

The Influence of Local Government Size, Legislative Size, and BPK Audit Opinion on Local Government Financial Performance

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ABSTRACT

Regional financial performance is measured through the independence ratio which reflects the ability of regional autonomy. However, the low independence ratio in most regions indicates that regional autonomy has not been running optimally. This study is intended to obtain empirical evidence regarding the influence of Local Government Size, Legislative Size and BPK Audit Opinion on the Financial Performance of Local Government. The data used is secondary data from the www.jabar.bps.go.id and www.jabar.bpk.go.id of 2019-2023. The population in this study was determined through census techniques covering 18 districts and 9 cities in West Java Province. The data analysis method used multiple linear regression with IBM SPSS 27 software. The results of this study prove that the Size of the Regional Government has a significant positive effect on the Financial Performance of the Regional Government. Legislative size have a significant negative effect on the Financial Performance of Local Governments. And BPK Audit Opinion does not have a significant effect on the Financial Performance of Local Governments.

Keywords: Size of Local Government; Legislative Size; BPK Audit Opinion; Local Government Financial Performance

Pengaruh Ukuran Pemerintah Daerah, Ukuran Legislatif, dan Opini Audit BPK terhadap Kinerja Keuangan Pemerintah Daerah

ABSTRAK

Kinerja keuangan daerah diukur melalui rasio kemandirian yang mencerminkan kemampuan otonomi daerah. Namun, rendahnya rasio kemandirian di sebagian besar daerah menandakan bahwa otonomi daerah belum berjalan optimal. Penelitian ini dimaksudkan untuk memperoleh bukti empiris mengenai pengaruh Ukuran Pemerintah Daerah, Ukuran Legislatif dan Opini Audit BPK terhadap Kinerja Keuangan Pemerintah Daerah. Data yang digunakan merupakan data sekunder dari www.jabar.bps.go.id dan www.jabar.bpk.go.id tahun 2019-2023. Populasi dalam penelitian ini ditentukan melalui teknik sensus yang mencakup 18 kabupaten dan 9 kota di Provinsi Jawa Barat. Metode analisis data yang digunakan regresi linear berganda dengan software IBM SPSS 27. Hasil penelitian ini membuktikan bahwa Ukuran Pemerintah Daerah berpengaruh positif signifikan terhadap Kinerja Keuangan Pemerintah Daerah. Ukuran Legislatif berpengaruh negatif signifikan terhadap Kinerja Keuangan Pemerintah Daerah. Dan Opini Audit BPK tidak berpengaruh signifikan terhadap Kinerja Keuangan Pemerintah Daerah.

Kata Kunci: Ukuran Pemerintah Daerah; Ukuran Legislatif; Opini Audit BPK; Kinerja Keuangan Pemerintah Daerah



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INTRODUCTION

Local governments run a system of government under the supervision of the central government (Ramahdani & Trisnarningsih, 2022). The local government has received several authorities from the central government. The aim of this delegation is to address problems at the regional level and increase local capacity to improve community welfare (Sugianto & Larasati, 2023). Fauziyah & Ekaningtias (2022) local governments have the power to oversee financial resources, establish laws, and create budgets based on needs. According to Law Number 23 of 2014 concerning Regional Government and Law Number 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments.

One of the most important aspects of carrying out Subnational autonomy is the power that local governments have to oversee their budgets and finances. The objective of establishing autonomy is to enhance the abilities of local governments to improve performance quality, mainly regarding financial performance (Nurrahmadani et al., 2024). The economic performance of an area indicates its ability to manage available financial resources to address diverse requirements effectively (Mulyanto et al., 2019). Effective local budget management facilitates local government efficient functioning, enhancing its performance (Sari & Mustanda, 2019).

Financial performance serves as a criterion for evaluating a region capacity to execute optimal financial management to uphold the anticipated level of service. Furthermore, robust regional financial performance might enhance the independence ratio in government (Banunaek et al., 2022). The independence ratio is employed to evaluate the fiscal performance. This independence ratio demonstrates the extent of regional government reliance on outside financing sources for development financing and community service provision (Rayhan & Wibowo, 2022).

The current Finance Minister of Indonesia is Sri Mulyani underscored that local governments remain significantly reliant on financial allocations from the federal government. Sri Mulyani articulated this statement during the National Coordination Meeting for the Acceleration and Expansion of Regional Digitalization in 2024. Conversely, regional income remains significantly constrained (detikFinance, 2024). In West Java Province, Districts and City Local Governments derived only 27,19% of their revenue from Regional Original Revenue (PAD), while transfer revenues constituted 71,90%. This indicates that PAD in these local governments is relatively minimal, highlighting a significant financial reliance on the central authority (BPS, 2023).

The aforementioned phenomenon concerning the financial performance of local governments, which remain significantly reliant on the central authority, is demonstrated through a comparison of Regional Original Revenue and Transfer Revenue. This illustrates the financial performance 27 districts and city within West Java Province from 2019 to 2023, as shown here in Table 1.

Table 1. Progression of Financial Performance of Districts and City Regional Governments in West Java Province from 2019-2023 (In %)

No	Districts/City	Financial Performance Regional Governments (%)				
		2019	2020	2021	2022	2023
1	Bandung Districts	25.65	28.51	28.23	26.65	25.79
2	Bekasi Districts	82.52	83.40	80.90	75.56	76.90
3	Bogor Districts	70.30	68.10	79.54	70.73	70.87
4	Ciamis Districts	10.28	11.34	12.06	12.79	10.93
5	Cianjur Districts	23.64	19.48	26.75	19.22	21.16
6	Cirebon Districts	21.55	21.95	23.38	25.92	23.36
7	Garut Districts	12.13	12.83	14.82	11.91	12.69
8	Indramayu Districts	19.12	23.85	20.28	20.79	21.89
9	Karawang Districts	44.39	46.78	54.52	51.02	51.45
10	Kuningan Districts	17.31	12.76	14.97	14.92	14.09
11	Majalengka Districts	18.39	18.81	19.04	21.15	21.23
12	Purwakarta Districts	28.67	28.87	29.24	33.17	30.54
13	Subang Districts	19.22	19.59	20.23	19.34	22.42
14	Sukabumi Districts	19.75	22.48	21.13	21.32	21.10
15	Sumedang Districts	18.71	19.17	21.05	21.94	22.30
16	Tasikmalaya Districts	8.60	9.90	14.01	10.79	10.52
17	Bandung City	70.27	61.56	64.25	75.55	74.13
18	Bekasi City	73.36	72.04	83.95	79.61	80.03
19	Bogor City	69.79	61.60	73.50	70.00	82.18
20	Cirebon City	48.26	38.35	44.37	57.74	57.75
21	Depok City	73.51	71.80	89.76	81.99	85.90
22	Sukabumi City	40.52	43.99	40.03	43.40	48.89
23	Tasikmalaya City	18.49	22.84	29.38	23.14	27.30
24	Cimahi City	38.77	41.36	38.47	42.15	43.73
25	Banjar City	14.86	18.65	21.09	21.69	20.96
26	Bandung Barat Districts	23.94	24.86	26.07	34.76	29.77
27	Pangandaran Districts	8.95	7.55	15.70	20.88	22.24

Source: West Java Audit Board (Research Data, 2024)

According to Table 1. which illustrates Development of Financial Performance of West Java Districts and City Governments from 2019 to 2023. It is clear that local governments receive more Transfer Revenue than Regional Original Revenue. In 2023, ten districts and city in West Java Province experienced a decline in local government financial performance: Bandung Districts by 25.79%. Ciamis Districts by 10.93%. Cirebon Districts by 23.36%. Kuningan Districts by 14.09%. Purwakarta Districts by 30.54%. Sukabumi Districts by 21.10%. Tasikmalaya Districts by 10.52%. Bandung City by 74.13%. Banjar City by 20.96%. and West Bandung Districts by 29.77%. Consequently, the financial performance has been neither optimal nor consistent annually.

The financial performance 27 districts and city within West Java Province was evaluated more clearly using the interval scale of the independence ratio. as shown here in Table 2.

Table 2. Financial Capability Levels and Regional Government Relations Patterns in Districts and City of West Java Province from 2019-2023

Capability Financial	Independence Ratio	Relationship Patterns	Count of Districts and City in West Java Province				
			2019	2020	2021	2022	2023
Extremely Low	0% - 25%	Instructive	15	15	12	13	13
Low	>25% - 50%	Consultative	5	5	8	6	6
Moderate	>50% - 75%	Participatory	6	6	3	4	4
Elevated	>75% - 100%	Delegative	1	1	4	4	4

Source: Aziz et al. (2023) (Research Data, 2024)

According to Table 2, the interval scale of the independence ratio reveals that in 2023, 13 districts and city in West Java Province exhibit very low financial capability and demonstrate an instructive relationship pattern. This indicates that the central government exerts more significant influence than local governments, suggesting that these districts and city have not effectively implemented regional autonomy. In 2023 there decrease in 6 districts and city with low financial capabilities and a pattern of consultative relationships, showing that districts and city have better capabilities in carrying out regional autonomy. In 2023 there increase of 4 districts and cities with moderate financial capabilities and a pattern of participatory relationships, this shows that districts and cities are almost able to fully handle regional autonomy affairs independently. In 2023, there increase in 4 districts and city with high financial capabilities and a pattern of delegative relationships, demonstrating the ability of districts city and to independently handle matters pertaining to regional autonomy.

The independence ratio shows that the financial capability is deteriorating. By looking at the interval scale of the independence ratio, the local governments of districts and city in West Java Province are still far from being independent. In 2023, the instructive relationship pattern applies in 13 districts and city, while the delegative relationship pattern only applies in 4 districts and city. This shows that many regions are still experiencing difficulties in implementing regional autonomy.

Revenue administered by the local government is referred to as Regional Original Revenue (PAD). Consequently, regional independence can be evaluated using PAD, which indicates the degree to which a region can administer its financial resources independently of central government aid (Ijtitihad & Harsono, 2024). Regional financial performance serves as an indication to evaluate the capacity of the region to execute its autonomous functions (Maulina & Rhea, 2019). To attain maximum financial performance in local government, examining variables that may create substantial gaps in attempts to enhance economic outcomes is essential. The Size of the local government is a factor influencing its financial performance. Local government size indicates an agency scale within an area, measurable by total revenue, personnel count, total assets, and productivity

levels (Ramahdani & Trisnaningsih, 2022). Overall assets were selected due to their more excellent stability compared to revenue, staff count, or overall production within an area (Hashifa et al., 2024). Local government size pertains to the assets administered, encompassing significant and minor scales (Meilanda et al., 2023). Local governments possessing more assets exhibit enhanced capability to increase local revenue (Zamzami & Rakhman, 2023). Consequently, local governments must diligently manage their assets (Wijaya & Solikhi, 2022).

Additionally, the financial success of the local government may be impacted by the size legislature. The members of the Regional People Representative Council (DPRD) oversee the local administration, particularly in the proper management and allocation of the budget (Karno & Alliyah, 2021). Legislative members are elected directly by the public, entrusting DPRD members with the oversight of local administration (Raditya et al., 2022). It is believed that the expected increase in DPRD members would improve the control of local government performance (Aprianto, 2021). Rigorous oversight by the DPRD can mitigate budget misappropriation and promote greater transparency and accountability among local governments in city finances. The DPRD steadfast dedication to its mission will impact local government performance results (Nurhayati et al., 2022).

Local governments financial performance is impacted by the BPK audit opinion. The audit opinion is the outcome of an analysis performed out by the BPK or Supreme Audit Agency, serving as a metric to assess the responsibility of a governmental organization (Karno & Alliyah, 2021). A favorable audit judgment yields positive outcomes, enhancing the public impression of local government legitimacy and motivating citizens to voluntarily contribute to government revenue, mainly through taxes and levies (Zamzami & Rakhman, 2023). BPK conducts an audit of local government financial statements to assess whether the reports are presented reasonably in material aspects, guided by the accounting principles regulated in the Government Accounting Standards (Nugraheni & Adi, 2020). In order to strengthen the transparency of financial statement presentation (Kustinah et al., 2022).

The agency theory, proposed by Jensen & Meckling (1976) describes the interaction between two parties bound by an agreement. This agency theory is applicable in the public sector to govern the connection between the government and society (Ditasari & Sudrajat, 2020). Fauziyah & Ekaningtias (2022) Assert that agency theory pertains to the interaction between the government and the community, where the principal grants authority and the agent executes the delegated authority. The granting of full authority by the central government to regional administrations, as revealed by Ditasari & Sudrajat (2020) can cause a disparity in information sharing, as local authorities possess superior information about regional management than the community. This is supported by Pratama et al. (2022) this information asymmetry can give rise to the main problem in agency relationships, namely the difference in interests between principals and agents. This conflict of interest arising from this information imbalance ultimately has the potential to harm entities, one of which is the emergence of agency costs as a result of differences in interests (Prayuda & Arifin, 2024). Here, it is expected that agents carry out their duties well in accordance with the wishes of the principal Rasyid et

al. (2022) In the public sector, *agency theory* focuses on public welfare to the government to create equitable and optimal methods of financial management, infrastructure development, and public services (Aswar, 2019). As a form of accountability to the community, based on *agency theory*, local governments need to make financial reporting transparent and accountable to the public (Fauziyah & Ekaningtias, 2022).

Empirical evidence shows varying effects between the size of local governments, legislative size, BPK audit opinions on the financial performance of local governments. Research conducted by Hashifa et al. (2024), Meilanda et al. (2023) and Safitri et al. (2023), emphasized that the size of local governments has a significant positive. On the contrary, research conducted by Sari & Mustanda (2019) and confirms that it has a negative effect. Research on legislative size has also yielded mixed findings. Safitri et al. (2023) and Aprianto (2021) emphasized that legislative size have a significant positive effect, while Hendaris & Sastradipraja (2024) and Ayunisa et al. (2022) affirm that they have no effect. Similarly, research on BPK audit opinions has shown mixed impacts. Chaerani & Firmansyah (2024), Zamzami & Rakhman (2023) and Pradnyani & Mimba (2020) affirm positive influences, while Nurhalimah & Wicaksono (2024) and (Karno & Alliyah, 2021) affirm negative influences.

Agency theory explains how local governments engage with the community in a principal agent relationship, wherein local governments deliver optimal services to the population. To provide optimal service, local governments require support from sufficient resources (Banunaek et al., 2022). Substantial assets will allow the local government to deliver services to the community as the principal nevertheless, these assets may also be misappropriated by the government in its capacity as an agent (Prayuda & Arifin, 2024). The magnitude of local government is utilized to assess the transparency of financial performance, specifically regarding the assets possessed (Aulia & Rahmawaty, 2020). A larger quantity of assets possessed correlates with an increased, the local government ability to provide funding operational activities (Prayuda & Arifin, 2024). Furthermore, efficient operational will facilitate local governments acquisition of PAD, enhancing their financial performance (Natoen et al., 2019). Consequently, local governments can fulfill their responsibilities toward the community by leveraging their resources independently of the central government (Safitri et al., 2023). Studies carried out by Meilanda et al. (2023) indicates that the Size of local government positively influences its financial performance, corroborated by findings from Karno & Alliyah (2021) that demonstrate a significant positive effect of local government size on financial performance. With the study of theory and several previous research studies, the first hypothesis is, it can be said.

H₁: The size local government positively affects local government financial performance

Legislative size include DPRD members elected by the community to represent and articulate the concerns of the community in each region (Prayuda & Arifin, 2024). The dimensions of the local government legislation guarantee that the executive fulfills its responsibilities by aligning with community objectives, specifically enhancing public welfare (Zaitul et al., 2021). According to agency theory, effective oversight by DPRD will diminish agency expenditures and

mitigate potential agency issues (Zaitul et al., 2021). With an ideal membership, supervision may be conducted exhaustively, enhancing oversight and enhancing the financial performance of the local (Gustianra & Serly, 2019). Additionally, oversight conducted by the DPRD is anticipated to assist local governments in meeting their responsibilities regarding public service provision, community welfare, and enhancing local government financial performance (Prayuda & Arifin, 2024). This assertion is corroborated by research Safitri et al. (2023) indicating that legislative Size has a significant partial impact on local government financial performance and by research Gustianra & Serly (2019) demonstrating that legislative Size influences the performance of district and city local governments, as measured by the independence ratio proxy. With the study of theory and several previous research studies, the second hypothesis is, it can be said.

H₂: The legislative size positively affects local government financial performance

The BPK Audit Opinion is a statement provided by BPK to evaluate the accuracy of financial statements and local governments adherence to relevant legislation (Pattipawaey & Leatemala, 2023). Stakeholder trust in the caliber of reports provided by local governments is increased by this viewpoint. Agency theory posits that local governments, as agents, are frequently untrustworthy in aligning their actions with the interests of the community, the principle (Wijayanti & Suryandari, 2020). Consequently, local government financial management oversight is essential to guarantee that all procedures and practices comply with relevant rules. BPK monitoring seeks to avert conflicts of interest or information imbalance between the public and local governments (Karno & Alliyah, 2021). An improved opinion from BPK correlates with enhanced financial performance of the local government (Satriawan et al., 2021). This will positively influence local governments financial performance, improving public confidence through improved financial reports (Angelina et al., 2024). Research by Chaerani & Firmansyah (2024) indicates that audit opinion significantly influences local government financial performance. Pradnyani & Mimba (2020) also demonstrate a positive effect of audit opinion on local government financial performance. With the study of theory and several previous research studies, the three hypothesis is, it can be said.

H₃: BPK Audit Opinion positively affects local government financial performance.

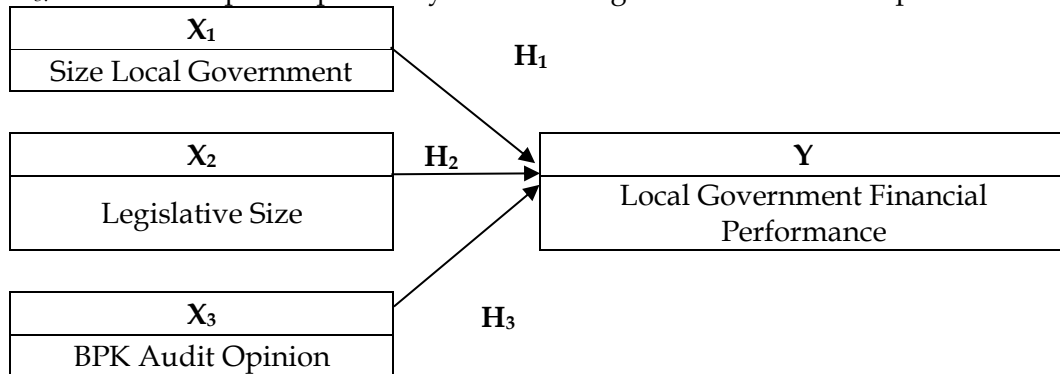


Figure 1. Hypothetical Framework

Source: Research Data, 2024

RESEARCH METHODS

This research utilizes a descriptive quantitative approach and associative problem formulation approach in the form of causal relationships, which aims to explain the relationship between independent variables and dependent variables (Sugiyono, 2023). The data used are secondary data that focuses on district and city governments in West Java Province during the 2019–2023 period. Regional financial performance is assessed using the independence ratio, which reflects the variation in regional autonomy capabilities. Secondary data for this study were obtained from the official website of the Audit Board www.jabar.bpk.go.id for data on local government size and BPK audit opinions, and from the Central Statistics Agency www.jabar.bps.go.id for data on legislative size. The sampling technique used is non-probability sampling with a census approach, in which the entire population is included as the research sample. The population consists of 27 local governments in West Java Province, comprising 18 regencies and 9 cities, covering the period from 2019 to 2023.

This study comprises three independent variables along with one dependent variable. Table 3 present lists the operational variable.

Table 3. Operational Parameters

Variable	Concept	Indicator	Scale
Size Local Government	The Size of the government describes the Size or Size of the regional economy, measured by total assets (Karno & Alliyah, 2021)	Size Local Government = Ln (Total Assets)	Ratio
Legislative Size	The legislature Size is measured based on the number of legislative members (DPRD) at the district and city levels (Karno & Alliyah, 2021).	Legislative Size = Quantity of Legislative Members	Ratio
BPK Audit Opinion	BPK audit opinion illustrates the fairness of local government financial statements (Putra, 2022).	Dummy Variables: Value 1 for Unqualified Opinion (WTP) Value 0 for opinions other than WTP	Nominal
Local Government Financial Performance	Financial performance is assessed through the independence ratio, which reflects the area ability to finance its government operations (Sartika, 2019).	Independence Ratio $= \frac{\text{PAD}}{\text{Transfer Revenue}} \times 100\%$	Ratio

Source: Research Data, 2024

This study employs data analysis methodologies, namely descriptive statistical tests and multiple regression analysis, to examine data and evaluate the

proposed hypotheses. Data processing was conducted utilizing IBM SPSS software version 27. Classical assumption testing was performed before doing multiple regression analysis to confirm that the methodology adhered to fundamental assumptions without breaches.

Classical assumption testing encompasses multicollinearity assessment, heteroscedasticity evaluation, and autocorrelation analysis. Multicollinearity can be identified when the Tolerance value exceeds 0.1, and the Variance Inflation Factor (VIF) is below 10, signifying the absence of multicollinearity (Ghozali, 2021). The heteroscedasticity test is conducted by analyzing the scatterplot; heteroscedasticity is absent if no discernible pattern is evident and the points are randomly distributed about zero (Ghozali, 2021). Additionally, the autocorrelation test was conducted due to using time series data in this study, which may exhibit data interference. The Durbin-Watson (DW) test is employed for autocorrelation detection to confirm that the data lacks autocorrelation issues (Ghozali, 2021). This sequence of tests enables accurate and reliable execution of multiple linear regression model.

Multiple linear regression can be utilized to examine how several independent variables simultaneously influence a dependent variable, provided that the data meet the requirements of classical assumption testing. This procedure uses the subsequent regression equation:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 \dots \dots \dots (1)$$

Information:

- Y = Projected value, in this context, refers to the Local Government Financial Performance
- a = The value of Y is constant when variable X is zero
- b_1, b_2, b_3 = Coefficient of regression
- X_1 = Size of Local Government
- X_2 = Legislative Size
- X_3 = BPK Audit Opinion

RESULTS AND DISCUSSION

Table 4. Descriptive Results

	N	Minimum	Maximum	Mean	Std. Deviation
Size of Local Government	135	28.08	31.61	29.375	0.793
Legislative Size	135	30	55	47.52	5.845
BPK Audit Opinion	135	0	1	0.61	0.488
Local Government Financial Performance	135	7.55	89.76	36.136	23.579
Valid N (listwise)	135				

Source: Research Data, 2025

According to Table 4, Descriptive statistical testing using 135 samples found that the Local Government Size had an average of 29.375 and a deviation value of 0.793. The lowest value (min) of the Local Government Measure is 28,08 and the highest value (max) is 31.61. The standard deviation of the Local Government Size, which is about 2.7% of the average value, shows that the data spread is quite small. This shows that there is no big difference in the size of local government between districts and cities. In the districts and cities of West Java, the Legislative Size has an average value of 47.52 and a standard deviation of 5.845. Then the legislative size ranges from 30 to 55. This value shows that the variation in data is moderate, reflecting the variation in the number of legislative members that is quite real between districts and cities, according to the difference in population.

The range of BPK Audit Opinion is 0 to 1, has a standard deviation of 0.488, with an average of 0.61. This shows that around 61% of the local governments of West Java districts and cities received a Fair Opinion Without Exception (WTP), while the rest received opinions other than WTP. And the Financial Performance of the Regional Government has an average of 36.136, the standard deviation is 23.579 and the lowest value (min) is 7.55 and the highest value (max) is 89.76. The standard deviation is about 65% of the average, reflecting significant variations in the fiscal capacity of regions to finance their needs independently, ranging from low to relatively high levels.

Table 5. Multicollinearity Test Results

Independent Variable	Tolerance	VIF	Explanation
Size of Local Government	.601	1.665	No Multicollinearity
Legislative Size	.610	1.639	No Multicollinearity
BPK Audit Opinion	.980	1.020	No Multicollinearity

Source: Research Data, 2025

According to Table 5, the multicollinearity test findings demonstrate that the tolerance value for the Local Government Size variable is 0.601, for the Legislative Size is 0.610, and for the BPK Audit Opinion is 0.980. The VIF value for the Local Government Size variable is 1.665, for the Legislative Size is 1.639, and for the BPK Audit Opinion is 1.020. The results show that the Tolerance value for the three variables exceeds 0.1, but the three variables VIF value is less than 10. Thus, it may be inferred that none of the three independent variables in this research exhibit multicollinearity issues.

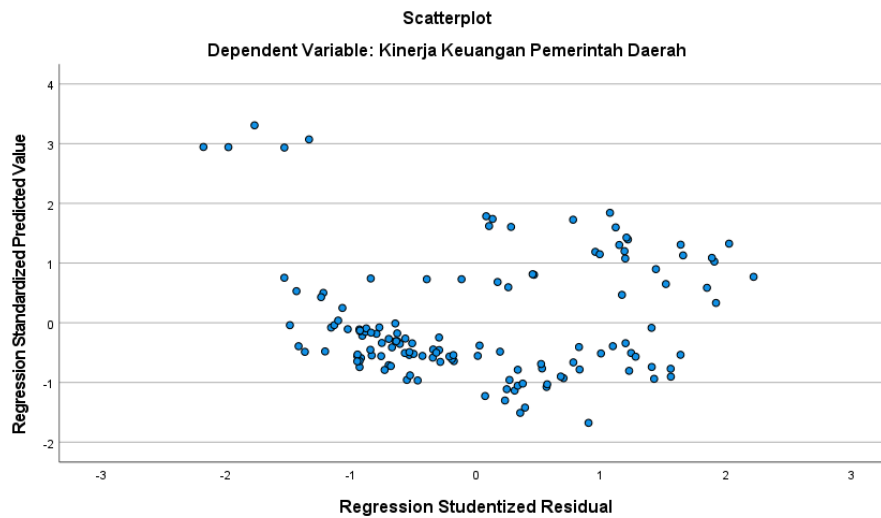


Figure 2. Results of Heteroscedasticity Testing using Scatterplot Graphs

Source: Research Data, 2025

According to Figure 2, the data points are distributed above and below the value of 0 do not exhibit a discernible pattern. This indicates that Image 2 does not exhibit heteroscedasticity in the study.

Table 6. Autocorrelation Test Results

No	dL	dU	4-Du	DW	Explanation
1	1.674	1.765	2.236	2.049	No Autocorrelation

Source: Research Data, 2025

According to table 6, Autocorrelation test findings, the Durbin Watson (DW) statistic is 2.049. Using 135 samples and three independent variables. Then, the value is compared with the Durbin-Watson table at the probability value sig (α) = 5% (Ghozali, 2021). Resulting in a value of 4-dU (2.236) and a dU value of 1.765. The Durbin-Watson value is $dU (1.765) < DW (2.049) < 4-dU (2.236)$. So the Durbin-Watson value is outside the upper bound, This suggests that the regression model is free from any type of autocorrelation.

Table 7. Regression Test Results

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Explanation
	B	Std. Error	Beta			
1 (Constant)	-744.048	52.511		-14.169	<,001	
Size of Local Government	29.869	2.020	1.005	14.790	<,001	Ha Accepted
Legislative Size	-2.034	.272	-.504	-7.477	<,001	Ha Rejected
BPK Audit Opinion	-.913	2.567	-.019	-.356	.723	Ha Rejected

Source: Research Data, 2025

According to Table 7, The multiple linear regression model is represented as follows:

$$Y = -744.048 + 29.869 \text{ SLG} - 2.034 \text{ LS} - 0.913 \text{ BAO} \dots \dots \dots (2)$$

Multiple linear regression revealed that the independent variables had a range of associations, both positive and negative. The local government size was 29.869, the legislature size was -2.034, and the BPK audit opinion was -0.913. This suggests that the financial performance of local governments is positively impacted by their size local government. Put another way, a local government financial performance increases with its size local government. However, the financial performance of local governments is negatively impacted by the size of the legislature and the audit opinion of the BPK. This implies that local governments financial performance tends to deteriorate with the number of legislative members increases and good quality of the BPK audit opinion results.

Table 8. Determination Coefficient Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.798 ^a	.637	.628	14.375

Source: Research Data, 2025

According to Table 8, the determination coefficient of 0.637 indicates that 63.7% of the Financial Performance of Regional Governments is influenced by the Size of the Regional Government (X_1), Legislative Size (X_2) and BPK Audit Opinion (X_3). In addition, 36.3% of Regional Financial Performance is influenced by factors not analyzed in this study.

Table 9. F-Test Outcomes

Model	Sum of Squares	Df	Mean Square	F	Sig.	Explanation
1 Regression	47,433.691	3	15,811.230	76.520	<.001 ^b	H _a Accepted
Residual	27,068.399	131	206.629			
Total	74,502.090	134				

Source: Research Data, 2025

According to Table 9, the value of F_{tabel} is calculated using the formula ($k; n-k$), represents the number of observations as n and the number of independent variables as k , resulting in a F_{table} of 2.67. The results showed that $F_{\text{count}} 76.520 > F_{\text{table}} 2.67$ and a significance value is $0.001 < 0.05$, so H_0 is denied and H_a is approved. This demonstrates that the factors of Local Government Size, Legislative Size and BPK Audit Opinion all have a major impact on Local Governments Financial Performance in Regencies and Cities in West Java Province during the 2019-2023 period.

The first hypothesis (H_1) was tested using statistical analysis, which showed that the Local Government Size (X_1) had a t_{count} value of 14.790, while the table t_{table} was 1.978. This outcome shows that the $t_{\text{count}} 14.790 > t_{\text{table}} 1.978$ and the significance value $0.001 < 0.05$. Consequently, H_{01} was denied and H_{a1} was approved. This implies that the Size of the Regional Government (X_1) positively and significantly affects the Financial Performance of the Regional Government (Y). Suggesting that any alteration in local government size, whether an increase

or decrease as measured by total assets, can impact its financial performance. This indicates that total assets have effectively facilitated the enhancement of the economic performance of district and city governments in West Java Province, hence ensuring the efficient administration of local governments and delivering optimal public services to the population (Prayuda & Arifin, 2024).

This reflects the concept in agency theory, where emphasizes the relationship between local governments responsible for providing the best service to the community. In an effort to provide maximum services, local governments need support from adequate assets (Banunaek et al., 2022). Which indicates that local governments, as agents, prioritize utilizing assets with productive value, such as fixed assets like land, for community purposes, including schools, health facilities, public transportation, and agriculture (Karno & Alliyah, 2021). Furthermore, local governments may allocate investments (Nurrahmadani et al., 2024). This condition enables local authorities to increase their PAD, thereby strengthening the financial performance of the regional government (Natoen et al., 2019).

This study results are consistent with those of Hendaris & Sastradipraja (2024), Meilanda et al. (2023), Karno & Alliyah (2021), Subagyo et al. (2021) and Aulia & Rahmawaty (2020) demonstrates that the local government financial performance is positively and significantly impacted by its size of the local government. This implies that a larger local government is associated with a greater ability to fund operations, which in turn improves each local government financial performance (Prayuda & Arifin, 2024). This study runs counter to the conclusions of (Ernawati et al., 2023) and (Ramahdani & Trisnarningsih, 2022), which contend that the size of a local government has no bearing on its financial performance. This is due to local administrations' inability to optimize regional potential fully. The larger the region, the more probable it is that the local government financial performance will deteriorate. This arises from the difficulties encountered by local administrations in accessing and governing extensive territories (Ernawati et al., 2023).

The second hypothesis (H_2) was tested using statistical analysis, which showed that the Legislative Size variable (X_2) had a t_{count} value of -7.477, while the t_{table} was 1.978. This outcome shows that the $t_{\text{count}} -7.477 < t_{\text{table}} 1.978$ and the significance value $0.001 < 0.05$. Consequently, H_{02} was approved and H_{a2} was denied. This implies that the Legislative Size (X_2) negatively and significantly affects the Financial Performance of the Regional Government (Y). This implies that a rise in the number of legislative members could result in a decrease in the financial performance of West Java Province district and city governments (Zaitul et al., 2021). The issue arises from insufficient oversight by DPRD members, frequently swayed by personal interests and political affiliations (Zaitul et al., 2021). Presently, numerous individuals aspire to become DPRD members not to prioritize community interests as their primary objective but to satisfy their personal goals and those of political parties

This aligns with Agency Theory, which asserts that DPRD or legislators act as representatives of the community acting as principals (Karno & Alliyah, 2021). Nonetheless, executing the supervisory role over the local government as an agency has not been perfect (Karno & Alliyah, 2021). This circumstance arises from

the divergent interests of DPRD members and local governments in fulfilling their respective obligations. Attention should be directed not only toward the quantity of DPRD members but also toward the caliber of each member to enhance legislative efficacy.

This study results are consistent with those of Singa et al. (2024), Zaitul et al. (2021) and (Karno & Alliyah, 2021), indicating that Legislative Size negatively and significantly impacts Local Government Financial Performance. The findings of this study suggest that having a greater number of legislative members does not necessarily lead to improved financial performance (Hendaris & Sastradipraja, 2024). This study runs counter to the conclusions of Aswar (2019) and Gustianra & Serly (2019) findings, which indicate that Legislative Size positively influences Local Government Financial Performance. The large legislative size has the potential to accelerate the implementation of work programs managed by local governments, because the more complex the management, the more maximum the supervisory function that can be carried out by the legislature over local governments (Gustianra & Serly, 2019).

The third hypothesis (H_3) was tested using statistical analysis, which showed that the BPK Audit Opinion variable (X_3) had a t_{count} value of -0.356, while the t_{table} was 1.978. This result indicates that the $t_{\text{count}} -0.356 < t_{\text{table}} 1.978$ and the significance value $0.723 > 0.05$. Consequently, H_{03} was approved and H_{a3} was denied. This implies that the BPK Audit Opinion (X_3) has no positively and insignificant affects the Financial Performance of the Regional Government (Y). This shows that even if there is an increase or decrease in audit opinion from the BPK, it does not necessarily reflect the good or bad performance of the local government (Nurhalimah & Wicaksono, 2024).

These findings align with agency theory, which describes the interaction between the public and the government. In this framework, citizens assume the role of principals and delegate authority to the government as their agent, tasking it with delivering services that meet public needs (Angelina et al., 2024). Which indicates that differences in interest between local governments and auditors can result in errors, thus perpetuating financial performance below local government standards despite the favorable BPK audit opinion (Karno & Alliyah, 2021).

Results from this study corresponds to those of Satriawan et al. (2021), Jannah et al. (2020) and Ditasari & Sudrajat (2020), which indicate that the BPK Audit Opinion exerts no positively and insignificant influence on Local Government Financial Performance. This suggests that improved BPK audit opinion outcomes may lead to a deterioration in financial performance (Karno & Alliyah, 2021). The supply of opinion only evaluates the compliance of financial statements with governmental accounting standards and the evaluation of local government accounting records and internal control systems (Nurhalimah & Wicaksono, 2024). This study runs counter to the conclusions of Angelina et al. (2024) and Chaerani & Firmansyah (2024), which indicate that BPK Audit Opinion significantly positively influences Local Government Financial Performance. A higher audit opinion indicates superior financial performance of the local government (Angelina et al., 2024). A favorable audit opinion might incentivize

local governments to mitigate agency risk between themselves and the public, enhancing local government financial performance.

CONCLUSIONS

Existing literature and theoretical frameworks indicate that the size of local governments is positively associated with improved financial performance. In contrast, an increase in legislative size is generally related to a reduction in financial performance. Furthermore, BPK audit opinions do not demonstrate any substantial impact on financial performance. Collectively, these findings suggest that variables such as government size, legislative size, and BPK audit opinion jointly influence the financial performance of local governments in West Java period 2019 to 2023.

This study presents certain limitations that should be acknowledged in future research. One key constraint is the inclusion of only three variables to evaluate the financial performance of local governments, which may result in less comprehensive findings. Subsequent studies are encouraged to explore alternative variables, such as decentralization ratios and audit outcomes, as potential indicators of financial performance. Additionally, future researchers may consider broadening the research scope by altering the study period or expanding the regional coverage for instance, by conducting comparative analyses across multiple provinces in Indonesia to obtain more in depth insights.

This research offers meaningful input to the study of regional finance by delivering empirical findings on how local autonomy relates to the financial performance of district and city governments in West Java Province one of Indonesia top contributors to national economic output. The results of this study add to the insight into the literature by showing that the Legislative Size and the BPK Audit Opinion have a different impact on regional fiscal autonomy. In addition, findings that are not entirely consistent with previous research can be valuable input for local governments in formulating strategies to improve financial performance, especially in optimizing local revenue and evaluating legislative functions and audit results to create more independent and sustainable financial performance.

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