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Financial Performance and Human Development with Control of Regional Characteristics

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ARTICLE INFORMATION	ABSTRACT

Regional autonomy is a policy given by the central government to local governments. The granting of this right to autonomy will encourage the acceleration of economic development in the community. Local governments begin to regulate all affairs in their regions independently so that they will be faster in overcoming all existing problems, including problems of community welfare. The implementation of regional autonomy also gives full rights to regional governments, including in financial management in the regions. Effective, efficient, transparent and responsible financial management is an important basis for improving the community's welfare. Of course, increasing the financial performance of local governments will also increase the human development index. The performance of the local government needs to be assessed as a form of our supervision to the government. This government performance assessment can be measured through the ratio of regional independence, effectiveness and efficiency. In addition, proper management of existing resources in the area will be able to improve the welfare of the community. The purpose of this study is to empirically test the ratio of independence, effectiveness, efficiency to the human development index by controlling regional characteristics in the form of capital expenditures, operational expenditures, government size, regional original income, and population. The amount of data in this study were 29 districts and 6 cities in Central Java during 2015-2019. The results of this study state that the independence ratio, effectiveness ratio, and efficiency ratio can have a significant effect on the human development index. In addition, the control variables for regional characteristics in the form of capital expenditures, operational expenditures, government size, and population are able to influence the human development index. Meanwhile, local revenue has no effect on the human development index.

1. Introduction

Regional autonomy is the region's authority, rights, and obligations to regulate all government affairs itself. It is intended for the benefit of the community, which is definitely in accordance with the laws and regulations. (Imawan & Wahyudin, 2014). According to the Decree of the MPR RI Number XV/MPR/1998 concerning the Implementation of Regional Autonomy says that there are several policies for regional autonomy, namely increasing public services and developing community creativity, equality of relations between the central government and regional governments in authority and finance, creating a wider space for regional independence (Mahsun, 2012, Periansya, 2019). According to Tolosang (2018) research, Susanto and Rahayu (2021), Regional autonomy is an excellent opportunity for the government to prove its capabilities in carrying out regional tasks. The realization of regional financial management is a form of implementing regional autonomy aimed at improving people's welfare (Oktalina, 2020). This statement is in accordance with the instructions of Law No. 32 of 2004 concerning local governments that provide opportunities for regions to realize independent regional finances and provide optimal services to the community so that the realization of a prosperous society.

The role of local governments in increasing regional development becomes very important after the implementation of regional autonomy policies because all governance in the regions is fully the responsibility of the regional governments themselves. These responsibilities include financial management, potential development of natural resources, and increasing human resource development (Setiawan & Budiana, 2015). The development paradigm that is currently developing is economic growth as measured by human development as seen by the quality of human life in each country (Spyros, 2020). One of the benchmarks used in viewing the quality of human life is the Human Development Index (HDI) which is measured through the quality of education, health and economic levels (Mirza, 2012).

The success of development, especially human development, can be assessed partially by looking at how much the most basic problems in the community can be overcome (Purbadharmaja et al., 2019). These problems include poverty, unemployment, low levels of education, low life expectancy. However, the problem is that partial human development achievements vary widely, where certain aspects of development are successful, and some other aspects of development fail (Purbadharmaja et al., 2019). This human development problem is also faced by district and city governments in Central Java, where the province of Central Java has continued to occupy the 13th position out of 34 provinces in Indonesia (BPS, 2021). So that it can be said that human development in Central Java is still below the national average. This is reflected in the value of the Human Development Index in Central Java of 71.73, where the value of the Human Development Index in Indonesia is 71.92 (BPS, 2021).

Table 1. Human Development Index

Details	Year				
	2015	2016	2017	2018	2019
Human Development Index (Central Java)	69.49	69.98	70.52	71.12	71.73
Human Development Index (Indonesia)	69.55	70.18	70.81	71.39	71.92
Expected Years of Schooling (Years) (Central Java)	12.38	12.45	12.57	12.63	12.68
Expected Years of Schooling (Years) (Indonesia)	12.55	12.72	12.85	12.91	12.95
Expenditure Per capita (in thousands/person) (Central Java)	9,930	10,153	10.377	10,777	11.102
Expenditure Per capita (in thousands/person) (Indonesia)	10,150	10,420	10,664	11.059	11.299

Source: Central Statistic Agency (BPS), 2021

Based on the data above, it can be seen that Central Java Province continues to experience an increase in its human development index. However, on the other hand, Central Java province is still always below the national average value. Of course, this needs attention from all parties, especially the local Government in Central Java, so that more serious efforts are needed to achieve the community's welfare. From the existing problems, it is appropriate for the local government to improve the governance of government performance to provide good services to improve the welfare of the community. One governance that can be improved is regarding financial governance or the ability of local governments to optimize available finance (Tarumingkeng et al., 2018). Financial capability in government administration is very important because it determines the success of increasing growth in an area (Wakarmamu & Indrayono, 2019). The success of regional autonomy cannot be separated from the performance of local governments in managing their finances in an orderly manner, obeying laws and regulations, efficient, economical, effective, transparent and responsible (Fretes, 2017). Regional financial capacity is often measured using regional financial performance. The form of the performance appraisal is in the form of financial ratios formed from the Regional Head Accountability Report elements in the form of the Regional Revenue and Expenditure Budget calculations (Mardiasmo, 2016). One way to analyze the financial performance of local governments in financial management is to analyze financial ratios to the Regional Revenue and Expenditure Budget (APBD) that has been determined and implemented (Halim, 2012). The government's performance assessment is based on various financial ratios, including the Regional Financial Independence Ratio, Effectiveness and Efficiency Ratio(Khairudin et al., 2019)

In addition to the need to improve existing financial governance, local governments must be more innovative in making a breakthrough to support the acceleration of development because tourism potentials and different regional characteristics possessed by each region will be a special attraction for tourists. The Regional characteristic is regional characteristics that distinguish them from other regions (Budiarto & Indarti, 2019). Regional characteristics can include tourist areas, area size, regional financial capacity, population, regional head education, regional age, and more (Sari & Arza, 2019). With the vast area in Central

Java and many residents, this can certainly be a supporting factor for the acceleration of people's welfare. Human Development can be improved by optimizing Natural Resources and Human Resources (Cenare, 2020). In addition, proper use of natural resources and human resources can improve the economy so that it can encourage the level of welfare in the community (Iskandar, 2017). With its own and different characteristics in each region, of course, this can also improve the welfare of the community. It is hoped that with regional autonomy, each region can more evenly distribute development according to local aspirations to develop regions according to their respective potentials to improve people's welfare.

Based on the description above, this study aims to analyze the effect of local government financial performance on the Human Development Index with the control variable of regional characteristics so that the results of this study are not only to test empirically but can contribute to assisting local governments in determining and evaluating policies to realize an increase in people's welfare.

2. Literature Review
2.1. Stewardship Theory
The grand theory that underlies this research is part of agency theory, namely stewardship theory. In his research, Donaldson et al. (1997) in Lestari & Rahayu (2019) found factors that distinguish between Agency Theory and Stewardship Theory. Stewardship theory describes a situation where management is not motivated by individual goals but rather is aimed at their primary outcome goals for the organisation's benefit. The theory assumes a strong relationship between satisfaction and organizational success. Organizational success reflects the utility maximization of principals and management groups. Stewardship theory in this study implies that stewards, in this case, are budget managers in districts/cities in Central Java Province can act in accordance with the expected public interest and will work as well as possible for the interests of the principal, namely the community by carrying out their duties and functions appropriately. After achieving good government, performance can certainly improve welfare (Saragih, 2018). In this case, it can be said that an increase in financial performance by local governments can increase the human development index in districts/cities in Central Java.

2.2. Human Development Index
The Human Development Index is one of the benchmarks for the development of a region. The Human Development Index has a negative correlation with the condition of community welfare because it is expected that an area that has a high HDI value ideally has a high quality of life, or it can also be said that if the HDI value is high, the welfare of the community should increase (Sasana, 2016). The theory of the formation of the Human Development Index (HDI) can be measured with 3 dimensions, including Long and healthy life is indicated by life expectancy at birth which is formulated into Life Expectancy Rate. Then the dimension of knowledge measured by literacy level and the average length of schooling can be formulated into an Education Index. The last is the dimension of a decent standard of living which is indicated by real per capita expenditure (Canare, 2021).

2.3. Financial performance
According to Mardiasmo (2016), the measurement of local government financial performance can be done in 3 ways, namely improving performance in local government, assisting in the allocation of resources and making decisions. The last is to realize public accountability in local governance and improve institutional communication. The financial performance of local governments can also assess how the government provides good forms of public services to the community (Siregar et al., 2018). One way to analyze the financial performance of local governments in financial management is to analyze financial ratios against the Regional Revenue and Expenditure Budget (APBD) determined and implemented. Government performance appraisal is based on various financial ratios (Halim, 2012).

2.4. Regional Financial Independence Ratio
Regional Financial Independence Ratio describes the regional level of dependence on external funding sources. If the independence ratio is at a high level, the local government's dependence on external assistance (especially the central and provincial governments) is lower and vice versa. Shows the ability of the region to finance all government activities on its own, from development to community services (Febriayanti & Faris, 2019, Verawaty et al., 2017). According to Halim (2012), regional financial independence is aimed at the size of PAD compared to PAD originating from other sources, such as government loans or central assistance. The higher the regional independence ratio, it means that the dependence of the local government on external parties, especially on the central and provincial governments, is getting lower (Yuliyanti et al., 2019, Hariani & Febriyastuti, 2020, Imawan & Wahyudin, 2014)

2.5. Effectiveness Ratio
Where is the relationship between output and income, where is an effect to measure the level of achievement of results in a program with a predetermined target? The effectiveness ratio can describe a local government's ability to realize the planned revenue and then compare it with the target that has been set based on the real potential of the region (Halim, 2012). So it can be

concluded that the higher the effectiveness ratio, it can be proven that the local government's ability is getting better. Through this effectiveness ratio, the success of local governments in carrying out their regional finances can be measured effectively (Anynda & Hermanto, 2020). With success in increasing this effectiveness, of course, it will reduce the interference of the central government in the performance of the regional Government (Harliyani & Haryani, 2016, Anynda & Hermanto 2020, Oktalina, 2020).

2.6. Efficiency Ratio

A ratio that refers to measuring the achievement of maximum output in the lowest use of resources and funds. According to Mardiasmo (2016) describes a level of local government's ability to streamline costs incurred by local governments. The smaller the efficiency ratio, the better the government's performance (Mardiasmo, 2016). The regional financial efficiency ratio is the level of achievement of the implementation of an activity or achievement achieved by the regional government as measured by comparing the realization of expenditures with the realization of revenues that have been obtained (Harliyani & haryadi, 2016). With a low level of efficiency, it is hoped that local governments are said to be able to manage their finances efficiently (Anynda & Hermanto, 2020, Hariani & Widyawati, 2020).

2.7. Regional characteristics

Characteristics are special characteristics or have specific characteristics per certain dispositions that distinguish something (people) from something else (Budiarto & Indarti, 2019). Thus, the characteristics of local government are special characteristics attached to local governments, marking an area and distinguishing it from other regions. The characteristics of local governments can be in the form of financial ability, regional size, welfare, number of OPD, regional age, educational background of regional heads, regional leverage, and intergovernmental revenue (Sari & Arza, 2019). This study uses Capital Expenditure, Operational Expenditure, Government Size Region, Regional Original Income, and Total Population As a proxy for regional characteristics.

Capital expenditures are local government budget expenditures to obtain fixed assets such as building shopping facilities and roads (Halim, 2012). By providing a budget for the improvement of public facilities, will facilitate the mobility of goods/services in the area of Law no. 71 of 2010 concerning Accounting Standards. The increase in the mobility of goods/services will certainly have an impact on increasing the economy in the region (Hendawati et al., 2018)

Operational expenditure describes how the government prioritizes its allocation of funds to public service expenditures optimally as measured by comparing the realization of total operating expenditures with total regional expenditures (Amalia & Purbadharmaja, 2014). By prioritizing regional government spending on operational expenditures, it is hoped that the services provided to the community will be more optimal so that it will improve the welfare of the community.

Government size shows how big an organization is. Large organizations are more likely to have many rules and regulations than small organizations (Sari & Arza, 2019). The size of the government can be calculated by looking at the size of the assets owned by the local government

Regional Original Revenue (PAD) is all financial revenues of a region. Regional financial receipts are sourced from the potentials in the area, such as regional taxes, regional levies and others, and financial revenues regulated by regional regulations (Siregar, 2019).

According to Todaro and Smith (2013), the population is a driver of development because a larger population is actually a potential market that is a source of demand for various kinds of goods and services, which will then drive various kinds of economic activities so as to create economies of scale in production that will benefit all. Parties reduce production costs and create sources of supply or supply of cheap labour in sufficient quantities so that it will be able to stimulate improving people's welfare which means poverty will decrease (Kumalasari & Poerwono, 2011).
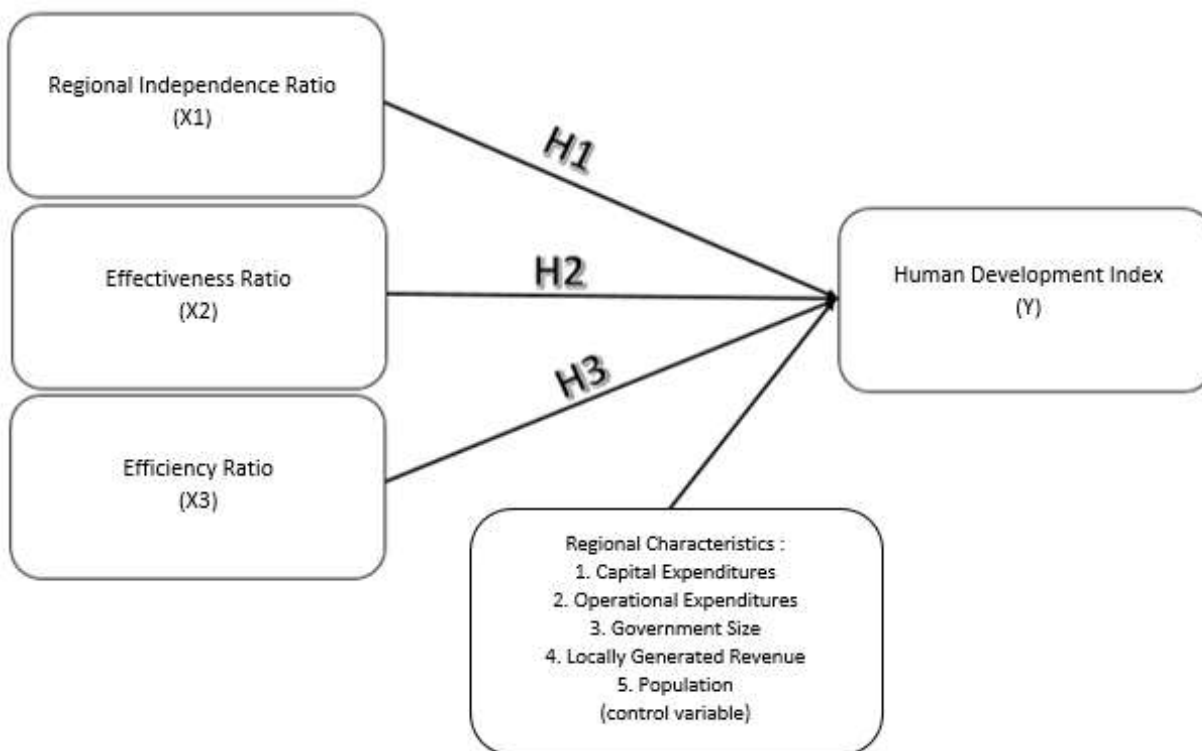
2.8. Conceptual framework

Figure 1. Conceptual Framework

Regional Financial Independence Ratio describes the regional dependence on transfer revenues (external data source) (Nugraha & Amelia, 2017). The higher the Regional Financial Independence Ratio means the level of regional dependence on foreign aid is lower and vice versa. The Regional Financial Independence Ratio also describes the level of community participation in regional development. The higher the Regional Financial Independence Ratio, the higher the community participation in paying regional taxes and levies which are the main components of Regional Original Income. The higher the community pays regional taxes and levies, the higher the level of community welfare. In other words, the higher the level of independence of a region, the more human development in the area will increase. The hypothesis in this study is in accordance with research conducted by Amalia & Purbadharmaja (2014), Prakoso (2017), Dewi & Sutrisna (2014)

Hypothesis 1: Independence Ratio Affects Human Development Index

The PAD effectiveness ratio shows the local government's ability to mobilize PAD revenue in accordance with the target (Marsudi et al., 2019). Local governments that manage PAD effectively are expected to have adequate resources to carry out their duties in the delivery of public services. So that with good public services, a high HDI will be achieved. The research hypothesis agrees with Prakoso (2017), Iskandar and Subekan (2018), (Khairudin et al., 2019)which in his research states that this effectiveness ratio has a significant and positive effect on the human development index, meaning that if the local government can manage regional finances well, it will have an impact on improving people's welfare so as to increase the HDI in the region.

Hypothesis 2: Effectiveness Ratio Affects Human Development Index

The Regional Financial Efficiency Ratio (REKD) compares the total costs incurred to obtain income and the actual income received (Marsudi et al., 2019). Regional Government Financial Performance in collecting revenue is considered efficient if the ratio achieved is less than 1 (one) or below 100% (Halim, 2012). With the increasing efficiency of local government budgets, it can be interpreted that local governments can regulate and manage their own finances. This can be seen from the smaller the Regional Financial Efficiency Ratio, which means that the Regional Government's Financial Performance is getting better. Through optimal regional capabilities in managing their finances, it is hoped that they can provide optimal services so that they can help improve the welfare of the community. So it can be interpreted that the effectiveness ratio affects the human development index.

Hypothesis 3: Efficiency Ratio Affects Human Development Index.

3. Methodology

3.1. Data types and sources

The type of data used in this study is secondary data. Secondary data in this study include the Central Statistics Agency (BPS) of Central Java Province, Financial Data and Information from the Supreme Audit Agency (BPK).

Based on secondary data in accordance with BPS (Central Statistics Agency) using this data to see how the Human Development Index and Population in the districts/cities of Central Java province, then if the data obtained through BPK (Badan Pemeriksa Keuangan) to find out what percentage of financial performance and Regional Original Income in LKPD (Local Government Financial Reports).

3.2. Sample and population

Table 2. Population and Sample

No	Information	Total
1.	Number of Regencies in Central Java	29
2.	Number of Cities in Central Java	6
	Number of Samples	35
	Number of periods (2015-2019)	5
	Number of observation data	175

Source: Processed Data (Eviews), 2021

3.3. Variable Measurement

The variables used in this study are also explained according to the definition and how to measure each variable as follows:

Table 3. Definition of Operational variable

Variable	Formula	Information
Human Development Index	$IPM = IPM\ Score$	
Independence Ratio	$RKM = \dfrac{PAD}{Total\ revenue}$	PAD = Regional Original Income
Effectiveness Ratio	$REFK = \dfrac{PAD\ Realization}{PAD\ Budget}$	PAD = Regional Original Income
Efficiency Ratio	$REFS = \dfrac{Total\ Expenditure}{Total\ Revenue}$	
Government Size	$SIZE = $ Total Asset	
Locally-generated revenue	$PAD = PAD\ Realization$	PAD = Regional Original Income
Operational Expenditure	$BO = $ Operational Expenditure Realization	
Capital Expenditure	$BM = $ Capital Expenditure Realization	
Total population	$PDDK = Population$	

3.4. Analysis Model

The analytical method used in this study uses Eviews data processing with the following formula:

$$IPM_{it} = \alpha + \beta1 RKM_{it} + \beta2 REFK_{it} + \beta3 REFS_{it} + \beta4 SIZE_{it} + \beta5 PAD_{it} + \beta6 BO_{it} + \beta7 BM_{it} + \beta8 PDDK_{it} + \varepsilon_{it}$$

Information :

HDI: Human Development Index
α: Constant
β: Linear Regression Coefficient
RKM: Independence Ratio
REFK: Effectiveness Ratio
REFS: Efficiency Ratio
SIZE: Total Size
PAD: Locally-generated revenue
BO: Total Operational Expenditure
BM: Total Capital Expenditure
PDDK: Total population

N: Many observations
It: the amount of time

The analysis used in this study is descriptive analysis, then the classical assumption test consists of normality test, multicollinearity test, heteroscedasticity test, autocorrelation test, while in determining the appropriate model using an estimation test consisting of analysis of common effect model, fixed effect model, random effect model, the determination of this model uses the Chow test and the Hausman test, then and finally a hypothesis test is carried out consisting of the F test, t-test, R^2 test.

4. Results and Discussion
4.1. Descriptive Statistical Analysis

Table 4. Descriptive statistics

	N	Minimum	Maximum	mean	Std. Deviation
HDI	175	63.18	83.19	71.2129	4,51066
KMN (%)	175	10,16	86.61	22.8253	11.76941
EFK (%)	175	83.66	138.78	107,1608	8.03584
EFS (%)	175	71.31	114.98	88.8134	9.03124
BM (Rp)	175	51,980,727,019	1,275,359,088,966	379,507,940,800.75	179,719,403,169,270
BO (Rp)	175	566,689.063.006	3,576,946,715,447	1,439,932,924,967.87	460,917,638,332,869
SIZE (Rp)	175	1,618,325,931,484	30,970,860,367,210	4,118,243,042,670.57	4,023,523,334,574,80
PAD (Rp)	175	152.044.596.332	2,128,176,142,000	358,776,874,505.81	254.852.112.1171.889
PDDK (person)	175	120,792	1,814,110	978629.37	416,582,458
Valid N (listwise)	175				

Source: Processed Data (Eviews), 2021

The Human Development Index has an average value (mean) of 71.21, so it can be interpreted that districts and cities in Central Java province during the 2015-2019 period are included in the category of regions with high HDI (70-79). . In addition, the lowest (minimum) Human Development Index value of 63.18 was obtained in Brebes Regency in 2015. Meanwhile, the highest (maximum) Human Development Index value of 83.19 was obtained by Semarang City in 2019.

The ratio of regional independence has an average value (mean) of 22.82%, so it can be interpreted that districts and cities in Central Java province during the 2015-2019 period can finance and implement government activities that are still low. Once or still in the Instructive category. In addition, the lowest (minimum) regional independence ratio value was 10.16% in Klaten Regency in 2015. Meanwhile, the highest regional independence ratio value of 86.61% was obtained by Semarang City in 2019.

The Effectiveness Ratio of the overall data obtained an average value (mean) of 107.16%, which means that districts and cities in Central Java province in 2015-2019 have realised their own regional income as planned or targeted so that it falls into the effective category. The smallest (minimum) data on the effectiveness ratio of 83.66% was obtained by Pekalonan Regency in 2019, while Batang Regency obtained the largest (maximum) data of 138.78% in 2019

The Efficiency Ratio data obtained the average value (mean) in districts and cities in Central Java province of 88.81%, which means that districts and cities in Central Java province for the 2015-2019 period can realise regional expenditures regional income is already efficient. Meanwhile, the lowest (minimum) efficiency ratio value of 71.31% was obtained by Klaten Regency in 2019, while Brebes Regency obtained the highest (maximum) efficiency ratio value of 114.98% in 2018

The Capital Expenditure has an average value (mean) of Rp. 379,507,940,800. In addition, the lowest (minimum) Capital Expenditure value of Rp. 51,980,727,019 in Rembang Regency in 2015. As for the highest value of Capital Expenditure (maximum) of Rp. 1,275,359,088,966 were obtained by the City of Semarang in 2017.
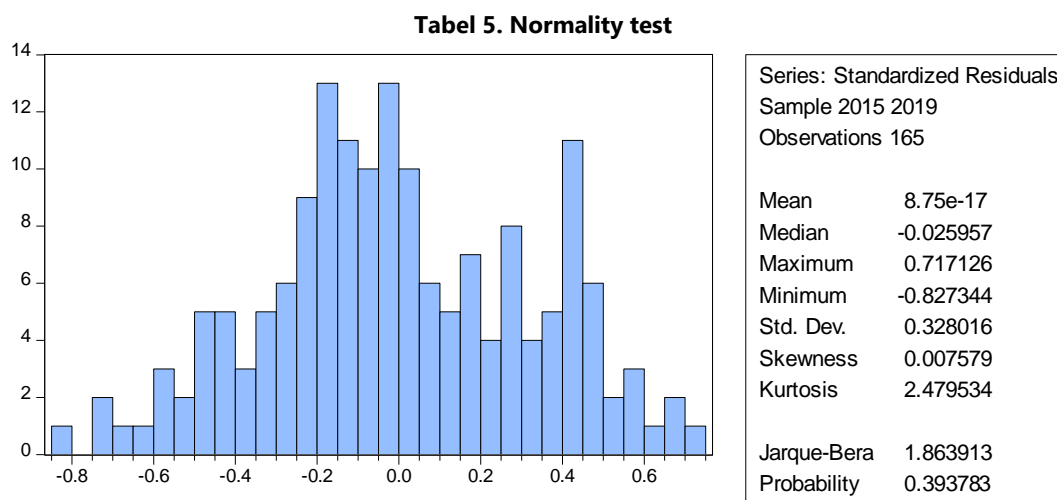
The Operational Expenditures has an average value (mean) of Rp. 1,439,932,924,967. In addition, the lowest (minimum) value of Operational Expenditure is Rp. 566,689.063.006 in Salatiga City in 2015. As for the highest value of Operational Expenditure (maximum) of Rp. 3,576,946,715,447 were obtained by the City of Semarang in 2019.

The Government Size has an average value (mean) of Rp. 4,118,243,042,670. In addition, the lowest (minimum) area size value is Rp. 1,618,325,931,484 in Wonosobo Regency in 2015. As for the highest area size (maximum) of Rp. 30,970,860,367,210 obtained by Semarang City in 2018.

The Regional Original Revenue has an average value (mean) of Rp. 358,776,874,505. In addition, the lowest (minimum) value of Regional Original Income is Rp. 152,044,596,332 in Pekalongan City in 2015. As for the highest value of Regional Original Income (maximum) of Rp. 2,128,176,142,000 were obtained by the City of Semarang in 2019.

The population has an average value (mean) of 978,629 people. In addition, the lowest (minimum) area size value was 120,792 people in Magelang City in 2015. In contrast, the highest (maximum) value of 1,814,110 people was Semarang City in 2019.

4.2. Classic assumption

Tabel 5. Normality test

| Series: Standardized Residuals |
| Sample 2015 2019 |
| Observations 165 |

Mean	8.75e-17
Median	-0.025957
Maximum	0.717126
Minimum	-0.827344
Std. Dev.	0.328016
Skewness	0.007579
Kurtosis	2.479534
Jarque-Bera	1.863913
Probability	0.393783

Source: Processed Data (Eviews), 2021

Before performing multiple regression analysis, the classical assumption test is first carried out so that the conclusions obtained do not cause biased values

The normality test results above show a probability value of 0.393783 or greater than 0.05. This means that the normality test results show that the residual value is normally distributed. The results of this study also did not occur symptoms of multicollinearity, and the data in this study did not occur symptoms of autocorrelation and heteroscedasticity.

4.3. Test Model

Table 6. Chow test

Effects Test	Statistics	df	Prob.
Cross-section F	220.795625	(34,122)	0.0000
Cross-section Chi-square	682.390125	34	0.0000

Source: Processed Data (Eviews), 2021

Table 7. Hausman test

Test Summary	Chi-Sq. Statistics	Chi-Sq. df	Prob.
Cross-section random	40.075925	8	0.0000

Source: Processed Data (Eviews), 2021

In determining the appropriate model in this study by using the estimation test of the common effect model, fixed effect model, random effect model, the determination of this model uses the Chow test and Hausman test and obtained data on the Chow test that the probability value is less than 0.05 so it is necessary to do Hausman test to determine the appropriate model. After the Hausman test, it turns out that the probability value is less than 0.05, so it can be concluded that the appropriate model is the Fixed Effect Model.

4.4. Hypothesis testing

Table 8. Hypothesis testing

Variable	Coefficient	Std. Error	t-Statistics	Prob.
C	55.58351	5.792679	9.595476	0.0000
INDEPENDENCE	0.049548	0.019842	2.497174	0.0139
EFFECTIVENESS	-0.024598	0.006527	-3.768443	0.0003
EFFICIENCY	-0.050987	0.009070	-5.621643	0.0000
BLJMODAL	1.53E-12	5.49E-13	2.782884	0.0062
BLJOPERATIONAL	3.29E-12	5.46E-13	6.019445	0.0000
SIZE	1.42E-13	3.65E-14	3.885803	0.0002
PAD	-1.45E-12	1.35E-12	-1.072105	0.2858
POPULATION NUMBER	1.71E-05	6.15E-06	2.784954	0.0062

Effects Specification			
Cross-section fixed (dummy variables)			

R-squared	0.994694	Mean dependent var	71.34212
Adjusted R-squared	0.992867	SD dependent var	4.502952
SE of regression	0.380310	Akaike info criterion	1.123625
Sum squared resid	17.64551	Schwarz criterion	1.933053
Likelihood logs	-49.69907	Hannan-Quinn Criter.	1.452200
F-statistics	544.5078	Durbin-Watson stat	1.639085
Prob(F-statistic)	0.000000		

Source: Processed Data (Eviews), 2021

4.5.1. Simultaneous Test (F)

The F test is used to test the significance of the effect between financial performance in the form of independence ratios, effectiveness ratios and efficiency ratios with control variables of local government characteristics in the form of capital expenditures, operational expenditures, area size, Regional Original Income, and Total Population on the Human Development Index in the province of Central Java. 2015-2019 simultaneously. In table 1. Regression test is known that the prob (F-statistic) has a value of 0.00 which means the significant value is < = 5% or 0.05. So it can be concluded that H0 is rejected and Ha is accepted so that the regression model in this study can be used or Fit.

4.5.2. Coefficient of Determination (R²)

The regression test above explains the results of the coefficient of determination. It can be seen that the adjusted R-square value is 0.992867 or 99.28%. So it can be concluded that the independent variables, namely the independence ratio, effectiveness ratio and efficiency ratio with control variables of local government characteristics in the form of capital expenditures, operational expenditures, regional size, regional original income, and total population, can affect the Human Development Index in Central Java Province in 2015- 2019 was 99.28%. While other variables outside this study explain 0.72%.

4.5.3. t-test

The ratio of regional independence is a measurement of the ability of the region to manage its government independently. The significance value of the independent variable on the t-test of 0.013 is below the significance value of 0.05, which means that the proposed hypothesis is accepted. These results indicate that the ratio of independence influences increasing or decreasing the Human Development Index in Regencies/Cities throughout Central Java Province. After implementing regional autonomy, local governments must run their own government management independently. Local governments must work harder in regulating all aspects of the region, including the utilization of existing resources for the community's welfare. Where regional independence also describes the level of community participation in regional development. Community participation is carried out through payment of hotel, restaurant, and hotel taxes, entertainment and others. In addition, it can be seen that the control variables in the form of capital expenditures, operational expenditures, regional size and population that can affect the human development index can be interpreted if local governments are able to be independent in regulating and managing financial resources, natural resources and existing human resources improve community welfare or human development index. So that it can be interpreted

that the increasing independence ratio of an area, the welfare of the community will also increase, or the development index in the area will also increase The size of the area and the number of residents that can affect the human development index can be interpreted if the local government can be independent in regulating and managing existing financial resources, natural resources and human resources, this can improve the welfare of the community or the human development index. So that it can be interpreted that the increasing independence ratio of an area, the welfare of the community will also increase, or the development index in the area will also increase The size of the site and the number of residents that can affect the human development index can be interpreted if the local government can be independent in regulating and managing existing financial resources, natural resources and human resources, this can improve the welfare of the community or the human development index. So that it can be interpreted that the increasing independence ratio of an area, the welfare of the community also increases or the development index in the area will also increase (Amalia & Purbadharmaja, 2014, Prakoso, 2017, Khairudin et al., 2019, Harliyani & Haryadi, 2016)

The effectiveness ratio measures the government's ability to manage the planning and its realization. The significance value of the effectiveness ratio variable on the t-test of 0.000 is below the significance value of 0.05, which means the proposed hypothesis is accepted. These results indicate that the effectiveness ratio influences increasing or decreasing the Human Development Index in regencies/cities throughout Central Java Province. This effectiveness ratio can affect HDI because local governments will be able to provide good services and contributions to society with good management and budgeting. With this optimal form of service, it is hoped that it will improve the community's welfare. In addition, this effectiveness ratio also considers regional income so that with an increase in regional income, of course, it will also improve the economy in the community. This can also be seen in the control variables in the form of capital expenditures, operational expenditures, area size, and a population that affect the human development index because local governments can manage finances as optimally as possible to provide effective services to the community. So that with a high effectiveness ratio of an area will also increase the human development index in the area (Prakoso, 2017, Iskandar & Subekan, 2018, Khairudin et al., 2019, Harliyani & haryadi, 2016)

The efficiency ratio is important because it measures government Expenditure and revenues. The significance value of the efficiency ratio variable on the t-test of 0.000 is below the significance value of 0.05, which means the proposed hypothesis is accepted. These results indicate that the efficiency ratio increases or decreases the Human Development Index in Regencies/Cities throughout Central Java Province. The efficiency ratio is a ratio that shows the measurement of the achievement of maximum output in the use of existing resources and funds with the lowest and lowest. In the calculation, the efficiency ratio compares regional expenditure with regional income. The higher the efficiency ratio, the worse the regional financial performance and vice versa. If the efficiency ratio is low, it shows good efficiency. With the efficiency of local government finances, it can be judged that the local government is able to regulate and manage its government finances independently. In other words, the local government is able to work independently (Mulyani & Wibowo, 2017). people welfare. This is in accordance with the theory and efficiency criteria that the higher the ratio of expenditure or expenditure to income actually results in more inefficient regional finance. The lower the ratio of regional expenditures or expenditures to income, this condition will further encourage the creation of people's welfare. This is in accordance with the theory and efficiency criteria that the higher the ratio of expenditure or expenditure to income actually results in more inefficient regional finance. With the lower the ratio of regional expenditure or expenditure to income, this condition will further encourage the creation of people's welfare. This is in accordance with the theory and efficiency criteria that the higher the ratio of expenditure or expenditure to income results in more inefficient regional finances. Iskandar & Subekan, (2018)

The Regional characteristics are everything that is specific to the area, including finance, natural resources and available human resources; it shows that the proxied regional characteristics in the form of capital expenditure, operational expenditure, area size and population can influence the human development index. This is because capital expenditures, operational expenditures and regional size are the main capabilities of local governments in improving the welfare of their people because these three variables are financing capital or local government capital in carrying out their duties to provide optimal services in the community so that the human development index in the region increases. Then the population is also able to influence the human development index because occupation is the subject of measuring the human development index.

5. Conclusion
The Independence Ratio affects the Human Development Index in Regencies/Cities in Central Java. The influence of this independence ratio is based on the increasing independence of the region. This will be followed by the welfare of the people in the area because the increasing ratio of regional independence means that there is community participation in helping service in the region. also high, such as the high payment of local taxes paid to local communities.

The Effectiveness Ratio affects the Human Development Index in Regencies/Cities in Central Java. The effect of the content effectiveness ratio is based on the comparison between the realization and the PAD budget, where PAD has a post related to local tax revenues. When local tax revenues increase, this is based on an increase in people's income so that it will affect the human development index.

The Efficiency Ratio influences increasing or decreasing the Human Development Index in Regencies/Cities throughout Central Java Province. The efficiency ratio is a ratio that shows the measurement of the achievement of maximum output in the use of existing resources and funds with the lowest and lowest. The government should have good financial management to improve public services and welfare.

The Regional characteristics, which are proxied in the form of capital expenditure, operational expenditure, area size, and population, can affect the human development index. As for local revenue, it cannot influence the human development index in districts and cities in Central Java.

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