Volume: 30. pp. xx-xx
Jurnal Kinabalu
©2024, ISSN: 1394-4517. e-ISSN: 2600-867X.
Doi: https://doi.org/10.51200/ejk.v30i.5846
Journal website: https://jurcon.ums.edu.my/ojums/index.php/ejk

THE INFLUENCE OF FINANCIAL AUTONOMY, CAPITAL EXPENDITURE, AND UNEMPLOYMENT RATE ON FINANCIAL SUSTAINABILITY IN PROVINCIAL GOVERNMENTS IN INDONESIA

Nearumi Raudha[1]
Rita Meutia[2*]
Nuraini A[3]

[1]Faculty of Economics and Business, Syiah Kuala University, Banda Aceh, Indonesia.
(E-mail: nearumir@gmail.com)
[2*]Faculty of Economics and Business, Syiah Kuala University, Banda Aceh, Indonesia.
(E-mail: Rita.mutia@usk.ac.id)
[3]Faculty of Economics and Business, Syiah Kuala University, Banda Aceh, Indonesia.
(E-mail: nurainia@usk.ac.id)

Submission date: 12-10-2024
Acceptance date: 29-10-2024
Publication date: 31-12-2024

To cite this document: Raudha, Meutia & Nuraini. (2024). The Influence of Financial Autonomy, Capital Expenditure, and Unemployment Rate on Financial Sustainability in Provincial Governments in Indonesia. *Jurnal Kinabalu*, 30, xx-xx.

Abstract *- This study aims to assess the impact of financial autonomy, capital expenditure, and unemployment rates on the financial sustainability of provincial governments in Indonesia. The findings of this research are crucial for providing guidance to provincial governments in formulating effective policies to improve financial sustainability. The study analyzes data from 34 provincial governments in Indonesia, utilizing panel data regression analysis with E-Views version 12. The data was obtained from the audited financial reports of these provinces for the period 2017 to 2022. Financial sustainability is assessed through the revenue surplus reported in the operational reports. The results show that financial autonomy does not significantly affect financial sustainability, capital expenditure has a positive impact on financial sustainability, and unemployment does not significantly influence financial sustainability.*

Keywords: *Financial autonomy capital expenditure, unemployment rate, financial sustainability, provincial government.*

Introduction

In recent years, studies on financial sustainability in the public sector have emerged in response to the financial crisis and austerity measures. International organizations, such as the International Public Sector Accounting Standards Board (IPSASB), have emphasized the critical role of sustainability in public sector finance. Moreover, data on financial sustainability aids in decision-making by public managers and policymakers in the provision of public services (Santis, 2020).

One of the objectives of the Sustainable Development Goals (SDGs) is to improve the economic welfare of communities in a sustainable manner. This aligns with the concept of regional government financial sustainability, where regional governments are expected to

Volume: 30. pp. xx-xx
Jurnal Kinabalu
©2024, ISSN: 1394-4517. e-ISSN: 2600-867X.
Doi: https://doi.org/10.51200/ejk.v30i.5846
Journal website: https://jurcon.ums.edu.my/ojums/index.php/ejk

finance public services today without diminishing their ability to provide services in the future (RIFAC, 2013; Rodríguez Bolívar et al., 2016). In other words, both the SDGs and regional governments share the goal of ensuring fairness in public service provision across generations. As the government entities closest to the people, regional governments play a crucial role in the successful implementation of regional action plans to achieve the SDGs. In particular, SDG number eight, which focuses on decent work and economic growth, aims to foster equitable and sustainable economic growth, a productive workforce, and decent employment for all. This highlights the significant role of regional governments in ensuring sustainable and equitable public services (https://en.wikipedia.org/wiki/Sustainable_Development_Goals).

The government needs to have healthy finances and adequate fiscal capacity. In the Regulation of the Minister of Finance Number 84 of 2023, fiscal capacity refers to the government's ability to manage revenue, expenditure, and debt efficiently and effectively. With financial sustainability and strong fiscal capacity, the government can maintain the availability of resources needed to provide public services such as education, health, infrastructure, and other social services sustainably for the community. The following Regional Fiscal Capacity (KFD) is a description of regional financial capacity grouped based on the RKFD:

Table 1: Fiscal Capacity Index of Provinces in Indonesia 2021-2023

No	Province Name	2021		2022		2023	
		RKFD	RKFD Category	RKFD	RKFD Category	RKFD	RKFD Category
1	Aceh	0.303	Medium	1.789	Medium	1.049	Very Low
2	North Sumatra	0.893	High	2.019	Medium	2.238	Medium
3	West Sumatra	0.461	Medium	1.411	Very Low	1.460	Low
4	Riau	0.887	High	2.215	High	2.567	High
5	Jambi	0.249	Very Low	1.239	Very Low	1.899	Medium
6	South Sumatra	0.958	High	1.890	Medium	1.832	Medium
7	Bengkulu	0.193	Very Low	1.019	Very Low	1.173	Very Low
8	Lampung	0.526	Medium	1.580	Low	1.726	Low
9	Bangka Belitung Islands	0.196	Very Low	1.506	Low	1.755	Low
10	Riau islands	0.368	Medium	1.621	Low	1.592	Low
11	DKI Jakarta	11.391	Very high	3.007	Very high	3.410	Very high
12	West Java	3.602	Very high	2.546	Very high	2.456	High
13	Central Java	2.046	Very high	1.947	Medium	1.821	Medium
14	D.I.Yogyakarta	0.269	Very Low	1.23	Very Low	1.418	Low
15	East Java	2.541	Very high	1.952	Medium	1.865	Medium
16	Banten	1.133	High	2.934	Very high	2.819	Very high
17	Bali	0.461	Medium	1.761	Medium	2.179	Medium
18	West Nusa Tenggara	0.408	Medium	1.456	Low	1.375	Low
19	East Nusa Tenggara	0.454	Medium	1.47	Low	1.505	Low
20	West Kalimantan	0.508	Medium	1.873	Medium	2.058	Medium
21	Central Kalimantan	0.392	Medium	2.314	High	2.791	High
22	South Kalimantan	0.708	Medium	2.339	High	1.903	Medium
23	East Kalimantan	0.975	High	2.786	Very high	3.652	Very high
24	North Kalimantan	0.294	Medium	1.841	Medium	2.374	High

Volume: 30. pp. xx-xx
Jurnal Kinabalu
©2024, ISSN: 1394-4517. e-ISSN: 2600-867X.
Doi: https://doi.org/10.51200/ejk.v30i.5846
Journal website: https://jurcon.ums.edu.my/ojums/index.php/ejk

25	North Sulawesi	0.336	Medium	1.348	Very Low	1.172	Very Low
26	Central Sulawesi	0.278	Medium	1.311	Very Low	1.360	Low
27	South Sulawesi	0.790	Medium	1.511	Low	1.646	Low
28	Southeast Sulawesi	0.233	Very Low	1.284	Very Low	1.517	Low
29	Gorontalo	0.160	Very Low	1.35	Very Low	1.421	Low
30	West Sulawesi	0.179	Very Low	1.548	Low	1.784	Medium
31	Maluku	0.218	Very Low	1.769	Medium	1.496	Low
32	North Maluku	0.274	Very Low	2.633	Very high	2.742	High
33	Papua	0.667	Medium	2.543	Very high	1.935	Medium
34	West Papua	0.651	Medium	3.952	Very high	3.877	Very high
Average		1.000	High	1.912	Medium	1.996	Medium

Source: Peraturan Menteri Keuangan (PMK) No.84/2023

The Regulation of the Minister of Finance Number 84 of 2023, issued by the government, serves as a guideline for assessing the financial capacity of each region, as reflected through regional income and specific regional financing receipts, minus income with designated uses, certain expenditures, and regional financing expenditures. According to Table 1, which presents the Fiscal Capacity Index (IKFD) of provincial areas in Indonesia for 2021-2023, provinces are classified into five categories based on their IKFD. Thirteen provincial governments experienced a decline in their IKFD between 2021 and 2023, shifting from the "High" and "Medium" categories to the "Low" and "Very Low" categories. These provinces include Aceh, North Sumatra, South Sumatra, Riau Islands, West Java, Central Java, East Java, West Nusa Tenggara, East Nusa Tenggara, South Kalimantan, North Sulawesi, South Sulawesi, and Maluku.

In provinces with a low KFD Index, the majority (>50%) of the districts/cities within the region tend to have a low KFD Index as well. However, in provinces with a high KFD Index, it does not necessarily mean that most of the districts/cities in the region will have a high KFD Index. Low fiscal capacity indicates limitations in local government funding, causing high dependence on central transfers and restrictions on development. Conversely, high fiscal capacity provides financial independence, flexibility, and opportunities to achieve long-term financial sustainability through good debt management and sustainable investment (Herdiyana, 2019).

According to the Goal Setting Theory approach, establishing clear goals for provincial governments will enhance employee motivation and performance. Setting realistic objectives within a strategic plan is crucial for local governments to achieve financial sustainability and provide ongoing services (Navarro-Galera et al., 2016). Therefore, provincial governments should prioritize financial sustainability as a goal, incorporating it into their budget plans. Local governments should establish performance targets from the outset of budget discussions through to the evaluation phase. In the public sector, financial sustainability can be viewed as the goal of the provincial government to ensure the continuity of services (Rodríguez Bolívar et al., 2018). Financial autonomy, capital expenditure, and the unemployment rate are key factors influencing financial sustainability. If these factors are effectively managed, the goal of financial sustainability for the provincial government can be achieved.

Research Methods

The research method is a quantitative approach. The population of the study was 34 Provincial Governments in Indonesia for 6 years, starting from 2017-2022. So that the total population is

Volume: 30. pp. xx-xx
Jurnal Kinabalu
©2024, ISSN: 1394-4517. e-ISSN: 2600-867X.
Doi: https://doi.org/10.51200/ejk.v30i.5846
Journal website: https://jurcon.ums.edu.my/ojums/index.php/ejk

204. The data source is the audited Regional Government Financial Report (LKPD) within the scope of provincial areas in Indonesia from 2017-2022 and data published by the Central Statistics Agency via the link https://www.bps.go.id. This study uses 4 variables consisting of dependent variables and independent variables. Regional financial management is considered effective if it is able to represent the ability of the regional government to maintain and renew public service facilities and can maintain its sustainability. According to Rodríguez Bolívar et al. (2016), accrual-based income is considered effective in representing the ability of regional governments to maintain their financial sustainability. The revenue surplus in the budget realization report can be an indicator of FS (Financial Sustainability) in the government sector, so that FS is measured by the following equation:

$$\text{FS} = \frac{\text{Surplus Operasional}}{\text{Total population}}$$

According to Bratakusumah and Solihin (2001: 169), achieving genuine and accountable regional financial autonomy requires authority and the capacity to generate local revenue, supported by a balanced financial relationship between central and regional governments, as well as among provinces, districts, and cities. These elements are essential in the regional governance system. The success of regional financial autonomy is closely linked to a region's financial capabilities. As noted by Ritonga and Mada (2014), the financial aspect is a fundamental criterion for assessing a region's ability to manage its own affairs. Financial Autonomy (FA) is thus measured using the following equation.

$$\text{FA} = \frac{\text{Regional Original Income}}{\text{Total Revenue}}$$

Capital expenditure holds significant importance due to its long-term benefits in delivering public services (Santis, 2020). Its allocation is determined by regional requirements for facilities and infrastructure, supporting both the execution of governmental duties and the provision of public amenities. Capital expenditure aims to acquire fixed assets for regional governments, such as equipment, buildings, infrastructure, and other tangible assets. The provincial government's effectiveness in utilizing funds is crucial for enhancing public service facilities and infrastructure (Bulan et al., 2023). The Capital Expenditure (CE) ratio is calculated as follows:

$$\text{CE} = \frac{\text{Total Capital Expenditure}}{\text{Total Regional Expenditure}}$$

Unemployment is a significant macroeconomic issue that directly impacts human welfare. For many, job loss leads to a decline in their standard of living, making unemployment a frequent topic in political debates, where policymakers often propose solutions to create jobs (Mankiw, 2000). The unemployment rate negatively affects financial sustainability, though its impact may vary across different levels of government (Subires et al., 2019). According to Wardhani and Payamta (2020), a provincial government's ability to address macroeconomic challenges that influence community welfare is crucial. The Unemployment Rate (UR) is calculated using the following equation:

Volume: 30. pp. xx-xx
Jurnal Kinabalu
©2024, ISSN: 1394-4517. e-ISSN: 2600-867X.
Doi: https://doi.org/10.51200/ejk.v30i.5846
Journal website: https://jurcon.ums.edu.my/ojums/index.php/ejk

$$\text{UR} = \frac{\text{Unemployment Rate}}{\text{Total Work Forcea}}$$

The study employs descriptive statistics and panel data regression analysis as its primary methods. Data recapitulation is performed using Microsoft Excel. Subsequently, the data undergoes processing and testing with the assistance of E-Views software, version 12. The analysis includes a series of Classical Assumption Tests, such as the Normality Test, Multicollinearity Test, Heteroscedasticity Test, and Autocorrelation Test. This is followed by Panel Data Regression Analysis, the selection of the most suitable estimation model, and hypothesis testing. The hypothesis testing encompasses the Simultaneous Significance Test (F-statistic test), Individual Parameter Significance Test (t-statistic test), and the Coefficient of Determination evaluation.

Literature Reviews

Financial Sustainability

Financial sustainability refers to a government's capacity to deliver services in the present without hindering its ability to do so in the future. This concept encompasses three interconnected aspects: services, revenues, and debt (Rodríguez Bolívar et al., 2018).

Financial Autonomy

According to Santis (2020), financial autonomy represents a region's ability to levy taxes, generate revenue, and allocate resources independently, without external interference. The impact of financial autonomy is interpreted in various ways. On one hand, greater tax autonomy can help generate revenue to meet public demands without threatening the financial solvency of local governments. On the other hand, political considerations may discourage imposing excessive taxes on citizens due to strategic priorities. Santis's findings indicate that financial autonomy negatively affects financial sustainability. Conversely, Brusca and Cohen (2019) found a positive relationship, suggesting that financial autonomy contributes to local government revenue surpluses and enhances financial sustainability. Similarly, Navarro-Galera et al. (2016) argued that a region's internal revenue positively influences financial sustainability. Local governments that fund services through Local Revenue tend to have stronger financial sustainability as they rely less on debt or central government transfers.

Capital Expenditure

Abdullah and Halim (2006) highlighted that capital expenditure is closely tied to long-term financial planning, particularly for financing and maintaining fixed assets resulting from such expenditures. A key type of capital expenditure involves constructing community facilities to support public services. Good financial management is a source of funding for regional spending, especially capital expenditure aimed at improving public service facilities and infrastructure. Improving public services is an indicator of good government performance in terms of accountability to the people. Thus, the decrease in the portion of capital expenditure from year to year will have an impact on the decrease in the quality of the quantity of public services received by the community. Santis (2020) discovered that capital expenditure positively influences financial sustainability.

Unemployment Rate

According to Sukirno (2006: 87), unemployment can result in a decrease in people's income and harm the level of prosperity that has been achieved. A decrease in the level of prosperity

Volume: 30. pp. xx-xx
Jurnal Kinabalu
©2024, ISSN: 1394-4517. e-ISSN: 2600-867X.
Doi: https://doi.org/10.51200/ejk.v30i.5846
Journal website: https://jurcon.ums.edu.my/ojums/index.php/ejk

can trigger poverty problems, especially when the workforce grows rapidly, adding to the burden on the economy by creating or expanding jobs. High unemployment rates can lead to reduced tax revenues, increased social support spending, and social instability, all of which negatively impact the financial sustainability of government entities (Sinervo, 2020). Rodríguez Bolívar et al. (2016) found that the unemployment rate has a negative effect on financial sustainability, a result that aligns with the studies by Rodríguez Bolívar et al. (2019) and Cuadrado-Ballesteros and Bisogno (2022). Effective policy management is essential to strike a positive balance between the unemployment rate and financial sustainability.

Results

Descriptive Statistic Analysis

The average operational report of 34 provincial governments, the highest average value of financial sustainability ratio was obtained by the DKI Jakarta provincial government at 3,712,135 while the lowest was the Bali provincial government at 12,237. The highest average value of financial autonomy was found in the DKI Jakarta provincial government at 0.684, while the lowest was found in the West Papua provincial government at 0.063. The highest average value of capital expenditure was found in the West Papua provincial government at 0.323, while the lowest was found in the Central Java provincial government at 0.080. The lowest average value of unemployment was found in the West Sulawesi provincial government at 0.030, while the highest was found in the Southeast Sulawesi provincial government at 0.193.

Table 2: Chow Test Table

Effects Test	Statistic	d.f	Prob.
Cross-section F	6,926,058	-33,141	0,0000
Cross-section Chi-square	171,512,406	33	0,0000

Table 3: Hausman Test Table

Test Summary	Chiq-sq. Statistic	Chi-Sq. d.f	Prob.
cross-section random	18,551,479	3	0,0003

Selection of Estimation Model

In terms of selecting the best model between the common effect model and the fixed effect model, the researcher used the Chow Test. The Chow Test testing criteria are seen in Table 2, if the Cross-section Chi-square probability value < chi-square testing criteria (0.000 < 0.050) so that the selected model is the fixed effect model (FEM). Furthermore, the Hausman Test is carried out to compare the common effect model with the fixed effect model. The testing criteria for the Hausman Test are seen in Table 3 if the Cross-section random probability value < cross-section random testing criteria (0.0003 < 0.050) so that the selected model from the Hausman Test is the fixed effect model (FEM).

Classical Assumption Test

Classical assumption testing includes normality test, multicollinearity test, and heteroscedasticity test on 2 equation models. Here are the test results:

Volume: 30. pp. xx-xx
Jurnal Kinabalu
©2024, ISSN: 1394-4517. e-ISSN: 2600-867X.
Doi: https://doi.org/10.51200/ejk.v30i.5846
Journal website: https://jurcon.ums.edu.my/ojums/index.php/ejk

Normality Test

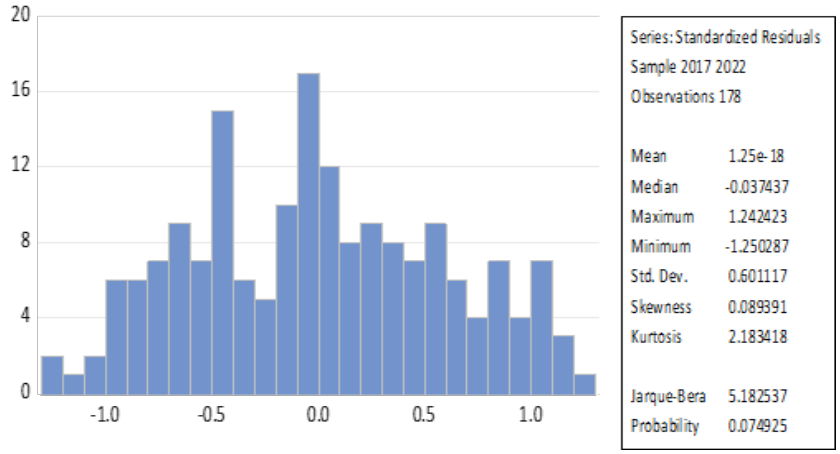

Figure 1: Normality Test

Normality test with histogram graph and Jarque Bera probability. A good regression model is a model with normally distributed residual data. Residual data is normally distributed if the probability value is greater (>) than 0.05. Figure 1 shows the results of the normality test after transformation showing a Jarque-Bera Probability value of 0.074925> 0.05, meaning that the data used in the study has been normally distributed.

Multicollinearity Test

Table 4: Multicollinearity Test

	FA	CE	UR
FA	0,000000	-0.285463	-0.029350
CE	-0.285463	1.000000	0.010584
UR	-0.029350	0.010584	1.000000

In Table 4, it can be seen that the correlation coefficient of FA and CE is -0.285, FA and UR are -0.029 and the correlation coefficient of CE and UR is 0.010. All correlation coefficients, then it can be concluded that there is no case of multicollinearity, where each predictor has a VIF value <1.0.

Heteroscedasticity Test

Table 5: Heteroscedasticity Test

Variable	Significance
C	0.0611
FA	0.9877
CE	0.8677
UR	0.894

Volume: 30. pp. xx-xx
Jurnal Kinabalu
©2024, ISSN: 1394-4517. e-ISSN: 2600-867X.
Doi: https://doi.org/10.51200/ejk.v30i.5846
Journal website: https://jurcon.ums.edu.my/ojums/index.php/ejk

In Table 5, the significance of the F statistic prob. of each independent variable is greater than 0.05, namely the FA variable 0.987> 0.05, the CE variable 0.867> 0.05, and the UR variable 0.894> 0.05. then the regression model meets the requirements (homoscedasticity). This means that there is no symptom of heteroscedasticity in the data used.

Autocorrelation Test

Table 6: Autocorrelation Test

Test_Summary	Cross-section_Fixed
Durbin-Watson stat	2.106391
F-Statistic	8.773819
Prob. F-statistic	0.000000
Adjudted R-squered	0.612571

The Durbin-Watson Statistic value is known to be 2.106391. The du value is 1.7891 and the dl value is 1.7206 (can be seen in the Durbin-Watson Table with $\alpha = 0.05$). For the 4-du value is 4-1.7891 of 2.2109 and the 4-dl value is 4-1.7206 of 2.2794. The assumption du < dw < 4-du is met. Where the results of the Autocorrelation test are 1.7887 < 2.106391 < 2.2113, so it can be concluded that there is no autocorrelation in the regression model.

Test the Hypothesis

Table 7: Panel Data Regression Equation using Fixed Effect

Variabel	Coefficient	Std.Error	t-Statistic	Prob.
C	12.09966	0.188007	64.35871	0.0000
FA	-0.781206	0.359329	-2.174068	0.0314
CE	1.336531	0.563003	2.373932	0.0189
UR	0.375699	0.381784	9.84060	0.3268

Table 7 illustrates the results of the regression equation as follows:
KB = 12,09 – 0,78 FA + 1,33 CE + 0,37 UR +e
Description:
FS : Financial Sustainability
FA : Financial Autonomy
CE : Capital Expenditure
UR : Unemployment Rate
E : error term

Results and Discussion
Partial Hypothesis Testing Results (t-Test)
Hypothesis 1 is rejected: The t-Statistic value for the financial autonomy (FA) variable is -2.1740 < t-table 1.9735 and the sig. value is 0.031 < 0.05, then H01 is rejected and Ha1 is rejected. This means that the FA variable does not affect the financial sustainability of provincial governments in Indonesia. Based on the financial autonomy ratio value in Table 7, it is known that all provincial governments in Indonesia have a very low ratio, namely none

Volume: 30. pp. xx-xx
Jurnal Kinabalu
©2024, ISSN: 1394-4517. e-ISSN: 2600-867X.
Doi: https://doi.org/10.51200/ejk.v30i.5846
Journal website: https://jurcon.ums.edu.my/ojums/index.php/ejk

reaching 1 (one) all are below one. This means that financially, provincial governments in Indonesia have not been able to organize regional autonomy so that they are still very dependent on transfer funds from the central government or loans from other parties. This indicates that the financial sustainability of provincial governments in Indonesia is still very dependent on the central government and other parties. If the provincial government no longer receives income from external parties, the provincial government will not be able to meet all spending and public service expenses. This condition can threaten the financial sustainability of the provincial government for the continuity of public services.

The results of the regression test indicate that the financial autonomy variable does not impact the financial sustainability of provincial governments in Indonesia. This finding contrasts with the study by Wardhani and Payamta (2022), which concluded that financial autonomy positively affects financial sustainability. It aligns, however, with the research by Brusca et al. (2015), which suggests that financial autonomy positively influences local government revenue surpluses. Additionally, Navarro-Galera et al. (2016) argue that a region's internal revenue can positively affect financial sustainability.

Hypothesis 2 is accepted: The t-Statistic value for the Capital Expenditure (CE) variable is 2.3739> t-table 1.9735 and the sig. value is 0.018 <0.05, then H02 is accepted and Ha2 is accepted. This means that the CE variable has a significant effect on financial sustainability in provincial governments in Indonesia. Regional government capital expenditure is a type of expenditure related to public services used to build community facilities (Dollery et al., 2009). Capital expenditure includes all spending by the city government for the acquisition of real estate, infrastructure development, and long-term projects. Examples of capital investments can include real estate purchases, acquiring specific assets for economic development, utilizing third-party assets for economic purposes, and obtaining movable goods, machinery, and scientific equipment (Santis, 2020). As such, capital expenditure is a key factor in financial sustainability, particularly in managing infrastructure spending at the provincial government level. The results of the regression test for the capital expenditure variable showed that capital expenditure has a significant positive impact on the financial sustainability of provincial governments in Indonesia. These results support the results of previous research conducted by Santis, (2020) which stated that capital expenditure has a positive effect on financial sustainability. With good financial management, it can be a source of funding for regional spending, especially capital expenditure aimed at improving public service facilities and infrastructure. However, if capital expenditure management is not appropriate, it can result in excessive financial burdens and pose a risk to financial sustainability, so careful planning and careful risk evaluation are very important (Sholikhah & Wahyudin, 2014).

Hypothesis 3 is rejected: The t-Statistic value for the Unemployment Rate (UR) variable is 0.984 <t-table 1.9717 and the sig. value is 0.3268> 0.05, so H03 is rejected and Ha3 is accepted. This means that the UR variable does not affect the financial sustainability of provincial governments in Indonesia. The panel data regression test results indicate that the Unemployment Rate variable does not affect the financial sustainability of provincial governments in Indonesia. While the unemployment rate generally has a negative impact on public spending and financial conditions, the study findings suggest that an increase in the unemployment rate may pose a threat to financial sustainability and potentially lead to a rise in net debt. One possible reason behind this is its effect on the formation of current costs, especially financial costs. That is, high unemployment rates can lead to increased public spending to support unemployed citizens, while government revenues from taxes and other

Volume: 30. pp. xx-xx
Jurnal Kinabalu
©2024, ISSN: 1394-4517. e-ISSN: 2600-867X.
Doi: https://doi.org/10.51200/ejk.v30i.5846
Journal website: https://jurcon.ums.edu.my/ojums/index.php/ejk

sources of income may decrease. Therefore, additional spending on social support and revenue reductions can result in an increase in local government net debt (Rodríguez Bolívar et al., 2016).

Results of Simultaneous Hypothesis Testing (F Test)

Hypothesis 4: The F-statistic value of 16.256 is greater than the F-Table of 2.6565 calculated using the formula (F.INV.RT (probability; deg_freedom1; deg_freedom2)) and the prob.F-statistic value of 0.000 <0.05. This indicates that H04 is rejected and Ha4 is accepted, which means that financial autonomy, capital expenditure, and unemployment rates jointly affect the financial sustainability of provincial governments in Indonesia. Based on the panel data regression test with a fixed effect model, it was found that Financial autonomy, capital expenditure, and unemployment rates collectively influence the financial sustainability of provincial governments in Indonesia. Using the Goal Setting Theory approach, provincial governments should establish clear budget implementation goals to ensure effective public service delivery. These goals should be outlined in a strategic plan and communicated to stakeholders and provincial government officials to ensure mutual understanding. This approach aims to enhance the performance of all provincial government personnel.

Conclusion

Based on the results of the panel data testing and the discussion presented in this study, the following conclusions can be drawn. Financial autonomy does not significantly impact the financial sustainability of provincial governments in Indonesia, meaning that a higher level of financial autonomy does not necessarily ensure better financial sustainability. Capital expenditure, however, has a significant positive effect on financial sustainability higher capital expenditure leads to improved financial sustainability. The unemployment rate does not significantly affect the financial sustainability of provincial governments in Indonesia, indicating that fluctuations in the unemployment rate do not always influence financial sustainability. Together, financial autonomy, capital expenditure, and unemployment rates influence the financial sustainability of provincial governments in Indonesia.

Study Limitations

This study has several limitations. The research only tests a population of 34 provincial governments in Indonesia. The dependent variable is measured using the adjusted revenue surplus from the budget realization report. The data used is secondary data, specifically the Regional Government Financial Report (LKPD) for the 2017-2022 period and data from the Central Statistics Agency (BPS). Based on these results and limitations, the following recommendations are suggested: Future research should expand the population to include all districts and cities in Indonesia. It should also consider other proxies more closely related to financial sustainability, such as public spending and regional debt. Additionally, future studies could benefit from incorporating primary data from the legislature, which plays a key role in policymaking at the provincial government level in Indonesia.

References

Abdullah, S., Fahlevi, H., Indah, D., Junita, A., & Meutia, R. (2018). Intervention of central goverment in local government budgeting through financial regulations (a case of Indonesia). *International Journal of Civil Engineering and Technology* (IJCIET),

Volume: 30. pp. xx-xx
Jurnal Kinabalu
©2024, ISSN: 1394-4517. e-ISSN: 2600-867X.
Doi: https://doi.org/10.51200/ejk.v30i.5846
Journal website: https://jurcon.ums.edu.my/ojums/index.php/ejk

9(5). https://doi.org/http://www.iaeme.com/ijciet/issues.asp?JType=IJCIET&VType=9&IType=5.

Abdullah, S., & Halim, A. (2006). Studi atas belanja modal pada anggaran pemerintah daerah dalam hubungan dengan belanja pemiliharaan dan sumber pendapatan. *Jurnal Akuntansi Pemerintahan*, *2*(2), 17–32.

Abimanyu, A., & Megantara, A. (2009). Era Baru Kebijakan Fiskal Pemikiran, Konsep dan Implementasi (Pertama). Kompas.

Agustina, L., (2009). Pengaruh konflik peran, ketidakjelasan peran, dan kelebihan peran terhadap kepuasan kerja dan kinerja auditor (penelitian pada kantor akuntan publik yang bermitra dengan kantor akuntan publik Big Four di wilayah DKI Jakarta. *Jurnal Akuntansi*, *1*(1), 40–69. https://www.neliti.com/publications/73553/pengaruh-konflik-peran-ketidakjelasan-peran-dan-kelebihan-peran-terhadap-kepuasa#id-section-content.

Al-Obaidi, M. B. M., & Almashhadani, A. N. (2022). Assessment of the financial sustainability of external debt in iraq: an econometric analysis. *International Journal of Professional Business Review*, *7*(5), 1–24. https://doi.org/10.26668/businessreview/2022.v7i5.e704.

Arunachalam, M., Chen, C., & Davey, H. (2017). A Model for Measuring Financial Sustainability of Local Authorities: Model Development and Application. Asia-Pacific Management Accounting Journal, *12*(1), 39–76.

Basuki, A., (2018). Penggunaan SPSS dalam Statistik (pp. 1–94). Tri Basuki.

Bisogno, M., Cuadrado-Ballesteros, B., & Garcia-Sanchez, I. M. (2017). Financial sustainability in public administration: Exploring the concept of financial health. Financial Sustainability in Public Administration: Exploring the Concept of Financial Health, 1–268. https://doi.org/10.1007/978-3-319-57962-7.

Bröthaler, J., Getzner, M., & Haber, G. (2015). Sustainability of local government debt: a case study of Austrian municipalities. Empirica, *42*(3), 521–546. https://doi.org/10.1007/s10663-014-9261-3.

Bulan, T., Diswandi, & Nugraha, A. P. I. N. (2023). Determinants of budget transparency toward financial sustainability. *Russian Journal of Agricultural and Socio-Economic Sciences, 139*(7), 98–113. https://doi.org/10.18551/rjoas.2023-07.11.

Volume: 30. pp. xx-xx
Jurnal Kinabalu
©2024, ISSN: 1394-4517. e-ISSN: 2600-867X.
Doi: https://doi.org/10.51200/ejk.v30i.5846
Journal website: https://jurcon.ums.edu.my/ojums/index.php/ejk

Burritt, R. L., & Schaltegger, S. (2010). Sustainability accounting and reporting: Fad or trend? *Accounting, Auditing & Accountability Journal*, *23*(7), 829–846. https://doi.org/10.1108/09513571011080144.

Carmeli, A., Brueller, D., & Dutton, J. E. (2009). Learning behaviours in the workplace: The role of high-quality interpersonal relationships and psychological safety. Systems Research and Behavioral Science, *26*(1), 81–98. https://doi.org/10.1002/sres.932.

Cuadrado-Ballesteros, B., & Bisogno, M. (2022). Budget transparency and financial sustainability. *Journal of Public Budgeting, Accounting and Financial Management*, *34*(6), 210–234. https://doi.org/10.1108/JPBAFM-02-2022-0025.

Dollery, B., O'Keefe, S., & Crase, L. (2009). State Oversight Models for Australian Local Government*. Economic Papers, *28*(4), 279–290. https://doi.org/10.1111/j.1759-3441.2010.00047.x.

Ferry, L., & Murphy, P. (2018). What about financial sustainability of local government! A critical review of accountability, transparency, and public assurance arrangements in england during austerity. *International Journal of Public Administration*, *41*(8), 619–629. https://doi.org/10.1080/01900692.2017.1292285.

Gardini, S., & Grossi, G. (2018). What is known and what should be known about factors affecting financial sustainability in the public sector: A literature review. Financial Sustainability and Intergenerational Equity in Local Governments, March, 179–205. https://doi.org/10.4018/978-1-5225-3713-7.ch008.

Ghozali, I. (2018). Aplikasi Analisis Multivariate dengan Program IBM SPSS. Semarang: Badan Penerbit Universitas Diponegoro.

Ghozali, I., & Ratmano, D. (2017). Analisis Multivariat dan Ekonometrika dengan Eviews 10. Semarang: Badan Penerbit Universitas Diponegoro.

Hamdi, A. S., & Baharuddin, E. (2014). Metode Peneitian Kuantitatif Aplikasi Dalam Pendidikan. CV. Budi Utama.

Hastuti, P. (2018). Desentralisasi Fiskal dan Stabilitas Politik dalam Kerangka Pelaksanaan Otonomi Daerah di Indonesia. Simposium Nasional Keuangan Negara, *1*(1), 784–799. https://jurnal.bppk.kemenkeu.go.id/snkn/article/view/293.

Herdiyana, D. (2019). Analisis Data Peta Kapasitas Fiskal Daerah. *Jurnal Pajak dan Keuangan* Negara (PKN), *1*(1), 22. https://doi.org/10.31092/jpkn.v1i1.610.

Hermawan, A. (2005). Penelitian Bisnis Paradigma Kuantitatif. Gramedia.

Volume: 30. pp. xx-xx
Jurnal Kinabalu
©2024, ISSN: 1394-4517. e-ISSN: 2600-867X.
Doi: https://doi.org/10.51200/ejk.v30i.5846
Journal website: https://jurcon.ums.edu.my/ojums/index.php/ejk

Hertati, L. (2021). Pengaruh Tingkat Pengetahuan Perpajakan dan Modernisasi Sistem Administrasi Perpajakan Terhadap Kepatuhan Wajib Pajak Orang Pribadi. JRAK (Jurnal Riset Akuntansi dan Bisnis), *7*(2), 59–70. https://doi.org/10.38204/jrak.v7i2.560.

Hoque, Z., & Adams, C. (2011). the Rise and Use of Balanced Scorecard Measures in Australian Government Departments. Financial Accountability & Management, *27*(3), 308–334. https://doi.org/10.1111/j.1468-0408.2011.00527.x.

Ilanoputri, S. A. (2020). Pelayanan yang Diterima oleh Masyarakat Sebagai Pembayar Pajak Berdasarkan Penerapan Beban Pajak Daerah yang Diatur dalam Undang-Undang Pajak dan Retribusi Daerah. Cepalo, *4*(2), 143–156. https://doi.org/10.25041/cepalo.v4no2.2067.

Jones, S., & Walker, R. G. (2007). Explanators of local government distress. Abacus, *43*(3), 396–418. https://doi.org/10.1111/j.1467-6281.2007.00238.x.

Lhutfi, I., & Sugiharti, H. (2022). Financial Sustainability of Local Governments in Indonesia. Jurnal ASET (Akuntansi Riset), *14*(1), 159–170. https://doi.org/10.17509/jaset.v14i1.48133.

Locke, E. A., & Latham, G. P. (2002). Building a practically useful theory of goal setting and task motivation: A 35-year odyssey. American Psychologist, *57*(9), 705–717. https://doi.org/10.1037/0003-066X.57.9.705.

Mankiw, N. G. (2000). Teori Ekonomi Makro (Terjemahan) (Empat). Jakarta: Erlangga.

Manopo, N., Rotinsulu, D., & Murni, S. (2019). Analisis efisisensi dan efektivitas pengelolaan keuangan daerah kabupaten minahasa tenggara. *Jurnal Pembangunan Ekonomi dan Keuangan Daerah*, *17*(2), 1–14. https://doi.org/10.35794/jpekd.10249.17.2.2015.

Napitupulu, R., Simanjuntak, T., Hutabarat, L., Damanik, H., Harianja, H., & Sirait, R.T.M., & Lumban Tobing, C. E. (2021). Penelitian Bisnis, Teknik dan Analisa dengan SPSS-STATA-Eviews. Madentera.

Navarro-Galera, A., Rodríguez-Bolívar, M. P., Alcaide-Muñoz, L., & López-Subires, M. D. (2016). Measuring the financial sustainability and its influential factors in local governments. Applied Economics, *48*(41), 3961–3975. https://doi.org/10.1080/00036846.2016.1148260.

Nordiawan, D. (2006). Akuntansi Sektor Publik. Salemba Empat.

Volume: 30. pp. xx-xx
Jurnal Kinabalu
©2024, ISSN: 1394-4517. e-ISSN: 2600-867X.
Doi: https://doi.org/10.51200/ejk.v30i.5846
Journal website: https://jurcon.ums.edu.my/ojums/index.php/ejk

Nurhayati, N., Purnama, D., Nurhandika, A., & Wiharno, H. (2022). The Effect of Capital Expenditures, Personnel Expenditures and Balancing Funds toward Regional Financial Independence in Regency Governments at West Java. https://doi.org/10.4108/eai.2-12-2021.2320303.

Nurhemi, & Suryani, R. G. (2015). Dampak Otonomi Keuangan Daerah Terhadap Pertumbuhan Ekonomi di Indonesia. Bulletin of Monetary Economics and Banking, *18*(2).

Pemerintahan Daerah. (2004). Undang-undang Republik Indonesia Nomor 32 Tahun 2004. *1*, 1–14.

Undang-Undang Republik Indonesia Nomor 23 Tahun 2014 Tentang Pemerintahan Daerah, (2014).

Peta Kapasitas Fiskal Daerah, (2023). jdih.kemenkeu.go.id

Perdamean, R., & Ayupurba, A. (2020). Pengaruh kualitas pelayanan publik terhadap peningkatan pembayaran pajak di kelurahan petisah hulu. *Jurnal Governance Opinion*, *5*(2), 136–144.

Pratama, N. D., Abdurahim, A., & Sofyani, H. (2018). Determinan efektivitas implementasi anggaran berbasis kinerja dan penyerapan anggaran di pemerintah daerah. *Jurnal Reviu Akuntansi Dan Keuangan*, *8*(1), 9. https://doi.org/10.22219/jrak.v8i1.23.

Purnama, N. I. K. A. (2014). Analisis Pengaruh Inflasi Terhadap Tingkat Pengangguran di Kota Medan Tahun 2000-2014. 130–138.

Putri, Y. L., Nuraini, A., & Nuraini, A. (2021). Pendapatan Asli Daerah: Apakah Pajak Daerah Berkontribusi? Jurnal Ilmiah Mahasiswa Ekonomi Akuntansi (JIMEKA), *6*(3), 409–425. https://www.neliti.com/publications/459397/pendapatan-asli-daerah-apakah-pajak-daerah-berkontribusi.

Ritonga, H., et. al., (2019). Manajemen Pemasaran: Konsep dan Aplikasi. CV. Manhaji.

Ritonga, I. T., Clark, C., & Wickremasinghe, G. (2019). Factors affecting financial condition of local government in indonesia. *Journal of Accounting and Investment*, *20*(2). https://doi.org/10.18196/jai.2002114.

Rodríguez Bolívar, M. P., López Subires, M. D., Alcaide Muñoz, L., & Navarro Galera, A. (2019). The financial sustainability of local authorities in England and Spain: a comparative empirical study. International Review of Administrative Sciences, *87*(1), 97–114. https://doi.org/10.1177/0020852319834721.

Volume: 30. pp. xx-xx
Jurnal Kinabalu
©2024, ISSN: 1394-4517. e-ISSN: 2600-867X.
Doi: https://doi.org/10.51200/ejk.v30i.5846
Journal website: https://jurcon.ums.edu.my/ojums/index.php/ejk

Rodríguez Bolívar, M. P., Navarro Galera, A., Alcaide Muñoz, L., & López Subirés, M. D. (2016). Risk Factors and Drivers of Financial Sustainability in Local Government: An Empirical Study. Local Government Studies, *42*(1), 29–51. https://doi.org/10.1080/03003930.2015.1061506.

Rossi, F. M., Brusca, I., & Aversano, N. (2018). Financial Sustainability as a Driver for Transparency and E-Democracy: A Comparative Study in Italian and Spanish Local Governments. *International Journal of Public Administration*, *41*(1), 22–33. https://doi.org/10.1080/01900692.2016.1242623.

Santis, S. (2020). The demographic and economic determinants of financial sustainability: An analysis of Italian local governments. Sustainability, *12*(18). https://doi.org/10.3390/su12187599.

Sekaran, U., & Bougie, R. (2016). Research Methods for Business A Skill-Building Approach. Wiley and Sons.

Sekaran, U., & Bougie, R. (2017). Metode Penelitian Bisnis. Salemba Empat.

Sholikhah, & Wahyudin. (2014). Analisis belanja modal pada pemerintah kabupaten/kota di jawa. *Accounting Analysis Journal*. https://journal.unnes.ac.id/sju/index.php/aaj/article/view/4224%0Ahttps://journal.unnes.ac.id/sju/index.php/aaj/article/download/4224/3893.

Sinervo, L. M. (2020). Financial sustainability of local governments in the eyes of finnish local politicians. Sustainability (Switzerland), *12*(23), 1–16. https://doi.org/10.3390/su122310207.

Slembeck, T., Jans, A., & Leu, T. (2014). A politico-economic perspective on financial sustainability. *Journal of Public Budgeting, Accounting and Financial Management*, *26*(1), 140–164. https://doi.org/10.1108/JPBAFM-26-01-2014-B006.

Subires, M. D. L., Muñoz, L. A., Galera, A. N., & Bolívar, M. P. R. (2019). The influence of socio-demographic factors on financial sustainability of public services: A comparative analysis in regional governments and local governments. Sustainability (Switzerland), *11*(21). https://doi.org/10.3390/su11216008.

Sugiyono. (2017). Metode Penelitian Kuantitatif, Kualitatif dan R&D. CV. Alfabeta.

Sukirno, S. (2006). Pengantar Teori Ekonomi Makro (p. 87). Raja Grafindo Persada.

Volume: 30. pp. xx-xx
Jurnal Kinabalu
©2024, ISSN: 1394-4517. e-ISSN: 2600-867X.
Doi: https://doi.org/10.51200/ejk.v30i.5846
Journal website: https://jurcon.ums.edu.my/ojums/index.php/ejk

Syahriyal, Abdullah, S., & Meutia, R. (2023). What Determines Financial Sustainability in Local Government? Evidence from Aceh Province, Indonesia. Riset Akuntansi Dan Keuangan Indonesia, *8*, 261–273.

Wardhani, D. T., & Payamta, P. (2020). Menguji Faktor Determinan Financial Sustainability pada Sektor Pemerintah. *Jurnal Kajian Akuntansi*, *4*(1), 13. https://doi.org/10.33603/jka.v4i1.3305.