

The Influence of Local Government Size, Regional Original Income, and Balancing Funds on Local Government Financial Performance in North Sumatra Province

**Siti Fatimah
Muhammad Rizal**

Univesitas Negeri Medan

ABSTRACT

This research is motivated by the suboptimal management of assets and Regional Original Income (PAD) and the high dependence of local governments on transfer funds from the central government, which has an impact on the declining financial performance of local governments in North Sumatra Province. This study aims to analyze the influence of local government size, PAD, and balancing funds on local government financial performance using agency theory as the basis for analysis.

The study population covered 33 districts/cities in North Sumatra Province during the 2020–2023 period using a saturated sampling technique. The data used in this study were collected through documentation . Data analysis was performed using multiple linear regression analysis. The results of the study show that the size of the regional government and PAD have a positive effect on the financial performance of the regional government, while the balancing fund has no significant effect.

These findings support agency theory, which states that differing interests between the central government (principal) and regional governments (agents) influence financial performance. Dependence on transfer funds creates potential inefficiencies and reduces regional governments' motivation to increase fiscal independence. Conversely, increased local revenue (PAD) and larger organizational scales strengthen the accountability and effectiveness of regional financial management.

Keywords: Regional Government Financial Performance, Regional Government Size, Local Original Income, Balancing Funds, Agency Theory

BACKGROUND

North Sumatra Province is one of the regions in Indonesia that has implemented regional autonomy policies. The legal basis for implementing regional autonomy has evolved, starting with Law Number 44 of 1999 and the principles of autonomy in Law Number 22 of 1999, which were then refined through Law Number 32 of 2004 concerning Regional Government. The implementation of this autonomy gives regional governments the authority to formulate local regulations and to develop, manage, and implement their internal financial policies (Sujarweni, 2015). As part of decentralization, regional autonomy delegates some authority from the central government to regions so they can manage government affairs independently. With this authority, regional governments are expected to improve community welfare and the quality of public services in a democratic, fair, equitable, and sustainable manner.

Currently, the implementation of regional autonomy is based on Law Number 23 of 2014 concerning Regional Government and Law Number 33 of 2004 concerning Fiscal Balance between the Central Government and Regional Governments. This policy emerged in response to the central government's limitations in overseeing development throughout Indonesia. Therefore, regional autonomy is seen as a crucial step towards realizing good governance. In the context of public financial management, the government continues to encourage increased transparency and accountability. Government Regulation Number 105 of 2000, Article 4, emphasizes that regional financial management must be carried out in an orderly, efficient, effective, transparent, and responsible manner, while still adhering to the principles of justice and propriety.

The ability of local governments to manage their finances is a key indicator of the success of regional autonomy implementation (Roy Kelly, 2020). A crucial aspect of this management is the level of budget absorption. An optimal absorption level reflects a region's effectiveness in converting financial resources into various forms of services and benefits for the community (Safpremi, 2022). Conversely, low budget absorption can indicate inefficiency, potentially leading to unhealthy budget surpluses or deficits. Excessively large surpluses can indicate delays in productive spending, while deficits covered by debt risk fiscal instability if not managed carefully.

According to Mardiasmo (2002), granting regional autonomy is expected to provide regions with the flexibility to promote development by increasing community participation. Regional autonomy also aims to improve the efficiency, effectiveness, and accountability of the public

sector. Therefore, regions are required to seek alternative funding sources without neglecting assistance from the central government, and to ensure that the use of public funds aligns with community priorities and aspirations.

Thus, decentralization requires regional governments to optimally manage their Regional Budgets (APBD). APBD management must align with national development strategies and local potential to ensure sustainable resource distribution. Independence in regional financial management aims to ensure development is not entirely dependent on central government funding allocations. Therefore, accurate financial reporting and effective financial management are crucial elements in measuring regional government performance and demonstrating transparency to the public. This performance measurement serves as an evaluation instrument for regional governments' achievements in carrying out their autonomy mandate and should be conducted periodically.

Specifically, local government financial performance reflects the extent to which fiscal management targets are achieved within a budget period. This includes the effectiveness of regional revenue and the efficiency of budget use based on applicable policies and regulations. Local governments are expected to achieve optimal performance in accordance with established budget plans. Measuring financial performance is crucial for the public as an evaluation tool to identify gaps between plans and actual performance and as a basis for future improvements.

Improving regional financial performance can directly contribute to annual regional revenue growth, reflecting the local government's ability to tap into local economic potential. Good financial performance impacts community welfare, as adequate regional revenue not only supports government operations and development but also enables the government to provide more optimal public services. Therefore, local governments must continuously improve their capacity to generate financial resources to avoid revenue decline and ensure the sustainability of regional development.

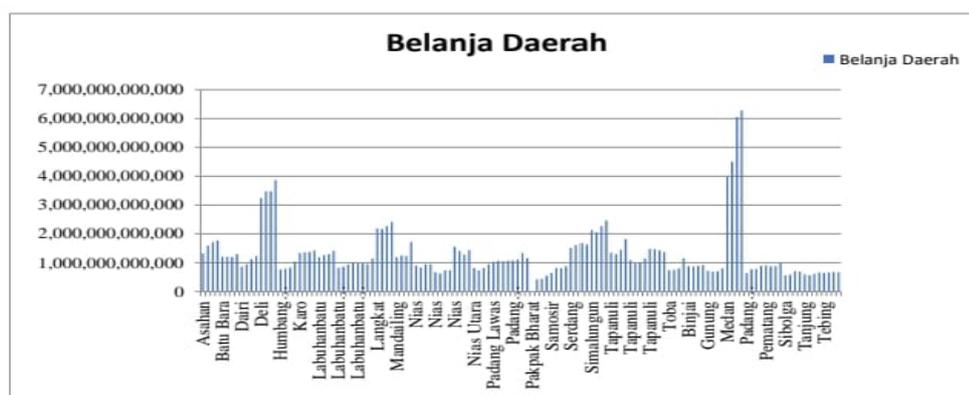


Figure 1
Graph of Regional Expenditure of Districts/Cities in North Sumatra Province for the Period 2020-2023

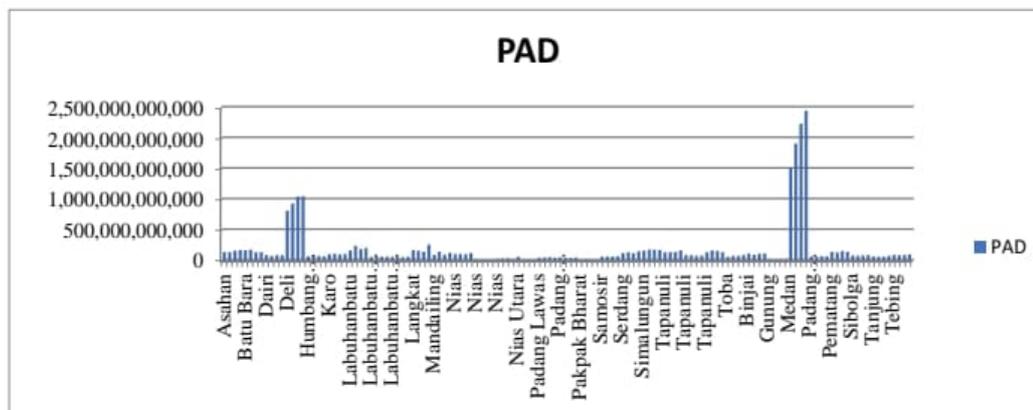


Figure 2
Graph of PAD for Regencies/Cities in North Sumatra Province for the 2020-2023 Period

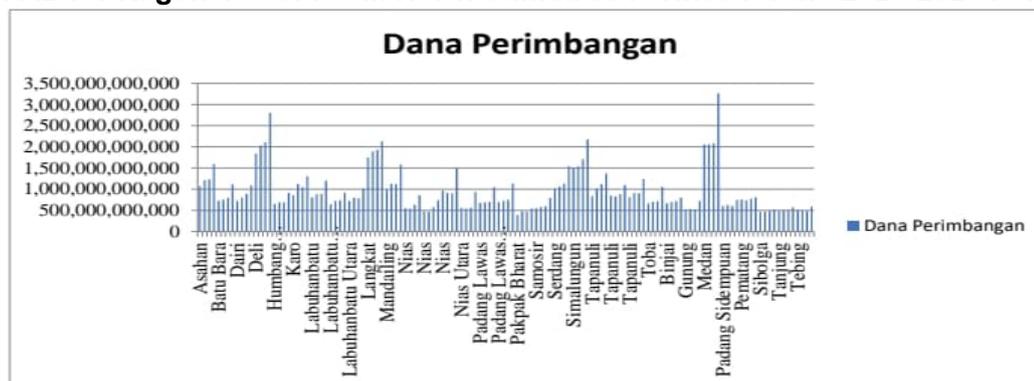


Figure 3
Graph of District/City DP in North Sumatra Province for the 2020-2023 Period

Based on regional financial data in North Sumatra, it appears that most regencies/cities are still not fiscally independent. Locally Generated Revenue (PAD) is insufficient to cover spending needs, forcing local governments to rely heavily on transfers from the central government. However, despite receiving substantial transfers, many regions continue to experience budget deficits. For example, Deli Serdang Regency in 2021 had low PAD compared to its expenditure, and despite receiving significant transfers, the region still experienced a deficit. Conversely, Medan City did not experience a deficit due to its higher PAD, but it still demonstrated a strong dependence on central funds.

Budget deficits can hamper development and force regions to seek additional financing, making strengthening local revenue (PAD) crucial. Optimizing local taxes, levies, asset utilization, and developing local economic sectors can be strategies to increase revenue. Local government size is also a crucial factor, as regions with substantial assets have the potential for higher revenues but also face greater accountability demands. While a larger government

can improve efficiency and public service delivery, it also creates isomorphic pressures due to increased public scrutiny of local financial management.

In addition to government size, local revenue (PAD) and balancing funds play a crucial role in determining regional financial performance. PAD provides flexibility for regions in funding development, while balancing funds help meet basic needs resulting from decentralization. However, a high level of dependence on central funds can undermine financial performance because it indicates a region's low ability to tap its own revenue potential.

Previous studies have shown conflicting results regarding the influence of government size, local revenue (PAD), and balancing funds on regional financial performance. Therefore, this study was conducted to analyze these three variables on the financial performance of district/city governments in North Sumatra for the 2020–2023 period. This research is expected to provide a deeper understanding of the factors influencing financial performance and provide considerations for local governments in improving financial management and enhancing the quality of public services.

Agency Theory, Stewardship Theory, and Regional Government Financial Performance

Agency theory explains the relationship between the public as principal and the local government as an agent mandated to manage public resources. In this context, the local government is responsible for exercising its authority effectively, efficiently, and accountably in accordance with the public interest. Meanwhile, stewardship theory views the government as a party trusted to act for the welfare of the people, based on integrity, responsibility, and commitment to the common good. These two theories serve as an important foundation for understanding how local governments manage public finances and carry out their duties.

Regional government financial performance then becomes the primary measure for assessing the extent to which fiscal management is effective. This performance reflects the region's ability to plan, budget, implement, and account for budget use efficiently, while also demonstrating the quality of public services produced. Various factors can influence regional financial performance, including liquidity, solvency, profitability, and the government's economic stability. By measuring financial performance, the government can conduct regular evaluations to improve governance, refine development strategies, and ensure that the use of public resources aligns with the goals of regional autonomy. Indicators such as the efficiency ratio are important because they demonstrate the extent to which the government is able to optimize its budget in producing service outputs for the public.

RESEARCH METHODS

This research was conducted in all regencies and cities in North Sumatra Province. The data used were obtained from the official website of the Directorate General of Fiscal Balance (DJPK) at *djpk.kemenkeu.go.id*, as well as from the financial statistics of the North Sumatra Provincial Government for 2020–2023, accessed through the North Sumatra Central Statistics Agency (BPS) catalog at *bps.go.id*. This research was conducted from September 2025 until all research activities were completed.

According to Sugiyono (2018), a population is a collection of objects or entities that possess specific characteristics and are of interest to researchers for drawing conclusions. The population in this study includes all local governments, consisting of 25 regencies and 8 cities in North Sumatra Province. Furthermore, this study uses financial data from the last four years, 2020–2023, as this period provides the most recent reporting data and provides a relevant overview of the current state of local government financial performance.

Table 1
List of Names of Regencies/Cities in North Sumatra

	Name of Regency/City
1.	Tebing Tinggi City
2.	Tanjung Balai City
3.	Sibolga City
4.	Pematang Siantar City
5.	Padang Sidempuan City
6.	Medan City
7.	Gunung Sitoli City
8.	Binjai City
9.	Toba Regency
10.	North Tapanuli Regency
11.	Central Tapanuli Regency
12.	South Tapanuli Regency
13.	Simalungun Regency
14.	Serdang Bedagai Regency
15.	Samosir Regency
16.	West Pakpak Regency
17.	North Padang Lawas Regency
18.	Padang Lawas Regency
19.	North Nias Regency
20.	South Nias Regency
21.	West Nias Regency
22.	Nias Regency
23.	Mandailing Natal Regency
24.	Langkat Regency
25.	North Labuhan Regency
26.	South Labuhan Batu Regency
27.	Labuhan Batu Regency
28.	Karo Regency
29.	Humbang Hasundutan Regency
30.	Deli Serdang Regency

31.	Dairi Regency
32.	Batubara Regency
33.	Asahan Regency

Source: <https://bpkad.sumutprov.go.id/>

Research Variables

According to Sugiyono (2018), research variables are anything determined by researchers to be studied to obtain information that can be used to draw conclusions. This study uses two types of variables: dependent variables and independent variables.

The dependent variable in this study is *the Financial Performance of District/City Governments in North Sumatra Province*, denoted as **Y**. This variable is the main focus of the study and is influenced by the established independent variables.

The independent variables in this study include three components suspected of influencing local government financial performance. These independent variables are **Regional Government Size (X1)**, **Local Original Revenue (X2)**, and **Balancing Funds (X3)**. These three variables were selected based on their relevance in explaining the dynamics of local government financial management and their potential contribution to improving financial performance.

This study uses secondary data in the form of annual budget realization reports published on the Directorate General of Fiscal Balance (DJPK) website. Data collection was conducted using documentation, which involved accessing and collecting written data from local government budget realization reports for four consecutive years, from 2020 to 2023. This data served as the basis for compiling research variables and conducting quantitative analysis.

The data analysis in this study used a quantitative approach. According to Sugiyono (2017), quantitative methods are research methods based on the philosophy of positivism and are used to examine specific populations or samples using research instruments and statistical data analysis to test predetermined hypotheses. The analytical techniques used include descriptive statistical analysis, classical assumption testing, multiple linear regression analysis, and hypothesis testing.

Descriptive statistical analysis was used to describe the characteristics of the research data through maximum, minimum, average (mean), and standard deviation values, thus providing an initial understanding of the data distribution. Next, classical assumption tests were conducted, consisting of normality tests, multicollinearity tests, heteroscedasticity tests, and autocorrelation tests. Normality tests were conducted to ensure that the data were normally

distributed using the Kolmogorov–Smirnov test. Multicollinearity tests aimed to determine whether there was a strong correlation between independent variables by looking at the tolerance value and Variance Inflation Factor (VIF). Heteroscedasticity tests were conducted using the Glejser test to test the equality of residual variances. Meanwhile, autocorrelation tests were conducted using the Run Test to ensure there was no correlation between residuals in the regression model.

Multiple linear regression analysis is used to determine and measure the influence of independent variables on the dependent variable. The regression model used is formulated as follows:

$$KKPD = \alpha + \beta_1 UPD + \beta_2 PAD + \beta_3 DP$$

Description:

KKPD = Regional Government Financial Performance

UPD = Regional Government Size PAD = Regional Original Income DP = Balancing Fund α

= Constant β = Regression coefficient

Hypothesis testing was conducted using the coefficient of determination (R^2), F-test, and t-test. The coefficient of determination is used to measure the model's ability to explain variations in the dependent variable. The F-test was conducted to determine the simultaneous influence of independent variables on the dependent variable. Meanwhile, the t-test was used to examine the partial influence of each independent variable on the dependent variable with a significance level of 5%.

RESULTS AND DISCUSSION

This study analyzes the influence of regional government size, regional original income (PAD) and balancing funds on the financial performance of district/city governments in North Sumatra. North Sumatra Province is administratively divided into 25 districts and 8 cities. This province has a strategic position both in terms of geography and economy, making it one of the provinces with a large influence in the social, cultural and economic context in Indonesia.

This research uses a quantitative approach with the type of data used being secondary data. The secondary data used is the Regional Government Budget Realization Report of Regency/City in North Sumatra Province during 2020-2023 which is accessed through the website <https://djpk.kemenkeu.go.id/> and <https://sumut.bpk.go.id/>. The population in this study was all districts/cities in North Sumatra Province with a research period of 4 years. Sampling used saturated sampling, where the entire population was sampled. Thus, the total sample

used in this study was 132.

Table 1
Research Sample

No	Regency/City	Year	Regional Government Financial Performance (Y)	Size of Local Government (X1)	Local Original Income (X2)	Balancing Fund (X3)
1.	Siantar	2020	0.816795306	28.89070094	25.63241061	27.69978719
		2021	0.968411531	28.92198550	25.62753572	27.82423099
		2022	1.021202938	28.98414372	25.78282547	27.83373369
		2023	0.989233583	29.06036547	25.85509179	28.09791823
2.	Medan	2020	1.026661250	28.40496501	25.83539407	27.30911804
		2021	1.031995673	28.40121738	25.88547547	27.34554852
		2022	1.043794332	28.27767777	25.61118798	27.40224807
		2023	1.031305148	28.33733420	25.62701847	27.74029774
3.	Dairi	2020	0.824708115	28.26995914	25.22039411	27.30431792
		2021	0.825317394	28.31827998	25.00365959	27.40607554
		2022	0.970942958	28.34849548	25.16142083	27.51397677
		2023	1.037000169	29.05312662	25.16691382	27.72137135
4.	Deli Serdang	2020	0.973559413	29.66916780	27.41995413	28.23931529
		2021	0.981487806	29.70576278	27.55428883	28.34069708
		2022	0.932352714	29.76209832	27.67190647	28.37437245
		2023	1.003071837	29.79350634	27.67798146	28.66189959
5.	Humbang Hasundutan	2020	0.814665229	28.29089500	24.94185687	27.20006593
		2021	0.815653795	28.35065634	25.08318220	27.25946341
		2022	0.885149971	28.39398665	25.00876211	27.25304458
		2023	1.034987241	28.37407839	24.94764676	27.53717233

Data Analysis Results

Descriptive Statistical Analysis

Descriptive statistical analysis is used to summarize and present research data, providing information that is easier to understand and interpret. Descriptive statistics describe the basic characteristics of the data by presenting minimum, maximum, average, and standard deviation values, as proposed by Ghozali (2016). In this study, all data were processed using SPSS version 30 statistical software, so that the results can be presented systematically and support further analysis in the next stage.

The Influence of Regional Government Size on Regional Government Financial Performance

The results of the study indicate that local government size significantly influences local government financial performance. This is indicated by a significance value of $0.001 < 0.05$ and a t-test value of $-3.402 < t\text{-table of } 1.658$, thus H1 is accepted. Thus, local government size

influences the financial performance of district/city governments in North Sumatra in the 2020–2023 period.

The size of a local government, as measured by total assets, reflects the extent of its fiscal capacity and resources available for public service delivery and development. Local governments with substantial assets have greater fiscal space, enabling revenue diversification, strategic asset management, and increased investment capacity in productive programs. This provides flexibility in financial management and ultimately contributes to improved regional financial performance.

From an agency theory perspective, the community, as *principal*, entrusts asset management to the local government, as *agent*. The size of assets creates greater responsibility for local governments to manage resources effectively, efficiently, transparently, and accountably in accordance with community expectations. Therefore, larger local governments are associated with better managerial and fiscal capacity, thus improving regional financial performance.

The results of this study align with the findings of Henny et al. (2023), Linda Kusumaningtyas (2023), and Iqbal Tigana Ridho (2021), who stated that local government size influences regional financial performance. However, these results differ from those of Sari Rusmita (2019), Nur Aafiah Millenia (2022), and Uthaylah (2022), which showed no effect of local government size on financial performance. These differences are likely related to differences in location, regional characteristics, and research periods.

The Influence of Regional Original Income on Regional Government Financial Performance

Based on the test results, Local Original Income (PAD) has a significant effect on the financial performance of local governments, indicated by a significance value of $0.000 < 0.05$ and t count of $11.718 > t$ table of 1.658, thus H2 is accepted. Thus, PAD has an effect on the financial performance of local governments of regencies/cities in North Sumatra for the 2020–2023 period.

A high PAD reflects a region's ability to generate revenue independently without relying on the central government. Regions with a large PAD have greater flexibility in financing development, improving public services, and investing in productive activities. Increasing PAD is an important indicator of fiscal independence and effective regional financial management.

In the context of agency theory, PAD provides an incentive for local governments (agents) to manage resources efficiently in order to gain the trust of the public (principals). However, without strong oversight mechanisms, PAD also has the potential to be misused for certain interests, necessitating transparency and a robust control system.

The results of this study align with the findings of Afia et al. (2021), Febriyanti (2022), and Sulo et al. (2023), but differ from those of Iqlima Azhar (2021), Mia Jauhariah (2022), and Wakhidatun Mabruroh (2025), which concluded that PAD has no effect on regional financial performance. The differences in results may be influenced by regional fiscal conditions, revenue management policies, and differing regional economic characteristics.

The Influence of Balancing Funds on Regional Government Financial Performance

The results of the study showed that balancing funds did not have a significant effect on the financial performance of local governments, with a significance value of $0.642 > 0.05$ and t count $0.466 < t$ table 1.658 so that H_3 was rejected.

Although the balancing fund is theoretically a fiscal decentralization instrument aimed at reducing inter-regional disparities, this study indicates that its utilization has not been optimal in improving regional government financial performance. The high dependence of regions on the balancing fund has resulted in low motivation for regional governments to develop fiscal independence through local revenue (PAD). Furthermore, the balancing fund is often used to finance routine activities, rather than productive programs that can increase regional revenue.

From an agency theory perspective, the central government, as the principal, provides balancing funds to regional governments (agents) with the goal of improving regional fiscal performance. However, differing interests, priorities, and administrative capacities can lead to these funds not being utilized for their intended purpose. This situation requires increased oversight and accountability in the management of transfer funds.

The results of this study align with the findings of Ni Ketut Ayu Anggreni et al. (2019), Ester Trivona Nauw & Budi Riharjo (2021), and Addini & Sri (2025), but differ from those of Salsabila Pramestya Putri (2023), Afia et al. (2021), and Novi Natalia Padang (2023), which stated that balancing funds influence regional financial performance. Differences in location, research period, and regional spending structure are factors influencing the results.

The Influence of Regional Government Size, Regional Original Income, and Balancing Funds on Regional Government Financial Performance

The results of the simultaneous test (F test) show that the size of the regional government, PAD, and balancing funds jointly influence the financial performance of the regional government, with a significance value of $0.000 < 0.05$ and an R Square of 0.582 . This means that the three variables

are able to explain 58.2% of the variation in regional financial performance, while 41.8% is influenced by other factors outside the research model.

Regional government size provides greater fiscal capacity, local revenue (PAD) enhances fiscal independence, while balancing funds serve as a complement to equitable regional fiscal capacity. The interaction of these three variables is complementary in supporting regional government financial performance.

In the context of agency theory, the combination of these three variables creates better mechanisms for accountability, transparency, and efficiency in regional resource management. The synergy between regional government size, local revenue (PAD), and balancing funds is a crucial factor in driving improved regional government financial performance.

CONCLUSION

Based on the research results and discussion, the following conclusions can be drawn from this research:

1. The size of a local government influences its financial performance. This aligns with agency theory, which states that local governments, as agents, are responsible for managing resources for the benefit of the community as principal. Local government size impacts asset management and utilization capacity, which in turn impacts financial performance.
2. Locally generated revenue also influences the financial performance of local governments. Locally generated revenue is a financial resource that reflects regional fiscal independence, thus playing a role in supporting development and public service delivery. Agency theory emphasizes the need for local governments, acting as agents, to manage this revenue accountably for the benefit of their principals.
3. Balancing funds influence the financial performance of local governments. However, dependence on these funds can impact resource management and local government motivation. Within the framework of agency theory, the management of these central funds requires oversight to ensure their use aligns with the agency's objectives and responsibilities.
4. Simultaneously, these three variables influence local government financial performance. This interaction reflects the dynamics of local financial management, where transparency and accountability are crucial for maintaining public trust and improving performance.

SUGGESTION

Based on the results of the discussion and conclusions in above, the researcher provides the following suggestions:

1. The research period only covers 2020–2023, so it is not yet able to describe the long-term condition of regional financial performance. Further research is recommended to expand the research time span in order to show trends and changes in regional financial performance more comprehensively and strengthen the validity of the research results. Future researchers are expected to add other independent variables that influence local government financial performance. This could help further understand the factors that influence local government financial performance.
2. The independent variables used only included local government size, local revenue, and balancing funds. However, other variables, such as capital expenditure, fiscal dependency, and regional prosperity, can also influence financial performance. Future researchers are expected to add these variables to more comprehensive research results and reflect the factors that significantly influence regional financial performance.
3. This study measured financial performance using only efficiency ratios, so the results do not provide a comprehensive picture of regional financial effectiveness and accountability. Future research is recommended to use multiple performance indicators, such as effectiveness ratios, independence ratios, and financial growth ratios, to obtain more holistic results regarding regional government financial performance.
4. This study focused only on local governments in North Sumatra Province, so the results cannot be generalized nationally. It is recommended that future research expand the scope to include several provinces across Indonesia, allowing the results to provide a more representative picture of local government financial conditions.

BIBLIOGRAPHY

- Ade, PF and CD Oktaviani, (2019). The influence of local revenue and balancing funds on the financial performance of the Cimahi city regional government. *Indonesian Journal of Economics and Business*.
- Adi Khusumastuti, Ahmad Mustamil Khoiron, and Taofan Ali Achmad, *Quantitative Research Methods*, Yogyakarta: CV. Budi Utama, (2020), pp. 2-3.
- Afia M., Mustafa A., and Nabilla S. F, (2021). The Influence of Regional Original Income, Balancing Funds, Capital Expenditures and Regional Government Size on Regional Government Financial Performance. *Journal of Information System, Applied, Management, Accounting and Research*, Vol. 5 No. 2.
- Anggreni, Ni Ketut Ayu. Luh GS A, (2019). The Influence of PAD, Balancing Funds, and Capital Expenditure on the Financial Performance of Regency/City Governments in

-
- Badung, Bali Province. *Journal of Accounting and Finance*, Unja, 7(2), 93–104.
- Alkansa FR, & Muslimin, 2022. Regional Original Revenue and Balancing Funds on Regional Government Financial Performance. *Journal of Management and Business*. Vol. 4, No. 1, 2022
- Antari, Ni Putu Gina Sukma and Sedana, Ida Bagus Panji, (2018). The Influence of Regional Original Income and Capital Expenditure on Regional Government Financial Performance. *E-Journal of Management*, Unud. 7 (2), pp. 1080-1110.
- Ardelia, IN, Wulandari, HK, Ernitawati, Y., & Dumadi. (2022). The Influence of Regional Original Income, Capital Expenditure, and Balancing Funds on Regional Government Financial Performance (Empirical Study of Regencies and Cities in the Former Pekalongan Residency for the 2016-2020 Period). *Jurnal EK&BI*. Vol. 7, No. 1, 2022.
- Azhar, Iqlima, (2021). The Influence of Local Original Income on the Financial Performance of the Langsa City Government. *Darussalam Journal of Economic Perspectives*, 3(2), 168–181.
- The Audit Board of the Republic of Indonesia. (2019). The Audit Board of the Republic of Indonesia, North Sumatra Province.
- The Audit Board of the Republic of Indonesia. (2020). The Audit Board of the Republic of Indonesia, North Sumatra Province.
- The Audit Board of the Republic of Indonesia. (2021). The Audit Board of the Republic of Indonesia, North Sumatra Province.
- The Audit Board of the Republic of Indonesia. (2022). The Audit Board of the Republic of Indonesia, North Sumatra Province.
- The Audit Board of the Republic of Indonesia. (2023). The Audit Board of the Republic of Indonesia, North Sumatra Province.
- Ester Trivona Nauw, and Ikhsan Budi Riharjo, (2021). The Influence of Regional Original Income, Balancing Funds, and Capital Expenditures on Regional Government Financial Performance. *Journal of Accounting Science and Research*. Vol 10, No. 6, 2021.
- Faisal, & Nasution, AH (2016). Regional Autonomy: Problems and Solutions in Indonesia. *Journal of Accounting*, 4(2), 206–215.
- Febriyanti, EM (2022). The Influence of Regional Original Income, General Allocation Funds, and Special Allocation Funds on Regional Financial Performance. *Mirai Management Journal*, 7(3), 629–637.
- Ghozali, Imam. (2018). *Multivariate Analysis Application with IBM SPSS 25 Program*. Semarang: Diponegoro University Publishing Agency.
- Halim, Abdul. 2008. *Regional Financial Accounting*. Jakarta: Salemba Empat.

-
- Hasna Lathifa and Haryanto, (2021). The Effect of Regional Original Income and Capital Expenditure on the Financial Performance of Regency/City Regional Governments in Central Java Province in 2013-2017. *Diponegoro Journal of Accounting*. Vol. 8. No. 2.
- Henny A. Manafe, Simon Sia Niha, Dewa Putu S. Putra, (2023). The Influence of Regional Government Size, Leverage, and Balancing Funds on Regional Government Financial Performance (A Literature Review of Regional Financial Management). *Journal of Information Systems Management Economics*. Vol. 4, No. 3,
- Hildawati, S.Sos., M.Si., et al. (2024). *Quantitative Research Methodology & Statistical Data Analysis Processing Application*. PT. Sonpedia Publishing Indonesia. ISBN: 978-623-8598-07-6.
- Ikhsan, A. (2021). *Business research methodology*. Medan: Madenatera.
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3(4), 305-360.
- Joko Pramono, *Financial Ratio Analysis to Assess Regional Government Financial Performance (Case Study on Surakarta City Government)*. *STIE AMA Salatiga Journal*. Vol. 7, No. 13, (2014), p. 85.
- Karo Karo, Surbakti. 2014. "The Influence of Local Original Income (PAD) on the Regional Revenue and Expenditure Budget (APBD) in District/City Governments in North Sumatra." *JOURNAL OF ACCOUNTING REVIEWS (JUTA)*, Vol. 17, No. 01 (June): 71-80. ISSN: 1693-6760.
- Kasmir. (2018). *Financial Statement Analysis*. Rajawali Press. (Estimated title and publisher based on general citations)
- Khan, A. (2020). *Public Finance and Fiscal Policy*. (Estimated title and publisher based on general citations)
- Kusumaningtyas, L., (2023). The Influence of Regional Government Size, Regional Expenditure, Dependence Level, Independence Level, and Leverage on the Financial Performance of the Regional Government of Central Java Province in 2019-2021. *Innovative: Journal of Social Science Research*, 4(1), 6984–6995.
- Mabruroh, W., (2025). The Influence of PAD, Balancing Funds, and Capital Expenditures on the Financial Performance of Regency/City Governments in Central Java Province in 2020-2023. *Scientific Journal of Accounting Economics Students (JIMEKA)*, 5(4), 584–598.
- Mahmudi.(2019). *Public Sector Performance Measurement*. BPF Mahsun, M. (2012). *Public Sector Performance Measurement*. Yogyakarta: BPF Mardiasmo.(2009). *Public Sector Accounting*. Yogyakarta: BPFE.

-
- Masayu Rahmawati and Catur Martian Fajar, (2017). The Influence of Regional Original Income and Balancing Funds on Regional Expenditure in Bandung City. *Journal of Accounting Studies*, Vol. 1, No. 1.
- Mulyani, S., & Wibowo, A. (2017). *Book Titles Related to Regional Government Financial Performance*.
- Millenia NA(2022).The Influence of Regional Government Size, Prosperity and Intergovernmental Revenue on the Financial Performance of Regency/City Regional Governments in South Sumatra Province, 93–104.
- Nasirwan, Ginting, AB, Manalu, C., & Sinaga, DA (2024). The Influence of Local Government Size and Economic Growth on Local Government Financial Performance. *Economics: Journal of Economics and Business*, 3(3), 165-171.
- Nasution, NA, The Influence of Economic Growth and Local Original Income on the Financial Performance of Regency and City Governments in North Sumatra Province. *Panca Budi Accounting Journal*. Vol. 8, No. 1, pp. 1-19
- Nauw ET & Budi R. (2021). The Influence of Regional Original Revenue, Balancing Funds, and Capital Expenditures on Regional Government Financial Performance. *Accounting Analysis Journal*, 5(1), 1–10.
- Ni Made Diah Permata Sari and I Ketut Mustanda, (2019). The Influence of Regional Government Size, Regional Original Income and Capital Expenditure on Regional Government Financial Performance. *E-Journal of Management*. Vol. 8, No. 8.
- Nina Andriany Nasution, Fitri Yani Panggabean, (2017). Analysis of the Influence of Economic Growth and Local Original Income on the Financial Performance of Regency and City Governments in North Sumatra Province. *Journal of Business and Public Accounting*. Vol. 8, No. 1.
- Padang, NN, (2023). The Influence of Regional Original Income (PAD) and Balancing Funds on Regional Government Financial Performance. *Journal of Accounting & Finance Research*, 1(1), 27–35.
- Padang, NN, & Padang, WS (2023). The Influence of Regional Original Income (PAD), Balancing Funds and Capital Expenditures on the Financial Performance of Regional Governments in Regencies/Cities in North Sumatra Province. *Journal of Accounting & Finance Research*, 9(2), 303–318.
- Government of the Republic of Indonesia. 2004. Law Number 32 of 2004 concerning Regional Government.
- Government of the Republic of Indonesia, 2005. Government Regulation Number 58 of 2005 concerning Regional Financial Management.

-
- Government of the Republic of Indonesia. 2004. Law Number 12 of 2004 concerning the Second Amendment to Law Number 32 of 2004 concerning Regional Government. Government Regulation. (2010). Government Regulation of the Republic of Indonesia Number 71 of 2010 Concerning Government Accounting Standards. Government Regulation. (2019).
- Government Regulation of the Republic of Indonesia Number 12 of 2019 concerning Regional Financial Management.
- Putri, SP, (2023). The Influence of Regional Original Income (PAD), Balancing Funds, and Budget Financing Surplus (SiLPA) on the Financial Performance of Regional Governments in the Gerbangkertasusila Region. Online Journal of Students of the Faculty of Economics, 2(2), 1–15.
- Ridho, Iqbal Tigana, (2021). The Influence of Regional Government Size, Economic Growth, Legislative Size, and Regional Head Characteristics on Regional Government Financial Performance (A Study of Regency/City Regional Governments in Indonesia). Scientific Journal of Accounting Economics Students (JIMEKA), 5(4), 584–598.
- Rizal , Muhammad , Muhammad Ridha Habibi, Nisha Marina, and Esa Setiana . (20 25). Public Sector Accounting (Theory, Concept, and Implementation) . Medan : Perdana Publishing .
- Rusmita, S., (2019). The Effect of Government size, regional expenditure, the level of dependence on the center, prosperity of the local government, Leverage on Financial Performance of Local Government District/City Areas in West Kalimantan. Journal of Financial Economics, 3(4), 305–360.
- Rosemary., Chinyeaka Justine., and Barisua Barry, 2016. Local Government Financial Autonomy: A Comparative Analysis of Nigeria and Brazil. Arabian Journal OF Business and Management Review (OMAN Chapter).5.10, p.38-54.
- Ross, SA, Westerfield, RW, & Jordan, BD (2022).Corporate Finance. McGraw-Hill Education.
- Safitri, BW, Dirgantari, N., Hariyanto, E., & Winarni, D. 2022. The Effect of PAD, Capital Expenditure, Government Size and Budget Changes on Regional Financial Performance. Journal of Economics & Business. Vol. 05, No. 2 p 659.
- Sari, Ni Made Diah Permata, and I Ketut Mustanda, 2019. The Influence of Regional Government Size, Local Original Revenue and Capital Expenditure on Regional Government Financial Performance. E-Journal of Management, Udayana University. Vol. 8, No. 8, p. 4759.
- Sugiyono.(2018). Quantitative Research Methods. Bandung: ALFABETA.

-
- Sugiyono. (2019). *Quantitative, Qualitative, and R&D Research Methods*. Bandung: ALFABETA.
- Sulo, F., Parawansa, DAS, & Fitrianti, R. (2023). The Effect of Regional Revenue, Balancing Fund, Capital Expenditure, and Fiscal Stress on North Toraja Regency Regional Government Financial Performance. In *Quest Journals Journal of Research in Business and Management* (Vol. 11, Issue 2).
- Sujarweni, Wiratna, *Public Sector Accounting*, Yogyakarta: Pustaka Baru Press, 2015, p. 231.
- North Sumatra Province. (nd). <https://sumutprov.go.id/>
- Law of the Republic of Indonesia Number 23 of 2014 concerning Regional Government.
- Law of the Republic of Indonesia Number 28 of 2009 concerning Regional Taxes and Regional Retributions.
- Law of the Republic of Indonesia Number 32 of 2004 concerning Regional Government.
- Law of the Republic of Indonesia Number 33 of 2004 concerning Financial Balance between the Central Government and Regional Governments.
- Uthaylah, (2022). The Influence of Regional Government Size, Local Original Revenue, Leverage, Balancing Funds and Legislative Size on the Financial Performance of Regency/City Regional Governments in Jambi Province in 2015-2019. *Journal of Accounting & Finance Research*, 9(2), 303–318.
- Wijayanti, Yulia & Dhini Suryandari, (2020). The Effect of Regional Characteristics, Leverage, Government Complexity, BPK Audit Findings and Opinions on Local Government Financial Performance. *Accounting Analysis Journal*. Vol. 9, no. 1.
- Yulia Wijayanti, Dhini Suryandari, 2020. The Effect of Regional Characteristics, Leverage, Government Complexity, BPK Audit Findings and Opinions on Local Government Financial Performance. *Accounting Analysis Journal*. Vol. 9, no. 1.