Determinants of local government financial performance: The mediating role of e-government

Ichlasul Amin Nasution[1*], Ivan Yudianto[2], Sri Mulyani[3]
Padjajaran University, Jawa Barat, Indonesia[1-3]
ichlasulamin7@gmail.com[1], ivan.yudianto@unpad.ac.id[2], s.mulyani@unpad.ac.id[3]

Abstract

Purpose: This study examines the impact of capital expenditures, follow-up on audit recommendations, and local government financial performance, with e-government as moderating variable.

Methodology/approach: The research used quantitative data from 2019–2022, this study employs purposive sampling and panel data regression with moderated regression analysis.

Results/findings: The research results show that capital expenditure has a negative but insignificant effect. Follow-up on audit recommendations has a positive but insignificant effect. Horizon problems significantly and negatively impact financial performance. E-government as a moderating variable is only effective in reducing the negative impact of the horizon problem, but it cannot strengthen the positive influence of capital expenditure or audit follow-up on financial performance.

Conclusion: Capital expenditure shows ineffectiveness despite meeting the spending threshold. The follow-up on audit recommendations shows that only 5 out of 34 provinces met the BPK target, and 39% of the recommendations align with the findings. horizon issue with 35% of provinces experiencing a decline in revenue during 2019–2024. E-government in capital expenditure only focuses on administrative function. SPBE index cannot enhance financial performance. But, reduces negative effects horizon problem through data-based prioritization and real-time budget allocation with e-budgeting system.

Limitations: Financial performance measurement focus on regional original revenue, and e-government implementation requires more detailed evaluation.

Contribution: The findings offer policymakers and public insights to prioritize strategies enhancing local government financial performance.

Keywords: *Capital Expenditure, E-Government, Follow-up on Audit Recommendations, Financial Performance, Horizon Problem*

How to Cite: Nasution, I. A., Yudianto, I., & Mulyani, S. (2025). Determinants of local government financial performance: The mediating role of e-government. *International Journal of Financial, Accounting, and Management*, 7(3), 353-370.

1. Introduction

One of the most frequently discussed topics in governance systems is the need to improve the productivity of local governments. In some countries, local governments are the dominant grassroots governance strategy (Obisanya & Hassan, 2022). Almost all forms of government or administration seem to consider the practices and performance of local governments as an effective strategy to ensure development at the regional level (Okene, Udoms, & Eleanya, 2016). The assessment of good government performance from the financial and service aspects is an opportunity for the government not only to improve the quality and reliability of public information but also to enhance decision-making

made possible by increased data availability, which can then provide the following indirect benefits: (1) (1) Improving the Quality of Public Services; (2) ensuring fiscal stability and promoting national economic growth; and (3) enhancing the acceptability and credibility of the government (Gourfinkel, 2021).

The problem occurs when the Human Development Index is one aspect of government performance, but a high number has not been able to provide good government performance. Therefore, government performance is the primary concern of the community (Hutapea & Widyaningsih, 2017). The public is very concerned with the government's performance, specifically by assessing its success in carrying out its duties (Khairudin, Rahmawati, Winarna, & Gantyowati, 2023). Good government performance can increase public satisfaction (Beeri, Uster, & Vigoda-Gadot, 2019), boost public trust (Bone, 2017), enhance legitimacy and public support (Ahyaruddin & Amrillah, 2018), increase organizational value (Kurniati, 2019), raise investment value (Maqbool & Zamir, 2021), and improve government sustainability (Paeleman & Vanacker, 2015). Therefore, local governments with good performance tend to positively impact society (Setiawan & Winarna, 2022).

Through a long transformation in government democratization, regional autonomy has opened essential topics for discussion and consideration as a core indicator of effective governance (Kapidani, 2018). Indonesia began regional decentralization in 2004 (Bardhan & Mukher). However, after almost two decades, regional performance development, particularly in terms of generating regional revenue, seems to be progressing gradually. The average local revenue contributes only 10% of the total local revenue (Zamzami & Rakhman, 2023). Despite recent progress, fiscal autonomy for local governments remains a challenge. According to the BPK, many regional governments continue to support their regional spending through such transfers. Of the 503 regional governments, 443 (88.07%) were classified as "not independent" in the 2020 assessment report. Of the 503 regional governments, only 10 (or 2%) fell into the independent category, with seven out of ten regional governments located on the island of Java.

Table 1. Fiscal Independence of the Provincial Government for the Fiscal Years 2019-2021

Kategori		2019	2020	2021
Very Independent	Amount	-	-	-
	Percentage	-	-	-
Independent	Amount	8	8	8
	Percentage	23,53%	23,53%	23,53%
Towards Independence	Amount	18	18	19
	Percentage	52,94%	52,94%	55,88%
Not Yet Independent	Amount	8	8	7
	Percentage	23,53%	23,53%	20,59%
Total Entity		34	34	34

The data show that certain regional governments require significant support from the central government to advance regional autonomy. This is evident from the increasing distribution of Transfers to Regions and Village Funds (TKDD), which saw a decline in 2021 but increased again the following year to a total of 738.1 trillion and the following year to 794.3 trillion, based on the regional budget and revenue posture available at the Ministry of Finance. According to Finance Minister Sri Mulyani, the distribution of payments to villages and regions must consider performance. Unfortunately, funds are sometimes not used properly.

Some regions receive money, but in practice, the funds do not have a significant impact on their development. This statement indicates that local governments' dependency on the central government remains an exciting topic. A considerable amount is spent, so the region should be able to demonstrate competence and sound results to develop independently, based on its regional revenue. In terms of percentage, local taxes and levies generate local revenue. However, what is concerning is that approximately 60% of regional funding comes from the state budget (APBN) in the form of transfers. The graph below shows the extent of local government's dependence on central transfers.
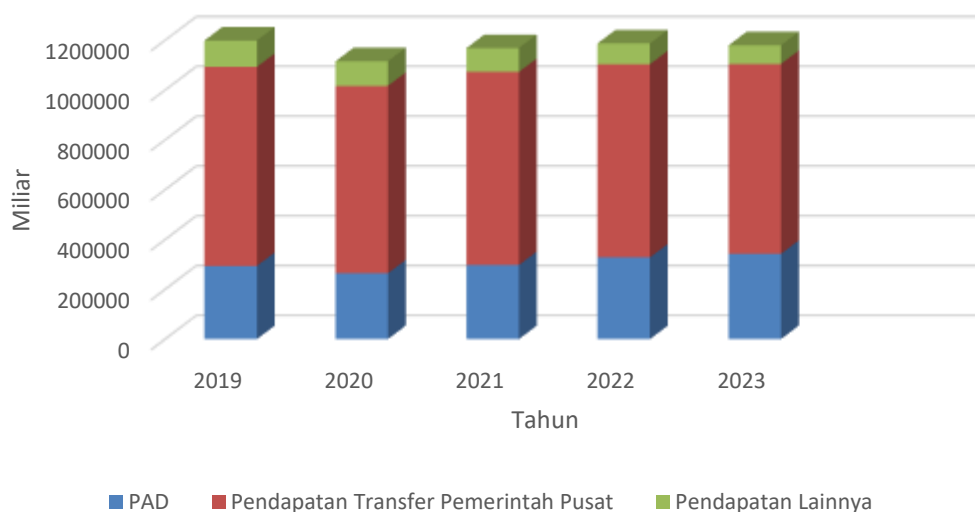
Figure 1. Regional Revenue Trends 2019-2023
Source: Ministry of Finance of the Republic of Indonesia

Therefore, local governments should exhibit certain behaviors that can support effective and transparent fund management and optimal utilization for the welfare of the people. According to Hilmawan et al. (2023), this dependency can hinder local governments' innovation in planning and managing local development. One way to achieve that is through improving the realization of regional revenue (Da Gama, Soleman, & Hadady, 2022). According to Hidayat, Erlina, and Badaruddin (2024), several efforts are expected to focus on the leading sectors of each local government, encourage active participation in the business world in tax payments, improve public services, and streamline the bureaucracy.

Haptari, Ginting, and Aritonang (2022) provide several recommendations for improving local government performance, particularly in terms of regional revenue effectiveness. To ultimately develop regional financial independence, the strategic policy step is to optimize and refocus direct and indirect expenditures, which can help increase local revenue. Budgeting capital expenditures is also important in enhancing independence (Eton, Sunday, & Nkamusiima, 2023). However, capital expenditures also hurt the financial performance of the local governments. According to Afiah, Mulyani, and Ulfi (2021), public programs or activities involving poorly implemented capital expenditures can have negative impacts. Furthermore, according to Zamzami and Rakhman (2023), local governments that respond quickly to follow up on every audit result related to internal control and legal compliance demonstrate that they take the central government's role seriously.

Implementing these recommendations can significantly improve regional financial management and increase local revenues. The problem arises when the recommendations are not seriously followed up or even ignored by the local government. This situation can lead to various short- and long-term negative consequences. Therefore, many efforts have been made to improve local government performance. In addition to developing public services through infrastructure advancements and government follow-up on audit recommendations, progress has been made in e-government. Regarding the implementation of e-government, its acceleration in development is encouraged, especially in electronic-based financial transactions within local governments. This application can improve public services, increase community involvement in development initiatives, and promote governance (Rokhman et al., 2023).

All provincial governments in Indonesia experience this condition, which indicates low potential for local revenue. Involving all provinces will allow the research results to be more easily generalized to the national level and ensure fair and equitable representation of various regions and national interests. Therefore, the author needs to investigate the government's efforts to improve its financial performance, particularly regarding capital expenditure, follow up on audit recommendations, and horizon problems with implementing e-government as moderation.

2. Literature Review

2.1 Stewardship Theory

Stewardship theory is part of corporate governance and is a normative alternative to agency theory. In simple terms, stewardship theory states that managers will behave as good stewards of the resources they control if given the freedom to do so and that there is a direct relationship between customer happiness and business success. This theory was first proposed by Davis, Schoorman, and Donaldson (1997), who revealed that good managers work collectively rather than individually and are not instrumentally motivated, unlike agents who adhere to agency theory.

Stewardship theory argues that if a manager understands that tasks are complete for the organization's benefit, then individualistic, opportunistic, and self-serving goals will be achieved. The basic reasons for a manager include rewards such as trust, increased respect, reciprocity, wisdom, and autonomy, the amount of responsibility, job satisfaction, stability and tenure, and alignment with goals. Stewardship theory heavily relies on how the principal and steward initially place their trust. Motivational support is positively related to stewardship behaviors. Interpersonal relationships in the stewardship concept build mutual trust between leaders and followers through relational leadership behaviors.

2.2 Stakeholder Theory

The term' stakeholder' in the context of organizations has a rich history and is believed to have been used since the 1930s. This theory was first articulated by Harvard Law Professor E. Merrick Dodd, who stated that businesses have at least four main groups of stakeholders: shareholders, employees, customers, and the general public (Preston & Sapienza, 1990). The concept gained further traction with the rise of corporate social responsibility (CSR), which encompasses the fundamental principles of the CSR movement. As proposed by Maon, Lindgreen, and Swaen (2010), stakeholder theory emphasizes that an organization's ability to create wealth, value, and satisfaction is not just for shareholders but for all its primary stakeholders, thereby challenging the traditional view of wealth generation.

Stakeholder theory is based on the premise that businesses operate within an ecosystem consisting of various stakeholders, each of whom contributes to the sustainability of the business and the company's ability to create value for any stakeholder group (Freeman, 2010). The relevance of stakeholder theory research underscores the importance of considering the interests of various parties involved in financial decision-making, including the community or internal stakeholders such as employees or government officials, and external stakeholders such as non-governmental organizations and business actors. This approach, which emphasizes the responsibility and accountability of all parties, ensures that the allocation of financial resources aligns with the community's aspirations and supports holistic local development.

2.3 Local Government Financial Performance

The financial performance of local governments is an important indicator for assessing the efficiency, effectiveness, and transparency of local-level financial management. The performance mentioned in Bastian's book (Bastian, 2001) is a phrase used to define how successfully a policy or program is implemented to achieve an organization's vision, goals, objectives, and targets, all of which are important for developing a strategic plan. In simple terms, this is the achievement of the proposed plan. The results must be in line with the strategy.

A region's independence can increase its economic growth potential. This is because the region can manage economically, effectively, and efficiently, and there is a lack of intervention from the central government (Anisman, 2021). A high PAD indicates the region's ability to generate revenue from local

sources without relying on transfers from the central government, indicating good management of local taxes and levies, such as implementing fair tax policies and effectively collecting taxes. Moreover, a high PAD allows local governments to provide better public services, such as education, health, and infrastructure, and to increase investment and local economic growth. Supervision of PAD also supports transparency and accountability, ensuring that revenue is used efficiently and according to the needs of the community. Therefore, PAD is an important indicator for evaluating the financial performance and administration of local government.

This study defines financial performance as the ability to generate regional revenues. The degree of fiscal decentralization is an important indicator that measures the extent to which local governments can finance their needs without relying on fund transfers from the central government or loans. Therefore, the proxy used in this study to measure the financial performance of local governments is fiscal decentralization. This refers to the percentage obtained from the division of total regional original income by total regional income, commonly known as the independence ratio (Marlina & Akbar, 2023). he larger this ratio, the more financially independent the region is, which is a key factor in determining the financial health and stability of a local government (Halaskova, Halaskova, Gavurova, & Kubak, 2021; Liu & Li, 2015; Setianingrum & Haryanto, 2020). To determine the independence ratio, the author used the following formula:

$$Independence\ Ratio = \frac{Realization\ of\ Regional\ Original\ Revenue}{Total\ Regional\ Revenue} x\ 100\%$$

2.4 Capital Expenditure

Capital expenditure shows plans and fixed-asset expenditures. Capital expenditure can improve welfare and enhance public services by making them more self-sufficient (Kuntari, Chariri, & Prabowo, 2019). Capital expenditure is a significant concern for local governments to support community welfare. When local governments are not concerned about allocating funds for capital expenditures, they close opportunities for private investment and stimulate local economic growth. As Paudel (2023) stated, the issues in the way capital budgets are spent, as reflected in data and public concerns, are indeed true; the lack of efficiency in capital spending is one of the problems, and as a result, capital spending does not have a positive impact on economic growth and development management.

Therefore, he also stated that in terms of overall capital expenditure, a policy aspect is needed that must encompass several things, including 1) the allocation must meet the country's development needs so that economic growth can be enhanced, and 2) the allocated budget needs to be spent within a certain period so that the desired policy objectives can be achieved. Merely allocating resources does not contribute to economic growth. 3) capital expenditure and efficient spending within specific sectors should be the main focus. For example, completing a significant project after several years increases a country's direct and opportunity costs and harms economic growth. Capital expenditure, a crucial component of the government budget, is a long-term investment that yields significant benefits. When local governments allocate below the limits set by Presidential Regulation Number 54 of 2010 or fail to realize the set figures, it can have a detrimental effect on their financial performance.

This study argues that capital expenditures on public facilities, infrastructure, education, health, and tourism can significantly increase PAD through various channels. For instance, improved accessibility and connectivity through transportation and communication infrastructure development can attract private investment, stimulate economic activity, and ultimately boost local tax revenue. Investments in public infrastructure, such as markets and ports, can enhance local comfort and economic activities, thereby increasing local taxes. Furthermore, better health and education facilities can improve the quality of human resources, thereby enhancing competitiveness and economic productivity and increasing taxes for individuals and businesses. The author uses a specific formula to measure capital expenditure based on the capital expenditure groups used in this study.

$$Capital\ expenditure\ ratio$$
$$= \frac{Capital\ Expenditure\ (Infrastructure, Network, Tourism, Irrigation)}{Total\ Capital\ Expenditure}\ s\ 100\%$$

2.5 Follow-up on Audit Recommendations

BPK Regulation Number 2 of 2010 on Monitoring the Implementation of Follow-Up Recommendations from BPK Examination Results defines a recommendation as a suggestion from the examiner based on their examination results, directed towards individuals and/or bodies authorized to take corrective actions. The effectiveness of an audit is not gauged by the number of findings but by the practicality and feasibility of the recommendations that can be followed up by the audited entity (Bastian, 2018). Therefore, the recommendations are expected to offer the most suitable solutions to resolve issues related to regional financial management and can be effectively followed up by the audited entities.

The local government is committed to providing recommendations to enhance their performance, as evidenced by their follow-up on audit recommendations. These measures form a crucial foundation for improving and strengthening efficient and transparent financial management, which can benefit both the community and the institution (Tresnawati & Apandi, 2016). Through effective follow-up, local governments can ensure that audit findings are used as a guide for continuous improvement in their management, thereby maintaining public trust in the transparent and accountable management of taxes and regional levies (Kiswanto & Fatmawati, 2019; Setyaningrum, 2017; Zamzami & Rakhman, 2023).

The audience, including academics, researchers, and local government officials, plays a vital role in this follow-up process, ensuring that the recommendations are implemented and public trust is maintained. This study compares the percentage of audit recommendation follow-ups that align with the audit recommendations to the total audit recommendations provided by the BPK examiner (Furqan, Wardhani, Martani, & Setyaningrum, 2020). This variable is based on the consideration that local governments receive audit reports from the BPK on the examination of local government financial statements, which include (1) an audit report on the financial statements, (2) an audit report on the internal control system, and (3) an audit report on compliance with statutory regulations. Thus, the formula for this variable is expressed as follows:

$$TLRA = \frac{Follow\ up\ according\ to\ recommendations}{BPK\ Recommendations}\ x\ 100\%$$

2.6 The Horizon Problem

Smith Jr and Watts (1982) mentioned that retiring CEOs are likelier to act in their interest than incumbent CEOs. This issue is likely to impact the company, as the fundamental conflict between the CEO and shareholders is that the CEO's decisions often have a shorter time frame than the shareholders' investment horizon. Since CEOs tend to overvalue short-term results and returns compared to long-term outcomes, they are inclined to make more conservative strategic choices and invest less in research and development, show lower commitment to corporate social responsibility activities, and forecast management profit increases (Abernethy, Jiang, & Kuang, 2019; Martin, Wiseman, & Gomez-Mejia, 2016).

Several studies have revealed that retiring CEOs engage in opportunistic behavior because they benefit from excessive profits and are not held accountable for such behavior after leaving their positions (Ishida, Ogoe, & Suzuki, 2023). In the public sector, the situation is not much different from that of private companies. The horizon problem refers to the gap between the timeframe of decisions made by regional heads for the community and the potential long-term impacts that may arise. This situation often becomes a problem in financial planning and government budget management, with significant implications for resource allocation and sustainability of public services. Setiawan and Setyorini (2018) showed that the distribution of capital expenditures, grants, and social assistance varied between the periods before and after regional head elections.

Additionally, we assume that regional heads take opportunistic actions during local elections to enhance their reputation. To clarify, the proxy in this study related to the horizon problem appears in the last year before the regional head's term ends or when the determination period begins. The proxy for the horizon problem uses a dummy variable, which is equal to one if t is the last year of the term and zero (Kalyta, 2009). As academics, researchers, and professionals in business management and public administration, we are responsible for understanding and addressing these issues to ensure institutional integrity and effectiveness.

2.7 E-Government

Local governments are tasked with offering premier citizen services to their regions. Proper local government administration is crucial for accomplishing these tasks. To achieve this, local governments have started implementing e-government and improving the services they provide to the community (Sutopo, Wulandari, Adiati, & Saputra, 2017). Several government organizations have benefited from the digital revolution by offering online public information services and various government services to e-government stakeholders. Some stakeholders include the public, companies, government workers, agencies, departments and ministries, labor unions, non-profit groups, politicians, foreign investors, and others (Indrayani, 2020).

Many independent central and local government organizations are striving to use information and communication networks to improve their public services. Only a tiny portion of government and autonomous regional government locations have reached level two (maturation), and most locations have not yet reached levels three (stabilization) and four (utilization), according to the findings of a review conducted by the Ministry of Communication and Information. Autonomous regional governments rely on flexible information technology infrastructure to provide smooth and consistent access to the public (Hudalil, 2022).

Various national databases, such as those on taxes, vehicles, land, and population, can cause inefficiencies in government administration. When the data are not fully integrated, coordination between the central and local governments is disrupted. E-government policies remain challenging because system implementation is slow to anticipate rapid ICT changes and the public's need for digital services (Aminah & Saksono, 2021). Presidential Regulation No. 95 of 2018 on the Electronic-Based Government System (SPBE) was created to encourage the growth of e-government in Indonesia. SPBE aims to achieve reliable and excellent public services, as well as efficient, responsible, transparent, and clean governance. Based on the research by Sukarsa et al. (2020), the implementation of SPBE in the sub-district public services studied is running quite well.

However, the next issue is how the responsibility to constantly update is still minimal. Although there has been significant progress, several challenges remain in using SPBE in Indonesia, including uneven infrastructure across regions, limited access to technology for specific segments of society, and the need to expand digital literacy. The government must strive to address these challenges through policies, investments, and training programs. It is estimated that with the growth of information and communication technology, the Indonesian government will be able to offer more inclusive, transparent, and effective services to its population. Juliyanti (2022) found that the Electronic-Based Government System has not been able to provide a difference (increase and decrease) in the public accountability of local governments, which is proxied by dummy variables.

Minister of Administrative and Bureaucratic Reform Regulation No. 59 of 2020 on the Monitoring and Evaluation of SPBE provides a stronger emphasis than previous guidelines on evaluation aspects, methodology, achievement indicators, and the assessment structure consisting of domains, aspects, and indicators, each with different weights. SPBE aims to reduce the risk of losses due to system errors, improve the efficiency and accuracy of financial reports, and ensure financial services (Ismail, Ritchi, & Adrianto, 2025). Based on the SPBE assessment method table, it can be formulated as follows.

$$Index\ SPBE = (domain1\ x\ bobot) + (domain2\ x\ bobot) + (domain3\ x\ bobot) + (domain4\ x\ bobot)$$

Based on this theory, the hypotheses proposed in this study are as follows:

H1: Capital expenditure has a significant positive effect on the financial performance of the local government.

H2: Following up on audit recommendations has a significant positive effect on the financial performance of local governments.

H3: The horizon problem negatively affects the financial performance of local governments.

H4: The level of e-government strengthens the positive effect of capital expenditure on local government financial performance.

H5: The level of e-government strengthens the positive effect of following up on audit recommendations on local government financial performance.

H6: The level of e-government strengthens the positive effect of the horizon problem on local government financial performance.

3. Research Methodology

This study uses a sample of all regional governments in Indonesia from 2019 to 2022. The data collection process was comprehensive, employing secondary data from the audit report published in full by the Financial Audit Agency, and the results of SPBE implementation were thoroughly evaluated by the Ministry of Administrative and Bureaucratic Reform. Purposive sampling was conducted to collect data by determining the completeness of data provided by the local government. The population of this study is the local government in Indonesia, specifically the provincial government, with details of 34 provinces in Indonesia over four years.

This study employs advanced analytical techniques, including descriptive statistical and panel data regression analyses. The regression model employs a moderated regression analysis approach to test hypotheses. The empirical model is as follows:

$$KUPD_{it} = \alpha + \beta_1 BM_{it-1} + \beta_2 TLRA_{it-1} + \beta_3 HOR_{it} + \beta_4 BM_{it-1} xEG_{it-1} + \beta_5 TLRA_{it-1} xEG_{it-1} + \beta_3 HOR_{it} xEG_{it-1} + \varepsilon$$

Keterangan:

ε	: *Error term*
$KUPD_{it}$	: Local Government Financial Performance
BM_{it-1}	: Capital Expenditure
$TLRA_{it-1}$	: Follow-up on Audit Recommendations
HOR_{it}	: The Horizon Problem
EG_{it-1}	: E-government

4. Results and Discussion

4.1 Result

4.1.1 Descriptive Statistics

Table 2. Descriptive Statistics

	KUPD	BM	TARA	HOR	EG
Mean	0.386838	0.748676	0.391838	0.250000	2.540000
Median	0.370000	0.750000	0.380000	0.000000	2.680000
Maximum	0.860000	0.950000	0.970000	1.000000	3.850000
Minimum	0.040000	0.470000	0.010000	0.000000	1.000000
Std. Dev.	0.166372	0.104703	0.230684	0.434613	0.670000
Observations	136	136	136	136	136

The results above explain the financial performance of local governments (KUPD), with a mean and standard deviation of 0.39 and 0.17, respectively. If interpreted based on the pattern of the independence ratio by Surachman, Handayani, and Penyusun (2020), all provinces in Indonesia are at a consultative level, which means that the regions have a slightly greater capacity to implement regional autonomy

than the central government. Intervention from the central government has decreased and is now concentrated on implementing conciliation. Therefore, provincial regional governments are considered capable of operating independently. This current level of independence should reassure you of the autonomy of local governments. However, they still need assistance from the central government with instructions and steps that must be taken to achieve improvement to a better level. The maximum value of the independence ratio is 0.86 in Jakarta in 2019, and the minimum value is 0.04 in West Papua in 2019.

The mean value of capital expenditure is 0.74, with a standard deviation of 0.10. The maximum value of the capital expenditure ratio is 0.95 in Bengkulu Province in 2020, and the minimum value is 0.47 in West Sumatra Province in 2020. The follow-up on audit recommendations has a mean value of 0.39 and a standard deviation of 0.23. This data indicates that the percentage of recommendations followed by provinces in Indonesia during 2019-2022 was 39%. The maximum recommendation value was 0.97 in Central Sulawesi Province in 2019, and the minimum value was 0.01 in South Kalimantan Province.

Next, the horizon problem variable uses a dummy variable with a value of 1, indicating the end of the regional head's term, and zero otherwise. This variable is significant because it helps identify potential issues that may arise due to changes in leadership. The mean value was 0.25, with a standard deviation of 0.67. The obtained value is close to zero, which means that one-quarter of the local governments are in the final term of office. E-government has a mean value of 2.54, with a standard deviation of 0.67. The highest value was 3.85, and the lowest was 1. The implementation value of e-government, measured by the SPBE index value, is 2.54 for all provincial and regional governments in Indonesia. Based on Minister of PANRB Regulation No. 59 of 2020 on the Monitoring and Evaluation of SPBE, it falls under the "sufficient" category, which means that the implementation of SPBE is present but still requires improvement to reach a higher level, both in terms of service quality, efficiency, and system integration.

4.1.2 Panel Data Regression Analysis
1. Regression Model Selection
Table 3. Regression Model Selection Result

Effect Test	Terms	Prob.	Conclusion
Chow Test	*Cross-section random ≤ 0.05 = FEM* *Cross-section random ≤ 0.05 = FEM*	0.0000	Fixed Effect
Hausman Test	P-Value ≤ 0.05 = FEM P-Value ≤ 0.05 = REM	1.0000	Random Effect

Based on the test above, the panel data regression model used in the research is a Random Effect.

2. Classical Assumption Test Results
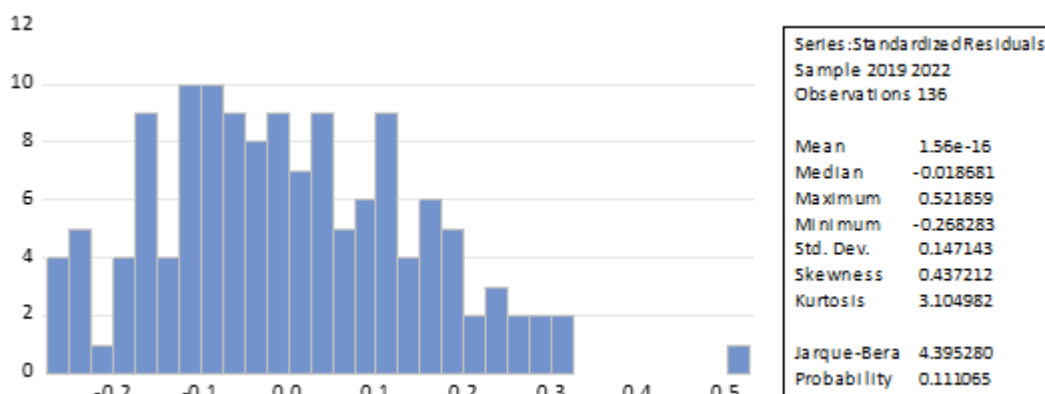a. Normality Test

Figure 2. Normality Test Results

Based on the results of the normality test in Model 1, the Jarque-Bera normality test statistic is 4.395280, with a probability value of 0.111065>0.05, indicating that the research data are normally distributed.

b. Multicollinearity Test

Table 4. Multicollinearity Test Results

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.012071	60.60730	NA
BM	0.018647	53.49766	1.018843
TARA	0.003926	4.067590	1.041212
HOR	0.001086	1.362923	1.022192

The table shows that all variables have a VIF value of less than 10. Therefore, the model did not have a multicollinearity issue.

c. Heteroscedasticity Test

Table 5. Heteroscedasticity Test Results

Heteroskedasticity Test: Breusch-Pagan-Godfrey			
Null hypothesis: Homoskedasticity			
F-statistic	0.318088	Prob. F(6,129)	0.9266
Obs*R-squared	1.982756	Prob. Chi-Square(6)	0.9213
Scaled explained SS	1.877540	Prob. Chi-Square(6)	0.9306

The probability of Obs*R-squared is 0.9213, a value greater than 0.05 or 0.9213 > 0.05, indicating that the model has no heteroscedasticity problem.

d. Autocorrelation Test

Using the SPSS program application, the autocorrelation calculation results were obtained using the Durbin-Watson value, where an autocorrelation problem was identified. Therefore, a thorough autocorrelation correction was performed using the Cochrane-Orcutt procedure to address this issue. The method for carrying out this procedure involves running the regression equation on the AR(1) model to eliminate the correlation between errors. After correcting for the autocorrelation issue, the following autocorrelation test results were obtained:

Table 6. Autocorrelation Test Results

Durbin-Watson stat	**Conclusion**
1,172905 (Awal)	There is autocorrelation
1,969128 (Akhir)	There is no autocorrelation

The Durbin-Watson value is comfortably situated between the dU and 4-dU values (1.797 < 1.969 < 2.203), and we can definitively state that there is no autocorrelation in the regression model. This reassurance in our results is a testament to the robustness of our analyses. The estimation results, which shed light on the influence of capital expenditure, follow-up on audit recommendations, and horizon problems on the financial performance of local governments moderated by e-government, are of utmost importance.

Table 7. Regression Estimation Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.440285	0.097688	4.507043	0.0000
BM	-0.197972	0.119948	-1.650481	0.1013
TARA	0.040222	0.115947	0.346903	0.7292
HOR	-0.159882	0.074421	-2.148336	0.0336
BMEG	0.031147	0.028083	1.109130	0.2695
TLRAEG	0.001943	0.045945	0.042299	0.9663
HOREG	0.080267	0.026909	2.982886	0.0034

Therefore, it can be formulated as follows:

KUPD = 0,440285 − 0,197972 BM + 0,040222 TLRA − 0,159882 HOR + 0,031147 BM*EG + 0,001943 TLRA*EG + 0,080267 HOR*EG

The above equation can be interpreted as follows:

0.440285:If all variables are valued at 0, then performance will be valued at 0.440285

-0.197972:If BM increases, then performance will decrease by 0.197972

0.040222:If TLRA increases, then performance will increase by 0.040222

-0.159882: If HOR increases, then performance will decrease by -0.159882

0.031147:EG has the property of strengthening the influence of BM on performance

0.001943: EG has the property of weakening the influence of TLRA on performance

0.080267: EG has the property of strengthening the influence of HOR on performance

3. Hypothesis Test

Table 8. Partial Effect Results of the Regression Model

Variable	Coefficient	Prob.	Description
C	0.440285	0.0000	0.0000
BM	-0.197972	0.1013	Insignificant
TARA	0.040222	0.7292	Insignificant
HOR	-0.159882	0.0336	Negative
BMEG	0.031147	0.2695	Insignificant
TLRAEG	0.001943	0.9663	Insignificant
HOREG	0.080267	0.0034	Positive
R-squared	0.631621		

The table results show an R-squared of 0.631621, indicating that 63.16% is explained by all independent variables, while the remaining 36.84% is explained by variables outside the study. The results show that one variable is significant, whereas two variables do not show significant effects. Two moderated variables had a strengthening effect, while one had a weakening effect on the independent influence.

4.2 Discussion

This study is in line with the studies of Afiah et al. (2021); Darwanis and Saputra (2014); Suryaningsih and Sisdyani (2016), which state that capital expenditure has an insignificant value on the financial performance of local governments, but in a negative coefficient direction, according to the study of Zamzami and Rakhman (2023), that capital expenditure in the same year does not provide benefits to local original revenue in the same year, thus concluding that the magnitude of capital expenditure is not a factor that can be a benchmark or reflection of the success of local government financial performance. The insignificance of capital expenditure's impact on local governments' financial performance, or specifically on regional autonomy, can be attributed to various factors.

First, programs or activities related to capital expenditure have been achieved but do not meet local needs or increase regional revenues. For example, looking at data from several provinces regarding traffic management and road transportation programs, implementing these programs through planning, execution, and evaluation can consume funds far greater than the revenue or fees generated from these programs. Therefore, this proves that budget inefficiency is fundamental in one of the departments in the province. Hence, it is crucial to focus on implementing budget-related policies, with particular emphasis on the importance of performance-based budgeting.

This approach is necessary to identify programs that have a positive impact, especially on local revenue, and to ensure that the budget is targeted appropriately. The execution runs efficiently and meets the target. The insignificance of capital expenditure's impact on local governments' financial performance, or specifically on regional autonomy, can be caused by various factors. First, programs or activities related to capital expenditure have been achieved but do not meet local needs or increase regional revenues. For . The evidence regarding traffic management and road transportation programs and

implementing these programs for planning, execution, and evaluation can consume funds far greater than the revenue or fees generated. Therefore, this proves that budget inefficiency is fundamental in one of the departments in that province. Therefore, the implementation of budget-related policies needs to be a focus, as performance-based budget implementation is crucial to identify programs that have a positive impact, especially on local revenue, and then ensure that the budget is targeted accurately. The execution is efficient and meets the target.

Next, the insignificance of the impact of capital expenditure on the financial performance of local governments, specifically on regional autonomy, can be attributed to various factors. First, the realization of programs or activities related to capital expenditure has been achieved, but it does not meet local needs or increase regional revenue. For example, looking at data from several provinces related to traffic management and road transport programs and implementing these programs from planning, execution, and evaluation can consume funds far greater than the revenue or fees generated by the program.

Therefore, this proves that budget inefficiency is present in one of the departments in the province. Consequently, implementing budget-related policies must be a focus, as performance-based budget implementation is essential to identify programs that have a positive impact, especially on local revenue, and to ensure that the budget is targeted accurately and executed efficiently to achieve the set goals. The insignificant impact of follow-up on recommendations, measured by the ratio of appropriate follow-up to the financial performance of the local government, can be caused by various factors. First, there are no strict sanctions for noncompliance.

Referring to the 2023 BPK Audit Result Summary data for Aceh Province, of the 216 recommendations given in 2020, only 111 (51.4 %) have been followed up appropriately. Moreover, BPK members have firmly stated that Article 20 of Law Number 15 of 2004 concerning the Audit of State Financial Management and Accountability requires auditees to follow up on the recommendations in the audit results. "Officials known not to fulfill the obligation to follow up on BPK audit results can be subject to sanctions," he emphasized. The lack of firmness in the local government's follow-up on its obligations remains an issue that the BPK must address. Strengthening regulations and implementing rewards and punishments could solve this problem. Second, the local government is too focused on following up on non-financial aspects.

Follow-up on audit recommendations consists of examining the internal control system and compliance with laws and regulations. Each recommendation is undoubtedly related to financial accounts, such as how taxes and levies are determined and calculated, managing expenditures that do not comply with regulations, and receivables that have not been collected. The potential negative impact of the horizon problem on local governments' financial performance should not be underestimated. Kalyta (2009) states that the nature of job tenure influences a company's accounting or financial policies. This indicates a tendency for decision-makers or local officials to focus on short-term goals, towards the end of their tenure.

The significant negative coefficient between the horizon problem and the financial performance of local governments indicates that the horizon problem, marked by the impending end of the term of local leaders, can be detrimental to local governments' financial performance. With an excessive focus on short-term orientation, regional heads can make decisions that weaken or neglect long-term investments that would be more beneficial to the region. These results also align with the research conducted by Kochanova, Hasnain, and Larson (2020), who stated that governments worldwide can leverage information and communication technology to enhance their ability to manage public spending and budgets. Digital information systems enable real-time and more transparent reporting of regional expenditures.

In Indonesia, for example, the Regional Financial Information System (SIKD) monitors the allocation and realization of expenditures. This system provides data relevant to agencies and informs the public about how APBD funds are allocated and used. Data that are available digitally also make it easier for

the government to track potential budget deviations or misuse. The hypothesis is that e-government can facilitate budget expenditure management, particularly spending, by limiting activities that can damage and harm local governments. Properly allocating spending stimulates the local economy and ultimately increases regional revenues. However, the results of this study also indicate that it has not yet had a significant impact because of the uneven distribution of technological infrastructure across Indonesia. Limited Internet access in several regions can hinder the optimal implementation of financial information systems. Skilled human resources are also a concern for each region, as digital transformation requires adequate technical skill and knowledge. In addition, data security remains a challenge. Therefore, it is urgent for local governments to pay attention to this and strengthen the e-government of each region to improve their financial performance of local governments.

This result contradicts Sande, Okiro, Wanjare, and Omoro (2023), who stated that one of the capabilities of e-government is to improve the efficiency and effectiveness of a job, or, in their research, revenue collection, resulting in increased revenue and overall financial performance. This result is not consistent with the existing hypothesis that the level of e-government strengthens the influence of audit recommendation follow-ups on the financial performance of local governments. Several factors support this hypothesis. First, in the current digital era, the use of technology should significantly impact every aspect, including the process of following up on the audit recommendations.

In Indonesia, in monitoring the follow-up of inspection recommendation results using an application called the Follow-Up Monitoring Information System (SIPTL), the use of technology with SIPTL is expected to increase active participation and help facilitate entities in the follow-up process, thereby improving the resolution of recommendation follow-ups. However, many problems and obstacles remain in the implementation of these systems in the regions. For example, Aceh Province recorded the completion of follow-up actions in the system during its implementation. However, the system failed to record it, and the entity had to repeat the process again. Of course, this is not in line with one of the main benefits of e-government, which is the reduction of costs and resources through digital documents and less manual operation.

Second, the investments made by local governments related to the provision of SIPTL have not yet shown their impact, and the inadequate training and guidance for each local government have made the provision of e-auditees unable to strengthen the follow-up on audit recommendations in the region and their impact on the financial performance of local governments. Third, there has been no improvement in the SIPTL application, which has made it more flexible in determining the time frame for the follow-up status. Based on the several factors mentioned above, this becomes a matter between the BPK and local government. To date, the data on the completion of follow-up recommendations from the audit results have not met the targets expected by the BPK. Therefore, communication and policies moving forward must be tightened and refined so that the utilization of e-government aligns with the community's expectations and is not merely a waste of budget.

Finally, the hypothesis is supported, and it can be concluded that the e-government variable strengthens the influence of the horizon problem on the financial performance of the local governments. This means that the more comprehensive the use of e-government, the more it can strengthen or turn the negative direction of the horizon problem into a positive one for the financial performance of local governments. Currently, the high public demand for fast and efficient services can make local governments focus on short-term performance, which is readily accepted by the community. Furthermore, since the COVID-19 pandemic, the availability of local government websites has begun to show progress in transparency, encouraging officials to be more accountable to the public. Then, the availability of systems related to goods and services procurement and the e-budgeting system has become one of the factors limiting regional heads from tending to make policies that are more beneficial to themselves.

5. Conclusion
5.1 Conclusion
The findings of this study indicate several key conclusions regarding the financial performance of Indonesian local governments. First, the study reveals that capital expenditure does not influence the

financial performance of local governments and has a negative effect. This hypothesis is rejected because the results suggest that the ineffectiveness of capital expenditure is due to its insufficient strength despite meeting the threshold for productive spending. Second, follow-up actions on audit recommendations do not significantly affect the financial performance of local governments, albeit with a positive impact. This hypothesis is also rejected, as only five out of 34 provinces meet the target set by the Supreme Audit Agency (BPK), and only 39% of the follow-up recommendations align with audit findings.

Third, this study confirms that the horizon problem significantly affects the financial performance of local governments and has a negative impact, leading to the acceptance of this hypothesis. The results indicate that 35% of Indonesian provinces experienced a decline in locally generated revenue during 2019–2024 due to the horizon problem. However, the absence of this issue does not necessarily imply stability in financial performance, as variations in revenue trends exist among different regions. Fourth, this study underscores the need for the strategic implementation of e-government to enhance the positive effect of capital expenditure on the financial performance of local governments. Although e-government strengthens this response, its current focus on administrative functions, such as system procurement, rather than integrating with capital expenditure management, hinders its full potential. Consequently, issues such as overpayment and noncompliance with contracts persist.

Fifth, this study finds that e-government weakens the positive response of follow-up audit recommendations to the financial performance of local governments, leading to the rejection of the hypothesis. The results indicate that e-government, measured through the Electronic-Based Government System (SPBE) index comprising internal policy, governance, management, and services, does not strengthen the relationship between follow-up audit recommendations and financial performance. This study suggests that e-government has not been strategically implemented to enhance local financial management, particularly in ensuring practical follow-up actions on audit recommendations. Practical follow-up actions are crucial to ensure that audit recommendations are not just a formality but a tool for improving financial performance. Finallyy, e-government weakens thenegative effect of the horizon problem oblem on local governments' financial performance, supporting the hypothesis.

This research is attributed to the internal policies integrated into e-government, which help mitigate the impact of the horizon problem by establishing data-driven and system-based development priorities. Implementing an e-budgeting system allows for for real-time budget allocation and program execution, thereby preventing misaligned funding allocations that do not conform to strategic priorities. These findings highlight the complexities of local governments' financial performance, emphasizing the role of capital expenditures, audit recommendations, horizon problems, and e-government implementation in shaping fiscal sustainability.

5.2 Limitation
In this study's performance measurement research, 34 provinces in Indonesia were used as the research sample. This is due to the unavailability of financial report data for newly formed provinces.
The measurement method related to the financial performance of local governments uses the independence ratio by comparing the the local original revenue wthe ith the total revenue. Owingng to the differing economic conditions of each province, low regional transfer revenues indicate good performance. Then, development related to e-government measurement must be carried out.

5.3 Suggestion
For future research, it is crucial that samples are collected within a single period. Starting in 2024, all regional heads will be elected simultaneously, a measure that ensures uniformity in their terms of office and underscores the fairness of the process. Performance measurement can focus on acquiring locally generated revenue, including taxes, retribution, and other legitimate income sources. This approach provides a clearer picture of local government performance and underscores the importance of this study. Additionally, e-government measurements can be conducted with a more focused assessment of

relevant applications, serving as a reference for future e-government evaluations, in which your involvement and responsibility will be crucial.

References

Abernethy, M. A., Jiang, L., & Kuang, Y. F. (2019). Can organizational identification mitigate the CEO horizon problem? *Accounting, organizations and Society, 78*, 101056. doi:https://doi.org/10.1016/j.aos.2019.07.002

Afiah, N. N., Mulyani, S., & Ulfi, I. H. (2021). Investasi Daerah Dan E-Government Serta Implikasinya Terhadap Kemandirian Daerah. *Bina Ekonomi, 25*(2), 115-134. doi:https://doi.org/10.26593/be.v25i2.5259.21-40

Ahyaruddin, M., & Amrillah, M. F. (2018). Faktor penentu kinerja pemerintah daerah. *Jurnal Akuntansi Multiparadigma, 9*(3), 471-486. doi:http://dx.doi.org/10.18202/jamal.2018.04.9028

Aminah, S., & Saksono, H. (2021). Digital transformation of the government: A case study in Indonesia. *Jurnal Komunikasi: Malaysian Journal of Communication, 37*(2), 272-288. doi:https://doi.org/10.17576/JKMJC-2021-3702-17

Anisman, H. B. (2021). Analisis Faktor–Faktor Yang Mempengaruhi Kinerja Keuangan Pada Pusat Pendapatan Pemerintah Daerah Kabupaten Tulang Bawang (Studi Pada Pemerintah Daerah Kabupaten Tulang Bawang).

Bastian, I. (2001). *Akuntansi sektor publik Indonesia*: Pusat Pengembangan Akuntansi, Fakultas Ekonomi Universitas Gadjah Mada.

Bastian, I. (2018). *Audit sektor publik: pemeriksaan pertanggungjawaban pemerintah*: Salemba Empat.

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. doi:https://doi.org/10.1080/15309576.2018.1436074

Bone, H. (2017). The effects of financial and non-financial performances towards the managerial performances with interpersonal trust as a mediation variable. *International Journal of Law and Management, 59*(6), 1190-1202. doi:https://doi.org/10.1108/IJLMA-08-2016-0072

Da Gama, H. P., Soleman, R., & Hadady, H. (2022). Analysis of the Effect of Regional Original Income and Balanced Funds on Regional Financial Independence in North Maluku Province Local Governments. *Jurnal Economic Resource, 5*(1), 1-9. doi:https://doi.org/10.57178/jer.v5i1.232

Darwanis, D., & Saputra, R. (2014). Pengaruh Belanja Modal terhadap Pendapatan Asli Daerah dan Dampaknya Pada Kinerja Keuangan Pemerintah Daerah (Studi Empiris Pada Pemerintah Daerah Kabupaten/Kota Di Provinsi Aceh). *Jurnal Dinamika Akuntansi Dan Bisnis, 1*(2), 183-199.

Davis, J. H., Schoorman, F. D., & Donaldson, L. (1997). Toward a stewardship theory of management. *Academy of management Review, 22*(1), 20-47. doi:https://doi.org/10.5465/amr.1997.9707180258

Eton, M., Sunday, A., & Nkamusiima, D. (2023). Budget implementations in local governments in Uganda; reflections from Kiruhura and Mbarara. *International Journal of Financial, Accounting, and Management, 5*(2), 235-249. doi:https://doi.org/10.35912/ijfam.v5i2.1423

Freeman, R. E. (2010). *Strategic management: A stakeholder approach*: Cambridge university press.

Furqan, A. C., Wardhani, R., Martani, D., & Setyaningrum, D. (2020). The effect of audit findings and audit recommendation follow-up on the financial report and public service quality in Indonesia. *International Journal of Public Sector Management, 33*(5), 535-559. doi:https://doi.org/10.1108/IJPSM-06-2019-0173

Gourfinkel, D. (2021). The main challenges of public sector accounting reforms and World Bank's Public Sector Accounting and Reporting (PULSAR) program. *Journal of Public Budgeting, Accounting & Financial Management, 34*(2), 347-352. doi:https://doi.org/10.1108/JPBAFM-05-2021-0079

Halaskova, M., Halaskova, R., Gavurova, B., & Kubak, M. (2021). Fiscal decentralisation of services: The case of the local public sector in European countries. *Journal of Tourism and Services, 12*(23), 26-43. doi:https://doi.org/10.29036/jots.v12i23.234

Haptari, V. D., Ginting, A. M., & Aritonang, F. D. (2022). Strategy For Increasing Regional Original Income Through Strengthening Some Factors In Regional Financial Independence. *Jurnal Ekonomi, 11*(03), 926-934.

Hidayat, R., Erlina, E., & Badaruddin, B. (2024). Impact of local revenue (PAD) and transfer funds on regional financial independence in North Sumatra province: english. *Jurnal Ekonomi, 13*(01), 458-466.

Hilmawan, R., Aprianti, Y., Yudaruddin, R., Bintoro, R. F. A., Fitrianto, Y., & Wahyuningsih, N. (2023). Public sector innovation in local government and its impact on development outcomes: Empirical evidence in Indonesia. *Heliyon, 9*(12). doi:https://doi.org/10.1016/j.heliyon.2023.e22833

Hudalil, A. (2022). Market Orientation Model in Indonesia Special Autonomy Regional Government. *International Journal of Financial, Accounting, and Management, 4*(3), 349-363. doi:https://doi.org/10.35912/ijfam.v4i3.1241

Hutapea, F. L., & Widyaningsih, A. (2017). Pengaruh Good Government Governance dan Ukuran Legislatif terhadap Kinerja Pemerintah Daerah. *Jurnal Aset (akuntansi riset), 9*(1), 173-186.

Indrayani, E. (2020). E-Government: Konsep, Implementasi dan Perkembangannya di Indonesia.

Ishida, S., Ogoe, S., & Suzuki, K. (2023). Earnings management, horizon problem, and advisor posts for retiring CEOs. *Pacific-Basin Finance Journal, 78*, 101972. doi:https://doi.org/10.1016/j.pacfin.2023.101972

Ismail, A. H., Ritchi, H., & Adrianto, Z. (2025). The Influence of Management Domain on Financial Business Processes in Official Regional Apparatus Organization of Banten Province. *Studi Akuntansi, Keuangan, Dan Manajemen, 4*(2), 375–387. doi:https://doi.org/10.35912/sakman.v4i2.3886

Juliyanti, W. (2022). Studi Deskriptif: Determinan Teknologi, Informasi dan Komunikasi dalam Pengungkapan LKPD di Indonesia. *Studi Akuntansi, Keuangan, Dan Manajemen, 2*(2), 121-134. doi:https://doi.org/10.35912/sakman.v2i2.1670

Kalyta, P. (2009). Accounting discretion, horizon problem, and CEO retirement benefits. *The Accounting Review, 84*(5), 1553-1573. doi:https://doi.org/10.2308/accr.2009.84.5.1553

Kapidani, M. (2018). A comparative analysis of local government financial autonomy in Albania. *Journal of Business Economics and Finance, 7*(1), 1-9. doi:https://doi.org/10.17261/Pressacademia.2018.790

Khairudin, K., Rahmawati, R., Winarna, J., & Gantyowati, E. (2023). Does Corruption Have a Bad Impact on Local Government Performance. *Ilomata International Journal of Social Science, 4*(1), 18-29. doi:https://doi.org/10.52728/ijss.v4i1.671

Kiswanto, K., & Fatmawati, D. (2019). Determinan kinerja pemerintah daerah: ukuran pemda, leverage, temuan audit dan tindak lanjutnya. *Jurnal Kajian Akuntansi, 3*(1), 44-54. doi:https://doi.org/10.33603/jka.v3i1.1689

Kochanova, A., Hasnain, Z., & Larson, B. (2020). Does e-Government improve Government capacity? Evidence from tax compliance costs, tax revenue, and public procurement competitiveness. *The World Bank Economic Review, 34*(1), 101-120. doi:https://doi.org/10.1093/wber/lhx024

Kuntari, Y., Chariri, A., & Prabowo, T. J. W. (2019). Capital expenditure of local governments. *Academy of Accounting and Financial Studies Journal, 23*(1), 1-13.

Kurniati, S. (2019). Stock returns and financial performance as mediation variables in the influence of good corporate governance on corporate value. *Corporate Governance: The International Journal of Business in Society, 19*(6), 1289-1309. doi:https://doi.org/10.1108/CG-10-2018-0308

Liu, H., & Li, X. (2015). Government decentralisation and corporate fraud: Evidence from listed state-owned enterprises in China. *China Journal of Accounting Studies, 3*(4), 320-347. doi:https://doi.org/10.1080/21697213.2015.1100090

Maon, F., Lindgreen, A., & Swaen, V. (2010). Organizational stages and cultural phases: A critical review and a consolidative model of corporate social responsibility development. *International Journal of Management Reviews, 12*(1), 20-38. doi:https://doi.org/10.1111/j.1468-2370.2009.00278.x

Maqbool, S., & Zamir, N. (2021). Corporate social responsibility and institutional investors: the intervening effect of financial performance. *Journal of Economic and Administrative Sciences, 37*(2), 238-252. doi:https://doi.org/10.1108/JEAS-08-2019-0089

Marlina, C., & Akbar, G. G. (2023). Analisis Kinerja Apbd Provinsi Di Indonesia: Sebuah Studi Mengenai Rasio Keuangan, Korelasi Metrik Dan Klasterisasi Kinerja. *Dinamika: Jurnal Ilmiah Ilmu Administrasi Negara, 10*(3), 615-636.

Martin, G. P., Wiseman, R. M., & Gomez-Mejia, L. R. (2016). Going short-term or long-term? CEO stock options and temporal orientation in the presence of slack. *Strategic management journal, 37*(12), 2463-2480. doi:https://doi.org/10.1002/smj.2445

Obisanya, A. R., & Hassan, I. K. (2022). Improving local government performance through financial autonomy and accountability at Nigerian state. *Journal of Public Administration, Finance and Law, 23*, 222-235.

Okene, N. V., Udoms, B. E., & Eleanya, L. U. (2016). Local Government Autonomy in Nigeria: An Extensive Explication. *Science And Technology, 3*(2), 43-57.

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. doi:https://doi.org/10.1111/joms.12135

Paudel, R. C. (2023). Capital expenditure and economic growth: A disaggregated analysis for Nepal. *Cogent Economics & Finance, 11*(1), 2191449. doi:https://doi.org/10.1080/23322039.2023.2191449

Preston, L. E., & Sapienza, H. J. (1990). Stakeholder management and corporate performance. *Journal of behavioral Economics, 19*(4), 361-375. doi:https://doi.org/10.1016/0090-5720(90)90023-Z

Rokhman, A., Handoko, W., Tobirin, T., Antono, A., Kurniasih, D., & Sulaiman, A. (2023). The effects of e-government, e-billing and e-filing on taxpayer compliance: A case of taxpayers in Indonesia. *International Journal of Data and Network Science, 7*(1), 49-56. doi:http://doi.org/10.5267/j.ijdns.2022.12.007

Sande, D., Okiro, K., Wanjare, J., & Omoro, N. (2023). Moderating Effect Of Automated Revenue Collection System On The Relationship Between Budgeting Practices And Financial Performance Of County Governments In Kenya. *African Journal of Emerging Issues, 5*(8), 48-66.

Setianingrum, R. D., & Haryanto, H. (2020). Analisis Kinerja Keuangan Pemerintah Daerah Kabupaten dan Kota Provinsi Jawa Tengah. *Diponegoro Journal of Accounting, 9*(2).

Setiawan, D., & Setyorini, E. (2018). Dampak pemilihan kepala daerah terhadap alokasi belanja daerah. *Kajian Ekonomi Dan Keuangan, 2*(2), 106-119. doi:https://doi.org/10.31685/kek.v2i2.365

Setiawan, D., & Winarna, J. (2022). The Determinants of Local Government Performance. *Quality-Access to Success, 23*(186). doi:http://doi.org/10.47750/QAS/23.186.12

Setyaningrum, D. (2017). The direct and mediating effects of an auditor's quality and the legislative's oversight on the follow-up of audit recommendation and audit opinion. *International Journal of Economic Research, 14*(13), 269-292.

Smith Jr, C. W., & Watts, R. L. (1982). Incentive and tax effects of executive compensation plans. *Australian Journal of Management, 7*(2), 139-157. doi:https://doi.org/10.1177/031289628200700204

Sukarsa, I. M., Paramartha, I. B. A., Cahyawan, A. A. K. A., Wibawa, K. S., Yasa, P. G. A. S., Wulanyani, N. M. S., & Wisswani, N. W. (2020). Evaluation of E-government maturity models in sub-district public services in Indonesia using the SPBE framework. *Jurnal RESTI (Rekayasa Sistem dan Teknologi Informasi), 4*(2), 243-253. doi:https://doi.org/10.29207/resti.v4i2.1825

Surachman, E. N., Handayani, D., & Penyusun, T. (2020). Modul Analisis Laporan Keuangan Sektor Publik: Politeknik Keuangan Negeri STAN.

Suryaningsih, N. M., & Sisdyani, E. A. (2016). Karakteristik pemerintah daerah dan opini audit pada kinerja keuangan pemerintah daerah. *E-Jurnal Akuntansi Universitas Udayana, 15*(2), 1453-1481.

Sutopo, B., Wulandari, T. R., Adiati, A. K., & Saputra, D. A. (2017). E-government, audit opinion, and performance of local government administration in Indonesia. *Australasian Accounting, Business and Finance Journal, 11*(4), 6-22. doi:https://doi.org/10.14453/aabfj.v11i4.2

Tresnawati, F., & Apandi, R. N. N. (2016). Pengaruh Tindak Lanjut Hasil Pemeriksaan Terhadap Kualitas Laporan Keuangan Dengan Tingkat Pengungkapan Laporan Keuangan Sebagai Variabel Moderating (Studi Empiris Pada Kementerian/Lembaga Republik Indonesia). *Jurnal Aset (akuntansi riset), 8*(1), 13-24.

Zamzami, F., & Rakhman, F. (2023). Determinants of local government financial performance in Indonesia. *Academic Journal of Interdisciplinary Studies, 12*. doi:https://doi.org/10.36941/ajis-2023-0148