residual
Test Value [a]	.00046
Cases < Test Value	45
Cases >= Test Value	45
Total Cases	90
Number of Runs	49
Z	.636
Asymp . Sig . (2-tailed)	.525

Based on the results of the run test The test shown in the table yielded a significance value of 0.525, which is greater than 0.05. This indicates that the residuals are random, thus concluding that there is no autocorrelation in the regression model used.

heteroscedasticity test aims to determine whether there is inequality in residual variance between observations in a regression model. The heteroscedasticity test in

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this study was conducted using the Spearman's method. rho . The regression model is declared not to experience heteroscedasticity if the significance value of each independent variable is greater than 0.05.

Table 6 Heteroscedasticity Test Results

a.			Unstandardized Residual
Spearman's rho	PAD	Correlation Coefficient	-.007
		Sig . (2-tailed)	.950
		N	90
	BM	Correlation Coefficient	.071
		Sig . (2-tailed)	.507
		N	90
	Kindergarten	Correlation Coefficient	-.021
		Sig . (2-tailed)	.843
		N	90
	DP	Correlation Coefficient	-.046
		Sig . (2-tailed)	.669
		N	90
	KK	Correlation Coefficient	.075
		Sig . (2-tailed)	.481
		N	90
	Unstandardized Residual	Correlation Coefficient	1,000
		Sig . (2-tailed)	.
		N	90

heteroscedasticity test indicate that all independent variables have a significance value greater than 0.05. Therefore, it can be concluded that the regression model used does not experience heteroscedasticity and meets classical assumptions, making it suitable for further regression analysis.

Multiple Linear Regression Test Results

Multiple linear regression testing was conducted to determine the effect of Regional Original Revenue, Capital Expenditure, Dependency Level, and Balancing Funds on Regional Government Financial Performance. This regression analysis aims to examine the influence of independent variables simultaneously and partially on the dependent variable. Prior to hypothesis testing, model feasibility was first tested using the coefficient of determination and simultaneous significance tests.

Table 7 Model Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std . Error of the Estimate
1	.977 [a]	.955	.953	.01841

Source: Processed Secondary Data, 2025

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Based on the results of the determination coefficient test shown in the table, the R Square value was obtained at 0.955 and the Adjusted R Square value was 0.953. This indicates that the variables of Regional Original Income, Capital Expenditure, Dependency Level, and Balancing Funds are able to explain the variation in changes in Regional Government Financial Performance by 95.3 percent, while the remaining 4.7 percent is explained by other variables outside the research model.

Next, a simultaneous significance test (F-test) was conducted to determine whether all independent variables collectively influence Regional Government Financial Performance. This test was conducted using analysis of variance (ANOVA) with a significance level of 5 percent.

Table 8 F Test Results (ANOVA)

ANOVA [a]

Model		Sum of Squares	df	Mean Square	F	Sig .
1	Regression	.606	4	.152	447,364	.000 [b]
	Residual	.029	85	.000		
	Total	.635	89			

The F-test results show a significance value of 0.000, which is less than 0.05. Therefore, it can be concluded that Regional Original Revenue, Capital Expenditure, Dependency Level, and Balancing Funds simultaneously have a significant effect on Regional Government Financial Performance. This indicates that the regression model used is suitable for further analysis.

The next test is a partial significance test (t-test), which aims to determine the influence of each independent variable on Regional Government Financial Performance individually. The results of the t-test are presented in the following regression coefficient table.

Table 9 t-Test Results (Main Model Regression Coefficients)

Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std . Error	Beta	T	Sig .
1	(Constant)	.024	.023		1,032	.305
	PAD	1,109	.052	.922	21,503	.000*
	BM	-.071	.051	-.035	-1,391	.168
	Kindergarten	-.006	.003	-.073	-1,717	.090**
	DP	.002	.001	.047	1,851	.068**

Based on the results of the t-test, the Regional Original Income variable has a regression coefficient of 1.109 with a significance value of 0.000 which is smaller than 0.05, so that Regional Original Income has a positive and significant effect on the Financial Performance of Regional Governments. The Capital Expenditure variable has a regression coefficient of -0.071 with a significance value of 0.168 which is greater than 0.05, so that Capital Expenditure does not affect the Financial Performance of

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Regional Governments. The Dependency Level variable has a regression coefficient of -0.006 with a significance value of 0.090 which is smaller than 0.10, so that the Dependency Level affects the Financial Performance of Regional Governments. The Balancing Fund variable has a regression coefficient of 0.002 with a significance value of 0.068 which is smaller than 0.10, so that the Balancing Fund affects the Financial Performance of Regional Governments.

Moderation Regression Testing of Financial Health Level

Moderated regression testing was conducted to determine the role of Financial Soundness Level in moderating the influence of Regional Original Revenue, Capital Expenditure, Dependency Level, and Balancing Funds on Regional Government Financial Performance. This moderated regression model included interaction variables between each independent variable and Financial Soundness Level. Testing was conducted through multiple linear regression analysis with stages of determination coefficient testing, simultaneous significance testing, and partial significance testing.

Table 10 Moderated Regression Summary Model

Model Summary [b]

Model	R	R Square	Adjusted R Square	Std . Error of the Estimate
1	.373 [a]	.139	.099	3.16013

Based on the results of the determination coefficient test on the moderation regression model , the R Square value was obtained at 0.139 and the Adjusted R Square value was 0.099. This shows that the variables of Regional Original Income, Capital Expenditure, Dependency Level, and Balancing Funds together are able to explain the variation in changes in the Financial Health Level by 9.9 percent, while the remaining 90.1 percent is explained by other variables outside the research model.

Next, a simultaneous significance test (F-test) was conducted to determine the feasibility of the moderated regression model . This test was conducted using analysis of variance (ANOVA) with a significance level of 5 percent.

Table 11 Results of the Moderated Regression F Test

ANOVA [a]

Model		Sum of Squares	df	Mean Square	F	Sig .
1	Regression	137,516	4	34,379	3,443	.012 [b]
	Residual	848,843	85	9,986		
	Total	986,359	89			

The F-test results show a significance value of 0.012, which is smaller than 0.05. Thus, it can be concluded that the variables of Regional Original Income, Capital Expenditure, Dependency Level, and Balancing Funds simultaneously have a significant effect on the Financial Health Level of Regional Governments, so that the moderated regression model is declared suitable for use in further analysis.

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The next test is a partial significance test (t-test), which aims to determine the influence of each independent variable and the interaction variable on Regional Government Financial Performance. The results of the moderation regression coefficient test are presented in the following table.

Table 12 Results of the Moderated Regression t-Test

Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std . Error	Beta	T	Sig .
1	(Constant)	.017	.058		.295	.769
	PAD	1,126	.154	.936	7,312	.000
	BM	-.185	.116	-.090	-1,591	.116
	Kindergarten	-.005	.008	-.066	-.595	.553
	DP	.005	.003	.096	1,662	.100
	KK	-.002	.012	-.083	-.181	.857
	X1M	.004	.031	.029	.126	.900
	X2M	.035	.022	.162	1,565	.122
	X3M	7.824E-5	.002	.013	.049	.961
	X4M	.000	.000	-.085	-1,053	.295

Based on the results of the t-test, the interaction between Regional Original Income and Financial Health Level has a regression coefficient of 0.004 with a significance value of 0.900 which is greater than 0.05, so the interaction does not affect the Financial Performance of Regional Governments. The interaction between Capital Expenditure and Financial Health Level has a regression coefficient of 0.035 with a significance value of 0.122 which is greater than 0.05, so the interaction does not affect the Financial Performance of Regional Governments. The interaction between Dependency Level and Financial Health Level has a regression coefficient of 0.00007824 with a significance value of 0.961 which is greater than 0.05, so the interaction does not affect the Financial Performance of Regional Governments. The interaction between Balancing Funds and Financial Health Level has a regression coefficient of 0.000 with a significance value of 0.295 which is greater than 0.05, so the interaction does not affect the Financial Performance of Regional Governments.

Discussion

The results of the regression test indicate that Locally Generated Revenue (PAD) has a positive and significant effect on Local Government Financial Performance. This finding indicates that the greater the contribution of local revenue collected by a local government, the better its financial performance. Locally Generated Revenue reflects a region's ability to finance development programs and activities without relying solely on transfer funds from the central government. This finding aligns with research conducted by Sari and Halmawati (2021), Saputri and Kurnia (2020), and Antari and Sedana (2018), which found that local revenue has a positive effect on local government financial performance. However, this finding is

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inconsistent with research by Azhar (2021), which found that local revenue has no effect on local government financial performance.

Capital expenditures in this study showed no effect on local government financial performance. This finding indicates that increasing capital expenditures does not necessarily directly improve local government financial performance. This condition may be caused by the realization of capital expenditures that often do not meet budget targets, as well as the tendency of local governments to prioritize personnel expenditures over capital expenditures. This study's results align with research by Thalib and Ekaningtias (2019) which stated that capital expenditures have no effect on local government financial performance, but are inconsistent with research by Fitriani and Devyanthi Syarif (2025), Hutauruk (2024), and Desky et al. al. (2023) who found that capital expenditures have an impact on the financial performance of local governments.

The test results show that the level of dependency negatively impacts local government financial performance. This finding suggests that the higher a local government's dependence on transfer funds from the central government, the lower its financial performance tends to be. This reflects that fiscal decentralization has not fully encouraged local government independence in generating regional revenue. These findings align with those of Aulia and Rahmawaty (2020) and Setiani and Ismunawan (2022), which state that the level of dependency impacts local government financial performance. However, they do not align with the research of Firmansyah et al. al. (2024) who stated that the level of dependency does not affect the financial performance of local governments.

In this study, the Balancing Funds have been shown to influence the financial performance of regional governments. Balancing funds serve as a crucial funding source to support governance and regional development, particularly for regions with limited local revenue. This finding aligns with research by Putri and Priyadi (2021), Wahyudin (2020), and Maulina et al. al. (2021) who stated that balancing funds have an impact on the financial performance of regional governments, but this is not in line with Digdowiseiso's research. et al. (2022) who stated that balancing funds do not affect the financial performance of local governments.

moderation regression test indicate that the Financial Health Level is unable to moderate the influence of Regional Original Income, Capital Expenditure, Dependency Level, and Balancing Funds on Regional Government Financial Performance. This finding indicates that the condition of regional government financial health has neither strengthened nor weakened the relationship between these variables and regional government financial performance. This research finding aligns with the findings of Firmansyah et al. al. (2024) who stated that financial health is not always able to moderate the relationship between capital expenditure and the level of dependence on local government financial performance.

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Overall, the results of this study indicate that Regional Original Revenue and Balancing Funds play a significant role in improving Regional Government Financial Performance, while Capital Expenditure and Dependency Level show varying results depending on the condition of regional financial management. The insignificant moderating role of Financial Health Level indicates that improving regional government financial performance depends not only on financial conditions alone, but also on the effectiveness of budget management and regional fiscal policies as a whole.

CONCLUSION

This study aims to analyze the influence of Locally-Owned Revenue, Capital Expenditure, Dependency Level, and Balancing Funds on the Financial Performance of Local Governments with Financial Health Level as a moderating variable in district and city governments in Central Java Province for the period 2022–2024. The results show that Locally-Owned Revenue has a positive and significant effect on Local Government Financial Performance, while Capital Expenditure has no effect on Local Government Financial Performance. The Dependency Level shows a negative effect on Local Government Financial Performance, while Balancing Funds are proven to have an effect on Local Government Financial Performance.

Furthermore, the results of the moderation regression test indicate that the Financial Health Level is unable to moderate the influence of Regional Original Revenue, Capital Expenditure, Dependency Level, and Balancing Funds on Regional Government Financial Performance. This finding indicates that the financial health of regional governments has not yet strengthened the relationship between these fiscal variables and financial performance. Therefore, improving regional government financial performance is not solely determined by financial condition but also influenced by the effectiveness of budget management and overall regional fiscal policy.

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