INFLUENCE OF INCOME AND BALANCED FUNDS ON FINANCIAL AUTONOMY WITH ASSETS MANAGEMENT OF REGIONAL GOVERNMENT IN INDONESIA

Abstract This research was conducted to determine the impact on regional revenues with balance *tunds* to *tinunci N* independence as measured through asset management as variable moderators in city government in Indonesia. U sing the theory of analysis, the path is expected to estimate the value or regional revenues and balanced *tunds* in init uencing the *tinancial* independence of a region. Measurement is done with the measurement scule of respondents using ordinal data. Furthermore, it is measured using direct and indi rect variables with asset management variables as a moderator. The main finding in this study is that there is no sign of regional revenues to asset management and the managerilent of regional financial independence. Several factors have been described, one r>i which is that local income from tuxes tends to get negative results because there is no direct reward to the people in the area. This study also resulted in the impact of *ti* nd*i rigs* that the equalization that occurs with the *cxi* stence r>t financial independence managed by local governments becomes very focused and achieves targets to publ ie sectors such as education, health, und infrastructure. Thi s study hypothesizes that regional income has no significant effect on asset rilunagerilent and financial independence management set in asset management, und the management of assets impacts financial autonomy.

Keywords: Regional income, Balance f nude, Asset Management. Financial Autonomy.

Jel C falsification: f:34, HH, Nl4

1. Introduction

The implementation *rat* regional autonomy gave birth to fiscal decentrulination with independent local government pt anning and regional ii nuricial management. Regional autonorily is how the central government pmvides independence for its regions in ti mince (Ta_{\bullet} i e^{\bullet} g et at .. 2()21). With its tiscuJ autonomy, the government cun do the creativity *rat* public services by developing adequate infrastructure f acidities that become the community's needs in each region. In the implementation of regional autonomy, each part is allowed to explore the sources of regional incorile. The pmvincial revenues collected do not incur high costs und do not impede the mobility of the population, truf tic of goods/servicc» between region». and export/import acti cities. The latest literture explains that the convergence of regional incomes is getting a lot of attention fmm policymakers by following econorilic relations and globalization (Y aya et at .. 2()2()).

Regional revenue management is a local government strategy to conduct asset management in terms rii allocation and realization. In terms of asset management, the locul government cun allocate capital expenditures to pmduce gumity and optimal assets in providing services to the community. An example of (Fang, 2(J2()) is that the statistic GDP of regional economic income will be obtained from the level of percapita income of the region. (Hlobil &viin LeuvensteJi• 2(12()) Explained that asset managerilent will run well if try 11 rowed by investment advice as a basi s in determining future decisions. Asset managerilent objectives in the future are directed to ensure the sustainable capacity development of local government. It is required to develop or optimize the utilization or regional assets to increase provincial revenues, which will be used to fi nunce activities to achieve opti rilal tulf ill ment of regional revenues and balunci rig funds, tinancing receipts are alen important to asset rilanagerilent and regional financial independence. Balance funds are used as strategic management efforts (Supervisore) tmm the bottom arid out to see the impact or each manageril attempt as pa R roi regional financial independence (Kim &Ryu, 2(117). Balance fund is one of the variable short-term econorilic conditions

and becomes the most frequently cited factor for financing analysis (Bruck &Miltenberger, 2013). The implementation of development requires a very large source of financing, especially for investments whose sources of funding are sourced from the community. So it requires a very detailed financing analysis. Pamekasan district government which is part of the autonomous region in financing the operation of its government to build in all its affairs both in the function of mandatory affairs and affairs financed by regional revenues and balance funds, namely the general allocation furxl of special allocation funds and revenue sharing funds and differences in the calculation of the previous yens budget. The funds are allocated and the level of realization from 201 6 to 2U 19 to have a significant effect on regional financial independence in Pamekasan Regency requires asset management based on functional principles, legal certainty , transparency , openness efficiency, and accountability and value assurance.

Based on the description above, the researchers are interested in conducting a study by including several variables as part of the novelty. The novelty is 1). The need for asset management for local governments as intervening variables that mediate the influence of regional revenues, balanoed funds, and regional financing receipts to regional financial autonomy; 2). Adding capital expenditure as moderating variables that moderate the impact of restricted income, balanoed funds, arid provincial financing receipts to regional financial autonomy; 3)—making capital expensitive as a moderating variable that mediates the influence of regional asset management on financial independence. Novelty above laier researchers can find out the impact of regional income, balance funds, financing receipts to regional financial autonomy with regional asset management as intervening variables and capital expenditure as moderating variables in pamekasan district government.

Problem Formulation:

- 1. Does local revenue affect the management of regional assets in the district government?
- 2. Does local income affect the financial in&pendence of the regional district government?
- 3. Does the balance fund affect the management of local assets in district government?
- 4. Does the balance fund affect the financial independence of the district government?
- 5. Does regional asset management affect the financial independence of the regional district government?
- 6. Does regional revenue affect regional financial independence through regional asset management in district government?
- 7. Does the balance fund affect the independence of the regional finance through the management nf reginnal assets in the district government?

2. Literature Review

2.7 Regional revenue and asset iiianagemeni

The force of law relating to regional income is strongly related to political and ethnic tensions, thus becoming a threat to social inequality (Kanbur &Zhang, 2U05). Arxi what is worse is, income inequality and inequality in the region tend to occur in developing countries tenet to persist or worsen (Breau, 2015). Therefore, selective management of central and local governments is required to widen the gap. F-rom the assumption of irrelevant perfect competition, it is often explained that income inequality occurs in many developing countries (Wei et al., 2015). Each region has different levels of urbanization and climate change and is vulnerable to hazards. An effective and efficient asset management process will significantly help improve regional planning and development (Kull et al., 2016). Explained in Government Regulation No. 27 of 2014 concerning Management of State/Regional Property must be implemented based on functional principles, legal certainty, transparency, efficiency, accountability, and value assurance. These management principles should be used as guidelines in asset management, starting from the planning stage to the development, supervision, and control stages. The locations in the direction of State/Regional Property include:

- a) Planning needs arid budgeting;
- b) Procurement;

- c) Usage;
- d) Utilization;
- e) Security and Maintenance;
- f) Assessment;
- g) Peemindahtanganan;
- h) Extermination;
- i) Deletion;
- i) Administration; und
- k) Coaching, supervision, und control

Asset management is the Management of State/Regional Pmperty that is carried out based on functional principles, legal certainty, transparency, efficiency, accountabil ity, and value certainty with the basic principles of regional asset management covering three rna in things, namel y (1) PI unning und Procurement; (2) Implementation, und (3) Supervision and Control.

Balance Fund urid Financial Independence

Various indications from the findings (van Eeghen. 2021). arilong others. that finuncing for local needs will not add anything to the total balance sheet of the *tinencial* sector. and currency elasticity will greatly increase the scope of balance sheet expansion. Based on another theory of. buJanoe funds in Indonesia have similar meanings with transfer income. Clue part of the trunsfer fund grunts. Grants are a a i-source of income for local governments in rilany countries. The pmvision of this uid has three main reasons: increasing the regional revenue source. meeting the excessive needs of limited income from a part rent ur region, and impmving speci*iic* pmgrams by giving control over theril. There are sevenl assumptions. Clue of them is fmm (Scutariu &Scutari u. 2(I 15) state that the probleril of financial independence of the public sector can not be explained by only looking at one theory but must be based on some experts and experts with some literature. In view (Petkovska. 2()1 1), financial independence should incus on the Ability of Institutions to manage and channel their finances independently. without being *i niluenced* by outside parties. The Ratio of Regional Financial Independence described the regions dependence on transfer revenues provided in the form of Revenue Sharing Fund. Geneml Allocation Fund. Special Allocation Fund. The higher the rutio of regional *iinunciN* independence, the lower the dependence on central government assistance.





3. Method

They were pt arming this research using quantitative analy si s with a causal explanatory paradigm (Rahman &Sairna, 2(11 h). This study explains the variable relationship between variables and hypothesis testing that has been formulated before und aims to present various research events and phenomena. The region government conducted the research location with the main data source. namely Pamekasan District Finance Agency as The Regional Financial Management Ciificer and the Regional

F-inancial Management Task Force receiving the State Budget Balance Fu nd consolidated entities, namely the entire regional Perangkat WoikUnit. Based on the provisions of the selection of sample samples above, then each Regional Device Work Unit sample consists of 3 officials, plus one regional financial management officials so that the total for 42 Regional Device Work Units is as many as 99 people, plus one regional financial management officer, namely the Regional General Treasurer. So the total sample is taken, 100 people. The data analysis in this study was conducted using the *Struc tiirnl Eqnstir Mr*>*del* method based on partial least square. The sofiware used for structural analysis is smaitPLS (Nugroho et al. 2021).

- 1. It uses areflective measurement model thai connects all manifest variables with laient variables. In this case, the indicator can only be associated with one variable.
- 2. The type of data used does not have to follow the assumption of normality.
- 8. Use non-metric ratio scales (ordinal and nominal)
- 4. The purpose of using PLS-SEM is to predict the value of endogenous variables and further the development of theory.
- 5. Use a relationship model with a path chart

Table 1. PLS-SEM Model Measurement

Criteria	description		
Composite	Internal consistency measurement 0.6		
Reliability			
Indicator Reliability	Loading absolute default outside with a value off 0.7		
AVE	Average variant extract with a value of 0.5, used for determining		
	the validity of convergents		

4. Result

Validity testing using the outer PLS model shows two indicators of financial independence should be discarded because they have values below 0.6 and negative. So a second test was conducted to get the perfect validity test result.



Figure 2. Outer Loading Model 1

The reliability and validity of constructs can assess whether or not latent variables are further studied in this study.



Figure 3. Outer Loading Model 2

Variable latent regional income (X1) has a value of Cronbach's alpha of 1 with a value of rho_A of 1, while composite reliability is 0.945 and greater than 0.6. It is stated that this variable is valid and reliable for further review.

Variable latent fund balancing (X2) has a value of Cionbach's alpha of 0.923 with a rho_A value of 0.925, while composite reliability is 0.951 and greater than 0.6. It is stared that this variable is valid and reliable for further review.

Variable latent asset management (Z) has a Cronbmh's alpha value of 0.923 with a rho_A value of 0.936, while composite reliability is 0.945 and greater than 0.6. It is stated that this variable is valid and reliable for further review.

Variable latent financial autonomy (Y) has a value of Cronbach's alpha of 0.851 with a rho_A value of 0.858, while composite reliability of 0.909 and is more significant than 0.6. It is stated that this variable is valid and reliable for further review.

Table 2. Contruct Reliability and Validi	Table 2	. Contruct	Reliability	and Validit
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Variable	Cronbacli's Alpka	rho_A	Composite Reliability
Regional Income	1	1	0,954
Fund Balancing	0,923	0,925	0,951
Asset Management	0.923	0.936	0.945
Financial Autonomy	0,851	0,858	0,909



Testing of T-Statistical and P-V alues values for coefficients of path

Figure 4. Bootstrapping Running

F-rom figure 4 conducted bootstrapping running obtained the results of analysis of hypothesis testing direct influence;

- 1 . Regional income negaively and insignificantly affects asset management with an original sample value of 0.042. This indicates that the higher the regional income, the lower the asset management. Then the coefficient of T-statistic test results showed a significant level of 0.413 smaller than T-Table with 100 responeents was 1,660 and supported by P-values > of 0.05, which is 0.6d0.
- 2. F-und balancing has a positive and significant effect on asset management with an original sample value of 0.196. This indicates that the higher income, the higher the asset management rate. Then the coefficient of T-statistic test results showed a significance level of 2,164 greater than T-Table with 10€J respondents was 1,h6€J and supported by P-values < from 0.05, which is 0.031.
- 3. Regional income negatively arid insignificantly affects financial autonomy with an original sample value of 0.OCI1. This indicates that the higher the ircome nf the economic autonomy is decreasing. Then the coefficient of T-statistic test results showed a significant level of 0.010 smaller than T-Table with 10(l respondents being 1,6h0 arxi supported by P-values > of 0.CIS i.e.0.992.
- 4. Fund balancing negatively and insignificantly affects financial autonomy with an original sample value of 0.017. This indicates that the higher the fund balancing the financial autoinmy. the lower. Then the coefficient of T-statistic test results showed a significant level of 0.1d0 smaller than T-Table with 100 respondents being 1.660 and supported by P-values > of 0.05. which is 0.d57.
- 5. Asset management has a positive and significant effect on asset management with the original sample value of 8.36d. This indicates that the higher the regio nal income, the higher the asset management will be. Then the coefficient of T-statistic test results showed a significance level of 3,339 greater than T-Table with 100 respondents was 1,660 and supported by P-values < from 0.05, i.e., 0.001.</p>

'lab1e 4. Path Coefficients

	Original	T-Statistic	P-Values
Regional income 🗲	().042	(I.413	().6h()
Asset management			
f'ound balancing M	(),196	2,164	(I.(J31
Asset management			
Regional income 🕇	(),0()1	(I,()l()	(1.992
f'°inantial autunurny			
f"und balancing C	(1.017	(I.1h()	(I.h57
fi"inantial autunurny			
Asset management A	(),36h	3,339	(I.(I(I1
>"inantial autunurny			

5. Discussion

The research conducted by calculating the value of statistics with the analysts of the path that occurred is the amount of regional income does not show stgnificance to asset management. This could be due to the need for maul governments to prepare ptarming needs for assets or restricted pmperty to be used. Plunning for untapped assets shnuld be considered kodisi assets past. present. and future. A very detailed calculation needs to be done to consider the cost r>t pmcurement of greeds und services to avoid unplanned cost increases. Fun balancing shows positive and significant val ue in influencing asset management—equalization r>i allocations to finance spending needs in the framework rii decentmlization implementation (NUGROHCi et at., 2()2()).

Furthermore. getting a I arge bidancing fund fmrn the central government is very helpful to local governments in balancing the spending conditions Dt p jects urid meeting other regional needs. Large balance funds cun help capital expenditures and boost regional economic growth. In addition, balance *tund s* are also used to counter the gap in public services such as education, hem th, infrastructure, marine, fisheries, agriculture, and the environment. Asset management al so has a big impact on regional *ti nencia 1* independence because it can contribute *t* unding to regional expenditures and capital expenditures such as development and irilpmvement in various sectors. Local governments ultimately can sel1-iinance governrilent activities, development, und comrilunity services that have paid tuxes and levies.

ft. Conclusion

- Regional income has an insignificant init uence on asset management. This is known by looking at one of the indicators that shows the lowest value of the statistic test results: the regional government conducts intensi fication and extension to increase the acquisition or local /‹rrc.i. This received a negative response from respondents resulting in a low score in statistic testing.
- 2. Fund balancing has a significant influence on asset management. It is based on rilany indicators that show high value or g(x)d responses to indicator variables. One of them i s cost allocation focused on public sectors such as education, infrastructure, and others.
- 3. Regional income has un *i* n si grit t icant impact on ti n unci N autonorily. This is due to the irilposition or local taxes imposed on individuals orentities without direct reward. Thus, further study needs to be further studied en that local revenues from the tax sector can provide i rilmediate benet its to the community.

- 4. rund balacing also does not provide significat results for *tin»ncifil* autonomy. This is fiso due to the dive ification or equilization of development that occurs In each region. Thus causing certain points *ot* the region can not en|oy the results of regional financial rniutagement as a tool to pmsper the community.
- 5. Asset management has a positive and *st g nii ic* want impact on *ti mnci a l* autonomy. Clue or them is the contribution *ot* regional income that is well managed and used as capital expenditure to irilpmve the economy of the people in a region.