

ABSTRACT

The Effect of Budgetary Solvency Ratio, Degree of Decentralization and Financial Independence on Financial Distress of Provincial Governments in Indonesia

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This study aims to determine the effect of the budgetary solvency ratio, degree of decentralization, and financial independence on financial distress in provincial governments in Indonesia during the 2019–2023 period. The research uses secondary data obtained from the Audit Reports (LHP) on the Local Government Financial Statements (LKPD) of each province, accessed through the E-PPID website of the Audit Board of the Republic of Indonesia (BPK RI). The sampling technique used is non-probability sampling with a purposive sampling approach, resulting in 170 observation units. Hypothesis testing was conducted using Eviews version 12. The partial test results show that the budgetary solvency ratio has a significant effect on financial distress, while the degree of decentralization and financial independence have no effect. Simultaneously, the Budgetary Solvency Ratio, degree of decentralization, and financial independence collectively have a significant effect on financial distress in Indonesia's provincial governments.

Keywords: Financial Distress, Budgetary Solvency Ratio, Degree of Decentralization, Financial Independence.

ABSTRAK

Pengaruh *Budgetary Solvency Ratio*, Derajat Desentralisasi dan Kemandirian Keuangan terhadap *Financial Distress* Pemerintah Provinsi di Indonesia

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Penelitian ini bertujuan untuk mengetahui pengaruh *budgetary solvency ratio*, derajat desentralisasi, dan kemandirian keuangan terhadap *financial distress* pada pemerintah provinsi di Indonesia selama periode 2019–2023. Penelitian ini menggunakan data sekunder yang diperoleh dari Laporan Hasil Pemeriksaan (LHP) atas Laporan Keuangan Pemerintah Daerah (LKPD) setiap provinsi yang diakses melalui situs E-PPID Badan Pemeriksa Keuangan Republik Indonesia (BPK RI). Pemilihan sampel dilakukan dengan metode *non-probability sampling* menggunakan pendekatan purposive sampling, dengan jumlah unit observasi sebanyak 170. Pengujian hipotesis dilakukan menggunakan perangkat lunak Eviews versi 12. Hasil uji secara parsial menunjukkan bahwa *budgetary solvency ratio* berpengaruh terhadap *financial distress*, sedangkan derajat desentralisasi dan kemandirian keuangan tidak berpengaruh terhadap *financial distress*. Secara simultan, *budgetary solvency ratio*, derajat desentralisasi, dan kemandirian keuangan secara bersama-sama berpengaruh terhadap *financial distress* pada pemerintah provinsi di Indonesia.

Kata kunci: *Financial Distress*, *Budgetary Solvency Ratio*, Derajat Desentralisasi, Kemandirian Keuangan