

ABSTRACT

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

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This study aims to examine the effect of solvency, degree of decentralization, financial independence, and the budgetary solvency ratio on financial distress in provincial governments in Indonesia during the 2022–2024 period. This study used secondary data obtained from the Local Government Financial Statements (LKPD) of provincial governments in Indonesia, accessed through the official website of the Audit Board of the Republic of Indonesia (BPK RI). The sample was selected using a non-probability sampling method with a purposive sampling approach, resulting in 34 provincial governments with a total of 102 observations. Hypothesis testing was conducted using panel data regression analysis using EViews version 13. The partial test results indicate that solvency and degree of decentralization do not have a significant effect on financial distress, whereas financial independence and the budgetary solvency ratio have a significant negative effect on financial distress. Simultaneously, solvency, degree of decentralization, financial independence, and the budgetary solvency ratio jointly have a significant effect on financial distress in provincial governments in Indonesia.

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

ABSTRAK

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

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Penelitian ini bertujuan untuk mengetahui pengaruh solvabilitas, derajat desentralisasi, kemandirian keuangan, dan *budgetary solvency ratio* terhadap *financial distress* pada pemerintah provinsi di Indonesia periode 2022–2024. Penelitian ini menggunakan data sekunder yang diperoleh dari Laporan Keuangan Pemerintah Daerah (LKPD) pemerintah provinsi di Indonesia yang diakses melalui situs resmi Badan Pemeriksa Keuangan Republik Indonesia (BPK RI). Pemilihan sampel dilakukan menggunakan metode *non-probability sampling* dengan pendekatan *purposive sampling*, sehingga diperoleh 34 pemerintah provinsi dengan total 102 unit observasi. Pengujian hipotesis dilakukan menggunakan analisis regresi data panel dengan bantuan perangkat lunak EViews versi 13. Hasil pengujian secara parsial menunjukkan bahwa solvabilitas dan derajat desentralisasi tidak berpengaruh signifikan terhadap *financial distress*, sedangkan kemandirian keuangan dan *budgetary solvency ratio* berpengaruh negatif signifikan terhadap *financial distress*. Secara simultan, solvabilitas, derajat desentralisasi, kemandirian keuangan, dan *budgetary solvency ratio* secara bersama-sama berpengaruh signifikan terhadap *financial distress* pada pemerintah provinsi di Indonesia.

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