

ABSTRACT

Financial performance is a system used by the public sector or government as a financial benchmark reported as a result of achieved performance. In this study, there are three factors selected by the author as factors influencing financial performance, namely local revenue, capital expenditure, and audit opinion. This financial performance serves as a measure of the success of local governments in managing regional finances.

This study aims to determine the influence of local revenue, capital expenditure, and audit opinion on the financial performance of local governments in East Java Province from 2018 to 2023. The sample for this study consists of 38 districts/cities in East Java Province during the period of 2018-2023.

This research utilizes a quantitative method. The sampling technique employed is nonprobability sampling, specifically saturation sampling of local governments in East Java, which consists of 29 districts and 9 cities, resulting in a sample size of 38 secondary data. The data collection technique involves using financial performance data of local governments in East Java Province from 2018 to 2023. Data analysis in this study employs panel data regression analysis and hypothesis testing, with the statistical analysis tool E-views.

The results of this study indicate that local revenue, audit opinion, capital expenditure simultaneously have a significant effect on local government financial performance. Partially local revenue has a significant positive effect on local government financial performance. Capital expenditure partially has no effect on the financial performance of local governments. Audit opinion partially has a positive and significant effect on local government financial performance.

The results of this study can be a reference for further researchers and can add insight into knowledge about local revenue, capital expenditure and audit opinion on local government financial performance. For the government to pay more attention to local revenue, capital expenditure and audit opinion of each district / city in East Java province which has an increase or decrease in financial performance, it is hoped that it can be an evaluation in budgeting and realisation every year so that it is better in each performance and can achieve prosperity and improvement for the region.

Keywords: Financial Performance, Local Revenue, Capital Expenditure, Audit Opinion