

## The Effect of Local Revenue, Fiscal Decentralization, and Fiscal Stress on Government Financial Performance

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### ABSTRACT

This study aims to determine the effect of local revenue, fiscal decentralization and fiscal stress on the financial performance of local governments in Badung Regency. The type of data used in this study is secondary data of Badung Regency APBD data with a span of 3 years (2017-2019). This research is quantitative research by paying attention to the causal relationship (causal effect). The results of this study indicate that local revenue and fiscal stress does not have a positive effect on the financial performance. Fiscal decentralization has a significant negative effect on the financial performance of local governments.

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## INTRODUCTION

Political reforms in 1998 have succeeded in replacing a centralized system of government with a decentralized one. Regional autonomy, which began on January 1<sup>st</sup>, 2001, gave the regions the authority to regulate and manage their households in accordance with the aspirations of the people and not against the prevailing laws and regulations. The implementation of regional autonomy is the government's effort to create good government by prioritizing accountability and transparency. The scope of the budget becomes very important in the local government environment, related to the impact of the budget on the financial performance of local governments, related to the government's function as a service provider to the community.

Leki, et al (2018) explain that local government financial performance is the level of achievement of a local government financial performance result which includes budget and APBD realization using financial indicators determined through a policy for one budget period. In the context of this optimization, the government has established fiscal decentralization. Fiscal decentralization demands the readiness of the regions to optimally use their regional revenue sources to carry out the development and development of their regional potential (Pramandari and Kaluge, 2017). Theoretically, the measurement of the independence of a region is based on the amount of Local Revenue (PAD) obtained. The higher the value of the ratio of PAD to total regional revenue, the less dependent a region is on transfers of funds from external parties, be it the central government or other local governments (Taras and Artini 2017). The amount of Regency/City PAD in Bali Province is presented in the following table:

Table 1. Regency/City Original Revenue in Bali Province in 2017-2019  
(In Thousands of Rupiah)

County/City	2017	2018	2019
Jembrana	121.342,475	126,477,267	133,698,784
Tabanan	426,635,751	363.370,470	354,558,239
Badung	4,172,457,396	4,493,174,035	4,835,188,460
Gianyar	697,996.675	770,204,850	997,478,368
Klungkung	153.210.803	186,974,284	225,063.772
Bangli	104,592,348	122.686.254	127.040.436
Karangasem	198.575.563	200.362.026	233.013.033
Buleleng	455,195.426	355.5555.493	365,595,301
Denpasar	1,008,710,712	940.110.335	1,010,779,481

Based on the data above, it can be seen that Badung Regency is the area in Bali Province with the highest PAD. Badung Regency is the most independent area in Bali Province based on PAD realization. However, in 2017 and 2018 Badung Regency did not succeed in achieving the target of local revenue that has been set. Reported from the [bali.tribunnews.com](http://bali.tribunnews.com) page accessed on October 5, 2021, the PAD target of Badung Regency in 2018 was not achieved. The Badung Regency Government set a PAD target of 5.9 trillion, but only 3.5 trillion was

realized. The non-achievement of this revenue target has caused Badung's 2018 APBD to experience a fairly large deficit.

This deficit directly affects the percentage of PAD realization in Badung Regency. In 2017 Badung Regency only managed to realize PAD of IDR 4,172,457,395,825 or 97.98% of the target, while in 2018 Badung Regency only managed to realize PAD of IDR 4,493,174,034,820 or 67.19% of the target set in the APBD. This is because in 2017 and 2018 the realization of local tax revenues as one of the largest contributory components in PAD could not exceed the set target. In 2017 in Badung Regency there were five types of local taxes that did not reach the target, namely the advertisement tax, street lighting tax, non-metallic mineral and rock tax, groundwater tax and PBB P2. Whereas in 2018 almost all local tax targets in Badung Regency were not achieved.

Failure to achieve this tax target has the potential to affect expenditures in the APBD and result in sources of funds to finance regional development being unfulfilled or unavailable which at the same time causes the PAD target not to be achieved. In addition, this can be used to indicate the existence of obstacles to the implementation of the performance of regional financial instruments in optimizing sources of Local Revenue, especially in the tax sector. PAD becomes an object and subject in assessing the effectiveness of regional financial performance because it reflects regional activities that lead to the success or failure of the government in achieving its goals. In addition, it is said to be an object because PAD can be used according to the will and initiative of the regional government for the smooth implementation of regional affairs.

Based on the Minister of Finance Regulation (PMK) numbered 37/PMK.07/2016, regarding regional fiscal capacity, it shows that Badung Regency is included in the group of regions that have very high fiscal capacity. This capacity identifies that the level of regional independence is already optimal, where the regions are no longer dependent on transfers from the central government. The existence of a deficit in the span of that year, can interfere with the optimal performance of regional finance. Therefore, Badung Regency is again required to further increase its regional revenue potential. This can indicate the emergence of fiscal stress resulting from a deficit that occurs in the budget and has an impact on its realization.

In Leki's et al (2018) Regional Original Revenue (PAD) has a positive and significant influence on the financial performance of the local government in West Halmahera Regency. In contrast to the research of Andirfa, et al. (2016), the results of the partial test on regional financial performance, where Local Revenue (PAD) has no effect on the financial performance of the district government in Aceh Province. Meanwhile, in M.Ali's research (2017) Regional Original Revenue (PAD) has a positive influence on financial performance in the North Aceh Government and fiscal decentralization also has an influence on Financial Performance in the North Aceh Government.

Research conducted by Muryawan (2016) shows that fiscal decentralization has a significant effect on the financial performance of the Bali provincial government and fiscal stress also has a significant effect on the financial performance of the Bali provincial government. Based on the differences in the

various research results that have been described previously, the effect of these three things, namely local revenue, fiscal decentralization and fiscal stress on government financial performance can be investigated further.

This research is motivated by the research of Muryawab, et al (2016) who has conducted research on the effect of fiscal decentralization and fiscal stress on financial performance and economic growth in Bali Province. The difference between this study and previous research is that this study added one independent variable, namely local revenue. Another difference is the location of the study, where this research was conducted in Badung Regency because of a phenomenon in the form of a budget realization deficit that occurred in the 2017-2018 range.

Based on the background that has been described, the researchers are interested in raising a research title "The Influence of Local Revenue, Fiscal Decentralization and Fiscal Stress on the Financial Performance of the Badung Regency Government".

## **THEORETICAL REVIEW**

### *Local Government Financial Performance*

According to Halim in Eve's Research (2019), the financial performance of local governments is one measure that can be used to see the ability of regions to carry out regional autonomy. Performance measurement can also be interpreted as a financial or non-financial indicator of a work carried out or the results achieved from an activity within an organizational unit. Financial performance is a performance measure that uses financial indicators. Financial performance analysis is basically carried out to assess past performance by conducting various analyzes in order to obtain a financial position that represents the reality and potential for continued performance.

Regional financial independence shows the ability of local governments to finance their own government activities, development, and services to the community (Halim, 2002). The higher the independence ratio means that the level of regional dependence on external parties (central or provincial government) is lower, and vice versa. The higher the independence ratio, the higher the community participation in paying regional taxes and levies which are the main components of Local Revenue. According to Paul Hersey and Kenneth Blanchard in Tahar and Zakhiya (2011), there are four patterns of relationship between the level of regional independence, namely:

1. Instructive relationship pattern, is the role of the central government is more dominant than the local government.
2. The pattern of consultative relations is that the central government's intervention is decreasing, because the regions are considered capable of implementing autonomy.
3. The pattern of participatory relations is that the central government is decreasing, considering that the region concerned has a level of independence that is close to being able to carry out autonomous affairs.

4. The pattern of delegative relations, namely the intervention of the central government, no longer exists because the regions are truly capable and independent in carrying out regional autonomy affairs.

#### *Local Revenue (PAD)*

Local Revenue (PAD) is one source of regional income as outlined in the regional revenue and expenditure budget (APBD) and is a pure source of regional revenue which is always expected to increase (Suherlan, 2016). Based on Law no. 33 of 2004 concerning the financial balance between the central and regional governments, Local Revenue is defined as income obtained by the region which is collected based on regional regulations in accordance with statutory regulations.

In Law 28/2009 it is stated that Local Revenue is a regional financial source extracted from the region concerned which consists of regional tax proceeds, regional retribution proceeds, separated regional wealth management results and other legitimate Local Revenue. Local Revenue is the backbone of regional financing. Therefore, in order to carry out the functions and authorities of local governments in the form of implementing fiscal authority, local governments must be able to recognize the potential and identify the sources of data they have.

According to Julitawati in Eve's Research (2019), stating that PAD has an effect on the government's financial performance. An increase in PAD will result in an increase in the government's financial performance. This is because the Government emphasizes the results of PAD originating from various sources which are managed by the regions in the form of tax revenues, levies and other legal revenues regulated in the law. Meanwhile, according to Amrozi (2016) shows that PAD has a negative and insignificant effect on the growth of financial performance (budget expenditure efficiency). This proves that the efficiency of an expenditure is not appropriate or not proportional to the realization of the income received because the costs incurred to realize the revenue target are greater than the realization of the income received.

Local Revenue (PAD) as previously explained is the ability of local governments to generate regional finances through extracting wealth owned by the region. In research conducted by Leki, et al (2018), it shows that local revenue has a positive influence on government financial performance. This is in line with research conducted by Saraswati (2019) which also shows PAD has a positive influence on the financial performance of local governments. In addition, the latest research by Matande (2020) produces the same result, namely PAD has a positive influence on government financial performance. Then the research hypothesis can be formulated:

H1: local revenue has a positive effect on the financial performance of the local government of Badung Regency

#### *Fiscal Decentralization*

Fiscal decentralization is the transfer of fiscal authority and responsibility from the higher or central government to the levels of government that are below

it or in the regions. Fiscal decentralization can also be defined as the granting of authority to regions to explore sources of income, the right to receive transfers from higher levels of government, and to determine routine spending and investment.

Fiscal decentralization shows how local governments are able to manage their regional finances independently. In the research conducted by Junita, et al. (2017), the results show that fiscal decentralization has a significant influence on the government's financial performance. In line with this, the research hypotheses can be formulated:

H2: Fiscal decentralization has an impact that is positive on the financial performance of the local government of Badung Regency

### *Fiscal Stress*

The pressure that occurs due to limited revenue from budget revenues to local governments to finance the implementation of development and increase self-reliance in the regions can be categorized as experiencing Fiscal Stress or budget pressure. Muryawan and Sukarsa (2016) define Fiscal Stress as the pressure that occurs due to limited revenue from budget revenues to local governments to finance development implementation and increase regional independence.

Shamsub and Akoto in Eve's Research (2019) classify the causes of the occurrence of fiscal stress into 3 (three) groups, namely:

1. Emphasizes that the role of the economic cycle can lead to fiscal stress. The main cause is economic conditions such as declining growth and recession.
2. Emphasizes that the lack of business incentives and industrial decline are the main causes of the emergence of fiscal stress. The decline in industry results in reduced tax revenues but increased services, so that it can lead to fiscal stress.
3. Explains fiscal stress as a function of uncontrolled political and financial factors. The role of bureaucratic inefficiency, corruption, high salaries for employees, and high spending on welfare as causes of fiscal stress.

It can be said that Fiscal Stress is a critical condition of regional finances where regional revenues are unable to cover existing expenditures so they are still dependent on the central government. The dependence of local governments on the allocation of funds from the central government can indicate the weakness of regional independence in managing existing resources.

Fiscal stress is the pressure that occurs or is experienced by local governments as a result of demands for independence imposed on local governments. In the research conducted by M. Abdul (2018), it shows that fiscal stress has a significant effect on the government's financial performance. This is in line with Eve Ida's research (2019) which also shows that fiscal stress has a positive and significant effect on government financial performance. To that end, the research hypotheses can be formulated:

H3: Fiscal stress has a positive effect on the financial performance of the local government of Badung Regency

This research is a quantitative research by paying attention to the causal relationship (causal effect). Causal relationships are concerned with obtaining facts from existing phenomena and seeking factual information about the relationship and influence of one variable on other variables. The causal relationship in this study is the influence of Local Revenue (PAD), Fiscal Decentralization, and Fiscal Stress on the Financial Performance of the Badung Regency Government, namely in 2017-2019.

In this study there are independent and dependent variables. According to Maya (2016), the independent variable is a variable that affects or causes changes in the emergence of the dependent variable (dependent), while the dependent variable is a variable that is influenced, as a result of the existence of an independent variable. The independent variables in this study are local revenue, Fiscal Decentralization, and Fiscal Stress. While the dependent variable is the Regional Government Financial Performance. The relationship between variables can be seen in the research framework, namely as follows:

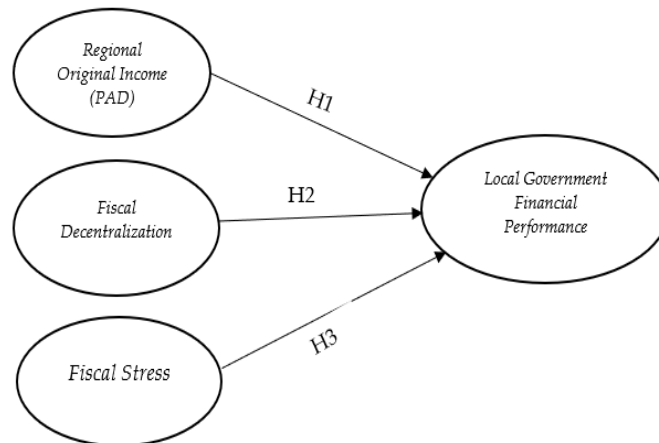


Figure 1. Conceptual Framework

## METHODOLOGY

This research was conducted in Badung Regency/City, Bali Province. In accordance with the research variables including local revenue, fiscal decentralization, fiscal stress, and financial performance, with the consideration that the value of PAD Kab. Badung has the largest position than other districts in Prov. Bali. So the author has the idea that the greater the PAD of a region, the greater the demand for the independence of the region. Therefore, it is possible for pressure in this case to be fiscal stress. Seeing this the author wants to know how the three things above will affect the financial performance of the district government. Badung.

The population in this study is the Government of Badung Regency. Given the limited time of the study, the sample used in this study is the SKPD of Badung Regency which includes the Department of Population and Civil Registration,

the Department of Tourism, the Regional Revenue Service, the Department of Education, the Department of Transportation, the Department of Licensing, the Department of Public Works, the Department of UMKM and Trade Cooperatives, Ministry of Environment, Ministry of Communication and Information Technology. This study uses secondary data in the form of the Badung Regency APBD with a time series of 3 consecutive years from 2017 to 2019. Where the data is obtained from the publications of the Ministry of Finance, and the Bappeda of Badung Regency.

*Financial Performance (Y)*

PerformanceThe finance referred to in this study is proxy through the efficiency ratio which is one of the ratios that has a significant effect on economic growth. This ratio is measured using the formula:

$$RE_i = \frac{\text{Realized Expenditure}}{\text{Received Revenue}} \times 100\% \dots\dots\dots (1)$$

*Local Revenue (X1)*

Local Revenue is the realization of PAD revenue in the fiscal year originating from regional taxes, levies, the results of separated regional wealth management and other legitimate PAD. The measurement of the variables used is the Realization of Regional Original Revenue (PAD) of Badung Regency

*Fiscal Decentralization (X2)*

Fiscal decentralization referred to in this study is the process of distributing the budget from the central government level to local governments. The use of variables by using the formula:

$$DF = \frac{\text{Regional Original Income} + \text{Tax and Non-Tax Revenue Sharing}}{\text{Realized Total Expenditure of Regency Government}} \times 100\% \dots\dots\dots (2)$$

*Fiscal Stress(X3)*

Efforts to receive high income reflect a greater level of fiscal stress, this means that the demand for certain services or development expenditures exceeds existing sources or income. Fiscal stress can be formulated as :

$$UPPAD_i = \frac{\text{Realized of Regional Origin Income}}{\text{Potential of Regional Origin Income}} \times 100\% \dots\dots\dots (3)$$

This study uses descriptive statistical testing and multiple regression to analyze data and test hypotheses. To analyze the data with multiple regression analysis used SPSS 20. Regression analysis requires testing the classical assumptions before testing the hypothesis. The classical assumption test includes normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test, with the following description:



### 1. Normality test

The normality test is intended to test whether the standardized residual value in the regression model is normally distributed or not. If the final result of Kolmogorov-Smirnov is greater than the significance level or = 0.05 (5%), then the data is normally distributed. Another way, according to Imam Ghozali (2011; 161) normality test through a regression model is said to be normally distributed if the plotting data (dots) that describe the actual data follow a diagonal line.

### 2. Multicollinearity Test

Multicollinearity aims to test the regression model that is formed there is a high or perfect correlation between the independent variables (Suliyanto, 2011:82). Multicollinearity is a linear relationship between independent variables. A good model should not have a correlation between the independent variables. The method to detect the presence or absence of multicollinearity problems in this study was carried out by the partial correlation method between the independent variables.

### 3. Heteroscedasticity Test

The heteroscedasticity test aims to test whether in the regression model that is formed there is an inequality of variance from the regression model residuals. Good data is data with homoscedasticity, the data occurs if the variable variance in the regression model has the same or constant value (Suliyanto, 2011:95).

### 4. Autocorrelation Test

According to Ghozali (2012:110) autocorrelation test aims to test whether in the linear regression model there is a correlation between the confounding error in period  $t$  and the error in period  $t-1$  (previous). To detect the presence or absence of autocorrelation, the Durbin Watson (DW) test method was used. The basis for making a decision whether there is autocorrelation using the Durbin-Watson test value is as follows:

- a. The number  $0 < DW < 2$ , means that there is a positive autocorrelation.
- b. The number  $2 < DW < 4$ , means that there is no autocorrelation.
- c. The number  $4 - DW < 2$ , means that there is a negative autocorrelation.

## RESULTS

### *Descriptive Statistical Analysis*

Descriptive statistical analysis is used to determine the description of the minimum, maximum, average and standard deviation of the data in this study are the variables of Regional Government Financial Performance (KKPD), Local Revenue (PAD), Fiscal Decentralization and Fiscal Stress. Based on descriptive statistical analysis obtained picture as follows:

Table 2. Descriptive Statistics Based on Variables KKPD, PAD, Fiscal Decentralization and Fiscal Stress

Variable	N	Minimu m	Maximu m	mean	Std. Deviation
PAD (X1)	33	11.57	94.99	49.9618	25.02338
Desen.Fiscal (X2)	33	.04	7.17	1.0812	1.72901
Fiscal Stress (X3)	33	.92	9.97	6.0258	2.81902
KKPD (Y)	33	.03	10.00	5.2836	3.15526

Based on the results of the descriptive statistics in table 1.2, it is known that; in Local Revenue during 2017-2019 the lowest value was realized at 11.57 which occurred in 2018. Then the highest value was realized at 94.99 with an average of 49.9618. Furthermore, in the fiscal decentralization section during 2017-2019 the lowest value was 0.04 and the highest value was 7.17. Fiscal Stress during 2017-2019 has the lowest value range of 0.92 and the highest value of 9.97. And the local government's financial performance during 2017-2019 has the lowest value of 0.03 and the highest of 10.00.

#### *Classic assumption test*

The purpose of this normality test is to determine whether the data is normally distributed or not.

Table 3. Normality Test with Test Kolmogorov-Smirnov

<i>Kolmogorov-Smirnov Test</i>		
		Unstandardize d Residual
N		33
Normal Parameters, b	mean	.0000000
	Std. Deviation	2.67179725
Most Extreme Differences	Absolute	.107
	Positive	.052
	negative	-.107
Test Statistics		.107
asymp. Sig. (2-tailed)		.200c,d

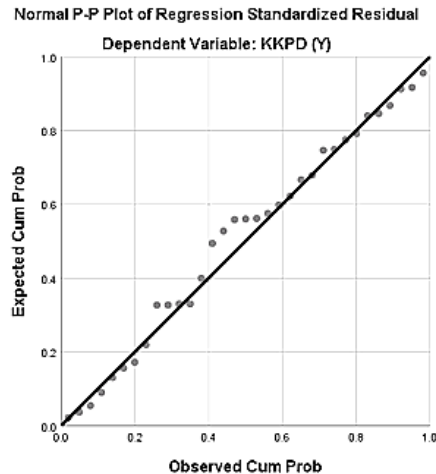


Figure 2. Normality test with PP Multiple Regression Plot

Based on table 1.3, it is known the value of the result Kolmogorov-Smirnov shows a value of 0.200. Because the final value (Asymp.Sig) is 0.200, which is greater than the significance level of 0.05. And on the PP Plot chart the results of the multiple regression analysis carried out also show that the plotting follows the diagonal line. This means that the assumption of normality is met and the data is normally distributed.

*Multicollinearity Test*

Multicollinearity aims to test the regression model that is formed there is a high or perfect correlation between the independent variables (Suliyanto, 2011:82). According to Imam Ghozali (2011:107-108) there is no multicollinearity symptom if the Tolerance value > 0.100 and the VIF value < 10.00. To find out the results of the multicollinearity test in the study, consider the following table:

Table 4. Multicollinearity Test

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	4.114	1,508		2,729	.011		
PAD (X1)	.039	.021	.306	1.875	.071	.927	1.079
Desen.Fiscal (X2)	-.895	.305	-.491	-2,933	.006	.884	1.132
Fiscal Stress (X3)	.035	.184	.031	.187	.853	.910	1.098

Based on table 1.4 the results of the multicollinearity test, it can be concluded that there is no symptom of multicollinearity between the independent variables because all tolerance results from the variable are > 0.100 and the VIF value is < 10.00.

*Heteroscedasticity Test*

The heteroscedasticity test aims to test whether in the regression model that is formed there is an inequality of variance from the regression model residuals. According to Imam Ghozali (2011:139) heteroscedasticity does not occur, if there is no clear pattern in the scatterplots image, and the points spread above and below the number 0 on the Y axis. The following scatterplots image from this study:

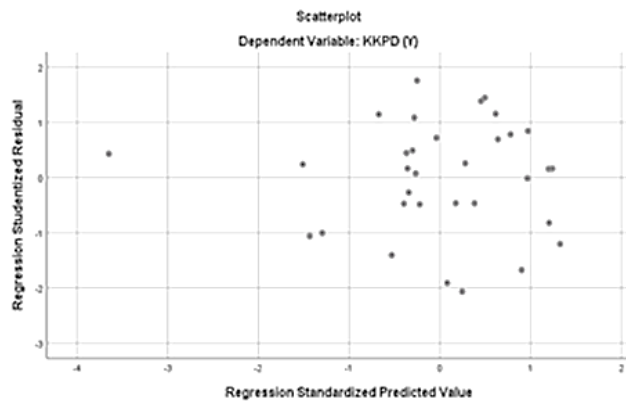


Figure 3. Scatterplots

Based on Figure 1.3, it can be seen that the points on the scatterplots have random positions and are spread out so that a pattern does not occur. Then the points also spread both below and above the number 0 on the Y axis. Seeing this, it can be concluded that there are no symptoms of heteroscedasticity.

*Autocorrelation Test*

According to Ghozali (2012:110) autocorrelation test aims to test whether in the linear regression model there is a correlation between the confounding error in period t and the error in period t-1 (previous). To detect the presence or absence of autocorrelation, the Durbin-Watson (DW) test method was used.

Table 5. Durbin-Watson(du) Autocorrelation Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.532a	.283	.209	2.80659	1,655

Based on the reference in this study, after knowing the Durbin-Watson value we have to look for the value of du in the Durbin-Watson table based on k (the research variable) and N Amount of data with a significance of 5% (0.05). Based on this, it is known that the value of k = 3, N = 33, and the value of du in the Durbin-Watson table is (1.651), then the Durbin-Watson value of research is (1.655) and the value of 4-du is (2.349). Based on the research model, it can be summarized:  $du(1,651) < \text{Durbin-Watson}(1,655) < 4-du(2,349)$ . So with this it can be concluded that there are no symptoms of autocorrelation.

*Multiple Linear Regression Test*

Based on the multiple linear regression analysis carried out, the data obtained are as follows:

Table 6. T Test

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
	(Constant)	4.114	1,508		2,729	.011		
	PAD (X1)	.039	.021	.306	1.875	.071	.927	1.079
	Desen.Fiscal (X2)	-.895	.305	-.491	-2,933	.006	.884	1.132
	Fiscal Stress (X3)	.035	.184	.031	.187	.853	.910	1.098

**DISCUSSION**

Results the tests that have been carried out regarding PAD, Fiscal Decentralization and Fiscal Stress on Regional Government Financial Performance in the 2017-2019 period can be explained as follows:

*Hypothesis H1: Local Revenue (PAD)*

Based on the t test, the value of Sig. Local Revenue (PAD) has a value of 0.071. By using the assessment according to Imam Ghozali (2011:101) where the X variable will affect the Y variable if the value of Sig. <0.05. Thus, the hypothesis H1 is declared unsupported. This states that, there is no influence of PAD on the Financial Performance of the Badung Regency Government in the 2017-2018 period. The results of this study are not in line with the research conducted by Eve Ida (2019) which in her research resulted that PAD had a significant effect on the financial performance of the North Sumatra Provincial government. This indicates that during the period 2017-2019 the financial performance of the Badung Regency government not affected by local revenue level.

*Hypothesis H2: Fiscal Decentralization*

Based on the t test, the value of Sig. Fiscal Decentralization has a value of 0.006. By using the assessment according to Imam Ghozali (2011:101) where the X variable will affect the Y variable if the value of Sig. <0.05. Thus, the hypothesis H2 is stated to be supported. The results of this study are in line with research conducted by Muryawan (2016), which states that fiscal decentralization has a significant influence on the financial performance of local governments. This explains that with the existence of fiscal decentralization, the financial performance of the regions is remembered because of the ability of regional finances to be managed by the regions themselves so that regions must be able to explore financial sources independently to finance the implementation of regional government. In this case, it is clear that there is a direct link between fiscal

decentralization and financial performance. In the future, regional governments need to be more serious about creating better fiscal decentralization in managing their finances so that regions can be more independent. However, in this study, the effect of fiscal decentralization has a negative effect on the financial performance of local governments because the higher the value of fiscal decentralization, the more pressing the financial performance of local governments.

#### *Hypothesis H3: Fiscal Stress*

Based on the t test, the value of Sig. Fiscal Stress has a value of 0.853. By using the assessment according to Imam Ghozali (2011:101) where the X variable will affect the Y variable if the value of Sig.  $< 0.05$ . Thus, the hypothesis H3 is declared unsupported. This is not in line with research conducted by M. Abdul (2018) shows that fiscal stress has a significant effect on government financial performance. This is in line with Eve Ida's research (2019) which also shows that fiscal stress has a positive and significant effect on government financial performance. With the results of this study, it can be assumed that the existence of fiscal stress does not affect the financial performance of the local government of Badung Regency. This could be because regional expenditure activities, especially capital expenditures in the 2017-2019 period, can be handled and managed properly so as to avoid fiscal stress.

## **CONCLUSIONS AND RECOMMENDATIONS**

Based on the results of the analysis and discussion that have been described previously, the conclusions that can be drawn in local revenue do not have a significant positive effect on the financial performance of the Badung Regency local government in 2017-2019. Fiscal decentralization has a significant negative effect on the financial performance of the local government of Badung Regency in 2017-2019. This indicates that the presence of fiscal decentralization will decrease financial performance of the Badung Regency local government in 2017-2019. Furthermore, fiscal stress does not have a significant effect on the performance of the Badung Regency local government in 2017-2019.

Of course, this research cannot be separated from several limitations. This study only uses area coverage in Badung Regency. In addition, the independent variables in this study are only limited to local revenue, fiscal decentralization and fiscal stress. It is possible that in the future there will be other factors that can affect regional financial performance. Further research can also add other financial ratio measurements, namely effectiveness ratios, efficiency ratios, fiscal decentralization ratios, growth ratios, harmony ratios and expenditure management ratios. And it is also suggested that further research can add districts or cities to be studied, so that more samples will be obtained and more accurate results. In addition to adding samples, Further research is suggested to take a sample of districts or cities in all districts or cities in Bali Province. By using a longer period of research, it is possible to generalize the results of the study. This is intended to be able to compare whether the results of this study apply to regencies or cities outside the Badung Regency area and so that they can be generalized.

### **FURTHER STUDY**

Suggestions that the author can give in connection with the limitations contained in the study are as follows:

1. The independent variables in this study are only limited to local revenue, fiscal decentralization and fiscal stress. It is possible that in the future there will be other factors that can affect regional financial performance.
2. Further research can also add other financial ratio measurements, namely effectiveness ratios, efficiency ratios, fiscal decentralization ratios, growth ratios, harmony ratios and expenditure management ratios.
3. Further research is recommended to add more districts or cities to be studied, so that more samples will be obtained and more accurate results. In addition to adding samples, further research is recommended to take samples of districts or cities in all districts or cities in Bali Province. This is intended to be able to compare whether the results of this study apply to regencies or cities outside the Badung Regency area and so that they can be generalized.
4. Further research is also expected to use a longer period of research so that it is more likely that generalizations can be made on the results of the study.

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