Jurnal Cakrawala Akuntansi
P-ISSN 1979-4851
e-ISSN xxxx-xxxx
https://online-journal.unja.ac.id/jca/about

THE INFLUENCE OF CAPITAL EXPENDITURE, ECONOMIC GROWTH, AND FISCAL STRESS ON LOCAL GOVERNMENT FINANCIAL PERFORMANCE

Susi Susanti[1], Iskandar Sam[2], Yudi[3]
[1,2,3] Accounting Study Program, Faculty of Economics and Business, Universitas Jambi, Jambi, Indonesia
Corresponding author email: susi36832@gmail.com

Info Article
Received: July 8, 2025
Revised: July 24, 2025
Accepted: July 24, 2025
Online Version: February 1, 2025

Jurnal Cakrawala Akuntansi (JCA) is licensed under a Creative Commons Attribution 4.0 International License

Abstract
This study investigates the influence of capital expenditure, economic growth, and fiscal stress on the financial performance of Regency/City Governments in Jambi Province from 2017 to 2023. The background of this research lies in the disparity of financial performance across regions and the growing fiscal pressures faced during and after the COVID-19 pandemic. Using a quantitative approach, the study employed secondary data from the Audit Reports of the Supreme Audit Agency and analyzed them using multiple regression. The findings reveal that capital expenditure and fiscal stress have a positive and significant impact on regional financial performance, whereas economic growth has no substantial influence. These results suggest that local governments' financial outcomes are more sensitive to internal fiscal management than to macroeconomic changes. The study implies that increasing capital investment and effectively managing fiscal stress can enhance financial performance, and offers recommendations for policy and future research to support sustainable regional financial governance.

Keywords: *Capital Expenditure, Economic Growth, Fiscal Stress, Local Government Financial Performance.*

INTRODUCTION

Regional autonomy is a policy that outlines the relationship between the Central Government and Regional Governments in the administration of government (Haryadi et al., 2021). The autonomy policy has existed since the enactment of Law Number 22 of 1999 concerning Regional Government al., 2024). The implementation of this policy empowers each Local Government to conduct its government affairs independently, without relying on the Central Government (Rohanda & Azhar, 2023). The implementation of the Regional Government's autonomy policy entitles it to manage regional finances in the public interest. (Lailiyah & Desitama, 2024), Febrianty & Putra (2023) state that effective regional financial management is the key to the success of the Regional Government. Mahmudi (2019) explains that steps to monitor the recording, measurement,

assessment, and success of regional financial management include evaluating the Regional Government's economic performance.

The financial performance of the Regional Government can be evaluated by examining aspects such as the economy, effectiveness, efficiency, openness, and accountability in regional financial management over a specific period. (Wibisono et al 2024). The Local Government's ability to manage its finances is reflected in the Local Budget Report, which shows its ability to raise funds for government affairs, local development, and the provision of public services. Methods that can be implemented to evaluate the performance of local government financial management, namely, through financial ratio analysis of the budget implemented (Halim & Kusufi, 2014). components that can be used to assess the financial performance of local governments include capital expenditure, economic growth, and fiscal stress.

The Jambi Provincial Statistics Agency in the Jambi Provincial Government's financial statistics report for 2022-2023 states that the regional expenditure component is dominated by operating expenditure, while capital expenditure is in second place. This situation shows that the Regency and City Regional Governments in Jambi Province prioritize budgets for consumptive operating expenditures rather than for capital expenditures that reflect the implementation of regional services and development (Riyanti et al 2024).

Another phenomenon of concern is the dynamics of economic activity in Jambi Province. Economic growth rates in the province's regencies and cities fluctuated from 2017 to 2023, with Sungai Penuh City recording the highest growth in 2017, while Batang Hari Regency dominated in 2019 and 2022, mainly through the agriculture, forestry, and fisheries sectors. However, the COVID-19 pandemic in 2020 caused a significant decline across the region. In 2023, Batang Hari district experienced a decline in economic growth compared to the previous year.

The next phenomenon that affects the financial performance of local governments is fiscal pressure, which occurs when regions are unable to optimally meet their financing needs. Jambi City consistently experienced the highest fiscal pressure from 2017 to 2023, as indicated by the inability to optimize regional revenues and the occurrence of budget deficits, especially in 2020, 2021, and 2023. In addition to Jambi City, several other regions also experienced fiscal pressure, such as East Tanjung Jabung Regency in 2018, 2020, and 2022, and Sarolangun Regency in 2019. Fiscal pressure in 2022 was also recorded in Tebo Regency. Meanwhile, in 2023, additional regions that experienced similar conditions were West Tanjung Jabung Regency, Sungai Penuh City, and Batang Hari Regency. These conditions reflect the need for efforts to increase regional fiscal capacity to be more adaptive in facing the challenges of autonomy and sustainable financial management.

The following are the results of previous research relevant to the topic of this study with

mixed results. The findings obtained by Wahyudin & Hastuti (2020) state that capital expenditure has an insubstantial positive effect on the financial performance of local governments. However, research by Febrianty & Putra (2023) and Novita & Arza (2024) explained that capital expenditure has a significant negative effect on the financial performance of local governments. Meanwhile, Padang & Padang (2024), Maharani et al (2024) and Putri et al (2024) show that capital expenditure has no influence on the financial performance of local governments. The study of Nurhayati & Hamzah (2020) revealed that economic growth has a positive relationship with the financial performance of local governments. However, different results were obtained by Heryanti et al (2019), Setiani & Ismunawan (2022), and Noeng et al (2023) which stated that economic growth did not affect financial performance. Research by Padang & Padang (2024) and Fajria et al (2021) stated that fiscal stress has a positive and substantial effect on the financial performance of local governments. While the findings by Fadhli et al (2022) explain that partially fiscal stress has a negative effect on the financial performance of the Regional Government. Different results were also obtained by Prasetyo & Rahayu (2019) which shows the occurrence of fiscal stress does not affect the financial performance of the Regional Government.

This research refers to the research of Novi Natalia Padang and Wendi Suprapto Padang (2024) which examines the "Effect of Capital Expenditure and Fiscal Stress on Local Government Financial Performance in Regencies/Cities of North Sumatra Province in 2014-2021". This study has several updates that distinguish it from previous research. First, in terms of independent variables, this study adds one new variable as suggested by previous researchers, namely Economic Growth. Second, in terms of research years, this study focuses the analysis on 2017-2023, the selection of this year is based on the pre and post covid-19 pandemic periods. Third, the research subject chosen was the Regency/City Regional Government of Jambi Province. Fourth, the financial performance measurement indicator used is the regional own-source revenue effectiveness ratio, replacing the regional independence ratio used in previous studies.

The findings of this study have several important implications for local governments, policymakers, and academics. For local governments, the study emphasizes the strategic importance of capital expenditure and the necessity of responding proactively to fiscal stress in order to maintain or improve financial performance. It encourages regional decision-makers to prioritize long-term development spending that supports sustainable public services. Additionally, the findings highlight the importance of innovating in revenue optimization, particularly in regions experiencing persistent fiscal pressure. Policymakers can utilize this evidence to formulate fiscal frameworks that strengthen regional autonomy and financial independence. This is especially relevant in the post-pandemic context, where adaptive and resilient fiscal policies are essential for economic recovery and

governance effectiveness.

From an academic perspective, this study contributes to the theoretical development of public sector accounting by integrating variables that have shown varied significance in previous literature. The inclusion of economic growth, though found to be insignificant in this context, offers a broader understanding of regional financial dynamics. It provides a useful reference for future researchers to explore similar topics using extended time periods, larger sample sizes, or additional moderating variables. Furthermore, the methodological approach of using the local revenue effectiveness ratio as a performance indicator enhances the analytical framework for assessing local government performance. The study also opens opportunities for cross-regional comparisons to evaluate fiscal behavior under different governance settings. Overall, this research lays a foundation for deeper academic inquiry and practical improvements in local financial governance.

Theoretically, this research is expected to make a significant contribution to the development of public sector accounting science, especially in the aspect of local government financial performance, and become a source of reference for future researchers studying similar topics. For researchers, this research is expected to broaden insights and knowledge, especially in the field of public sector accounting related to regional financial management, thus opening up further research opportunities in the future. On the other hand, for the Regency and City Governments of Jambi Province, the results of this research are expected to provide useful empirical information, as well as a basis for making more informed decisions in order to improve the ability to manage regional assets, optimize revenue, and budget allocations to improve overall regional financial management performance.

THEORETICAL OVERVIEW

Stewardship Theory

Stewardship theory was introduced by Donaldson and Davis in 1991. In the context of accounting, stewardship theory refers to a point of view that focuses on the responsibility of managers or agents in managing the assets of an entity by taking into account the interests of the owner or principal (Syahara et al 2024). Stewardship theory argues that managers as agents of the company will always try to prioritize the interests of the company, protect, and increase the profits of shareholders as owners (Sarjito, 2023).

Capital Expenditure

Government Regulation Number 71 of 2010 concerning Government Accounting Standards explains that capital expenditures are budget expenditures for the acquisition of fixed assets and

other assets that provide benefits for more than one accounting period. Angelina et al (2020) explain that capital expenditure is an expenditure incurred to improve the quality of fixed assets or investments that are already owned, with the aim of providing special benefits within a certain period of time. Capital expenditure is considered an investment because the benefits it generates are long-term. Therefore, the government needs to prioritize capital expenditure, especially for infrastructure development, rather than consumptive expenditure (Halim, 2017). The value of the budget to purchase, provide, and build fixed assets in capital expenditure is determined based on the purchase price or construction cost of the assets (Erlina et al 2015). Capital expenditures include: capital expenditure on land; capital expenditure on equipment and machinery; capital expenditure on buildings and structures; capital expenditure on roads, irrigation, and networks; and other physical capital expenditure (Halim, 2017).

Economic Growth

Isnaini et al (2023) define economic growth as an increase in the quantity of goods and services produced by the community in an area. Meanwhile, Dilliana & Herdi (2022) explain that the economic growth of a region can be measured through the progress of regional development and infrastructure, which aims to encourage an increase in community prosperity and accelerate the rate of economic growth in the region. Therefore, high economic growth is a measure of the success and improvement of a region in organizing government activities (Aziz & Kusumawati, 2024). The level of economic growth in macroeconomic concepts can be measured using two indicators, namely Gross Domestic Product (GDP) and Gross Regional Domestic Product (GRDP). Gross Domestic Product (GDP) is used to assess the economy in a country, while Gross Regional Domestic Product (GRDP) is used to assess the economy at the provincial and district / city levels. GDP and GRDP can be calculated with two approaches, namely according to current prices and fixed prices (constant) (Dilliana & Herdi, 2022).

Fiscal Stress

Fiscal stress is defined as the inability of local governments to raise sufficient revenue to finance their expenditures. High fiscal stress indicates that the local government has limited capacity to adjust the budget to meet all the needs of the region for which it is responsible (Rafli & Sari, 2021), Azzahra et al (2023) explain that in general fiscal stress is caused by limited revenue in a region. In the era of autonomy, fiscal stress experienced a higher increase compared to the era before the enactment of autonomy. This is due to the demand to optimize every regional potential owned in order to reduce the level of dependence on the Central Government (Septira & Prawira, 2019).

Local Government Financial Performance

Local Government financial performance is a parameter used to evaluate the ability of a region to implement autonomy policies (Wellyan et al 2023). Meanwhile, according to Pradana & Handayani (2023) Local Government financial performance is related to the capacity of a region to use and manage local wealth to meet regional needs and minimize dependence on the Central Government. The capacity of the Regional Government in managing its finances can be seen from the Regional Budget (APBD) which clearly or indirectly reflects the ability of the region to fund government functions, implement development, and provide public facilities.

Hypothesis Development

The Effect of Capital Expenditure on Local Government Financial Performance

Capital expenditure is local government expenditure to obtain fixed assets and other assets that provide long-term benefits. Capital expenditure is also interpreted as a form of regional investment to improve services to the public. Efficient use of capital expenditures will create greater opportunities to optimize regional revenues which can then improve their financial performance (Novita & Arza, 2024). Based on the description, the next research hypothesis that is put forward is as follows:

H1: Capital expenditure affects the financial performance of local governments.

The Effect of Economic Growth on Local Government Financial Performance

Economic growth is an economic development in which the amount of goods and services produced by the community in a region increases (Isnaini et al 2023). Economic growth in a region is characterized by an increase in regional development and infrastructure, which aims to encourage the people's economy and accelerate the economic growth of the region (Dilliana & Herdi, 2022). Therefore, high economic growth is an indicator of the success and progress of a region in organizing government activities. So that the better the economic growth of a region, it will improve its financial performance (Aziz & Kusumawati, 2024). Based on this description, the following research hypothesis is put forward:

H2: Economic growth affects the financial performance of local governments

The Effect of Fiscal Stress on Local Government Financial Performance

The availability of potential local resources and regional readiness are two important factors that determine regional success during the autonomy period. Therefore, the limited potential of

regional income and the inability of the region to increase independence will experience fiscal stress (Padang & Padang, 2024). Fiscal stress is a condition that occurs due to a lack of regional income that affects the provision of public services. So that high fiscal stress will have an influence on the performance of local government financial management (Haryadi et al 2021). Based on the description, the next research hypothesis that is put forward is as follows:

H3: Fiscal stress affects the financial performance of local governments

RESEARCH METHOD

Objects of Research, Data Types, and Data Sources

This study was conducted to provide an overview of the effects of Capital Expenditure, Economic Growth, and Fiscal Stress on Local Government Financial Performance for the 2017 to 2023 fiscal years using multiple regression analysis. The data used in this study are secondary data obtained from the Audit Report on the Regional Government Financial Statements examined by the Supreme Audit Agency of the Republic of Indonesia representative of Jambi Province from 2017 to 2023. The data collection process used in this research is the documentation method.

Operational Definition and Sample Measurement

Capital Expenditure

Capital expenditure refers to cash expenditure for the acquisition of fixed assets and other assets that provide long-term utility or more than one year (Rohanda & Azhar, 2023). In this research, capital expenditure is evaluated based on its contribution to total regional expenditure. The amount of capital expenditure contribution is calculated on the basis of the proportion of realized capital expenditure to total regional expenditure. The formula for calculating this ratio can be written as follows.

$$\text{Rasio Belanja Modal} = \frac{\text{Belanja Modal}}{\text{Total Belanja dalam APBD}} \times 100\%$$

Economic Growth

Economic growth is defined as an increase in the amount of goods and services produced by people in a region (Isnaini et al 2023). An indicator that can be used to assess the rate of economic growth of a region, both in the province and in the Regency or City is the Gross Regional Domestic Product (GRDP) (Dilliana & Herdi, 2022). The formula for calculating economic growth can be written as follows.

$$\text{Pertumbuhan Ekonomi} = \frac{\text{PDRB}_t - \text{PDRB}_{t-1}}{\text{PDRB}_{t-1}} \times 100\%$$

Fiscal Stress

Fiscal stress is defined as the condition of the inability of the Regional Government to collect revenue to finance its expenditures (Rafli & Sari, 2021). In general, fiscal stress is caused by limited revenue in a region (Prawira & Krismayanti, 2019). The parameter that can be used to assess indications of fiscal stress is the ratio of budget surplus/deficit to total regional income. The fiscal stress calculation formula can be written as follows.

$$\text{Fiscal Stress} = \frac{\text{Surplus/Defisit}}{\text{Total Pendapatan Daerah}} \times 100\%$$

Local Government Financial Performance

Local Government financial performance is a parameter used to evaluate the ability of a region to implement autonomy policies (Wellyan et al 2023) . The way that can be used to evaluate financial performance is through analyzing the effectiveness ratio of local revenue. This ratio reflects the extent of the local government's capacity to optimize local revenue receipts in accordance with predetermined targets, based on the real potential of a region (Dilliana & Herdi, 2022) . The calculation formula can be written as follows.

$$\text{Rasio Efektivitas PAD} = \frac{\text{Realisasi Penerimaan PAD}}{\text{Target Penerimaan PAD}} \times 100\%$$

Data Analysis Methods

The method implemented to analyze the data in this study is multiple regression analysis. Regression analysis is a study of the relationship between dependent variables and independent variables. The result of regression analysis is the coefficient of each dependent variable (Ghozali, 2018). This analysis uses IBM SPSS software version 29. The purpose of this analysis is to determine the effect of Capital Expenditure, Economic Growth, and Fiscal Stress on Local Government Financial Performance.

The regression model is formulated with the following equation:

$$Y = \alpha + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \varepsilon$$

The description of variable Y is the Financial Performance of Local Government**,** X1 is Capital Expenditure, X2 is Economic Growth, and X3 is Fiscal Stress**,** α is Constant**,** β1...β3 is Regression coefficient of each variable, ε is Error term (error).

RESULTS AND DISCUSSION

Classical Assumption Test Results

The classical assumption tests used in this study are normality test, multicolonierity test, autocorrelation test, and heteroscedasticity test. The normality test results show that the research data is normally distributed, where the significance value obtained is 0.057 which exceeds 0.05. The multicolonierity test results show that the regression model does not have multicolonierity symptoms, where the Tolerance (T) value is greater than 0.10 and the Variance Inflation Factor (VIF) is less than 10. The autocorrelation test results show a DurbinWatson number of 1.460, which is in the value range between -2 and +2, so this regression model does not experience autocorrelation problems. The results of the heteroscedasticity test with the Glejser test obtained a significance greater than 0.05, so this regression model does not contain heteroscedasticity assumptions.

Regression Results

Partial test or t test is a test conducted to test the effect of each independent variable on the dependent variable. In the t test, the significance level used is 5% or 0.05 (Sujarweni, 2022). Hypothesis testing in the t test is based on two statements, namely: H0 which states that there is no influence between the independent variable on the dependent variable, and Ha which states that there is an influence between the independent variable on the dependent variable. The decision-making provisions in the partial test or t test are as follows: First, if the significance value is smaller than 0.05, then H0 is rejected and Ha is accepted, which means there is an influence between the independent and dependent variables. Conversely, if the significance value is greater than 0.05, then H0 is accepted and Ha is rejected, which indicates that there is no influence between the two variables. The following are the results of multiple linear regression analysis

Table 1 Multiple Linear Regression Results

Coefficients a								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	62.924	8.551		7.358	<.001		
	Belanja Modal	.984	.250	.445	3.936	<.001	.802	1.246
	Pertumbuhan Ekonomi	-1.163	.633	-.188	-1.837	.070	.983	1.017
	Fiscal Stress	.932	.223	.475	4.171	<.001	.792	1.263

a. Dependent Variable: Kinerja Keuangan Pemerintah Daerah

Source: data processed (2025)

Based on the table of multiple linear regression results, the equation can be written as follows.
KKPD = 62.924 + 0.984 BM - 1.163 PE + 0.932 FS

Based on this equation, it can be interpreted that the constant value is 62.924, which indicates that if the variables of Capital Expenditure, Economic Growth, and Fiscal Stress are ignored or zero, then Local Government Financial Performance remains at 62.924. In addition, the regression coefficient value of the Capital Expenditure variable (X1) is 0.984, which is positive, indicating that each one-time addition of Capital Expenditure will increase Local Government Financial Performance by 0.984. Meanwhile, the regression coefficient value of the Economic Growth variable (X2) is -1.163, which is negative, indicating that each one-time increase in Economic Growth will actually reduce Local Government Financial Performance by 1.163. Finally, the regression coefficient value of the Fiscal Stress variable (X3) is 0.932, which is positive, indicating that each one-time increase in Fiscal Stress will improve Local Government Financial Performance by 0.932.

The results of hypothesis testing using the t-test show that the Capital Expenditure variable shows a significance level below 0.001, which is also below the 0.05 threshold. This indicates that the alternative hypothesis (Ha) is accepted, which means that Capital Expenditure has a significant effect on the Financial Performance of Regency/City Regional Governments in Jambi Province. In contrast, the Economic Growth variable shows a significance level of 0.070, which is higher than 0.05, so the alternative hypothesis (Ha) is rejected. Thus, it can be concluded that Economic Growth does not have a significant effect on the Financial Performance of Regency/City Regional Governments in Jambi Province. On the other hand, the Fiscal Stress variable shows a significance level below 0.001, which is also smaller than 0.05. This means that the alternative hypothesis (Ha) is accepted, which shows that Fiscal Stress has a significant effect on the Financial Performance of Regency/City Regional Governments in Jambi Province.

Effect of Capital Expenditure on Local Government Financial Performance

Capital expenditure based on the t-test results has a t-statistic value of 3.936 and a significance of less than 0.001 which is smaller than 0.05. The coefficient of determination test results which can be seen from the Adjusted R Square reached 0.221 or 22.1%. The regression coefficient for capital expenditure is 0.984 with a positive value . These results indicate that partially capital expenditure has a positive and significant effect on the financial performance of local governments as measured using the effectiveness ratio of local revenue. Thus, the first hypothesis (H1) which states that capital expenditure affects the financial performance of local governments is

accepted.

Capital expenditure is expenditure aimed at purchasing, procuring, or building tangible fixed assets that have long-term benefits (Erlina et al 2015). The total capital expenditure allocated by the local government will have a significant impact on improving public service facilities, which in turn can optimize local revenue and improve financial performance for the better (Digdowiseiso et al 2022). Thus, in this study the amount of capital expenditure realization has reflected the amount of regional development and infrastructure that can maximize regional revenue and contribute to improving regional financial performance.

This research is supported by Wahyudin & Hastuti (2020), Digdowiseiso et al (2022), and Niswani et al (2022) which show capital expenditure has a positive influence on the financial performance of local governments. These findings illustrate that the increase in financial performance is directly proportional to the increase in the realization of capital expenditures made to provide public facilities and maximize regional revenue.

The Effect of Economic Growth on Local Government Financial Performance

Based on the results of the t test, economic growth obtained a t-statistic of -1.837 and a significance level of 0.070 which is greater than 0.05. The results of the coefficient of determination test which can be seen from the Adjusted R Square reach 0.221 or 22.1%. The regression coefficient of economic growth is -1.163 and has a negative value. These results indicate that partially economic growth has no effect on the financial performance of local governments as measured by the effectiveness ratio of local revenue, so that in this study the increase and decrease in economic growth will have no effect on regional financial performance. Therefore, the second hypothesis (H2) which reveals that economic growth has an effect on the financial performance of local governments is not accepted.

Regional economic growth is reflected in the progress of development and infrastructure, which aims to improve the community's economy and accelerate the pace of regional economic growth. Therefore, high economic growth is a parameter of the success and progress of a region in organizing government activities (Aziz & Kusumawati, 2024). Based on this statement, in this study the increase and decrease in the economic growth of districts and cities in Jambi Province cannot be used as a benchmark in government activities.

This finding is supported by Setiani & Ismunawan (2022), Noeng et al (2023), Aziz & Kusumawati (2024) which reveals that economic growth has no effect on the financial performance of local governments. This finding shows that any increase in economic growth in a region is not always offset by improvements in financial performance.

The Effect of Fiscal Stress on Local Government Financial Performance

Fiscal stress according to the t test has a t-statistic value of 4.171 with a significance of less than 0.001 which is smaller than 0.05. The coefficient of determination test results which can be seen from the Adjusted R Square reached 0.221 or 22.1%. The fiscal stress regression coefficient is 0.932 with a positive value. This finding indicates that partially fiscal stress has a positive and significant effect on the financial performance of local governments as measured by the effectiveness ratio of local revenue. Thus, the third hypothesis (H3) which states that fiscal stress affects the financial performance of local governments is accepted. This finding explains that the increasing fiscal stress conditions experienced by a region, the region concerned will strive to increase regional potential, especially tax revenue, which in turn can improve the financial performance of regencies and cities in Jambi Province.

This finding is supported by the findings of Padang & Padang (2024) and Fajria et al (2021) which show that fiscal stress has a positive effect on regional financial performance. These findings explain that the increase in local government financial performance is directly proportional to the increase in fiscal stress conditions experienced by a region. This condition is able to motivate a region to make new efforts and innovations, in order to increase local revenue to meet various needs and provide public services, which in turn can encourage the improvement of its financial performance.

Although capital expenditure has a significant and positive effect on local government financial performance, the findings suggest the need for a deeper understanding of how such expenditures are allocated. Many local governments may invest in infrastructure without evaluating the long-term impact on revenue generation. This calls for strategic capital investment planning that aligns with local potential and development priorities. The study supports prior research but differs in its use of the revenue effectiveness ratio, highlighting a more accurate reflection of financial efficiency.

The insignificant effect of economic growth on financial performance challenges conventional assumptions that macroeconomic improvements directly benefit regional finances. This suggests a disconnection between regional economic activity and the government's ability to convert growth into revenue. Several factors might explain this, including weak tax collection systems, limited fiscal authority, or delays in translating growth into budgetary gains. Local governments should therefore not rely solely on economic expansion but also on strengthening administrative capacity and fiscal instruments. The results call for rethinking how growth is leveraged in fiscal planning. In the context of Jambi Province, institutional factors may play a more decisive role than economic trends in shaping financial outcomes.

The positive influence of fiscal stress on financial performance may appear counterintuitive, yet it reveals how pressure can drive improvement. Regions experiencing fiscal stress might be more proactive in mobilizing revenues and cutting inefficiencies. This adaptive response demonstrates a resilience mechanism where local governments optimize resources when under financial strain. However, sustained fiscal stress could eventually hinder service delivery and development. Therefore, while the short-term response may improve performance, long-term exposure to fiscal stress requires structural reforms. This finding underlines the importance of supporting stressed regions through technical assistance and policy frameworks that build resilience without over-reliance on reactive fiscal measures.

CONCLUSION

The purpose of this study was to analyze the effect of Capital Expenditure, Economic Growth, and Fiscal Stress on the Financial Performance of Regency/City Regional Governments in Jambi Province in the period 2017 to 2023. Based on the findings obtained, it can be concluded that capital expenditure has a positive and significant effect on the financial performance of Regency/City Regional Governments in Jambi Province in 2017-2023. On the other hand, economic growth did not show a significant effect on the financial performance of Regency / City Regional Governments in Jambi Province in the same time span. However, fiscal stress is proven to have a positive and significant influence on the financial performance of Regency/City Regional Governments in Jambi Province.

Based on these findings, several recommendations are suggested for future improvements. First, the Regional Government as the authorized party in regional financial management is expected to explore the potential of the region that has not been optimized in order to increase local revenue. This is expected to strengthen regional financial independence, in accordance with the objectives of regional autonomy. In addition, for future researchers, it is recommended to use more parameters that can encourage financial performance, extend the observation time span, increase the number of samples, and use additional indicators to obtain more accurate research results.

This study concludes that while capital expenditure and fiscal stress significantly influence local government financial performance, economic growth does not show a significant effect. These results highlight that internal fiscal management plays a more crucial role than macroeconomic conditions in driving financial outcomes. Policymakers should prioritize effective capital allocation and proactive responses to fiscal pressure to enhance financial sustainability. However, the study is limited by its focus on a single province and time frame, which may affect the generalizability of findings. Future research could explore additional variables, such as governance quality or tax

innovation, and apply comparative analysis across regions. Ultimately, this study emphasizes the importance of adaptive fiscal policy in maintaining financial performance under dynamic economic conditions.

REFERENCES

Angelina, N., Efni, Y., & Rasuli, M. (2020). Pengaruh Belanja Modal, Pendapatan Asli Daerah, dan Dana Alokasi Umum terhadap Kinerja Keuangan dengan Pengawasan Sebagai Variabel Moderating di Kabupaten/Kota Provinsi Riau Tahun 2014-2018. *Jurnal Bahtera Inovasi*, *4*(1), 36–53. https://doi.org/10.31629/bi.v4i1.2757

Aziz, A. A., & Kusumawati, E. (2024). Pengaruh Ukuran Pemerintah Daerah, Tingkat Kekayaan Daerah, Tingkat Ketergantungan Pada Pusat, Pertumbuhan Ekonomi, dan Temuan Audit BPK terhadap Kinerja Keuangan Pemerintah Daerah. *Innovative: Journal Of Social Science Research*, *4*(1), 6984–6995.

Azzahra, M., Arifin, K. Z., & Dwitayanti, Y. (2023). Pengaruh Pendapatan Asli Daerah, Belanja Modal, dan Desentralisasi Fiskal terhadap Fiscal Stress pada Kabupaten /Kota di Sumatera. *JEMSI: Jurnal Ekonomi, Manajemen, dan Akuntansi*, *9*(5), 2243–2254. https://doi.org/10.35870/jemsi.v9i5.1595

Digdowiseiso, K., Subiyanto, B., & Cahyanto, R. D. (2022). Pengaruh Pendapatan Asli Daerah, Dana Perimbangan Dan Belanja Modal Terhadap Kinerja Keuangan Pemerintah Daerah. *Fair Value Jurnal Ilmiah Akuntansi Dan Keuangan*, *4*(6), 2572–2580. https://doi.org/10.32670/fairvalue.v4i6.1150

Dilliana, S. M., & Herdi, H. (2022). *Manajemen Keuangan Daerah* (D. Winarni (ed.); Pertama). CV. Eureka Media Aksara.

Erlina, Rambe, O. S., & Rasdianto. (2015). *Akuntansi Keuangan Daerah Berbasis Akrual Berdasarkan PP No. 71 Tahun 2010 dan Permendagri No. 64 Tahun 2013*. Salemba Empat.

Fadhli, Asnawi, & Jummaini. (2022). Peran Tax Effort pada Pengaruh Flypaper Effect dan Fiscal Stress terhadap Kinerja Keuangan Daerah Kabupaten/Kota di Provinsi Aceh. *J-MIND (Jurnal Manajemen Indonesia)*, *7*(2), 143–145. https://doi.org/10.29103/j-mind.v7i2.8884

Fajria, Z., Wahono, B., & Farida, E. (2021). Pengaruh Desentralisasi Fiskal, Fiscal Stress, terhadap Pertumbuhan Ekonomi dengan Kinerja Keuangan sebagai Variabel Intervening di Provinsi Bali pada Masa Pandemi Covid-19. *e-JRM: Jurnal Ilmiah Riset Manajemen*, *10*(1), 1–20.

Febrianty, N., & Putra, G. H. (2023). Pengaruh Pertumbuhan Ekonomi, Pendapatan Asli Daerah, dan Belanja Modal terhadap Kinerja Keuangan Pemerintah Pada 19 Kabupaten/Kota Provinsi Sumatera Barat Tahun 2018-2021. *JKA: Jurnal Kendali Akuntansi*, *1*(2), 30–46. https://doi.org/10.59581/jka-widyakarya.v1i2.154

Ghozali, I. (2018). *Aplikasi Analisis Multivariate dengan Program IBM SPSS 25* (Edisi 9). Universitas Diponegoro.

Halim, A. (2017). *Manajemen Keuangan Sektor Publik Problematika Penerimaan dan Pengeluaran Pemerintah (Anggaran Pendapatan dan Belanja Negara/Daerah)* (Edisi 2). Salemba Empat.

Halim, A., & Kusufi, M. S. (2014). *Akuntansi Sektor Publik: Akuntansi Keuangan Daerah* (E. S. Suharsi (ed.); Edisi 4). Salemba Empat.

Haryadi, Gowon, M., & Qalbi, M. U. (2021). Pengaruh Pendapatan Asli Daerah (PAD) dan Dana Alokasi Umum (DAU) terhadap Fiscal Stress di Provinsi Jambi. *Jurnal Akuntansi dan*

Keuangan Universitas Jambi, *6*(3), 189–198. https://doi.org/10.22437/jaku.v6i3.12908

Heryanti, C. D., Wahidahwati, & Suryono, B. (2019). Pengaruh Pendapatan Asli Daerah, Dana Perimbangan, dan Pertumbuhan Ekonomi terhadap Kinerja Keuangan Pemerintah Kabupaten/Kota Di Provinsi Jawa Timur. *Jurnal Ilmu dan Riset Akuntansi*, *8*(8), 1–21.

Isnaini, N. F., Armin, R., & Dwi, A. (2023). Analisis Pengaruh Pendapatan Asli Daerah (PAD), Belanja Modal, Belanja Bantuan Sosial, dan Pertumbuhan Ekonomi terhadap Kinerja Keuangan Daerah di Jawa Timur. *Bisman (Bisnis dan Manajemen): The Journal of Business and Management*, *6*(1), 159–173. https://doi.org/10.37112/bisman.v6i1.2499

Lailiyah, N. I., & Desitama, F. S. (2024). Kemandirian Keuangan, Rasio Efisiensi, Rasio Solvabilitas Anggaran, dan Rasio Pertumbuhan terhadap Financial Distress Pemerintah Daerah. *Reslaj: Religion Education Social Laa Roiba Journal*, *6*(3), 1952–1973. https://doi.org/10.47476/reslaj.v6i3.5868

Maharani, B., Puspitasari, A., & Yantiana, N. (2024). Pengaruh Pendapatan Asli Daerah dan Belanja Modal terhadap Kinerja Keuangan Pemerintah. *Betajah Journal: Jurnal Pembelajaran dan Pengembangan Diri*, *4*(4), 863–872. https://doi.org/10.47353/bj.v4i4.368Mahmudi. (2019). *Analisis Laporan Keuangan Pemerintah Daerah* (Keempat). Sekolah Tinggi Ilmu Manajemen YKPN.

Niswani, N., Ikhyanuddin, Firdaus, R., & Nurhasanah. (2022). Pengaruh Belanja Modal, Dana Perimbangan, dan Pendapatan Asli Daerah terhadap Kinerja Keuangan Daerah Kabupaten/Kota Provinsi Aceh Tahun 2016-2020. *Jurnal Akuntansi Malikussaleh*, *1*(1), 64–78. https://doi.org/10.29103/jam.v1i1.6367

Noeng, A. Y., Kolit, Y. A. D. D., & Rato, E. Y. Da. (2023). Pengaruh Pendapatan Asli Daerah, Dana Perimbangan, dan Pertumbuhan Ekonomi terhadap Kinerja Keuangan Daerah (Studi Kasus pada Provinsi NTT Periode 2016-2020). *Jurnal Accounting UNIPA Volume*, *2*(2), 184–190. https://doi.org/10.2221/accounting.v2i2.79

Novita, R., & Arza, F. I. (2024). Pengaruh Pendapatan Asli Daerah, Dana Perimbangan, dan Belanja Modal terhadap Kinerja Keuangan Pemerintah Kabupaten/Kota di Pulau Sumatera Tahun 2021. *Jurnal Eksplorasi Akuntansi*, *6*(1), 430–443. https://doi.org/10.24036/jea.v6i1.1367

Nurhayati, N., & Hamzah, A. (2020). Pengaruh Pertumbuhan Ekonomi dan Ukuran Pemerintah Daerah terhadap Kinerja Keuangan Pemerintah Daerah. *Jurnal Ekonomi Akuntansi dan Manajemen*, *1*(1), 22–34.

Padang, N. N., & Padang, W. S. (2024). Pengaruh Belanja Modal dan Fiscal Stress terhadap Kinerja Keuangan Pemerintah Daerah. *Jurnal Ilmiah Akuntansi (JIMAT)*, *3*(1), 43–54. https://doi.org/10.54367/jimat.v3i1.3622

Peraturan Pemerintah Republik Indonesia Nomor 71 Tahun 2010 tentang Standar Akuntansi Pemerintah (2010).

Pradana, E. Y., & Handayani, N. (2023). Pengaruh Pendapatan Asli Daerah, Dana Alokasi Umum, Dana Alokasi Khusus terhadap Kinerja Keuangan Pemerintah Daerah. *Jurnal Ilmiah Akuntansi dan Keuangan*, *2*(2), 192–209. https://doi.org/10.24034/jiaku.v2i2.5979

Prasetyo, A., & Rahayu, D. (2019). Pengaruh Pendapatan Asli Daerah (PAD), Dana Alokasi Umum (DAU), Dana Bagi Hasil (DBH), dan Fiscal Stress terhadap Tingkat Kemandirian di Provinsi Kalimantan Selatan. *JIEP: Jurnal Ilmu Ekonomi dan Pembangunan*, *2*(4), 872–881. https://doi.org/10.20527/jiep.v2i4.1222

Prawira, I. F. A., & Krismayanti, M. (2019). Pengaruh Fiscal Stress terhadap Tingkat Kejahatan dan Pendapatan Perkapita pada Pemerintah Kabupaten/Kota di Indonesia. *Substansi*, *3*(2), 118–

128. https://doi.org/10.35837/subs.v3i2.608

Putra, H. N., Pratiwi, L. I., Al-sakinah, P. S., & Safari, M. D. E. T. (2024). Pengaruh PAD, TKDD, dan Belanja Modal terhadap Pertumbuhan Ekonomi di Kabupaten Jombang. *Economic and Business Management International Journal*, *6*(2), 279–284. https://doi.org/10.556442/eabmij.v6i2.794

Putri, V. U., Prasetya, B. H., & Widyowati, M. P. (2024). Pengaruh Pendapatan Asli Daerah, Dana Perimbangan, dan Belanja Modal terhadap Kinerja Keuangan Pemerintah Daerah Kabupaten/Kota di Provinsi D.I Yogyakarta Tahun 2016-2021. *JATAMA: Jurnal Akuntansi Pratama*, *1*(3), 1–12.

Rafli, M. N., & Sari, V. F. (2021). Pengaruh PAD, SILPA, dan Fiscal Stress terhadap Perubahan Belanja Bantuan Sosial pada Pemerintah Daerah. *Jurnal Eksplorasi Akuntansi*, *3*(3), 486–500.

Riyanti, V., Wulandari, A. A., Putri, T., Susanti, V., Kristiarini, S., & Sudibyo, A. (2024). *Statistik Keuangan Pemerintah Daerah Provinsi Jambi 2022 dan 2023* (F. Ipada (ed.)). Badan Pusat Statistik Provinsi Jambi.

Rohanda, A., & Azhar, I. (2023). Pengaruh Belanja Modal, Pendapatan Asli Daerah, dan Dana Alokasi Umum terhadap Kinerja Keuangan Daerah (Studi pada Kabupaten Aceh Tamiang). *Jurnal Mahasiswa Akuntansi Samudra*, *4*(5), 287–301. https://doi.org/10.33059/jmas.v4i5.8367

Sarjito, A. (2023). *Corporate Governance & Prinsipal - Agen* (N. Lelyana (ed.)). Aksara Global Akademia.

Septira, F., & Prawira, I. F. A. (2019). Analisis Faktor-Faktor yang Mempengaruhi Fiscal Stress. *Jurnal Pendidikan Akuntansi & Keuangan*, *7*(1), 57–64. https://doi.org/10.17509/jpak.v7i1.15949

Setiani, I., & Ismunawan. (2022). Pengaruh Pengangguran, Pertumbuhan Ekonomi, Kemiskinan, dan Tingkat Ketergantungan terhadap Kinerja Keuangan Pemerintah Daerah. *Jurnal Ekonomi, Manajemen, Bisnis dan Akuntansi*, *1*(3), 261–276.

Sujarweni, V. W. (2022). *Metodologi Penelitian Bisnis dan Ekonomi Pendekatan Kuantitatif*. Pustaka Baru Press.

Syahara, H., Fauziah, S. S., Wibowo, T. J. A., & Anwar, S. (2024). Implementasi dan Teori Stewardship pada Konteks Penelitian Akuntansi : Studi Literatur. *Jurnal Karimah Tauhid*, *3*(4), 4716–4734.

Wahyudin, I., & Hastuti. (2020). Pengaruh Pendapatan Asli Daerah, Dana Perimbangan, dan Belanja Modal terhadap Kinerja Keuangan Pemerintah Daerah Kabupaten dan Kota di Provinsi Jawa Barat. *Indonesian Accounting Research Journal*, *1*(1), 86–97.

Wellyan, V. R., Novaria, E., & Lisdiana. (2023). Analisis Kinerja Keuangan Pemerintah Provinsi Sumatera Selatan. *Knowledge: Jurnal Inovasi Hasil Penelitian dan Pengembangan*, *3*(3), 216–232. https://doi.org/10.51878/knowledge.v3i3.2456

Wibisono, M., Zahra, L., & Rinaldo, R. (2024). Pengaruh Kinerja Keuangan Pemerintah Provinsi di Pulau Jawa dengan Opini Audit. *Jurnal Jukim: Jurnal Ilmiah Multidisiplin*, *3*(1), 123–131. https://doi.org/10.56127/jukim.v3i01.1138