



JURNAL RAK (Riset Akuntansi Keuangan)
URL : <http://jurnal.untidar.ac.id/index.php/RAK>



Analisis Perbandingan Kinerja Keuangan Pemerintah Daerah Sebelum Dan Saat Pandemi Covid 19 Dan Dampaknya Bagi Pertumbuhan Ekonomi

COMPARISON ANALYSIS OF LOCAL GOVERNMENT FINANCIAL PERFORMANCE BEFORE AND DURING THE COVID-19 PANDEMIC AND ITS IMPACT ON ECONOMIC GROWTH

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ARTICLE INFORMATION

Article history:

Received date: September 2023

Accepted: November 2023

Available online: November 2023

ABSTRAK

Penelitian ini bertujuan untuk menganalisis perbedaan rasio kemandirian keuangan, fleksibilitas keuangan, solvabilitas operasional, solvabilitas jangka pendek, solvabilitas jangka panjang, dan solvabilitas layanan daerah se- Provinsi Jawa Tengah dan D.I. Yogyakarta sebelum dan Saat Pandemi Covid-19. Selain itu melihat dampaknya bagi pertumbuhan ekonomi. Dalam penelitian ini, Kabupaten dan Kota di Provinsi Jawa Tengah menjadi sampel. Data yang digunakan adalah data sekunder. Data laporan realisasi APBD dan data Neraca yang berasal dari direktorat jenderal perimbangan keuangan Kementerian Keuangan RI. Teknik pengambilan sampel menggunakan *purposive sampling* yaitu teknik penentuan sampel dengan pertimbangan tertentu. Alat analisis yang digunakan dalam penelitian ini adalah Uji Beda. Hasil penelitian menunjukkan bahwa dari 6 indikator kinerja keuangan, 4 indikator tidak menunjukkan perbedaan yang signifikan dan 2 indikator menunjukkan perbedaan yang signifikan antara masa sebelum pandemi dan saat pandemi covid 19. Kemudian pertumbuhan ekonomi mengalami perbedaan yang signifikan antara masa sebelum pandemic dengan saat pandemic covid 19.

Kata kunci: Kemandirian Keuangan, Kinerja Keuangan Daerah, Pandemi Covid-19, Pertumbuhan Ekonomi.

ABSTRACT

This study aims to analyze the differences in the ratios of financial independence, financial flexibility, operational solvency, short-term solvency, long-term solvency, and regional service solvency in the Provinces of Central Java and D.I. Yogyakarta before and during the Covid-19 Pandemic and its impact on economic growth. The samples were districts and cities in Central Java Province and D.I. Yogyakarta. The data used is secondary data taken from the directorate general of financial balance of the Indonesian Ministry of Finance. The sampling technique used is purposive sampling. The analytical tool used in this study is the Difference Test. The results showed that of the 6 financial performance indicators, 4 indicators did not show a significant difference and 2 indicators showed a significant difference between the pre-pandemic period and during the Covid-19 pandemic period. Then, economic growth experienced a significant difference between the pre-pandemic period and during the Covid-19 pandemic.

Keywords: Financial Independence, Regional Financial Performance, Covid-19 Pandemic, Economic Growth.

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P-ISSN: 2541-1209

E-ISSN: 2580-0213

INTRODUCTION

The impacts of the COVID-19 pandemic in Indonesia and other afflicted countries are widespread. With the discovery of Covid-19, the Indonesian government started stressing the need to stay indoors to prevent the further spread of the virus. Socially distant policies like PSBB, or Large-Scale Social Restrictions, imposed by the Indonesian government are projected to mitigate the effects of the economic crisis (Kickbusch et al., 2020; Nasution, 2020). Nonetheless, this policy hinders the economic activity of the Indonesian people since it restricts the freedom of movement.

When each area has complete discretion over its own planning, management, assessment, and evaluation of all policies enacted to improve its own well-being, this is called regional autonomy. A necessary policy is a fiscal one. The regional budget structure in Indonesia reflects the local government's fiscal policy. The Regional Revenue and Expenditure Budget (APBD) is required by Law No. 17 of 2003 to be created with a focus on maximizing productivity in the workplace. To ensure the policy's effectiveness, a performance methodology must be developed that compares actual regional financial results to the approved Regional Revenue and Expenditure Budget (APBD).

When the Covid-19 pandemic hit, the government created a scheme to relocate spending without breaking the bank. As required by President Regulation (Perpres) Number 82 of 2020 concerning the Acceleration of Handling Corona and Presidential Instruction (Inpres) Number 4 of 2020 concerning Refocusing Activities, Budget Reallocation, and Procurement of goods and services in the context of accelerating the handling of Corona Virus Disease 2019 (CWD), a number of areas of financial

management were reallocated and refocused in the second quarter of 2020. Central Java Province and DI Yogyakarta, as well as all other subnational administrations, are charged with updating their own economic strategies in light of new realities by virtue of this law. During the Covid pandemic, the local government's fiscal health directly affected the local economy's health. The health and status of a region's economy may be gauged by looking at its rate of economic expansion. People in the Central Java Province and the Yogyakarta Special Region will benefit most from strong economic expansion. On the other hand, Central Java Province and D.I. Yogyakarta are two provinces that are densely populated, so the impact of the Covid-19 pandemic has been felt, both in the health sector and in the field of economic growth.

The Index of Regional Financial Management Performance (IPKD) is a size indicator based on a predefined collection of characteristics and indicators used to assess the efficacy, efficiency, transparency, and accountability of regional financial management responses over a defined time frame. Article 11 of Permendagri No. 19 of (Minister, 2020) specifies the Condition Finance Area, one of six dimensions. Financial autonomy, financial adaptability, operational solvency, short-term solvency, long-term solvency, and service solvency are the six components that make up the Index of Regional Financial Management (IPKD).

This study was based on earlier research. Habibi & Kurnia Ahsanul (2021) found that the average ratio of financial independence and operational solvency for Regency and City Regional Governments in Central Java Province has changed from the onset of the Covid19 pandemic. There was no significant change in the

mean values of the ratios of financial flexibility, short-term solvency, long-term solvency, and solvency service during the years before and after the CoVD19 pandemic. Then, (Onibala, 2021) did their own study and found that the financial performance of the Regency Southeast Minahasa fell during the Covid-19 pandemic compared to the previous year. According to (Nurdiani, 2021), the Government of Banten Province's APBD managed its budget in accordance with predetermined regulations and guidelines as it dealt with the Covid-19 pandemic. Government hub that uses processes for reorienting and reallocating budget revenue, spending, and funding to get it right.

This research follows up on the inconsistencies in the results of previous research and there is still little similar research related to the financial performance of local governments during the Covid-19 pandemic. Apart from that, this research is different from previous research because it uses a larger sample involving two provinces with dense populations.

Based on the background of the problems mentioned above, the problems that will be studied and analyzed in this study are as follows:

1. Are there any differences in the financial performance of local governments before and during the Covid-19 pandemic for districts/cities in Central Java and D.I. Yogyakarta Province?
2. Are there any differences in regional economic growth before and during the Covid-19 pandemic for districts/cities in Central Java and D.I. Yogyakarta Province?
3. What is the comparative analysis of differences in local government financial performance before and during the Covid-19 pandemic and their impact on district/cities

economic growth in Central Java and D.I. Yogyakarta Province?

RESEARCH METHODS

This study takes a quantitative approach using secondary sources of information. Data obtained from the website of the director general of the fiscal balance of the ministry of finance, which includes: APBD, balance sheet, budget realization report, and operational report. In addition, data on economic growth was also obtained from the website of the Central Statistics Agency (BPS). All local administrations in Central Java and D.I. Yogyakarta province between 2016 and 2020 were included. Purposive sampling was used in this study. Purposive sampling is a kind of sampling in which samples are selected depending on criteria that meet the information requirements of the investigation. Here are some criteria for selecting samples:

1. Central Java's districts and cities, as well as those in D.I. Yogyakarta province with some degree of financial autonomy, have an attainment level of 0–75% (BPS, 2022) for the years 2016–2020.
2. During 2016–2020, districts and cities in Central Java and D.I. Yogyakarta with an HDI of 0–69% (BPS, 2022) were identified as having a low and moderate HDI, respectively.

There are some districts/cities in Central Java and D.I. Yogyakarta province that meet the sample criteria. Its consists of Banjarnegara, Batang, Blora, Brebes, Cilacap, Grobogan, Kebumen, Magelang, Pekalongan, Pemalang, Purbalingga, Rembang, Tegal, Temanggung, Wonogiri, Wonosobo, and Gunung Kidul.

This study applies several tests to investigate indicators. The data will be subjected to a normality test before any further analysis is

performed. The Kolmogorov-Smirnov test was used to check for normality. After ensuring the data is normally distributed, descriptive statistics will be run on the collected information. Then a new test will be applied to the results. It will be tested with a different test.

RESULTS AND DISCUSSION

Results

This study applies normality test to ensure that residuals are distributed normally. The result of normality test is shown in Table 1.

Table 1. Normality test

	Kolmogorov-Smirnov		Shapiro-Wilk	
	Stat.	Sig.	Stat.	Sig.
KD_Before	0.140	0.200 ^{c,d}	0.960	0.586
KD_Pandemic	0.170	0.187	0.920	0.155
FK_Before	0.140	0.200 ^{c,d}	0.950	0.464
FK_Pandemic	0.520	0.000	0.290	0.000
SO_Before	0.230	0.015	0.910	0.084
SO_Pandemic	0.110	0.200 ^{c,d}	0.980	0.938
SJPe_Before	0.260	0.003	0.700	0.000
SJPe_Pandemic	0.170	0.176	0.880	0.033
SJP_Before	0.220	0.024	0.780	0.001
SJP_Pandemic	0.170	0.182	0.890	0.053
SL_Before	0.140	0.200 ^{c,d}	0.940	0.311
SL_Pandemic	0.170	0.200 ^{c,d}	0.950	0.465
PE_Before	0.340	0.000	0.720	0.000
PE_Pandemic	0.380	0.000	0.580	0.000

Source: Results of Data Processing with SPSS, 2022

The Kolmogorov-Smirnov sig. (signification) for regional independence data before and during the pandemic is 0.200 and 0.187, respectively

(Table 1 for KD). This indicates that the residual was normally distributed before and during the Covid-19 pandemic. The value of 0.200, found in data on regional adaptability before the pandemic, was more than the significance threshold of 0.05. Before the Covid-19 pandemic, data on regional financial flexibility had a normal distribution. Meanwhile, information on people's ability to make ends meet during the pandemic was below 0.05, or 0.00. In other words, the statistics on people's willingness to bend the rules during the pandemic were not normally distributed. Prior to the pandemic, regional operational solvency data had a value of 0.015, which is much lower than the 0.05 standard of significance. Before the Covid-19 outbreak, statistics on regional operational solvency were not regularly provided. The pandemic's operational solvency data followed a normal distribution as long as the value was more than 0.05, in this case 0.200.

Prior to the pandemic, regional short-term solvency data had a value of 0.003, which is lower than the 0.05 threshold for statistical significance. Before the Covid-19 pandemic, there existed a non-normal distribution of short-term solvency data. While the short-term solvency data during the pandemic was 0.176 which is above 0.05. This indicates that the data followed a normal distribution. Before the Covid-19 pandemic, long-term solvency data for the region had a value below the threshold of significance of 0.05, which was 0.024. This means that the data did not follow a normal distribution. The long-term solvency data during the pandemic followed a normal distribution, since the value was more than 0.05, at 0.182.

A normal distribution may be inferred from data on service solvency before and during the pandemic if it exceeds the threshold of significance of 0.05, which is equivalent to 0.200. Since the

average annual growth rate of the economy before and after the pandemic was 0.000, we may conclude that economic growth data does not follow a normal distribution.

The result of descriptive statistics is presented in Table 2. The descriptive statistics consist of information about mean, number of sample, standard deviation and standard error mean before and during pandemic.

Table 2. Descriptive Statistics

		Mean	N	Std. Dev.
Pair 1	KD_Before	0.140	17	0.020
	KD_Pandemic	0.150	17	0.020
Pair 2	FK_Before	1.960	17	0.160
	FK_Pandemic	4.100	17	7.770
Pair 3	SO_Before	1.040	17	0.030
	SO_Pandemic	0.990	17	0.030
Pair 4	SJPe_Before	9.320	17	9.970
	SJPe_Pandemic	5.500	17	3.980
Pair 5	SJP_Before	150.410	17	121.880
	SJP_Pandemic	115.450	17	71.240
Pair 6	SL_Before	2,560,506	17	690,431
	SL_Pandemic	2,754,355	17	687,613
Pair 7	PE_Before	0.060	17	0.010
	PE_Pandemic	-0.020	17	0.020

Source: Results of Data Processing with SPSS, 2022

Based on Table 2, it can be seen that the financial performance of districts/cities in Central Java Province, represented by 17 samples, shows the average value (mean) of the regional independence indicator before the Covid-19 pandemic was 0.14. Meanwhile, the average of regional independence indicator during the Covid-19 pandemic was 0.15. Financial performance from the financial flexibility indicator before the Covid-19 pandemic had an average value of 1.96 while the average financial flexibility indicator during the pandemic was 4.10.

The average operational solvency indicator before the pandemic was 1.04, while during the pandemic the operational solvency indicator had an average of 0.99. The average short-term solvency before the pandemic was 9.32 while during the pandemic it was 5.50. The average long-term solvency before the pandemic was 150.41 while during the pandemic it was 115.45. The average solvency of services before the pandemic was 2,560,506 while during the pandemic was 2,754,355. The average economic growth before the Covid-19 pandemic was 0.06 while during the Covid-19 pandemic was -0.02. Table 3 presents the result of paired samples correlation before and during the pandemic.

Table 3. Paired Samples Correlations

		Corr.	Sig.	Decision
Pair 1	KD_Before & KD_Pandemic	0.820	0.000	There is a relationship
Pair 2	FK_Before & FK_Pandemic	0.050	0.850	No relationship
Pair 3	SO_Before & SO_Pandemic	0.220	0.400	No relationship
Pair 4	SJPe_Before & SJPe_Pandemic	0.580	0.010	There is a relationship
Pair 5	SJP_Before & SJP_Pandemic	0.700	0.000	There is a relationship
Pair 6	SL_Before & SL_Pandemic	0.940	0.000	There is a relationship
Pair 7	PE_Before & PE_Pandemic	0.180	0.500	No relationship

Source: Results of Data Processing with SPSS, 2022

Based on Table 3, the correlation of KD before and during the pandemic is 0.820 with a significant value of 0.000. This indicates that there is a relationship between regional independence

before and during the Covid-19 pandemic. From the fiscal adaptability indicator, the correlation between before and during the pandemic is 0.050 with a significant value of 0.850. It is concluded that there is no significant relationship between fiscal adaptability before and during the Covid-19 pandemic.

Operational solvency before and after the Covid-19 pandemic, the significant value of operational solvency is $0.40 > 0.05$, indicating no significant relationship. Short-term solvency has a significant value of $0.01 > 0.05$, indicating a substantial correlation between solvency levels before and during the Covid-19 pandemic. Long-term solvency has a significant value of $0.00 > 0.05$. This suggests that long-term solvency before the pandemic and long-term solvency during the Covid-19 pandemic are strongly correlated. Solvency in providing services was significantly related to its provision both before and after the Covid-19 pandemic, with a significance value of $0.00 > 0.05$.

The GDP growth's significant value is $0.50 > 0.05$, indicating that there is no correlation between GDP growth before and during the Covid-19 pandemic. Regional financial performance ratios show that there is a relationship between before the pandemic and during the pandemic, meaning that these ratios show changes in regional financial performance which are less good when compared between before the pandemic and during the Covid 19 pandemic.

Table 4 presents the paired sample t-test result which is the main result of this study for the seven indicators. Based on Table 4, the financial performance of districts/cities in Central Java and D.I. Yogyakarta province as measured by the regional independence ratio, shows that the significant value is $0.25 > 0.05$. This means that there is no difference in the ratio of regional

independence before the Covid-19 pandemic and during the Covid-19 pandemic.

Table 4. Paired Samples Test

		t	Sig. (2-tailed)	Decision
Pair 1	KD_Before KD_ Pandemic	-1.191	0.251	No difference
Pair 2	FK_Before FK_ Pandemic	-1.138	0.272	No difference
Pair 3	SO_Before SO_ Pandemic	5.775	0.000	There is a difference
Pair 4	SJPe_ Before SJPe_ Pandemic	1.897	0.076	No difference
Pair 5	SJP_Before SJP_ Pandemic	1.642	0.120	No difference
Pair 6	SL_Before SL_ Pandemic	-3.446	0.003	There is a difference
Pair 7	PE_Before PE_ Pandemic	12.748	0.000	There is a difference

Source: Results of Data Processing with SPSS, 2022

The financial performance of cities/regencies in Central Java and D.I. Yogyakarta province, as measured by financial flexibility, shows a significant value of $0.27 > 0.05$. It means that there is no difference in regional financial performance as measured by financial flexibility before the pandemic and financial flexibility during the Covid-19 pandemic.

The financial performance of districts/cities in Central Java and D.I. Yogyakarta province as measured by the operational solvency ratio, shows a significant value of $0.00 < 0.05$. It means that there is a difference in regional financial

performance as measured using the operational solvency ratio before and during the Covid-19 pandemic.

The regional financial performance of districts/cities in Central Java and D.I. Yogyakarta province as measured by the short-term solvency ratio, shows a significant value of $0.07 > 0.05$. It means that there is no difference in regional financial performance as measured by the short-term solvency ratio before and during the Covid-19 pandemic.

The regional financial performance of districts/cities in Central Java and D.I. Yogyakarta province as measured by the long-term solvency ratio, shows a significant value of $0.12 > 0.05$. It means that there is no difference in regional financial performance as measured by the long-term solvency ratio before and during the Covid-19 pandemic.

The financial performance of districts/cities in Central Java and D.I. Yogyakarta province as measured by the service solvency ratio shows a significant value of $0.000 < 0.05$. It means that there is a difference in regional financial performance as measured using the service solvency ratio before the Covid-19 pandemic during the Covid-19 pandemic.

The economic growth of districts/cities in Central Java and D.I. Yogyakarta province shows a significance value of $0.00 < 0.05$, which means that there is a real difference between the economic growth of cities/districts in Central Java Province and Yogyakarta Province before the COVID-19 pandemic *with* growth economy during the *COVID-19 pandemic*.

Discussion

Based on Table 4, the results of the paired samples t-test for testing regional financial performance as measured by the independence

ratio show that a significance value of $0.25 > 0.05$. It means that regional independence before and during the Covid-19 pandemic did not experience a significant difference.

The level of regional independence before and during the Covid-19 pandemic showed that there was no difference, namely that it was still in a flat trend. These results are in line with research conducted by Vebiani et al., (2022) which stated that there was no difference in the ratio of regional independence before and during *Covid - 19*. There are still many regional governments in Central Java province and D.I. Yogyakarta province, whose level of independence during 2016-2020 is not yet independent with an average of 14% - 15%. Based on the 2020 Local Government Fiscal Independence Report, from 2013 to 2020 the status of the Fiscal Independence Index (IKF) for the majority of local governments 93.04% of local governments that have been analyzed has a flat trend or does not experience a change in status, which is still dominated by regions that have a level of independence is still low. This also shows that central government interference is still dominant in regional development. The government's policy in providing financial assistance to local governments has not changed despite the Covid-19 pandemic. So there is no difference in the independence of a region before and during the Covid-19 pandemic.

Based on Table 4, the results of the paired samples t-test for testing regional financial performance as measured by the financial flexibility ratio show that a significance value of $0.27 > 0.05$. This means that regional financial flexibility before and during the Covid-19 pandemic did not experience a significant difference. These results are in accordance with research conducted by Habibi & Kurnia Ahsanul (2021) which stated that the level of flexibility of

local government finances before and after the *COVID-19 pandemic* was not different.

The level of financial flexibility for cities/regencies in Central Java province and D.I. Yogyakarta province before and during the Covid-19 pandemic was relatively high because the average of regional financial flexibility before the pandemic was 1.96 times to be used to anticipate unexpected events. Meanwhile, the average regional financial flexibility during the pandemic increased to 4.10 times, which was used to anticipate unexpected events. That is, the regional financial flexibility figure which was always positive both before and during the pandemic indicated that the city /district local governments in Central Java Province and Yogyakarta Province were able to cope with unexpected incidents or events. This was done by the local government because the geographical conditions in the Central Java and Yogyakarta regions are in disaster-prone areas, such as what happened in the south coast region because it is on the ring of fire route where earthquakes often occur and with the Covid-19 pandemic, of course, making the regional government more careful in maintaining the flexibility ratio.

The regional financial performance of cities/regencies in Central Java province and Yogyakarta province, as measured by the operational solvency ratio, indicates that a significance value of $0.00 < 0.05$. This means that there is a difference in regional financial performance as measured by the operational solvency ratio before the Covid-19 pandemic with operational solvency during the Covid-19 pandemic. This research is in line with research conducted by Habibi & Kurnia Ahsanul (2021) which stated that the level of operational solvency of district/ city regional governments

before and during the Covid-19 pandemic experienced differences.

There is a decline in financial performance as measured by the operational solvency ratio. The average operational solvency ratio before the pandemic was 1.04 and during the pandemic was 0.99. This means that there were differences in situations and conditions in this matter before and during the Covid - 19 pandemic causing an increase in regional operational costs such as costs for handling the Covid-19 pandemic but not accompanied by an increase in total regional income. This will certainly have an impact on local governments in maintaining the operational solvency ratio, thereby causing a decrease in the level of operational solvency between before and during the Covid-19 pandemic.

The regional financial performance of cities/regencies in Central Java province and D.I. Yogyakarta province, as measured by the short-term solvency ratio, shows that a significance value of $0.07 > 0.05$. This means that there is no difference in regional financial performance as measured by the short-term solvency ratio before Covid-19 pandemic and short-term solvency during the Covid-19 pandemic.

The short-term solvency of cities/regencies in Central Java province and D.I. Yogyakarta province before and during the pandemic was relatively small. Small short-term solvency means that local governments have large current liabilities. Based on real data, it shows that the average short-term solvency was 9.32 before the pandemic and fell to 5.50 during the pandemic. Nonetheless, the average short-term solvency of cities/districts in Central Java and D.I Yogyakarta provinces is still relatively good because of the two conditions that occurred, namely before and during the pandemic, the average short-term solvency still had the same

positive value, meaning that the government the region has enough current assets to pay its short-term liabilities.

The regional financial performance of cities/regencies in Central Java province and D.I. Yogyakarta province, as measured by the long-term solvency ratio, shows a significance value of $0.12 > 0.05$. It means that there is no difference in regional financial performance as measured by the long-term solvency ratio before the Covid-19 pandemic with long-term solvency during the Covid-19 pandemic.

Based on real data, it shows that the average long-term solvency was 150.41 before the pandemic and fell to 115.45 during the pandemic. Even though the average long-term solvency of cities/regencies in the provinces of Central Java and D.I. Yogyakarta has decreased significantly, the average long-term solvency still has a positive value, meaning that local governments both before the pandemic and during the pandemic still had sufficient assets and equity to guarantee its long-term obligations.

The financial performance of cities/regencies in Central Java province and D.I. Yogyakarta province as measured by the service solvency ratio, shows a significance value of $0.00 < 0.05$. It means that there is a significant difference in regional financial performance as measured using the service solvency ratio before the pandemic Covid-19 with service solvency during the Covid-19 pandemic.

There is an increase in financial performance as measured by the service solvency ratio. The average service solvency ratio before the pandemic was 2,560,506 to serve each citizen and during the pandemic became 2,754,355. This means that there are different situations and conditions where during the Covid-19 pandemic the local government increased spending in order

to improve services to every citizen. This also indicates that the local governments in Central Java province and D.I. Yogyakarta province during the Covid-19 pandemic are increasingly adding facilities and means to optimize services both in terms of quality and quantity to their people.

Based on Table 4, the economic growth of cities/districts in Central Java province and D.I. Yogyakarta province shows a significance value of $0.00 < 0.05$ which means there is a significant difference between the economic growth of cities/districts in Central Java province and D.I. Yogyakarta province before and during the Covid-19 pandemic. The results of this study are in line with research conducted by Widiastuti (2021) which stated that the condition of economic growth during the Covid-19 pandemic experienced a drastic decline to negative numbers, in contrast to previous years which were relatively stable at positive numbers.

There was a decline in economic growth before the pandemic, namely 6%. During the pandemic, it became -2%. This means that the regional economy of cities/regencies in Central Java province and D.I. Yogyakarta province in 2020 will be greatly affected by the Covid-19 pandemic. This is due to the PSBB policy that was enforced during the pandemic so many factories stopped their production. During the pandemic, there were many changes in people's behavior in consuming or investing, in addition to that, people's purchasing power had not yet returned to normal. During the pandemic, despite the slowdown, in the provinces of Central Java and D.I. Yogyakarta, there was the manufacturing industry sector which became the main support for the rate of economic growth, which was then followed by wholesale and retail trade and construction. Apart from that, the agricultural sector may become a potential that can be developed during a

pandemic because it is experiencing growth (BPS, 2022).

Based on Table 4, it can be seen that financial performance as measured using regional independence, financial flexibility, short-term solvency, and long-term solvency does not have a significant impact on economic growth. Meanwhile, other financial performance indicators, such as operational solvency and service solvency, have a significant impact on economic growth.

Regional independence before and during the pandemic had a flat trend or did not experience a change in status, which was still dominated by regions with a low level of independence. This also shows that central government interference is still dominant in regional development. Based on this, it can indicate that the regional government has not optimized the use of transfer funds received from the central government to restore the economy during the pandemic so that what happened was that economic growth before and during the pandemic experienced a significant difference in a negative direction (decreased).

The same thing applies to other financial performance indicators such as financial flexibility, short-term solvency, and long-term solvency, which also do not have an impact on economic growth. Even though these three performances have positive numbers, there are still declines so local governments have not been able to guarantee the continuity of their governance to maintain their financial performance and overcome unexpected events. This is proven by the decline in the regional economy during the Covid-19 pandemic. This is in line with research conducted by Irna and Jhon (2020) which states that the low value of regional financial indicators indicates that there are still district/city

governments that cannot guarantee the continuity of the local government in maintaining its financial condition and overcoming unexpected things in the future.

Operational solvency and service solvency have a significant impact on economic growth. A positive level of operational solvency means that local governments have sufficient revenue to cover their operational costs. The decrease in operational solvency in 2020 was due to an increase in operating costs compared to an increase in regional income. The decrease in the level of solvency was caused by an extraordinary event, namely the Covid-19 pandemic which caused an economic downturn that occurred in various regions. This is due to the PSBB policy that was enforced during the pandemic so many factories stopped their production. During the pandemic, there were many changes in people's behavior in consuming or investing, in addition to that, people's purchasing power had not yet returned to normal, which then caused their income to decline. This then causes economic growth to decline in 2020.

A positive level of service solvency indicates that the local government is committed to providing optimal service to its people. Due to the Covid-19 pandemic, the solvency of city /district local government services in Central Java province and D.I. Yogyakarta Province has increased. This happened because the government added new fixed assets or added value to existing fixed assets for the purposes of accelerating the handling of Covid-19. But on the contrary, the result of a pandemic will certainly result in policies that disrupt people's mobility. It was exacerbated by the massive layoffs, namely more than 150 million workers were sent home and were laid off, of which 90% of workers were sent home and 10% were laid off (Fakhrul Rozi & Ririn Noviyanti, 2020).

The existence of this economic shock caused a decrease in the level of public consumption which then resulted in the regional economy of districts/cities in Central Java province and D.I. Yogyakarta province in 2020 experiencing a decline of -2%.

CONCLUSION

This study aims to analyze the differences in the ratios of financial independence, financial flexibility, operational solvency, short-term solvency, long-term solvency, and regional service solvency in the Provinces of Central Java and D.I. Yogyakarta before and during the Covid-19 Pandemic and its impact on economic growth. The result of this study shows that there was no discernible change in the degree of fiscal autonomy of districts and towns in Central Java province and D.I. Yogyakarta province either before or during the Covid-19 pandemic. There was little change in the amount of regional independence between before and after the Covid-19 pandemic, and low-independence areas continued to dominate.

Second, there was no major change in the adaptability of regional budgets before and during the Covid-19 pandemic. This demonstrates the capacity of Central Java and D.I. Yogyakarta provinces' city and district local governments to handle their financial resources in the face of unforeseen calamities, such as the Covid-19 pandemic that would strike in 2020. Third, before and during the Covid-19 pandemic, operational solvency varied widely between regions. The findings indicate a decline in operational solvency as a whole. This may imply that local governments have had less success in levying regional taxes to fund emergency services during the Covid-19 pandemic. Fourth, there was no discernible change in the short-term solvency of the areas

either before or after the Covid-19 pandemic. Local governments continue to have sufficient current assets to meet their short-term commitments, as measured by the average short-term solvency, which remains positive.

Fifth, there was no discernible change in the long-term solvency of the areas before and after the Covid-19 pandemic. The average long-term solvency is still positive, indicating that local governments had adequate assets and equity to guarantee long-term liabilities both before and after the pandemic. Sixth, there were substantial shifts in the financial viability of regional services before and during the Covid-19 pandemic. In Central Java and Yogyakarta, the municipal and district local government services' financial stability has improved. This occurred as a result of government investment in the purchase of new or improvements to existing fixed assets for the goal of expediting the response to Covid-19.

Seventh, variations in economic expansion were seen before and during the COVID-19 pandemic. During the Covid-19 pandemic, the economies of cities and districts in Central Java province and D.I. Yogyakarta province declined. Many businesses shut down during the pandemic as a result of the PSBB policy, and economic hubs were not operating at full capacity. Eighth, there is no correlation between fiscal autonomy, fiscal flexibility, short-term solvency, long-term solvency, and economic expansion. Meanwhile, operational solvency and service solvency are additional financial performance measures that matter much to economic expansion.

There is some suggestion for the future research. This research only uses a sample of two provinces. Future research, it would be better to use a sample of all districts and cities in Indonesia. This research only compares the financial performance of local governments before the

pandemic and during the Covid-19 pandemic. Future research should compare the financial performance of local governments before and after the Covid-19 pandemic.

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