Effect of Total Assets, Capital Expenditure, Leverage, And GRDP to the Ratio of Regional Financial Independence in Nusa Tenggara Barat Province in 2018-2022

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Abstract. This study examines the effect of total assets, capital expenditure, leverage and PDRB on the ratio of district financial independence in NTB province in 2018-2022. Fiscal decentralization encourages to implement regional autonomy policies, namely giving authority to local governments to regulate finances in their respective regions. Tests were conducted on all districts in NTB province during 2018-2022. The results of this study indicate that total assets, capital expenditure and leverage have no significant effect on the financial independence of districts in NTB province. While PPDRB has a significant effect on the financial independence of districts in NTB province. The research findings indicate that the many or few assets owned by a region will not always affect regional financial independence, the allocation of inappropriate capital expenditures causes regional financial independence to decrease, and the use of capital expenditures to increase regional financial independence. total debt to equity ratio not used wisely, causing the level of regional financial independence to be low. The implications of this research provide warning signals to local governments to be more productive in managing regional wealth assets, allocating capital expenditures in accordance with the budget and on target, and more wisely in using capital expenditures debt to equity ratio local governments in order to increase regional financial independence.

Keywords: Total Assets, Capital Expenditure, Leverage, GRDP, Regional Financial Independence.

1. Introduction

Regional autonomy provides flexibility for local governments to manage their resources in accordance with the interests, priorities, and potential of the region itself. Fatimah [1], states that in the context of implementing regional autonomy, a decentralization system that is transparent, effective, efficient and accountable to the wider community is needed. The granting of autonomy to the regions is directed at accelerating the realization of community welfare through improved services, empowerment and community participation. The regional autonomy system is expected to be able to increase competitiveness by paying attention to the principles of democracy, equity, justice, specialty and specificity as well as the potential and diversity of regions in the system of the Unitary State of the Republic of Indonesia.

According to Awalia et al. [2], the granting of regional autonomy will affect the economic growth of a region which will provide opportunities for local governments to make their own financial planning. Brugere et al. [3] suggest that the reason for the implementation of the autonomy policy in the regions is because the central government is unable to independently manage the success of regional development as a whole, therefore the central government delegates authority or power to local governments to regulate and manage their regional interests independently. In accordance with the principle of money follows function, Therefore, the transfer of regional authority is also followed by the transfer of financing sources previously held by the Central Government.
with the aim that the Regional Government is able to organize all government affairs independently.

According to Ferriswara et al. [4], policies made by the government must have a clear strategy, ideally including the following four things: (1) Policies to encourage opportunities; (2) Community empowerment policies; (3) Capacity building policies; (4) Social protection policies. In addition to having a clear strategy, a policy must contain the following principles: in favor of the poor, based on the demands of the poor (demand driver), policies that are made not to be kept secret, accountability, sustainable responsive, competent, participatory, integrated, on target, decentralized, democratic, collaborating through networks, and law enforcement.

Mahitna et al. [5] further stated that, on the other hand, it was found that there were still many budget allocations that were inappropriate or not in accordance with needs and priorities and did not reflect aspects of economy, efficiency and effectiveness due to the weak quality of regional financial budget planning. Weak local financial budget planning is followed by the inability of local governments to increase local revenue sources, while on the other hand local expenditures continue to increase from year to year so that this can lead to fiscal disparities. From the government side, the difference between fiscal needs and fiscal capacity is referred to as the fiscal gap which will later become the basis for determining the amount of transfer funds from the center to the regions [6]. Local governments with the enactment of regional autonomy have a great opportunity to be able to develop the potential of their regions even though they are also limited by various obstacles [7]. The increasing need to improve public services must be balanced with the availability of sufficient funds, if the availability of funds to improve services to the public is insufficient, it will bring consequences to meet the needs of these funds, namely by making regional loans.

One important aspect in the implementation of regional autonomy is the issue of regional financial management [8]. The implementation of regional autonomy has created regional rights and obligations that can be valued in money so that it needs to be managed in a professional, open and responsible regional financial management system based on the principles of good governance, namely transparency, accountability and accountability value for money as a means of realizing public accountability (accounting for governance) [9]. Another goal of regional autonomy is to realize regional independence so that the regions are free to regulate themselves without any interference from the central government [10]. Regional financial independence shows the ability of the Regional Government to finance its own government activities, development and services to the people who have paid taxes and levies as a source of income needed by the region. The implementation of regional autonomy is expected that each region can be independent in meeting the needs of their respective regions. Likewise with regional finances, with regional autonomy it is hoped that each region can achieve regional financial independence [11].

Based on data from Laporan Pertanggungjawaban Keuangan Daerah (LKPRL) in 2020, in the status of Indonesia Knowledge Forum (IKF) 1 not yet independent, the smallest to largest proportion is the Province by 30%, the City by 70% and the Regency by 98%. Then at IKF 2 status towards independence at the provincial level of 49%, cities of 28% and districts of 2%. Meanwhile, the independent IKF 3 status at the provincial level is 21%, the city is 2% and the district is 0.26%. Regional financial independence can be seen from the amount of Regional Original Revenue (PAD) obtained by each district Government [12]. The greater the PAD compared to the assistance provided by the Central Government, the Regency Government can be said to be independent [13]. PAD
itself is the main thing in measuring the level of regional financial independence. Therefore, it is necessary to see the effectiveness of PAD by comparing the budgeted PAD with the realization of PAD [14]. This PAD is a source of financing that is really extracted from the region itself so that it can reflect the real condition of the region. If the PAD structure is strong, it can be said that the region has a strong financing capability.

Furthermore, the thing that needs to be considered to realize the independence of a region is the allocation of capital expenditure. Increasing the allocation of capital expenditure in the form of fixed assets which include infrastructure, equipment, facilities and infrastructure is very important to increase economic productivity because the higher the capital expenditure, the higher the economic productivity [15]. Therefore, the existence of regional autonomy is very influential on the economic growth of a region because it gives local governments the freedom to make their own financial plans and make strategic policies that can affect the progress of their regions [16].

West Nusa Tenggara (NTB) Province is one of the provinces in Indonesia that has 10 districts and cities. West Nusa Tenggara has enough natural and human resources to become a developed region. Economic development in recent years has been growing [17]. The most visible development in the regencies and cities in NTB Province is the development of tourism. The government is aggressively improving access to supporting tourism, both roads and other facilities. So that with a large enough potential, the receipt of local revenue can certainly be greater as well [18]. Conclusively, the burgeoning economic landscape of NTB Province, buoyed by its abundant natural and human resources, underscores a promising trajectory towards development. Notably, the substantial strides made in bolstering tourism infrastructure signal a proactive governmental approach towards enhancing economic vitality. As such, the forthcoming investigation aims to delve into the interplay between various fiscal determinants and the financial independence ratio of districts and cities within the province during the years 2018-2022.

2. Method

This research is a descriptive quantitative study that aims to measure and explain the relationship between several variables related to local finance in West Nusa Tenggara (NTB) Province. Conducted during the period of August 2023 to April 2024, this study covers all districts in NTB Province. The research object mainly focuses on regional financial data, including Regional Budget (APBD), Financial Balance Sheet, and Gross Regional Domestic Product (GRDP) from 2018 to 2022. The methods used for data collection are documentation and literature study. The data used is quantitative data obtained from various institutions such as the Central Statistics Agency (BPS), the Directorate General of Fiscal Balance (DJPK), and the Regional Financial and Asset Management Agency (BPKAD) of NTB Province. In data analysis, researchers used the panel data regression analysis method using the Eviews 10 program.

The research variables are divided into independent variables (total assets, capital expenditure, leverage, and GRDP) and dependent variables (regional financial independence ratio). These variables are measured in rupiah and used to measure the level of regional financial independence. There are three models used in panel data analysis: Common Effect Models (CEM), Fixed Effect Models (FEM), and Random Effect Models (REM). Model selection is done through Chow test and Hausman test. In addition, this study also conducted hypothesis testing using the t statistical test, f statistical test, and coefficient of determination (R2) test to test the effect of independent variables on the dependent variable.
3. Result and Discussion
3.1 Description of Research Data

This study aims to determine the effect of total assets, capital expenditures, Leverage, and GRDP to the Regional Financial Independence Ratio partially and simultaneously. The data needed in this study are APBD data, Financial Balance Sheet and Regency GRDP in West Nusa Tenggara Province in 2018-2022. This research uses secondary data collection methods obtained from BPKAD NTB Province and GDP website institutions concerned, in the Regency APBD data, researchers get it directly from BPKAD NTB Province, Balance Sheet data obtained from website djpk.kemenkeu.go.id and GRDP data obtained from website ntb.bps.go.id. The data relates to all variables from 2018 to 2022. The model used as an analytical tool is determined using FEM (Fixed Effect Model) of course, before using the analyzer, several tests are carried out in accordance with the procedure using the analyzer to get the desired results.

3.1.1 Total Assets

The total asset variable data is seen from the balance sheet report on the asset account which consists of current assets, long-term investments, fixed assets, reserve funds and other assets where total assets as an independent variable are needed in this study to see its effect on the regional financial independence ratio as the dependent variable. Current assets are cash or valuable assets that can be disbursed at any time easily, for example securities, cash, prepaid expenses, accounts receivable and inventory. Long-term investment is an investment that takes a long time, usually above 5 (five) years. The purpose of these investments is useful for preparing the funds needed in the future, examples are gold, stocks, property, bonds, mutual funds, deposits and time savings. Fixed assets are tangible assets that have a useful life of more than 12 months to be used or intended for use in local government activities or utilized by the general public, for example, roads and bridges, water buildings, installations and networks. Reserve funds are funds set aside to accommodate needs that require relatively large funds that cannot be expensed in one fiscal year, for example, District government reserve funds managed by the regional general treasurer (BUD). Other assets in the balance sheet account are assets that for various reasons cannot be classified into the categories of investment assets in the balance sheet, fixed assets and intangible assets, for example receivables, claims for regional losses and so on.

Table 1 Total Assets by Regency/City in NTB Province in 2018-2022 (In Billion Rupiah)

<table>
<thead>
<tr>
<th>Year</th>
<th>Mataram City</th>
<th>Lobar district</th>
<th>KLU</th>
<th>Atteng district</th>
<th>District Lotim</th>
<th>KSB</th>
<th>Sumbawa district</th>
<th>Dompu district</th>
<th>Bima district</th>
<th>Bima City</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>3,111</td>
<td>2,370</td>
<td>1,531</td>
<td>2,808</td>
<td>3,275</td>
<td>2,342</td>
<td>3,063</td>
<td>1,612</td>
<td>2,524</td>
<td>1,424</td>
</tr>
<tr>
<td>2019</td>
<td>3,361</td>
<td>2,676</td>
<td>1,885</td>
<td>3,152</td>
<td>3,501</td>
<td>2,328</td>
<td>3,273</td>
<td>1,763</td>
<td>2,690</td>
<td>1,501</td>
</tr>
<tr>
<td>2020</td>
<td>3,386</td>
<td>2,856</td>
<td>1,857</td>
<td>3,227</td>
<td>3,689</td>
<td>2,210</td>
<td>3,299</td>
<td>1,726</td>
<td>2,705</td>
<td>1,922</td>
</tr>
<tr>
<td>2021</td>
<td>3,499</td>
<td>2,929</td>
<td>1,889</td>
<td>3,557</td>
<td>3,895</td>
<td>2,219</td>
<td>3,273</td>
<td>1,728</td>
<td>2,914</td>
<td>1,948</td>
</tr>
<tr>
<td>2022</td>
<td>3,611</td>
<td>3,003</td>
<td>1,921</td>
<td>3,888</td>
<td>4,100</td>
<td>2,229</td>
<td>3,247</td>
<td>1,731</td>
<td>3,123</td>
<td>1,975</td>
</tr>
</tbody>
</table>

Table 1 above shows the total asset value of all districts in NTB Province in 2018-2022. The total asset value above includes all parts of the total asset account, be it current assets, long-term investments, fixed assets, reserve funds and other assets. The total asset value of all districts in NTB Province tends to increase and there are only a few districts that experience fluctuations but not too far a decrease in the total asset value. This is due to the role of local governments that always tend to maintain productive assets that always provide income from time to time, thereby increasing Local Revenue which is an indicator of Regional Financial Independence. Total assets can be seen in the financial statements section of the balance sheet. Total assets in the Local Government Financial Statements (LKPD) consist of current assets, short-term investments, long-term
investments, tax receivables, retribution receivables, revenue-sharing receivables, deposits, fixed assets, and reserve funds.

3.1.2 Capital Expenditure

Data on capital expenditure variables are seen from the NTB Province Regency APBD report on the Regional Expenditure account which consists of personnel expenditure, goods and services expenditure, capital expenditure and other expenditures where capital expenditure as an independent variable is needed in this study to see its effect on the regional financial independence ratio as the dependent variable. Capital expenditure is usually allocated to acquire fixed assets that have economic benefits of more than one year, for example, such as land capital expenditure, capital expenditure on equipment and machinery, capital expenditure on buildings and structures, capital expenditure on roads, irrigation and networks and other capital expenditure.

Based on table 2 above shows the value of capital expenditure of all regencies/cities in NTB Province in 2018-2022. The value of capital expenditure of all districts in NTB Province in 2018-2022 is expected to be able to provide added value to local revenue, so that each District that provides added value to PAD will increase regional financial capacity and thus regional financial independence will also increase because the region is not burdened by the cost of transfer funds. If the capital expenditure budget of a region is large and is not matched by an increase in regional own-source revenue, then capital expenditure will be financed by general allocation funds sourced from the central government and cannot be financially independent. The allocation of capital expenditure that is right on target, especially for the acquisition of fixed assets such as infrastructure, facilities and infrastructure, will lead to increased economic productivity. If the productivity of the economy is increasing, it will definitely have a real impact on the increase in local revenue, which is the main factor of regional financial independence.

3.1.3 Leverage

Variable data Leverage seen from total debt to equity ratio which is contained in the financial balance sheet on the Liability and Equity account as a whole which is then divided so as to get the results of the leverage variable needed in this study to see its effect on the regional financial independence ratio as the dependent variable.

Table 3 above shows the value of total debt owned by all districts in NTB Province from 2018-2022. Value total debt is a loan made by the district government to finance development in the area because of insufficient equity (capital) owned by each District. Value total debt is used as one of the indicators to determine the value of the variable leverage which is an independent variable in this study. From the table it can be seen that the total debt value of each district continues to increase, there are only a few districts...
that experience fluctuations. East Lombok Regency is a Regency that has total debt (East Lombok Regency is the most populous district in NTB Province, while other districts, namely West Lombok Regency, Central Lombok Regency, Mataram City, KLU, Dompu Regency, Sumbawa Regency, KSB, Bima Regency and Bima City have fluctuating total debt.

Table 4 above shows the value of equity owned by all districts in NTB Province from 2018-2022. Value equity is also referred to as capital owned by all district/city governments that is used to finance development in the region to increase progress in the region. Value equity is also used as an indicator to determine the value of the variable leverage which is an independent variable in this study. From table 4 above, it can be seen that the equity value of districts in NTB Province does not tend to stabilize and increase but fluctuates. Some districts that have increased are West Lombok Regency, Central Lombok Regency and Dompu Regency. So based on tables 3 and 4 that if total debt owned by each Regency in NTB Province is greater than equity will cause the region to continue to depend on the Central Government through transfer funds which can lead to a decrease in Regional Financial Independence. Vice versa if equity is greater than total debt then the obligation will be covered by the equity / capital so that it can increase Regional Financial Independence.

### Table 5 Total debt To Equity Ratio by Regency in NTB Province 2018-2022

<table>
<thead>
<tr>
<th>Year</th>
<th>Mataram City</th>
<th>Lobar district</th>
<th>KLU</th>
<th>district Loteng</th>
<th>District. Lotim</th>
<th>KSB</th>
<th>Sumbawa district</th>
<th>Dompu district</th>
<th>Bima City</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>0.017</td>
<td>0.025</td>
<td>0.015</td>
<td>0.013</td>
<td>0.015</td>
<td>0.008</td>
<td>0.001</td>
<td>0.007</td>
<td>0.004</td>
</tr>
<tr>
<td>2019</td>
<td>0.021</td>
<td>0.014</td>
<td>0.013</td>
<td>0.032</td>
<td>0.015</td>
<td>0.002</td>
<td>0.001</td>
<td>0.011</td>
<td>0.001</td>
</tr>
<tr>
<td>2020</td>
<td>0.020</td>
<td>0.053</td>
<td>0.012</td>
<td>0.027</td>
<td>0.057</td>
<td>0.001</td>
<td>0.007</td>
<td>0.008</td>
<td>0.005</td>
</tr>
<tr>
<td>2021</td>
<td>0.023</td>
<td>0.044</td>
<td>0.020</td>
<td>0.022</td>
<td>0.061</td>
<td>0.008</td>
<td>0.010</td>
<td>0.010</td>
<td>0.001</td>
</tr>
<tr>
<td>2022</td>
<td>0.027</td>
<td>0.037</td>
<td>0.019</td>
<td>0.016</td>
<td>0.065</td>
<td>0.004</td>
<td>0.014</td>
<td>0.011</td>
<td>0.002</td>
</tr>
</tbody>
</table>

Table 5 above shows the value of leverage which is seen from total debt to equity ratio, where this ratio describes the level of debt in equity capital. The leverage ratio is used to measure the ratio of debt to equity (net assets of local governments), where debt and equity is found in the financial statements of the balance sheet section which is then calculated so as to find the results of the calculation total debt to equity ratio where these results are used as research data on variables leverage.

### 3.1.4 Gross Regional Domestic Product (GRDP)

GRDP variable data is needed to see how much influence it has on the ratio of regional financial independence as the dependent variable where GRDP data is obtained from website ntb.bps.go.id by Regency of NTB Province from 2018-2022 which is then used in this study as Gross Regional Domestic Product (GRDP) data.

### Table 6 GRDP by Regency/City in NTB Province in 2018-2022 (In Billion Rupiah)

<table>
<thead>
<tr>
<th>Year</th>
<th>Mataram City</th>
<th>Lobar district</th>
<th>KLU</th>
<th>district Loteng</th>
<th>District. Lotim</th>
<th>KSB</th>
<th>Sumbawa district</th>
<th>Dompu district</th>
<th>Bima City</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>13,082</td>
<td>10,492</td>
<td>3,285</td>
<td>11,917</td>
<td>13,777</td>
<td>12,938</td>
<td>9,986</td>
<td>4,843</td>
<td>7,898</td>
</tr>
<tr>
<td>2019</td>
<td>13,812</td>
<td>10,895</td>
<td>3,477</td>
<td>12,399</td>
<td>14,424</td>
<td>12,789</td>
<td>10,471</td>
<td>5,059</td>
<td>8,234</td>
</tr>
<tr>
<td>2020</td>
<td>13,050</td>
<td>10,128</td>
<td>3,218</td>
<td>11,571</td>
<td>13,974</td>
<td>16,471</td>
<td>10,033</td>
<td>4,897</td>
<td>7,944</td>
</tr>
<tr>
<td>2021</td>
<td>13,476</td>
<td>10,472</td>
<td>3,262</td>
<td>12,037</td>
<td>14,410</td>
<td>16,416</td>
<td>10,221</td>
<td>4,979</td>
<td>8,086</td>
</tr>
<tr>
<td>2022</td>
<td>13,952</td>
<td>10,834</td>
<td>3,376</td>
<td>12,464</td>
<td>14,868</td>
<td>20,379</td>
<td>10,549</td>
<td>5,126</td>
<td>8,318</td>
</tr>
</tbody>
</table>
Based on table 4 above shows the GRDP value of all regencies/cities in NTB Province in 2018-2022. The GRDP value of the Regency in NTB Province in 2018-2022 fluctuates. This is because the added value of production and services produced is still less stable so that the income that goes to PAD is low and irregular, which causes local governments to receive assistance from the central government in the form of transfer funds to finance routine expenditures and development expenditures. A high GRDP indicates that regional economic activities are moving well, so the amount of local revenue income will be higher. The higher the GRDP of a region, the greater the regional income, the greater the regional income will provide an opportunity for increased regional financial independence.

### 3.2 Panel Data Regression Results

The panel data regression has been determined using the fixed effect, then the formula in the model fixed effect as follows in Equation 1 [19]:

\[
y_{it} = \alpha_i + \beta^1X_{1it} + \beta^2X_{2it} + \beta^3X_{3it} + \beta^4X_{4it} + \varepsilon_{it}\]  

\[
y_{it} = 0.028077 + 1.77X_{1it} - 5.31X_{2it} + 0.359488X_{3it} + 5.51X_{4it} + \varepsilon_{it}\]

The panel data regression equation can be explained as follows:

a. The constant value is 0.028077, this means that if the variables of Total Assets, Capital Expenditure, Leverage, and GRDP are equal to zero (0), then the level of regional financial independence of the Regency in West Nusa Tenggara Province is 0.028077.

b. The coefficient value of the Total Assets variable (β1) is 1.77. This result means that every increase in Total Assets in the Regency of West Nusa Tenggara Province by one unit, will increase regional financial independence by 1.77.

c. The coefficient value of the Capital Expenditure variable (β2) is -5.31. This result means that every increase in Capital Expenditure in the Regency of West Nusa Tenggara Province by one unit, will reduce regional financial independence by 5.31.

d. The coefficient value of the Leverage variable (β3) is 0.359488. This result means that every increase in the Debt to Equity Ratio in the Regency of West Nusa Tenggara Province by one unit, will increase regional financial independence by 0.359488.

e. This result means that every increase in GRDP in the Regency of West Nusa Tenggara Province by one unit will increase regional financial independence by 5.51.

### 3.3 Discussion

#### 3.3.1 The Effect of Total Assets on Regional Financial Independence

The first hypothesis proposed in this study is to test how the effect of Total Assets on Regional Financial Independence. In table 3 the probability value of Total assets of
0.1633 is greater than \( \alpha 0.05 \) with a t-Statistic value of 1.423204. This means that total assets has no significant effect on Regional Financial Independence, it can be concluded that the results in the first hypothesis which states that total assets have an effect on Regional Financial Independence are rejected. These results explain that the total assets owned by a region, whether it is a lot or a little, do not affect Regional Financial Independence. This is because the role of total assets in increasing regional financial independence has not run as it should. This can be caused by the large number of less productive assets [20]. Less productive assets are assets that do not generate returns such as investing in property or vehicles that do not generate income over time.

### 3.3.2 The Effect of Capital Expenditure on Regional Financial Independence

The second hypothesis proposed in this study is to examine how capital expenditure affects Regional financial independence. In table 4.13, the probability value of Capital Expenditure of 0.0877 is greater than \( \alpha 0.05 \) with a t-Statistic value of -1.755273. This means that Capital Expenditure has no significant effect on regional financial independence, it can be concluded that the results in the second hypothesis which states that Capital Expenditure has an effect on Regional Financial Independence are rejected. These results explain that any increase in capital expenditure will cause a decrease in regional financial independence. If the capital expenditure budget of a region is large and not matched by an increase in local revenue, then capital expenditure will be financed by general allocation funds sourced from the central government. This will cause local governments to depend on the central government and cannot be financially independent.

According to the Multi-Term Expenditure Framework (MTEF) concept, capital expenditure policies must pay attention to the usefulness and financial capability of local governments (budget capability) in allocating these assets in the long term [21]. Based on this theory, local governments are required to be able to carry out optimal budgeting so as to achieve efficiency and effectiveness in budgeting. In budgeting capital expenditures, the government must consider its regional financial capacity. This will have an impact on the level of financial independence of the region, because if the regional financial capacity is unable to finance capital expenditures, the local government will depend on assistance from the central government. As a result, regional financial independence cannot be achieved.

### 3.3.3 The Effect of Leverage on Regional Financial Independence

The third hypothesis proposed in this study is to test how Leverage affects regional financial independence. In table 4.13 the probability value of Leverage of 0.2204 is greater than \( \alpha 0.05 \) with a t-Statistic value of 1.247110. This means that Leverage has no significant effect on regional financial independence, it can be concluded that the results in the third hypothesis which states that Leverage has an effect on regional financial independence are rejected. Arguments related to regional financial independence are seen from external financing. External financing in the form of debt in a business unit may be a measure of independence because debt is a source of financial funding that should be taken into account. However, the leverage position when applied to local governments, the leverage position cannot be equated to the conditions of a business unit because the external financial financing of local governments is not only through debt. External financial financing of local governments also comes from central government assistance through the Balance Fund which has a large enough nominal without the responsibility of repayment [22].
3.3.4 The Effect of GRDP on Regional Financial Independence

The fourth hypothesis proposed in this study is to examine how GRDP affects regional financial independence. In table 3 the probability value of GRDP of 0.0369 is smaller than α 0.05 with a t-Statistic value of 2.167874. This means that GRDP has a significant effect on regional financial independence, it can be concluded that the results in the fourth hypothesis which states that GRDP has an effect on Regional Financial Independence are accepted. These results explain that with the increase in GRDP in a region it greatly affects the better Regional Financial Independence. This can be seen from the prosperity is closely related to the economic activity that runs in the area. High GRDP indicates that regional economic activities are moving well, so the amount of local revenue income will be higher [17]. The number of production factors that arise will give rise to local revenue in the form of taxes and levies that become income for the regional treasury. With high local revenue, the level of financial independence of the region will be better.

4. Conclusion

The results showed that total assets, Capital Expenditure, and Leverage did not have a significant influence on the Financial Independence of Regency in NTB Province in the 2018-2022 time span. This indicates that these factors have not played an effective role in increasing regional financial independence. For example, total assets that do not have a significant impact may be due to the presence of less productive assets, which do not provide sufficient returns. Likewise, Capital Expenditure, which does not have a significant effect, may be because large capital expenditures are not matched by an increase in local revenue, resulting in dependence on central allocation funds. Leverage, despite being a potential indicator of self-reliance, showed no significant effect, perhaps due to the diverse nature of local government external financing. However, GRDP has a significant positive influence on local financial independence, suggesting that strong economic growth in the region can increase local own-source revenue and financial independence.

Limitations of this study may include the limited data available and the methodology used. Future research is suggested to pay more attention to local potentials in improving regional financial independence, as well as to further examine other factors that may affect regional financial independence, such as fiscal policy and economic structural changes.

5. Declaration

Author contributions and responsibilities - The authors made major contributions to the conception and design of the study. The authors took responsibility for data analysis, interpretation and discussion of results. The authors read and approved the final manuscript.

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6. References


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