

ABSTRACT

Financial performance is a system used by the public sector or government that is used as financial benchmarks that are reported in the form of performance. In this study, there are 3 factors chosen by the author in influencing financial performance, namely capital expenditure, balance funds, regional original income. Financial performance itself serves as a benchmark for the success of local governments in managing regional finances.

This study aims to determine the effect of capital expenditures, balancing funds and regional original revenues on the financial performance of regency / city regions in East Java province 2016-2017. The sample of this study is the financial statements of 38 regencies / cities in East Java Province for two years, 2016-2017.

This research uses quantitative methods. The sampling technique in this study is saturated sample. The sample in this study is the financial statements of 38 districts / cities in the province of East Java for two years, 2016-2017, to obtain 76 samples of financial reports from each district / city in the province of East Java. The data analysis technique used is panel data regression using the EViews 9 application.

Based on research conducted capital expenditure variables, balance funds, and local original income simultaneously have a significant effect on financial performance. Partially capital expenditure has a positive effect on financial performance, balance funds have no effect on financial performance, and regional own-source revenue has a negative effect on regional financial performance.

Further researchers are advised to extend the period of observation to obtain more comprehensive results. In addition to the next researcher it is recommended to add the variable general allocation funds and special allocation funds in order to obtain more comprehensive results.

Keywords : *Capital Expenditures, Balancing Funds, Regional Original Revenues, Financial Performance.*