International Journal of Management and Business
https://irdhjournals.com/ijmb
Vol. 03 No. 04 (2026): October. E-ISSN: 3032-5099

The Effect of Types of Transfers to Regions on The Financial Performance of Regional Governments with Spending Efficiency as A Moderating Variable

Sintani E.Bayo Wolla[1], Agnes Quartina Pudjiastuti2[2], Poppy Indrihastuti[3], Risnaningsih[4]
Correspondence Author: intanwolla@gmail.com
[1,2,3,4] Accounting, Faculty of Economics, University of Tribhuwana Tunggadewi, Malang, Indonesia

I N D E X I N G

Keywords:
Keyword 1; General Allocation Fund
Keyword 2; Special Allocation Fund
Keyword 3; Tax Revenue Sharing Fund
Keyword 4; Natural Resources Revenue Sharing Fund
Keyword 5; Expenditure Efficiency
Keyword 6; Financial Performance of Local Governments

A B S T R AC T

The purpose of this study is to determine the influence of the General Allocation Fund (DAU), Special Allocation Fund (DAK), Tax Revenue Sharing Fund, and Natural Resources Revenue Sharing Fund on the financial performance of local governments. This study uses a quantitative approach with an associative design, with secondary data obtained from the Directorate General of Financial Balance (DJPK) of the Ministry of Finance through https://djpk.kemenkeu.go.id, as well as a sample of 508 districts/cities in Indonesia for the 2023–2024 period. The analysis techniques used were multiple linear regression and Moderated Regression Analysis (MRA) using the SPSS 26 program. The results of the study showed that the General Allocation Fund (DAU) and the Tax Revenue Sharing Fund had a positive and significant effect on the financial performance of local governments, while the Special Allocation Fund (DAK) and the Natural Resources Revenue Sharing Fund had no significant effect. Spending efficiency has a significant effect on financial performance, but it is unable to moderate the relationship between transfer funds and financial performance, so the influence of independent variables occurs directly without a moderation effect. Simultaneously, all variables have a significant effect on the financial performance of local governments. Thus, regional financial performance is more influenced by DAU, the Tax Revenue Sharing Fund, and the effectiveness of expenditure management, without the role of spending efficiency moderation.

Article History
Received: ; Revised: ; Accepted:
Publish:

INTRODUCTION

Fiscal decentralization in Indonesia is part of a government reform that grants regions greater authority in managing finances and resources through a mechanism of delegation of authority from the central government. In practice, transfers from the central government are the primary source of regional funding, playing a crucial role in supporting development and financing regional expenditures. These transfers include the General Allocation Fund (DAU), the Special Allocation Fund (DAK), and the Revenue Sharing Fund (DBH), as well as other funds such as special autonomy funds and village funds. These funds aim to support regional autonomy, reduce fiscal disparities, and promote

equitable development across regions (Ministry of Finance, 2022).

The amount of transfers to regions continues to increase, but regional revenues are still dominated by transfers from the central government. Data from the 2024 Regional Budget (APBD) shows that the contribution of Regional Original Income (PAD) was only around 28.7%, while transfers reached 65.7%. A similar situation occurred in 2023, with transfers contributing 64.9%. This indicates that regional fiscal independence remains low and dependence on the central government remains high (Ministry of Finance, 2025). However, this dependence is not always negative, as for regions vulnerable to fluctuations in resource prices, central transfers continue to play a crucial role in maintaining financial stability and supporting regional development.

Regional financial performance can be measured using financial ratio analysis, which provides an overview of financial conditions and an evaluation of fiscal policy implementation. One key indicator is the financial independence ratio, which is the ratio of Regional Original Income (PAD) to total regional revenue, reflecting a region's ability to finance its needs independently. However, increased transfers that are not matched by efficient and accountable management can lead to prolonged fiscal dependence (Kondjol, 2021).

Regional spending efficiency is an important factor in determining the success of financial management, because it reflects the optimization of budget use to produce maximum benefits in accordance with the principlesvalue for moneyLow efficiency can indicate waste and reduce the effectiveness of financial performance, so spending efficiency has the potential to strengthen or weaken the influence of transfers on regional financial performance (Srisaparmi et al., 2025).

The implementation of Law Number 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments emphasizes reducing fiscal imbalances, improving the quality of spending, and harmonizing central-regional policies, including reformulating the General Allocation Fund (DAU) and strengthening oversight of the Special Allocation Fund (DAK). This policy provides a crucial opportunity to evaluate the effectiveness of transfers in improving regional financial performance (Ministry of Finance, 2025).

Previous research shows that fund transfers do not always have a significant impact on regional financial performance, which is caused by high fiscal dependency and differences in regional characteristics, such as poverty levels and geographical conditions (Berizky & Kurniawan, 2024; Fathurrahman).

In the post-COVID-19 pandemic era, local governments also face new challenges in the form of economic fluctuations and pressures on budget efficiency. Studies by Yuvanda et al. (2025) and Berizky & Kurniawan (2024) show that regional financial performance remains low, with a high dependence on central transfers. Furthermore, some previous studies have limitations, such as not separating transfer types in detail and not considering the role of spending efficiency as a moderating variable. Therefore, this study aims to fill this gap by analyzing the influence of transfer types on regional financial performance, incorporating spending efficiency as a moderating variable.

This study aims to examine the influence of the types of transfers to regions, namely the General Allocation Fund (DAU), Special Allocation Fund (DAK), Tax Revenue Sharing Fund (DBH P) and Natural Resource Revenue Sharing Fund (DBH SDA) on the financial performance of regional governments, as well as to test the influence of spending

efficiency on regional financial performance and its role as a moderating variable in strengthening or weakening the relationship between transfers to regions and regional government financial performance.

LITERATURE REVIEW

1. Agency Theory (Agency Theory)

Agency theory explains the relationship between a principal and an agent, where the agent is empowered to make decisions on behalf of the principal, but potentially has conflicting personal interests (Jensen & Meckling, 1976). In the public sector, this relationship occurs between the public and the government, as well as between central and regional governments, which can lead to information asymmetry in financial management. Therefore, agency theory is used to understand potential conflicts of interest in regional financial management (Dewata et al., 2021).

2. Public Finance Theory

Public finance is a branch of economics that examines the role of government in managing revenue, spending, and public resources through fiscal policy to achieve public welfare. Public finance analysis encompasses aspects of efficiency and budget effectiveness, revenue distribution, and their impact on the economy. Furthermore, public finance serves as the basis for government decision-making that impacts the broader economic conditions of society (Jaelani, 2018).

3. Fiscal Decentralization Theory

The theory of fiscal decentralization states that transfers from the central government to regional governments can improve the efficiency of resource allocation and stimulate economic growth by granting autonomy in budget management (Oates, 1972). Transfers to regions represent a form of central government transfer of funds to support program implementation and regional development needs (OCBC NISP Editorial Team, 2022). Thus, fiscal decentralization empowers regions to manage their finances independently to develop their potential and support equitable development.

4. General Allocation Fund (DAU)

The General Allocation Fund (DAU) is a fund sourced from the APBN allocated to regions to equalize financial capacity in the context of implementing decentralization. The DAU is...block grant, so that its use is delegated to local governments according to their respective priorities and needs to improve public services. This policy aligns with efforts to increase regional independence in financial management by optimizing local revenue (PAD) and utilizing transfer funds effectively and efficiently (Malau et al., 2023).

5. Special Allocation Fund (DAK)

The Special Allocation Fund (DAK) is a fund from the State Budget (APBN) allocated to specific regions to finance specific activities aligned with national priorities. The DAK aims to reduce disparities in public services between regions, particularly in strategic sectors such as education, health, infrastructure, and the environment. Its implementation also requires matching funds from the APBD (Regional Budget) as a form of commitment from local governments.

6. Tax Revenue Sharing Fund (DBH Tax)

DBH consists of two types: tax DBH and natural resource DBH, the distribution of which is based on the realization of state revenues. DBH aims to increase regional fiscal capacity and support equitable development (Arina et al., 2019). Tax Revenue Sharing

Funds (DBH Pajak) are part of central tax revenues distributed to regions, including Land and Building Tax (PBB), tobacco excise, and Income Tax (PPh) Articles 21 and 25/29. The allocation of DBH tax is determined by the Minister of Finance and distributed to provinces and regencies/cities, both producing and non-producing regions, based on a certain percentage. DBH tax aims to increase regional fiscal capacity and support equitable development in accordance with regional contributions to tax revenue.

7. Natural Resource Revenue Sharing Fund (DBH SDA)

Natural Resource Revenue Sharing Funds (DBH) are funds sourced from the State Budget (APBN) allocated to regions based on a certain percentage to fund regional needs for the implementation of decentralization (Indriani et al., 2020). Natural resource revenue sharing funds (DBH SDA) are allocated based on the principle of producing regions, so that regions with natural resources receive a larger portion, although a portion is still distributed for equitable distribution between regions.

8. Regional Government Financial Performance

Regional government financial performance is a measure of a region's ability to manage finances based on measurable program outcomes (Rachmawati, 2023). Regional finance encompasses all regional rights, obligations, and assets valued in monetary terms (Insani et al., 2023). Management must adhere to the principles of efficiency, effectiveness, transparency, and accountability to support public welfare (Sumual et al., 2017). Performance measurement is conducted through financial ratio analysis, such as independence, effectiveness, and efficiency, to assess the success and decision-making of local governments (Rachmawati, 2023; Insani et al., 2023).

9. Shopping Efficiency

Spending efficiency as a moderating variable indicates the ability of local governments to optimally manage expenditures to support financial performance. Regional expenditure is a government obligation used to finance government affairs, both direct and indirect expenditures (Minister of Home Affairs Regulation No. 13 of 2006; Minister of Home Affairs Regulation No. 59 of 2007; Minister of Home Affairs Regulation No. 21 of 2011). This efficiency influences the relationship between revenue and financial performance because it reflects the quality of budget allocation (Ariwibowo, 2015). Efficiency is measured through a comparison of costs and revenues, where performance is considered efficient if the ratio is <1 or below 100% (Mawardiati & Hasbi, 2025).

10. Hypothesis

H1 : DAU (X1) has a positive and significant effect on the financial performance of regional governments

H2 : DAK (X2) has a positive and significant effect on the financial performance of regional governments

H3 : DBH Tax (X3) has a positive and significant effect on the financial performance of regional governments

H4 : DBH SDA (X4) has a positive and significant effect on the financial performance of regional governments

H5 : Spending efficiency has a positive and significant impact on the financial performance of local governments

H6 : Spending efficiency moderates the relationship between DAU (X1) and regional government financial performance, where high spending efficiency strengthens the positive influence of DAU on Y

H7 : Spending efficiency moderates the relationship between DAK (X2) and regional government financial performance, where high spending efficiency strengthens the positive influence of DAK on Y

H8 : Spending efficiency moderates the relationship between DBH Tax (X3) and regional government financial performance, where high spending efficiency strengthens the positive influence of DBH Tax on Y

H9 : Spending efficiency moderates the relationship between DBH SDA (X4) and regional government financial performance, where high spending efficiency strengthens the positive influence of DBH SDA on Y

H10 : DAU (X1), DAK (X2), DBH Tax (X3), DBH SDA (X4) and spending efficiency have a simultaneous effect on the financial performance of regional governments

RESEARCH METHOD

1. Types and Approaches of Research

This study used a quantitative approach with an associative design to analyze the relationships and influences between variables. According to Sugiyono (2017), associative research aims to determine the relationship or influence between two or more variables. This study also employed moderation analysis with numerical data and statistical techniques to produce a more objective analysis than a descriptive approach.

2. Population and Sample

The population of this study was all 508 district/city governments in Indonesia with financial reports for the 2023–2024 period, defined as objects with specific characteristics to be studied (Sudaryana et al., 2022). The sample used a census sampling method, where the entire population was sampled to ensure more representative results (Sanusi, 2018).

3. Operational Definition and Measurement of Variables

The variables in this study consist of independent variables (X), namely the types of transfers to regions including the General Allocation Fund (DAU), Special Allocation Fund (DAK), Tax Revenue Sharing Fund (DBH P), and Natural Resource Revenue Sharing Fund (DBH SDA) sourced from the APBN to support the implementation of decentralization (Indriani et al., 2020). The dependent variable (Y) is the financial performance of local governments as measured using the regional financial independence ratio, namely the comparison of PAD to total regional revenue. Meanwhile, the moderating variable (M) is spending efficiency, which is measured through the ratio between realized spending and realized regional revenue, with the criteria of efficient if <100%, balanced = 100%, and inefficient if >100%.

4. Data Analysis Techniques

Data analysis using multiple linear regression with the model:

$$Y = a + \beta 1X1 + b2X2 + b3X3 + b4X4 + b5X5 + \varepsilon$$

And moderated regression with the model:

$$Y = a + \beta 1X1 + b2X2 + b3X3 + b4X4 + b5X1Z + \beta 6X2Z + \beta 7X3Z + \beta 8X4Z + \varepsilon$$

Prior to the regression analysis, classical assumption tests were performed, including the normality test (Kolmogorov-Smirnov), multicollinearity test (VIF and Tolerance), and heteroscedasticity test (scatterplot). Hypothesis testing was performed using the F test (simultaneous), t test (partial test), and coefficient of determination (R^2). Data were

processed using IBM SPSS Statistics version 26.

RESULT AND DISCUSSION

RESULT

1. Descriptive Statistical Test

Based on the results of data processing that has been carried out using*SPSS 26*obtained a summary of the results shown in the following table.

Table 1. Results of Descriptive Statistical Tests

Descriptive Statistics					
	N	*Minimum*	*Maximum*	*Mean*	*Std. Deviation*
Government Financial Performance	1016	0.00	4.61	2.2719	0.85131
DAU	1016	11.50	14.71	13.3703	0.38846
THAT	1016	7.99	12.78	11.0920	0.70350
TAX DBH	1016	7.33	14.28	10.2461	1.30227
DBH SDA	1016	7.00	15.86	10.1466	1.95109
Shopping Efficiency	1016	0.69	4.88	4.5814	0.20297
Valid N (*listwise*)	1016				

Source: DJPK Ministry of Finance processed with SPSS 2026

Based on the table above, the variable regional government financial performance has a minimum value of 0.00 and a maximum of 4.61 with an average of 2.2719 and a standard deviation of 0.85131. The DAU variable has a minimum value of 11.50 and a maximum of 14.71 with an average of 13.3703 and a standard deviation of 0.38846. The DAK variable has a minimum value of 7.99 and a maximum of 12.78 with an average of 11.0920 and a standard deviation of 0.70350. The TAX DBH variable has a minimum value of 7.33 and a maximum of 14.28 with an average of 10.2461 and a standard deviation of 1.30227. The SDA DBH variable has a minimum value of 7.00 and a maximum of 15.86 with an average of 10.1466 and a standard deviation of 1.95109. The Shopping Efficiency variable has a minimum value of 0.69 and a maximum of 4.88 with an average of 4.5814 and a standard deviation of 0.20297.

2. Classical Assumption Test

2.1 Normality Test

Table 2. Summary of Normality Test Results

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		1016
Normal Parametersa, b	*Mean*	0.0000000
	Std. Deviation	0.60567928
Most Extreme Differences	*Absolute*	0.050
	Positive	0.039
	Negative	-0.050
Test Statistic		0.050
Asymp. Sig. (2-tailed)		0.000c
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		

The Kolmogorov–Smirnov test results show that the residuals are not normally distributed (Asymp. Sig. 0.000 < 0.05) even though the residual mean is close to zero and the standard deviation is 0.6057. However, because the sample size is large (1,016), this non-normality can be tolerated based on the Central Limit Theorem, so the regression model is still suitable for further analysis.

2.2 Multicollinearity Test

Multicollinearity testing was performed by examining the Variance Inflation Factor (VIF) and Tolerance values. The test results are presented in the following table:

Table 3. Multicollinearity Test Results

Coefficients[a]			
Model		*Collinearity Statistics*	
		Tolerance	*VIF*
1	DAU	0.571	1.750
2	THAT	0.781	1.280
3	TAX DBH	0.458	2.185
4	DBH SDA	0.593	1.686
5	Shopping Efficiency	0.994	1.006
a. Dependent variable: Government financial performance			

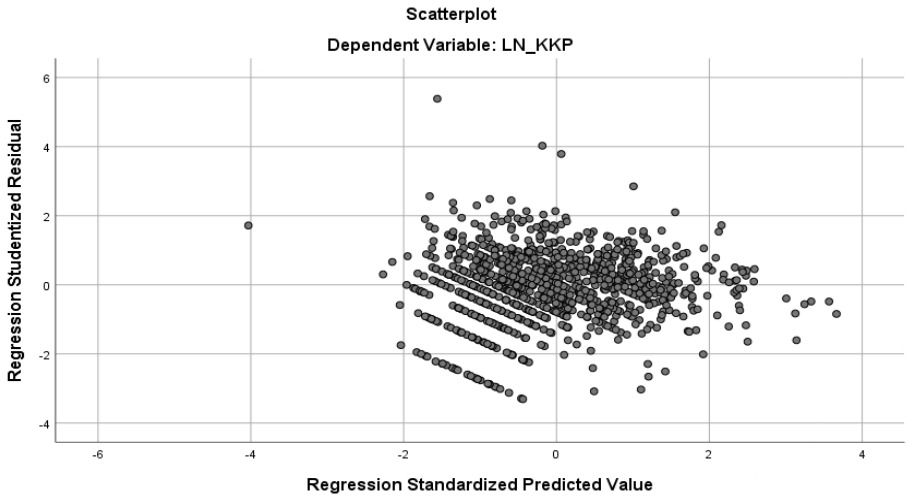
Source: DJPK Ministry of Finance, processed with SPSS 2026

From the results above, the VIF value for DAU = 1750; DAK = 1.280; TAX DBH = 2.185; SDA DBH = 1.686; and spending efficiency = 1.006. All variables have a VIF value < 10 and Tolerance > 0.1, so it can be concluded that there is no multicollinearity in the regression model.

2.3 Heteroscedasticity Test

Figure 1.

Figure 1. Heteroscedasticity Test Results



Source: Data processed by SPSS, 2026

The scatterplot results show that the data points are randomly distributed above and below the zero line without forming any particular pattern and are evenly distributed across the various predicted values. This indicates that the residual variance is constant (homoscedasticity), thus eliminating heteroscedasticity. Therefore, the regression model meets the classical assumptions and is suitable for further analysis and hypothesis testing.

3. Multiple Linear Regression Analysis

The results of the multiple linear regression analysis are presented in the following table:

Table 4. Results of multiple linear regression tests

Coefficients[a]				
Model		*Unstandardized Coefficients*		*Standardized Coefficients*
		B	Std. Error	Beta
1	(Constant)	-3.943	0.834	
2	DAU	0.466	0.065	0.213
3	THAT	-0.335	0.031	-0.276
4	TAX DBH	0.353	0.022	0.540
5	DBH SDA	-0.175	0.013	-0.401
6	Shopping Efficiency	0.403	0.094	0.096
a. Dependent variable: Government Financial Performance				

Source: DJPK Ministry of Finance, processed with SPSS 2026

Based on the regression results above, the multiple linear regression equation is obtained as follows:

$$Y = -3.943 + 0.466X1 - 0.335X2 + 0.353X3 - 0.175X4 + 0.403X5 + e$$

Description: Y = government financial performance; α = Constant; X1 = General Allocation Fund (DAU); X2 = Special Allocation Fund (DAK); X3 = Tax Revenue Sharing Fund (DBH PAJAK); X34 = Natural Resource Revenue Sharing Fund (DBH SDA); X5 = Spending Efficiency; ε = Error term.

The constant is -3.943 indicates that if the General Allocation Fund (DAU), Special Allocation Fund (DAK), Tax Revenue Sharing (DBH), Natural Resources Revenue Sharing (DBH), and Spending Efficiency are zero, then the regional government's financial performance is -3.943. A DAU coefficient of 0.466 means that every one-unit increase in DAU will increase financial performance by 0.466. The DAK coefficient is-0.335 means that every one-unit increase in DAK will decrease financial performance by 0.335. The Tax DBH coefficient of 0.353 means that every one-unit increase in Tax DBH will increase financial performance by 0.353. The coefficient of DBH SDA is-0.175 means that every one-unit increase in DBH SDA will decrease financial performance by 0.175. The Expenditure Efficiency Coefficient of 0.403 means that every one-unit increase in expenditure efficiency will increase financial performance by 0.175. **r** 0,403**.**

4. Moderated Regression Analysis (MRA)

Table 5. Results of Moderation Regression Test

Coefficientsa						
Model		*Unstandardized Coefficients*		*Standardized Coefficients*	T	Say.
		B	*Std. Error*	*Beta*		
1	(Constant)	2.270	0.019		118.248	0.000
2	DAU*Efficiency	-0.359	0.403	-0.026	-0.891	0.373
3	DAK*Efficiency	-0.055	0.219	-0.006	-0.251	0.802
4	DBH Tax* Efficiency	0.072	0.115	0.019	0.623	0.533
5	DBH SDA*Efficiency	-0.086	0.058	-0.036	-1.474	0.141

Source: DJPK Ministry of Finance, processed with SPSS 2026

Based on the results of the regression analysis in Table 4.5, the following equation can be obtained:

$$Y = 2.270 + 0.466\,\text{DAU} - 0.332\,\text{DAC} + 0.353\text{DBH Tax} - 0.175\text{DBH SDA} + 0.428\,\text{EB} - 0.359(\text{DAU} * \text{EB}) - 0.055(\text{DAC} * \text{EB}) + 0.072(\text{DBH Tax} * \text{EB}) - 0.086\,(\text{DBH} * \text{SB})$$

5. Hypothesis Test Results

5.1 F-Test Results

Table 6. F Test Results

Model	Df	F	Say.
Regression	5	195.185	0.000[b]

Source: DJPK Ministry of Finance, processed with SPSS 2026

The ANOVA test results show a calculated F value of 195.185 with a significance level of 0.000 (<0.05), which means the regression model is simultaneously significant. This means that the variables DAU, DAK, DBH Tax, DBH SDA, and spending efficiency jointly have a significant effect on local government financial performance, so the regression model is suitable for explaining the relationship between variables in this study.

5.2 T-test results

Table 7. Results of the t-Coefficients Test

Coefficients[a]			
Model		T	Say.
1	(Constant)	-4.726	0.000
2	DAU	7.173	0.000
3	THAT	-10.873	0.000
4	TAX DBH	16.263	0.000
5	DBH SDA	-13.749	0.000
6	Shopping Efficiency	4.269	0.000
a. Dependent variable: Government Financial Performance			

Source: DJPK Ministry of Finance, processed with SPSS 2026

From the test results: (a) DAU produces t count = 7.173 and sig. = 0.000 < 0.05, so H1 is accepted; (b) DAK produces t count = -10.873 and sig. = 0.000 < 0.05, so H2 is not proven; (c) Tax DBH produces t count = 16.263 and sig. = 0.000 < 0.05, so H3 is accepted; (d) Natural Resources DBH produces t count = -13.749 and sig. = 0.000 < 0.05, so H4 is not proven; (e) Spending Efficiency produces t count = 4.269 and sig. = 0.000 < 0.05, so H5 is accepted.

5.3 Results of the Coefficient of Determination (R^2) Test

Table 8. Results of the Determination Coefficient Test (R2)

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.702[a]	0.492	0.490	0.60817

Source: DJPK Ministry of Finance, processed with SPSS 2026

The R Square value of 0.492 indicates that the variables DAU, DAK, DBH Tax, DBH SDA, and spending efficiency are able to explain variations in regional government financial performance by 49.2%, while the remaining 50.8% is explained by other factors not included in this research model.

DISCUSSION

1. The Influence of General Allocation Funds on Regional Government Financial Performance

The results of the partial test (t-test) show that the General Allocation Fund (DAU) has a positive and significant effect on the financial performance of local governments (B = 0.466; t = 7.173; sig. 0.000 < 0.05), so the first hypothesis (H1) is accepted.

Theoretically, this finding is in line with the theory of fiscal decentralization by Oates in Kresnandra (2016) stated that fiscal transfers increase regional efficiency and capacity, and are supported by the importance of transparency and effective utilization of funds in improving regional financial performance (Ulfiah Syukri et al., 2025).

The results of this study are also consistent with previous research by Mubarok et al. (2022) and Sugi and Mertha (2024), which stated that government transfers play a role in increasing fiscal capacity and regional financial performance, although their effects may vary across regions.

Overall, the increase in the General Allocation Fund (DAU) has been proven to improve regional financial performance due to its flexible block grant nature, enabling regional governments to allocate budgets more effectively according to development priorities, with the note that accountable management is a key factor.

2. The Influence of Special Allocation Funds on Regional Government Financial Performance

The results of the partial test (t-test) show that the Special Allocation Fund (DAK) has a negative and significant effect on the financial performance of local governments (B = -0.335; t = -10.873; sig. 0.000 < 0.05), so that the second hypothesis (H2) is not proven.

Theoretically, this finding is explained by the Agency Theory of Jensen & Meckling in Fadhilah et al. (2024) which highlights the limitations of agents (local governments) in managing specific funds, thereby reducing the flexibility and effectiveness of financial management.

Empirically, the negative impact of DAK is caused by its earmarked nature, so that its use is limited to certain programs and does not always match regional needs, which ultimately limits budget optimization and its impact on financial performance.

These findings are supported by research by Mubarok et al. (2022) and Ulah (2025), which shows that transfers can have a negative impact and increase fiscal dependence, and by Yuvanda et al. (2025), which found that high dependence on transfers reduces regional financial independence.

3. The Impact of Tax Revenue Sharing Funds on the Financial Performance of Regional Governments

The results of the partial test (t-test) show that the Tax Revenue Sharing Fund (DBH Pajak) has a positive and significant effect on the financial performance of local governments (B = 0.353; t = 16.263; sig. 0.000 < 0.05), so that the third hypothesis (H3) is accepted.

Theoretically, from the perspective of public finance theory, an increase in Tax DBH reflects high regional economic activity which is able to increase fiscal capacity and development financing capabilities.

DBH Tax as a mechanism for sharing central-regional tax revenue aims to strengthen regional fiscal capacity, so that its increase can support development and public services

(Suparlan, 2025).

These results are supported by research by Mawardiati and Hasbi (2025) and Azhar (2025) which states that transfer income has a positive effect on regional financial performance if managed optimally, transparently, and accountably.

4. The Influence of Natural Resource Revenue Sharing Funds on the Financial Performance of Regional Governments

Based on the t-test results, the Natural Resources Revenue Sharing Fund (DBH SDA) variable obtained a B coefficient of -0.175 with a calculated t value of -13.749 and a significance of 0.000 (<0.05). Since |t count| (13.749) > t table (1.993) in absolute terms and sig. 0.000 <0.05, it can be concluded that DBH SDA has a negative and significant effect on the financial performance of local governments. Thus, H4 is rejected.

These results indicate that increased revenue from DBH SDA is not always accompanied by improved regional government financial performance. This is due to regional governments' dependence on funds from the natural resource sector, which can reduce incentives to develop other revenue sources, such as Regional Original Income (PAD). Consequently, regional fiscal independence is low, resulting in suboptimal regional financial performance.

This finding aligns with research by Yuvanda et al. (2025), which states that high reliance on transfer funds can reduce regional fiscal independence. Furthermore, research by Ulah (2025) also found that increasing intergovernmental transfers can actually reduce regional financial independence.

5. The Impact of Spending Efficiency on Regional Government Financial Performance

Based on the results of the t-test, the expenditure efficiency variable obtained a B coefficient of 0.403 with a calculated t value of 4.269 and a significance of 0.000 (<0.05). Since the calculated t (4.269) > t table (1.993) and sig. 0.000 <0.05, it can be concluded that expenditure efficiency has a positive and significant effect on the financial performance of local governments. Thus, H5 is accepted.

These results indicate that the more efficient regional spending management is, the better the regional government's financial performance. Spending efficiency reflects the regional government's ability to optimally manage and utilize financial resources to effectively achieve regional development goals.

These findings align with the Value for Money concept, which emphasizes the importance of economic aspects, efficiency, and effectiveness in public sector financial management, with spending efficiency being a key indicator for achieving optimal financial performance. Furthermore, these results are consistent with research by Sugi and Mertha (2024), which states that efficient budget management plays a crucial role in improving local government financial performance.

6. The Role of Spending Efficiency in Moderating the Effect of General Allocation Funds on Regional Government Financial Performance

Based on the results of the moderation regression test, the interaction variable between the General Allocation Fund (DAU) and spending efficiency obtained a B coefficient of -0.359 with a calculated t value of -0.891 and a significance level of 0.373 (> 0.05). Because the significance value is greater than 0.05, it can be concluded that the interaction between DAU and spending efficiency does not significantly influence the financial performance of local governments. Thus, spending efficiency is unable to

moderate the relationship between DAU and financial performance of local governments, so H6 is rejected.

These results indicate that while the General Allocation Fund (DAU) has a positive effect on regional government financial performance, spending efficiency neither strengthens nor weakens this effect. This may be because the DAU is generally used to finance basic regional needs, such as personnel expenses and government operations, so its effect tends to be direct on financial performance without being significantly affected by spending efficiency.

Furthermore, differences in financial management capacity between regions also influence these results. Even if a region has a high level of spending efficiency, the DAU is still allocated primarily to routine spending, thus not having a significant additional impact on regional financial performance.

In the context of fiscal decentralization in Indonesia, the DAU also functions as an instrument for fiscal equalization between regions, so that its amount is determined more by the central and regional financial balance formula than by the performance of regional budget management.

7. The Role of Spending Efficiency in Moderating the Effect of Special Allocation Funds on Regional Government Financial Performance

Based on the results of the moderation regression test, the interaction variable between the Special Allocation Fund (DAK) and spending efficiency has a B coefficient of -0.055 with a t-value of -0.251 and a significance level of 0.802 (> 0.05). Because the significance value is greater than 0.05, it can be concluded that the interaction between DAK and spending efficiency does not significantly influence the financial performance of local governments. Thus, spending efficiency is unable to moderate the relationship between DAK and the financial performance of local governments, so H7 is rejected.

These results indicate that, theoretically, although DAK is a fund intended to support priority regional development activities, the level of spending efficiency does not have an additional effect in strengthening or weakening this relationship with regional financial performance. Within the theoretical framework of fiscal decentralization, DAK should improve financial performance if managed efficiently.

However, this finding can be explained by the fact that DAK is a specific grant transfer, meaning its use is specifically determined by the central government for specific activities such as infrastructure, education, and health. Consequently, local governments have limited flexibility in managing these funds, so spending efficiency plays little role in influencing their impact on regional financial performance.

Thus, the effectiveness of DAK is determined more by the successful implementation of programs established by the central government, rather than by the general level of efficiency of budget management in the regions.

8. The Role of Spending Efficiency in Moderating the Effect of Tax Revenue Sharing on Regional Government Financial Performance

Based on the results of the moderation regression test, the interaction variable between Tax Revenue Sharing Fund (DBH Pajak) and spending efficiency has a coefficient B of 0.072 with a calculated t value of 0.623 and a significance level of 0.533 (> 0.05). Because the significance value is greater than 0.05, it can be concluded that the interaction between DBH Pajak and spending efficiency does not have a significant effect on the financial performance of local governments. Thus, spending efficiency is unable to

moderate the relationship between DBH Pajak and the financial performance of local governments, so H8 is rejected.

These results indicate that the impact of Tax Revenue Sharing Funds (DBH) on local government financial performance is direct, regardless of spending efficiency. From the perspective of fiscal decentralization theory, Tax Revenue Sharing Funds (DBH) as part of the balancing fund is expected to increase regional fiscal capacity by distributing a portion of central tax revenues to regions, thereby supporting improved public services.

However, in practice, the increase in the Tax Revenue Sharing Fund (DBH) more closely reflects the structure of national tax revenues and regional economic activity, so its contribution to regional financial performance is not significantly influenced by spending management efficiency. Therefore, spending efficiency does not act as a factor that strengthens or weakens the relationship between Tax Revenue Sharing Fund (DBH) and regional government financial performance.

9. The Role of Spending Efficiency in Moderating the Effect of Natural Resource Revenue Sharing Funds on Regional Government Financial Performance

Based on the results of the moderation regression test, the interaction variable between the Natural Resource Revenue Sharing Fund (DBH SDA) and spending efficiency has a B coefficient of -0.086 with a calculated t value of -1.474 and a significance level of 0.141 (> 0.05). Because the significance value is greater than 0.05, it can be concluded that the interaction between DBH SDA and spending efficiency does not have a significant effect on local government financial performance. Thus, spending efficiency is unable to moderate the relationship between DBH SDA and local government financial performance, so H9 is rejected.

These results indicate that the influence of DBH SDA on regional government financial performance is independent of the level of spending efficiency. DBH SDA, as a transfer fund originating from natural resource sectors such as mining, oil and gas, and forestry (Mustofa, 2010), is theoretically expected to improve regional financial performance if managed efficiently. However, in practice, the contribution of DBH SDA is more determined by the magnitude of the natural resource potential owned by the region, so it is structural in nature, not solely influenced by managerial factors such as spending efficiency.

Furthermore, regional dependence on revenue from the natural resource sector also demonstrates the phenomenon of resource dependence, where regions tend to rely solely on natural resource revenue without diversifying other revenue sources. This results in insufficient spending efficiency to strengthen or weaken the relationship between natural resource revenue sharing (DBH SDA) and regional financial performance.

Overall, these results indicate that the influence of transfer funds on regional financial performance tends to be direct rather than interactive with spending efficiency. These findings also confirm that improving regional financial performance is not solely determined by spending efficiency but is also influenced by other factors such as the quality of budget planning, regional financial management capacity, governance, and the level of regional fiscal independence.

10. The Influence of DAU, DAK, Tax DBH, Natural Resources DBH and Spending Efficiency on the Financial Performance of Regional Governments

Based on the F-test results, the variables DAU, DAK, DBH Tax, DBH SDA, and spending efficiency have an F-value of 195.185 with a significance level of 0.000 (<0.05).

This indicates that all variables simultaneously have a positive and significant effect on local government financial performance, thus H10 is accepted.

These results indicate that regional financial performance is jointly influenced by central government transfer funds and regional spending efficiency, not by a single variable. The combination of these two aspects plays a significant role in improving regional government financial performance.

Theoretically, this finding is in line with Oates' concept of fiscal decentralization in Kresnandra (2016) which emphasizes the importance of balancing funds (DAU, DAK, DBH) in supporting regional public service functions, as well as spending efficiency as a determinant of optimizing budget use.

The R^2 value of 0.492 indicates that 49.2% of the variation in regional financial performance can be explained by the model, while the remainder is influenced by other factors such as PAD, fiscal independence, and the quality of regional financial governance.

CONCLUSION

Based on the results of the analysis and discussion, it can be concluded that the General Allocation Fund (DAU), Tax Revenue Sharing Fund (DBH Pajak), and spending efficiency have a positive and significant effect on the financial performance of local governments, while the Special Allocation Fund (DAK) and Natural Resource Revenue Sharing Fund (DBH SDA) have a negative and significant effect. In addition, spending efficiency is unable to moderate the relationship between DAU, DAK, Tax Revenue Sharing Fund, and SDA Revenue Sharing Fund on regional financial performance, so that all moderation hypotheses are rejected. However, simultaneously, all variables, namely DAU, DAK, Tax Revenue Sharing Fund, SDA Revenue Sharing Fund, and spending efficiency, have a significant effect on the financial performance of local governments, which indicates that regional financial performance is influenced by a combination of central government transfer funds and the ability to manage spending efficiently.

ACKNOWLEDGMENT

My gratitude to God Almighty for His blessings and guidance, which enabled me to successfully complete this research. My gratitude goes to my parents, Mr. Anderias B. Wolla and Mrs. Oktaviana Galla, for their endless prayers, sacrifices, and support. I would also like to express my special gratitude to Prof. Dr. Ir. Agnes Quartina Pudjiastuti, MS, my Principal Supervisor, and Mrs.Dra. Poppy Indrihastuti, MM as the Supervisor who has patiently provided guidance, direction, and input during the research process. The author also thanks Dr. Risnaningsih, S.E., MSA (HumBis) as the Examiner who has provided constructive criticism, suggestions, and input for the improvement of this research. To Tribhuwana Tunggadewi University Malang, the author thanks for the support provided so that this research can run smoothly.

REFERENCES

Azhar, Universitas Islam Al-. 2025. “Volume 19 Nomor 1 Juni 2025 Peran Dana Perimbangan Dalam Meningkatkan Kinerja Keuangan Daerah Di Kabupaten Lombok Tengah.” 19(20):99–114.

Malau, Pastriono Leonarda, Dwi Verasuna Manik, and Winda Sartika Lumban. 2023. “Pengelolaan Dana Alokasi Umum (DAU), Alokasi Khusus (DAK), Dan Dana.”

3(3):421–31.
Srisaparmi, Aldri Frinaldi, Asnil, and Nora Eka Putri. 2025. “Evaluasi Pelaksanaan Anggaran Dan Pendapatan Belanja Daerah Lima Puluh Kota.” 9:18395–404.
Sugi, Leonardus P. M. Watu, and Made Mertha. 2024. “PAD, Dana Transfer Ke Daerah, Belanja Modal Memengaruhi Kinerja Keuangan Pemerintah Kabupaten Di Wilayah Flores Provinsi NTT” 10(6):122–33.

Journal Article

Amin Insani, Sri Rahayu, and Misni Erwati. 2023. “Determinan Kinerja Keuangan Pemerintah Daerah.” Akurasi: Jurnal Studi Akuntansi Dan Keuangan 6(1):109–25. doi: 10.29303/akurasi.v6i1.343.
Arina, Meylani M., Rosalina A. M. Koleangan, and Daisy S. M. Engka. 2019. “Pengaruh Pendapatan Asli Daerah, Dana Bagi Hasil, Dana Alokasi Umum, Dan Dana Alokasi Khusus Terhadap Pertumbuhan Ekonomi Kota Manado.” Jurnal Pembangunan Ekonomi Dan Keuangan Daerah 20(01):81–94. doi: 10.35794/jpekd.23451.20.01.2019.
Ariwibowo, Tungki. 2015. “Pengaruh Dana Perimbangan Dan Belanja Daerah Terhadap Kinerja Keuangan Dengan Pendapatan Asli Daerah Sebagai Variabel Moderasi.” Jurnal Akuntansi Dan Sistem Teknologi 11:335–44.
Berizky, Kekieta Gustie, and Rudi Kurniawan. 2024. “Analisis Kinerja Keuangan Pemerintahan Provinsi Jawa Tengah Tahun Anggaran 2019-2022.” Jurnal Ilmiah Manajemen, Ekonomi, & Akuntansi (MEA) 8(1):246–59. doi: 10.31955/mea.v8i1.3662.
Fadhilah, Sella Fitriana, Eny Kusumawati, Universitas Muhammadiyah Surakarta, and Universitas Muhammadiyah Surakarta. 2024. “Available at Http://Jurnal.Stie-Aas.Ac.Id/Index.Php/Jap.” Jurnal Ekonomi Dan Studi Pembangunan 24(36):1–15.
Indriani, Ira, Sekolah Tinggi, Ilmu Ekonomi, and Muhammadiyah Tanjung. n.d. “Eco-Build Journal.” 4(1):61–68
Isti’anah, and Eko Setiyo Utomo. 2023. “Mewujudkan Transparansi Dan Akuntabilitas Dana Transfer Ke Daerah (Dana Desentralisasi) Realizing Transparency and Accountability Transfer Funds to Regions.” Jurnal Administrasi Publik XIX(2):298–322.
Jensen dan Meckling. (1976). Theory of The Firm: Managerial Behavior, Agency Costs and Ownership Structure. Journal of Financial Economics, 3, 305–360.
Kondjol, Ester Hesty. 2021. “Rasio Keuangan Untuk Mengetahui Kinerja Pemerintahan.” JAP: Jurnal Pitis AKP (2):130–36.
Kresnandra, Anak Agung Ngurah Agung. 2016. “Pengaruh Desentralisasi Fiskal Terhadap Pertumbuhan Ekonomi Daerah Dengan Dana Perimbangan Dan Investasi Swasta Sebagai Variabel Pemoderasi.” Jurnal Bisnis Dan Manajemen Vol. 3: No.2.
Mawardiati, Icha, and Khairita Hasbi. 2025. “Pengaruh Pendapatan Asli Daerah, Pendapatan Transfer, Dan Sisa Lebih Pembiayaan Anggaran Terhadap Kinerja Keuangan Pemerintah Daerah (Studi Kasus Pada Kabupaten/Kota Di Provinsi Kepulauan Riau).” Jurnal EMT KITA 9(2):685–93. doi: 10.35870/emt.v9i2.3985.
Mubarok, Muhammad Husni, Abdillah Arif Nasution, Sambas Ade Kesuma, and Widyawati Pangestu. 2022. “Local Government Financial Performance: The Effects of Capital Expenditure and Intergovernmental Revenue (The Case of South Sumatra

Province, Indonesia).” Jurnal Perspektif Pembiayaan Dan Pembangunan Daerah 9(6):503–12. doi: 10.22437/ppd.v9i6.11364.
Mustofa. 2010. “Dana Bagi Hasil Dan Konservasi Sumber Daya Alam Di Indonesia Periode Desentralisasi- Mustofa Dana Bagi Hasil dan Konservasi Sumber Daya Alam Abstrak.” Jurnal Ekonomi & Pendidikan, 8(1):2.
Oates, W.E. 1972. Fiscal Decentralization and Economic Development. National Tax Journal 46.
Rachmawati, Tri. 2023. “ANALISIS KINERJA KEUANGAN PADA PEMERINTAH KOTA SURABAYA Nur Handayani Sekolah Tinggi Ilmu Ekonomi Indonesia (STIESIA) Surabaya.” Jurnal Ilmu Riset Dan Akuntansi 12(11):1–16.
Rahmadani, Agung Prasetyo, Helma. n.d. “‘Analisis Regresi Linier Berganda Untuk Melihat Faktor Yang Berpengaruh Terhadap Kemiskinan Di Provinsi Sumatera Barat,’ Journal Of.” Journal Of Mathematics Vool.7, No.
Sumual, Christian D., Lintje Kalangi, and Natalia Y.. Gerunggai. 2017. “3 1,2,3.” Jurnal Riset Akuntansi Going Concern 12(2):782–91.
Suparlan, Dewi Rispawati. 2025. “Analisis Pengaruh Dana Bagi Hasil Bukan Pajak, Dana Bagi Hasil Pajak dari Propinsi dan Pemda Lainnya, Pajak Daerah, dan Retribusi Daerah Terhadap Pertumbuhan IPM di Provinsi Nusa Tenggara Barat.” Jurnal Akuntansi dan Keuangan Syariah 8(1):1–9.
Ulah, Nur Azizah Afifatul. 2025. “The Impact of GDP per Capita, Intergovernmental Transfers, and Labor Force on Regional Financial Independence in East Java, Indonesia: A Panel Data Analysis.” Journal of Regional Economics Indonesia 6(1):36–46. doi: 10.26905/jrei.v6i1.15227.
Ulfiah Syukri, Siti Sofiaturrohmah, and Andi Kasman. 2025. “Efisiensi Fiskal Dan Dampaknya Terhadap Transfer Dana Daerah: Analisis Kebijakan Inpres No. 1 Tahun 2025.” Journal of Governance Innovation 7(1):347–59. doi: 10.36636/jogiv.v7i1.6832.
Vennus Octolongerens, and Alexandra Hukom. 2024. “Evaluasi Kinerja Pengelolaan Dana Transfer Pusat Ke Daerah Dan Dampaknya Terhadap Pembangunan Daerah Provinsi Kalimantan Tengah.” Jurnal Ekonomi Dan Pembangunan Indonesia 2(2):52–75. doi: 10.61132/jepi.v2i2.521.
Yuvanda, Sesraria, Muhammad R. Rachmad, Tika Yuniarti, Moh Sahroni Nurkodri, 2025. “Analisis Kinerja Keuangan Daerah Dan Hubungan Dengan Kemiskinan Daerah Pada Kabupaten/Kota Di Provinsi Jambi.” Jurnal Manajemen Terapan Dan Keuangan (Mankeu) 14(03):1228–36.

Authored Book

Solimun dkk. 2019. “Metode Statistika Multivariat.” Malang: UB Press 48.