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THE INFLUENCE OF WEALTH, INTERGOVERNMENTAL REVENUE, ECONOMIC GROWTH, AND AUDIT OPINION BPK ON THE FINANCIAL PERFORMANCE OF REGENCY/CITY IN JAMBI PROVINCE FOR PERIOD 2020-2023

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Abstract

This study aims to examine the effect of Wealth, Intergovernmental Revenue, Economic Growth, and BPK Audit Opinion on the Financial Performance of Regency/City Governments in Jambi Province for the period 2020–2023. This research employs a quantitative approach using secondary data obtained from the Audit Board of the Republic of Indonesia (BPK) Representative Office in Jambi Province and the Central Bureau of Statistics of Jambi Province. Data were collected through documentation and processed using SPSS version 30. The results show that Wealth, Intergovernmental Revenue, Economic Growth, and BPK Audit Opinion simultaneously affect local governments' financial performance. Partially, Wealth has a significant positive effect, while Intergovernmental Revenue has a substantial adverse effect. Meanwhile, Economic Growth and BPK Audit Opinion have no significant impact. These findings imply that local governments should focus on improving the management of regional assets to enhance financial performance and reduce dependence on intergovernmental transfers, thereby strengthening fiscal independence and effectiveness. Additionally, the lack of significant influence from Economic Growth and Audit Opinion indicates that macroeconomic indicators and audit outcomes alone may not be sufficient drivers of financial performance without strong internal financial governance.

Keywords: *Financial Performance of Local Governments; Wealth; Intergovernmental Revenue; Economic Growth; BPK Audit Opinion*

INTRODUCTION

Each region has the authority known as the Right to Regional Autonomy. According to Law Number 23 of 2014 concerning Regional Government, Regional Autonomy is the right, authority, and obligation of autonomous regions to regulate and manage their own governmental affairs and the interests of the local community. The granting of regional autonomy rights to Local Governments also requires them to independently determine the Regional Revenue and Expenditure Budget in accordance with the needs of the community and the potential of the region (Ramadhan

dkk., 2023).

Jambi Province comprises 9 regencies and 2 cities: Jambi City, Sungai Penuh City, Kerinci Regency, Merangin Regency, Sarolangun Regency, Batang Hari Regency, Muaro Jambi Regency, Tanjung Jabung Timur Regency, Tanjung Jabung Barat Regency, Tebo Regency, and Bungo Regency. The capital of Jambi Province is Jambi City. Merangin Regency is the largest in terms of area, covering 7,540.118 km², while Jambi City has the smallest area, covering 169.887 km² (BPS, 2023).

The financial performance of local governments is a measure of a region's ability to manage its economic resources. Through performance measurement, the public sector can systematically evaluate the extent to which implemented programs and policies have achieved the desired outcomes. The purpose of this performance measurement is to enhance government accountability and transparency (Judijanto & Afandy, 2024).

Regional wealth refers to a region's ability to meet its needs (Manoppo dkk., 2023). Regional wealth is a condition in which a region has sufficient capacity to meet the living needs of its population, including economic, social, and environmental aspects that contribute to improving the quality of life of the community. Essentially, regional wealth is not only characterized by economic development, but also by social, political, and environmental factors that help enhance the standard of living in the region. Intergovernmental Revenue is a term commonly used to describe income received by local governments from external sources that does not require repayment (Marhawai, 2023). Based on Law Number 33 of 2004, Intergovernmental Revenue refers to funds received by local governments from the central government, sourced from the State Budget, and used to finance local government operations in the context of fiscal decentralization. Intergovernmental Revenue is expected to reduce fiscal disparities (Pratama dkk., 2022).

Economic growth can also influence the financial performance of local governments. Stable economic growth will increase capital for local governments, which in turn helps achieve and improve good performance by increasing locally generated revenue (Sunandar, 2023). Economic growth occurs when a region has the ability to effectively utilize its local potential. Strong economic growth also contributes to the increase of Locally Generated Revenue, which is one of the main sources of funding for local governments in carrying out regional development.

BPK Audit Opinion plays an important role in measuring the quality of local government financial statements. The results of the BPK audit have an impact on the financial performance of the region. The opinion indicates the extent to which the financial statements have been prepared in accordance with Government Accounting Standards and whether financial information has been disclosed transparently and accurately. According to bpk.go.id (2023), the audit opinion serves as

an indicator of public trust in local government financial statements, as a better opinion generally reflects greater transparency and accountability, as well as more effective financial management.

Several variables will be used in this study to analyze the factors affecting the financial performance of Regency/City Governments in Jambi Province for the period 2020–2023, namely Wealth, Intergovernmental Revenue, Economic Growth, and BPK Audit Opinion. The differences between this study and previous studies lie in several aspects. First, the subject of this research focuses on regencies and cities in Jambi Province. Second, this study includes Economic Growth as one of the variables influencing the financial performance of local governments. Another difference is the research period, which covers the years 2020 to 2023, making the data more recent and providing new insights.

Several previous studies serve as references in this research. For instance, a study by (Millenia, 2022) shows that Wealth has an effect on the financial performance of local governments, while (Satria & Sari, 2018) found that Wealth does not affect government financial performance. Furthermore, (Satria & Sari, 2018) found that Intergovernmental Revenue has an effect on government financial performance, whereas (Millenia, 2022) reported that Intergovernmental Revenue does not affect the financial performance of local governments. A study by (Heryanti dkk., 2019) indicates that Economic Growth has an effect on government financial performance, while (Ridho, 2021) found that Economic Growth does not affect the financial performance of local governments. Additionally, research by (Satria & Sari, 2018) shows that BPK Audit Opinion affects government financial performance, whereas (Pratama dkk., 2022) found that BPK Audit Opinion has no effect on the financial performance of local governments.

Through this study, it is expected to help the public identify the factors that influence the financial performance of Regency/City Governments in Jambi Province during the 2020–2023 period. Local governments can also gain a better understanding of the factors that affect the quality of regional financial management. The analysis of local government financial performance can identify both weaknesses and strengths in financial management and provide useful recommendations for future improvements.

THEORETICAL OVERVIEW

Agency Theory

Agency Theory, as introduced by Jensen and Meckling (1976), posits a contractual relationship in which one party (the principal) delegates authority to another party (the agent) to act on their behalf. In the context of public sector governance, citizens and government oversight bodies act as principals, while local government officials function as agents entrusted with managing public

resources. The theory assumes that agents may not always act in the best interests of principals, especially when there is information asymmetry, lack of monitoring, or misaligned incentives (Harnoviansyah et al., 2023).

This theoretical lens is particularly relevant for analyzing the financial performance of local governments, as it enables the identification of factors that may reduce agency conflicts and align agent behavior with public goals. For instance:

- Wealth (Local Own-Source Revenue/Assets) reflects the financial capacity and autonomy of a regional government. Under agency theory, higher wealth enables agents to make independent, accountable decisions while also increasing the need for proper monitoring to avoid misuse of resources.
- Intergovernmental Revenue (Transfers from Central Government) introduces potential for agency slack. Since these funds are externally sourced, agents may have weaker incentives to manage them efficiently, thereby increasing agency costs and potentially worsening financial performance.
- Economic Growth indirectly affects agent-principal dynamics by shaping revenue potential and public service demands. In theory, a growing economy could enhance financial performance if agents manage increased resources responsibly. However, agency theory warns that without proper controls, economic expansion might also lead to resource misallocation.
- BPK Audit Opinion serves as a formal monitoring mechanism. A favorable audit opinion indicates transparent and accountable financial practices, reducing information asymmetry and mitigating agency conflicts. Conversely, poor audit results may signal agency problems that degrade financial performance.

By applying Agency Theory, this study investigates whether these variables—Wealth, Intergovernmental Revenue, Economic Growth, and BPK Audit Opinion—help reduce agency conflicts and improve financial outcomes. The theoretical expectation is that variables that enhance transparency, accountability, and local autonomy (e.g., wealth, strong audit oversight) will positively influence financial performance, whereas factors that increase dependence or reduce accountability (e.g., intergovernmental transfers without effective monitoring) may have a negative effect. This synthesis provides the conceptual foundation for hypothesis development, linking agency theory explicitly to the observed financial behaviors and outcomes in regional governments.

Financial Performance of Local Government

The financial performance of local governments is a measure used to assess their ability to manage regional financial resources. Local government financial performance serves as one of the

indicators for evaluating a region's capability in implementing regional autonomy. Specifically, local financial performance refers to the outcomes of programs carried out by local governments in managing resource allocation and budget utilization for autonomous activities within a certain period (Nurhalimah & Wicaksono, 2024). Good financial performance significantly affects a region's overall health, making it stronger and more empowered compared to other regions.

Wealth

The level of regional wealth undoubtedly has an impact on the level of financial performance. Regional wealth is a condition in which a region has sufficient capacity to meet the living needs of its population, including economic, social, and environmental aspects that contribute to improving the quality of life of the community. Regional wealth is a broad concept that encompasses various interconnected aspects aimed at enhancing the well-being of people in a region. Essentially, regional wealth is not only indicated by economic development, but also by social, political, and environmental factors that help improve the standard of living of the local population.

Intergovernmental revenue

Intergovernmental revenue refers to income received by local governments from the central government for the purpose of regional development. In addition to helping local governments fund their delegated authorities, intergovernmental revenue also aims to reduce funding disparities between the central and local governments, as well as to minimize financial inequality among regions (Satria & Sari, 2018). Intergovernmental revenue consists of revenue-sharing funds, general allocation funds, and specific allocation funds.

Economic Growth

Economic growth is a process of continuous change in a region's economic conditions toward a better state over a certain period. A region's economic growth can be observed through the increase in Gross Regional Domestic Product, which indicates that the local economy is developing in a stable and dynamic manner. Economic growth also reflects fiscal progress in the production of goods and services within a country (Zasriati, 2022). Stable economic growth is one of the best indicators for assessing good financial performance of local governments (Setiani & Ismunawan, 2022).

BPK Audit Opinion

BPK Audit Opinion is the professional auditor's statement regarding the fairness of the financial information presented in the financial statements. The financial information presented must meet four criteria: compliance with Government Accounting Standards, adequacy of disclosure, adherence to laws and regulations, and the effectiveness of the Internal Control System. A better BPK audit opinion indicates better performance of the local government in managing regional finances (Adinata dkk., 2023). According to (Pratama dkk., 2022), audit opinions are classified into

five categories: unqualified opinion, unqualified opinion with explanatory paragraph, qualified opinion, adverse opinion, and disclaimer of opinion.

Hypothesis Development

The Influence of Wealth, Intergovernmental Revenue, Economic Growth, and BPK Audit Opinion on the Financial Performance of Local Governments

Regional wealth can be indicated by a high level of income per capita within a community, which contributes to increasing Locally Generated Revenue, allowing local governments to improve regional performance through infrastructure development or public services. Intergovernmental revenue refers to funds provided by the central government to each region to ensure equitable distribution, which can support regional development and expenditures, thereby improving the financial performance of local governments (Satria & Sari, 2018). Economic growth occurs when a region has strong capabilities in utilizing its local potential. Positive economic growth encourages investment, which can contribute to development improvements within the region (Kusuma & Handayani, 2017). BPK Audit Opinion can serve as a reference for evaluating the accountability of government agencies. It may increase or decrease public trust in the financial statements presented by local governments. If a region has high levels of wealth, stable and positive economic growth, and receives a favorable audit opinion, it can reduce tensions between the local government and the community. Additionally, a local government that heavily depends on the central government tends to have limited ability to increase its own Locally Generated Revenue (Prayuda & Arifin, 2024).

H1: Wealth, Intergovernmental Revenue, Economic Growth, and BPK Audit Opinion influence the Financial Performance of Local Governments.

The Influence of Wealth on the Financial Performance of Local Governments

The level of regional wealth undoubtedly has an impact on good financial performance. Regional wealth refers to a region's ability to meet its needs (Manoppo dkk., 2023). Regions with a high level of wealth tend to have greater financial capacity to fund development programs, thereby increasing regional independence. One of the main indicators of regional wealth is per capita income (Astawa & Budhi, 2022). High per capita income indicates that the average income received by individuals in the region is high, reflecting that the region is prosperous. Regional wealth, therefore, positively influences the financial performance of local governments.

H2: Wealth influences the Financial Performance of Local Governments.

The Influence of Intergovernmental Revenue on the Financial Performance of Local Governments

Intergovernmental revenue refers to funds provided by the central government to each region to ensure equitable development across all areas. A high level of intergovernmental revenue allocated by the central government to local governments is intended to improve regional financial performance and enhance public services in those areas (Andaresta dkk., 2021). Transfers from the central government in the form of intergovernmental revenue can enhance the financial performance of local governments, as they serve as a sufficient source of funding to support the smooth operation of local government activities.

H3: Intergovernmental Revenue influences the Financial Performance of Local Governments.

The Influence of Economic Growth on the Financial Performance of Local Governments

Economic growth is a continuous process of changes in a region's economic conditions towards a better state over a certain period. Positive economic growth encourages investment that can support development improvements in a region (Kusuma & Handayani, 2017). Stable economic growth becomes a key indicator to measure that the financial performance of the local government is proceeding effectively (Setiani & Ismunawan, 2022).

H4: Economic Growth influences the Financial Performance of Local Governments.

The Influence of BPK Audit Opinion on the Financial Performance of Local Governments

The BPK audit opinion can serve as a reference to evaluate the accountability of government institutions. The BPK audit opinion reflects the level of fairness of the information presented, thus becoming an indicator or benchmark to assess government accountability (Rasyid dkk., 2022). The BPK opinion may increase or decrease public trust in the financial statements presented by the local government. Financial audits aim to provide assurance that the financial statements prepared by government institutions are presented fairly.

H5: BPK Audit Opinion influences the Financial Performance of Local Governments.

RESEARCH METHOD

Objects of Research, Data Types and Data Sources

The objects of this research are Wealth, Intergovernmental Revenue, Economic Growth, BPK Audit Opinion, and the Financial Performance of Local Governments. The subjects of this research are the Regency/City Governments in Jambi Province. The data used in this study are secondary data, namely Audit Reports on the Financial Statements of Regency/City Governments

in Jambi Province for the period 2020–2023. The secondary data for this research will be obtained from the Audit Board of the Republic of Indonesia Representative Office in Jambi Province and the Central Bureau of Statistics of Jambi Province. The data collection technique used in this study is documentation, by collecting data from the BPK Representative Office in Jambi Province and the BPS of Jambi Province. The total population in this study consists of 11 regencies/cities in Jambi Province, comprising 9 regencies and 2 cities. The sampling technique used in this research is a saturated sampling technique, in which all members of the population are used as research samples, resulting in a total sample of 11.

Operational Definition of Variables

Wealth

Wealth refers to a region's ability to meet the needs of its population (Manoppo dkk., 2023). It describes a condition in which the community of a region has sufficient capacity to fulfill their living needs in economic, social, and environmental aspects, contributing to the improvement of the population's quality of life. Wealth in a region can be measured using various indicators (Kusuma & Handayani, 2017). In this study, wealth is measured using income per capita. Income per capita can be calculated by dividing the Gross Regional Domestic Product (GRDP) by the total population of a region, as applied in the research by (Astawa & Budhi, 2022) as follows:

$$\text{Per Capita Income} = \frac{\text{PDRB}}{\text{Popolation}}$$

Intergovernmental Revenue

Intergovernmental revenue refers to transfer funds provided by the Central Government to Local Governments to ensure equitable distribution among regions. This revenue results from the Central Government's fiscal decentralization policy aimed at achieving fiscal balance between the central and regional governments. It consists of Revenue Sharing Funds (from taxes and natural resources), General Allocation Funds, and Special Allocation Funds (Satria & Sari, 2018). To calculate the proportion of intergovernmental revenue, it can be done by comparing the intergovernmental revenue to the total regional revenue, as applied in the study by (Millenia, 2022) as follows:

$$\text{Proportion of Balance Funds} = \frac{\text{Balance Fund}}{\text{Total Regional Revenue}} \text{X100\%}$$

Economic Growth

Economic growth is a process of continuous changes in the economic condition of a region toward a better state over a certain period. The economic growth of a region can be observed through the increase in Gross Regional Domestic Product (GRDP), which indicates that the regional economy is developing in a stable and dynamic manner. Positive economic growth will encourage investment that can support regional development improvements (Kusuma & Handayani, 2017). In this study, economic growth is calculated by subtracting the current year's Gross Regional Domestic Product (GRDP) from the previous year's GRDP, and then dividing the result by the previous year's GRDP, as applied in the study by (Heryanti dkk., 2019) as follows:

$$\text{Economic Growth} = \frac{\text{PDRBt} - \text{PDRBt} - 1}{\text{PDRBt} - 1} X100\%$$

BPK Audit Opinion

BPK Audit Opinion is a professional statement by the auditor regarding the fairness of the information presented in the Local Government Financial Statements. The BPK Audit Opinion can serve as a benchmark (indicator) to assess the accountability of a government entity. This opinion may increase or decrease stakeholders' level of trust in the reports presented by the audited party, in this case, the local government entity (Lestari & Hapsari, 2020). According to (Pratama dkk., 2022), the classification of audit opinions consists of five categories: unqualified opinion, unqualified opinion with explanatory paragraph, qualified opinion, adverse opinion, and disclaimer of opinion.

Local Government Financial Performance

Local government financial performance is a measure used to assess a region's ability to manage its local financial resources. Specifically, it reflects the outcomes of programs implemented by the local government in managing the allocation of resources and budget utilization for regional autonomy activities over a specific period (Nurhalimah & Wicaksono, 2024). Local government financial performance serves as an indicator of a region's capability in implementing regional autonomy (Millenia, 2022). In this study, local government financial performance is measured using the capital expenditure ratio. The formula to calculate the Capital Expenditure Ratio, as used in the study by (Siregar & Mariana, 2020) is as follows:

$$\text{Capital Expenditure Ratio} = \frac{\text{Total Capital Expenditure}}{\text{Total Regionsl Expenditure}} \text{X } 100\%$$

Data Analysis Methods

This study uses hypothesis testing to analyze the data. To analyze the data through multiple linear regression analysis, classical assumption tests are conducted to ensure that the data are

normally distributed. Before applying the regression model to test the hypotheses, it is necessary to perform classical assumption testing to validate the research results. There are four classical assumption tests, namely: the normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test (Ghozali, 2018). In this research model, there is one dependent variable related to four independent variables, so the analysis used is multiple linear regression analysis. Multiple linear regression is used to determine the extent to which independent variables influence the dependent variable (Ayuningsih, 2016).

RESULTS AND DISCUSSION

Classical Assumption Tests

Normality Test

Table 1 Kolmogorov Smirnov Test

One-Sample Kolmogorov-Smirnov Test			
			Unstandardized Residual
N			44
Normal Parameters[a,b]	Mean		.0000000
	Std. Deviation		.05633469
Most Extreme Differences	Absolute		.072
	Positive		.072
	Negative		-.062
Test Statistic			.072
Asymp. Sig. (2-tailed)[c]			.200[d]
Monte Carlo Sig. (2-tailed)[e]	Sig.		.814
	99% Confidence Interval	Lower Bound	.804
		Upper Bound	.824

Based on the results of the Kolmogorov-Smirnov statistical test on Financial Performance measured using the Capital Expenditure Ratio, it can be seen that the significance value is 0.200 > 0.05, indicating that the residual data are normally distributed.

Multicollinearity Test

Table 2 Multicollinearity Test

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-1.663	.486		-3.423	.001		
	Kemakmuran	.121	.029	.575	4.126	<,001	.846	1.183
	Dana Perimbangan	-.345	.169	-.278	-2.043	.048	.889	1.125
	Pertumbuhan Ekonomi	-.372	.295	-.164	-1.263	.214	.978	1.023
	Opini Audit BPK	.003	.022	.018	.134	.894	.910	1.099
a. Dependent Variable: Kinerja Keuangan (Belanja Modal)								

Based on the table above, it is shown that the Tolerance values for each independent variable are as follows: Wealth (0.846), Intergovernmental Revenue (0.889), Economic Growth (0.978), and BPK Audit Opinion (0.910). It is evident that none of the independent variables have a Tolerance value less than 0.1. The Variance Inflation Factor (VIF) values for each independent variable are: Wealth (1.183), Intergovernmental Revenue (1.125), Economic Growth (1.023), and BPK Audit Opinion (1.099), indicating that none of the independent variables have a VIF value greater than 10. Therefore, it can be concluded that based on the multicollinearity test results above, there is no multicollinearity problem among the independent variables in this regression model.

Heteroscedasticity Test

Table 3
Gletser Test

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.251	.290		.866	.392		
	Kemakmuran	-.013	.017	-.122	-.732	.468	.846	1.183
	Dana Perimbangan	.024	.101	.039	.242	.810	.889	1.125

	Pertumbuhan Ekonomi	.277	.176	.246	1.579	.122	.978	1.023
	Opini Audit BPK	-.002	.013	-.020	-.122	.904	.910	1.099
a. Dependent Variable: ABS_RES								

Based on the Heteroscedasticity Test in the table, it can be seen that the significance values for each independent variable are as follows: Wealth (0.468), Intergovernmental Revenue (0.810), Economic Growth (0.122), and BPK Audit Opinion (0.904). None of the variables have a significance value less than 0.05. Therefore, it can be concluded that there is no heteroscedasticity in this regression model.

Autocorrelation Test

Table 4. Durbin Watson Test

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.599[a]	.359	.293	.05915	1.181
a. Predictors: (Constant), Opini Audit BPK, Dana Perimbangan, Pertumbuhan Ekonomi, Kemakmuran					
b. Dependent Variable: Kinerja Keuangan (Belanja Modal)					

Based on the results of the Autocorrelation Test using the Durbin-Watson Test in the table above, the Durbin-Watson value is 1.181, which falls between -2 and +2. Therefore, it can be concluded that there is no autocorrelation in this regression model, in accordance with the criteria outlined by (Sujarweni, 2022).

Multiple Linear Regression Analysis

Table 5
Multiple Linear Regression Analysis Test

Coefficients[a]								
		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
Model		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	-1.663	.486		-3.423	.001		
	Kemakmuran	.121	.029	.575	4.126	<,001	.846	1.183
	Dana Perimbangan	-.345	.169	-.278	-2.043	.048	.889	1.125
	Pertumbuhan Ekonomi	-.372	.295	-.164	-1.263	.214	.978	1.023
	Opini Audit BPK	.003	.022	.018	.134	.894	.910	1.099
a. Dependent Variable: Kinerja Keuangan (Belanja Modal)								

Based on the results of the Multiple Linear Regression Analysis in the table above, it can be seen that:

KK = -1,663 + 0,121 KMR - 0,345 DP - 0,372 PE + 0,003 BPK

The constant value (α) of -1.663 indicates a negative sign, suggesting an inverse relationship between the independent variables and the dependent variable. This means that if Wealth, Intergovernmental Revenue, Economic Growth, and BPK Audit Opinion are valued at zero or experience no changes, the Financial Performance of Local Governments would be -1.663. The regression coefficient of Wealth (X1) is 0.121, indicating a positive influence, meaning there is a direct relationship between Wealth and the Financial Performance of Local Governments. A one-unit increase in Wealth will increase the Financial Performance by 0.121 units.

The regression coefficient of Intergovernmental Revenue (X2) is -0.345, indicating a negative influence, meaning there is an inverse relationship between Intergovernmental Revenue and the Financial Performance of Local Governments. A one-unit increase in Intergovernmental Revenue will decrease the Financial Performance by 0.345 units. The regression coefficient of Economic Growth (X3) is -0.372, indicating a negative influence, suggesting an inverse relationship between Economic Growth and the Financial Performance of Local Governments. A one-unit increase in Economic Growth will reduce the Financial Performance by 0.372 units.

The regression coefficient of BPK Audit Opinion (X4) is 0.003, indicating a positive influence, meaning a direct relationship exists between the BPK Audit Opinion and the Financial Performance of Local Governments. A one-unit increase in BPK Audit Opinion will increase the Financial Performance by 0.003 units, and conversely, a one-unit decrease will reduce it by 0.003 units.

Coefficient of Determination

Table 6
Coefficient of Determination Test

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.599[a]	.359	.293	.05915	1.181
a. Predictors: (Constant), Opini Audit BPK, Dana Perimbangan, Pertumbuhan Ekonomi, Kemakmuran					
b. Dependent Variable: Kinerja Keuangan (Belanja Modal)					

Based on the results of the Coefficient of Determination test shown in the table above, the adjusted R-square value is 0.293 (29.3%). This indicates that the independent variables in this study are able to explain 29.3% of the variation in the dependent variable, while the remaining 70.7% (1 – 0.293) is explained by other variables not included in this study.

Simultaneous Test

Table 7
Simultaneous Test

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.076	4	.019	5.457	.001[b]
	Residual	.136	39	.003		
	Total	.213	43			
a. Dependent Variable: Kinerja Keuangan (Belanja Modal)						
b. Predictors: (Constant), Opini Audit BPK, Dana Perimbangan, Pertumbuhan Ekonomi, Kemakmuran						

The effect of X1, X2, X3 and X4 on Y:

$F_{count} = 5{,}457$

$F_{table} = 2{,}61$

Therefore, $f_{count} > f_{table}$

Based on the results of the hypothesis testing using the Simultaneous Test (F-test) as shown in the table above, it is found that the F-count value of 5.457 is greater than the F-table value of 2.61, and the significance value of 0.001 is less than 0.05. This indicates that the independent variables jointly have a significant effect on the dependent variable.

Partial Test

Table 8
Partial Test

Coefficients[a]								
		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
Model		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	-1.663	.486		-3.423	.001		
	Prosperity	.121	.029	.575	4.126	<,001	.846	1.183
	Balance Funds	-.345	.169	-.278	-2.043	.048	.889	1.125
	Economic Growth	-.372	.295	-.164	-1.263	.214	.978	1.023
	BPK Audit Opinion	.003	.022	.018	.134	.894	.910	1.099
a. Dependent Variable: Financial Perpormance (Capital Expenditure)								

Based on the results of hypothesis testing through the Partial Test (t-test) shown in the table above, it can be concluded that:

a. Wealth (X1) has a significance value of 0.001 < 0.05 and a positive B coefficient value. This

indicates that Wealth has a significant positive effect on the Financial Performance of Regency/City Governments in Jambi Province during the 2020–2023 period.

b. Intergovernmental Revenue (X2) has a significance value of 0.048 < 0.05 and a negative B coefficient value. This indicates that Intergovernmental Revenue has a significant negative effect on the Financial Performance of Regency/City Governments in Jambi Province during the 2020–2023 period.

c. Economic Growth (X3) has a significance value of 0.214 > 0.05 and a negative B coefficient value. This indicates that Economic Growth does not have a significant effect on the Financial Performance of Regency/City Governments in Jambi Province during the 2020–2023 period.

d. BPK Audit Opinion (X4) has a significance value of 0.894 > 0.05 and a positive B coefficient value. This indicates that the BPK Audit Opinion does not have a significant effect on the Financial Performance of Regency/City Governments in Jambi Province during the 2020–2023 period.

The Influence of Wealth, Intergovernmental Revenue, Economic Growth, and BPK Audit Opinion on the Financial Performance of Local Governments

The results of hypothesis testing through the Simultaneous Test (F-test) presented in the table and based on the calculation showed that the F-count value of 5.457 is greater than the F-table value of 2.61, with a significance value of 0.001 which is less than 0.05. Therefore, it can be concluded that Wealth, Intergovernmental Revenue, Economic Growth, and BPK Audit Opinion jointly influence the Financial Performance of Local Governments. These four independent variables form an interconnected system that determines how the regional budget is managed.

Regions that are prosperous, receive sufficient intergovernmental transfers, experience good economic growth, and obtain favorable audit opinions tend to have better financial performance. If one or more of these factors weaken, it can hinder the effectiveness of regional financial management. Thus, the simultaneous analysis of Wealth, Intergovernmental Revenue, Economic Growth, and BPK Audit Opinion provides a broader perspective on the components that affect the Financial Performance of Local Governments.

This study aligns with research by (Fauziyah, 2018), which found that Wealth, Intergovernmental Revenue, and BPK Audit Opinion influence the Financial Performance of Local Governments. It also supports the findings of (Heryanti dkk., 2019), which stated that Economic Growth affects the Financial Performance of Local Governments. The results are in accordance with Agency Theory, which posits that regions with high levels of Wealth, sufficient Intergovernmental Revenue, strong Economic Growth, and favorable BPK Audit Opinions tend to demonstrate good financial performance—particularly when these four factors are successfully implemented in

synergy. As a result, good performance by local governments may reduce conflicts between governments and their constituents.

These findings indicate that numerous factors influence the Financial Performance of Local Governments. Regions that are able to enhance these factors will be more capable of managing their public finances effectively and achieving sound financial performance. A region with high Wealth, sufficient Intergovernmental Revenue, strong Economic Growth, and a positive BPK Audit Opinion will likely achieve strong financial performance. When these four factors are realized simultaneously, they significantly improve the financial performance of the region.

The Influence of Wealth on the Financial Performance of Local Governments

The results of hypothesis testing show that the variable Wealth (X1) has a significance value of 0.001, which is less than 0.05, and a positive B coefficient. This indicates that Wealth has a positive and significant influence on the Financial Performance of Local Governments in Regencies/Cities in Jambi Province for the period 2020–2023. An increase in PAD allows the local government to finance its expenditures, especially Capital Expenditures, such as infrastructure development and other significant public investment projects. In this study, Per Capita Income is used as an indicator to measure regional wealth, in accordance with (Astawa & Budhi, 2022). Per capita income is calculated by dividing the Gross Regional Domestic Product (GRDP) by the total population.

The data shows that Tanjung Jabung Barat Regency had the highest per capita income in Jambi Province during 2020–2023, with an average annual income of Rp139,111,720. This high level of per capita income leads to an increase in PAD through local taxes, regional retributions, and revenue from local assets. The increase in PAD then supports Capital Expenditures that contribute to regional development. In other words, higher per capita income boosts PAD, which subsequently stimulates capital spending and improves the Financial Performance of Local Governments.

These findings are consistent with previous studies conducted by Manoppo dkk. (2023), Millenia (2022) and Dasmar dkk. (2020) which found that Wealth significantly influences the Financial Performance of Local Governments. However, the results are in contrast to those of Satria dan Sari (2018) and Mappiasse (2018) who found that Wealth does not significantly affect financial performance.

This study's results are also in line with Agency Theory, which posits that the local government (as the agent) is capable of managing regional resources to improve the welfare of society (the principal). A higher level of wealth indicates a stronger fiscal capacity that allows the government to manage budgets more effectively and efficiently in delivering public services,

infrastructure, and development projects. Therefore, the higher the level of Wealth in a region, the better the Financial Performance of the Local Government.

The Influence of Intergovernmental Revenue on the Financial Performance of Local Governments

The hypothesis testing results show that Intergovernmental Revenue (X2) has a significance value of 0.048, which is less than 0.05, and a negative B coefficient. This indicates that Intergovernmental Revenue has a negative and significant influence on the Financial Performance of Local Governments in Regencies/Cities in Jambi Province. Intergovernmental Revenue affects financial performance because it directly reflects the local government's capacity to manage public finances for both regional development and governmental operations.

However, a high proportion of Intergovernmental Revenue received by local governments can create dependency on central government transfers, which may reduce the efficiency of financial management and decrease financial performance. Intergovernmental Revenue must be managed wisely to fund local needs. It is generally intended for equalization, development, and operational purposes. The allocation should be needs-based and fair, encouraging local governments to become more independent and efficient.

During the 2020–2023 period, the Intergovernmental Revenue received by most Regencies/Cities in Jambi Province was very high—exceeding 80% of total revenues. Jambi City was the only region in the province where Intergovernmental Revenue ranged between 65%–70%. However, there is a significant disparity in how this revenue is allocated across regions. The General Allocation Fund (Dana Alokasi Umum/DAU)—typically used for routine expenditures—is substantially larger than the Special Allocation Fund (Dana Alokasi Khusus/DAK), which is intended for development purposes. This implies that local governments tend to prioritize Intergovernmental Revenue for Operational Expenditures rather than Capital Expenditures. In fact, the allocation for long-term investments (Capital Expenditures) is significantly lower than for short-term government operations. Therefore, Intergovernmental Revenue has a negative effect on financial performance when expenditures are not balanced between operational and capital spending.

These findings are consistent with the study by (Insani, 2023), which found that Intergovernmental Revenue has a negative impact on the financial performance of local governments. This suggests that financial performance tends to decline as the share of Intergovernmental Revenue increases. However, the results differ from Millenia (2022), who found no significant effect of Intergovernmental Revenue on financial performance.

This study also aligns with Agency Theory, which highlights a potential conflict of interest between the local government (agent) and the community (principal). Excessive reliance on central transfers reduces regional independence, which in turn may deteriorate the financial performance of local governments. While transfers from the central government can support local financial management, overdependence may ultimately undermine financial autonomy and performance.

The Influence of Economic Growth on the Financial Performance of Local Governments

The hypothesis testing results indicate that the significance value for Economic Growth (X3) is 0.214, which is greater than 0.05, and the B coefficient is negative. Therefore, it can be concluded that Economic Growth does not have a significant effect on the Financial Performance of Local Governments in regencies/municipalities across Jambi Province. Economic Growth does not influence the Financial Performance of Local Governments because it does not directly reflect the regional government's ability to manage its finances. Local economic growth does not sufficiently impact the increase in Locally Generated Revenue, as regional revenue structures are still highly dependent on intergovernmental transfers.

Economic Growth is characterized by an increase in the production of goods and services within a region over a specific period. It is commonly measured using the Gross Regional Domestic Product (GRDP) at constant prices. However, regional Economic Growth does not always lead to improved Financial Performance of Local Governments. A prolonged and consistent growth period is required before Economic Growth can significantly influence financial performance (Heryanti dkk., 2019). Furthermore, not all growth necessarily results in an increase in PAD, as some economic sectors contributing to growth—such as exports and large-scale industries—are often under central government control and are not taxable at the local level.

The Economic Growth of regencies/municipalities in Jambi Province during 2020–2023 has not significantly impacted the financial performance of local governments. Although the GRDP growth rate—measured at constant prices—ranged from 0% to 12%, it remained unstable. In addition, many regions in Jambi Province do not yet have a sufficiently large GRDP base to significantly boost their PAD. Consequently, Economic Growth does not always lead to higher PAD. When PAD is low, the fiscal capacity of local governments to fund regional needs, including Capital Expenditures, is limited. A low PAD restricts the ability of local governments to allocate sufficient funds for regional development and long-term investment. This confirms that Economic Growth does not have a significant effect on Financial Performance of Local Governments.

This finding is consistent with research by Ridho (2021), which found that Economic Growth has no significant effect on the Financial Performance of Local Governments. It implies that

financial performance does not necessarily align with the economic growth of a region. Regional governments cannot rely solely on economic growth to improve financial performance, as economic expansion does not always substantially contribute to enhanced financial outcomes. However, this finding contradicts the results of Heryanti dkk. (2019), who reported a significant positive effect of Economic Growth on local financial performance.

These results also suggest the presence of agency problems that cause inefficiencies in local government resource management, leading to no tangible improvement in financial performance despite increasing Economic Growth. When economic growth rises without a corresponding improvement in financial performance, it may lead to agency conflicts. Economic Growth alone cannot guarantee improved local government performance, as it merely reflects increased production within a given period. Regional governments must not rely solely on Economic Growth to increase PAD; instead, more efficient strategies are needed to boost Locally Generated Revenue and optimize regional expenditures.

The Influence of BPK Audit Opinion on the Financial Performance of Local Governments

The hypothesis testing results show that the BPK Audit Opinion (X4), as indicated by the significance value of 0.894 which is greater than 0.05, and a positive B coefficient, implies that BPK Audit Opinion does not have a significant influence on the Financial Performance of Regency/City Governments in Jambi Province during the 2020–2023 period. BPK Audit Opinion does not affect the financial performance of local governments because it does not directly reflect the financial management practices of those governments. The audit opinion does not necessarily indicate the efficiency or effectiveness of regional finances, as it primarily assesses compliance with generally accepted accounting standards in financial reporting.

The BPK Audit Opinion evaluates whether a local government's financial statements are presented fairly in accordance with applicable standards. However, this assessment does not always reflect how effectively and efficiently the budget has been used. Even if a region experiences a deficit or inefficient financial management, it may still obtain a favorable audit opinion.

The BPK Audit Opinions obtained by Regency/City Governments in Jambi Province indicate generally good audit results. During 2020–2023, only Bungo Regency in 2020 and Kerinci Regency in 2022 received a Qualified Opinion (Wajar Dengan Pengecualian/WDP), while the rest received an Unqualified Opinion (Wajar Tanpa Pengecualian/WTP). However, these BPK Audit Opinions reflect the quality of financial statements and not necessarily how effectively or efficiently the budget was allocated. The audit opinion does not focus on how the budget is spent on capital expenditures for regional development or on operational expenditures for routine government

activities. Therefore, the BPK Audit Opinion does not significantly influence the financial performance of local governments.

This research is consistent with studies conducted by Pratama et.al. (2022), Ditasari dan Sudrajat (2022) and Mappiasse (2018), which found that BPK Audit Opinion does not significantly affect the financial performance of local governments. However, it contradicts the findings of Lestari dan Hapsari (2020) and Satria dan Sari (2018), which suggest that BPK Audit Opinion does influence the financial performance of local governments.

Agency theory explains the relationship between the principal (the public) and the agent (local government). The insignificant effect of BPK Audit Opinion on the financial performance of local governments can be attributed to the limitations of audit opinions. This finding is not in line with agency theory, because a BPK Audit Opinion alone is not sufficient to ensure good financial performance. Even if a local government receives an Unqualified Opinion (WTP), it may still face issues related to efficiency or effectiveness in budget management. This study shows that the BPK Audit Opinion is not a strong enough factor to assess the financial performance of local governments. While audit opinions are important for ensuring accountability and transparency, they should not be relied upon as a direct indicator for improving the financial performance of local governments.

CONCLUSION

This study was conducted to examine the influence of Wealth, Intergovernmental Revenue, Economic Growth, and BPK Audit Opinion on the Financial Performance of Local Governments in the Regencies/Cities of Jambi Province for the period 2020–2023. Based on the data analysis and hypothesis testing, the results show that Wealth, Intergovernmental Revenue, Economic Growth, and BPK Audit Opinion jointly influence the Financial Performance of Local Governments in the Regencies/Cities of Jambi Province for the period 2020–2023. Wealth has a significant positive influence on the Financial Performance of Local Governments in Jambi Province. Intergovernmental Revenue has a significant negative influence on the Financial Performance of Local Governments in Jambi Province. Meanwhile, Economic Growth and BPK Audit Opinion do not have a significant influence on the Financial Performance of Local Governments in Jambi Province. This study can serve as a reference for future researchers to better understand the factors affecting local government financial performance. The findings can also provide input for local governments to further enhance their financial performance.

Based on the results of this study, the following suggestions are proposed: As the main authority in regional financial management, Local Governments should ensure that the allocation of

funds from the Central Government is properly used to improve the quality of public services and regional development. Additionally, Local Governments should re-evaluate their economic development strategies to have a greater impact on regional financial management and improve community welfare. The government also needs to improve transparency and public accessibility to information regarding local financial management. Future researchers are encouraged to explore other variables that may affect local government financial performance, such as Legislative Size, Human Resource (HR) Quality, and Internal Control Systems. Furthermore, future studies are also expected to apply more complex analytical techniques, such as panel data regression, or use a qualitative approach to gain deeper insights into the factors influencing the financial performance of local governments.

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