International Journal of Economics, Business and Innovation Research
https://e-journal.citakonsultindo.or.id/index.php/IJEBIR
E-ISSN : 2964-0865
IJEBIR

Exploring the Determinants of Local Government Financial Performance: Evidence from North Maluku Province, Indonesia

Ninin Armini[1], Asrudin Hormati[2], Sheila Kusumaningrum[3]

[1,2,3,4]Universitas Khairun

Email: nininarmini04@gmail.com; asrudinhormati@unkhair.ac.id; sheila11@unkhair.ac.id

Abstract

This study examines the impact of Regional Own-Source Revenue (PAD), General Allocation Fund (DAU), Regional Expenditure (BD), Special Allocation Fund (DAK), and Revenue Sharing Fund (DBH) on the financial performance of local governments in North Maluku Province, Indonesia. Using a saturated sampling method, the study analyzes panel data comprising 60 observations from 10 regencies/municipalities over the period 2019–2024. The financial performance is measured using the efficiency ratio of expenditure to revenue. Data were analyzed through multiple linear regression on panel data with EViews 13. The findings reveal that Regional Expenditure positively and significantly affects financial performance, suggesting that effective and targeted spending enhances fiscal outcomes. In contrast, PAD, DAU, DAK, and DBH exhibit no significant effects, indicating potential dependency on central transfers and inefficiencies in revenue utilization. These results highlight the importance of improving budget management and fiscal autonomy to enhance local government performance. This study contributes to the literature on fiscal decentralization by incorporating DBH as an explanatory variable and providing evidence from an underexplored region in Indonesia.

Keywords: **Financial performance, Regional Own-Source Revenue, General Allocation Fund, Regional Expenditure, Special Allocation Fund, Revenue Sharing Fund**

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

International Journal of Economics, Business and Innovation Research
https://e-journal.citakonsultindo.or.id/index.php/IJEBIR
E-ISSN : 2964-0865
IJEBIR

INTRODUCTION

The financial performance of local governments is a critical indicator of the success of fiscal decentralization and public financial management. It reflects the efficiency and effectiveness with which local governments utilize their financial resources to deliver public goods and services, foster economic growth, and maintain fiscal sustainability (Mardiasmo, 2012; Anynda & Hermanto, 2020; Permatasari & Trisnaningsih, 2022). In Indonesia, where fiscal decentralization has granted substantial autonomy to regional governments, assessing their financial performance becomes increasingly essential to ensure accountability, transparency, and optimal resource utilization (Machmud & Radjak, 2018; Handayani & Muzdalifah, 2024).

Agency theory provides a relevant theoretical framework for analyzing the relationship between the principal (central government and citizens) and the agent (local governments) in managing public finances. According to this theory, the principal delegates authority to the agent to manage fiscal transfers and local revenues on their behalf, and the agent is expected to act in the principal's best interest by managing resources efficiently and effectively (Mardiasmo, 2012; Mahadewi & Indraswarawati, 2023; Rustiyani & Barus, 2023; Ismayasari et al., 2024). Successful financial performance thus indicates that the agent meets the principal's expectations, while poor performance signals agency problems such as moral hazard and inefficiency.

In this context, several fiscal variables are hypothesized to influence financial performance. Regional Own-Source Revenue (PAD) represents the region's ability to mobilize internal resources and reduce dependency on central transfers (Heryanti, 2019; Pradana & Handayani, 2023). The General Allocation Fund (DAU) and the Special Allocation Fund (DAK), as intergovernmental transfers, are designed to support regional development but may also foster dependency and undermine fiscal discipline (Devi & Tjahjono, 2023; Sari & Halmawati, 2021; Niswani et al., 2022). The Revenue Sharing Fund (DBH) redistributes national resource revenues to producing and non-producing regions, promoting fiscal equity (Mutiara & Astuti, 2020; Mahadewi & Indraswarawati, 2023). Finally, Regional Expenditure reflects the extent to which local governments allocate their budgets effectively to meet developmental and public service priorities (Halim, 2022; Ramadhan et al., 2022; Anynda & Hermanto, 2020).

Despite the importance of these fiscal instruments, North Maluku Province presents a unique case of fiscal management challenges. Table 1 illustrates the dynamics of its regional finances from 2019–2023. PAD remains relatively low, contributing only around 12–14% of total revenues, with the majority of funds still sourced from central

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

transfers such as DAU, DAK, and DBH. During this period, PAD fluctuated from IDR 485 billion in 2019, declining to IDR 412 billion in 2020 (likely due to the pandemic), then rising to IDR 515 billion in 2023. The proportion of PAD to APBD improved slightly from 12.8% in 2019 to 13.8% in 2023. Meanwhile, central transfers consistently dominated, ranging from IDR 2,680 billion to IDR 3,280 billion annually. Infrastructure and public service expenditures remained the largest spending categories, and the province improved its audit opinion from qualified (WDP) in 2019–2020 to unqualified (WTP) in 2021–2023 (BPK & DJPK, 2023).

Table 1. Regional Budget (APBD) of North Maluku Province, 2019–2023

Description	2019	2020	2021	2022	2023
PAD (IDR Billion)	485	412	468	492	515
PAD Ratio (%)	12.8	11.2	12.5	13.1	13.8
Central Transfers (IDR B)	2,850	2,680	2,920	3,150	3,280
Infrastructure Expenditure (%)	45.2	42.8	46.5	47.2	48.5
Public Service Expenditure (%)	32.5	34.2	33.8	34.5	35.2
Audit Opinion (BPK)	WDP	WDP	WTP	WTP	WTP

Source: Directorate General of Fiscal Balance & Audit Board of Indonesia (BPK), North Maluku Regional Office (2023)

While prior studies have examined the influence of PAD, DAU, and Regional Expenditure on financial performance (Machmud & Radjak, 2018; Mahadewi & Indraswarawati, 2023; Rustiyani & Barus, 2023), few have explicitly incorporated DBH, despite its unique characteristics related to natural resource revenue sharing and its potential effects on local fiscal behavior (Arief, 2015; Mahadewi & Indraswarawati, 2023). Additionally, most existing research has focused on more developed or centrally located provinces, leaving a gap in the literature regarding peripheral and less autonomous regions such as North Maluku. This study addresses these gaps by simultaneously analyzing the effects of PAD, DAU, DAK, DBH, and Regional Expenditure on local government financial performance, using North Maluku as a case study. It contributes to

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

the literature by providing evidence from an underexplored region and by including DBH as an explanatory variable, offering a more comprehensive understanding of fiscal decentralization outcomes (Ismayasari et al., 2024; Yuliawati et al., 2024).

Accordingly, this article is structured as follows. Section 2 describes the research methods, including data collection, variable measurements, and analytical approach. Section 3 presents the results of the descriptive statistics and regression analysis. Section 4 discusses the findings in relation to theory and previous literature. Finally, Section 5 concludes and outlines practical and theoretical implications.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

The financial performance of local governments has been extensively studied as a key indicator of fiscal sustainability and public accountability (Mardiasmo, 2012; Anynda & Hermanto, 2020; Permatasari & Trisnaningsih, 2022). Agency theory offers a useful lens to understand this phenomenon by framing the relationship between the principal (central government and citizens) and the agent (local governments) in managing public resources (Mardiasmo, 2012; Mahadewi & Indraswarawati, 2023). When agents act in the best interest of the principal—managing revenues efficiently and allocating expenditures effectively—financial performance improves (Rustiyani & Barus, 2023; Ismayasari et al., 2024).

Regional Own-Source Revenue (PAD) represents the fiscal autonomy of local governments, demonstrating their capacity to mobilize internal resources (Heryanti, 2019; Pradana & Handayani, 2023). Several studies find a positive impact of PAD on financial performance, though others point to insignificant or negative effects due to inefficiency or limited tax bases (Machmud & Radjak, 2018; Mahadewi & Indraswarawati, 2023; Rustiyani & Barus, 2023; Ismayasari et al., 2024).

The General Allocation Fund (DAU), intended to support regional fiscal needs and reduce disparities, is often criticized for fostering dependency rather than encouraging efficiency (Devi & Tjahjono, 2023; Sari & Halmawati, 2021; Niswani et al., 2022). Similarly, while the Special Allocation Fund (DAK) targets specific national priorities and helps to reduce horizontal disparities, its rigid allocation limits local discretion and can diminish fiscal flexibility (Al Habib Ahmad Nasution et al., 2022; Bahl, 2000; Brodjonegoro et al., 2002).

Regional Expenditure plays a central role as a fiscal instrument to finance public services and development. Effective and targeted expenditure is associated with better financial outcomes (Halim, 2022; Ramadhan et al., 2022; Anynda & Hermanto, 2020).

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

Lastly, the Revenue Sharing Fund (DBH) distributes national revenues from natural resources and taxes to regions, promoting fiscal equity but potentially reducing local efforts to increase PAD (Mutiara & Astuti, 2020; Mahadewi & Indraswarawati, 2023; Arief, 2015). Although some studies find DBH improves financial performance (Mahadewi & Indraswarawati, 2023; Arief, 2015), others report insignificant effects (Ismayasari et al., 2024; Yuliawati et al., 2024; Fadilah & Sri Andriani, 2025).

Hypotheses Development

Regional Own-Source Revenue and Financial Performance

Regional Own-Source Revenue (PAD) refers to revenues generated by the local government from taxes, retributions, and other lawful sources within its jurisdiction (Heryanti, 2019; Pradana & Handayani, 2023). From the perspective of agency theory, PAD reflects the agent's (local government's) capacity to mobilize resources independently, reducing dependency on the principal (central government) and enhancing accountability (Mardiasmo, 2012; Mahadewi & Indraswarawati, 2023). Theoretically, higher PAD enables the agent to fund development programs tailored to local needs, improving financial performance by increasing fiscal independence and efficiency (Rustiyani & Barus, 2023; Ismayasari et al., 2024). Empirical findings have been mixed: while Heryanti (2019) and Pradana & Handayani (2023) report a significant positive relationship between PAD and financial performance, others argue that weak institutional capacity and limited economic bases reduce PAD's effectiveness (Machmud & Radjak, 2018; Mahadewi & Indraswarawati, 2023).

H1: Regional Own-Source Revenue (PAD) positively influences the financial performance of local governments.

General Allocation Fund and Financial Performance

The General Allocation Fund (DAU) constitutes unconditional transfers from the central government aimed at financing basic public services and reducing interregional disparities (Devi & Tjahjono, 2023; Sari & Halmawati, 2021). According to agency theory, DAU represents the principal's delegation of resources to the agent to fulfill its public service obligations (Mardiasmo, 2012; Mahadewi & Indraswarawati, 2023). A higher DAU can strengthen fiscal capacity and improve financial performance if used efficiently. However, excessive reliance on DAU may weaken fiscal autonomy and reduce incentives for efficient revenue generation (Machmud & Radjak, 2018; Rustiyani & Barus, 2023).

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

Empirical studies show both positive (Sari & Halmawati, 2021; Niswani et al., 2022) and insignificant or negative effects (Machmud & Radjak, 2018; Neneng Widowati et al., 2024).

H2: General Allocation Fund (DAU) positively influences the financial performance of local governments.

Regional Expenditure and Financial Performance

Regional Expenditure reflects the funds allocated by local governments to deliver public services and implement development programs (Halim, 2022; Ramadhan et al., 2022). Within the agency theory framework, efficient and effective expenditures signify that agents act in alignment with the principal's interests, enhancing financial performance and public trust (Mardiasmo, 2012; Mahadewi & Indraswarawati, 2023). Properly targeted expenditures toward priority areas can improve service delivery, stimulate local economic development, and strengthen fiscal sustainability (Anynda & Hermanto, 2020; Permatasari & Trisnaningsih, 2022). Several empirical studies confirm the positive relationship between regional expenditure and financial performance (Ramadhan et al., 2022; Anynda & Hermanto, 2020; Santi, 2024; Mayanti et al., 2023).

H3: Regional Expenditure positively influences the financial performance of local governments.

Special Allocation Fund and Financial Performance

The Special Allocation Fund (DAK) is earmarked for specific national priorities such as infrastructure and essential services, helping to reduce regional inequalities (Al Habib Ahmad Nasution et al., 2022; Bahl, 2000; Brodjonegoro et al., 2002). Under agency theory, DAK reflects the principal's targeted delegation to ensure certain outcomes. While DAK can support regional development and enhance performance if properly utilized, its rigid earmarking may limit flexibility and reduce fiscal autonomy (Mardiasmo, 2012; Ismayasari et al., 2024).

Empirical evidence is inconclusive: some studies find positive effects (Ardhana, 2023; Putri & Ratnawati, 2023), while others report insignificant or even negative impacts due to mismanagement or overdependence (Yuliawati et al., 2024; Fadilah & Sri Andriani, 2025).

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

H4: Special Allocation Fund (DAK) positively influences the financial performance of local governments.

Revenue Sharing Fund and Financial Performance

The Revenue Sharing Fund (DBH) represents a proportion of central government revenues from natural resources and taxes that is transferred to producing and non-producing regions to promote equity and development (Mutiara & Astuti, 2020; Mahadewi & Indraswarawati, 2023). Within agency theory, DBH is viewed as a mechanism to align agent behavior with the principal's goals by compensating for resource extraction and encouraging local development (Mardiasmo, 2012). On the one hand, DBH can improve fiscal capacity and performance; on the other, it may foster dependency and reduce local revenue mobilization efforts (Arief, 2015; Mahadewi & Indraswarawati, 2023). Empirical findings are similarly mixed, with studies reporting both positive (Arief, 2015; Mahadewi & Indraswarawati, 2023) and insignificant effects (Ismayasari et al., 2024; Yuliawati et al., 2024; Fadilah & Sri Andriani, 2025).

H5: Revenue Sharing Fund (DBH) positively influences the financial performance of local governments.

RESEARCH METHODOLOGY

Research Design and Data

This study employs a quantitative research design with explanatory purposes, aiming to analyze the effect of Regional Own-Source Revenue (PAD), General Allocation Fund (DAU), Regional Expenditure (BD), Special Allocation Fund (DAK), and Revenue Sharing Fund (DBH) on the financial performance of local governments. The study focuses on all regencies and municipalities in North Maluku Province, Indonesia, over the period 2019–2024. The dataset consists of panel data (cross-sectional and time-series) with a total of 60 observations (10 regions × 6 years). A saturated sampling method was applied since the population was small and accessible in its entirety.

Data Sources

Secondary data were obtained from audited financial reports of the regional governments, as published by the Audit Board of Indonesia (BPK) and the Directorate General of Fiscal Balance (DJPK), available at https://djpk.kemenkeu.go.id. Specifically, the following reports were used:

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

- Local Government Budget Realization Reports (LRA) for PAD, DAU, DAK, DBH, and Regional Expenditure.
- BPK audit reports for financial performance indicators.

Variable Measurement

The variables in this study consist of one dependent variable and five independent variables, measured using established indicators derived from previous studies and government guidelines. The dependent variable, financial performance, is measured using the efficiency ratio, which reflects the proportion of actual expenditure to total revenue. A lower efficiency ratio indicates better financial performance, as it reflects the government's ability to deliver services at lower cost (Mardiasmo, 2012).

The independent variables include Regional Own-Source Revenue (PAD), General Allocation Fund (DAU), Regional Expenditure (BD), Special Allocation Fund (DAK), and Revenue Sharing Fund (DBH), all expressed in Indonesian Rupiah (IDR) billion. These fiscal variables are commonly used in the literature as proxies for local fiscal capacity and fiscal transfers (Heryanti, 2019; Mahadewi & Indraswarawati, 2023).

Table 2 summarizes the definitions, measurements, and data sources of the variables.

Variable	Definition	Measurement / Unit	Data Source
Dependent Variable			
Financial Performance (KKPD)	Efficiency of regional financial management	Efficiency Ratio = (Total Expenditure / Total Revenue) × 100%; lower values indicate better performance	BPK, DJPK
Independent Variables			
Regional Own-Source Revenue (PAD)	Revenues generated from local taxes, retributions, and other lawful sources	Total PAD (IDR billion)	BPK, DJPK
General Allocation Fund (DAU)	Unconditional transfers from central government to support basic services	Total DAU (IDR billion)	BPK, DJPK

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

International Journal of Economics, Business and Innovation Research
https://e-journal.citakonsultindo.or.id/index.php/IJEBIR
E-ISSN : 2964-0865
IJEBIR

Variable	Definition	Measurement / Unit	Data Source
Regional Expenditure (BD)	Total government spending for public services and development programs	Total BD (IDR billion)	BPK, DJPK
Special Allocation Fund (DAK)	Earmarked transfers for specific national priorities	Total DAK (IDR billion)	BPK, DJPK
Revenue Sharing Fund (DBH)	Transfers of central government revenues from natural resources and taxes	Total DBH (IDR billion)	BPK, DJPK

Analytical Approach

Data were analyzed using multiple linear regression with panel data, combining cross-sectional and time-series dimensions. The model specification is as follows:

$$KKPD = \alpha + \beta1PAD + \beta2DAU + \beta3BD + \beta4DAK + \beta5DBH + \varepsilon$$

where:

KKPD = Financial performance of region

PAD, DAU, BD, DAK, DBH: Independent variables as defined above

α = Konstanta

β1-β5 = Coefficients of independent variables

ε = Error.

Software and Classical Assumption Tests

The regression analysis was conducted using EViews 13. Prior to hypothesis testing, the data were subjected to classical assumption tests, including:

- Normality Test: Jarque–Bera statistic.
- Multicollinearity Test: Correlation matrix to ensure no correlations > 0.8 among independent variables.
- Goodness-of-fit: R^2, Adjusted R^2, and F-test.

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

International Journal of Economics, Business and Innovation Research
https://e-journal.citakonsultindo.or.id/index.php/IJEBIR
E-ISSN : 2964-0865
IJEBIR

RESULT AND DISCUSSION

Result

Descriptive Statistics

Table 3 presents the descriptive statistics of the dependent and independent variables. The results show substantial variation across regions and over time, reflecting differences in fiscal capacity and budget execution. The average financial performance (KKPD) efficiency ratio is 0.96, with a minimum of 0.77 and maximum of 1.29, indicating varying levels of efficiency among local governments. PAD averages at IDR 62.6 billion, but ranges from as low as IDR 4.38 billion to IDR 231.66 billion, suggesting disparities in internal revenue generation. Central transfers (DAU, DAK, DBH) and regional expenditures also exhibit wide ranges, reflecting both structural and managerial differences among the regions..

Table 3. Descriptive Statistics

	KKPD	PAD	DAU	BD	DAK	DBH
Mean	0.964703	62.604	482.537	944.672	183.409	178.250
Median	0.983094	54.850	462.775	888.780	167.545	89.255
Maximum	1.296654	231.660	767.330	2.126.320	357.080	1.358.300
Minimum	0.775040	4.380	48.130	321.970	94.600	19.540
Std. Dev.	0.093284	48.044	120.934	319.498	63.023	244.175
Skewness	0.503217	1.397463	-0.057342	1.396336	1.134473	2.827496
Kurtosis	4.737349	5.157123	4.997740	5.721017	3.795864	11.68106
Observations	60	60	60	60	60	60

Source: Authors' calculation (2025)

Classical Assumption Tests

Before estimating the regression model, classical assumptions were tested to ensure the validity of the results. The Jarque–Bera test statistic was 3.145 ($p = 0.207$), indicating that the residuals are normally distributed ($p > 0.05$). The correlation matrix (Table 3) shows no correlation coefficient above 0.8 among the independent variables, suggesting the absence of multicollinearity.

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

International Journal of Economics, Business and Innovation Research
https://e-journal.citakonsultindo.or.id/index.php/IJEBIR
E-ISSN : 2964-0865
IJEBIR

Table 4. Correlation Matrix of Independent Variables

	KKPD	PAD	DAU	BD	DAK	DBH
KKPD	1.000000	0.012075	0.162833	0.208493	0.044520	-0.049775
PAD	0.012075	1.000000	0.533946	0.727732	0.216924	0.530031
DAU	0.162833	0.533946	1.000000	0.670931	0.492971	0.096856
BD	0.208493	0.727732	0.670931	1.000000	0.539981	0.460183
DAK	0.044520	0.216924	0.492971	0.539981	1.000000	-0.040224
DBH	-0.049775	0.530031	0.096856	0.460183	-0.040224	1.000000

Source: Authors' calculation (2025)

Model Fit

The coefficient of determination (R^2) is 0.136, meaning that approximately 13.6% of the variation in financial performance is explained by the five independent variables. The F-test statistic was not significant (p = 0.152), suggesting that the model, as a whole, does not significantly explain the variation in the dependent variable.

Table 5. Model Fit Statistics

Statistic	Value
R Square	0.136
Adjusted R Square	0.056
F-Statistic	1.695
Prob (F Statistic)	0.152

Source: Authors' calculation (2025)

Regression Results

Table 6 summarizes the results of the panel data regression. Among the independent variables, only Regional Expenditure (BD) has a significant positive effect on financial performance (p < 0.05). PAD, DAU, DAK, and DBH do not significantly influence financial performance at the 5% level.

Table 6. Regression Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.890696	0.051761	17.20800	0.0000
PAD	-6.430581	3.831263	-1.678449	0.0990

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

DAU	4.390605	1.385843	0.316818	0.7526
BD	1.866480	7.125417	2.619468	0.0114
DAK	-3.862835	2.397758	-1.611020	0.1130
DBH	-6.953314	6.113537	-1.137364	0.2604

Source: Authors' calculation (2025)

In summary, the results indicate that Regional Expenditure positively and significantly affects financial performance, consistent with the notion that efficient and targeted spending improves fiscal outcomes. In contrast, PAD, DAU, DAK, and DBH do not show significant effects, suggesting that these revenues and transfers may not be optimally utilized to improve performance.

DISCUSSION

Regional Own-Source Revenue (PAD) and Financial Performance

The results indicate that PAD does not significantly influence financial performance of local governments in North Maluku. Based on agency theory (Mardiasmo, 2012), higher PAD is expected to strengthen fiscal autonomy and accountability, as the agent (local government) has greater control over its own resources and stronger incentives to act in the principal's (citizens') interest. However, in practice, the limited magnitude of PAD in North Maluku — averaging only 12–14% of total revenues — suggests that its contribution is insufficient to meaningfully improve performance. Weak economic bases, limited tax potential, and inefficiencies in revenue collection may further undermine its effectiveness. This finding is not in line with studies by Heryanti (2019) and Pradana & Handayani (2023), who found a positive relationship, but is consistent with Machmud & Radjak (2018), Mahadewi & Indraswarawati (2023), and Rustiyani & Barus (2023), who report PAD often fails to enhance financial performance in regions with low capacity and weak governance.

Regional Expenditure (BD) and Financial Performance

The analysis shows that DAU does not significantly affect financial performance. Agency theory posits that fiscal transfers, such as DAU, provide resources for agents to fulfill their duties and improve performance (Mardiasmo, 2012). However, excessive dependency on unconditional transfers can foster complacency, weaken fiscal discipline, and reduce incentives to optimize spending. In North Maluku, DAU forms a major part of

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

the budget, but its utilization appears to be less effective, reflecting agency problems and weak institutional controls. This finding is contrary to the results of Sari & Halmawati (2021) and Niswani et al. (2022), who find positive effects of DAU, but supports the findings of Machmud & Radjak (2018), Rustiyani & Barus (2023), and Neneng Widowati et al. (2024), who highlight its potential to encourage dependency and inefficiency.

Regional Expenditure and Financial Performance

The study finds that Regional Expenditure significantly and positively affects financial performance, suggesting that effective and targeted spending enhances service delivery and improves fiscal outcomes. This result aligns with agency theory, which posits that agents acting in the principal's interest — through efficient budget execution and prioritization of public needs — achieve better performance (Mardiasmo, 2012). In North Maluku, expenditures allocated toward development and public services appear to be the key driver of performance improvement. This finding is consistent with previous studies by Anynda & Hermanto (2020), Permatasari & Trisnaningsih (2022), Santi (2024), and Ramadhan et al. (2022), which emphasize the importance of spending efficiency and proper budget management..

Special Allocation Fund (DAK) and Financial Performance

The results show that DAK does not significantly influence financial performance. Although DAK is intended to finance national priority programs and reduce disparities (Al Habib Ahmad Nasution et al., 2022; Brodjonegoro et al., 2002), its rigid, earmarked nature may limit flexibility and reduce its impact on overall fiscal performance. Moreover, agency problems — such as misallocation or ineffective use of DAK — may further weaken its contribution. This finding is inconsistent with studies by Ardhana (2023) and Putri & Ratnawati (2023), who report a positive effect, but aligns with findings by Ismayasari et al. (2024), Yuliawati et al. (2024), and Fadilah & Sri Andriani (2025), who argue that DAK's effectiveness is often undermined by poor planning and weak oversight.

Revenue Sharing Fund (DBH) and Financial Performance

The findings indicate that DBH does not significantly affect financial performance. Although DBH provides additional resources and compensates producing regions (Mutiara & Astuti, 2020), over-reliance on DBH may create fiscal dependency and reduce efforts to improve internal revenue or spending efficiency. The lack of significant effect in North Maluku suggests that DBH is not optimally managed to enhance performance,

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

consistent with the agency theory view of potential opportunism by agents (Mardiasmo, 2012). This result is not in line with studies by Arief (2015) and Mahadewi & Indraswarawati (2023), who find positive effects of DBH, but supports the findings of Ismayasari et al. (2024), Yuliawati et al. (2024), and Fadilah & Sri Andriani (2025), who highlight the persistent inefficiencies and dependency associated with DBH.

In summary, the findings suggest that only Regional Expenditure has a significant and positive influence on financial performance, underscoring the importance of effective budget allocation and execution. The insignificant effects of PAD, DAU, DAK, and DBH point to structural and institutional challenges, such as fiscal dependency, low revenue potential, and agency problems in North Maluku.

These results contribute to the literature by reinforcing the critical role of spending efficiency in achieving fiscal performance, while also highlighting the limitations of revenue-based and transfer-based approaches when not accompanied by strong governance and institutional capacity.

CONCLUSION AND IMPLICATIONS

This study examined the impact of Regional Own-Source Revenue (PAD), General Allocation Fund (DAU), Regional Expenditure (BD), Special Allocation Fund (DAK), and Revenue Sharing Fund (DBH) on the financial performance of local governments in North Maluku Province, Indonesia, over the period 2019–2024. The findings reveal that only Regional Expenditure has a positive and significant effect on financial performance, indicating that effective and targeted spending improves fiscal outcomes. In contrast, PAD, DAU, DAK, and DBH do not significantly influence financial performance, suggesting that these revenue sources and transfers are not fully optimized to enhance efficiency. These results suggest that the financial performance of local governments in peripheral and resource-constrained regions is driven more by budget execution quality than by the magnitude of revenues or transfers, reflecting persistent agency problems, fiscal dependency, and institutional limitations.

From a theoretical perspective, the findings support the predictions of agency theory, which emphasizes the importance of agents (local governments) aligning their actions with the principal's (citizens' and central government's) interests through efficient spending and accountability. The insignificant effects of PAD, DAU, DAK, and DBH highlight that fiscal autonomy and transfers alone are insufficient to improve performance without strong governance and institutional capacity. Practically, the results underscore the need for policy interventions that strengthen budget planning, monitoring, and

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

execution, reduce fiscal dependency, and build local capacity to mobilize and utilize revenues effectively. Capacity-building programs and stricter oversight mechanisms should be prioritized to address inefficiencies in managing both own-source revenues and intergovernmental transfers.

Future research could extend this study by Exploring moderating variables such as governance quality, institutional capacity, or political factors that may influence the relationship between fiscal variables and financial performance, conducting comparative studies across provinces with different levels of fiscal autonomy and economic development to enhance generalizability, and employing qualitative approaches to uncover deeper institutional and behavioral explanations for inefficiencies observed in local government finances.

REFERENCES

Al Habib Ahmad Nasution, S., Zainal Arifin, K., & Choiruddin, C. (2022). Pengaruh Pendapatan Asli Daerah, Dana Alokasi Khusus dan Sisa Lebih Pembiayaan Anggaran Terhadap Alokasi Belanja Modal Pada Pemerintahan Daerah Kabupaten/Kota Di Provinsi Sumatera Selatan Tahun Anggaran 2016-2020. SIBATIK JOURNAL: Jurnal Ilmiah Bidang Sosial, Ekonomi, Budaya, Teknologi, Dan Pendidikan, 1(9), 1637–1656. https://doi.org/10.54443/sibatik.v1i9.217

Anisa, B. C. (2020). Pengaruh Pendapatan Asli Daerah, Belanja Daerah, Dana Perimbangan dan Leverage Terhadap Kinerja Keuangan Pemerintah Daerah Provinsi Jawa Timur. https://doi.org/http://eprints.perbanas.ac.id/id/eprint/7335

Anynda, N. S., & Hermanto, S. B. (2020). Pengaruh Rasio Kemandirian Daerah, Efektifitas Pendapatan Asli Daerah, dan Pengelolaan Belanja Daerah Terhadap Kinerja Keuangan Daerah. Jurnal Ilmu Dan Riset Akuntansi , 9(10), 1–20. https://doi.org/https://jurnalmahasiswa.stiesia.ac.id/index.php/jira/article/view/3690

Ardhana, M. A. (2023). Pengaruh Belanja Daerah, Dana Alokasi Umum dan Dana Alokasi Khusus Terhadap Kinerja Pengelolaan Keuangan. In MARS Journal (Vol. 3, Issue 1). https://doi.org/https://doi.org/10.59583/mars.v3i1.23

Arief, I. (2015). Pengaruh Pendapatan Asli Kabupaten/Kota, Dana Alokasi Umum, Dana Otonomi Khusus dan Dana Bagi Hasil Terhadap Kinerja Keuangan Kabupaten/Kota Pemekaran di Provinsi Aceh. Jurnal Telaah Dan Riset Akuntansi, 8(2), 109–118. https://doi.org/http://jurnal.unsyiah.ac.id/tra

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

Bahl, R. W. (2000). Intergovernmental Transfers in Developing and Transition Intergovernmental Transfers in Developing and Transition Countries Countries-transfers-in-developing-and-transition-countries-principles-and-practice. https://doi.org/https://scholarworks.gsu.edu/cgi/viewcontent.cgi?article=1096&context=econ_facpub

Brodjonegoro, B., Martinez-Vazquez, J., & Young, A. (2002). An Analysis of Indonesia's Transfer System: Recent Perfomance and Future Prospects. https://doi.org/https://icepp.gsu.edu/files/2015/03/ispwp0213.pdf

Devi, A. A., & Tjahjono, A. (2023). Pengaruh Pendapatan Asli Daerah (PAD), Dana Alokasi Umum (DAU), Dana Alokasi Khusus (DAK), dan Dana Bagi Hasil (DBH) Terhadap Belanja Modal Pada Provinsi Daerah Istimewa Yogyakarta Periode 2017-2020. https://doi.org/https://doi.org/10.32477/jrabi.v3i3.778

Fadilah, A. F., & Sri Andriani, S. (2025). Pengaruh Pendapatan Asli Daerah, Belanja Modal, dan Dana Perimbangan Terhadap Kinerja Keuangan Pemerintah Daerah di Indonesia dengan Partisipasi Masyarakat sebagai Variabel Moderasi. Jurnal Akuntansi Bisnis, 23(1), 179–198. https://doi.org/https://journal.unika.ac.id/index.php/jab/article/view/13363/pdf

Halim, A. (2022). Akuntansi Sektor Publik : Akuntansi Keuangan Daerah. Salemba 4 : Jakarta. .

Handayani, N. A., & Muzdalifah, M. (2024). Pengaruh Pendapatan Asli Daerah (PAD) dan Dana Perimbangan Terhadap Kinerja Keuangan Pemerintah Daerah Kabupaten dan Kota di Provinsi Kalimantan Selatan Tahun 2012-2021. JIEP: Jurnal Ilmu Ekonomi Dan Pembangunan, 7(2), 421–434. https://doi.org/https://doi.org/10.20527/jiep.v7i2.312

Heryanti, C. D. (2019). Pengaruh Pendapatan Asli Daerah, Dana Perimbangan dan Pertumbuhan Ekonomi Terhadap Kinerja Keuangan Pemerintah Kabupaten/Kota Di Provinsi Jawa Timur. Jurnal Ilmu Dan Riset Akuntansi, 8(8). https://doi.org/https://jurnalmahasiswa.stiesia.ac.id/index.php/jira/article/view/4261

Ismayasari, C., Ariessa, Y., & Budi, W. (2024). Pengaruh Pendapatan Asli Daerah, Dana Alokasi Umum, Dana Alokasi Khusus dan Bagi Hasil Terhadap Kinerja Keuangan Pemerintah Eks Karesidenan Surakarta Tahun Anggaran 2016-2023. Jurnal Ilmiah Manajemen Dan Akuntansi, 1(4), 48–57. https://doi.org/10.69714/7d235309

Machmud, J., & Radjak, L. I. (2018). Pendapatan Asli Daerah, Dana Alokasi Umum dan Dana Alokasi Khusus Terhadap Kinerja Keuangan Pemerintah Kabupaten

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

Gorontalo. Journal of Accounting Science, 2(1), 17–32. https://doi.org/10.21070/jas.v2i1.1106

Mahadewi, M. A. M., & Indraswarawati, S. A. P. A. (2023). Pengaruh Ukuran Pemerintah Dearah, Belanja Modal, Dana Perimbangan, dan Pendapatan Asli DaerahTerhadap Kinerja Keuangan Pemerintah Daerah Kota/Kabupaten di Provinsi Bali. Hita Akuntansi Dan Keuangan , 4(2), 107–116. https://doi.org/https://doi.org/10.32795/hak.v4i2.4031

Maharani, N., Maria, M., & Armaini, R. (2025). Pengaruh Pendapatan Asli Daerah, Dana Alokasi Umum, dan Belanja Modal Terhadap Kinerja Keuangan Pemerintah Daerah di Sumatera dan Jawa Tahun 2018-2022. Jurnal Media Wahana Ekonomika, 21(4), 576–589. https://doi.org/https://doi.org/10.31851/jmwe.v21i4.15889

Mardiasmo, M. (2012). Akuntansi Sektor Publik. Yogyakarta : ANDI.

Mayanti, F., Rizky, F., & Ariansyah, R. (2023). Pengaruh Kemandirian, Efektivitas PAD dan Belanja Daerah terhadap Kinerja Keuangan Kabupaten/Kota di Aceh. SingKite Journal; Management, Business and Entreprenuership., 2(2), 31–38. https://doi.org/https://doi.org/10.63855/skt.v2i2.19

Mutiara, A., & Astuti, Y. P. (2020). Pengaruh Pendapatan Asli Daerah, Dana Alokasi Umum, Dana Alokasi Khusus dan Dana Bagi Hasil terhadap Belanja Modal (Vol. 1, Issue 1). https://doi.org/http://jabko.upstegal.ac.id/index.php/JABKO

Neneng Widowati, Deden Mulyana, & Apip Supriadi. (2024). Pengaruh Pendapatan Asli Daerah, Dana Alokasi Umum, Dana Alokasi Khusus, Dana Bagi Hasil dan Jumlah Penduduk terhadap Kinerja Keuangan Pemerintah Daerah. Jurnal Nuansa : Publikasi Ilmu Manajemen Dan Ekonomi Syariah, 2(3), 413–433. https://doi.org/10.61132/nuansa.v2i3.1252

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

Permatasari, D. A., & Trisnaningsih, S. (2022). Pengaruh Kemandirian, Efektifitas Pendapatan Asli Daerah dan Belanja Daerah Terhadap Kinerja Keuangan Daerah. Jurnal Ilmiah Universitas Batanghari Jambi, 22(3), 1573. https://doi.org/10.33087/jiubj.v22i3.2581

Pradana, E. Y., & Handayani, N. (2023). Pengaruh Pendapatan Asli Daerah, Dana Alokasi Umum, Dana Alokasi Khusus Terhadap Kinerja Keuangan Pemerintah

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

Daerah. JIAKu Jurnal Ilmiah Akuntansi Dan Keuangan, 2(2), 192–209. https://doi.org/10.24034/jiaku.v2i2

Putri, S. P., & Ratnawati, D. (2023). Pengaruh PAD, Dana Perimbangan, dan SILPA Terhadap Kinerja Keuangan Pemerintah Daerah. Jesya, 6(2), 2068–2082. https://doi.org/10.36778/jesya.v6i2.1230

Ramadhan, M., Kustiawan, M., & Fitriana, F. (2022). Pengaruh Pendapatan Asli Daerah, Pengelolaan Belanja Daerah, Dan Kemandirian Keuangan Daerah Terhadap Kinerja Keuangan Daerah. Jurnal Syntax Transformation, 3(03), 405–413. https://doi.org/10.46799/jst.v3i3.522

Rustiyani, N., & Barus, I. S. L. (2023). Pengaruh PAD, Dana Perimbangan dan Belanja Modal terhadap Kinerja Keuangan Pemerintah Daerah Kabupaten Bandung Barat. In Jurnal Riset Akuntansi Politala (Vol. 6, Issue 2). https://doi.org/https://doi.org/10.34128/jra.v6i2.167

Santi, Y. (2024). Pengaruh Pendapatan Asli Daerah, Dana Perimbangan, dan Belanja Daerah terhadap Kinerja Keuangan Pemerintah Daerah (Studi Kasus di Kalimantan Timur Masa Pandemi Covid-19). Jurnal Audit Dan Perpajakan (JAP), 4(2), 37–48. https://doi.org/https://doi.org/10.47709/jap.v4i2.5722

Saputri, S. H., & Kurnia, K. (2020). Pengaruh Dana Perimbangan, Belanja Daerah, dan Pendapatan Asli Daerah terhadap Kinerja Keuangan Daerah. https://doi.org/https://jurnalmahasiswa.stiesia.ac.id/index.php/jira/article/view/2760

Sari, B. I., & Halmawati, H. (2021). Pengaruh Pendapatan Asli Daerah, Dana Alokasi Umum dan Belanja Daerah Terhadap Kinerja Keuangan Pemerintah Daerah Kabupaten/Kota di Provinsi Sumatera Barat. JEA Jurnal Eksplorasi Akuntansi, 3(1), 1–11. https://doi.org/http://jea.ppj.unp.ac.id/index.php/jea

Simamora, C. W., & Budiwitjaksono, G. S. (2022). Analisis Pendapatan Asli Daerah (PAD), Dana Alokasi Umum dan Belanja Modal terhadap Kinerja Keuangan Pemerintah Daerah Pada Kabupaten/Kota di Provinsi Sumatera Utara Tahun 2018-2020. Ekonomis: Journal of Economics and Business, 6(2), 410. https://doi.org/10.33087/ekonomis.v6i2.547

Yuliawati, S., Zuliyana, M., & Sasiska, R. (2024). Pengaruh Pendapatan Asli Daerah (PAD), Dana Perimbangan dan Belanja Modal terhadap Kinerja Keuangan Pemerintah Daerah Kab/Kota di Provinsi Sumatera. Jurnal Riset Akuntansi Tridinanti, 6(1), 13–29. https://doi.org/https://doi.org/10.52333/jurnalratri.v6i1.747

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

International Journal of Economics, Business and Innovation Research
https://e-journal.citakonsultindo.or.id/index.php/IJEBIR
E-ISSN : 2964-0865
IJEBIR

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.