FINANCIAL CONDITION OF LOCAL GOVERNMENT AFTERMATH OF COVID 19 PANDEMIC-ARCHIVAL ANALYSIS

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Abstract: *This study explores two aspects: (1) the provincial government of Indonesia's financial condition index and (2) the effect of financial condition on COVID-19 managing cases. This study employs a descriptive quantitative methodology and analyzes archival data for 2015-2021. According to a study of provincial government financial condition in Indonesia, the provinces with the best financial condition index are Aceh, DKI Jakarta, East Borneo, NTT, and West Papua. The concurrent influence of financial status and COVID-19 pandemic management. The results indicated that H1 was accepted with a significance level of 0.001 for the concurrent influence of the financial condition of the province government on COVID-19 situations. H3 is supported by a sig 0.001 that indicates a partial effect of an independent financial index on COVID-19 situations. H3 is rejected with a sig of 0.187, showing that budget solvency has no partial effect on the COVID-19 situations. H4 is rejected with a sig of 0.885, suggesting that service level solvency does not affect COVID-19 situations. Independent variables can account for 38.1% of the 19 covid cases that occurred in the province.*

Abstrak: Penelitian ini bertujuan untuk menganalisis dua aspek: (1) indeks kondisi keuangan pemerintah provinsi Indonesia; dan (2) pengaruh kondisi keuangan terhadap penanganan kasus COVID 19. Penelitian ini merupakan kuantitatif deskriptif dengan analisis data tahun 2015-2021. Provinsi Aceh, DKI Jakarta, Kalimantan Timur, NTT, dan Papua Barat memiliki indeks kondisi keuangan terbaik di Indonesia, berdasarkan hasil penilaian kesehatan keuangan pemerintah provinsi.

Kondisi keuangan berpengaruh secara simultan terhadap penanganan pandemi COVID-19. Hasil penelitian menunjukkan bahwa H1 diterima dengan sig. 0.001 maka, kondisi keuangan pemerintah provinsi berpengaruh simultan terhadap penanganan COVID-19. H3 diketahui dengan sig <0.001 bahwa kemandirian keuangan berpengaruh secara parsial terhadap penanganan COVID-19. Dengan sig. 0.187, H2 ditolak, menunjukkan bahwa solvabilitas anggaran tidak berpengaruh secara parsial pada 19 kasus. Dengan sig. 0.885, H4 ditolak, menunjukkan bahwa solvabilitas layanan tidak berpengaruh pada situasi COVID-19. Variabel independen dalam penelitian ini yang dapat menjelaskan 38.1% dari keberhasilan penanganan COVID-19 yang terjadi pada wilayah provinsi.

Keywords: Financial Condition, Index, Covid 19

INTRODUCTION

In 2020, the COVID-19 pandemic will present Indonesia's government with a formidable obstacle. Since the first confirmed incidence on March 2, 2020, the COVID-19 pandemic has been ongoing for one and a half years (Nasional, n.d.). Handling the COVID-19 pandemic requires collaboration between central and local governments. COVID-19 has significantly impacted the world economy and public health and changed people's lives (Palle Venkata & Obias, 2021). As of June 2022, the number of COVID-19 cases in Indonesia remained at 6.084.063 instances (Nasional, n.d.). The high prevalence of covid 19 cases in Java hampered national economic growth.
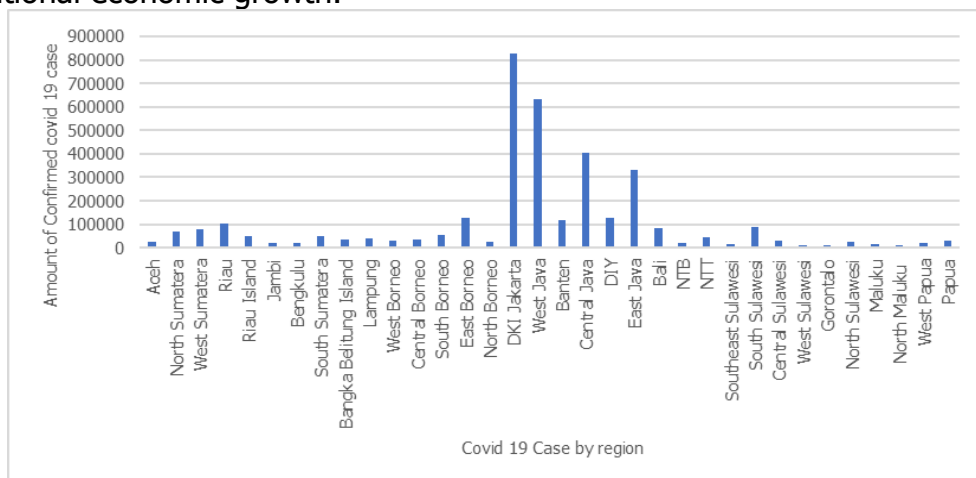

Figure 1. Confirmed Covid 19 Cases in Indonesia
Source: Data obtained from the Committee for Handling Covid 19 and National Economic Recovery, 2022

The pandemic has had a measurable influence on Indonesia's economy. Indonesia experienced a decline in the economic growth of 2.07 percent in 2020 (BPS RI, 2022). The impact of the COVID-19 pandemic on all economic sectors, including industrial, manufacturing, service, and production, has resulted in production and sales decreases, as well as layoffs.

The current government budget was the main supporting for national economic growth. Numerous countries worldwide have problems with their budgetary capacity to deal with unexpected events such as pandemics, climate change, and financial crises (Heald & Hodges, 2020). The COVID-19 pandemic occurred rapidly and significantly impacted the national economy. Indonesia has APBN and APBD as the main drivers of the national economy during the pandemic. APBN and APBD positively impact national economic stability (Subekan & Iskandar, 2020). The budget to deal with COVID-19 comes from the state budget (Hasibuan et al., 2020). APBD is a monetary instrument that protects regional economies from the financial crisis. Therefore, optimal management of APBD impacts handling and reconstructing the regional economy in the aftermath of the pandemic.

The local government's finances are determined by population, production and service costs, and revenues (Ritonga et al., 2019). The financial condition of the local government will impact the success of COVID-19 pandemic vaccine costs and revenues (Development Bank, 2020). The COVID-19 may not rapidly end if pandemic management actions are not taken fast enough (Arianto, 2021). The local government's financial condition could not face unpredictable situations (I. K. Indriani et al., 2019). Local government budgets are affected by the realization of regional revenues and expenditures. The number of actualizations that an internal financial management system influences. The COVID-19 pandemic has disrupted the lives of individuals. This condition was expected and rapidly caused the authorities to develop a short-term plan for bringing the COVID-19 cases under control.

This research used an experimental study to analyze the financial condition and the correlation between the local government financial index and the case of COVID-19. The initiation of this research is based on a study result from OECD in 2020. Numerous local governments implemented short-term plans to prevent the COVID-19 pandemic (de Jong & Ho, 2021). APBD as local government fiscal policy will be a regional economic growth stimulus. Handling the pandemic requires a huge budget (Muhyiddin & Nugroho, 2021). This research has a novelty, it analyzes the financial condition of handling COVID-19 cases in Indonesia. The local government should carry out congruent affairs in the health and education sectors. The authority of local government to design and implement regional budgets (Maizunati, 2017). The objective of assessing

the provincial government's financial position in Indonesia is to provide an overview of the APBD's realizations in dealing with the unconditional situation. APBD will be an essential instrument in dealing with the pandemic in local government areas.

Financial condition index assessment uses indicators of financial independence, budget solvency, and service level solvency (Ritonga, 2015). These indicators will assess the ability of local governments to generate revenue, financial strength, and ability to administer and improve public service quality (Ritonga, 2015). This assessment aims to provide an evaluation management of the APBD that has been carried out, whether it has been optimal if it has to be faced with current covid 19 pandemic conditions. Implementing sufficient health care is essential to resolving the Indonesian COVID-19 pandemic problem. Health is a fundamental human right. Local governments should provide adequate health services to the community. Proper budget management will improve the quality of public health services in pandemic situations. The financial condition assessment indicator will give an overview of the financial strength of local governments in Indonesia to deliver public services and conduct operational activities. The financial condition of 34 provincial governments in Indonesia will be assessed. Financial condition assessment conducted by archival analysis. The archival analysis utilized huge data from 2015-2021. The archival analysis would provide a comprehensive result to ensure the financial resilience of local government in Indonesia.

The evaluation of the financial condition of the provincial government will be adjusted to reflect the amount of budget realized in a particular monetary year. Budget realization is crucial to regional economic growth during the COVID-19 pandemic (Subekan & Iskandar, 2020). These research questions will be answered in this study. (1) Financial condition index in Indonesia's provincial government. (2) The effect of the financial condition index of the provincial government significantly impacts the handling of COVID-19 cases.

LITERATURE REVIEW AND HYPOTHESES
Budget Solvency Index
The budget solvency index will compare the special allocation fund's revenues to all operational expenses. Budget solvency is the capacity of local governments to generate sufficient money to cover their operating expenditures for a specific budget period (Ritonga, 2015).

Financial Independence Index
The Financial Independence Index measures the extent to which local governments are not susceptible to national or international revenue sources beyond their control or influence (Ritonga, 2015).

Service Level Solvency Index

The service level solvency index illustrates the capacity of local governments to offer and maintain the amount of public service that the community requires and desires (Ritonga, 2015). To estimate the impact of the COVID-19 pandemic, the financial status of the provincial government will be evaluated. The hypothesis will serve as the starting point for this investigation. The objective of hypothesis is as follows:

H1: The provincial government's financial condition index affects the treatment of COVID-19 cases concurrently.

H2: The budget solvency index influences the management of COVID-19 instances.

H3: The financial independence index influences the management of COVID-19 cases.

H4: The service level solvency index influences the management of COVID-19 cases.

RESEARCH METHOD

This study employs a quantitative methodology and archival research. The research is predicated on collecting data by identifying variables as fundamental notions related to the existing theory and utilizing massive amounts of data. Indicators of budget solvency, financial independence, and service level solvency are the focus of this study's evaluation of the financial position. Indicators of budget solvency, financial independence, and service level solvency are ways to characterize the financial state of the COVID-19 pandemic response accurately. To combat the pandemic, some municipal governments devised short-term initiatives. This form of research is included under "explanatory research" based on its objectives. Explanatory research highlights the relationship between variables and tests the formulated hypothesis. The population of this study consists of local governments in Indonesia. This study's sample is the provincial governments of Indonesia. There were 34 provincial governments sampled. The data used in this investigation are secondary. The information represents the APBD implementation report from 2015 to 2021. This information was gathered from the Directorate General of Monetary Balance of the Ministry of Finance of the Republic of Indonesia. The Committee for Handling COVID-19 and the National Economic Recovery validated the case data for COVID-19.

The initial financial condition study included ratio indicators of budget solvency, financial independence, and service level solvency. Financial condition evaluation based on benchmarking each research sample In addition, the review of the financial condition utilizes the indicator index approach and the dimensional index. This formula will generate a weighted rating for local governments' financial health. The indicator index is a strategy for transforming data, so the outcome is suitable for analysis

(Ritonga, 2015). A dimensional index is an analytical technique used to determine the weight of each indicator index based on the geometric mean in arithmetic, such that it produces values between 0 and 1 (Ritonga, 2015). This technique's dimension index computation presupposes that the weight of each indication index is identical. In addition, statistical analysis was undertaken to determine the impact of the regional financial condition index on these 19 instances. The statistical analysis is built by developing a hypothesis based on the regional budget capability. Indices like budget solvency, financial independence, and service-level solvency measure this financial condition.

The second step of this investigation is to undertake statistical analysis to learn more about the impact of regional economic conditions on COVID 19. Statistical analysis is constructed by constructing a hypothesis based on the regional budget capability. This budget capability is determined by regional financial conditions, budget solvency, financial independence, and indicators of service-level solvency. Regional budget capacity is realized through PAD, DAK, operational expenses, and capital expenditures.

1. Classic assumption test

   A multiple linear regression model is deemed of high quality if it satisfies the assumption of data normality and is devoid of conventional statistical assumptions (Sujarweni, 2016). Using heteroscedasticity, normality, and multicollinearity tests, the conventional assumption test is carried out.

2. Multiple Regression

   Regression seeks to determine whether a relationship exists between dependent and independent variables (Sujarweni, 2016). The dependent variable is the variable that is influenced, whereas the independent variable is the variable that affects the dependent variable (Sujarweni, 2016).

RESULT AND DISCUSSION

The highest financial condition index was for the provincial governments of East Borneo, Aceh, DKI Jakarta, NTT, and West Papua. These provincial governments have the highest ratings for budget solvency, financial independence, and service solvency. The budget solvency indicator reveals that the provincial governments of Kalimantan, Timur, and Aceh had the highest index during the COVID-19 pandemic. Before the pandemic, West Papua and Central Java had the greatest budget solvency indices. Indicators of financial independence indicate that the province governments of DKI Jakarta, NTT, and East Java in Indonesia have the highest level of financial independence for the fiscal years 2015–2021. During 2018–2021, the government of West Papua and North Maluku Province had the highest degree of service solvency in Indonesia, as measured by the service solvency indicator. Compared to the entire

population of 920.948, the actualization of this total budget and capital expenditure is extremely high (BPS RI, 2022). Based on the median value of the budget solvency ratio, the West Papua Provincial Government has a budget of Rp 10.064.951 for the provision of public services. To offer public services to one individual, the West Papua Provincial government has a budget of Rp 1.908.884 based on the actualization of capital expenditures. The province of West Papua has the highest service level solvency indicator value in Indonesia. The result of a financial assessment of West Papua's capacity to address the COVID-19 pandemic through the provision of public services Population size substantially affects service-level solvency (Ritonga et al., 2019).

The number of regional revenues and expenditures impacts local government budgets. Own revenue (PAD) is a form of revenue produced from taxes and levies that significantly impacts the provincial government's budgetary capacity. The government's management structure determines the number of budget realizations. Local governments can cultivate the local ability to expand PAD (Farouq Ishak et al., 2021). PAD plays a significant role in the regional budget system, yet the proportion of PAD allocated to each APBD is minimal (Harjito et al., 2020). The covivirus 19 pandemic will significantly impact the implementation of PAD, and it is anticipated that the provincial administration will struggle to implement PAD during the pandemic. The COVID-19 pandemic has decreased revenue due to a downturn in the economy, resulting in a tax decline (Muhyiddin & Nugroho, 2021). Due to COVID 19, local governments faced a revenue loss.

The local budget was affected by a decline in taxes, non-tax fees, and public service user fees (Padovani et al., 2020). The pandemic reduced local governments' tax income (Kurnia Indriani et al., 2022). The decrease in tax revenue will affect the local government budget the following year (I. K. Indriani et al., 2021). The proportion of PAD realization for the 2019 fiscal year in Indonesian provincial governments varies greatly. Java had the highest PAD realization, while provincial governments outside of Java were quite minor. It is anticipated that this condition will hinder the region's ability to combat the pandemic. The budgetary capacity of PAD can impact a region's capacity to combat a local pandemic. A decline in local government revenues will negatively impact the budget. Therefore, a financial management strategy is required to prevent debt accumulation (OECD, 2020b).

Expenditures from special allocation funds (DAK) account for a sizeable amount of financial capability. For the 2019 fiscal year, the share of DAK realized by provincial governments in Indonesia is extremely high, particularly for West Java, Central Java, East Java, North Sumatra, South Sumatra, South Sulawesi, Banten, and NTT. Other provincial administrations, notably DKI Jakarta, had the lowest DAK realization in

2019. Local governments continue to rely heavily on central government transfer fund (Harjito et al., 2020). Central government transfers, PAD, and other revenues significantly impact regional expenditure (Nawawi, 2021). DAK is meant to subsidize central government work activities in the areas. Consequently, its use is restricted. Regional fiscal flexibility is constrained by budgetary restrictions, particularly on non-capital expenditures such as salaries (Green & Loualiche, 2021). DAK's revenues significantly impact the provincial government's budgetary capacity to handle the pandemic. To overcome the COVID-19 pandemic, a sufficient budget is necessary, particularly in the health sector. The APBD structure relies on DAU and DAK for local government (I. K. Indriani et al., 2021). Budget capacity, tax revenue sharing funds, non-tax revenue sharing funds, general allocation funds, special allocation funds, other central government transfers, adjustment funds, and other provincial government transfers are the primary transfer revenue posts that affect regional revenue (Nurhikmah & Firman, 2019). The provincial government will prioritize the money for the pandemic prevention effort for the COVID-19 virus. Priority labor activities include the development of health facilities, the acquisition of the COVID-19 vaccination, and the provision of social aid to the community. During the COVID-19 pandemic, local governments are obligated to provide social protection, health, jobs, security, and prosperity to low-income populations (Temenggung et al., 2020). The largest portion of provincial government expenditures during the 2021 fiscal year is devoted to operating expenses (Figure 2). DKI Jakarta, West Java, East Java, Central Java, and Aceh are the provincial governments with the largest operating expenditure realization. Employee expenses, products, interest, subsidies, grants, and social assistance expenditures are operational expenditures. The proportion of realized capital expenditures to operational expenditures is relatively low. DKI Jakarta, Aceh, West Java, East Java, and Central Java incurred the most capital expenditures. During the pandemic, capital expenditures will be earmarked towards the provision of health services. The expenditures of local governments will increase. The enhanced budget was distributed to government operations, social protection, public health, and the homeless and sleeping service (OECD, 2020a). The increased number of covid 19 cases is directly proportional to the increas in local government expenditure by 5%-10% (OECD, 2020a). Local governments face budgetary difficulties as a result of COVID 19, including the necessity for job programs, rising costs, and a rising demand for public services. Figure 2 illustrates the proportion of realized provincial government revenues in Indonesia and expenditures in 2021.
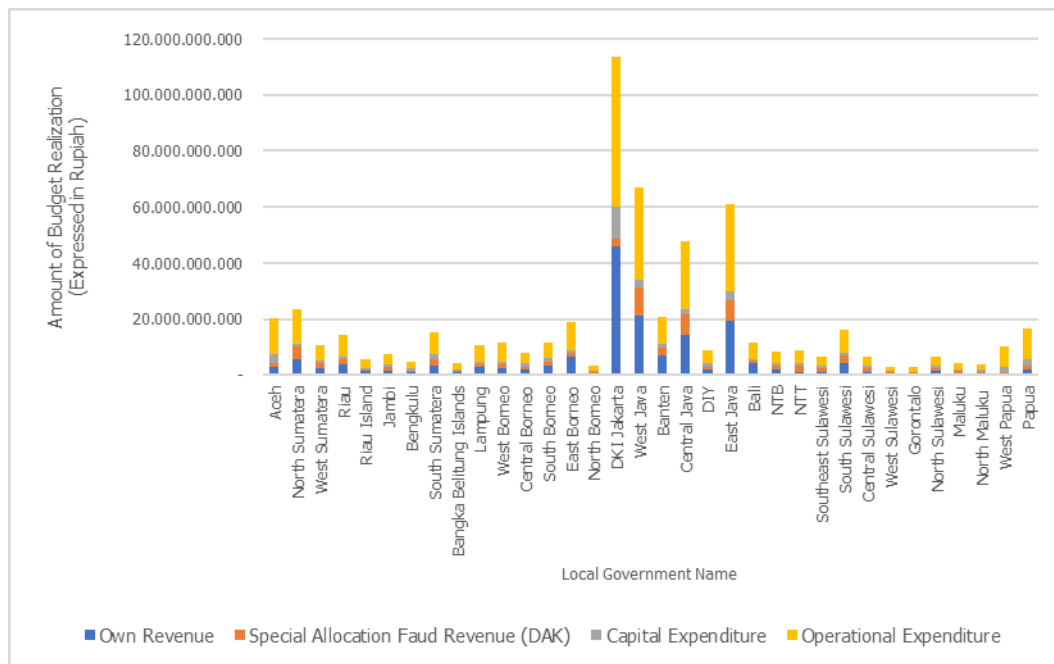
Figure 2. Realization of Own Revenue (PAD), Special Allocation Fund (DAK) Revenue, Capital Expenditure, and Operational Expenditure Provincial Government in Indonesia 2021
Source: Data processed from the Directorate General of Monetary Balance Realization Report of Provincial Government Budget, 2022

Furthermore, statistical analysis was used to assess the impact of the local government's financial condition in dealing with the COVID-19 pandemic. The regression model used in this study is innovative because the COVID-19 pandemic only occurred in Indonesia in 2020.

The regression model will provide reasonable assumptions that are tested by traditional assumptions, such as data normality, multicollinearity, autocorrelation, and heteroscedasticity. Because of the proposed new hypothesis and the experimental investigation, these tests are required. P Plotting indicates that the points on the graph have neared the diagonal axis in the conventional graph display. On the other hand, the histogram demonstrates that the graph follows a normal distribution pattern. These findings suggest that the residuals were regularly distributed.

Table 2. Financial Condition Index 2015-2021

Year / Dimension	2021 Budget Solvency	2021 Financial Independent	2021 Level Solvency	2020 Budget Solvency	2020 Financial Independent	2020 Level Solvency	2019 Budget Solvency	2019 Financial Independent	2019 Level Solvency	2018 Budget Solvency	2018 Financial Independent	2018 Level Solvency	2017 Budget Solvency	2017 Financial Independent	2017 Level Solvency	2016 Budget Solvency	2016 Financial Independent	2016 Level Solvency	2015 Budget Solvency	2015 Financial Independent	2015 Level Solvency
Aceh	0.85	0.21	0.19	0.86	0.22	0.19	0.43	0.18	0.28	0.52	0.03	0.21	0.47	0.14	0.26	0.62	0.13	0.26	0.43	0.16	0.23
North Sumatera	0.38	0.59	0.04	0.43	0.86	0.04	0.09	0.58	0.03	0.27	0.11	0.04	0.30	0.46	0.02	0.51	0.47	0.02	0.46	0.75	0.02
West Sumatera	0.33	0.47	0.06	0.45	0.78	0.06	0.15	0.47	0.07	0.31	0.09	0.07	0.36	0.41	0.06	0.43	0.43	0.06	0.44	0.57	0.05
Riau	0.57	0.54	0.29	0.52	0.55	0.29	0.24	0.54	0.33	0.38	0.11	0.09	0.42	0.42	0.14	0.32	0.40	0.14	0.32	0.59	0.49
Kep. Riau	0.29	0.43	0.02	0.36	0.42	0.02	0.43	0.45	0.01	0.38	0.08	0.12	0.51	0.38	0.09	0.51	0.36	0.09	0.23	0.48	0.00
Jambi	0.42	0.46	0.08	0.46	0.59	0.08	0.17	0.45	0.09	0.68	0.21	0.09	0.79	0.95	0.10	0.93	0.83	0.10	0.29	0.46	0.09
Bengkulu	0.46	0.32	0.09	0.61	0.63	0.09	0.19	0.34	0.14	0.40	0.07	0.11	0.39	0.31	0.08	0.47	0.33	0.08	0.30	0.37	0.11
South Sumatera	0.46	0.48	0.08	0.47	0.58	0.08	0.21	0.48	0.22	0.44	0.10	0.05	0.64	0.49	0.01	0.77	0.46	0.01	0.83	0.56	0.04
Bangka Belitung	0.37	0.35	0.14	0.43	0.49	0.14	0.23	0.38	0.14	0.41	0.08	0.10	0.36	0.32	0.11	0.43	0.95	0.11	0.31	0.35	0.10
Lampung	0.35	0.55	0.39	0.43	0.78	0.39	0.40	0.56	0.43	0.36	0.10	0.62	0.45	0.47	0.51	0.40	0.43	0.51	0.35	0.58	0.39
West Kalimantan	0.28	0.50	0.07	0.40	0.74	0.07	0.19	0.52	0.06	0.31	0.09	0.04	0.41	0.41	0.04	0.30	0.37	0.04	0.20	0.51	0.04
Central Kalimantan	0.40	0.42	0.19	0.44	0.49	0.19	0.33	0.46	0.19	0.37	0.07	0.20	0.68	0.39	0.13	0.56	0.34	0.13	0.47	0.41	0.16
South Kalimantan	0.46	0.62	0.10	0.34	0.33	0.10	0.29	0.69	0.14	0.39	0.15	0.10	0.41	0.60	0.16	0.47	0.54	0.16	0.37	0.69	0.13
East Kalimantan	0.82	0.77	0.18	0.46	0.21	0.18	0.43	0.77	0.21	0.40	0.13	0.19	0.43	0.69	0.25	0.49	0.53	0.25	0.33	0.63	0.31
North Kalimantan	0.46	0.26	0.46	0.52	0.28	0.46	0.54	0.32	0.37	0.64	0.03	0.36	0.40	0.21	0.61	0.39	0.10	0.61	0.28	0.24	0.43
DKI Jakarta	0.75	1.00	0.29	0.23	0.02	0.29	0.33	1.00	0.56	0.43	0.19	0.65	0.65	0.95	0.56	0.49	0.78	0.56	0.56	1.00	0.51
West Java	0.20	0.72	0.01	0.18	0.73	0.02	0.19	0.81	0.02	0.29	0.14	0.01	0.32	0.69	0.00	0.52	0.65	0.00	0.36	0.85	0.01
Banten	0.55	0.83	0.03	0.33	0.61	0.03	0.23	0.86	0.03	0.33	0.15	0.04	0.39	0.70	0.03	0.51	0.65	0.03	0.34	0.83	0.04
Central Java	0.33	0.75	0.01	0.26	0.69	0.01	0.15	0.76	0.01	0.86	0.10	0.00	0.34	0.66	0.01	0.40	0.62	0.01	0.24	0.80	0.01
DIY	0.60	0.45	0.11	0.56	0.42	0.11	0.35	0.48	0.10	0.39	0.09	0.10	0.43	0.43	0.09	0.45	0.44	0.09	0.33	0.57	0.07
East Java	0.36	0.80	0.02	0.58	0.23	0.02	0.18	0.78	0.02	0.35	1.00	0.01	0.38	0.73	0.00	0.46	0.68	0.00	0.27	0.88	0.01
Bali	0.23	0.72	0.07	0.15	0.41	0.07	0.28	0.84	0.07	0.36	0.16	0.06	0.37	0.69	0.09	0.42	0.60	0.09	0.26	0.78	0.08
NTB	0.35	0.46	0.05	0.47	0.75	0.05	0.17	0.45	0.05	0.28	0.08	0.07	0.32	0.34	0.05	0.48	0.34	0.05	0.52	0.49	0.05
NTT	0.14	0.24	0.07	0.54	1.00	0.07	0.11	0.28	0.05	0.25	0.05	0.03	0.30	0.23	0.04	0.36	0.23	0.04	0.37	0.30	0.03
Southeast Sulawesi	0.33	0.30	0.16	0.53	0.71	0.16	0.29	0.33	0.16	0.28	0.03	0.10	0.37	0.23	0.11	0.43	0.26	0.11	0.72	0.31	0.10
South Sulawesi	0.25	0.55	0.06	0.31	0.69	0.06	0.17	0.58	0.04	0.61	0.08	0.04	0.71	0.36	0.03	0.39	0.50	0.03	0.27	0.67	0.03
Central Sulawesi	0.35	0.33	0.10	0.52	0.72	0.10	0.22	0.32	0.10	0.34	0.06	0.06	0.37	0.29	0.08	0.36	0.28	0.08	0.16	0.36	0.07
West Sulawesi	0.42	0.19	0.11	0.69	0.82	0.11	0.23	0.18	0.11	0.30	0.03	0.10	0.36	0.14	0.16	0.40	0.13	0.16	0.42	0.18	0.13
Gorontalo	0.46	0.27	0.09	0.62	0.56	0.09	0.20	0.26	0.11	0.00	0.09	0.10	0.00	0.41	0.13	0.32	0.13	0.13	0.43	0.22	0.12
North Sulawesi	0.10	0.35	0.18	0.27	0.62	0.18	0.11	0.40	0.14	0.34	0.08	0.11	0.39	0.35	0.12	0.42	0.34	0.12	0.43	0.47	0.12
Maluku	0.35	0.20	0.15	0.69	0.72	0.15	0.28	0.17	0.13	0.32	0.03	0.14	0.36	0.13	0.19	0.40	0.15	0.19	0.20	0.18	0.14
North Maluku	0.35	0.18	0.21	0.64	0.66	0.21	0.28	0.17	0.22	0.19	0.00	1.00	0.39	0.00	0.22	0.49	0.10	0.22	0.38	0.11	0.16
West Papua	0.58	0.00	1.00	0.74	0.00	1.00	1.00	0.00	1.00	0.52	0.00	0.81	0.53	0.01	1.00	0.50	0.00	1.00	0.37	0.00	1.00
Papua	0.68	0.09	0.23	0.81	0.09	0.23	0.65	0.14	0.35	0.44	0.00	0.34	0.48	0.04	0.47	0.66	0.04	0.47	0.47	0.03	0.46

Source: Research Results (2022)

Legend:
- Budget capacity In Time of Pandemic
- Budget capacity Before Pandemic
- The Highest Index
- The Lower Index

Table 1
Classic Assumption Test Result

Classic Assumption Test	Description
Normal P-P of Regression Standardized Residual	The normal p-p graph of standardized residual regression depicts the data distribution in the direction of the diagonal line.
Normality Test Results	Kolmogorov Smirnov. Test Results Asymp.sig. (2.tailed) 0.001 (Y); 0.007 (budget solvency index); 0.001 (financial independent index); and 0.027 (service level solvency index).
Autocorrelation Test Results	Durbin Watson (DW) 1.862.
Multicollinearity Test Results	VIF Variable value 4.259 (budget solvency index); 1,049 (financial independent index); and 4,068 (service level solvency index).
Heteroscedasticity Test Results	Glejser test results 0.149 (budget solvency Index); 0.129 (financial independent Index); and 0.075 (service level solvency index).

Source: Processed secondary data, 2022

The asymp. sig. value for the Y variable is 0.001; variable X1 is 0.007; variable X2 is 0.001; and variable X3 is 0.027, according to the Kolmogorov-Smirnov test. The VIF value for the budget solvency index is 4.259, the financial independence index is 1,049, and the service level solvency index is 4,068 according to the multicollinearity test on the dependent variable. The regression was found to be free of multicollinearity. A correct regression model has no autocorrelation. Durbin Watson (DW) 1.862 is the distance between two areas with no autocorrelation. Each dependent variable according to the heteroscedasticity test budget solvency index as an independent variable has a significance value of 0.149; the financial independent index has a significance value of 0.129; and the service level solvency index has a significance value of 0.075. The Glejser technique is a heteroscedasticity test.

Table 2
Hypothesis Test Result

Variable	Regression coefficient	T	Sig.	Hypothesis
(Constant)	9.570	44.703	<0.001	
Budget Solvency Index (X1)	0.580	1.325	0.187	Rejected
Financial Independent Index (X2)	2.636	9.737	<0.001	Accepted
Sevice Level Solvency Index (X3)	0.050	0.145	0.885	Rejected
F Test		34.014		
Sig. F Test		<0.001		
R^2		0.381		

Source: Processed secondary data, 2022

The hypothesis test employed three statistical analytic techniques: the regression test, the T test, and the R2 test. The following regression equation is derived from the multiple regression test table. Y = 9.570 + 0.580 X1 + 2.636 X2 + 0.050 X3 + e. A simultaneous significance test is used to assess how much the independent factors affect the dependent variable simultaneously. As a result, there is a statistically significant (p 0.001) relationship between budget solvency, financial independence, and service level solvency. The t-test was used to test hypotheses. The partial significance test findings show that the significance value for each budget solvency index is 0.187; for the financial independent index, it is 0.001; and for the service level solvency index, it is 0.885. As a result, the hypothesis was rejected, allowing us to conclude that the partial budget solvency index and service level solvency had no effect on handling COVID-19 in provincial areas. This study's coefficient of determination (R2) is utilized to demonstrate the close association between the independent and dependent variables. The coefficient of determination (R square) based on the test findings is 0.381, or 38.1%. Outside of these characteristics, other factors explain the remaining 61.9%. In the meantime, the correlation coefficient, denoted by R in the table, is 0.617.

DISCUSSION

The results of the provincial government's financial condition evaluation in Indonesia, particularly for the realized budget, demonstrate a predicted regional capability in coping with the covid 19 pandemic. Local government finances have grown as a result of COVID-19 (I. K. Indriani et al., 2021). The additional funds will go toward government activities,

social protection, public health, housing, and sleeping services. District and city governments place a premium on making health care services conveniently accessible and affordable (OECD, 2020b). Local governments in autonomy were required to be self-sufficient in financing the APBD as executors of the wheels of governance, development, and community services (Ulya, 2020). The increase in the value of the solvency ratio of local governments' services reflects their attempts to deliver better public services to the community (Cipto Priyono, 2015). Indicators of service level solvency are heavily influenced by the rate of population growth and inflation in the regions (Maizunati, 2017). The provision of public services is a governmental commitment owed to the community, persons, groups, and legal entities that are domiciled as beneficiaries, either directly or indirectly (Sulistyo, 2018). On the public health protection index, Indonesia ranks 56th out of 95 countries, with a score of 60.52. (Umatin et al., 2021).). Effective financial management will have an impact on increasing the quality of public health services during a pandemic. One of the most important aspects of public sector reform is the health sector, which focuses on patient care quality, medical personnel quality, and optimizing health budget management (Lapsley & Miller, 2019).

Budget solvency is an indicator of a region's ability to generate revenue to fund its activities for one fiscal year (Ritonga, 2015). The pandemic's problem has an influence on local government budgets, increasing expenditure while decreasing revenue (OECD, 2020b). The city and district governments' financial crises led to increased spending. The COVID-19 pandemic has harmed government budgetary realization (Harjito et al., 2020). Covid 19 pandemic harms government budget realization (Suyitno, 2020). However, local governments have a plan in place to reallocate and refocus APBD during the pandemic (Sanjaya, 2020).

Financial independence is an assessment of the local government's ability to handle financial resources, implying that it is accessible to both domestic and international investment (Ritonga, 2015). The number of revenue and expenditure budget realizations for DKI Jakarta Province is the highest in Indonesia. As a result, the financial condition is expected to be capable of dealing with the COVID-19 pandemic. DKI Jakarta has the largest number of COVID-19 instances (Committee for Handling Covid-19 and National Economic Recovery, 2022). Local governments saw a drop in revenue as a result of COVID 19. Reduced tax, non-tax, levy, and user fees are causing financial misery. Reduced local government revenue will have a negative impact on the budget. As a result, strong financial management is not required to accumulate debt (OECD, 2020a). To control the recession and expedite economic recovery, state and municipal governments must change their budgets to lessen the monetary impact of revenues and expenditures (Auerbach et al., 2020). During the pandemic,

local governments lost tax revenues, received deferred tax payments from the public, and decreased taxes (Green & Loualiche, 2021). The local government's financial independence in dealing with COVID-19 is limited (Onibala et al., 2021). Increased measures of financial independence enable local governments to explore new revenue streams (Maizunati, 2017). Local governments with greater financial independence may be able to optimize economic growth in promising areas such as construction, manufacturing, and trade (I. K. Indriani et al., 2021).

The redistributed funding originates from pandemic-related non-priority and capital expenses (Hasibuan et al., 2020). Local governments have budgetary challenges as a result of COVID 19, including the need for public programs and services, rising costs, and greater public demand for public services (I. K. et al Indriani, 2021). In dealing with COVID 19, the provincial government in Indonesia primarily relies on funding conditions from PAD and DAK. Meanwhile, the financial condition for capital and operational expenditures represents a genuine effort in dealing with the covid 19 pandemic. Local governments' financial performance in meeting the need for funding for development, social services, and the accomplishment of government activities still has to be improved (Miller, 2020).

Meanwhile, the financial independence of local governments has a considerable impact on how pandemics are handled in provinces. According to the findings of this study, the local government budget plays a significant role in coping with the pandemic. Because the majority of the autonomous local government's operational expenditure budget is utilized to pay personnel salaries, COVID-19 cases had no substantial impact on the budget solvency index or service level solvency ries (Saragi, 2021). The budget realization of local governments changed during the pandemic (Basri & Gusnardi, 2021).

CONCLUSION

Several inferences can be drawn from the results analysis. First, the provincial government of Indonesia's financial condition is typically favorable. During the COVID-19 pandemic, provincial governments in Indonesia had the best financial condition, including East Borneo, Aceh, DKI Jakarta, NTT, and West Papua. Second, the COVID-19 pandemic had an impact on local governments' financial condition. The coefficient of determination (R square) of 38.1% indicates this. The financial condition index yielded three independent variables: budget solvency, financial independence, and service level solvency.

In addition, the financial condition has an impact on the case of COVID 19. The statement is supported by the findings of hypothesis testing, where the value of sig. 0.001 indicates that the hypothesis is

accepted on the basis of decision-making in the F test. With strong local government budgetary conditions, Covid 19 cases in Indonesia, particularly those in the areas, can be managed. The most effective management of local government revenues and spending will allow for greater flexibility in coping with the COVID-19 pandemic. During the current pandemic, the provision of public services, particularly in the health sector, is critical.

Furthermore, the partial test revealed that, for cases of COVID 19, one variable has influence and two factors have no influence on the capacity of local government budgets. Financial independence has a huge impact on the situation of COVID 19. The value of sig evidence 0.001 budget solvency has no effect on the situation of covid 19. The sig-evidence value is 0.187. Service-level solvency has no discernible impact on cases of COVID 19. The signature evidence value is 0.885. With this hypothesis accepted, it is possible to conclude that the financial position of local government has a substantial impact on dealing with the COVID-19 pandemic.

The research sample only employs three indicators for analysis, which is a limitation of this study. The advice for further research is based on the coefficient of determination, which shows that other variables can explain 61.9% of the variance. Other dependent variables to be studied include assets, liabilities, local government equity, or the PAD, DAK, DAU, and DBH, unexpected expenditures, and other aspects of the financial report. Changing the year period or altering the dependent variable

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