

The Effect of Regional Financial Ratios on the Regional Financial Performance of Regency/City Governments in East Java Province During the COVID-19 Pandemic and After COVID-19

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Abstract

This study aims to analyze the effects of the Regional Financial Independence Ratio, Local Revenue Effectiveness Ratio (PAD), Regional Expenditure Efficiency Ratio, Regional Expenditure Management Ratio, Local Revenue Growth Ratio, and Fiscal Decentralization Degree Ratio on the financial performance of local governments. It also investigates the differences in financial performance before and after the COVID-19 pandemic in regencies and cities across East Java Province. Multiple linear regression analysis and the paired samples test are used in this quantitative study. The study uses secondary data from the regional budget realization reports (APBD), sourced from the official website of the Directorate General of Fiscal Balance (DJPB), Ministry of Finance of the Republic of Indonesia. The sample includes 38 regencies/cities over the 2020–2023 period, with a total of 152 observations. The results indicate that partially, only the Local Revenue Growth Ratio has a significant effect on financial performance, while simultaneously, all financial ratios show significant influence. These outcomes are interpreted through the mathematical logic of each ratio and supported by previous research. Furthermore, the paired sample test reveals significant differences in financial performance between the pandemic and post-pandemic periods, suggesting a decline after the pandemic. The findings underscore the crucial role of local revenue growth in enhancing financial performance and highlight the importance of adaptive fiscal recovery strategies in the post-pandemic era. This study is expected to serve as an evaluative reference for local governments in formulating more effective and sustainable financial management policies.

Keywords: Regional Financial Ratios; Financial performance of local governments; East Java provincial government

INTRODUCTION

Regional financial performance is an important indicator in assessing the extent to which local governments are able to manage finances effectively, efficiently, and responsibly in order to support sustainable development and public services. This performance is reflected in the achievement of the *Regional Original Revenue* (PAD) target, spending effectiveness, and fiscal independence. However, the *Covid-19* pandemic, which has hit since early 2020, has caused great fiscal pressure for local governments, especially in *East Java Province*. The decline in PAD, high operational expenditure, and dependence on central transfer funds are crucial issues that affect the financial performance of districts/cities.

Various studies have highlighted the importance of regional financial ratios in measuring the fiscal performance of local governments. For example, Darwanis & Saputra (2014) found that the effectiveness of PAD had a positive effect on financial performance, while Putri &

Darmayanti (2019) showed the opposite result. Hakiki et al. (2023) stated that regional expenditure has a negative impact on performance, but Permatasari & Trisnaningsih (2022) showed a positive influence. These findings show inconsistencies in previous research results, especially in the context of crisis times such as pandemics.

Furthermore, several studies such as Arfath & Priyono (2023) and Pradana & Akbar (2023) focus on big cities such as *Jakarta* and *Surabaya*, with high levels of fiscal independence. Instead, research by Marliani (2022) shows that *Bandung Regency* has a high dependence on central funds. Thus, there are still limitations in research that comprehensively analyzes the influence of various financial ratios on regional financial performance, especially in regions with high fiscal disparities such as *East Java*, and in two structurally different periods: pandemic and post-pandemic.

This study aims to analyze the influence of the *Regional Independence Ratio*, the *PAD Effectiveness Ratio*, the *Regional Expenditure Efficiency Ratio*, the *Regional Expenditure Management Ratio*, the *PAD Growth Ratio*, and the *Fiscal Decentralization Degree Ratio* on the financial performance of districts/cities in *East Java Province*. In addition, this study also evaluates the difference in financial performance between the pandemic period (2020–2021) and after the pandemic (2022–2023).

The novelty of this study lies in its approach that compares the influence of financial ratios on regional financial performance in two critical periods, namely during and after the *Covid-19* pandemic, which has not been widely studied in the previous literature simultaneously and regionally. By combining quantitative approaches at the district/city level in *East Java*, this study is expected to contribute to the regional financial literature as well as become a practical reference for local governments in designing adaptive and sustainable fiscal policies.

RESEARCH METHOD

This study uses a quantitative approach, which aims to examine the influence of regional financial ratios on the financial performance of local governments in *East Java Province* during the pandemic and post-*COVID-19* pandemic. The data used is secondary data obtained from the budget realization report (*LRA*) of the district/city government in *East Java Province* for the fiscal years 2020 to 2023 and collected through documentation techniques via the official website of the Directorate General of Financial Balance (<http://www.djpk.depkeu.go.id>).

The population of this study consists of 38 districts and cities in *East Java*. The sample was taken by census, specifically 29 districts and 9 cities, with an observation period of four years (2020–2023), so the number of observations was 152 data points. The data analysis technique was carried out using multiple linear regression, and a differential test (*Paired Sample t-Test*).

RESULTS AND DISCUSSION

Descriptive Statistical Analysis

The descriptive statistical analysis in this study is shown in table 1.

Table 1. Descriptive Statistics

The Effect of Regional Financial Ratios on the Regional Financial Performance of Regency/City Governments in East Java Province During the COVID-19 Pandemic and After COVID-19

Descriptive Statistics					
Variable	N	Minimum	Maximum	Mean	Std. Deviation
Regional Independence Ratio (X1)	152	0,0947	2,2240	0,3260	0,3312
Regional Original Revenue Effectiveness Ratio (X2)	152	0,5919	2,1876	1,0617	0,2182
Regional Expenditure Efficiency Ratio (X3)	152	0,6806	1,1069	0,9351	0,0787
Regional Expenditure Management Ratio (X4)	152	0,8611	1,1606	0,9920	0,0553
PAD Growth Rate (X5)	152	-0,9045	0,4648	0,0319	0,1835
Ratio of Degrees of Fiscal Decentralization (X6)	152	0,0740	0,6045	0,1957	0,0933
Regional Financial Performance (Y)	152	0,8616	1,1613	1,0112	0,0563
Valid N (listwise)	152				

Source: Secondary Data processed (2025)

The Regional Independence Ratio has a minimum value of 0.0947 (9.47%) indicating that the region is heavily dependent on transfer funds from the central government rather than increasing its regional PAD, while the maximum value of 2.2240 (222.40%) indicates that the region is quite fiscally independent with the success of utilizing its regional PAD rather than transfer funds from the central government. The average value of 0.3260 in general is that the regency/city governments in East Java are mostly dependent on central government transfer funds for the most part in that period. The standard deviation value of 0.3312 which is close to the average indicates that the data is less homogeneous and there are variations in the level of fiscal independence between regions.

The Regional Original Revenue Effectiveness Ratio has a minimum value of 0.5919 (59.19%) indicating that the region has not been able to realize the revenue target effectively, and a maximum value of 2.1876 (218.76%) means that the region is able to exceed the revenue target by more than double. The average value of 1.0617 means that in general, districts/cities in East Java are able to realize their regional PAD targets. The standard deviation value of 0.2182 is smaller than the mean, so it can be said that the data is quite homogeneous, showing the similarity in achieving the effectiveness of regional original income in each district/city in East Java.

The Regional Expenditure Efficiency Ratio has a minimum value of 0.6806 (68.06%) indicating that the region has low regional budget absorption, and a maximum value of 1.1069, indicating that there is an overbudget in spending the regional budget but the value is still within the rational limit. The average value of 0.9351 shows that in general, districts/cities in East Java in spending their regional budgets in the category are quite efficient. The low standard deviation value of 0.0787 shows that the level of efficiency between regions is relatively homogeneous, showing the similarity in the achievement of the level of regional expenditure efficiency of each district/city in East Java.

The Regional Expenditure Management Ratio has a minimum value of 0.8611 indicating that the region is in the deficit category, which is only able to cover 86.11% of the total regional expenditure with its revenue, and a maximum value of 1.1606 means that there is a budget surplus that reflects good fiscal management. The local government has managed to manage revenue exceeding the needs of its regional expenditure. An average value of 0.9920 indicates

that spending management tends to be balanced. In other words, districts/cities in East Java province are able to balance between their regional income and spending. With a standard deviation value of only 0.0553, this data is very homogeneous, indicating that most regions manage spending in an almost uniform way.

The PAD Growth Ratio shows a minimum value of -0.9045 (-90.45%) A negative minimum value indicates a significant decrease in PAD in the region and a maximum value of 0.4648 (46.48%) indicates that the region is able to increase its PAD growth by almost half in one budget period. The average value is 0.0319 or only about 3.19%, indicating that in general, regencies/cities in East Java have relatively low PAD growth. With a standard deviation of 0.1835 which is quite large compared to the mean, it shows that this data is not homogeneous, and there is a significant difference in PAD growth in each district/city in East Java.

The Fiscal Decentralization Degree Ratio has a value of 0.0740 (7.40%), meaning that the region's dependence on central transfer funds is very high, while the maximum value of 0.6045 (60.45%) indicates that the region has high fiscal independence because it is able to optimize local revenue potential. The average value of 0.1957 means that in general it shows that the contribution of PAD to the total regional revenue is still very small. The standard deviation value of 0.0933 is smaller than the average indicating that the data is homogeneous, with data variations not too different from each district/city in East Java.

Regional Financial Performance has a minimum value of 0.8616 (86.16%), meaning that local governments apply high efficiency in the realization of the budget, a maximum value of 1.1613 indicates that there are districts/cities in East Java province that spend their budgets up to 116.13% of the total revenue obtained (over budget), thus potentially creating a budget deficit. The average value of 1.0112 shows that the region's financial performance in general is in the good category. The standard deviation value of only 0.0563 indicates that the data is very homogeneous, showing the uniformity of financial performance achievements between the observed regions.

Multiple Linear Regression Test

This study examines the influence of six independent variables on Regional Financial Performance. The Multiple Linear Regression test is performed after passing the classical assumption test. The following are the results of multiple linear regression analysis:

Table 2. Multiple Linear Regression Test Results

Type	Coefficient			t	Sig.
	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta		
(Constant)	3,215	1,739		1,849	0,067
Regional Independence Ratio (X1)	0,119	0,114	0.062	1,044	0,298
PAD Effectiveness Ratio (X2)	-0,248	0,396	-0,047	-0,625	0,533
Regional Expenditure Efficiency Ratio (X3)	-0,743	0,941	-0,057	-0,789	0,431
Regional Expenditure Management Ratio (X4)	-1,502	1,235	-0,082	-1,216	0,226
PAD Growth Rate (X5)	0,496	0,041	0,706	11,966	0,000

Ratio of Degrees of Fiscal Decentralization (X6)	-0,194	0,156	-0,074	-1,246	0,215
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a. Dependent Variable: Regional Financial Performance (Y)

Source: Secondary Data processed (2025)

Based on Table 2 above, the estimation results show that the regression model has the following equations:

$$KKD = \alpha + \beta_1RKD + \beta_2REPAD + \beta_3REFBD + \beta_4RPBD + \beta_5RPPAD + \beta_6RDDF + e \quad (7)$$

$$KKD = 3,215 + 0,119RKD - 0,248REPAD - 0,743REFBD - 1,502RPBD + 0,496RPPAD - 0,194RDDF \quad (8)$$

Based on the above equation, it can be concluded that the PAD Growth Ratio (X5) has the largest positive coefficient (0.496), showing the strongest positive influence on Regional Financial Performance. The Regional Independence Ratio (X1) also had a positive effect, although it was relatively small (0.119). On the other hand, four other variables showed a negative influence, namely the PAD Effectiveness Ratio (-0.248), the Regional Expenditure Efficiency Ratio (-0.743), the Regional Expenditure Management Ratio (-1.502), and the Fiscal Decentralization Degree Ratio (-0.194). These results indicate that only the PAD Growth Ratio makes a significant positive contribution to the improvement of regional financial performance, while other variables have not shown a strong positive influence in this model.

F(Simultaneous)/Model Feasibility Test

The F test was performed to determine whether all independent variables simultaneously had a significant effect on the dependent variables, as well as to assess the feasibility of the regression model.

Table 3. Results of Statistical Test F and Coefficient of Determination (R²)

Model Summary ^b				NEW ERA		
Type	R	R Square	Adjusted R Square	Df	F	Sig.
	.715a	.511	.490			
Regression				6	25,226	0.000b
Residual				145		
Total				151		

Dependent Variable: Regional Financial Performance (Y)

Predictors: (Constant), Regional Independence Ratio (X1), Regional Revenue Effectiveness Ratio (X2), Regional Expenditure Efficiency Ratio (X3), Regional Expenditure Management Ratio (X4), PAD Growth Ratio (X5), Fiscal Decentralization Degree Ratio (X6)

Source: Secondary Data processed (2025)

Based on the table above, the F value_{of} 25.226 was obtained with a significance level of 0.000 (< 0.05). The value of F_{table} at $\alpha = 0.05$ with $df_1 = 6$ and $df_2 = 145$ is 2.1616. Since $F_{is\ calculated} > F_{table}$ and the sig. value < 0.05, the regression model is declared to be simultaneously significant and feasible to use. Thus, the null hypothesis (H₀) is rejected and the alternative

hypothesis (H_a) is accepted. This means that all X variables in the study simultaneously have a significant effect on Regional Financial Performance.

T test (*Partial*)

Based on Table 2, it was obtained that of the six independent variables tested, only one variable was proven to have a significant effect on Regional Financial Performance. The Regional Original Income Growth Ratio (PAD) shows a t-value of $11.966 > 1.9765$ and a significance of $0.000 (< 0.05)$, so that the alternative hypothesis (H_a) is accepted. This shows that the PAD Growth Ratio has a positive and significant effect on Regional Financial Performance.

Meanwhile, the other five variables showed no significant influence. The Regional Independence Ratio, the PAD Effectiveness Ratio, the Regional Expenditure Efficiency Ratio, the Regional Expenditure Management Ratio, and the Fiscal Decentralization Degree Ratio each have a calculated t value that is smaller than the t table (1.9765) and a significance level above 0.05 . Thus, the alternative hypothesis (H_a) is rejected and accepts the null hypothesis (H_0), which states that these variables have no partial effect on the Regional Financial Performance.

These results show that in the context of regional financial management, only PAD growth is a significant determinant of regional financial performance, while other ratios have not shown significant contributions in the partial model.

Coefficient of Determination (R^2)

Based on table 3 above, the R Square value of 0.511 indicates that 51.1% of the variation in Regional Financial Performance (Y) can be explained by six independent variables used in the regression model. Meanwhile, the Adjusted R Square of 0.490 illustrates a safer approach by stating that about 49% of the variation in variable Y can be explained by independent variables, after adjusting for the number of predictor variables used.

The difference between the R Square and the Adjusted R Square values that are not very large indicates that the model is quite stable, and the addition of new variables to the model is unlikely to provide a significant improvement in the model's predictive ability. This indicates that the regression model used in this study is quite good at explaining the variability of regional financial performance, although there is still about 51% variation influenced by other factors that are not included in the model.

Differential Test (*T-Paired Test*)

This study also aims to find out whether there are significant differences in Regional Financial Performance (KKD) during the pandemic and after the covid-19 pandemic. The following are the results of *the Paired Samples t-Test*:

Table 4. Different Test Results (*T-Paired Test*)
Paired Samples Test

Samples	Paired Differences					t	Df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
KKD during Covid-19	-0,057775	0,0744734	0,0085427	-0,0747929	-0,04076	-6,763	75	0,000
KKD after Covid-19								

Source: Secondary Data processed (2025)

The test results showed that there was a statistically significant difference between regional financial performance during and after the Covid-19 pandemic. A significance value of $0.000 < 0.05$ states that the null hypothesis (H_0) is rejected, and an alternative hypothesis (H_a) is accepted, i.e. that there is a real difference between the two periods. The calculated t-value of -6.763 which is quite large in absolute terms shows that this difference is relatively strong. Negative signs indicate that regional financial performance during the pandemic is consistently lower than after the pandemic. The value of the 95% confidence interval is between -0.0747929 to -0.04076, completely below zero. This strengthens the evidence that regional financial performance has increased significantly after the pandemic ended.

In general, these results reflect a fairly even and positive fiscal recovery in various districts/cities in East Java Province. This is likely influenced by the improvement of national economic conditions, the easing of fiscal policies, as well as the re-improvement of regional original revenue (PAD) capacity and the efficiency of post-pandemic regional expenditure management.

The Effect of Regional Independence Ratio on Regional Financial Performance

The results of the study show that the Regional Independence Ratio does not have a significant effect on the financial performance of local governments. Although the direction of the relationship is positive supports the theory that fiscal independence should improve performance, it is statistically inconclusive. This reflects that the size of the independence ratio does not necessarily indicate the real fiscal strength of the regions, especially if the PAD appears to be high only because of the low transfer funds from the center.

Theoretically, independent regions are expected to be able to finance their expenses through PAD. However, in practice, the role of PAD is still limited and dependence on central funds is still high, so the independence ratio has not yet become the main indicator of improved financial performance.

These findings are in line with Azzahro et al. (2023) which shows that the ratio of independence is not significant to the financial performance of the region. Instead, research Anynda & Hermanto (2020) shows different results, where fiscal independence has a positive effect. This difference indicates that the effect of independence ratio is highly dependent on the context and time of the study.

Thus, increasing fiscal independence needs to be accompanied by strengthening the capacity of PAD management as well as transparency and efficiency of regional spending in order to be able to have a real impact on financial performance.

The Effect of the PAD Effectiveness Ratio on Regional Financial Performance

The results of the analysis show that the PAD Effectiveness Ratio does not have a significant effect on regional financial performance. Although theoretically the effectiveness of PAD is expected to improve financial performance, these findings suggest that the achievement of PAD targets is not yet strong enough to affect overall performance. A high PAD effectiveness ratio does not necessarily reflect a large contribution to regional revenues, especially if the PAD target is set too low or the nominal PAD is still small. High dependence on transfer funds from the central government is also a factor inhibiting PAD's contribution to financial performance.

These findings are in line with Marizka (2024), which states that the effectiveness of PAD does not have a significant effect because it is not always followed by spending efficiency or improvement in the quality of financial management. Instead Rahil et al. (2024) found significant positive influences, emphasizing the importance of PAD effectiveness as an indicator of regional fiscal success.

These differences in results show that the effectiveness of PAD needs to be reviewed not only in terms of target achievement, but also from the strategy of increasing fiscal capacity, setting more realistic and progressive targets, and accountable regional financial management.

The Effect of Regional Expenditure Efficiency Ratio on Regional Financial Performance

The results of the analysis show that the Regional Expenditure Efficiency Ratio does not have a significant effect on regional financial performance. Although in theory spending efficiency is expected to drive better financial performance, these results indicate that spending efficiency does not necessarily reflect the success of financial management, especially when efficiency is caused by low budget realization or delays in priority programs.

The COVID-19 pandemic conditions also have an impact, where many programs experience delays or low budget realization, resulting in nominally high efficiency ratios but not having a positive impact on financial performance. These findings are in line with Rahil *et al.* (2024) which states that spending efficiency does not always have a significant effect because it can reflect weaknesses in program implementation. In contrast, Tryana & Rizqi (2023) found a significant positive influence, signaling the importance of context in interpreting this ratio. Thus, budget efficiency needs to be balanced with the effectiveness of program implementation in order to truly improve regional financial performance.

The Effect of Regional Expenditure Management Ratio on Regional Financial Performance

The regression results show that the Regional Expenditure Management Ratio does not have a significant effect on regional financial performance. Theoretically, this ratio describes the balance between operational spending and capital expenditure. Ideally, a higher proportion

of capital expenditures reflects productive budget allocation, supporting fiscal efficiency and financial performance. However, in many regions, including in East Java during 2020–2023, the spending structure is still dominated by operational spending, which has a limited impact on improving fiscal performance.

These results are consistent with the findings Marizka (2024), which states that the influence of expenditure management on performance is not significant, this is due to the lack of optimal allocation and implementation of the regional expenditure budget in supporting the output of regional development directly. In contrast, in contrast to Anynda & Hermanto (2020) which found a significant positive influence of capital expenditure on regional financial performance.

These findings confirm that the effectiveness of expenditure management is highly contextual, depending on the quality of budget implementation and development orientation. Therefore, the improvement of the regional spending structure needs to be directed not only at the ratio of capital expenditure, but also at the usefulness and sustainability of the programs financed.

The Effect of PAD Growth Ratio on Regional Financial Performance

The results of the analysis show that the PAD Growth Ratio has a significant positive effect on regional financial performance. This shows that the higher the growth of PAD, the better the regional financial performance.

The growth of PAD reflects the ability of regions to manage local fiscal potential effectively, both through expanding the tax base and optimizing revenue management. With the increase in PAD each year, the fiscal capacity of the regions is strengthened, allowing for a larger budget allocation for development and public services. This is in line with Halim (2012) who assessed that PAD growth is an important indicator of revenue policy effectiveness and fiscal efficiency.

These findings are supported by Hutauruk (2024) which states that the growth of PAD has a significant effect where the ability of PAD strengthens the fiscal capacity of local governments. However, in contrast to Handayani & Muzdalifa (2024), which argues that PAD growth has no significant effect if it is not followed by efficiency of spending and good planning.

These differences in results show that the impact of PAD growth on financial performance is very contextual, depending on fiscal capacity, the quality of budget management, and the economic structure of the region. Therefore, local governments need to optimize not only PAD revenue, but also its management system in order to make a real and sustainable contribution to improving financial performance.

The Effect of the Ratio of Fiscal Decentralization on Regional Financial Performance

The test results show that the Fiscal Decentralization Degree Ratio does not have a significant effect on regional financial performance. This means that increasing fiscal decentralization does not directly impact the improvement of regional financial performance. Theoretically, this ratio reflects the level of fiscal independence of a region based on the

proportion of PAD to total revenue. However, in the context of East Java Province in the 2020–2023 period, the dominance of central transfer funds causes this ratio to not be able to reflect strong fiscal autonomy.

These findings are in line with Christy et al. (2019) which shows that PAD and transfer income (the component of fiscal decentralization) have no significant effect on the ratio of financial effectiveness or regional economic growth. In a sense, although regional funds increase, it does not automatically improve financial performance or economic growth. Instead, research Tambunan et al. (2018) found a significant influence of this ratio on financial performance, especially in areas with high PAD contributions.

These differences in results confirm that the effectiveness of fiscal decentralization is highly contextual, depending on local economic structure, fiscal policy, and institutional capacity. Therefore, increasing fiscal autonomy must be accompanied by strategies to strengthen PAD, budget efficiency, and governance reforms in order to make a real contribution to regional financial performance.

Simultaneously the Influence of Regional Financial Ratios on Regional Financial Performance

The results of the hypothesis test show that the variables of Regional Independence Ratio, PAD Effectiveness, Regional Expenditure Efficiency, Regional Expenditure Management, PAD Growth, and Degree of Fiscal Decentralization simultaneously have a significant effect on Regional Financial Performance. The calculated F value is greater than the $F_{\text{of the table}}$ and the significance is smaller than 0.05, indicating that the regression model has good explanatory power.

The determination coefficient (Adjusted R^2) shows that 49% of the variation in regional financial performance is explained by the six financial ratios, while the remaining 51% is influenced by other factors outside the model, such as regional economic conditions, national policies, or the managerial capacity of local governments.

The correlation coefficient (R) shows a strong and positive relationship between independent variables and regional financial performance. This emphasizes that the more optimal regional fiscal management in terms of revenue and expenditure, the better its financial performance.

These findings are consistent with Agus & Safri (2016) which emphasizes that regional financial ratios simultaneously affect capital expenditure. In the study, capital expenditure is a measure of regional financial performance where the higher the capital expenditure, the better the regional financial performance. This is done with an integrated fiscal approach in improving budget efficiency and regional fiscal autonomy. Although the simultaneous influence is significant, partial analysis is still necessary because not all variables make significant contributions individually.

Overall, these results underscore the need to strengthen comprehensive regional fiscal management as a key strategy in improving financial performance, public services, and sustainable development.

Differences in Financial Performance of Regencies/Cities in East Java Province during the Covid-19 pandemic and after the Covid-19 pandemic

The COVID-19 pandemic has had a significant impact on regional financial governance in East Java. During the pandemic (2020–2021), financial performance declined sharply due to the decline in PAD, effectiveness, and growth of PAD, as well as the refocusing of the budget for handling the pandemic which reduced spending efficiency. The fiscal independence ratio has also weakened due to increased dependence on central transfers. After the pandemic (2022–2023), there has been a significant recovery. PAD began to increase, followed by improvements in the effectiveness and growth ratio of PAD, as well as efficiency and better management of spending. However, the level of fiscal independence has not shown any significant improvement.

The results of the *paired samples t-test* showed significant value, indicating that there was a significant difference between regional financial performance during the pandemic and after. The average value of the negative value difference indicates an improvement in financial performance after the pandemic.

These findings are in line with Nurrahmah (2022) and (Essentials *et al.* (2023) which states that there is a significant difference even though the pandemic has reduced regional fiscal performance, but there has been a recovery as the economy recovers and PAD increases. However, it is different from Arfath & Priyono (2023) who found that there was no significant difference due to the lack of optimal PAD recovery, and the post-pandemic improvement was more due to central transfers than the region's own fiscal capacity.

Overall, this study shows that the pandemic has suppressed regional fiscal performance, but post-pandemic recovery is an important momentum to strengthen more adaptive and sustainable financial governance.

CONCLUSION

Based on multiple linear regression analysis and partial tests, the study found that only the *PAD Growth Ratio* significantly and positively affects regional financial performance, highlighting that the growth of *PAD* is the key driver of better financial performance, while other variables had no significant impact. This suggests that increasing regional fiscal capacity through *PAD* growth is essential for improving financial performance, as it reflects the region's ability to sustainably harness local economic potential. Regions with consistently growing *PAD* tend to have more fiscal space to fund public spending effectively, enhancing overall financial management. Conversely, the other ratios showed no significant effect, possibly due to high dependence on central transfer funds, inefficiencies in spending, and weaknesses in fiscal decentralization that hinder regional managerial capacity. The *paired t-test* revealed a significant difference in regional financial performance between the pandemic period (2020–2021) and post-pandemic (2022–2023), with post-pandemic performance showing a decline, indicating that fiscal recovery still faces structural challenges despite the opportunities for strengthening regional financial governance. This study contributes to the understanding of factors affecting regional financial performance and the impact of the pandemic on local fiscal stability. Limitations include the focus on financial indicators, reliance on aggregate secondary data, and a quantitative approach that does not capture local context. Future research should

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adopt a mixed-methods approach and incorporate institutional, social, and budget governance quality variables to provide more comprehensive policy recommendations.

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