

The Influence of Regional Financial Performance on Poverty Levels in Central Java Province

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Abstract: Central Java Province has a large APBD; the poverty level in this region remains high and has not shown a significant decline. This raises questions regarding the effectiveness of budget allocations and the use of regional financial resources in poverty alleviation efforts. Thus, it is important to conduct research on how big the influence of the APBD as seen from regional financial performance is on poverty levels. This research uses a quantitative approach to analyze data obtained from 35 districts/cities in Central Java Province. The influence of regional financial performance on poverty levels in Central Java during the 2017-2022 period is shown by the coefficient of determination test (adjusted R-squared) of 0.146874 or 14.6874%. This means that financial performance, which includes the income growth ratio, In addition, regional governments are advised to propose transfer funds in the form of block grants for flexibility in budget allocation. Optimizing the Electronic-Based Government System (SPBE) is also important to support the implementation of the APBD. Finally, further research is needed to explore other factors that influence poverty levels in Central Java Province.

Keywords: regional financial performance; poverty; central java

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Introduction

Regional autonomy implemented by regional governments includes the authority to manage and regulate regional finances independently, including in preparing the Regional Revenue and Expenditure Budget (APBD) in accordance with regional needs and potential. This aims to encourage economic growth in the community. The APBD reflects the regional government's ability to manage finances to fund government tasks, development, and public services. The quality of regional financial management greatly influences the success of regional autonomy, although it is also influenced by other factors such as organization, management, human resources, and infrastructure. Regional finance is considered a crucial element because it is directly related to the movement of financial resources in the implementation of regional autonomy (Fidelius, 2013). To implement successful regional autonomy, financial support through fiscal decentralization is needed. The government's fiscal policy aims to manage state finances in order to create a better economy, reduce unemployment, and increase employment opportunities. In the context of regional autonomy, Indonesia implements fiscal decentralization to accelerate community welfare through empowerment, participation, improved services, and regional competitiveness in the system of the Unitary State of the Republic of Indonesia (Ridwan, 2021).

Thus, measuring financial performance is important for assessing regional government accountability towards the budget. Budget effectiveness and efficiency are key to achieving goals,

while success depends on responding to community demands in the management and allocation of public resources (Lusiana Selly Kopong, 2016). APBD is a unit consisting of regional income, regional expenditure, and regional financing. Regional income consists of original regional income, transfer income, and legitimate regional income. Transfer income consists of central government transfer income and inter-regional transfers. Central government transfers consist of balancing funds, regional incentive funds, special autonomy funds, special funds, and village funds. Meanwhile, inter-regional transfer funds consist of revenue sharing and financial assistance.

With clear sources of income, regions can plan APBD with certainty, estimate potential income, and strengthen finances. Regional autonomy aims to increase the effectiveness of government and community services by providing greater authority and responsibility to regions, based on the principles of openness, participation, and accountability to the community. Government has three main functions: allocation (managing resources), distribution (income and wealth), and stabilization (defense, security, economic, and monetary). Autonomy allows local governments to be more effective in allocating resources according to local needs, although the results vary due to different regional situations and conditions.

Below is a comparison of the Central Government's State Revenue and Expenditure Budget (APBN) allocations to ministries and institutions and those allocated to provincial, regency, and city governments throughout Indonesia.

Table 1.

Comparison of APBN allocations for the Central and Regional Governments for the 2020-2022 Fiscal Year

YEARS	TOTAL APBN	SHOPPING	%	TKDD	%
2020	2.739,16	1.975,20	72,11	763,96	27,89
2021	2.750,03	1.954,55	71,07	795,48	28,93
2022	2.714,20	1.944,60	71,65	769,60	28,35

Source: processed from Ministry of Finance (2023)

In Table 1, a comparison of APBN allocations for central and regional governments is presented. Central allocations are distributed for ministry and institutional spending as well as non-ministerial and institutional spending. The allocation to the central government is 3 times more than the APBN allocation to the regions in the form of transfer funds. Data from the Ministry of Finance for the last three years (2020-2022) shows that allocations to regions tend to fluctuate in 2021 compared to 2020 and 2022, while allocations to the center have decreased. The imbalance in financial relations between the central and regional governments has hampered the implementation of regional autonomy, even though many important matters are delegated to the regions.

Furthermore, with the Covid-19 pandemic in Indonesia from April 2020 to 2022, the government has taken various actions to minimize the spread of the virus to the public, including policies on *social distancing*, *physical distancing*, and *work from home*, as well as the closure of various other services that allow large gatherings of people. Apart from preventing the spread of the virus, these steps have a big impact on the community's economy and have implications for the APBN and APBD. There have been many changes to the APBD posture that have been diverted to

handling the pandemic *covid-19*; for example, establishing posts, incentives for health workers, and improving health services, as well as various other financing for handling the pandemic *covid-19*, causing economic growth and national development to be greatly impacted.

The Covid-19 pandemic of 2020-2022 has proven that Indonesia's economic growth has decreased drastically, which can be seen from the decline in state revenues. To overcome this urgent condition, the government and related institutions are taking extraordinary steps in the field of state finance, including taxation, regional finance, and the financial sector so that they focus on saving public health and the national economy with priority on health spending, social safety nets, and recovery of affected businesses (Onibala et al., 2021).

However, despite the Covid-19 pandemic, several regions still have quite large APBDs. The largest provincial APBDs in 2023 are DKI Jakarta Province, West Java Province, East Java Province, Central Java Province, and North Sumatra Province, and the poverty levels. Central Java Province is ranked 4th out of 38 provinces in terms of the largest Regional Revenue and Expenditure Budget (APBD). Despite having a significant APBD, Central Java also has the highest poverty rate

among the five provinces with the largest APBD. This shows that despite the high budget allocation, the challenge of reducing poverty is still a problem that needs to be overcome to improve community welfare.

Furthermore, apart from just the size of the APBD. You can also see the target and realization of revenue for the 2018 to 2022 fiscal year in Central Java Province in the image below:

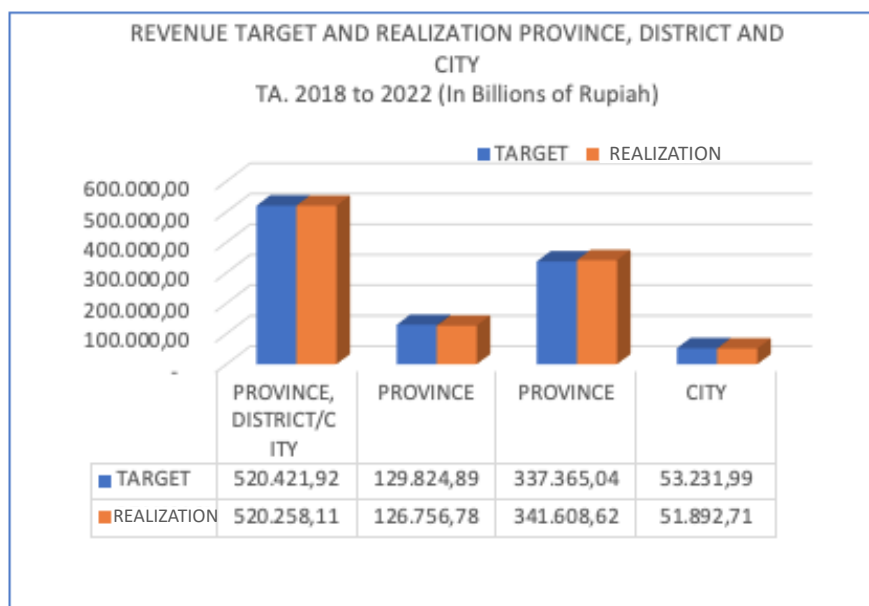


Figure 1. Target and Realization of Revenue for Fiscal Year 2018 to 2022 in Central Java
Source: processed from Ministry of Finance (2023)

Realization of income over a period of 5 years (FY 2018–2022) cumulatively in provincial, regency, and city governments throughout Central Java has not achieved the set target of IDR 520.42 trillion or 99.97% of the target set at IDR 520.42 trillion. In detail, it can be seen that the Central Java Provincial Government's revenue did not reach the target with a realization of IDR 126.75 trillion or 97.64% of the target of IDR 129.82 trillion. Likewise for city governments throughout Central Java, the realization of IDR 51.89 trillion, or 97.48% of the target of IDR 53.23 trillion, was not achieved. The cumulative realization of Regency income amounted to IDR 341.60 trillion, or 101.26%, exceeding the target set at IDR 337.36

trillion.

Law Number 33 of 2004 concerning financial balance between the central government and regional governments has been revoked by Law Number 1 of 2022 concerning financial relations between the central government and regional governments regulating original regional income (PAD) from taxes, levies, regional wealth management, and other income according to regulations. Balancing funds, or transferring funds from the APBN, supports regional authorities to improve services and community welfare, consisting of Special Allocation Funds (DAK) for projects, General Allocation Funds (DAU) for employee salaries, and Balancing Funds (Veronika Mamuka,

2014).

In Figure 1 above, the realization of regional spending by provincial, regency,

and city governments throughout Central Java is presented for the 2018 to 2022 budget year.

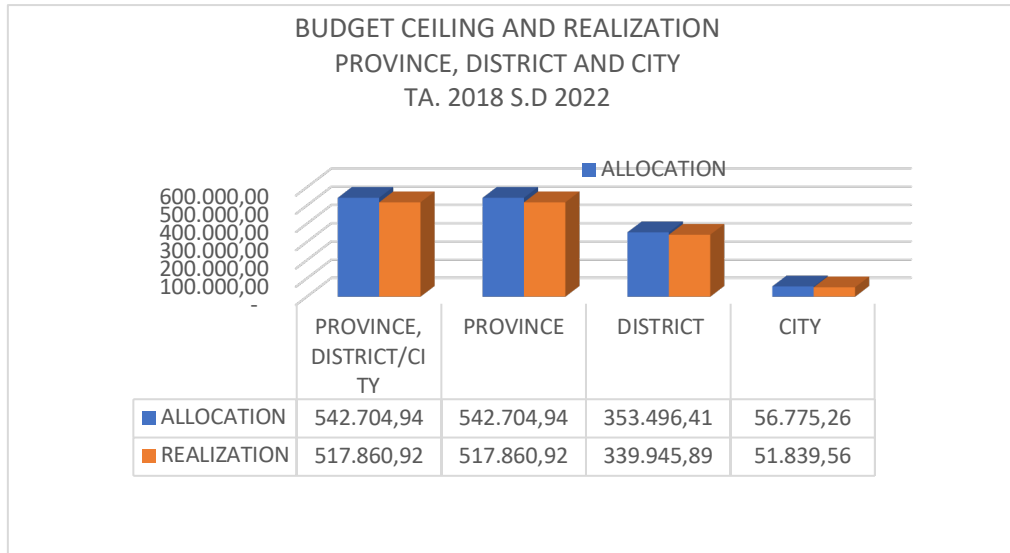


Figure 2. Budget Ceiling and Realization of Central Java Province, District and City Regional Expenditures 2018-2022

Source: processed from Ministry of Finance (2023)

From the picture above, it shows that in the 5 (five) budget years (FY 2018-2022), the realization of spending in provincial, regency, and city governments throughout Central Java has never reached the set budget ceiling, cumulatively only amounting to IDR 517.86 trillion, or 95.42% of the budget ceiling of IDR 542.70 trillion. The provincial government's realization was IDR 517.86 trillion, or 95.42% of the budget ceiling of IDR 542.70 trillion;

regency government realization

IDR 339.95 trillion, or 96.17% of the budget ceiling of IDR 353.50 trillion; and the city government amounting to IDR 51.84 trillion, or 91.31% of the budget ceiling of IDR 56.78 trillion. The following is a table showing the number of poor people in districts and cities in Central Java for 2021 to 2023. This data provides an overview of the development of poverty conditions in the area during that period.

Table 2. Number of Poor Population in Central Java 2021-2023

Poor					
Total Poor Population (thousand souls)			Percentage Poor Population (%)		
2021	2022	2023	2021	2022	2023
4109.75	3831.44	3791.50	11.79	10.93	10.77

Source: (Central Java BPS, 2024)

Based on Table 2 above, it can be seen that in a three-year period, namely 2021 to 2023, the percentage of poor people in districts and cities in Central Java only decreased by 1.02%. Even though there was a decline, the poverty rate in each region did not show a significant change. For example, in Semarang City, the percentage of poor people in 2022 reached 4.25% but only decreased by 0.02% to 4.23% in 2023. Likewise with Pemalang Regency, which recorded a poverty rate of 15.06% in 2022, falling slightly to 15.03% in 2023.

This condition indicates that the size of the Regional Revenue and Expenditure Budget (APBD) in each region is not fully effective in significantly reducing the percentage of poverty. During this period, Kebumen Regency was recorded as the area with the highest poverty rate, reaching 16.41% in 2022, while Semarang City was in the lowest position with a poverty percentage of 4.25% in the same year. This shows that there are challenges that need to be overcome to increase the effectiveness of policies in reducing poverty in various regions in Central Java.

Public sector performance is defined as their individual and collective achievements in carrying out missions and achieving set goals. Because there is a gap between public expectations and the actual performance of government officials and institutions, the focus will always be on the performance of the public sector. The dissatisfaction that arises from the public with the performance of government officials may emphasize the importance of paying attention to performance issues, including regional financial performance (Satibi, 2012).

Analysis of financial ratios in the APBD is carried out by comparing the

results of a certain period with the previous period. In addition, making comparisons with similar financial indicators from other regional governments can provide an idea of the relative financial position of a particular regional government. The stakeholders responsible for analyzing financial ratios in the APBD are the DPRD, Executive, and Government.

Central/provincial, as well as community and creditors. Improving regional financial performance in regional governments in Central Java is very important so that it can realize regional independence and improve community welfare. Regional financial performance can be seen from the regional revenue and expenditure budget. Halim said that to measure regional financial performance using 5 (five) ratios, namely the income growth ratio, harmony ratio, independence ratio, effectiveness ratio, and efficiency ratio (Halim, 2001).

As a step to confirm that this research is new research or a development of previous research, it is important to conduct a thorough review of the results of previous research. In this process, researchers identify differences between research that has been conducted and current research to describe the level of novelty or innovation. By mapping or comparing previous research results, similarities and differences can be revealed between ongoing research and previous research.

Based on the research focus, there are several studies that focus on financial performance, namely Akbar et al. (2023), Zamzami & Rakhman (2023), Nurhayati et al. (2021), Heldi (2020), Welly & Djuniar (2017), Susanto (2019), and Putri & Munandar (2021); and financial report audits, namely Utami et al. (2020), Hariani & Fakhrorazi (2022), Nirwana & Haliah

(2018), and Bakhrullah Akbar (2015). Compared to previous studies, this research focuses on the influence of regional financial performance on poverty levels, which is different from other research that focuses on economic growth, unemployment rates, and poverty levels (Adam Anita Indawati et al., 2022; Pantas et al., 2019; Madyasari, 2021; Suryanta, 2019).

The research objectives in previous research related to financial performance include knowing the financial distribution system from the central government to the regions (Akbar et al., 2023); to link financial audits and people's welfare (Bakhrullah Akbar, 2015); investigate the factors that influence local government financial performance (Zamzami & Rakhman, 2023); to determine the level of wealth, dependency and leverage that influence financial performance (Nurhayati et al., 2021); knowing and measuring the level of regional government financial performance (Heldi, 2020)(Welly & Djuniar, 2017)(Susanto, 2019)(Putri & Munandar, 2021) (Adam Anita Indawati et al., 2022)(Pantas et al., 2019) (Madyasari, 2021)(Suryanta, 2019).

The research objectives in previous research related to financial performance based on financial audits were to compare BPK opinions on the quality of state administration (Utami et al., 2020) (Bakhrullah Akbar, 2015); to determine the quality of financial reports (Hariani & Fakhrorazi, 2022); to determine factors of financial quality and government performance (Nirwana & Haliah, 2018); and to determine regional financial performance (Adam Anita Indawati et al., 2022) (Pantas et al., 2019) (Madyasari, 2021) (Suryanta, 2019). In connection with the research objectives regarding regional financial performance

and financial report audits, this research aims to determine how much influence regional financial performance in Central Java Province has on poverty levels.

Judging from the theory used in previous research, in the form of government accounting standards theory (Utami et al., 2020); ideas, legal principles, and regulations (Akbar et al., 2023); economic growth (Bakhrullah Akbar, 2015); regional income capacity (Zamzami & Rakhman, 2023); *shared* organizational goals (Hariani & Fakhrorazi, 2022); quality of financial opinions (Nirwana & Haliah, 2018); stewardship theory (Nurhayati et al., 2021); financial ratios (Heldi, 2020) (Welly & Djuniar, 2017) (Susanto, 2019) (Putri & Munandar, 2021); and financial performance (Adam Anita Indawati et al., 2022) (Pantas et al., 2019) (Madyasari, 2021) (Suryanta, 2019). Besides using the same theory as previous studies, namely financial ratios, this research also uses regional financial performance theory.

Based on previous research methods that used literature reviews (Utami et al., 2020; 2020)(Akbar et al., 2023; 2023)(Zamzami & Rakhman, 2023; 2023)(Hariani & Fakhrorazi, 2022; Bakhrullah Akbar, 2015). Quantitative methods (Nurhayati et al., 2021) (Susanto, 2019) (Putri & Munandar, 2021) and qualitative methods (Adam Anita Indawati et al., 2022) (Pantas et al., 2019) (Madyasari, 2021) (Suryanta, 2019). Mixed Methods (Welly & Djuniar, 2017). This research uses quantitative methods based on literature reviews, whereas previous research tends to show research using methods like *literature review* or literature review followed by research using quantitative methods and then qualitative.

So conducting research to measure how much influence regional financial

performance has on poverty levels in Central Java Province is very important for several reasons. First, this research can provide an in-depth understanding of how effective regional financial management is in creating a positive impact on community welfare. By knowing this relationship, we can evaluate whether the allocated budget has been used optimally to reduce poverty. Second, the results of this measurement will assist governments and policy makers in identifying areas that require improvement in financial performance and poverty alleviation strategies, enabling them to formulate more targeted and evidence-based policies. Third, this research can also increase transparency and accountability in public financial management because it provides clear data regarding the impact of investments and social programs. Finally, by understanding the influence of financial performance, regions can design more inclusive and sustainable development strategies, thereby contributing to more equitable economic growth. Thus, this research has great potential to make a significant contribution to improving social and economic conditions in Central Java Province.

Method

This research design is focused on answering problem formulations related to the influence of regional financial performance on poverty levels in 35 regencies/cities in Central Java Province during the 2017-2022 period.

This research aims to provide a deeper understanding of how much regional financial performance contributes to the dynamics of poverty levels in the region. To achieve this goal, this research uses a quantitative approach that allows systematic and objective data

analysis.

The quantitative data analysis method used in this research includes several important steps. First, determine the appropriate model specifications to reflect the relationship between financial performance and economic growth. Next, a panel data regression model was estimated, which is an effective method for handling data that involves more than one variable and observations over time. After that, researchers will determine the best model based on certain criteria.

The analysis process also includes classic assumption tests to ensure that the data meets the conditions necessary for valid regression analysis. After the assumption test is carried out, the researcher will continue with the analysis using the individual parameter significance test technique (t statistical test) to evaluate the influence of each independent variable. Additionally, the coefficient of determination will be used to measure how well the model explains variations in economic growth. Finally, a simultaneous significance test (F test) will be carried out to determine whether all independent variables together have a significant effect on the dependent variable.

This analysis will be carried out with the help of the Eviews application, which is widely known for processing economic data. In this research, the hypothesis tested is H_0 : there is no significant influence between regional financial performance and poverty levels, while H_a : there is a significant influence between regional financial performance and poverty levels. Thus, it is hoped that this research can make a significant contribution to understanding the influence of regional financial performance on poverty levels in Central Java Province.

Result and Discussion

Poverty Levels in Central Java Province

The poverty level in Central Java Province, Districts, and Cities from 2017 to 2019 before the Covid-19 Pandemic: the majority of districts and cities in Central Java have poverty levels below the provincial poverty level. In 2017 the poverty rate at the provincial level was 13.01%, and 20 (twenty) other regions were below the provincial figure, especially Semarang City with the lowest poverty rate, namely 4.62%; this shows good results, while 15 (five and twelve) other regions are above the provincial value, and the highest is Wonosobo at 20.32%.

In 2018 the poverty rate at the provincial level was 11.32%, and 21 (twenty one) other regions were below the provincial figure; the number of regions increased compared to 2017, and Semarang City still had the lowest percentage of poor people, namely 4.14%, with so

This shows good results. Furthermore, 14 (fifteen) other regions are still above the provincial value, and the highest is Wonosobo at 17.58%. In 2019 the poverty rate at the provincial level was 10.8%, and 21 (twenty one) other regions were below the provincial figure, and Semarang City still had the lowest percentage of poor people, namely 3.98%; thus, this shows that the results are increasingly improved. Furthermore, 14 (fifteen) other regions are still above the provincial value, and the highest is Kebumen at 16.82%, a slight difference from Wonosobo at 16.63%. So it can be concluded that there has been a decrease in the number of regions that have poverty levels above the provincial average every year, and overall, there has been a decrease in the poverty rate every year. Apart from that, Semarang City is the

area that has the lowest average poverty rate from 2017 to 2019, namely 4.25%.

Next, data on poverty levels in Central Java province, districts, and cities from 2020 to 2022 during the Covid-19 pandemic. The level of poverty in Central Java Province, Regencies/Cities from 2020 to 2022 during the Covid-19 pandemic, increased in 2020 and 2021 and decreased in 2022. And the majority of regencies and cities in Central Java have a poverty percentage level that is still below the provincial poverty percentage.

In 2020 the poverty rate at the provincial level was 11.41%. Apart from that, the poverty rate in Central Java Province increased compared to 2019, which was originally 10.80%. The same thing happened with other districts/cities, namely an increase in the percentage of poverty. So that in 2020 there are 20 (twenty) other regions below the provincial percentage, especially Semarang City with the lowest poverty rate, namely 4.34%; this shows good results, while 15 (five) twelve) other regions are above the provincial percentage, and the highest is Kebumen at 17.59%.

In 2021, the poverty rate at the provincial level is 11.79%, and there is still an increase compared to the previous year of 11.41%; as well as in other districts/cities, there is an increase in the percentage of poverty. There are 20 (twenty) other regions below the provincial percentage, especially Semarang City with the lowest poverty rate, namely 4.56%; the number of these regions has not changed from the previous year even though the regions are different, while the other 15 (fifteen) regions are above the provincial percentage, and the highest is Kebumen at 17.83%.

In 2022, the poverty rate at the

provincial level will be 10.93%, and there has been a decrease compared to the previous year of 11.79%; as well as in other districts/cities, there has been a decrease in the percentage of poverty. There are 18 (eighteen) other regions below the provincial percentage, especially Semarang City with the lowest poverty rate, namely 4.25%; the number of these regions decreased from the

previous year despite a decrease in poverty, while 17 (seventeen) other regions were above the provincial percentage, and the highest is Kebumen at 16.41%.

Next, data on the development of poverty levels in Central Java Province, regencies, and cities throughout the province are presented. Central Java, 2017 to 2022, namely:

Table 3. Development of Poverty Levels in Central Java Province, Districts and Cities from 2017 to 2022

NO.	Regency/City Poverty	YEARS						AVERAGE
		2017	2018	2019	2020	2021	2022	
1	2	3	4	5	6	7	8	9
1	Wonosobo	20,32	17,58	16,63	17,36	17,67	16,17	17,62
2	Kebumen	19,6	17,47	16,82	17,59	17,83	16,41	17,62
3	Brebes	19,14	17,17	16,22	17,03	17,43	16,05	17,17
4	Purbalingga	18,8	15,62	15,03	15,90	16,24	15,30	16,15
5	Pemalang	17,37	16,04	15,41	16,02	16,56	15,06	16,08
6	Rembang	18,35	15,41	14,95	15,60	15,80	14,65	15,79
7	Banjarnegara	17,21	15,46	14,76	15,64	16,23	15,20	15,75
8	Banyumas	17,05	13,50	12,53	13,26	13,66	12,84	13,81
9	Sragen	14,02	13,12	12,79	13,38	13,83	12,94	13,35
10	Klaten	14,15	12,96	12,28	12,89	13,49	12,33	13,02
11	So	13,41	12,54	11,86	12,54	12,92	12,09	12,56
12	Grobogan	13,27	12,31	11,77	12,46	12,74	11,80	12,39
13	Purworejo	13,81	11,67	11,45	11,78	12,40	11,53	12,11
14	Blora	13,04	11,90	11,32	11,96	12,39	11,53	12,02
15	Cilacap	13,94	11,25	10,73	11,46	11,67	11,02	11,68
16	Prov. Central Java	13,01	11,32	10,80	11,41	11,79	10,93	11,54
17	Magelang	12,42	11,23	10,67	11,27	11,91	11,09	11,43
18	Wonogiri	12,9	10,75	10,25	10,86	11,55	10,99	11,22
19	Pekalongan	12,61	10,06	9,71	10,19	10,57	9,67	10,47
20	Karanganyar	12,28	10,01	9,55	10,28	10,68	9,85	10,44
21	Boyolali	11,96	10,04	9,53	10,18	10,62	9,82	10,36
22	Also	11,38	9,90	9,46	10,08	10,21	9,33	10,06
23	Temanggung	11,46	9,87	9,42	9,96	10,17	9,33	10,04
24	Kendal	11,1	9,84	9,41	9,99	10,24	9,48	10,01
25	KotaSurakarta	10,65	9,08	8,70	9,03	9,40	8,84	9,28

NO.	Regency/City Poverty	YEARS						AVERAGE
		2017	2018	2019	2020	2021	2022	
1	2	3	4	5	6	7	8	9
26	boy	10,8	8,69	8,35	9,13	9,68	8,98	9,27
27	Tegal	9,9	7,94	7,64	8,14	8,60	7,90	8,35
28	Tegal City	8,11	7,81	7,47	7,80	8,12	7,91	7,87
29	Sukoharjo	8,75	7,41	7,14	7,68	8,23	7,61	7,80
30	Magelang City	8,75	7,87	7,46	7,58	7,75	7,10	7,75
31	Semarang	7,78	7,29	7,04	7,51	7,82	7,27	7,45
32	Holy	7,59	6,98	6,68	7,31	7,60	7,41	7,26
33	Jepara	8,12	7,00	6,66	7,17	7,44	6,88	7,21
34	Pekalongan City	7,47	6,75	6,60	7,17	7,59	7,00	7,10
35	Salatiga City	5,07	4,84	4,76	4,94	5,14	4,73	4,91
36	Wonosobo	4,62	4,14	3,98	4,34	4,56	4,25	4,32

Source: (Central Java BPS, 2024)

Based on data on developments in the percentage of poverty in Central Java Province, Districts, and Cities from 2017 to 2022, from 2017 to 2019 all regions experienced a decrease in poverty, while in 2020 and 2021 the percentage of poverty increased during the Covid-19 pandemic, whereas in 2022 During the Covid-19 recovery period, the percentage of poverty has decreased, although it is not yet below 2019, before the Covid-19 pandemic. Furthermore, the majority of almost all districts and cities in Central Java have a poverty percentage that is still below the average poverty percentage at the provincial level per year. Thus, from 2017 to 2022, the average percentage of

poverty at the provincial level is 11.54% per year, so that the area with the highest average percentage of poverty per year is Wonosobo Regency at 17.62% and the lowest is Semarang City at 4.32% per year.

The Influence of Regional Financial Performance on Poverty Levels in Central Java Province

Based on the results of research using multiple linear regression using the REM method, the following are the results of testing the hypothesis of the influence of regional financial performance on poverty levels in Central Java Province, as follows:

Table 4. Details of Hypothesis Testing Results for Regional Financial Performance Against Poverty Levels in Central Java Province

Independent Variable	Years 2017-2022			Years 2017-2019			Years 2020-2022		
	Results	Coef	pValue	Results	Coef	pValue	Results	Coef	pValue
X1	No Influential	0.084814	0.0889	No Influential	0.136834	0.0646	No Influential	- 0.093711	0.2514
X2	Influential (Negative)	- 0.167655	0.0008	Influential (Negative)	- 0.168815	0.0233	No Influential	- 0.097346	0.1980
X3	Influential (Negative)	- 0.040988	0.0000	Influential (Negative)	- 0.053886	0.0006	Influential (Negative)	- 0.038175	0.0004

X4	Influential (Positive)	0.038731	0.0015	Influential (Positive)	0.049392	0.0054	Influential (Positive)	0.048066	0.0019
X5	No Influential	0.096061	0.1207	No Influential	0.106782	0.3169	No Influential	0.045760	0.5035

Source: Author (2024)

Based on the table above, the influence of regional financial performance on poverty levels in Central Java Province can be explained as follows:

a. Period 2017-2022

1. The p-value of X1 is 0.08 (>0.05), which means that X1 has no significant effect on Y2.
2. The p-value of X2 is 0.0008 (<0.05), which means that X2 has a significant effect on Y2. Furthermore, the coefficient value of X2 is negative - 0.1676, which means that
3. The p-value of X3 is 0.0000 (<0.05), which means that X3 has a significant effect on Y2. Furthermore, the coefficient value of X3 is negative - 0.0409, which means that
4. The p-value of X4 is 0.0015 (<0.05), which means that X4 has a significant effect on Y2. Furthermore, the coefficient value of X4 has a positive value of 0.0387, which means that
5. The p-value of X5 is 0.12 (>0.05), which means that X5 has no significant effect on Y2

b. Period 2017-2019 (before the Covid-19 pandemic)

1. The p-value of X1 is 0.06 (>0.05), which means that X1 has no significant effect on Y2
2. The p-value of X2 is 0.02 (<0.05), which means that X2 has a significant effect on Y2. Furthermore, the coefficient value

of X2 is negative -0.1688, which means that

3. The p-value of X3 is 0.0006 (<0.05), which means that X3 has a significant effect on Y2. Furthermore, the coefficient value of X3 is negative - 0.0538, which means that
4. The p-value of X4 is 0.0054 (<0.05), which means that X4 has a significant effect on Y2. Furthermore, the coefficient value of X3 has a positive value of 0.0493, which means that
5. The p-value of X5 is 0.31 (>0.05), which means that X5 has no significant effect on Y2

c. 2020-2022 period (during the Covid-19 pandemic)

1. The p-value of X1 is 0.25 (>0.05), which means that X1 has no significant effect on Y2.
2. The p-value of X2 is 0.19 (>0.05), which means that X1 has no significant effect on Y2.
3. The p-value of X3 is 0.0004 (<0.05), which means that X3 has a significant effect on Y2. Furthermore, the coefficient value of X3 is negative - 0.0381, which means that
4. The p-value of X4 is 0.0019 (<0.05), which means that X4 has a significant effect on Y2. Furthermore, the coefficient value of X4 is positive 0.0480, which means that X4 has a positive effect on Y2 with a contribution of 0.0480, which means that

increasing the effectiveness ratio X4 will have an impact on reducing Y2 poverty levels.

5. The p-value of X5 is 0.50 (>0.05), which means that X5 has no significant effect on Y2.

Table 5. Details of Hypothesis Testing Results for Regional Financial Performance on Poverty Levels in Central Java Province

Years Period	Result	F Test	Adjusted R-squared
2017-2022	Significant	0.000000	0.146874
2017-2019	Significant	0.000085	0.184952
2020-2022	Significant	0.001166	0.136693

*In 5% alpha Significance
Source: Author (2024)

Based on the table above, it can be explained that the magnitude of the influence of regional financial performance on poverty levels in Central Java Province can be illustrated from the results of the coefficient of determination test (*adjusted R-squared*) by obtaining a value for *adjusted R-squared* as follows:

- a. Regional financial performance influences the poverty level in Central Java Province during the 2017-2022 period by 0.146874 or 14.6874%, while the remainder is influenced by other factors not included in the model.
- b. Regional financial performance influenced the poverty level in Central Java Province during the 2017-2019 period by 0.184952 or 18.4952%, while the remainder was influenced by other factors not included in the model.
- c. Regional financial performance influences the poverty level in Central Java Province during the 2020-2022 period by 0.136693 or 13.6693%, while the rest is

influenced by other factors that are not included in the model.

Conclusion

The magnitude of the influence of regional financial performance on poverty levels in Central Java can be illustrated from the results of the coefficient of determination test (*adjusted R-squared*) during the 2017-2022 period, which amounted to 0.146874 or 14.6874%, which means that regional financial performance consisting of income growth ratio, harmony ratio, independence ratio, effectiveness ratio, and efficiency ratio simultaneously or together influenced the regional poverty level in Central Java by 14.6874%, while the rest was influenced by other factors not researched. Furthermore, regional financial performance influenced the poverty level in Central Java Province before the Covid-19 pandemic and during the Covid-19 pandemic as follows:

- a. Regional financial performance influences the poverty level of the Central Java region during the 2017-2019 period

by 0.184952 or 18.4952%, which means that regional financial performance consists of the income growth ratio, harmony ratio, independence ratio, effectiveness ratio, and efficiency simultaneously or together influences the poverty level in the Central Java region by 18.4952%, while the remainder is influenced by other factors not studied.

b. Regional financial performance influences the poverty level of the Central Java region during the 2020-2022 period by 0.136693 or 13.6693%, which means that regional financial performance consists of the income growth ratio, harmony ratio, independence ratio, effectiveness ratio, and efficiency ratio simultaneously or together they influence the poverty level in the Central Java region of 13.6693%, while the rest is influenced by other factors that were not studied.

Several suggestions for the central government, provincial government, and regency/city regional governments in Central Java to reduce poverty levels are as follows: First, the central government, through the Ministry of Home Affairs and the Ministry of Finance, needs to review policies on *mandatory spending* so that it is not applied in general, considering that the needs of each region are different. Second, the Ministry of Home Affairs needs to encourage optimization of budget allocation *earmarked* based on regional proposals according to needs. Third, the Central Java Provincial Government must evaluate the RAPBD and RAPBD-P effectively to improve the quality of spending that focuses on economic growth and poverty reduction. Fourth, local governments are advised to propose that transfer funds be provided in the form of *block grants* so they have flexibility in budget allocation. Fifth, there needs to be optimization of the Electronic-Based Government System (SPBE) to

support the implementation of APBD, which is oriented towards community development. Finally, further research is needed regarding factors outside regional financial performance that can influence poverty levels in Central Java Province.

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