IJAMESC, Vol. 3 No. 6, December 2025
DOI: https://doi.org/10.61990/ijamesc.v3i6.655 e-ISSN 2986-8645

ECONOMIC GROWTH, REGIONAL SIZE, AND LOCAL REVENUE: ANALYZING THEIR IMPACT ON FINANCIAL PERFORMANCE OF LOCAL GOVERNMENTS IN INDONESIA

Adi Wijaya[1]*, Khairudin[2]
[1,2]Faculty of Economics and Business, University of Bandar Lampung, Indonesia
*Corresponding Author:
adi.21021047@student.ubl.ac.id

Abstract
The performance of the government is the understanding of the regions in finding and managing regional finances that are useful for the needs and support of the continuation of the government system. Financial performance continues to increase can provide good to the welfare of the community, the more resources that can be used in maximizing services to the community and can also finance regional development and government implementation, the more independent a region is in creating its regional potential. The problem of financial performance in general, the performance of the independence of the Regency/City Government in Lampung is still relatively low. One of the problems with the financial performance of the Lampung Provincial government in 2023 is related to cash management. The purpose of this research is to provide a more in-depth knowledge literacy about what factors have an impact on the financial performance of local governments, as well as provide appropriate recommendations to a local government to improve the financial performance of its government in the future. This study involved 14 district governments and 2 cities in Lampung Province as a sample determined based on purposive sampling with the criteria of the regency/city government that has data on the financial independence ratio that is categorized as lacking. The analysis used was in the form of multiple linear regression and hypothesis test (t-test).

Keywords: Economic Growth, Area Size, Regional Original Revenue, Financial Performance

1. Introduction

One of the most critical aspects of local government management is financial performance, which serves as a primary measure of administrative efficacy and accountability in implementing public policy (O'Brien, 2016). Financial performance reflects a region's ability to manage its fiscal resources effectively to ensure governmental sustainability and operational continuity. The capacity of local governments to optimally harness regional potential is a key determinant of their financial performance, which in turn influences the overall progress and development outcomes achieved each year (Antari & Sedana, 2018).

Measuring financial performance is essential as it provides critical feedback on the execution of fiscal plans. Systematic measurement facilitates a deeper understanding of the prevailing economic and administrative phenomena. Achieving robust financial performance is a primary target for local governments, as it signifies successful management and unlocks the potential for enhancing community welfare. The importance of strong financial performance extends to several key areas: increasing public satisfaction and trust (Bone, 2017); bolstering community confidence in government institutions; continuously improving organizational quality and value (Hermawan &

DOI: https://doi.org/10.61990/ijamesc.v3i6.655 e-ISSN 2986-8645

Ma'fulah, 2014; Kurniati, 2019); attracting and increasing investment value (Desbores & Wei, 2017; Maqbool & Zamir, 2020); enabling performance evaluation and corrective action by comparing plans with outcomes; and ultimately, ensuring the long-term survival and stability of the organization (Saraswati et al., 2020; Anna & Hermanto, 2021; Beer et al., 2019; Ahyaruddin & Amrillah, 2018; Siregar & Saragih, 2021; Paeleman & Vanacker, 2015).

Despite its importance, a significant problem persists in the financial performance of local governments in Lampung Province, Indonesia, particularly regarding fiscal independence. The financial autonomy of many regency and city governments in Lampung remains relatively low. A key issue in 2023 pertains to suboptimal cash management, as reflected in the regional independence ratios.

Table 1. Financial Independence Ratio of Lampung Governments, First Semester 2023

Local Government	Q2 2023 (%)	Information
West Lampung Regency	8.88	Less
South Lampung Regency	14.48	Good
Central Lampung Regency	8.81	Bad
East Lampung Regency	4.68	Bad
North Lampung Regency	2.91	Bad
Mesuji Regency	2.83	Bad
Pesawaran Regency	5.34	Bad
West Coast Regency	3.53	Bad
Pringsewu Regency	4.27	Bad
Tanggamus Regency	3.37	Bad
Tulang Bawang Regency	3.11	Bad
West Tulang Bawang Regency	6.21	Bad
Way Kanan Regency	4.36	Bad
Bandar Lampung City	32.64	Good
Metro City	25.77	Good
Lampung Province	57.33	-

Source: Processed from the Consolidated Government Financial Statements at the Lampung Regional Level (Regional Office of DJPb Lampung Province, 2023)

Table 1 indicates that although Lampung Province's overall financial independence improved in the second quarter of 2023, the autonomy of individual local governments remains problematic. A significant 75% of local governments in Lampung fall into the "Less" category, with independence ratios between 0.00% and 10.00%. Specifically, 13 out of 16 regencies and cities have ratios below 10%, indicating a widespread lack of fiscal independence.

Economic growth, typically measured by changes in Gross Regional Domestic Product (GRDP) over time, is a fundamental indicator of a region's economic progress (Nasution & Panggabean, 2017). Positive economic growth signals an expanding economy, which should theoretically enhance the fiscal capacity and financial performance of local governments.

Existing literature presents mixed findings on the determinants of local government financial performance. Several studies, such as those by Rachman (2021), Miftahuddin & Yunani (2023), Isnaini (2023), Hamzah (2020), and Kartika (2020), find that Economic Growth has a significant positive effect on financial performance. However, Febrianti & Putra (2023) concluded it has no effect. Similarly, research on Local Own-Source Revenue (LOSR) by Sari & Halmawati (2021), Savitri et al. (2022), Banunaek et al.

IJAMESC, Vol. 3 No. 6, December 2025
DOI: https://doi.org/10.61990/ijamesc.v3i6.655 e-ISSN 2986-8645

(2022), Nadia & Gerry (2023), and Heryanti et al. (2019) confirms a positive and significant impact, while Azhar (2021) finds no significant effect. For Regional Size, studies by Mulyani & Wibowo (2020), Nurhayati (2020), Sari (2016), and Maulina et al. (2021) report a significant positive influence, whereas Manafe et al. (2023) found a significant negative influence. These inconsistencies highlight a clear gap and the need for further investigation, particularly within the specific context of Lampung Province.

The novelty of this research lies in its specific focus on the local governments of Lampung Province, where a pronounced issue of low fiscal independence (as evidenced by 13 out of 16 regions having ratios below 10%) demands scholarly attention. Prior studies have focused on different regions, such as Cilacap (Ilmi, 2023), Central Java (Safitri et al., 2022), South Tangerang City (Rachman, 2021), West Sumatra (Sari & Halmawati, 2021), a national sample (Manafe et al., 2023), and North Sumatra (Maulina et al., 2021). This study addresses this contextual gap.

Therefore, the purpose of this research is twofold: (1) to provide more in-depth knowledge and literacy regarding the factors—specifically economic growth, regional size, and local own-source revenue—that impact the financial performance of local governments in Lampung Province, and (2) to derive evidence-based recommendations for these governments to optimize their financial performance in the future. This study is expected to make a meaningful contribution by offering actionable insights to help local governments in Lampung enhance their fiscal management, thereby supporting regional development and public welfare.

2. Theoretical Background

2.1. Regional Financial Performance

Measuring regional financial performance is critically important as it serves as a benchmark and a tool for evaluating the implementation of local fiscal management. According to Mardiasmo (2002), the primary objectives of measuring local government financial performance are threefold: (1) to improve government performance, (2) to optimize resource allocation, and (3) to fulfill accountability to the public. Several analytical methods are employed to assess this performance, including Variance Analysis, the Balanced Scorecard, and the Value for Money approach. Achieving good governance is often linked to the application of the Value for Money (VFM) concept (Mahdita et al., 2021). VFM is a fundamental principle for evaluating public sector performance based on three criteria: economy (minimizing input costs), efficiency (maximizing output per unit of input), and effectiveness (achieving desired outcomes) (Mahmudi, 2015). In empirical studies, financial performance is operationalized through various financial ratios. For instance, Heryanti, Wahidahwati, & Suryono (2019) used the Fiscal Decentralization Degree Ratio, while Nurhayati & Hamzah (2020) and Tanan & Duri (2018) utilized the Independence Ratio. Other studies have employed Financial Ratio Analysis (Priandira, Darwis & Putra, 2021) and frameworks linked to Good Corporate Governance principles (Sari, 2021).

2.2. Regional Economic Growth

Economic growth is defined as a sustained process of increasing a region's Gross Domestic Product (GDP) over time, independent of population growth rates. It is often used interchangeably with economic development, though they are distinct concepts (Hamid & Suandi, 2007). Sukirno (2011), as cited by Arsyad, highlights that a key characteristic of economic growth is a consistent rise in per capita GDP. Fundamentally,

DOI: https://doi.org/10.61990/ijamesc.v3i6.655 e-ISSN 2986-8645

economic growth refers to the rate of increase in GDP, irrespective of whether this increase outpaces population growth. In the Indonesian context, economic growth is influenced by structural challenges such as economic inequality, where large capital owners have distinct advantages over small and medium enterprises with limited access to capital. Empirically, Economic Growth is predominantly measured using the Gross Domestic Product (GDP) or Gross Regional Domestic Product (GRDP) of a region (Nasution & Panggabean, 2017; Febrianti & Putra, 2023; Ilmi, 2023; Astuti, 2015; Sunandar, 2023).

2.3. Regional Size

Regional Size, or Local Government Size, refers to a measure that indicates the scale of a government's operations, typically proxied by its geographical area, population, or total assets. It is often measured by metrics such as Total Regional Revenue (TPD) or Local Own-Source Revenue (PAD). A larger regional size can facilitate more comprehensive public services and operational activities. Furthermore, a larger asset base can support better financial performance, as the pressure for transparent financial reporting often encourages more efficient resource management in larger governments. Financial performance thus serves as a benchmark to assess whether a local government manages its resources efficiently and effectively. Noviyanti and Kiswanto define Regional Size as the scale of a government, evidenced by the total assets it controls. Larger local governments are generally expected to deliver superior public services. Common proxies for regional size in research include total assets (Sari, 2016; Nurhayati & Hamzah, 2020; Sumarjo in Ridho, 2021; Sunandar, 2023; Manafe, Niha, & Putra, 2023), GDP value (Afonso & Jalles, 2016; Martins & Veiga, 2014), total income and expenditure (Afonso & Furceri, 2010; Bergh & Karlsson, 2010), total tax revenues and expenditures (Agell et al., 2006; Fölster & Henrekson, 2001), number of employees (Arifin, 2013; Choe, 1996), and government spending (D'Inverno et al., 2022).

2.4. Regional Original Revenue (Local Own-Source Revenue - PAD)

Based on statutory provisions, Regional Original Revenue (PAD) is defined as revenue derived from sources within the region itself, collected in accordance with regional regulations and higher laws. It primarily originates from local taxes and levies. Optimizing PAD is crucial for enhancing regional financial independence and supporting economic growth. As the primary source of regional income under the autonomy framework, a strong PAD is essential for financing regional development and public services, reducing reliance on central government transfers. Djaenuri (2012) elaborates that PAD comprises all legitimate receipts obtained by the region from intra-regional sources. In research, PAD is commonly measured using the Fiscal Decentralization Degree Ratio or the absolute realization value of PAD (Safitri et al., 2022; Heryanti, Wahidahwati, & Suryono, 2019; Sari & Halmawati, 2021; Maulina, Alkamal, & Fahira, 2021; Lathifa & Haryanto, 2019).

2.5. Hypothesis Development

2.5.1 The Effect of Economic Growth on Financial Performance

Economic growth serves as a key indicator of a nation's developmental success. Theoretically, robust economic growth increases regional income through higher tax bases and economic activity, thereby strengthening the local government's fiscal capacity

DOI: https://doi.org/10.61990/ijamesc.v3i6.655 e-ISSN 2986-8645

to fund development programs and public services. Studies by Hamzah (2020), Miftahuddin & Yunani (2023), and Isnaini (2023) found that economic growth has a positive and significant effect on regional financial performance. Conversely, Febrianti & Putra (2023) found no significant effect.

H1: Economic Growth has a positive effect on the Financial Performance of Local Governments.

2.5.2 The Effect of Regional Size on Financial Performance

The size of a region plays a significant role in determining its financial performance. Larger regions, often with greater asset bases and revenue potential, may achieve economies of scale in service delivery and have more resources to manage, potentially leading to better financial performance. However, larger areas might also face challenges related to accessibility and equitable service distribution. Findings are mixed. Studies by Mulyani & Wibowo (2020), Nurhayati (2020), and Maulina et al. (2021) report a positive and significant effect of regional size on financial performance. In contrast, Manafe et al. (2023) found a significant negative influence, suggesting potential inefficiencies in very large governments.

H2: Regional Size has a positive effect on the Financial Performance of Local Governments.

2.5.3 The Effect of Regional Original Revenue (PAD) on Financial Performance

A high level of PAD indicates greater fiscal independence for a local government. This self-generated revenue allows for more autonomous financing of development programs and public services, reducing dependency on central government transfers. Effective management and optimization of PAD are thus crucial for achieving sustainable development goals and strong financial performance.

H3: Regional Original Revenue (PAD) has a positive effect on the Financial Performance of Local Governments.

3. Methods

3.1. Research Design

This study employs a quantitative research design with a panel data regression approach. A panel data model, which combines time-series and cross-sectional data, is used to analyze the influence of independent variables on the dependent variable across multiple entities and periods. The study applies a Fixed Effect Model (FEM) to control for unobserved heterogeneity specific to each time period (year), as indicated by the inclusion of time dummy variables (D22, D23) in the analysis. This approach allows for a more robust examination of the relationships by accounting for potential omitted variable bias related to temporal factors.

3.2. Population, Sample, and Data

The population of this study comprises all regency and city governments in Lampung Province. The sample consists of a balanced panel of 14 regency governments and 2 city governments observed over a three-year period (2021-2023), resulting in a total of 48 observations (16 units x 3 years). The sample was purposively selected based on the criteria of having a "Less" or "Bad" financial independence ratio and complete financial data for the study period.

DOI: https://doi.org/10.61990/ijamesc.v3i6.655 e-ISSN 2986-8645

3.3. Variables and Operational Measurement

The variables in this study are defined and measured as follows:

Table 1. Operational Definition and Measurement Variables

Variable	Symbol	Operational Definition	Measurement
Regional Financial Performance	Y	The fiscal independence of a local government, indicating its ability to self-finance its activities.	Measured by the Financial Independence Ratio = (Local Own-Source Revenue / Total Regional Revenue) x 100%.
Economic Growth	X1	The annual change in the economic output of a region.	Measured by the Growth Rate of Gross Regional Domestic Product (GRDP) in percent (%).
Regional Size	X2	The scale of a local government's operations and resource base.	Proxied by the Natural Logarithm (Ln) of Total Assets of the local government.
Regional Original Revenue (PAD)	X3	The revenue generated by a region from its own sources.	Measured by the Natural Logarithm (Ln) of the Realization Value of Local Own-Source Revenue (PAD) in Rupiah.
Time Effect (2022)	D22	A dummy variable to control for time-fixed effects specific to the year 2022.	Dummy variable: 1 for observations in 2022, 0 otherwise.
Time Effect (2023)	D23	A dummy variable to control for time-fixed effects specific to the year 2023.	Dummy variable: 1 for observations in 2023, 0 otherwise.

3.4. Data Analysis Technique

The data were analyzed using statistical software SPSS and multiple linear regression with the following econometric model:

$$Y\_it = \alpha + \beta_1 X1\_it + \beta_2 X2\_it + \beta_3 X3\_it + \lambda\_t + \varepsilon\_it$$

Where:

Y : Financial Independence Ratio for regency/city i in year t

α : Constanta

β_1......β_3 : Regression coefficients for the independent variables.

X1…X3 : Independent variables for regency/city i in year t.

λ_t : Time-fixed effects (captured by dummy variables D22 and D23).

ε_it : Error term.

DOI: https://doi.org/10.61990/ijamesc.v3i6.655 e-ISSN 2986-8645

4. Results and Discussion

4.1. Results

4.1.1. Regression Model Estimation and Coefficient Analysis

The results of the panel data regression analysis using a fixed effect model are presented in Table 2 and Table 3. The derived regression equation is as follows:

$$Y\_it = 0.473 + \lambda\_t + 1.263X1\_it - 0.005X2\_it + (1.301 \times 10^{-8})X3\_it + \varepsilon\_it$$

Where λ_t represents the time-fixed effects controlled for each year (via dummy variables D22 and D23) but is not directly interpreted. The coefficient analysis reveals the following:

1) The constant (0.473) indicates the average value of Regional Financial Performance (Y) when all independent variables (X1, X2, X3) are zero and time effects are not considered.
2) The coefficient for Economic Growth (X1) is 1.263. This suggests a positive relationship, where a one-unit increase in economic growth is associated with a 1.263-unit increase in financial performance, ceteris paribus.
3) The coefficient for Regional Size (X2) is -0.005. This indicates a negative relationship, meaning a one-unit increase in regional size is associated with a 0.005-unit decrease in financial performance, ceteris paribus.
4) The coefficient for Regional Original Revenue (X3) is 1.301 x 10^{-8}. This shows a positive relationship, where a one-unit increase in PAD is associated with an increase in financial performance by 1.301 x 10^{-8} units, ceteris paribus. The small magnitude is due to the scale difference between the variables (PAD in large Rupiah values versus the ratio-based Y).

Table 2. Regression Coefficient Results

Variable	Unstandardized Coefficients (B)	Std. Error	Standardized Coefficients (Beta)
(Constant)	0.473	6.715	-
Economic Growth (X1)	1.263	2.498	0.053
Regional Size (X2)	-0.005	0.001	-1.667
Regional Original Revenue (X3)	1.301E-8	0.000	2.521
Dummy Year 2022 (D22)	2.209	5.218	0.042
Dummy Year 2023 (D23)	1.635	5.956	0.031

Dependent Variable: Regional Financial Performance (Y)

4.1.2. Hypothesis Testing (t-test)

Table 3. Hypothesis Testing Results (t-test)

Variable	t-statistic	Significance (Sig.)	Remark (α=0.05)
(Constant)	0.070	0.944	Not Significant
Economic Growth (X1)	0.506	0.616	Not Significant (H1 Rejected)
Regional Size (X2)	-4.339	0.000	Significant Negative (H2 Accepted)
Regional Original Revenue (X3)	6.544	0.000	Significant Positive (H3 Accepted)

The partial test (t-test) results in Table 3 are used to assess the significance of each independent variable's effect.

1) Economic Growth (X1) has a significance value (Sig.) of 0.616, which is greater than 0.05. Therefore, H1 is rejected. Economic growth does not have a statistically

DOI: https://doi.org/10.61990/ijamesc.v3i6.655 e-ISSN 2986-8645

significant effect on the financial performance of local governments in Lampung Province for the 2021-2023 period.

2) Regional Size (X2) has a significance value of 0.000 (< 0.05). Therefore, H2 is accepted. Regional size has a significant negative effect on financial performance.
3) Regional Original Revenue (X3) has a significance value of 0.000 (< 0.05). Therefore, H3 is accepted. Regional Original Revenue has a significant positive effect on financial performance.

4.1.3. Model Fit and Assumption Tests

The simultaneous test (F-test) in Table 4 shows a significance value (Sig. F) of 0.000, which is less than 0.05. This indicates that the regression model is statistically significant and fit for use, meaning that the independent variables (X1, X2, X3) jointly have a significant effect on the dependent variable (Y).

Table 4. Simultaneous Test Results (F-test)

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	25767.308	5	5153.462	53.458	0.000
Residual	4048.923	42	96.403		
Total	29816.231	47			

Table 5. Model Summary and Coefficient Determination

R	R Square	Adjusted R Square	Std. Error of Estimate	Durbin-Watson
0.930	0.864	0.848	9.8185	1.716

The model has a high explanatory power, with an Adjusted R-Square of 0.848. This means that 84.8% of the variation in Regional Financial Performance (Y) can be explained by the variations in Economic Growth, Regional Size, and Regional Original Revenue within the model. The Durbin-Watson statistic of 1.716, falling between the critical du and (4-du) values, indicates no severe autocorrelation in the model residuals, validating the regression assumption.

4.2. Discussion

4.2.1. The Non-Significant Effect of Economic Growth (X1)

Contrary to the initial hypothesis (H1) and some previous studies (e.g., Kartika, 2020), this research finds that economic growth does not significantly affect the financial performance of local governments in Lampung. This finding aligns with research by Febrianti & Putra (2023). A plausible explanation is the time lag effect. Economic growth may not immediately translate into improved local government revenues due to delays in tax collection, the structure of the local economy (dominance of informal sectors with low tax compliance), or the allocation of increased economic output to sectors not directly taxable by local governments. Furthermore, if economic growth is not inclusive or is concentrated in sectors where revenue accrues to the central government, its impact on local financial performance will be muted.

4.2.2. The Significant Negative Effect of Regional Size (X2)

The analysis supports H2, revealing that larger regional size negatively impacts financial performance. This result is consistent with the findings of Manafe, Niha, & Putra (2023). A larger geographic area or asset base often entails higher and more complex administrative and operational costs for infrastructure development, maintenance, and

DOI: https://doi.org/10.61990/ijamesc.v3i6.655 e-ISSN 2986-8645

public service delivery across a wider jurisdiction. If the growth in regional income (particularly PAD) does not keep pace with these escalating expenditure demands, the financial independence ratio—which measures efficiency and self-sufficiency—will be depressed. This highlights a challenge of diseconomies of scale in public administration, where larger size leads to inefficiencies and greater fiscal burden rather than improved performance.

4.2.3. The Significant Positive Effect of Regional Original Revenue (X3)

The results strongly support H3, confirming that Regional Original Revenue (PAD) has a significant positive effect on financial performance. This finding corroborates numerous studies, including Sari & Halmawati (2021). PAD is the most direct measure of a region's fiscal capacity and autonomy. A higher PAD indicates a stronger local economic base and a more effective local revenue generation system, reducing dependence on central government transfers like the General Allocation Fund (DAU). This financial autonomy allows local governments greater flexibility and stability in budgeting, planning long-term development projects, and improving public services, thereby directly enhancing their measured financial performance. The positive standardized beta coefficient (2.521) in Table 2 underscores that PAD is the most influential driver of financial performance among the variables studied.

In conclusion, the financial performance of local governments in Lampung Province is primarily driven by their ability to generate their own revenue (PAD). While economic growth does not show an immediate direct impact, managing the cost structures associated with regional size is crucial. Governments with large jurisdictions must focus on enhancing revenue generation and optimizing expenditure efficiency to counteract the inherent fiscal pressures of scale.

5. Conclusion

This study aimed to analyze the influence of Economic Growth (X1), Regional Size (X2), and Regional Original Revenue (PAD - X3) on the Financial Performance of local governments in Lampung Province. Based on the results of panel data regression analysis on 14 regencies and 2 cities over the 2021-2023 period, the following conclusions can be drawn:

1) Economic Growth (X1) does not have a significant effect on the Financial Performance of local governments in Lampung Province. Although the regression coefficient showed a positive direction, the statistical test results (p-value = 0.616 > 0.05) indicate that the effect is not significant. This suggests that, in the short term or under the current economic structure, increases in Gross Regional Domestic Product (GRDP) in Lampung do not directly translate into improved regional fiscal independence ratios. Factors such as a time lag in revenue realization, the dominance of economic sectors with low local tax potential, or central government revenue-sharing schemes may mediate this relationship.
2) Regional Size (X2) has a significant negative effect on Financial Performance. The analysis confirms a significant negative relationship (p-value = 0.000 < 0.05), meaning that larger regions (in terms of total assets) tend to have lower financial independence ratios. This finding supports the notion of diseconomies of scale in public administration, where larger jurisdictions face proportionally higher and more complex expenditure burdens for infrastructure, maintenance, and service delivery. If this increased spending is not matched by a proportional rise in locally generated revenue (PAD), it results in depressed financial performance.

3) Regional Original Revenue (PAD - X3) has a significant positive effect on Financial Performance. This variable is the most influential driver of financial performance in this study (p-value = 0.000 < 0.05). A higher PAD directly and strongly enhances a region's financial independence ratio. This underscores that the key to robust local government financial performance lies in its ability to optimize and maximize revenue from its own sources, thereby reducing dependency on central government transfers and gaining greater fiscal autonomy.
4) Focus on Optimizing PAD: Local governments should prioritize innovative and effective strategies to maximize Local Own-Source Revenue. This includes intensifying the mapping and management of local tax and levy potentials, improving the efficiency of revenue collection systems, and fostering taxpayer compliance through better services and public awareness campaigns.
5) Manage the Cost Implications of Regional Size: For regencies/cities with large territorial assets, it is crucial to implement prudent and efficient budget management. Governments should conduct rigorous cost-benefit analyses for development projects, adopt technology to streamline operational costs, and ensure that expenditure growth is always aligned with and supported by sustainable revenue growth.
6) Foster High-Quality and Inclusive Economic Growth: While the direct short-term impact was not significant, sustainable and inclusive economic growth remains a fundamental long-term foundation for expanding the local revenue base. Local governments should create a conducive investment climate, support sectors with high local revenue potential, and ensure that economic growth benefits are widely distributed, which can gradually strengthen the local economic structure and ultimately support PAD optimization.

In summary, to improve financial performance and achieve higher fiscal independence, local governments in Lampung Province must strategically strengthen their revenue generation capacity (PAD) while meticulously managing the expenditure pressures associated with their size, all within a framework that encourages high-quality economic development.

References

Ahyaruddin, M., & Amrillah, M. F. (2018). Determining factors for local government performance. *Jurnal Akuntansi Multiparadigma*, 9(3), 452-469. https://doi.org/10.18202/jamal.2018.04.9028

Antari, N. P. G. S., & Sedana, I. B. P. (2018). Pengaruh pendapatan asli daerah dan belanja modal terhadap kinerja keuangan pemerintah daerah. *E-Jurnal Manajemen Universitas Udayana*, 7(2), 1080 1106. https://doi.org/10.24843/EJMUNUD.2018.v7.i02.p19

Anynda, N. S., & Hermanto, S. B. (2021). The effect of regional independence ratio, the effectiveness of regional original revenue, and regional expenditure management on regional financial performance. *Jurnal Ilmiah Akuntansi dan Keuangan*, 4(1), 55-67.

Aprilianda, G. M. (2016). Analisis pengaruh pendapatan asli daerah (PAD) terhadap kinerja keuangan pada pemerintah kabupaten dan kota di Provinsi Jawa Timur. *Jurnal Akuntansi dan Bisnis*, 16(1), 23-34.

Banunaek, I. A., Manafe, H. A., & Perseveranda, M. E. (2022). Pengaruh pendapatan asli daerah, ukuran pemerintah daerah, dan leverage terhadap kinerja keuangan pemerintah daerah (studi literatur manajemen keuangan daerah). *Jurnal*

Manajemen Pendidikan dan Ilmu Sosial, 4(1), 49–59. https://doi.org/10.38035/jmpis.v4i1.1372

Beeri, I., Uster, A., & Vigoda-Gadot, E. (2019). Does performance management relate to good governance? A study of its relationship with citizens' satisfaction with and trust in Israeli local government. *Public Performance & Management Review*, 42(2), 241–279. https://doi.org/10.1080/15309576.2018.1436074

Hayati, N., & Hamzah, A. (2020). Pengaruh pertumbuhan ekonomi dan ukuran pemerintah daerah terhadap kinerja keuangan pemerintah daerah. *Jurnal Akuntansi dan Bisnis*, 20(1), 45-58.

Isnaini, N. F., Ainiyah, N., Hartono, H., & Dinanty, D. N. (2023). Analisis realisasi anggaran belanja dalam mengukur kinerja keuangan dengan pendekatan value for money dan rasio keuangan di Kantor Kecamatan Gedeg periode 2017-2021. *Gemilang: Jurnal Manajemen dan Akuntansi*, 3(4), 173–183. https://doi.org/10.56910/gemilang.v3i4.874

Kartika, A. (2020). Pengaruh pertumbuhan ekonomi terhadap pendapatan asli daerah di Kabupaten Berau. *Eco-Build Journal of Economics and Building*, 1(1), 12-22.

Manafe, H. A., Niha, S. S., & Putra, D. P. S. (2023). The influence of local government size, leverage and balance funds on the financial performance of local governments (a study of regional financial management literature). *Journal of Information Systems Management Economics*, 4(3), 541–547. https://doi.org/10.31933/jemsi.v4i3.1322

Maulina, A., Alkamal, M., & Fahira, N. S. (2021). Pengaruh pendapatan asli daerah, dana perimbangan, belanja modal, dan ukuran pemerintah daerah terhadap kinerja keuangan pemerintah daerah. *Jurnal Information System, Applied, Management, Accounting and Research*, 5(2), 390-401. https://doi.org/10.52362/jisamar.v5i2.373

Miftahuddin, & Yunani, A. (2023). Pengaruh pertumbuhan ekonomi dan jumlah wajib pajak terhadap kinerja keuangan pemerintah kabupaten Banjar tahun 2015-2020. *Jurnal Ekonomi dan Kebijakan Publik*, 14(1), 78-92.

Paeleman, I., & Vanacker, T. (2015). Less is more, or not? On the interplay between bundles of slack resources, firm performance and firm survival. *Journal of Management Studies*, 52(6), 819–848. https://doi.org/10.1111/joms.12135

Putri, N. K. N. I., & Darmayanti, N. P. A. (2019). Pengaruh PAD dan dana perimbangan terhadap kinerja keuangan pemerintah daerah di Kawasan Sarbagita Provinsi Bali. *E-Jurnal Manajemen Universitas Udayana*, 8(5), 2834-2857. https://doi.org/10.24843/EJMUNUD.2019.v08.i05.p09

Safitri, B. W., Dirgantari, N., & Winarni, D. (2022). Pengaruh PAD, belanja modal, ukuran pemerintah, dan perubahan anggaran terhadap kinerja keuangan daerah (Provinsi Jawa Tengah tahun 2019-2021). *Jurnal Riset Akuntansi dan Keuangan*, 10(2), 123-135.

Saraswati, B. D., Maski, G., Kaluge, D., & Sakti, R. K. (2020). The effect of financial inclusion and financial technology on effectiveness of the Indonesian monetary policy. *Business: Theory and Practice*, 21(1), 230–243. https://doi.org/10.3846/btp.2020.10396

Sari, B. I., & Halmawati, W. (2021). Pengaruh pendapatan asli daerah, dana alokasi umum dan belanja daerah terhadap kinerja keuangan pemerintah daerah kabupaten/kota di Provinsi Sumatera Barat. *Jurnal Eksplorasi Akuntansi*, 3(1), 1-11. https://doi.org/10.24036/jea.v3i1.356

DOI: https://doi.org/10.61990/ijamesc.v3i6.655 e-ISSN 2986-8645

Siregar, S. A., & Saragih, R. (2021). Hubungan karakteristik ibu dengan kejadian abortus di Rumah Sakit Muhammadiyah Kota Medan tahun 2020. *Jurnal Keperawatan Prioritas*, 4(1), 77–86. https://doi.org/10.34012/jukep.v4i1.1401