

**THE EFFECT OF REGIONAL ORIGINAL REVENUE AND REMAINING BUDGET FINANCING ON LOCAL GOVERNMENT FINANCIAL PERFORMANCE OF PROVINCIAL LOCAL GOVERNMENTS NORTH SUMATRA FOR THE PERIOD 2018 - 2022**

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**ABSTRACT**

*Regional Original Revenue is “all revenues received by the region obtained from various existing in the region, collected in accordance with applicable laws and regulations”. Remaining Budget Financing is “the difference between the realization of budget revenues and expenditures in one period. The purpose of this study was to test and analyze the effect of Local Original Revenue and Remaining Budget Financing on Local Government Financial Performance. The sample of this study was 33 districts / cities in North Sumatra province in 2018 - 2022 and obtained a total of 165 observation data. The sample technique used was saturated sample. According to the findings of this study, Local Revenue has a significant positive effect on Local Government Financial Performance, but Remaining Budget Financing has a significant negative impact. Simultaneously or together, Local Revenue and Budget Financing Surplus have a significant positive impact on Local Government Financial Performance. The two independent variables, Regional Original Revenue and Remaining Budget Financing, can account for 30.9% of the Local Government Financial Performance variable, with the remaining 69.1% explained by variables not included in the study.*

*Keywords : Local Government Financial Performance, Regional Original Revenue, Budget Financing Surplus*

**ABSTRAK**

Pendapatan Asli Daerah adalah “segala pendapatan yang diterima daerah yang diperoleh dari berbagai yang ada di daerah, dipungut menurut peraturan perundang-undangan yang berlaku”. Sisa Pembiayaan Anggaran adalah “selisih antara realisasi anggaran pendapatan dan belanja dalam satu periode. Tujuan penelitian ini adalah untuk menguji dan menganalisis pengaruh Pendapatan Asli Daerah dan Sisa Pembiayaan Anggaran terhadap Kinerja Keuangan Pemerintah Daerah. Sampel penelitian ini adalah 33 kabupaten/kota di provinsi Sumatera Utara pada tahun 2018 – 2022 dan diperoleh total 165 data observasi. Teknik sampel yang digunakan adalah sampel jenuh. Berdasarkan temuan penelitian ini, Pendapatan Daerah berpengaruh positif signifikan terhadap Kinerja Keuangan Pemerintah Daerah, namun Sisa Pembiayaan Anggaran berpengaruh negatif signifikan. Secara simultan atau bersama-sama,

Pendapatan Daerah dan Surplus Pembiayaan Anggaran mempunyai dampak positif yang signifikan terhadap Kinerja Keuangan Pemerintah Daerah. Kedua variabel independen yaitu Pendapatan Asli Daerah dan Sisa Pembiayaan Anggaran mampu memberikan kontribusi sebesar 30,9% terhadap variabel Kinerja Keuangan Pemerintah Daerah, dan sisanya sebesar 69,1% dijelaskan oleh variabel yang tidak dimasukkan dalam penelitian..

**Keywords : Kinerja Keuangan Pemerintah Daerah, Pendapatan Asli Daerah, Surplus Pembiayaan Anggaran**

## I. INTRODUCTION

Regional autonomy is “regional authority whose purpose is to manage and control the interests of the' society on its own initiative, according to the ideas of the society in accordance with the provisions of laws and regulations” (Susanti, 2017). One of the main characteristics of a region that is considered capable of implementing regional autonomy is to see how its regional financial performance (Nalle et al., 2021).

The outbreak of the covid-19 virus disease in 2019. resulted in an economy downturn in multiple several countries including Indonesia. The government has made efforts in various ways to slow the covid-19 virus spread. The appeal for social distancing or keeping a distance and avoiding crowds (at home only) in each region is one of the ways that is done. This appeal has an influence on multiple sectors, mainly in the economy sector. North Sumatra is one of the areas influenced by the emergence of the covid-19 virus which has caused the economy of North Sumatra to decline so that financial performance has also decreased (Simamora & Budiwitjaksono, 2022).

**Table 1 Realization of Regional Revenue of North Sumatra Province 2018 - 2022 (in billion)**

No	Description	Provinsi Sumatera Utara				
		2018	2019	2020	2021	2022
1	Budget	13.037,54	15.327,75	13.880,97	13.517,50	12.011,63
2	Realization	12.703,06	13.079,60	12.916,36	14.034,04	12.594,41

Source : Portal Data SIKD (<https://djpk.kemenkeu.go.id>) 2024

The phenomenon that occurred in the North Sumatra provincial government, the realization of regional revenue from 2018 to 2022 experienced fluctuations where one of the causes was the existence of covid-19 in 2019. At that time in 2020, COVID-19 had an impact on Indonesia, resulting in a decline in local revenue.

**Table 2 Realization Report of Regional Original Revenue of North Sumatra Province 2018 - 2022 (in billion)**

No	Description	Provinsi Sumatera Utara				
		2018	2019	2020	2021	2022
1	Budget	5.732,43	7.583,85	5.967,65	5.991,15	6.819,01
2	Realization	5.638,96	5.761,27	5.531,24	6.402,71	7.258,02

Source : Portal Data SIKD (<https://djpk.kemenkeu.go.id>) 2024

Based on the phenomena that occurred in the province of North Sumatra in 2018-2022, the realization of North Sumatra's local revenue in three consecutive years, namely in 2018 to 2020, never exceeded the budget target. Even in 2020 the realization of North Sumatra's local revenue decreased from the previous year by 3% from 5.761,27 billion to 5.531,24 billion. This is because the emergence of covid-19 in 2019 made the economy decline. Only in 2021 and 2022 did the realization of PAD exceed the budget target.

Regional Original Revenue acts as the main foundation of regional financing. Therefore, the ability to implement the economy can be assessed from how much the contribution of Regional Original

Revenue to the Regional Revenue and expenses budget. The greater the contribution, the less The less the local government depends on support from the federal government (Wahyuni, 2020). In addition, an increase in local revenue can strengthen the independence of a region. This independence signifies the strength of the local government to finance development and government activities independently, which will have a positive influence on regional financial performance.

Remaining Budget Financing is “the excess difference between budget revenue and financing (expenditure) in one budget period” (Kurniawan & Arza, 2019). According to (Djuniar & Zuraida, 2018) The nature of the Remaining Budget Financing in the APBD / APBN must show a zero number, meaning that the funds available at any time can be used to cover the budget deficit so that it can be used in the best possible form of money to improve financial performance. Remaining Budget Financing is an indicator that shows the efficiency of government spending. Large Remaining Budget Financing indicates weaknesses in financial planning and management. The remaining excess budget financing generally allocates direct costs in the form of capital expenses that directly meet the needs of the society.

Based on the explanation above, the author would like to carry out research under the title “The Effect of Local Revenue and Remaining Budget Financing on the Local government financial performance of the Regional Government of North Sumatra Province in the period 2018-2022”.

## II. LITERATURE REVIEW

### Stewardship Theory

Stewardship theory is defined as a situation where the principal's interests must be prioritized over personal interests. When the interests of stewards and owners are not aligned, stewards tend to choose to collaborate rather than conflict, because they believe that pursuing common interests and acting in accordance with the wishes of the owner is a rational step in achieving organizational goals.

According to this stewardship theory, there is a close relationship between owner satisfaction and organizational success. Managers will optimize organizational resources or assets to improve organizational performance, consequently increasing the utility function (Anggraeni, 2023).

In Stewardship Theory when connected to government, the community serves as a principal and the government as a steward (Prawiroyudo & Suhendro, 2023). The government's job is to meet community needs by maximizing the use of regionally owned assets and raising performance levels. The progress of local government performance will have a positive impact on society.

### Local Government Financial Performance

Local government financial performance is “a measure of the results of work in the regional financial sector which includes revenue and expenditure, using financial indicators determined by policies or laws and regulations in one budget period” (Amin, 2015). managing regional finances, to evaluate the financial performance of the government, one way that can be done is to analyze the financial ratios of the APBD plan and APBD implementation (Ropa, 2016). The findings of this analysis can be used as a benchmark. to evaluate the financial performance of local governments. According to (Mahmudi, 2015) which is a measuring tool for regional financial performance, there are several ratios including (a) Regional Financial Independence Ratio (b) Regional Financial Dependency Ratio (c) Effectiveness Ratio (d) Compatibility Ratio.

### Regional Original Revenue

Regional Original Revenue is "revenue obtained from local taxes and levies, the results of regionally owned businesses, the management of separate regional assets and other legal revenues, with the aim of providing flexibility for regions to find funding sources so that regional autonomy is implemented in accordance with the principle of decentralization” (Rizal & Erpita, 2019). In the implementation of development every year, Regional Original Revenue becomes one of the sources of funds used to help cover some of the necessary expenses, until the achievement of responsible regional independence (Hasanur & Putra, 2017). According to (Horota et al., 2017), the measuring instruments

of local revenue are (a) Local Tax Proceeds (b) Local Retribution Proceeds (c) Separated Regional Wealth Management Proceeds (d) Other Legitimate Original Income.

### Remaining Budget Financing

Remaining Budget Financing according to (Okynawa et al., 2018) is “regional income derived from the remaining budget of the previous year”. If the region is able to reduce the cost of each financing that has been planned in the APBD, it will appear Remaining Over Budget Financing. This will result in surplus funds because revenue receipts exceed expenditures. Remaining Budget Financing includes excess balancing funds, excess financing, economic expenditures, unsettled obligations to third parties by the end of the year. The remaining budget in the previous year will become revenue in the coming year which functions as a source of internal government income that can be utilized to help carry out activities in the following year (Junaedy, 2015).

The Remaining Budget Financing Indicator according to (Tanjung, 2014) :

$$\begin{aligned} \text{Remaining Budget Financing} &= \text{Surplus/Deficit} + \text{Net Financing} \\ \text{Surplus/Deficit} &= \text{Total Regional Revenue} - \text{Total Regional Expenditure} \\ \text{Net Financing} &= \text{Total Financing Receipts} - \text{Total Financing Expenditures} \end{aligned}$$

### Research Hypothesis

#### The Effect of Regional Original Revenue on Local Government Financial Performance

According to Stewardship Theory, local governments as stewards must optimize financial performance by increasing and managing the influence of local revenue efficiently for the welfare of the community (Anggraeni, 2023). The effect of local revenue is a very crucial component in local finance. To assess the level of regional independence in managing regional finances, local revenue can be used as one of the assessment indicators, if the ratio of the effect of local revenue is greater than the total revenue, the level of regional independence will rise.

The potential in the region can be reflected in the effect of its local revenue. In (Simamora & Budiwitjaksono, 2022); (Ati et al., 2023); (Putri & Ratnawati, 2023); (Putri & Ratnawati, 2023); (Maulina et al., 2021) said that Regional Original Revenue has a significant impact on Local Government Financial Performance. Referring to the study of stewardship theory and previous researchers, it is concluded that this research hypothesis is :

**H1: Regional Original Revenue has a positive effect on Local Government Financial Performance**

#### The Effect of Remaining Budget Financing on Local Government Financial Performance

The amount of the before year's budget surplus/deficit indicates a decrease in government financial performance. If it is related to Stewardship Theory, the allocation of remaining budget financing from the previous year to the following year will provide benefits to the community if done appropriately (Abbas et al., 2021). Whether or not the allocation is appropriate can be seen by the performance of the region as measured by the results of local government financial performance.

Research (Ratnasaria & Meirinib, 2022); (Djuniar & Zuraida, 2018) explains that the remaining budget financing has a significant negative influence on Local Government Financial Performance. From the review of stewardship theory and previous researchers, it is concluded that this research hypothesis is:

**H2: Remaining Budget Financing has a negative effect on Local Government Financial Performance**

#### The Effect of Regional Original Revenue and Remaining Budget Financing on Local Government Financial Performance

According to Stewardship Theory which says that the steward as a government will prioritize the needs of the community over personal interests in order to improve its performance through local



revenue and the remaining excess budget financing to produce good local government financial performance (Prawiroyudo & Suhendro, 2023).

This study is consistent with the results of research (Simamora & Budiwitjaksono, 2022); (Ati et al., 2023); (Putri & Ratnawati, 2023); (Maulina et al., 2021); (Ratnasaria & Meirinib, 2022); and (Djuniar & Zuraida, 2018) which say that Regional Original Revenue and Remaining Budget Financing simultaneously have a significant influence on Local Government Financial Performance.

**H3: Regional Original Revenue and Budget Financing Surplus simultaneously affect Local Government Financial Performance**

**III. RESEARCH METHODS**

This research applies a quantitative approach that utilizes secondary data. The population studied included all regencies / cities in North Sumatra Province, namely 33 of which 25 regencies and 8 cities. The sample includes all regencies / cities over a 5-year period. Saturated sample is a sampling technique used in this study. The location is in the Regional Government of North Sumatra Province, covering all regencies / cities. Documentation and a review of the literature were used to gather the data, and SPSS version 20 was used for descriptive statistical analysis. An operational definition of the variables used in this study is as follows:

**Table 3**  
**Operational Defenition**

Variable	Defenition	Measurement	Scale
Regional Original Revenue	Regional Original Revenue is all revenue obtained by the region from sources within its own territory that are levied based on local regulations in accordance with applicable laws and regulations.	<b>Local Original Revenue</b> = Local Taxes + Local Levies + Results of Management of Separated Regional Wealth + Other Legitimate Original Revenue (Horota et al., 2017)	Ratio
Remaining Budget Financing	Budget Financing Surplus is the difference in the realization of budget revenues and expenditures during one budget period.	<b>Remaining Budget Financing</b> = Surplus/Deficit + Net Financing <b>Surplus/Deficit</b> = Total Regional Revenue - Total Regional Expenditure <b>Net Financing</b> = Total Financing Receipts - Total Financing Expenditures (Tanjung, 2014)	Ratio
Local Government Financial Performance	Local government financial performance is the result of the ability of local governments to manage local finances which include regional revenue and expenditure.	<b>Effectiveness Ratio</b> = Realization of Local Revenue / Local Revenue Budget x 100% (Mahmudi, 2015)	Ratio

**IV. RESULTS AND DISCUSSION**

**Data Analysis Results**

**Descriptive Statistics Analysis**

**Table 3**  
**Descriptive Statistics Analysis**

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
PENDAPATAN ASLI DAERAH	165	12655553069	2230554495746	166700370991.08	329158837406.158
SISA LEBIH PEMBIAYAAN ANGGARAN	165	2056423241	1146596420714	104280682863.31	130233623571.259
KINERJA KEUANGAN PEMERINTAH DAERAH	165	22.59	150.26	88.5045	20.88909
Valid N (listwise)	165				



Based on the table above, the total amount of data tested was 165. From the table it is concluded:

1. The Regional Original Revenue variable's mean value is less than the standard deviation value.
2. The Remaining Budget Financing Surplus variable mean value is less than the standard deviation value.
3. The mean value for the Local Government Financial Performance variable exceeds the standard deviation value.

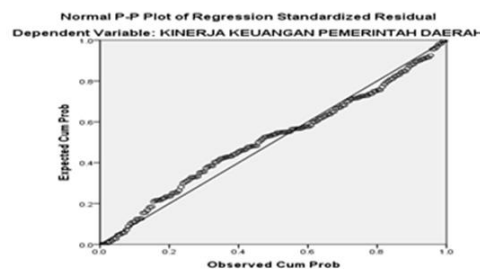
### Classical Assumption Test

#### Normality Test

**Table 5**  
Normality Test

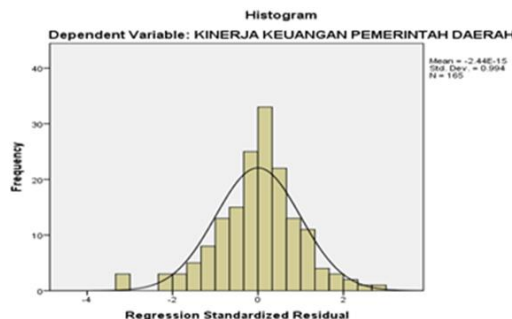
One-Sample Kolmogorov-Smirnov Test		Unstandardized Residual
N		165
Normal Parameters <sup>a,b</sup>	Mean	0E-7
	Std. Deviation	19.67842162
Most Extreme Differences	Absolute	.075
	Positive	.055
	Negative	-.075
Kolmogorov-Smirnov Z		.957
Asymp. Sig. (2-tailed)		.319
a. Test distribution is Normal.		
b. Calculated from data.		

Based on the above, the Asymp.sig (2-tailed) value is 0.319. This means that the significant number exceeds 0.05 ( $0.319 > 0.05$ ), Thus, the data are found to be normally distributed.



**Figure 1 P - Plot Graph of Normality Test**

The normalcy test's outcomes using the normal probability plot approach the points look quite with the diagonal line which means that the normality assumption is met.



**Figure 2 Histogram Graph of Normality Test**

Judging from the picture above, that the histogram graphics are normally distributed, This is because the bell-shaped curve does not veer left or right.

#### Multicollinearity Test



Table 6  
 Multicollinearity Test

Coefficients <sup>a</sup>							
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error				Tolerance	VIF
1	(Constant)	85.369	1.977	43.177	.000		
	PENDAPATAN ASLI DAERAH	2.360E-011	.000	.372	3.817	.000	.577 1.732
	SISA LEBIH PEMBIAYAAN ANGGARAN	-6.779E-011	.000	-.423	-4.339	.000	.577 1.732

a. Dependent Variable: KINERJA KEUANGAN PEMERINTAH DAERAH

Referring to the table above, it is concluded that none of the independent variables show signs of multicollinearity. because the VIF value of each variable < 10 and the Tolerance value > 1.

**Heteroscedasticity Test**

Table 7  
 Heteroscedasticity Test Result (Glejser)

Coefficients <sup>a</sup>					
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error			
1	(Constant)	14.609	1.331	10.979	.000
	PENDAPATAN ASLI DAERAH	3.819E-012	.000	.095	.918
	SISA LEBIH PEMBIAYAAN ANGGARAN	-4.852E-012	.000	-.048	.645

a. Dependent Variable: ABS\_RES

The table above demonstrates that the sig value of each variable > 0.05. In accordance with the principle of taking the Glejser test, this shows that there are no symptoms of heteroscedasticity.

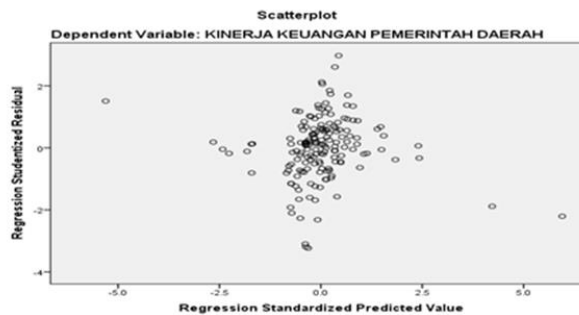


Figure 3 Heteroscedasticity Test Result

Referring to the picture above, it can be seen that the dots spread above, below, and around zero, so it is concluded that the research has no symptoms of heteroscedasticity.

**Autocorrelation Test**

Table 8  
 Autocorrelation Test Result

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.335 <sup>a</sup>	.113	.102	19.79952	1.143

a. Predictors: (Constant), SISA LEBIH PEMBIAYAAN ANGGARAN, PENDAPATAN ASLI DAERAH  
 b. Dependent Variable: KINERJA KEUANGAN PEMERINTAH DAERAH

Based on this table, the Durbin-Watson (DW) value is 1.143. From the DW table, the DU value is 1.7700 and DL is 1.7209. Thus, the DW value is smaller than 1.7700 and also smaller than 4 - 1.7700. This indicates that 1.7700 > 1.143 < 2.23 (DU > DW < 4 - DU). As so, one can say that there is positive autocorrelation.

Therefore, to ensure that this study is free from autocorrelation, further analysis is required using the Cochran-Orcutt method, which is considered effective as an alternative in overcoming autocorrelation problems in regression models.

**Tabel 9**  
**Autocorrelation Test Result Method Chocrane-Orcutt**

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.567 <sup>a</sup>	.322	.309	17.41238	2.033

a. Predictors: (Constant), LAG\_Y, PENDAPATAN ASLI DAERAH, SISA LEBIH PEMBIAYAAN ANGGARAN  
 b. Dependent Variable: KINERJA KEUANGAN PEMERINTAH DAERAH

From the table above, it can be concluded that the Durbin-Watson (DW) value is greater than 1.7700 and smaller than 4 - 1.7700, or in other words,  $1.7700 < 2.033 < 2.23$  ( $DU < DW < 4 - DU$ ). As so, it is decided that there is no autocorrelation.

**Hypothesis Test**

**Partial Test (t Test)**

**Table 10**  
**Partial Hypothesis Test Result (t Test)**

Coefficients <sup>a</sup>								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error				Beta	Tolerance
1	(Constant)	85.369	1.977		43.177	.000		
	PENDAPATAN ASLI DAERAH	2.360E-011	.000	.372	3.817	.000	.577	1.732
	SISA LEBIH PEMBIAYAAN ANGGARAN	-6.779E-011	.000	-.423	-4.339	.000	.577	1.732

a. Dependent Variable: KINERJA KEUANGAN PEMERINTAH DAERAH

Got the table value  $t = 1.97472$

From the table it is concluded that:

1. Based on the t test on Regional Original Revenue, the  $t_{count}$  result is 3.871 with a significance value of 0.000. The acquisition of a significance value on the Regional Original Income variable can be seen that the value is below the significance level of 5% (0.05). And for the  $t_{count}$  of  $3.817 > t_{table}$  1.97472, it can be concluded that partially local revenue has a significant positive impact on the on Local Government Financial Performance.
2. Based on the t test on the Remaining Budget Financing, the  $t_{count}$  result is -4.339 with a significance value of 0.000. The acquisition of a significance value on the Remaining Budget Financing Surplus variable is seen below the significance level of 5% (0.05). And for  $t_{count}$  -4.339  $> t_{table}$  1.97472, thus, it can be said the Remaining Budget Financing Partially has a significant negative impact on Local Government Financial Performance.

**Simultaneous Test (F Test)**

**Table 11**  
**Simultaneous Hypothesis Test Result (F Test)**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8054.669	2	4027.334	10.273	.000 <sup>b</sup>
	Residual	63507.406	162	392.021		
	Total	71562.074	164			

a. Dependent Variable: KINERJA KEUANGAN PEMERINTAH DAERAH  
 b. Predictors: (Constant), SISA LEBIH PEMBIAYAAN ANGGARAN, PENDAPATAN ASLI DAERAH

Based on the simultaneous testing test, the  $F_{count}$  number is 10.273 and  $F_{table}$  3.05 ( $F_{count} > F_{table}$ ) and the significance number is  $0.000 < 0.05$ . Thus it is concluded that Local Revenue and Budget Financing Surplus simultaneously have a significant positive impact on local government financial performance.

**Determination Coefficient Test ( $R^2$ )**





Table 12  
 Determination Coefficient Test Result

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.567 <sup>a</sup>	.322	.309	17.41238	2.033
a. Predictors: (Constant), LAG Y, PENDAPATAN ASLI DAERAH, SISA LEBIH PEMBIAYAAN ANGGARAN					
b. Dependent Variable: KINERJA KEUANGAN PEMERINTAH DAERAH					

The table shows that the adjusted  $R^2$  value is 0.309, indicating that 30.9% of the Local Government Financial Performance variable can be explained by independent variables such as Local Revenue and Budget Financing Surplus. Other factors not looked at influence the remaining 69.1%.

## Discussion

### The Effect of Regional Original Revenue on Local Government Financial Performance

From the results of hypothesis testing on the Regional Original Revenue variable, it was found that Regional Original Revenue had a significant positive impact on Local Government Financial Performance. This can be seen from the significance level of 0.000 and the t count value of 3.817.

This result indicates that a large contribution of Regional Original Revenue is able to increase the independence of a region and reduce dependence on the central government. Theoretically, the results of this research agree with stewardship theory which says the steward or government will maximize assets or wealth for the common good. The local government as a steward has the duty to improve the needs of the community by optimizing and utilizing regionally owned assets so that local government financial performance can improve.

The findings of this study are in accordance with the findings revealed (Putri & Ratnawati, 2023); (Maulina et al., 2021); (Ati et al., 2023). However, it is contrary to the findings revealed by (Djuniar & Zuraida, 2018); (Ratnasaria & Meirinib, 2022).

### The Effect of Budget Financing Surplus on Local Government Financial Performance

From the results of the t test on the Remaining Budget Financing Surplus, the result of  $t_{count}$  is -4.339 with a significance of 0.000. This means that Remaining Budget Financing has a significant negative impact on local government financial performance.

The large amount of Remaining Budget Financing Surplus in the previous year will cause a decrease in the performance of the local government. The lower the amount of Remaining Budget Financing Surplus in the financial statements indicates that expenditures are managed efficiently to support activities and cover deficits, so there are no wasted funds.

The study's findings are in line with the findings revealed by (Djuniar & Zuraida, 2018); (Ratnasaria & Meirinib, 2022). However, it does not match the research results revealed by (Putri & Ratnawati, 2023).

### The Effect of Local Revenue and Budget Financing Surplus on Local Government Financial Performance

Referring to simultaneous regression testing, the results obtained  $F_{count} > F_{table}$  ( $10.273 > 3.05$ ) and a significance value of  $0.000 < 0.05$ . These results indicate that Local Revenue and Budget Financing Surplus simultaneously have a significant positive influence on Local Government Financial Performance.

## V. CONCLUSION

1. Regional Original Revenue partially has a significant positive impact on the Local Government Financial Performance of North Sumatra province for the 2018-2022 Period. These results indicate that the first hypothesis is accepted.
2. The Remaining Budget Financing Surplus partially has a significant negative effect on the Local Government Financial Performance of North Sumatra province for the 2018-2022 Period. From these results, the second hypothesis is accepted.

3. Local Revenue and Budget Financing Surplus together have a positive and significant influence on the Local Government Financial Performance of North Sumatra province for the 2018-2022 Period. From these results, the third hypothesis is accepted.

#### **Suggestions**

Future studies should include other factors not covered by the study but yet have an impact on local governments' financial situation. Local governments are expected to maintain or even increase the potential for Regional Original Revenue and utilize the use of Remaining Budget Financing Surplus. This can be done through intensification which includes coaching and exploration of each potential to achieve better financial performance. And for the community, it can support programs from the local government and can provide criticism and suggestions for the performance of the government so that the government's policies reflect what the community needs or wants.

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