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The Influence of Financial Performance on Community Welfare, Moderated by Performance Acceleration

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ABSTRACT

This study aims to examine the influence of financial performance on community welfare with performance acceleration as a moderating variable. Community welfare is measured using the Human Development Index (HDI), which consists of three dimensions: life expectancy, education, and a decent standard of living. The financial performance of local governments is evaluated through the financial independence ratio and the effectiveness ratio of local revenue (PAD). Secondary data were collected from 514 districts/cities in Indonesia in 2023, sourced from budget realization reports on the DJPK website. Descriptive statistical tests indicate that the financial independence ratio has a positive effect on community welfare, while the effectiveness ratio of local revenue does not have a significant impact. The moderation regression analysis (MRA) indicates that performance acceleration can moderate the effect of the financial independence ratio on community welfare but does not moderate the effectiveness ratio of local revenue. The conclusion of this study suggests that improving local financial performance, particularly through increasing the financial independence ratio, can enhance community welfare, with performance acceleration as a moderating factor that strengthens this effect.

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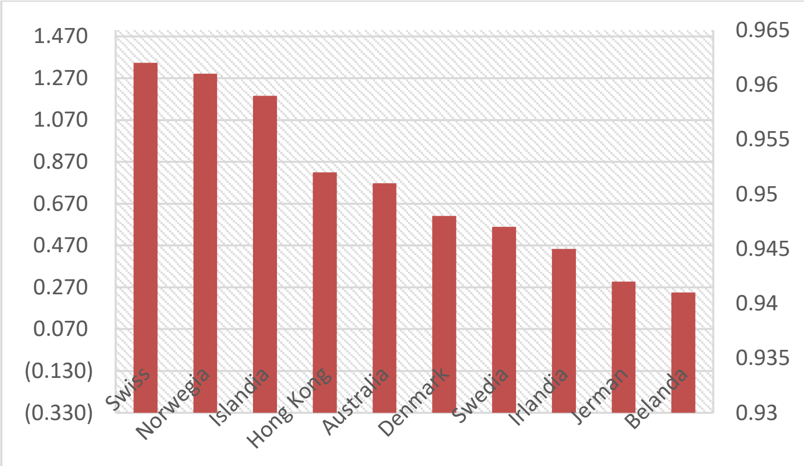
1. INTRODUCTION

One of the indicators of a region's effectiveness in managing its local revenue budget is community welfare (Redaputri et al., 2020). "The United Nations Development Programme (UNDP) uses the Human Development Index (HDI) as a tool to evaluate the level of community welfare in a region. The Human Development Index (HDI) was introduced by the UNDP in its renowned annual publication. The HDI is a measurement tool used to evaluate the performance of a community in achieving a decent standard of living. The HDI explains that the attainment of a decent living is determined by factors related to the economy, health, and education (Al rasyid & Tri Endah K, 2023). Currently, Indonesia ranks 114th out of 199 countries in the world. Although in 2023 Indonesia's Human Development Index (HDI) increased to 74.39 compared to 73.77 the previous year, marking a rise of 0.62 points (0.84 percent), Indonesia has not yet reached the top 100 in the global HDI rankings. Therefore, Indonesia's HDI needs to be further improved to compete with countries that have already secured a spot in the top 100 worldwide (Putri, 2023).

Figure 1:

Percentage of the 10 Countries with the Highest Human Development Index in the World in 2023



Based on the data above obtained from BPS, Switzerland ranks first with the highest Human Development Index (HDI) value in 2023. The index is calculated based on three dimensions including life expectancy and health, education or knowledge, and a decent standard of living (BPS, 2024).

Government financial performance is one of the factors influencing community welfare. Government financial performance is an integral part of the strategy undertaken by local governments to effectively manage and allocate their financial resources to meet the needs of public services, regional growth, and the functioning of the governmental system (Habbe, 2021). The financial performance of local government can be measured by financial indicators, including the self-reliance ratio and the effectiveness ratio of local revenue (Sakti et al., 2023).

According to Habbe (2021), the financial self-reliance ratio of a region reflects the level of financial capability in supporting governmental initiatives, economic development, and public services by comparing local own-source revenue to the total regional revenue received. The higher the self-reliance ratio of a region, the more successful it is in independently funding local government operations from local revenue. Research examining the impact of local government financial self-reliance ratio on community welfare conducted by Redaputri et al., (2020). It is stated that the financial self-reliance ratio of a region has a positive impact on community welfare. According to research conducted by Wibawa and Arif (2021), the results show that the financial self-reliance ratio has a negative impact on the Human Development Index (HDI). This occurs because local governments still have a high dependency on transfer funds or aid from the central government.

According to Hamimah & Zulkarnain (2020), the effectiveness ratio of local revenue reflects a region's ability to implement its budget (APBD) and compare it with the established goals according to the actual potential of the region. The success of local governments in optimizing their own revenue potential will impact their ability to allocate funds more effectively in developing the regional economy. Increased economic growth can enhance community welfare. Research examining the effectiveness ratio of local revenue on community welfare conducted by Habbe (2021) shows that the effectiveness ratio of local revenue has a positive impact on community welfare. However, according to research by Munfarida & Priyojadmiko (2020), the effectiveness ratio of local revenue does not have an impact on the Human Development Index (HDI).

According to Habbe (2021), performance acceleration reflects how local governments can achieve budgets as planned by assessing the absorption rate of regional budgets. Performance acceleration can strengthen financial performance; the higher the financial ratio, the better the absorption rate, indicating the local government's ability to implement and periodically account for planned activities. Research testing the impact of performance acceleration on community welfare conducted by Habbe (2021) shows that performance acceleration, measured by budget absorption, can moderate financial performance on community welfare. This indicates that higher financial ratios correspond to better quarterly fund absorption rates, demonstrating the region's ability to implement and periodically account for planned activities effectively.

Based on the explanations above and findings from previous studies that yielded varied results, the researcher intends to conduct a replication study using the latest observational year. This study replicates the research conducted by Habbe (2021) titled "The Exploration of the Effect of Financial Performance on Public Welfare." The difference in this study compared to the previous research lies in the reduction of the moderation variable indicator, specifically budget alignment. The rationale behind this reduction is that budget alignment and budget absorption use the same calculation method, comparing actual expenditures to total budgeted expenditures. Due to this reduction in variables from the previous study, the researcher is interested in conducting a study titled "The Impact of Financial Performance on Community Welfare Moderated by Performance Acceleration."

Literature Review

Theory of Public Welfare

Theory of Public Welfare is a framework of thought concerning community welfare. It is divided into several parts, one of which is the theory of social welfare. The theory of social welfare emphasizes the pleasures or satisfactions that encompass health, economic conditions, happiness, and the quality of life of the people. The application of the theory of social welfare in local governance involves local governments playing a role in creating community welfare through governmental investments in various aspects of life (Habbe, 2021). The investment referred to can include investments in infrastructure (roads, bridges, public transportation), education (building schools and teacher training), health (providing healthcare services, constructing hospitals), and social assistance programs (Redaputri et al., 2020).

Agency Theory

According to agency theory, a company is considered as a contract arrangement between resource holders, where the principal employs an agent to perform specific tasks to understand a choice, thereby creating a relationship. Agency theory explains the relationship between the principal and agent in the context of local finance, referring to the process whereby the central government (principal) delegates power to local government (agent) with the aim of strengthening regional autonomy (Digdowiseiso & Damayanti, 2021).

Public Welfare

One measure of the effectiveness of a region in managing its local revenue budget is community welfare. Community welfare in a region can be deemed successful when its residents achieve their rights to aspects such as health, education, and standard of living (Sakti et al., 2023). The United Nations Development Programme (UNDP) has conducted measurements of community welfare through the Human Development Report (HDR). This measurement uses the Human Development Index (HDI). The HDI evaluates human development progress based on quality of life, assessed through aspects such as health, education, and a decent standard of living (Sembiring, 2020).

Government Financial Performance

Financial performance is a depiction of how efficient a program is in achieving the goals, vision, and mission outlined in the strategic plan of an organizational entity. One of the methods used to measure community welfare in a region is by assessing the financial performance of that local government. Evaluating the financial performance of local governments through their financial reports is a common practice. One parameter often considered by local governments in assessing their financial performance is the self-reliance ratio and the effectiveness of their region (Wibawa & Arif, 2021).

Local Financial Independence

Financial independence indicates a region's ability to manage and oversee resources or Local Own-Source Revenue (PAD) to support governance systems, public services, and regional development without fully relying on the central government. Regions also have the freedom to use these funds for community needs within the boundaries established by laws and regulations (Lailiyah & Desitama, 2023). The local self-reliance ratio depicts the comparison between local own-source revenue and the total regional revenue received (Endang Purwanti, 2021).

The Ratio of Effectiveness of Local Own-Source Revenue

The ratio of effectiveness of local own-source revenue is a parameter used to assess performance in achieving local own-source revenue. This ratio reflects the level of success of local governments in implementing activities or programs by comparing actual revenue with the budget targets set (Habbe, 2021). The adequacy of the regional economic conditions at the time the local own-source revenue budget is developed, or during regional economic growth that impacts the welfare improvement of the community, can be associated with the success of a region in efficiently achieving the goals of local own-source revenue (Zulkarnain, 2020)

Performance Acceleration

Performance acceleration describes how local governments can achieve their budget goals. Performance acceleration can be observed through the absorption rate of the budget. The absorption rate explains how local governments can implement planned operations and routinely account for the budget. Quarterly budget absorption rates depict the ability of local governments to implement and periodically account for planned activities in each period. The lower the absorption rate, the lower the kinetic performance, and consequently, the smaller the role in improving welfare. Budget absorption is measured by comparing actual expenditures with the total budget (Habbe, 2021)

Hypothesis Development

Based on the principal-agent theory in the context of regional finance, which refers to the process where the central government (principal) delegates authority to local governments (agents) with the goal of strengthening regional autonomy (Digdowiseiso & Damayanti, 2021), the independence ratio reflects the extent to which a region can finance its activities, development, and public services independently through utilizing Local Own-Source Revenue (PAD). This revenue is derived from managing regional resources and potentials such as taxes and levies. Local governments are required to autonomously manage and oversee all governmental activities. The higher the financial independence of a region, the greater the freedom for that region to use funds to perform its duties in serving the public optimally according to regulations, such as constructing health facilities, education, and achieving commodity price stability. Improving public services is expected to enhance the welfare of the population and increase the Human Development Index (Munfarida & Priyojadmiko, 2020). According to Redaputri's 2020 study, the level of regional independence and financial management efficiency have a positive influence on community welfare. Based on the above description, the following hypothesis can be formulated:

H1: The Regional Independence Ratio has a positive impact on Community Welfare.

Based on the principal-agent theory, the central government (principal) can design policies that provide incentives for local governments (agents) to enhance effectiveness in policy implementation and resource management (Digdowiseiso & Damayanti, 2021). The effectiveness ratio reflects a region's ability to realize the planned Regional Budget (APBD) compared to targets set based on actual regional economic potential. Local governments manage resources according to policies set by the central government using APBD. The hope is that local governments can effectively use local revenue receipts to fulfill their responsibilities in providing services to the community (Syam & Zulfikar, 2022). According to research by Hardana & Nasution, 2022, the effectiveness ratio of local own-source revenue has a positive impact on the Human Development Index. Based on the above description, the following hypothesis can be formulated:

H2: The effectiveness ratio of local own-source revenue positively affects community welfare.

Based on the theory of public welfare, local governments can create community welfare when citizens have their rights fulfilled, such as health, economic conditions, happiness, and quality of life. Local governments can meet these rights through investments in development programs that support community welfare. With effective financial independence and performance acceleration through budget absorption to achieve community welfare goals faster (Habbe, 2021). The quicker these development programs are implemented, the sooner society will experience the results of government efforts towards community welfare. According to research by Habbe (2021), performance acceleration measured through budget absorption shows positive results. Based on the above description, the following hypothesis can be formulated:

H3: Performance acceleration moderates the effect of regional financial independence on community welfare.

Based on the theory of public welfare, a region is capable of managing resources and realizing its Regional Budget (APBD) effectively, thereby achieving the goal of creating community welfare. Assisted by performance acceleration as a moderating factor to strengthen the positive impact of effectiveness ratio on community welfare. In other words, local government efforts to enhance effectiveness and performance will be efficient when directed towards policies that support community welfare (Habbe, 2021). According to research conducted by Habbe (2021), performance acceleration measured through budget absorption shows positive results. Based on the above description, the following hypothesis can be formulated:

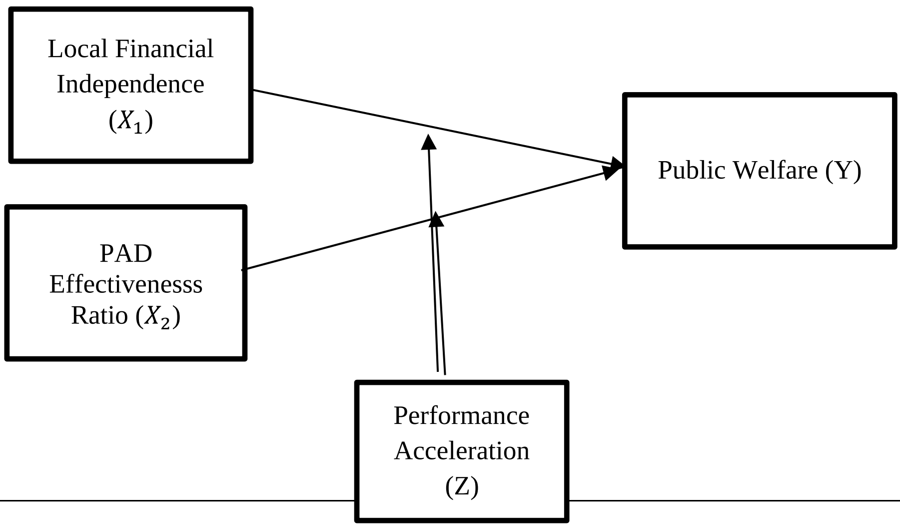
H4: Performance acceleration moderates the effect of the effectiveness ratio of local own-source revenue on community welfare.

2. METHOD

Research Design

This research is a type of quantitative study, with data collection using documentation techniques. The aim of this study is to analyze the effect of financial performance on community welfare, moderated by performance acceleration. The dependent variable in this study is community welfare (Y), the moderating variable is performance acceleration, and the independent variables are the regional independence ratio (X_1) and the regional effectiveness ratio (X_2). Based on this description, the research concept is as follows

Figure 2. Conceptual Framework



Descriptions :
PW = Public Welfare (Y)
LFI = Local Financial Independence (X1)
PAD ER = PAD Effectiviness Ratio (X2)
PA = Performance Acceleration (Z)

Participants/Sample Selection and Data Sources

The population used in this study consists of all district/city governments in Indonesia, totaling 514 districts/cities, comprising 416 districts and 98 cities. The sample selection technique used is purposive sampling based on certain criteria. The selected sample consists of 514 budget realization reports from district/city governments obtained from the DJPK (Directorate General of Fiscal Balance) website.

Table 1. Sample Description

No	Sample selection criteria	Sample Size
1	All district/city governments in Indonesia in 2023	514
2	Districts / cities that present the Budget Realization Report in 2023 on the DJPK website	502
	Number of districts/cities included in the sample	502
	Number of years of observation	1
	The final amount of data used in this study	502

Instrumentation/Data Collection

This research uses secondary data obtained from the DJPK (Directorate General of Fiscal Balance) and BPS (Central Bureau of Statistics) websites to measure the regional independence ratio, the effectiveness ratio of locally generated revenue, community welfare, and performance acceleration. Before the data is analyzed, it is compiled into one dataset according to the variables

Data Analysis/Estimating Model/Variabel Measurement

This research employs the Moderated Regression Analysis (MRA) method with the assistance of Eviews 10 software. The data analysis used includes descriptive statistical analysis, classical assumption tests, moderated regression analysis (MRA), and hypothesis testing. According to Ajija (2020), descriptive statistical analysis is used to provide an overview of the data used in the study. The descriptive data includes the mean value, minimum and maximum values, and standard deviation. The classical assumption test aims to verify that the data does not experience issues of multicollinearity and heteroscedasticity in the selected regression model.

According to Khasanah (2021), the MRA test aims to determine whether the moderated variable influences the relationship between independent and dependent variables. According to Ajija (2020), hypothesis testing is used to assess whether the independent variables individually have an effect on the dependent variable.

Table 2. Operational Definition of Variables

No	Variable	Operational Definition of Variables	Measurement

1.	Local Financial Independence	The regional independence ratio refers to a region's ability to finance government initiatives, economic development, and public services independently. (Habbe, 2021).	Local Financial Independence $= \frac{PAD}{Total\ Regional\ Revenue}\ x\ 100$ (Habbe, 2021)
2.	PAD Effectivenesss Ratio	The Regional Own-Source Revenue (PAD) Effectiveness Ratio is a ratio used to measure how well a local government performs in carrying out activities that have already been implemented or determined. (Habbe, 2021).	PAD Effectivenesss Ratio $= \frac{PAD\ Realization}{PAD\ Target}\ x\ 100$ (Habbe, 2021)
3.	Public Welfare	Community welfare is one of the indicators of a region's success in managing its regional revenue budget. Community welfare is measured through the Human Development Index (HDI). (Habbe, 2021)	$\text{IPM} = {}^{3}\sqrt{\text{Health} \times \text{Education} \times \text{Expenditure}}\ 100\%$ (Habbe, 2021)
4.	Performance Acceleration	Performance acceleration is a depiction of how the local government can achieve budget realization in accordance with the target (Habbe, 2021).	Budget Absorption $= \frac{\text{Expenditure Realization}}{\text{Total Expenditure Budget}}\ x\ 100$ (Habbe, 2021)

3. RESULTS AND DISCUSSION

Result

Descriptive Statistical Test

Descriptive statistical tests are used to provide an overview of the data used in research. This descriptive data includes the mean, minimum and maximum values, as well as standard deviation. (Ajija et al., 2020).

Table 3. Descriptive Statistical Test Results

	LFI	PAD ER	PW	PA
Mean	0.136801	1.002020	0.713361	0.952714
Median	0.104890	0.949408	0.711400	0.955573
Maximum	0.875982	11.81260	0.889100	10.26268
Minimum	0.003623	0.086857	0.351900	0.103738
Std. Dev.	0.116177	0.761737	0.062290	0.435401

(Source: Eviews 10, 2024)

Based on the results of the descriptive statistical test above, the average value for the community welfare variable is 0.713361 or 71.34%, indicating that the level of community welfare in Indonesia is quite good. The minimum value of the community welfare variable is 0.351900 or 35.19%, which is found in Nduga Regency, Papua Highlands Province, while the maximum value is 0.889100 or 88.91%, which is found in Yogyakarta City

The regional independence ratio variable has an average value of 0.136801, with a minimum value of 0.003623, which is found in Arfak Mountains Regency, West Papua Province, and a maximum value of 0.875982, which is found in Badung Regency, Bali Province, in 2023. The Locally Generated Revenue (PAD) Effectiveness Ratio variable has an average value of 1.002020, with a maximum value of 11.81260, which is found in Bireuen Regency, Aceh Province, and a minimum value of 0.086857, which is found in West Halmahera Regency, North Maluku Province.

The performance acceleration variable, measured by budget absorption, has an average value of 0.952714 or 95.27%. This figure falls into the "very good" category according to Regulation No. 6 of 2023, Article 7, where a value above 91% is considered excellent. The largest standard deviation is found in the PAD Effectiveness Ratio variable at 0.761737, indicating greater variability in the data compared to other variables.

Classical Assumption Test

Multicollinearity Test

The multicollinearity test is carried out because there is a perfect or definite linear relationship between some or all of the variables that explain the regression model. Whether or not multicollinearity occurs can be determined by looking at the correlation coefficient of each independent variable. If the correlation coefficient between each independent variable is greater than 0.8, then multicollinearity occurs (Ajija et al., 2020).

Table 4. Multicollinearity test results

	LFI	PAD ER
LFI	1.000000	-0.104491
PAD RE	-0.104491	1.000000

(Source: Eviews 10, 2024)

Based on the multijolinierity test results above, it shows that the correlation coefficient between each independent variable is smaller than 0.8, so there is no multicollinearity.

Heteroscedasticity Test

To test whether heteroscedasticity occurs or not, it can be done with the White Heteroscedasticity test. The decision making is if the Obs*R-Squared p-value is smaller than the T table, then there is no heteroscedasticity (Ajija et al., 2020).

Table 5. Heteroscedasticity Test Result

F-statistic	2.505023	Prob. F(15,486)	0.0014
Obs*R-squared	36.02694	Prob. Chi-Square(15)	0.0018
Scaled explained SS	128.8474	Prob. Chi-Square(15)	0.0000

(Source: Eviews 10, 2024)

To test for heteroscedasticity, the White test is performed. The results above show the Obs*R-Squared value of 0.0018 < 1.96472 (t-table), meaning that the data does not occur heteroscedasticity.

Moderated Regression Analysis (MRA)

The MRA test aims to see if there is a significant effect of the performance acceleration moderation variable on the dependent variable of financial performance, so the hypothesis is accepted. The decision making is if the probability value <0.05 then the hypothesis is accepted (Khasanah & Indriyani, 2021).

Table 6. Moderated Regression Analysis (MRA) Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.610421	0.033841	18.03809	0.0000
LFI	0.532952	0.058499	9.110370	0.0000
PAD ER	-0.018860	0.030529	-0.617775	0.5370
PA	0.071353	0.034909	2.043965	0.0415
LFI*PA	-0.228941	0.061065	-3.749111	0.0002
PAD ER*PA	0.012172	0.030157	0.403605	0.6867

(Source: Eviews 10, 2024)

Based on table 6, it can be seen that the coefficient value is 0.610421 and for the coefficient value of the regional independence ratio (X1) of 0.532952, the coefficient value of the regional original income effectiveness ratio (X2) of -0.018860, the coefficient value of performance acceleration (Z) of 0.071353, the coefficient value of the regional independence ratio moderated by performance acceleration is -0.228941 and the coefficient value of the regional original income effectiveness ratio moderated by performance acceleration is 0.012172. So that the moderation regression model equation is as follows:

Y = 0.610421261209 + 0.532951781869*LFI - 0.0188598192299*PAD ER + 0.0713526028785*PA - 0.228941266146*LFI*PA + 0.0121716093845*PAD ER*PA

From the MRA test results above, it can be seen that the probability value of the regional independence ratio (X1) shows a result of 0.0000, which means the probability value <0.05 and the coefficient has a value of 0.532952, so the regional independence ratio has a positive effect on community welfare. The probability value of the effectiveness ratio of local revenue (X2) shows a result of 0.5370, which means the probability value> 0.05, then the effectiveness ratio of local revenue has no effect on community welfare.

The probability value of the regional independence ratio (X1) which is moderated by performance acceleration (Z) shows a result of 0.0002 which means the probability value <0.05, then performance acceleration can moderate the regional independence ratio on welfare. The probability value of the effectiveness ratio of local revenue (X2) moderated by performance acceleration (Z) shows a result of 0.6867 which means the probability value> 0.05, then performance acceleration cannot moderate the effectiveness ratio of local revenue on community welfare.

Hypothesis Testing

Coefficient of Determination (R^2)

The coefficient of determination (R2) test is carried out to see the magnitude of the influence of the regional independence ratio variable and the regional effectiveness ratio on community welfare. The limit of R2 value is 0 < R2 > 1 so that if R2 = 0 then the dependent variable cannot be explained by the independent variables together, whereas if R2 = 1 means that the independent variable fully explains the dependent variable (Ajija et al., 2020).

Table 7. Test Results of the Coefficient of Determination (R2)

R-squared	0.398089	Mean dependent var	0.713361
Adjusted R-squared	0.392021	S.D. dependent var	0.062290

S.E. of regression	0.048569	Akaike info criterion	-3.199782
Sum squared resid	1.170038	Schwarz criterion	-3.149361
Log likelihood	809.1453	Hannan-Quinn criter.	-3.180000
F-statistic	65.60830	Durbin-Watson stat	1.077435
Prob(F-statistic)	0.000000		

(Source: Eviews 10, 2024)

The coefficient of determination (R^2) test shows that R^2 is 0.398089, which means that 39.80% of the variability in financial performance can be explained by the independent variables in this model and the rest is explained by other variables.

F-Test

The F test is conducted to see if all regression coefficients are different from zero or the accepted model. The decision-making criteria if H0 is accepted if F count < F table has no effect, while H0 is rejected if F count > F table has an effect. (Ajija et al., 2020).

Table 8. F-Test Results

R-squared	0.398089	Mean dependent var	0.713361
Adjusted R-squared	0.392021	S.D. dependent var	0.062290
S.E. of regression	0.048569	Akaike info criterion	-3.199782
Sum squared resid	1.170038	Schwarz criterion	-3.149361
Log likelihood	809.1453	Hannan-Quinn criter.	-3.180000
F-statistic	65.60830	Durbin-Watson stat	1.077435
Prob(F-statistic)	0.000000		

(Source: Eviews 10, 2024)

The results above show that the F-Statistic (F-count) has a value of 65.60830 and the F-Table is 2.622807, which means that the F-statistic (F-count)> F-Table which means that the independence ratio and the effectiveness ratio of local revenue have an influence on community welfare.

Discussion

The Effect of Regional Independence Ratio on Community Welfare

Based on the results of the MRA (Moderated Regression Analysis) regression test, it shows that the ratio of regional financial independence has a positive effect on community welfare in Indonesia. This is known from the probability value showing a result of 0.0000 which means the probability value <0.05 and the coefficient has a value of 0.532952. So that the first hypothesis (H1) is accepted. This is supported by descriptive statistical test data with the acquisition of the maximum value of the regional independence ratio of 0.875982, this value is in Badung Regency, Bali Province with an HDI value of 83.08%. While the minimum value of the regional independence ratio obtained results of 0.003623, this value is in Pagunungan Arfak Regency, West Papua Province with an HDI value of 57.82%. This means that the higher the regional financial performance as measured by the regional independence ratio, the higher the level of community welfare in the area. This study supports the results of research from Digdowiseiso & Satrio (2022), Hardana & Nasution (2022), (Habbe, 2021), Wibawa & Arif (2021), Digdowiseiso & Damayanti (2021), Redaputri et al., (2020), (Hendri & Yafiza, 2020) which states that the independence ratio has a positive effect on the welfare of the people in Indonesia. This means that the better the financial performance of a regional government, the better the welfare of the people in a region will be. This means that if the level of the ratio of regional financial independence is high, the region has succeeded in self-financing the implementation of local government originating from local revenue (Digdowiseiso & Satrio, 2022).

The Effect of Local Revenue Effectiveness Ratio on Community Welfare

Based on the results of the MRA (Moderated Regression Analysis) regression test, it shows that the effectiveness ratio of local revenue has no effect on community welfare in Indonesia. This is known from the probability value which shows a result of 0.5370, which means the probability value> 05. This shows that regional financial performance as measured by the effectiveness ratio of local revenue has no effect on community welfare. This research is in line with the results of Munfarida & Priyojadmiko (2020) which found that the effectiveness ratio of local revenue has no effect on the Human Development Index in regencies / cities in Central Java Province in 2015-2017. This can happen because the local government has tried to increase local revenue by increasing local tax rates but is not accompanied by the provision of education, health and economic facilities to the increasing community.

The Effect of Regional Independence Ratio Moderated by Performance Acceleration on Community Welfare

Based on the results of the MRA (Moderated Regression Analysis) regression test, it shows that performance acceleration is able to moderate the ratio of regional independence to community welfare, this can be seen from the probability value obtained of 0.0002, this value is <0.05, then performance acceleration can moderate the ratio of regional independence to community welfare. This is supported by descriptive statistical test data with the acquisition of an average value of budget absorption of 0.952714 or 95.27%, this figure is included in the very good category according to Perwal No. 6 of 2023 Article 7, where this figure is more than 91%, meaning that the higher the ratio, the better the level of budget absorption because it shows that the government is able to carry out and account for planning activities periodically. These results are in accordance with research by Habbe (2020) which states that performance acceleration can strengthen financial performance as measured by the ratio of independence to community welfare.

The Effect of Local Revenue Effectiveness Ratio Moderated by Performance Acceleration on Community Welfare

Based on the results of the MRA (Moderated Regression Analysis) regression test, it shows that performance acceleration is not able to moderate the effectiveness of local revenue on community welfare. This can be seen from the probability value obtained a result of 0.6867 which means that the probability value> 0.05, then performance acceleration cannot moderate the regional effectiveness ratio on community welfare. This is not in line with Habbe's research (2021) which shows the results of performance acceleration being able to moderate financial performance as measured by the effectiveness ratio of local revenue on community welfare. The effectiveness ratio of local revenue is a ratio to measure how efficient local governments are in collecting and utilizing local revenue, although the efficiency of revenue collection is important, if managers do not allocate this revenue effectively to the education, health and other social activities sectors, then people's welfare will not increase quickly, as stated by (Munfarida & Priyojadmiko, 2020) which states that the local government has made efforts to increase local revenue by increasing local tax rates but this is not accompanied by the provision of education, health and economic facilities to the community which are also increasing, as a result the distribution of resource allocations is not channeled appropriately.

CONCLUSION

This study aims to determine the effect of financial performance on community welfare with performance acceleration as a moderating variable. Based on the results of the study and on the basis of the results of hypothesis testing, it can be concluded that H1 the ratio of regional independence has a positive effect on community welfare, H2 the ratio of regional effectiveness has no effect on community welfare, H3 accelerated performance is able to moderate the ratio of regional independence to community welfare, H4 accelerated performance cannot moderate the ratio of regional effectiveness to community welfare. This study has limitations in data collection. Researchers lack references related to moderation variables due to the lack of research examining moderation variables including moderation of performance acceleration. Researchers only use a population for 1 year and only use realization report data contained on the DJPK (Directorate General of Fiscal Balance) website so that the sample is not complete because there are several districts / cities whose budget realization reports are not on the DJPK website. Therefore, future researchers can increase the number of years of observation and can use data from the website of each region.

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