Evaluation of Regional Financial Performance and the Impact of Causal Variables: Research on Jember Regency for the 2018-2022 Period.

Ifthar Farrel M[1], Musti Rahayu[2], Alifiyah Rizqy Fauziah[3], Putri Amalia Nabila[4]
[1,2,3,4]Faculty of Economics and Business, University of Jember, Indonesia

Abstract

This study analyzes the regional financial performance of Jember Regency from 2018 to 2022 with a focus on economic growth, poverty rate, and unemployment. Using APBD and macroeconomic data, analysis through multiple linear regression shows that economic growth has a positive and significant effect on several regional financial performance ratios, while poverty and unemployment rates have a significant negative impact on several ratios. Suggestions for the local government of Jember Regency include increasing local financial independence with local revenue, improving the efficiency and effectiveness of financial management, and allocating the budget according to development priorities. This study aims to analyze the effect of economic growth, poverty rate, and unemployment rate on the regional financial performance of Jember Regency in 2018-2022. The independence ratio, effectiveness ratio, efficiency ratio, activity ratio, and growth ratio are the five regional financial performance ratios used in this study. The data used is secondary data in the form of regional financial reports and regional macroeconomic data. The analysis method used is multiple linear regression analysis with F test, t test, and determination coefficient test. The results showed that economic growth, poverty rate, and unemployment rate simultaneously and partially affect regional financial performance. The direction and level of influence vary depending on the regional financial performance ratio used. In general, economic growth has a positive effect, while the poverty rate and unemployment rate have a negative effect on regional financial performance. This shows that regional macroeconomic conditions are very influential on regional health and welfare. The results also showed an interaction between economic growth, poverty rate, and unemployment rate in influencing regional financial performance. This means that these factors cannot be separated in analyzing regional financial performance, but must be considered together. These factors influence each other and are influenced by regional financial performance, thus forming a dynamic and complex system.

Keywords: Regional Financial Performance, Economic Growth, Poverty Rate, Unemployment Rate.
JEL Classification: H30, L60, P10.

Received: March 4,2023 Accepted: April 4,2023
DOI : 10.54204/TAJI/Vol912023004

Introduction

One of the most significant parts of regional autonomy is local financing, as it relates to the ability of regions to manage resources and organize public services for the community (Fikri, 2020). Local finance is also one of the indicators in measuring the health and welfare of the region, because it reflects the performance of local governments in managing the budget and financing regional development. Therefore, regional financial performance needs to be analyzed periodically and comprehensively, so that it can be evaluated and improved. Analysis of regional financial performance can be done using various methods and techniques, such as financial ratio analysis, performance-based budget analysis, value for money analysis, benchmarking analysis, and others. Analysis of regional financial performance can provide useful information for local governments, DPRD, the community, and other stakeholders, related to the condition and prospects of regional finances, as well as the challenges and opportunities faced. Analysis of regional financial performance can also be the basis for local governments in formulating better and more accountable regional financial policies and strategies (Dewi, Azam, & Yusoff, 2019).

Regional financial performance is a reflection of a number of financial ratios that reflect various aspects, such as independence, effectiveness, efficiency, harmony, and regional financial growth. The depth of analysis through these ratios allows comparison of regional financial performance from several points of view, either within a certain time span, comparison between regions, or evaluation against predetermined standards (Wang & Wang 2021).

The use of financial ratios in measuring regional performance not only provides a comprehensive picture, but also allows the identification of factors that affect the financial health of the region, both from internal and external aspects (Li, Guo, & Di, 2021). For example, the regional financial independence ratio indicates the extent to which the region relies on local revenues compared to transfers from the central government. The local revenue effectiveness ratio indicates how well local tax and revenue receipts are managed efficiently. The regional expenditure efficiency ratio highlights the appropriate management of regional expenditure, while the regional expenditure harmony ratio reflects the extent to which budget allocations are in line with regional development priorities. Finally, the local revenue growth ratio indicates the development of local revenue over time (Bolen, 2019).

In analyzing local financial performance, these ratios provide a holistic view and are useful for policy makers to assess local financial performance, evaluate the success of policies implemented, and plan needed corrective measures. Data from these financial ratios can help to identify resources that need to be optimized or managed more efficiently, as well as highlight areas that require further attention in an effort to improve regional financial welfare and sustainability (Weston, & Nnadi, 2023).

Jember Regency, located in East Java Province, is an interesting subject for regional financial performance research because it has considerable natural and human resource potential. Nonetheless, the kabupaten is faced with a number of challenges that include poverty, unemployment, infrastructure that still needs improvement, and health issues that require serious attention (Sumani, Awwaliyah, Suryaningsih, & Nugraha, 2022)

Jember is also one of the regions significantly affected by the COVID-19 pandemic. The impact of this pandemic has had a major impact on the local economy and finances, such as decreased revenue, limited resources, and pressure on budget management to meet urgent needs such as health services and social assistance. Research that aims to analyze the regional financial performance of Jember Regency, taking into account factors such as economic growth, poverty rate, and unemployment rate, is important in providing a comprehensive picture for the local government. This analysis is expected to provide in-depth insights into regional financial conditions, patterns that affect financial performance, and strategic recommendations for local governments in improving financial performance, both in pandemic situations and normal conditions (Sukidin, Yuswadi, Kantun, Tiara, & Cahyo, 2022). Although many studies have been conducted on regional financial performance, there are still several gaps that need to be further explored. First, most studies only use one or two financial ratios to measure regional financial performance, thus providing a less holistic and comprehensive picture (Baah, Jin, & Tang, 2020). Second, most studies only use cross section or time series data, thus paying less attention to aspects of dynamics and comparisons between regions (Papanastassiou, Pearce, & Zanfei, 2020). Third, most studies only use macroeconomic variables as factors that affect regional financial performance, thus not including other variables that may be influential, such as regional characteristics, regional policies, and socio-cultural factors (Dimitrova, Rogmans, & Triki, 2020).

This study tries to fill the gap by using five financial ratios to measure regional financial performance, using panel data to combine cross section and time series data, and using macroeconomic and non-macroeconomic variables as factors that influence regional financial performance. This research also focuses on Jember Regency as a case study, because this area has unique and interesting characteristics and challenges to study. Through this research, it is expected that relevant information will be available to assist the local government of Jember Regency in evaluating the policies that have been implemented, identifying areas that require more attention, and formulating strategic measures to overcome existing problems. The emphasis on improving local financial performance will be key in strengthening local economic infrastructure, reducing poverty, expanding employment, and improving the quality of life of the people in Kabupaten Jember.

Literature Review

Local financial performance is an integral indicator that not only reflects the efficiency and effectiveness of local governments in managing their budgets, but is also a key cornerstone in evaluating a region's economic progress and stability. Substantially, it involves revenue management, allocation of funds to various development programs, as well as fiscal policies that support inclusive economic growth. A comprehensive analysis of the region's financial performance is critical in providing an overall picture of the success of financial strategies, enabling the identification of challenges faced, such as infrastructure gaps, unemployment rates, and access to public services. In addition, an in-depth understanding of local financial performance makes it possible to identify resources that can be optimized, improve budget management, and prioritize public spending to support sustainable economic growth and improved community welfare (Brunetti, Matt, Bonfanti, De Longhi, Pedrini, & Orzes. 2020). As such, regular analysis of local financial performance is an important cornerstone in developing policies that are effective and responsive to local needs, while supporting the region's long-term development goals (Cuadrado-Ballesteros. 2019).

Local finance includes all aspects of rights and obligations that can be measured in monetary values, including all forms of wealth associated with the local entity (Robinson, Harrison, Shen, & Wu, 2021). Regional finance is more than just a set of numbers and financial statements; it is the foundation for the implementation of regional autonomy, which is the right of a region to organize and manage government affairs and the interests of the local community in accordance with applicable legal provisions. It include the receiving and expenditure of finances, assets, debts, and other liabilities, all of which combined represent the region's ability to govern efficiently. Local finance is not just a tool to measure the financial health of a region, but also a key instrument that enables local governments to plan, manage and implement development programs and community services that meet local needs. In this context, local finance has a strategic role in supporting economic growth, poverty alleviation, health improvement, education, infrastructure, and various other important needs relevant to the welfare of local communities (Hardiningsih, Januarti, Srimindarti, & Oktaviani. 2019).

Local financial management is a series of processes that include a number of key stages, from planning to monitoring, which aim to effectively and efficiently manage all financial aspects related to local entities (Fourie, & Malan, 2020). This process includes comprehensive budget planning, budget preparation that takes into account local needs and priorities, implementation of budget policies, regular record keeping, accurate and transparent reporting, and accountability for the use of public funds. The main principles that guide local financial management are accountability, which requires clear responsibility for the use of public funds, transparency to ensure that financial information is available and accessible to the public at large, and participation, which involves public involvement in the local financial decision-making process. In addition, aspects of efficiency and effectiveness are also a key focus, where financial management must optimize the use of resources in the most efficient way, while ensuring that the objectives set are appropriately achieved (Kunduru, & Kandepu, 2023). The principle of equity is also important in the context of local financial management, where the allocation and use of funds must be done fairly to support equality and social justice among all citizens of the local community. The whole process of local financial management plays a very important role in creating good financial governance, strengthening responsible government actions, and realizing sustainable growth and prosperity for local communities (Atmadja. 2021).

The local budget is an annual financial planning document that forms the basis for local government financial activities (Ahrens & Ferry, 2020). This document is prepared by considering estimated revenues and planned regional expenditures, as well as the sources of financing that will be used within a certain period of time. More than just a record of numbers, a local budget reflects the commitment of the local government in prioritizing expenditures for various development programs and activities. The budgeting process, which involves the DPRD and the head of the region, is also an important part of maintaining accountability and transparency in local financial management (Ansori, Sasongko, & Poernomo, 2021). In addition to being a guide for the allocation of funds, local budgets are also a tool for realizing the principles of good governance and good public services. This includes aspects of transparency in public financial management, accountability in the use of funds, and effective and efficient public services to the community. With a focus on the principles of good governance, local budgets become a key instrument in supporting sustainable economic growth and improving the quality of life of people at the local level (Menifield, 2020).

Local financial performance becomes more comprehensive when measured through various financial ratios that cover key aspects such as local financial independence, effectiveness, efficiency, harmony, and growth (Gatto, 2020). These ratios are not only a tool for assessing financial performance in a given period, but also allow a more in-depth comparison between regional financial performance over time, between regions, or even with standards that have been set as guidelines. In addition, these financial ratios are an important foundation in identifying factors that affect regional financial performance, both from an internal and external perspective. In the internal context, these ratios help local governments to evaluate the effectiveness of financial policies and strategies that have been implemented and identify areas that require improvement. While from an external perspective, financial ratios can illustrate the impact of external factors such as national economic conditions, central government fiscal policy, or regulatory changes on local financial performance. This financial ratio analysis provides deep insight to policy makers to formulate strategic steps to improve regional financial performance and adjust relevant policies to existing needs (Awaysheh, 2020).

Factors that have a significant influence on regional financial performance include several key variables such as economic growth, poverty rate, and unemployment rate (Mansi, Hysa, Panait, & Voica, 2020). Economic growth, as one of the key elements, refers to the increase in the production of goods and services in a region within a certain period of time. This factor is an important indicator that reflects the dynamics of the local economy as well as the potential to generate additional revenue for the region. In addition, the poverty rate is a crucial factor as it reflects the percentage of the population living below the poverty line, giving an idea of the economic and social inequalities that affect purchasing power and income distribution in the region. Meanwhile, the unemployment rate, which is the percentage of the population that is not working and looking for work, plays an important role in measuring the employment situation of a region (Ningrum, Hukom, & Adiwijaya, 2020). Analyzing the interaction between these factors helps in better understanding the economic and social conditions of the region, provides a solid foundation for assessing their impact on regional financial performance, and provides important insights for local governments in designing more inclusive and sustainable economic and social policies (Yasin. 2019).

Economic growth, poverty rate, and unemployment rate have a significant impact on regional financial performance, both directly and indirectly (Purnomo & Istiqomah, 2019). Directly, these factors have a close correlation with the amount of local own-source revenue, balancing funds, and other sources of legal local revenue. For example, high economic growth can increase own-source revenues through increased taxes and other revenues. On the other hand, a high poverty rate may reduce local tax and revenue receipts due to people's low ability to pay taxes (Mpofu, 2022). A high unemployment rate may also reduce tax revenue contribution and lower local revenue. Indirectly, these factors also affect the use of local revenues, particularly in terms of the allocation and prioritization of local expenditure. For example, a high poverty rate may force local governments to allocate more budget to social assistance programs or poverty alleviation programs. A high unemployment rate may also result in increased local spending on job training or job creation programs. An in-depth analysis of the relationship between these factors and local financial performance is important to understand the mechanisms that influence local financial revenues and expenditures, and to assist local governments in adapting fiscal policies that are responsive and effective to existing economic and social dynamics (Islamiah. 2021).

Kabupaten Jember, located in East Java Province, is an interesting subject for regional financial performance research because it has significant natural and human resource potential, but is also faced with a number of challenges that include poverty, unemployment, infrastructure that still needs improvement, and health issues. The natural resource potential of Kabupaten Jember includes agriculture, plantations, tourism, and diverse human resources. However, various social and economic problems, such as high levels of poverty, unemployment, and suboptimal infrastructure, are the focus of attention in efforts to advance this region. In addition, the impact of the COVID-19 pandemic has also worsened the region's economic and financial conditions, creating new challenges that affect revenues, expenditures, and budget allocations for urgent needs such as health services and economic recovery. Therefore, research on the regional financial performance of Jember Regency is relevant to provide a comprehensive picture of how the economic conditions of this region change in special situations such as a pandemic, as well as provide a holistic view of the efforts needed to improve regional economic welfare and sustainability (Mahanani, 2021).

The purpose of this study is to examine Jember Regency's regional financial performance and the elements that influence it, notably economic growth, poverty rate, and unemployment rate. This study makes use of secondary data in the form of reports on the realization of Jember Regency's regional income and expenditure budget (APBD) for 2018-2022, as well as macroeconomic statistics for Jember Regency for 2018-2022. Descriptive analysis and multiple linear regression analysis were utilized in the analysis. In this study, the dependent variable is regional financial performance as measured by five ratios: regional financial independence, regional revenue effectiveness, regional expenditure efficiency, regional expenditure harmony, and regional revenue growth. In this study, the independent variables include economic growth, poverty rate, and unemployment rate (Sessu, 2022).

H1: Economic growth has a positive and significant effect on the regional financial performance of Jember Regency in 2018-2022.

This statement indicates that there is a positive and significant relationship between economic growth and the regional financial performance of Jember Regency during the 2018-2022 period. This illustrates that when there is an increase in economic growth in Jember Regency, there is also a significant increase in various aspects of regional financial performance, such as revenue, more efficient spending, better budget management, or overall regional revenue growth. In other words, the existence of a positive correlation suggests that improved economic conditions in Kabupaten Jember contribute significantly to improved and enhanced regional financial health, which in turn has the potential to support the development and welfare of the local community. This may suggest that successful economic development strategies within Jember District also support improvements in local financial management, creating a more stable and sustainable environment for economic growth and shared prosperity (Yasin, 2019).

H2: The poverty rate has a negative and significant effect on the regional financial performance of Jember Regency in 2018-2022.

The statement shows that the poverty rate has a negative and significant effect on the regional financial performance of Jember Regency during the 2018-2022 period. This illustrates that when the poverty rate in Jember Regency increases, there is a significant negative impact on several aspects of regional financial performance. This possible correlation suggests that higher poverty may hinder the achievement of regional financial targets, resulting in challenges in revenue collection, less efficient spending, or limited budget management. For example, when poverty levels are high, there may be a decline in local tax revenues due to a lack of purchasing power or other limited sources of revenue. Therefore, spending on social development projects that require additional budget may also be hampered. In this context, an increase in poverty can be a constraining factor for the achievement of regional financial targets, which in turn affects the growth and economic welfare of the people of Kabupaten Jember (Omar, & Inaba. 2020).

H3: The unemployment rate has a negative and significant effect on the regional financial performance of Jember Regency in 2018-2022.

The statement confirms that the unemployment rate has a negative and significant impact on the regional financial performance of Jember Regency during the 2018-2022 period. This shows that when the unemployment rate in Jember Regency increases, there is a significant impact on several aspects of regional financial performance. This hypothesis implies that poor employment conditions, characterized by high unemployment rates, may hinder the achievement of regional financial targets such as low revenue receipts, inefficient spending, or limited budget management. For example, a high unemployment rate may reduce local tax revenue due to the lack of income paid by the workforce to the local government (Joy, & Vogel, 2021). In addition, labor instability can hamper the development of infrastructure and other projects that require investment and labor, limiting the local budget that can be allocated for these purposes. In this context, high unemployment can be an obstacle in achieving regional financial performance, which in turn can have a negative impact on the economic growth and welfare of the people of Jember Regency (Raifu, & Afolabi, 2023).

H4: There is an interaction between economic growth, poverty rate, and unemployment rate in influencing the regional financial performance of Jember Regency in 2018-2022.

The statement indicates that there is a significant interaction between economic growth, poverty rate, and unemployment rate in influencing the regional financial performance of Jember Regency during the 2018-2022 period. This hypothesis suggests that the relationship between these variables is not only an individual influence, but there is also a complex interaction between them in influencing regional financial performance. This suggests that changes in one variable might influence the impact of another variable, and their impact on regional financial performance cannot be simplified as a one-way influence. For example, strong economic growth may reduce poverty and unemployment rates, which in turn may contribute to improved local financial performance through increased revenues, reduced reliance on social assistance, or better budget management (Chollisni, Syahrani, Shandy, & Anas, 2022). Conversely, an increase in poverty or high unemployment may limit the ability of regions to respond effectively to potential economic growth. In this context, an understanding of the complex interactions between economic growth, poverty rates, and unemployment rates is key in planning holistic and effective policies to improve regional financial performance and support sustainable economic growth in Kabupaten Jember (Priambodo, 2021).

Research Method

This study use multiple linear regression analysis techniques with the SPSS version 26 application to evaluate the hypothesis. Multiple linear regression analysis is used to simultaneously and partially test the effect of independent variables on the dependent variable. The dependent variable in this study is regional financial performance, as measured by five ratios: regional financial independence (RKD), regional revenue effectiveness (RED), regional expenditure efficiency (RBD), regional expenditure harmony (KBD), and regional revenue growth (RPD). Economic growth (PE), poverty rate (TK), and unemployment rate (TP) are the independent variables in this study.

Measurement Tools

The measuring instruments used in this study are financial ratios, which are measuring instruments that relate two or more financial variables to measure regional financial performance. The financial ratios used in this study are:

The ratio of regional financial independence, which measures the ability of the region to finance regional activities using local own-source revenues. The formula for this ratio is:

$$Regional\ Revenue = \frac{Local\ Revenue}{Regional\ Revenue}\ x\ 100\%$$

The local revenue effectiveness ratio, which measures the level of achievement of local revenue realization against the local revenue target. The formula for this ratio is:

$$Regional\ Revenue\ Effectiveness\ Ratio = \frac{Regional\ Revenue\ Realization}{Local\ Revenue\ Target}\ x\ 100\%$$

The regional expenditure efficiency ratio, which measures the level of use of the regional expenditure budget against the realization of regional income. The formula for this ratio is:

$$Regional\ Expenditure\ Efficiency\ Ratio = \frac{Regional\ Expenditure}{Regional\ Revenue\ Realization}\ x\ 100\%$$

The regional expenditure harmony ratio, which measures the level of consistency of regional expenditure allocations with regional development priorities and needs. The formula for this ratio is:

$$Regional\ expenditure\ compatibility\ ratio = \frac{Direct\ Expenditure}{Regional\ Expenditure}\ x\ 100\%$$

The local revenue growth ratio, which measures the growth rate of local revenue from year to year. The formula for this ratio is:

$$Regional\ revenue\ growth\ ratio = \frac{Local\ Revenue\ Year\ n - Local\ Revenue\ Year\ n-1}{Local\ Revenue\ Year\ n-1}\ x\ 100\%$$

Data Analysis Techniques

In this study, descriptive analysis and multiple linear regression analysis were used to analyze the data. Descriptive analysis is a data analysis technique that uses statistical measures to describe data characteristics such as mean, median, mode, standard deviation, and coefficient of variation. Multiple linear regression analysis is a data analysis technique used to examine the cause-and-effect relationship between one dependent variable and two or more independent variables.

The regional financial performance as measured by five financial ratios, namely the regional financial independence ratio, the regional revenue effectiveness ratio, the regional expenditure efficiency ratio, the regional expenditure harmony ratio, and the regional revenue growth ratio, is the dependent variable in this study. Economic growth, poverty rate, and unemployment rate are the independent variables in this study.

The multiple linear regression model used in this study is as follows:

Yit=α+β1X1it+β2X2it+β3X3it+ϵit

$$Y_{it} = a + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_2 X_{3it} + \epsilon_{it}$$

Where:

Y_{it} is the financial performance of the Jember Regency region in year t as measured by one of the financial ratios.

α is a constant.

$\beta_1, \beta_2, dan\ \beta_3$ is the regression coefficient.

X_{1it} is the economic growth of Jember Regency in year t.

X_{2it} is the poverty rate of Jember Regency in year t.

X_{3it} is the unemployment rate of Jember Regency in year t.

ϵ_{it} are random errors or disturbances.

The multiple linear regression model used in this study is as follows:

RKD = a + b1PE + b2TK + b3TP + e

RED = a + b1PE + b2TK + b3TP + e

RBD = a + b1PE + b2TK + b3TP + e

KBD = a + b1PE + b2TK + b3TP + e

RPD = a + b1PE + b2TK + b3TP + e

Where:

a = is a constant
b1, b2, b3 = regression coefficient
e = error

Resullt & Discussion

The results of hypothesis testing using multiple linear regression analysis can be seen in the following table:

Table 1. Multiple Linear Regression Analysis Results

Variable	RKD	RED	RBD	KBD	RPD
PE	0,37	0,41	-0,02	0,29	0,35
TK	-0,24	-0,18	-0,27	-0,11	-0,23
TP	-0,21	-0,19	0,01	-0,07	-0,09
R^2	0,67	0,69	0,34	0,51	0,65
F	38,76	42,13	15,43	24,67	35,21
Sig.	0,00	0,00	0,00	0,00	0,00

Based on the table above, it can be seen that:
Economic growth has a positive and significant influence on several regional financial performance ratios, including regional financial independence, regional revenue effectiveness, regional expenditure harmony, and regional revenue growth, according to this study. This finding suggests that the higher a region's rate of economic growth, the better the regional financial performance in terms of independence, effectiveness in utilizing revenue, harmony in budget allocation, and regional revenue growth itself. The hypothesis H1 linking economic growth to the four regional financial performance ratios is accepted, implying that economic growth shapes and strengthens critical aspects of a region's financial performance. The regional financial independence ratio, the regional expenditure efficiency ratio, and the regional revenue growth ratio all have a negative and significant impact on the poverty rate. This means that as the poverty rate rises, so will the regional financial performance in terms of independence, efficiency, and growth. For the three regional financial performance ratios, Hypothesis H2 is accepted.
This study's findings show that the unemployment rate has a negative and significant impact on two key ratios in regional financial performance: regional financial independence and regional revenue effectiveness. This finding suggests that the higher a region's unemployment rate, the worse its financial performance in terms of financial independence and revenue management effectiveness. The acceptance of Hypothesis H3, which links the unemployment rate to the two regional financial performance ratios, reflects the significance of labor conditions in influencing regional financial stability. A high unemployment rate can signal a problem in people's income, which then has an impact on the region's ability to pool its financial resources independently and utilize revenues efficiently. This information can serve as a basis for local governments in formulating policies aimed at addressing unemployment issues as well as improving local financial performance by optimizing the utilization of available financial resources.
This study reveals a significant interaction between economic growth, poverty rate, and unemployment rate in influencing regional financial performance. This is reflected in the significant coefficient of determination (R^2), which ranges from 0.34 to 0.69. This means that the independent variables consisting of economic growth, poverty rate, and unemployment rate

are able to explain variations ranging from 34% to 69% of the changes that occur in the dependent variable, namely regional financial performance. The fact that R^2 has a fairly large value indicates that the interaction of the three independent variables has a significant impact on regional financial performance simultaneously. The acceptance of Hypothesis H4 means that these independent variables play an important role in influencing regional financial performance and illustrates that economic, poverty, and employment phenomena have a complex and interrelated influence in the context of a region's financial performance. The implications of these findings can provide a foundation for local governments to develop integrated policies, which consider economic, social, and labor aspects in an effort to improve overall local financial performance.

Conclusion

Based on the results of the tests conducted, it can be concluded that the regional financial performance of Jember Regency from 2018 to 2022 is significantly influenced by the variables of economic growth, poverty rate, and unemployment rate. This finding shows that these factors have a diverse impact both simultaneously and individually on the five regional financial performance ratios that are the focus of the study. Economic growth in the region has a positive influence on regional financial performance, while poverty and unemployment rates contribute negatively to regional financial performance. This finding indicates that regional macroeconomic conditions play a vital role in determining the economic health and welfare of a region. The complex relationship between economic growth, poverty rate, and unemployment rate with regional financial performance provides a clear picture of the importance of holistic and integrated economic and social policies to improve regional financial performance and drive sustainable development for Jember Regency. In addition, the test results show a significant interaction between economic growth, poverty rate, and unemployment rate in influencing the regional financial performance of Jember Regency. This finding confirms that these variables cannot be separated separately in the analysis of regional financial performance, but must be assessed holistically as a unit. They mutually influence and are influenced by regional financial performance, forming a complex and dynamic system. The interactions between economic growth that triggers socio-economic changes, poverty rates that affect people's purchasing power, and unemployment rates that reflect employment conditions, together have a complex impact on the financial health of the region. Recognizing this complexity, it is important for the local government to adopt an integrated approach that considers the entire system of economic and social variables in formulating policies to improve the local financial performance of Jember District. This will assist in creating more effective and sustainable strategies in addressing issues related to economic welfare as well as overall regional development.This study examined the regional financial performance of Jember Regency and the factors that influence it, namely economic growth, poverty rate, and unemployment rate, using secondary data in the form of the realization report of Jember Regency's 2018-2022 regional revenue and expenditure budget (APBD) and Jember Regency's macroeconomic data in 2018-2022. The regional financial independence ratio, the regional revenue effectiveness ratio, the regional expenditure efficiency ratio, the regional expenditure harmony ratio, and the regional revenue growth ratio were also used to measure regional financial performance in this study. In addition, multiple linear regression analysis techniques were used in this study to test the effect of independent variables on the dependent variable simultaneously and partially.The results of this study indicate that the regional financial performance of Jember Regency in 2018-2022 is influenced by economic growth, poverty levels, and unemployment rates, both simultaneously and partially. These factors have different directions and levels of influence on the five regional financial performance ratios used in this study. In general, economic growth has a positive influence, while the poverty rate and unemployment rate have a negative influence on regional financial performance. This shows that regional macroeconomic conditions are very influential on regional health and welfare. The results also show that there is an interaction between economic growth, poverty rate, and unemployment rate in influencing regional financial performance. This means that these factors cannot be separated in analyzing regional financial performance, but must be considered together. These factors influence each other and are influenced by regional financial performance, thus forming a dynamic and complex system. This study provides several implications and recommendations for the local government of Jember Regency, including: increasing regional financial independence by optimizing sources of local revenue, increasing the effectiveness and efficiency of regional financial management by controlling the budget and avoiding irregularities, increasing the harmony of regional spending by allocating budgets in accordance with regional development priorities and needs, and increasing regional revenue growth by creating a conducive investment climate and encouraging regional leading sectors. This study also provides suggestions for future researchers, including: using a longer data period, using other variables that affect regional financial performance, and using other more complex analysis methods.

Refferences

Ahrens, T., & Ferry, L. (2020). Financial resilience of English local government in the aftermath of COVID-19. Journal of Public Budgeting, Accounting & Financial Management, 32(5), 813-823.

Ansori, A., Sasongko, S., & Poernomo, D. (2021). The Design of Budget Plan Function of Jember Regional People’s Representative Council in 2014-2019. Regional Dynamic: Journal of Policy and Business Science, 1(2), 86-94.

Atmadja, A. T., Saputra, K. A. K., Manurung, D. T., & Wulandari, R. (2021). Factors that influence financial management: A case study in Indonesia. The Journal of Asian Finance, Economics and Business, 8(6), 1203-1211.

Awaysheh, A., Heron, R. A., Perry, T., & Wilson, J. I. (2020). On the relation between corporate social responsibility and financial performance. Strategic Management Journal, 41(6), 965-987.

Baah, C., Jin, Z., & Tang, L. (2020). Organizational and regulatory stakeholder pressures friends or foes to green logistics practices and financial performance: investigating corporate reputation as a missing link. Journal of cleaner production, 247, 119125.

Badan Pusat Statistik Kabupaten Jember. (2023). Produk domestik regional bruto Kabupaten Jember menurut pengeluaran 2018-2022.

Badan Pusat Statistik Kabupaten Jember. (2023). Produk domestik regional bruto Kabupaten Jember menurut lapangan usaha 2018-2022.

Bank Indonesia. (2022). Regional economic and financial review.

Bolen, K. K. (2019). The effect of financial performance and balanced funds on capital expenditure of local government in district/city in Indonesia. Journal of public administration and governance, 9(4), 129.

Brunetti, F., Matt, D. T., Bonfanti, A., De Longhi, A., Pedrini, G., & Orzes, G. (2020). Digital transformation challenges: strategies emerging from a multi-stakeholder approach. The TQM Journal, 32(4), 697-724.

Cuadrado-Ballesteros, B., & Bisogno, M. (2019). Efficiency as a determinant of financial condition: an assessment of Italian and Spanish local governments. International Public Management Journal, 22(5), 743-774.

Dewi, N., Azam, S., & Yusoff, S. (2019). Factors influencing the information quality of local government financial statement and financial accountability. Management Science Letters, 9(9), 1373-1384.

Dimitrova, A., Rogmans, T., & Triki, D. (2020). Country-specific determinants of FDI inflows to the MENA region: A systematic review and future research directions. Multinational Business Review, 28(1), 1-38.

Fikri, K. N. S. (2020). Academic Study Of District Formation South Indragiri.

Fourie, D., & Malan, C. (2020). Public procurement in the South African economy: Addressing the systemic issues. Sustainability, 12(20), 8692.

Gatto, A. (2020). A pluralistic approach to economic and business sustainability: A critical meta-synthesis of foundations, metrics, and evidence of human and local development. Corporate Social Responsibility and Environmental Management, 27(4), 1525-1539.

Hardiningsih, P., Januarti, I., Srimindarti, C., & Oktaviani, R. M. (2019). Does the characteristics of regional government and complexity affect on the disclosure regional financial statements?. Jurnal Akuntansi dan Auditing Indonesia, 106-116.

Islamiah, N., Rahmatia, R., Paddu, H., & Zamhuri, M. Y. (2021). Direct and Indirect Effect of Macro Economic Factors in the West of Indonesia. Golden Ratio of Social Science and Education, 1(1), 13-24.

Kunduru, A. R., & Kandepu, R. (2023). Data archival methodology in enterprise resource planning applications (Oracle ERP, Peoplesoft). Journal of Advances in Mathematics and Computer Science, 38(9), 115-127.

Li, G., Guo, F., & Di, D. (2021). Regional competition, environmental decentralization, and target selection of local governments. Science of The Total Environment, 755, 142536.

Mahanani, R. S., Hidaya, T., Wardati, I., Galushasti, A., & Wiyono, L. C. (2021). Local economic development strategies to increase economic growth in agrotourism areas.

Mansi, E., Hysa, E., Panait, M., & Voica, M. C. (2020). Poverty—A challenge for economic development? Evidences from Western Balkan countries and the European Union. Sustainability, 12(18), 7754.

Menifield, C. E. (2020). The basics of public budgeting and financial management: A handbook for academics and practitioners. Hamilton Books.

Mpofu, F. Y. (2022). Industry 4.0 in Financial Services: Mobile Money Taxes, Revenue Mobilisation, Financial Inclusion, and the Realisation of Sustainable Development Goals (SDGs) in Africa. Sustainability, 14(14), 8667.

Ningrum, P. A., Hukom, A., & Adiwijaya, S. (2020). The Potential of Poverty in the City of Palangka Raya: Study SMIs Affected Pandemic Covid 19. Budapest International Research and Critics Institute-Journal (BIRCI-Journal) Volume, 3, 1626-1634.

Papanastassiou, M., Pearce, R., & Zanfei, A. (2020). Changing perspectives on the internationalization of R&D and innovation by multinational enterprises: A review of the literature. Journal of International Business Studies, 51, 623-664.

Purnomo, S. D., & Istiqomah, I. (2019). Economic Growth and Poverty: The Mediating Effect of Employment. JEJAK, 12(1), 238-252.

Robinson, J., Harrison, P., Shen, J., & Wu, F. (2021). Financing urban development, three business models: Johannesburg, Shanghai and London. Progress in Planning, 154, 100513.

Sessu, A. (2022). Financial Ratio Analysis of Regional Revenue and Expenditure Budgets on Financial Performance in Regional Governments. Jurnal Economic Resource, 5(1), 134-142.

Sukidin, S., Yuswadi, H., Kantun, S., Tiara, T., & Cahyo, F. (2022). Adaptation Strategy in The Food Industry During COVID-19 Pandemic in Jember Regency. In Proceedings of the 1st International Conference on Economic and Education, ICON 2021, 14-15 December 2021, Padang-West Sumatra, Indonesia.

Sumani, S., Awwaliyah, I. N., Suryaningsih, I. B., & Nugraha, K. S. W. (2022). Nautical Tourism Development Model Based on Coastal Community Empowerment and Financial Literacy in Indonesia. Journal of Environmental Management & Tourism, 13(6), 1740-1751.

Wang, X., & Wang, Q. (2021). Research on the impact of green finance on the upgrading of China's regional industrial structure from the perspective of sustainable development. Resources Policy, 74, 102436.

Weston, P., & Nnadi, M. (2023). Evaluation of strategic and financial variables of corporate sustainability and ESG policies on corporate finance performance. Journal of Sustainable Finance & Investment, 13(2), 1058-1074.

Winarni, R., & Widuatie, R. E. (2020). Local Autonomy with its Problems in the Past and Present: Focused Study in Jember Regency, East Java, Indonesia. TAWARIKH, 12(1), 21-48.

Yasin, M. (2019). Analysis Of Regional Original Income Levels In Regional Financial Performance On Economic Growth In East Java Province. Archives of Business Research (ABR), 7(10).

Omar, M. A., & Inaba, K. (2020). Does financial inclusion reduce poverty and income inequality in developing countries? A panel data analysis. Journal of economic structures, 9(1), 37.

Priambodo, A. (2021). The impact of unemployment and poverty on economic growth and the human development index (HDI). Perwira International Journal of Economics & Business, 1(1), 29-36.

Raifu, I. A., & Afolabi, J. A. (2023). The effect of financial development on unemployment in emerging market countries. Global Journal of Emerging Market Economies, 15(3), 354-384.

Chollisni, A., Syahrani, S., Shandy, A., & Anas, M. (2022). The concept of creative economy development-strengthening post COVID-19 pandemic in Indonesia. Linguistics and Culture Review, 6, 413-426.

Joy, M., & Vogel, R. K. (2021). Beyond neoliberalism: a policy agenda for a progressive city. Urban Affairs Review, 57(5), 1372-1409.