

EFFECTS OF THE COVID-19 PANDEMIC ON FINANCIAL PERFORMANCE AND REGIONAL ECONOMICS IN 2019-2021

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ABSTRACT

Purpose: This study aims to find out and test the differences in the average regional financial and economic performance before and during the pandemic. Regional financial performance is measured by Original Local Government Revenue and Capital Expenditures. The regional economy is measured by Economic Growth, The Open Unemployment Rate, The Ratio of The Poor Population, and The Gini Index. This study also examines the growth rates of the six variables to determine the difference in the average growth of regional financial and economic performance before and during the pandemic. **Method:** The sample and data for this research are 34 provinces in Indonesia for the 2019-2021 period. **Analysis data:** analysis of variance (ANOVA) and the Kruskal-Wallis Test. **Result and Discussion:** The research results for hypothesis 1 produce only the variables of Economic Growth and The Open Unemployment Rate which show an average difference in 34 provinces in Indonesia before and during the pandemic. The results of hypothesis 2 show that there is a difference in the average growth of financial performance before and during the pandemic. Meanwhile, the test variable for the difference in the average regional economic growth, which does not support the hypothesis is only the Gini index growth variable.

Keywords: Regional financial performance; Regional economy; ANOVA; Kruskal-Wallis Test; Covid-19 pandemic.

INTRODUCTION

All countries in the world experienced a pandemic disaster in early 2020 which had an impact on all aspects of life, including in Indonesia. At first this disaster was caused by a new type of *corona virus*, which was detected in the city of Wuhan, Hubei Province, China in December 2019, then the world health organization (WHO) on March 11, 2020 declared this disaster a pandemic (Dinkes.gorontaloprov. go.id, 2020). After being declared a pandemic, the government of the Republic of Indonesia began urging its citizens to reduce activities outside the home to avoid the transmission of Covid-19. Several other countries in the world have implemented prevention of transmission by implementing a lockdown, while the government of the Republic of Indonesia has made a policy of Large-Scale Social Restrictions (PSBB) which aims to prevent the transmission of COVID-19. This policy has side effects that have an impact on the economy on a small, medium to large scale, affecting the economic activities of people in Indonesia due to the limited mobility of the community, not to mention that many workers are laid off from their jobs because the company has suffered heavy losses.

The Covid-19 pandemic also has an impact on supply and demand in the business world. On the demand side, the Covid-19 pandemic has resulted in a lack of consumption that occurs in the community, travel and transportation activities, and increased trade distribution costs. Meanwhile, on the supply side, there was a contraction in worker productivity, declining investment and funding, and disrupted global supply chains. The Covid-19 pandemic has also affected global economic growth, including in Indonesia, due to declining state revenues in almost all sectors as well as economic uncertainty throughout the world. The global economy is also predicted by *the International Monetary Fund* (IMF) to decline sharply at minus 4.9%

in 2020 (CNBC, 2020) . Indonesia's economic growth is also projected to decline by 2.3% from the previous prediction of 5.04% in 2020. In fact, Sri Mulyani as the Minister of Finance of the Republic of Indonesia, at that time said that Indonesia's economic growth could reach -0.4% (CNBC, 2020) . The government needs to issue regional to state financial policies and focus on restoring health and the national economy.

Indonesia is experiencing better economic growth when compared to most other countries in Southeast Asia (Kemenkeu, 2021), which is -2.07% in 2020, relatively better than other Southeast Asian countries. Meanwhile, China's economic growth in the first quarter of 2020 was recorded at -6.8% (yoy), much different when compared to China's economic growth in the fourth quarter of 2019 of 6.0%. Meanwhile, in Europe, economic growth in the first quarter of 2020 was 3.3 percent (yoy).

Quoted from BPS (2022) , Indonesia's economic growth in 2021 grew by 3.69 percent, when compared to the achievement in 2020 where there was a growth contraction of -2.07%, Indonesia's economic growth in 2021 was still higher. Indonesia's economic growth in quarter IV-2021 compared to the previous year in the same quarter, there was a growth of 5.02 percent (y-on-y). Meanwhile, Indonesia's economic growth in the fourth quarter of 2021 compared to the previous quarter which grew by 1.06 percent (q-to-q).

The Government of the Republic of Indonesia is tested for its financial accountability nationally. The Covid-19 pandemic has had a serious impact on all aspects of life, forcing the government to increase the state budget budget, then prioritize the budget to help recovery in the health sector, the business world and the economy as a whole.

The State Budget or State Revenue and Expenditure Budget (APBN) is the main policy instrument for the government and to see the amount of income and expenditure to be further processed for State development. Thus, the management of this state budget must be carried out carefully and carefully.

In previous studies that have been carried out such as Andirfa et al. (2016), Ariadi and Jatmika (2021), Dude et al. (2014), Endaryanto et al. (2018) is still limited to certain areas such as Papua Province, Southeast Minahasa Regency and uses only a few indicator variables, namely PAD and Regional Expenditures. In addition, previous studies used multiple regression analysis, regional financial ratio analysis and panel data such as research conducted by Andirfa et al. (2016), Renggo (2021), Saleh and Rizkina (2021).

In this study, the authors use analysis of variance (ANOVA) which is used to test the difference between two or more population averages and then we calculate the relative rate of change in each of the variables used in this study such as local revenue, capital expenditure, economic growth, ratio the poor, the open unemployment rate and the Gini index. We also conducted this research not only in certain areas but in all regions in Indonesia as many as 34 provinces.

THEORITICAL BASIS

Agency Theory

The first time, agency theory (*agency theory*) was coined by Jensen and Meckling (1976) which explains the relationship between between 2 parties, namely between the owner (*principal*) and management (*agent*) . “The agency theory states that if there is a separation between the owners

as principals and managers as agents who run company, then agency problems will arise because each party will always try to maximize its utility function.

The focus of agency theory is on the asymmetry of the relationship between the agent and the principal. Information asymmetry is an imbalance of information due to an unequal distribution of information between the agent and the principal. The agent is considered to have broader information about the organization he manages, while a principal must incur costs to monitor the agent's performance in an effort to minimize the occurrence of moral hazard or the occurrence of actions that are not in accordance with the agreement in the contract. The government has the responsibility as an agent who holds the mandate to carry out and report all activities that are part of its responsibilities to the community as the giver of children, namely the community as the principal.

Fiscal Decentralization

Decentralization is the authority of regional government affairs which is delegated by the central government based on the principle of autonomy. Fiscal decentralization is an instrument to build a regional or national economy with a better financial system in order to facilitate the implementation of regional development so that it affects better economic conditions with the achievement of welfare (Badrudin, 2017) .

The implementation of fiscal decentralization in Indonesia is in order to reduce the fiscal gaps that occur in the central government and local governments as well as the gaps between provinces, districts/cities, then improve the quality of services and public facilities in each region. Thus, local governments can provide prosperity to their respective regions.

Regional Revenue and Expenditure Budget

Based on Law no. 17 of 2003, "regarding state finances referred to as the Regional Revenue and Expenditure Budget, hereinafter abbreviated as APBD, is the annual financial plan of the regional government approved by the Regional House of Representatives for a period of one year".

Based on Law no. 32 of 2004, "Revenue in the APBD comes from Regional Original Revenue (PAD), Balancing Funds, and other legitimate income, in the APBD also includes Routine Expenditures and Development Expenditures". PAD is income earned by local governments based on regional regulations and applicable laws and regulations. Balancing Funds are funds originating from APBN revenues that are given to regions to fund the needs of regional governments in implementing decentralization. Other income is a group of regional income which is divided based on the type of income which includes the Special Allocation Fund, Revenue Sharing Fund, and General Allocation Fund.

Regional Original Revenue

Based on Law no. 33 of 2004, "PAD is a source of revenue areas excavated to be used as the local government's basic capital in financing development and regional efforts to reduce dependence on funds from the central government". PAD obtained by a region plays an important role in the development and development of the region the area. If the PAD contribution to the APBD is getting bigger, it means that performance local government is expected to improve.

The level of prosperity of a local government can be seen from the PAD they get, the higher the PAD obtained indicates the higher the level of prosperity of the area compared to areas that have low PAD. Level This prosperity will then have an impact on better local government performance. Thus, the implementation of decentralization gives local governments more authority to explore all regional potentials in order to get better PAD.

Capital Expenditure

Based on PMK Number 214/PMK.05/2013 concerning the Standard Chart of Accounts, it is stated that "capital expenditure is a budget expenditure in order to obtain or add fixed assets and/or other assets that provide benefits for more than one accounting period (12 months) and exceeds the limit minimum value of capitalization". Then in order to find out whether an expenditure issued by the region can be categorized as Capital Expenditure or not, then we must first know the definition of fixed assets or other assets and what the criteria for capitalization of fixed assets are. The fixed assets in question have characteristics, namely: (a) tangible, (b) will increase government assets, (c) then have a useful life of more than one period, and (d) relatively material value .

Economic Growth

Economic growth is an increase in economic activity in society so that the value of goods and services in a country increases at a certain time. Economic growth in a country is related and positively correlated with the level of welfare of its people, so that the better the economy in a country, the higher the level of welfare of its people.

Meanwhile, according to Kaldor (1957) , " economic growth in the long term, it is necessary to distinguish between the economic growth of the manufacturing industry and the primary industry. In the manufacturing industry, the production process has taken place at a condition where the level of output is getting higher than the level of added input used so that it is more efficient.

Industrial growth for the long term can be seen from the increase in labor productivity. However, such growth requires continued investment contributions. Thus, the higher the investment obtained, the *capital-labor ratio* will continue to grow. However, the actual relationship between capital and the resulting output is not very visible. Thus, Kaldor stated that investment does not actually lead to production growth, but rather growth that drives increased investment.

Economic Growth Rate

Economic growth can be known as an increase in national income or an increase in output on the production of goods and services within a year. Thus, one of the indicators in calculating the rate of economic growth is using GDP. GDP describes the actual national income for a country, so if the real national income has increased from the previous year, it can be said that the country is experiencing economic growth.

Measurement of GDP is carried out in rupiah currency based on constant prices, while measuring economic growth is not in rupiah, but in percentages. If the percentage of economic growth obtained is positive and increases every year, then the economy of a country is experiencing an increase. The opposite applies, if the percentage figure obtained tends to

decrease and is negative, it can be interpreted that the economy of a country is experiencing a decline . The calculation of economic growth can be known by the following formula:

$$R(t-1, t) = (GDPT - PDBt-1)/GDPT-1 \times 100\%$$

Where, PDBt is the Gross Domestic Product of year t, and PDBt-1 is the Gross Domestic Product of the previous year.

Poor Population Ratio

Referring to (Bps.go.id) , that BPS applies the concept of ability to meet basic needs in order to measure existing poverty. The concept is based on the *Handbook on Poverty and Inequality* published by *the Worldbank* .

This approach sees poverty as a form of individual inability from an economic perspective to meet basic needs in the form of food and other than food whose measurement is seen from the aspect of expenditure. Those who have an average per capita expenditure in one month below the poverty line are included in the category of poor people.

Open Unemployment Rate

BPS describes unemployment as individuals who do not have and or are looking for work, individuals who do not have and or are preparing to form a new business, individuals who do not have and are not trying to find work because they have the view that they will not get a job, and a group of individuals who do not have a job. and not looking for work because they have got a job but haven't started it yet. The group that is considered unemployed is only the population group included in the labor force, where the population group with an age range of 15 to 64 years is not working under various conditions described previously. Residents who are in school, taking care of the household and other activities are not the scope of the workforce (Nurulita et al., 2018) .

Gini Index

Corrado Gini is an Italian statistician who first developed a measure of aggregate inequality known as the Gini Index, Gini Ratio, or Gini Coefficient and published it in 1912. Income inequality is a condition that describes where society does not receive an even distribution of income. The Gini Index value is indicated by the numbers 0 to 1. If the Gini Index value is equal to 0 (zero), it means that there is perfect equality, and if the Gini Index shows a value of 1, it means that there is perfect inequality (Smith, 2006) .

The Central Bureau of Statistics describes that the Lorenz Curve is the basis of the Gini index. The Lorenz curve is a cumulative expenditure curve that shows the comparison between the distribution of certain variables, for example income with a uniform *distribution* as representative of the cumulative percentage of the population. The Gini index has a role as an indicator of the degree of justice of a country, which can help the government to analyze the level of economic capacity of the community.

HYPOTHESES

Differences in the average regional financial and economic performance in 34 provinces

in Indonesia before and during the covid-19 pandemic

The financial performance of local governments is closely related to how an area is able to utilize existing resources in the area to the fullest in order to meet the needs of the community so that it can prosper the community and create regional development that will have an impact on the economy of the area concerned. Several components that affect regional financial performance consist of regional revenues and expenditures contained in the APBD realization report. Local revenue (PAD) and capital expenditure are assessed as components that affect financial performance in the APBD realization report (Darwanis & Saputra, 2014) . A region is expected to be able to increase regional original income in line with an increase in the allocation of capital expenditures used for development in the productive sector. The higher regional financial capacity, one of which is driven by economic growth (Suwandi & Tahar, 2015) . Good economic growth, open unemployment and declining poverty are inseparable from how a region can manage its finances well (Ani & Dwirandra, 2014). That is, if an area has good financial performance, which is able to utilize all available resources, it will improve the regional economy and it is hoped that the community will live more prosperously, there will be more available jobs so that unemployment and poverty will decrease.

The COVID-19 pandemic has had an impact on various aspects of life, one of which greatly affects the financial performance of local governments in Indonesia. In line with this, research by Ishak (2021) who conducted a test of regional original income before and after the COVID-19 pandemic in Indonesia concluded that there was a significant difference between the provincial government's original regional income before and after the announcement of the COVID-19 pandemic in Indonesia. Another study by Agnika et al. (2021) found that the performance of the Subang Regency APBD as seen from the compatibility ratio in 2019 and 2020 was dominated by operating expenditures rather than capital expenditures. The proportion of capital expenditure decreased by 15.03% and 8.87%, but still within reasonable limits. This is because the Subang regional government prioritizes the allocation of funds to deal with the COVID-19 pandemic. Based on this explanation, the research hypothesis is stated as follows: H1: there are differences in the average regional financial and economic performance in 34 provinces in Indonesia before and during the covid-19 pandemic.

Differences in the average growth of regional financial and economic performance in 34 provinces in Indonesia before and during the covid-19 pandemic

Regional original income and capital expenditure are elements in regional financial performance. The more capital expenditures, the higher the productivity of the economy, in this case is the performance of local governments. The increase in PAD can be realized by levies that have the nature of levies and taxes on infrastructure development as a form of public service, where the source of funds comes from regional government allocations in the form of capital expenditure budgets in the APBD. So that the growth of regional financial performance can continue to be accelerated (Darwanis & Saputra, 2014) .

Referring to Romhadhoni et al. (2018) , economic growth is one of the indicators in the success of the implementation of development which is used as a macro benchmark, which can be seen through changes in GRDP (Gross Regional Domestic Product) in a region. Romhadhoni et al. (2018) found that GRDP in terms of constant prices has a positive and significant effect on economic growth. With increasing economic growth, the production of

goods and services in an area also increases, this can attract a lot of workers so that unemployment will decrease and poverty will also decrease (Romhadhoni et al., 2018) . Good economic growth can have an impact on a more equitable distribution of income so that poverty is reduced. Hanum (2018) revealed that the unequal distribution of income can lead to income inequality where this can be the beginning of the emergence of poverty problems. The measurement that is most often applied in measuring income inequality as a whole is one of them with the Gini coefficient (*Gini Ratio*) (Saleh & Rizkina, 2021). The results of research by Saleh & Rizkina (2021) show that the Gini ratio and population have an effect on poverty in the short term, but have no effect in the long term.

As a result of the COVID-19 pandemic that has occurred almost all over the world, the Indonesian government also requires the Indonesian government to make policies to reduce the spread of this virus. One of the government policies is the imposition of restrictions on community activities or known as PPKM. This restriction on community activities will certainly have an impact on the economy, where the economy will decline as a result of people not being able to carry out their full activities as usual. The decline in the economy was found by Azimah et al. (2020) in the Klaten and Wonogiri markets, where market traders experienced a 50% decrease in turnover and income as a result of the Covid-19 pandemic. Yamali and Putri (2020) explained that the economic impact which was the effect of the COVID-19 pandemic occurred in several countries significantly, one of which was Indonesia. Many losses arise as a result of this pandemic which has an impact on the Indonesian economy. One of the impacts that emerged from the economic sector was massive layoffs where from the data obtained 1.5 million workers were laid off and laid off, furthermore 90% of workers were laid off and 10% of workers were laid off. Research conducted by Prayudi (2020) also found that the COVID-19 pandemic had a huge impact on the tourism sector in the Special Region of Yogyakarta. Based on this description, the research hypothesis can be stated as follows:

H2: there are differences in the average growth of regional financial and economic performance in 34 provinces in Indonesia before and during the covid-19 pandemic

METHOD

The researcher used purposive sampling technique in taking the sample. This study examines capital expenditures and economic growth in Indonesia during the Covid-19 pandemic so that the criteria used are 1 year before and during the Covid-19 pandemic level 1 and level 2, namely in 2019 to 2021. While the scope of the area studied in this research is 34 provinces in Indonesia. Based on the sampling criteria above, the overall sample used was 102 samples. However, after selecting the sample, we conducted 2 samples of data outliers because the sample caused the research data to be abnormal. The two samples are West Papua Province in 2019 and North Maluku Province in 2021. Therefore, the sample used in this study is 100 samples.

This study uses the ANCOVA statistical analysis tool. This study was conducted to test the hypothesis of the effect of differences in the Covid-19 pandemic and capital expenditure on economic growth. Covid-19 acts as a factor with categorical data types, capital expenditure as a covariate with quantitative data types, then economic growth as a response with quantitative data types.

DATA ANALYSIST AND DISCUSSION

Analysis of Sample Description

The researcher used *purposive sampling technique* in taking the sample. This study examines Regional Original Income (PAD), Capital Expenditure (BM), Economic Growth (PE), Unemployment Rate (TP), Poor Population Ratio (RPM), and Gini Index (IG) to find out whether there are differences in average performance regional finance and economy in 34 provinces in Indonesia before and during the COVID-19 pandemic. Then, this study also tested the growth rates of the six variables to find out whether there were differences in the average growth of regional financial and economic performance in 34 provinces in Indonesia before and during the COVID-19 pandemic. The scope of the area studied is 34 provinces in Indonesia. Based on the sampling criteria above, the overall sample used was 102 samples.

Table 1 Results of Descriptive Statistical Analysis

	N	Minimum	Maximum	mean	Standard Deviation
PAD*	102	345,21	45.707,40	4.883,62	8.478,98
BM*	102	176,34	11.551,93	1.197,12	1.321,12
PE	102	-0,157	0,164	0,254	0,043
TP	102	0,016	0,110	0,054	0,019
RPM	102	0,003	0,268	0,102	0,052
IG	102	0,247	0,437	0,347	0,039
PAD growth	102	-0,315	0,948	0,037	0,194
BM growth	102	-0,725	1,150	-0,043	0,342
Economic growth	102	-0,093	0,164	0,015	0,041
TP growth	102	-0,301	2,586	0,120	0,369
RPM Growth	102	-0,990	0,371	0,006	0,153
IG Growth	102	-0,343	0,550	0,004	0,129

Note: *) in billion rupiah

The table above contains a summary of the research description. Measurements of the various research variables are: PAD (Original Local Government Revenue), BM (Capital Expenditure), PE (Economic Growth), TP (Open Unemployment Rate), RPM (Poor Population Ratio), GI (Gini Index), and PAD Growth, BM, PE, TP, RPM, IG using a relative rate of change data (2019-2020 & 2020-2021)

Based on the test results in the table above, it can be seen the average (mean), maximum, minimum, standard deviation, and the amount of data used. There are 102 data samples for each type of variable studied during 2019-2021. The variables measuring regional financial performance, namely Original Local Government Revenue (PAD), and Capital Expenditures (BM), each have the largest value of Rp. 45,7 trillion which was realized from the DKI Jakarta provincial budget in 2019 and Rp. 11,5 trillion which was realized from the DKI Jakarta provincial budget also in 2019. Meanwhile, in the growth of PAD and Capital Expenditures, respectively, there is a maximum growth of 95% (2020-2021) from the West Java provincial budget and 115% (2020-2021) from the DKI Jakarta provincial budget and a

minimum value of -31,52% (2019-2020) of the Papua Provincial budget and -72.53% of the DKI Jakarta Provincial budget.

The regional economic measuring variable, namely economic growth (PE) has a maximum and minimum value of 0,164 from DKI Jakarta Province in 2021 and -0,157 from North Maluku Province in 2019. Meanwhile, for the Unemployment Rate (TP), the Poor Population Ratio (RPM), and Gini Index (GI) each have a maximum value of 0,11; 0,27; and 0,44 and a minimum value of 0,02; 0,003; and 0,25, respectively.

Meanwhile, the economic growth rate has a maximum and minimum value of 16,4% from North Maluku Province in 2020-2021 and -9,3% in Bali Province 2019-2020. Meanwhile, the growth rates for the Unemployment Rate (TP), Poor Population Ratio (RPM), and Gini Index (GI) each have a maximum value of 2,59; 0,37; and 0,55 and the minimum values are -0,30; -0,99; and -0,34, respectively.

Then the mean presents the average values for each variable in all 34 provinces of Indonesia during 2019-2021. Such as PAD which has an average value of 4,8 T, which means the average PAD in 34 Indonesian provinces during 2019-2021 is 4,8 T. Meanwhile, the standard deviation of all variables has a higher value than the average value, which means all variables are heterogeneous.

Table 2 Data Normality Test Results

	Kolmogorov-Smirnov			Shapiro-Wilk		
	Statistics	df	Sig.	Statistics	df	Sig.
Residual for PAD	0,332	68	0,000	0,532	68	0,000
Residual for CapitalExpenditure	0,279	68	0,000	0,490	68	0,000
Residual for EconomicGrowth	0,242	68	0,000	0,616	68	0,000
Residual for UnemploymentRate	0,116	68	0,025	0,934	68	0,001
Residual for PoorPopulationRatio	0,140	68	0,002	0,916	68	0,000
Residual for GiniIndex	0,125	68	0,010	0,977	68	0,247
Residual for PADGrowth	0,175	68	0,000	0,805	68	0,000
Residual for CapitalEpenditureGrowth	0,075	68	0,200*	0,968	68	0,077
Residual for EconomicGrowth	0,241	68	0,000	0,756	68	0,000
Residual for UnemploymentRateGrowth	0,279	68	0,000	0,443	68	0,000
Residual for RPMGrowth	0,251	68	0,000	0,550	68	0,000
Residual for GiniIndexGrowth	0,219	68	0,000	0,844	68	0,000

Notes: *) capital expenditure growth – 0,200 significance concluded normal distribution.

df = 68 is the number of samples tested for hypothesis 1 consisting of 34 samples in 2019 and an average of 2020-2021 as many as 34 samples. For hypothesis 2 df = 68 consisting of 34 samples of the 2019-2020 growth rate and the 2020-2021 growth rate of 34 samples.

Normality test

This study applies the One-Sample Kolmogorov-Smirnov Test to test the normality of the data. The conclusion used is if the Kolmogorov-Smirnov Sig. greater than 0,05, it is stated that the data is normally distributed. Table 2 shows that the normally distributed variable is only capital expenditure growth with a significance value of 0,200 > 0,05. Based on this, for other variables that do not pass the normality test, the Kruskal-Wallis Test will be used for hypothesis testing, and for normally distributed variables, namely capital expenditure growth, it will be continued with the One-Way Anova Test for hypothesis testing.

Table 3 Kruskal-Wallis Test Results

	Value of Sig.
PAD	0,893
BM	0,249
PE	0,000
TP	0,015
RPM	0,672
IG	0,912
PAD growth	0,000
Economic growth	0,000
TP growth	0,000
RPM Growth	0,000
IG Growth	0,628

The table above is the result of the Kruskal Wallis test on variables that are not normally distributed

Kruskal-Wallis test

The Kruskal-Wallis test is a ranking-based nonparametric test to determine whether there are statistically significant differences between two or more groups of independent variables on the dependent variable on a numerical data scale (interval/ratio) and an ordinal scale. We do this Kruskal-Wallis test as an alternative for data that are not normally distributed, in the calculations we did with SPSS, if the significance value is $> 0,05$ then H_0 is accepted (there is no difference). Based on the table above, we can see that all H_1 test variables, namely PAD, BM, TP, RPM, and IG have a significance value greater than 0,05 except for PE which has a significance value of 0,000. Meanwhile, all H_2 test variables have a value of $< 0,005$ except for GI Growth which has a significance value of 0,628.

Table 4 One-Way Anova Test Results

	Sum of Squares	df	Mean Squares	F	Sig.
Between Groups	1.075	1	1.075	10,423	0.002
Within Groups	6,805	66	0.103		
Total	7,879	67			

Notes:

df between groups as numerator; df within group as the denominator; F count = 10,423.

The table above is the result of the one-way ANOVA test on variables that are normally distributed

One-Way Anova Test

The One-Way Anova test serves to test the difference in the mean of two or more populations with one difference. One of the differences in this study is the time difference, namely the 2019-2021 period. The significance level used is 5%. If the test results show a significantly less than 0,05 then the hypothesis (H_a) is accepted. Based on the table above, it can be seen that regional economic growth as measured by capital expenditure growth has a significant value of 0,002 is smaller than 0,05, it is concluded that there are differences in the average growth of capital expenditures in 34 provinces in Indonesia before and during the covid-19 pandemic.

Table 5 Hypothesis Testing Results

	Test	Sig	Prediction	Finding
PAD	Kruskal Wallis	0.893	Supported	Not Supported
BM	Kruskal Wallis	0.249	Supported	Not Supported
PE	Kruskal Wallis	0.000	Supported	Supported
TP	Kruskal Wallis	0.015	Supported	Supported
RPM	Kruskal Wallis	0.672	Supported	Not Supported
IG	Kruskal Wallis	0.912	Supported	Not Supported
PAD growth	Kruskal Wallis	0.000	Supported	Supported
BM Pertumbuhan growth	Anova (One-way)	0.002	Supported	Supported
GDP growth	Kruskal Wallis	0.000	Supported	Supported
TP growth	Kruskal Wallis	0.000	Supported	Supported
RPM Growth	Kruskal Wallis	0.000	Supported	Supported
IG Growth Rate	Kruskal Wallis	0.628	Supported	Not Supported

The table above contains a summary of the results of testing indicator variables to find out that there are differences in the average financial and economic performance of the 2019-2021 regions and the differences in the average growth of regional financial and economic performance in 2019-2021.

Differences in the average regional financial and economic performance in 34 provinces in Indonesia before and during the covid-19 pandemic

The results of the previous analysis illustrate that for regional financial performance in 34 provinces in Indonesia as measured by PAD and capital expenditures, there is no average difference before and during the covid-19 pandemic, while for the regional economy as measured by economic growth, unemployment rate, poor population ratio, and the Gini index show that there are differences in average economic growth and unemployment rates in 34 provinces in Indonesia before and during the COVID-19 pandemic. Furthermore, for the ratio of the poor and the Gini index, there is no difference between the average before and during the COVID-19 pandemic.

Based on agency theory, the government as an agent has the mandate to carry out and report all activities that are part of its responsibilities to the community as principals. The results showed that there was no difference in the average PAD and capital expenditures before and during the covid-19 pandemic. In other words, when the pandemic hit Indonesia, the government continued to strive to maintain regional financial performance by increasing regional original income and capital expenditures for the welfare of the community. One of the sources of local revenue comes from local taxes. Based on data on the realization of provincial government revenues throughout Indonesia by type of revenue for the years 2019-2021 published by BPS, local revenue is dominated by local taxes. The deputy governor of Central Java also said that one of the sources to increase revenue during the pandemic is the payment of motor vehicle taxes, where the government makes it easy for the public to fulfill tax payment obligations and provides local tax stimulus, in the form of free administrative fines and free transfer of motorized vehicles (Jatengprov.go.id, 2020). In line with this, Riyanto and Andiani (2021) found that the provision of the PKB stimulus had an impact on increasing PAD in the East Java province during the pandemic. The results of the analysis in this study regarding local revenue, and regional financial performance during the pandemic are not in line with the research of Ishak (2021), Nemeč & Špaček (2020) but are in line with the research of Ariadi and Jatmika (2021).

The capital expenditures of 34 provinces in Indonesia also show that there is no difference in average before and during the pandemic. Based on data on the realization of

provincial government expenditures throughout Indonesia by type of expenditure for the 2019-2021 period, it shows an increase in capital expenditures. One of the efforts made by the government is carrying out infrastructure development during the pandemic. According to Nicodemus, the Ministry of Public Works and Public Housing (PUPR), infrastructure that helps the national economic recovery, one of which is roads and bridges that support the smooth distribution of logistics and connectivity between regions (Bappeda.Kaltimprov.go.id, 2020). The results of the analysis in this study regarding capital expenditure during the pandemic are not in line with research (Agnika et al., 2021).

The regional economy is measured by economic growth, unemployment rate, the ratio of poor people, and the Gini index. The results show that there are differences in the average economic growth in 34 provinces in Indonesia before and during the pandemic. In addition to trying to maintain regional financial performance, the government is also responsible for reducing the spread of the COVID-19 virus. The government's policy regarding restrictions on community activities during the COVID-19 pandemic has disrupted economic activity, which will affect economic growth. Minister of Finance Sri Mulyani said that last year in terms of economic growth, the world experienced a contraction of minus 3.2% due to the effects of COVID-19, which was followed by restrictions on mobility so that the economy slumped (Kemenkeu, 2021b). The results of another analysis, The unemployment rate show that there are average differences in 34 provinces in Indonesia before and during the pandemic. Disrupted economic growth due to the pandemic will also have an impact on the unemployment rate. The COVID-19 pandemic has caused the economy to not run well, where many companies have limited the number of workers, resulting in layoffs and rising unemployment. The analysis of economic growth and the unemployment rate in this study is not in line with the research of Romhadhoni et al. (2018) who found economic growth to have a positive and significant effect on the open unemployment rate.

The regional economy is also measured through the ratio of the poor and the Gini index, where the test results show that there is no difference in the average ratio of the poor and the Gini index in 34 provinces in Indonesia before and during the pandemic. This is inseparable from the role of the government in reducing the number of poor people during the covid period. One of the ways the government can reduce the number of poor people is to help people meet their needs during the pandemic by providing social assistance. This social assistance is expected to be able to help meet the needs of people's lives during the pandemic. In line with this, the Gini index also shows that there is no difference in the average before and during the pandemic. The Gini index is a ratio measuring inequality in the distribution of income in Indonesia. As the government continues to strive to develop infrastructure during a pandemic, this can also reduce the level of income inequality. An increase in infrastructure can increase economic activity, so it is hoped that income distribution can also be evenly distributed.

Differences in the average growth of regional financial and economic performance in 34 provinces in Indonesia before and during the covid-19 pandemic

The growth of regional financial performance can be seen from the growth of Regional Original Income (PAD) and Capital Expenditure Growth (BM), while Regional Economic Growth can be seen from the variables of Economic Growth Rate, Open Unemployment Rate (TP), Poor Population Ratio (RPM), and Index Gini (IG). Based on the results of testing the 2nd hypothesis

that we did by testing the growth rate of the 6 indicator variables above before the pandemic (2019-2020) and after the pandemic (2020-2021), it can be seen that 5 variables support the hypothesis, namely the growth rate of PAD, Capital Expenditures, Economic Growth, Open Unemployment Rate, and Poor Population Ratio.

The growth rates of PAD and Capital Expenditures in 2019-2020 had an average decline of -8,43% and -17%, respectively, while in 2020-2021 PAD and Capital Expenditures experienced growth rates of 15,81% and 8%. The Economic Growth Rate in 2019-2020 experienced an average decline of -1% while in 2020-2021 experienced an average growth of 4%.

In other regional economic measuring variables, namely RPM and TP in 2019-2020, they grew by 8,04% and 33%, respectively, while in 2020-2021 they decreased by -6,78% and -9%. Meanwhile, the Gini Index experienced a growth rate in 2019-2020 with a coefficient of 0,01 and decreased in 2020-2021 by -0,01. Thus, for the Gini Index, there is relatively no difference in the average growth.

CONCLUSION

Based on Hypothesis 1 testing which has been carried out by testing several variables that are used as indicators, it can be concluded that there is no difference in the average regional financial and economic performance in 34 provinces in Indonesia before and during the covid-19 pandemic. Even so, the results of testing the variables of economic growth and the unemployment rate show that there are differences in the regional economic averages in 34 provinces in Indonesia, while the results of testing the variables for the ratio of poor people and the Gini index show that there are no differences in regional economic averages in 34 provinces in Indonesia.

From the Hypothesis 2 testing that has been carried out, it can be concluded that there is no difference in the average growth of regional financial and economic performance in 34 provinces in Indonesia before and during the Covid-19 pandemic. Even so, the test variable for regional financial performance growth (growth of PAD and Capital Expenditure) shows that there is a difference in the average growth of regional financial performance. Meanwhile, the test variable for the difference in the average regional economic growth, which does not support the hypothesis is only the Gini index growth variable.

This study measures regional financial performance through local revenue and capital expenditures. Further researchers can add variables to measure regional financial performance such as general allocation funds and special allocation funds in 34 provinces in Indonesia. The General Allocation Fund (DAU) is sourced from the central government for autonomous regions which are part of the revenue in the APBD. These funds are used to finance regional needs to create an even distribution of regional financial capabilities. The other part of the balancing fund is the Special Allocation Fund (DAK). DAK sourced from the central government is used to fund special activities in certain priority areas. During the COVID-19 pandemic, these two types of funds are certainly needed by local governments to finance regional activities, such as improving health facilities to deal with Covid-19 or helping regional economic recovery.

This study shows several variables that have average differences before and during the Covid-19 pandemic, such as the unemployment rate, economic growth, PAD growth, capital

expenditure growth, unemployment rate growth, and growth in the ratio of poor people. The regional government and the central government are expected to be able to re-evaluate regional financial and economic performance, as well as make new policies that are possible to help maintain regional financial and economic performance during the current pandemi.

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