

The Influence of Regional Wealth, Regional Expenditure and General Allocation Funds on Regional Government Performance

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Abstract

This study aims to analyze the effect of regional wealth, regional expenditure, and General Allocation Fund (DAU) on local government performance in Indonesia. Local government performance is strongly influenced by how these three factors are managed and optimized. Well-managed local wealth can increase regional fiscal capacity and reduce dependence on funding from the central government. Effective and efficient local expenditure plays a role in providing quality public services, while DAU makes an important contribution to regions with limited fiscal capacity. The method used in this research is a literature study by analyzing related literature, including scientific articles, government reports, and previous research. The results show that the interaction between the three factors has a significant impact on local government performance, which is reflected in development achievements and improvements in people's quality of life. Recommendations from this study include the need for more efficient management of local wealth, more focused allocation of local expenditure to priority sectors, and reduced dependence on DAU by increasing local own-source revenue (PAD). This study also suggests further research to explore the impact of DAU management on regional fiscal resilience.

Keywords:

Regional Wealth
Regional Expenditure General
Allocation Fund

Abstract

Penelitian ini bertujuan untuk menganalisis pengaruh kekayaan daerah, belanja daerah, dan Dana Alokasi Umum (DAU) terhadap kinerja pemerintah daerah di Indonesia. Kinerja pemerintah daerah sangat dipengaruhi oleh bagaimana ketiga faktor tersebut dikelola dan dioptimalkan. Kekayaan daerah yang dikelola dengan baik dapat meningkatkan kapasitas fiskal daerah dan mengurangi ketergantungan pada pendanaan dari pemerintah pusat. Belanja daerah yang efektif dan efisien berperan dalam menyediakan pelayanan publik yang berkualitas, sementara DAU memberikan kontribusi penting bagi daerah dengan kapasitas fiskal terbatas. Metode yang digunakan dalam penelitian ini adalah studi pustaka dengan menganalisis literatur terkait, termasuk artikel ilmiah, laporan pemerintah, dan penelitian terdahulu. Hasil kajian menunjukkan bahwa interaksi antara ketiga faktor tersebut memiliki dampak signifikan terhadap kinerja pemerintah daerah, yang tercermin dalam pencapaian pembangunan dan peningkatan kualitas hidup masyarakat. Rekomendasi dari penelitian ini termasuk perlunya pengelolaan kekayaan daerah yang lebih efisien, alokasi belanja daerah yang lebih fokus pada sektor prioritas, dan pengurangan ketergantungan pada DAU dengan meningkatkan Pendapatan Asli Daerah (PAD). Penelitian ini juga menyarankan penelitian lanjutan untuk menggali lebih dalam dampak pengelolaan DAU terhadap ketahanan fiskal daerah.

Kata Kunci: Kekayaan Daerah, Belanja Daerah, Dana Alokasi Umum

INTRODUCTION

The performance of local governments plays an important role in regional development, because the success of local governments in managing resources and implementing policies can directly affect the welfare of the community. Effective regional development depends not only on the right policies, but also on efficient and transparent regional financial management. Therefore, the performance of local governments is a key factor in encouraging the achievement of sustainable regional development goals, including improving the quality of public services, infrastructure, and poverty alleviation. To achieve optimal performance, various factors must be considered, one of which is regional financial

management, which includes regional wealth, regional spending, and the General Allocation Fund (DAU). (SA Putri & Darni, 2022).

Regional wealth refers to assets owned by the regional government, both in the form of fixed assets such as land, buildings, and other facilities, as well as more liquid assets such as cash and receivables. These assets are resources that can be used by the regional government to finance development activities and provide public services. Meanwhile, regional spending is a budget allocation used by the regional government to finance various operational and development activities. (Fadilah & Helmayunita, 2020). Regional spending is divided into several types, including operational spending and capital spending, each of which has an important role in supporting local government activities. The General Allocation Fund (DAU) is a fiscal transfer from the central government to local governments that aims to help fund regional spending needs, especially for regions that have limitations in terms of resources and local revenue. DAU is very important in ensuring equitable development between regions, as well as supporting the performance of local governments in achieving development goals.

These three factors, regional wealth, regional spending, and DAU, have a close relationship with the performance of regional governments. Well-managed regional wealth can strengthen regional fiscal capacity, allowing regional governments to be more independent in financing development programs without relying entirely on assistance from the center. On the other hand, effective and efficient regional spending can directly contribute to improving the quality of public services, which in turn improves the performance of regional governments. Meanwhile, DAU serves as a tool to reduce fiscal disparities between regions, provide support to underprivileged regions, and ensure the achievement of basic service standards throughout Indonesia. (Masyitah, 2023). These three factors interact with each other in creating optimal performance for local government.

This research is relevant in the context of decentralization and regional autonomy in Indonesia, where local governments are given greater authority in managing budgets and resources to advance their respective regions. Within the framework of decentralization, it is important to evaluate the extent to which these factors influence the performance of local governments, so that necessary corrective measures can be taken to improve the effectiveness and efficiency of regional financial management. Along with the development of regional autonomy, this study becomes increasingly important to provide an overview of the challenges and opportunities faced by local governments in managing resources for development.

This study aims to analyze the influence of regional wealth on local government performance. As one of the important components in regional financial management, regional wealth has a very crucial role in determining the fiscal capacity of a region. By managing regional wealth effectively, local governments can strengthen the financial resources available to finance various development programs. This study will explore the extent to which optimal management of regional wealth can contribute to improving government performance, especially in terms of providing public services and infrastructure development.

In addition, this study also aims to analyze the influence of regional spending on the performance of regional governments. Regional spending that is allocated wisely and efficiently becomes an important instrument in creating equitable and quality development. Regional spending that is right on target can improve the quality of public services, improve infrastructure, and reduce socio-economic disparities between regions. Therefore, this study will examine how the management of regional spending influences the achievement of development goals and the performance of regional governments as a whole.

The next research objective is to analyze the influence of the General Allocation Fund (DAU) on the performance of local governments. DAU, as a form of assistance from the central government, has an important role in supporting regions with limited fiscal resources to achieve development targets. This study will explore how the right allocation of DAU can strengthen the performance of local governments,

especially for regions with limited local revenue, and how DAU can be optimized to support equitable development throughout Indonesia.

By analyzing the influence of regional wealth, regional spending, and DAU on regional government performance, this study is expected to provide a clearer picture of the factors that influence the effectiveness of regional financial management, as well as provide policy recommendations to improve government performance at the regional level.

This research is expected to provide significant contributions to the understanding of regional financial management. By analyzing factors such as regional wealth, regional spending, and General Allocation Fund (DAU) and their relationship to regional government performance, this research will provide deeper insight into how these three elements play a role in improving the efficiency and effectiveness of regional financial management. A better understanding of regional financial management is essential to creating a more transparent, accountable, and sustainable government, which in turn can improve the quality of public services and development at the regional level.

In addition, this study can also provide valuable recommendations for fiscal policy at the regional level. With in-depth analysis results on the influence of regional wealth, regional spending, and DAU on regional government performance, this study is expected to provide constructive input for policy makers at the regional level, both the regional government itself and other related parties. The resulting policy recommendations can help in designing more effective fiscal policies, facilitate improvements in regional resource management, and encourage equitable development between regions. In addition, this study can also provide new perspectives for regions with fiscal limitations in optimizing the use of DAU to support more equitable and sustainable development.

Literature review

Theoretical basis

Max Weber argued that bureaucracy is the most efficient form of organization for running a government. An ideal bureaucracy has characteristics such as a clear division of labor, a structured hierarchy of authority, systematic rules, and professionalism in carrying out tasks. In the context of evaluating local government performance, this theory highlights the importance of an efficient organizational structure to ensure that local governments are able to carry out their duties properly. Optimal performance can be achieved if each unit in the bureaucracy works according to its functions and responsibilities, and is supported by transparent rules and procedures.(Setiawan & Yogantara, 2022).

Public Management Theory focuses on managing public resources efficiently and effectively to achieve predetermined goals.(Suaedi, 2019). In this theory, local governments are expected to be able to manage budgets, human resources, and public facilities optimally to improve services to the community. This theory also emphasizes the importance of innovation in public services, accountability, and community involvement in the decision-making process. Evaluation of local government performance, based on this theory, includes aspects of budget management, quality of public services, and results achieved in supporting regional development.

Regional Wealth Concept

Definition and Components of Regional Wealth (Regional Assets) Regional wealth refers to all assets owned by the regional government, both movable and immovable, which can be used to support the implementation of government functions and regional development.(Sema & Riduwan, 2021). In general, regional wealth is divided into two main categories: fixed assets and current assets. Fixed assets include land, buildings, infrastructure, and equipment used in carrying out government activities, while current assets include cash, receivables, and investments that can be immediately transferred into funds for other purposes.

According to Law Number 33 of 2004 concerning the Balance of Central and Regional Finances, regional assets can be further divided into assets that are directly controlled by the regional government (such as land and buildings owned by the region) and assets that are managed by third parties (such as regional assets that are handed over to BUMD for management). (Simamora & ..., 2022) Good management of regional wealth will increase the effectiveness and efficiency in the use of assets, as well as increase regional fiscal capacity.

The Role of Regional Wealth in Increasing the Fiscal Capacity of Regional Governments
Regional wealth plays an important role in increasing the fiscal capacity of local governments. Fiscal capacity refers to the ability of a region to generate income to finance regional spending needs. The regional wealth owned can be a significant source of income if managed properly, either through asset leasing, selling unproductive assets, or investment management. Thus, the greater and better managed the regional wealth, the greater the potential for local original income (PAD) that can be obtained, which in turn can strengthen the fiscal position of local governments in financing various development programs. (Sianturi, 2021).

Regional governments that have adequate assets have greater room to finance development activities without relying entirely on fund transfers from the central government. (Jakimah & Haryanto, 2024). Therefore, regional wealth not only functions as a budget support, but also as a strategic instrument in realizing fiscal independence at the regional level.

Regional Shopping Concept

Regional spending is all expenditures made by the regional government in the context of implementing government functions and duties, as well as in efforts to support regional development. Based on applicable laws and regulations, regional spending can be divided into several categories, including:

1. **Operational Expenditure (Routine Expenditure):** Operational expenditure includes expenditure to finance the daily activities of the regional government, such as employee salaries, administrative costs, and office operations. This expenditure is routine and recurrent every year. Efficient management of operational expenditure is very important to maintain the smooth running of government activities without disrupting long-term development programs. (AS Putri et al., 2021).
2. **Capital Expenditure:** Capital expenditure is used to purchase fixed assets that will provide longer-term benefits, such as infrastructure development, equipment purchases, and construction of public facilities. (Akbar & Huda, 2024). Capital expenditure is very important in supporting regional economic growth and improving the quality of public services.
3. **Unforeseen Expenses:** Unforeseen expenses are used to cover emergencies, natural disasters, or things that are not anticipated in the budget plan. This type of financing is often very much needed in urgent situations. (Khoerunnisa, 2021).

The Influence of Regional Spending on Public Services and Regional Development
Regional spending plays a very crucial role in improving the quality of public services and encouraging regional development. With the right allocation of spending, local governments can provide various basic services such as education, health, infrastructure, and poverty alleviation. (Beautiful & Rivandi, 2023). In addition, regional spending allocated for infrastructure development and public facilities contributes to improving the quality of life of the community and regional economic growth.

Definition and Mechanism of DAU in Indonesia
General Allocation Fund (DAU) is a fund provided by the central government to regional governments with the aim of supporting regional spending needs, especially regions that have limitations in terms of regional original income (PAD). DAU is one of the instruments in the financial balance system between the central and regional governments, which aims to create equitable development between regions. (Apriliani, 2023).

The DAU allocation mechanism is based on a specific formula that takes into account several factors, such as population, area, and level of geographical difficulty of the region. The central government provides DAU annually to regions by considering the basic needs of public services in the region. This DAU plays an important role in reducing fiscal inequality between rich and underprivileged regions.

The Relationship between DAU and the Authority and Fiscal Capacity of Regional Governments DAU has a major influence on the authority and fiscal capacity of local governments. As a significant source of income, DAU helps local governments meet spending needs without relying too much on PAD. Thus, DAU strengthens the fiscal capacity of regions in carrying out government and development tasks.(Octaviana, 2022). However, DAU can also create dependence on central assistance if not managed properly.

DAU functions to support regions in carrying out regional autonomy authority, including in organizing education, health, and basic infrastructure. Therefore, it is important for regional governments to be able to manage DAU effectively and efficiently so that development goals can be achieved.(Indriyani, 2022).

Local government performance refers to the extent to which local governments are able to achieve established development goals, as well as provide adequate public services to the community. This performance is often measured using several indicators, including:

1. Economic Indicators For example, regional economic growth rate, unemployment rate, and per capita income.
2. Social Indicators Include poverty levels, access to education and health, and income distribution.
3. Infrastructure Indicators Include the quality and quantity of available infrastructure, such as roads, bridges, and other public facilities.
4. Public Service Indicators Measure how good public services are provided to the community, such as the quality of education, health, and security.

METHOD

This research uses a literature study approach, namely a research method that relies on secondary sources as the main data.(Achjar et al., 2023). Literature study allows researchers to collect information that has been previously published in various forms of literature, such as books, scientific articles, research reports, and other relevant documents. This approach was chosen because the purpose of the study is to gain an in-depth understanding of concepts related to regional wealth, regional spending, General Allocation Funds (DAU), and local government performance. By using literature study, researchers can explore existing theories and previous research results related to this topic.

The data sources in this study consist of various literatures relevant to the topics discussed. The literature used includes scientific articles published in academic journals, books discussing regional financial management and fiscal policy, and reports published by government institutions such as the Central Statistics Agency (BPS) and the Ministry of Finance.(Alaslan, 2022). In addition, other related documents, such as laws and regulations, local government annual reports, and policy studies are also used to enrich the understanding and analysis of the research topic. All of these sources provide secondary data that serve as the basis for developing arguments and drawing conclusions in this study.

The data analysis technique used in this study is qualitative descriptive, where the researcher examines and interprets the findings contained in the relevant literature.(Auliya et al., 2020). This analysis aims to provide a clear picture of the relationship between regional wealth, regional spending, and DAU with regional government performance. The discussion is conducted by referring to existing theoretical studies, as well as the results of previous studies that have studied similar topics. Thus, researchers can compile a comprehensive synthesis of the influence of these factors on regional government performance, as well as provide useful recommendations for public policy at the regional level.

RESULTS AND DISCUSSION

The Influence of Regional Wealth on Regional Government Performance

Regional wealth, in the form of fixed and current assets owned by the regional government, has great potential to increase regional fiscal capacity and regional government performance. In general, fiscal capacity refers to the ability of a region to collect revenue to finance regional spending. (Widajantie, 2021). The better the management of regional wealth, the greater the potential for regions to increase Regional Original Income (PAD) and reduce dependence on the General Allocation Fund (DAU) from the central government.

Well-managed local assets, such as land, buildings and investments, can be a significant source of income. For example, unused land assets can be leased or used for infrastructure development projects that support the local economy. (Ardhana, 2023). Thus, regions that have optimal wealth management will have more resources to fund various development programs without having to rely on fund allocations from the center.

In addition, efficient management of regional wealth can also improve the quality of public services and infrastructure in the region. For example, income from asset management can be allocated to improve the quality of education, health, and other public facilities, which in turn will improve public welfare. This will have a positive impact on the performance of local governments, because success in providing quality public services is one of the main indicators of good governance performance. (Angelina et al., 2020).

Well-managed regional wealth also has the potential to attract investment and accelerate regional economic growth. Strategic assets, such as land or office buildings, if optimally utilized can become centers of economic activity, increase employment, and expand the regional tax base. This increase in regional income will ultimately strengthen fiscal capacity and provide regional governments with more room to implement more ambitious and sustainable development policies. (Fitriani & Hendaris, 2023).

Analysis of Factors Influencing Regional Asset Management

Regional wealth management is not only influenced by the number or type of assets owned, but also by a number of internal and external factors that can affect its effectiveness and efficiency. Some of the most significant factors in regional wealth management include institutions, regulations, human resource capacity, transparency, economic conditions, and social factors.

1. Institutions and Organizational Structure

The first factor that influences the management of regional wealth is the institutional or organizational structure of the regional government. Regional asset management often involves various agencies or bodies, such as the Regional Financial and Asset Management Agency (BPKAD), the Regional Revenue Service, and others. Poor coordination between these institutions can cause inefficient management of regional wealth. (T. Wahyuni & Subowo, 2024). Therefore, it is important for local governments to have a clear organizational structure and effective coordination mechanisms to ensure that each asset can be managed optimally.

In addition, institutional factors are also related to the existence of a good monitoring system. Local governments need to have an independent and strong internal monitoring institution, such as the Regional Inspectorate, to ensure that the management of regional assets is carried out with high accountability and free from potential misuse.

2. Government Regulations and Policies

Existing regulations, both at the central and regional levels, play a very important role in the management of regional assets. In Indonesia, the management of regional assets is regulated by laws

and regulations that must be complied with by regional governments. However, often existing regulations are too strict or inflexible, which can hinder regional governments' efforts to optimally utilize their assets.(Nasfi et al., 2021).

For example, regulations that restrict the sale or rental of regional assets for certain reasons can reduce the potential income that can be obtained from these assets. Therefore, regulatory updates are needed that better support the management of regional assets while maintaining the principles of transparency and accountability. Fiscal policies implemented by the central government, such as taxation policies or DAU allocations, also affect how regions manage their assets.(Prasetyo, 2021). High dependence on DAU, for example, can cause regions to under-maximize the potential of local assets.

3. Human Resources (HR) Capacity

The capacity of human resources at the local government level is a key factor in managing regional wealth. Managing regional wealth requires expertise in various fields, such as law, finance, asset management, and property development. Therefore, human resources involved in managing regional wealth must have adequate knowledge and skills to be able to carry out their duties effectively.

In many regions, the lack of adequate training and education for officials responsible for managing regional assets is often a constraint. Without adequate human resource capacity, asset management can be carried out haphazardly or inefficiently, resulting in wasted resources. Therefore, it is important for local governments to invest time and resources to improve the capacity of human resources involved in managing regional assets.(Hidayat, 2024).

4. Transparency and Accountability

Transparency and accountability are important elements in managing regional assets. Non-transparent asset management can open up opportunities for corruption or abuse of authority. Therefore, regional governments need to ensure that every step taken in managing regional assets, from inventory, assessment, to utilization, is carried out openly and can be accounted for to the public.

A clear and open reporting mechanism to the public is also very important to maintain accountability for regional asset management. Regional governments must provide reports that are easily accessible to the public and supervisory institutions to monitor the extent to which regional wealth management has been carried out properly and efficiently.(Ramadhani et al., 2023).

5. Economic and Market Conditions

Local and national economic conditions also affect the management of regional assets, especially those related to assets that have market value, such as land and property. Fluctuations in market prices can affect the potential income generated from regional assets. If economic conditions are sluggish or market demand is low, then the income obtained from managing regional assets may not be optimal.(Ahlillah et al., 2023). Conversely, if a regional or national economy is booming, land and other asset prices tend to increase, providing greater opportunities for local governments to generate more revenue.

In addition, changes in economic policies, such as monetary and taxation policies, can affect the attractiveness of investment and demand for regional assets. Regional governments need to have flexible and responsive management strategies to economic changes in order to optimally utilize existing market conditions.(Hermawan et al., 2021).

6. Social Factors and Community Interests

Social factors and community interests also influence the management of regional assets. Local government policies in utilizing assets often have to consider the social impacts of the decisions taken. For example, the use of regional land for development projects or asset sales must take into account the potential for eviction or socio-economic changes in the area. Therefore, the management of regional assets must be carried out with a fair approach and consider the interests of the wider community, not just financial gain alone.(Gunawan et al., 2024).

Community interests can also include how regional assets are utilized for the development of public facilities or public services that improve the quality of life of citizens. By involving the community in decision-making regarding the management of regional assets, local governments can ensure that asset utilization is carried out in a way that provides greater benefits to the welfare of the community as a whole.

Good management of regional wealth can have a significant impact on the fiscal capacity and performance of local governments. Factors such as effective institutions, supportive regulations, adequate human resource capacity, transparency, economic conditions, and social interests must be considered in designing optimal regional wealth management policies.(Kurniati & Devi, 2022). With sufficient attention to these factors, local governments can maximize the potential of their wealth, increase local revenues, and provide better public services, which in turn will improve the overall performance of local government.

The Influence of Regional Spending on Regional Government Performance

Regional spending is one of the main instruments in implementing the functions of regional government, especially in providing public services and supporting regional development. The performance of regional government is greatly influenced by how the regional budget is allocated and used. Effective and efficient spending can improve the quality of public services, accelerate infrastructure development, and support human resource development at the local level. Conversely, poor management of regional spending can lead to a decline in the quality of public services and hinder the progress of regional development.

In the context of public services, targeted allocation of regional spending is very important to meet the basic needs of the community, such as education, health, infrastructure, and social welfare programs.(Kuntadi et al., 2022). For example, regional spending focused on improving the quality of education can produce more competent human resources, which in turn will support regional economic development. Similarly, proper budget allocation for the health sector can improve the quality of life of the community, which will contribute to labor productivity and social stability.

In addition, well-managed regional spending also contributes to infrastructure development that supports the local economy. Allocating funds for the construction of roads, bridges, and other public facilities not only facilitates community mobility, but can also increase the attractiveness of investment in the area.(Amanda & Ratih, 2024). The performance of local governments in managing spending will be reflected in the achievement of equitable and sustainable development, which is the main indicator of the success of local governments in carrying out their duties.

However, regional spending allocation must be carried out transparently and accountably in order to provide maximum impact on local government performance. Without adequate supervision, budget expenditures can be misused, which has the potential to harm the community and hinder development.(Sofiyani & Subadriyah, 2020). Therefore, it is important to ensure that regional spending is directed at clear development priorities and implemented with high efficiency.

The Influence of General Allocation Fund (DAU)

General Allocation Fund (DAU) is one of the main sources of income for local governments in Indonesia. DAU is provided by the central government to assist local governments in financing development activities and public services, especially in areas with limited fiscal capacity.(Sukmawati, 2021). DAU is very important in improving the performance of local governments, especially for regions with limited local revenue (PAD).

The contribution of DAU to the performance of local governments can be seen from its role in funding programs that directly impact the welfare of the community. With DAU, local governments can finance operational and development activities without relying entirely on PAD. This gives local governments flexibility in implementing various development programs, even though local resources are limited. DAU can be used for various sectors, from education, health, to infrastructure, all of which play a role in improving the quality of life of the community(Astutiawaty et al., 2022).

However, although DAU provides many benefits, there are several challenges in its management and utilization. One of the main challenges is the excessive dependence on DAU, which can reduce the incentive for local governments to optimize their PAD. This dependence can make local governments not have enough motivation to increase their regional fiscal capacity through more effective management of regional wealth or tax collection.(HADI, 2022).

In addition, DAU is often not comparable to the real needs in the region. Some regions, especially those with large populations or high development needs, feel that the DAU received is not sufficient to finance all the necessary activities. Therefore, although DAU contributes to improving the performance of local governments, efficient management and the existence of appropriate fiscal policies are needed to ensure that DAU is used optimally and does not become an obstacle to increasing regional fiscal capacity.(Monica & Sa'roni, 2022).

Synthesis of Local Government Performance

Management of regional wealth, regional spending, and General Allocation Fund (DAU) interact with each other in influencing the performance of regional governments. These three factors have a very important role in creating efficient, transparent, and accountable regional governments. Although DAU can help regional governments in financing, optimal management of regional wealth and targeted allocation of spending remain the main keys in improving regional government performance.

Well-managed regional wealth can strengthen regional fiscal capacity, reduce dependence on DAU, and provide more flexibility in regional spending allocation.(Sari, 2021). For example, income generated from the management of regional assets, such as the rental of land or buildings owned by the region, can be used to finance development projects that are greatly needed by the community. This can reduce the burden of DAU received by the region and accelerate the realization of development.

Meanwhile, well-planned regional spending that is prioritized in sectors that are directly related to public welfare will improve the quality of life of the community and support regional economic growth. When regional spending is oriented towards infrastructure development, education, and health, the performance of local governments in providing public services will improve. This increase in the quality of public services will create a government that is more trusted by the community, which in turn will increase the legitimacy of local governments.

However, DAU still has an important role, especially for regions with limited fiscal capacity. DAU can be a much-needed source of funding to support mandatory regional spending, such as employee salaries or financing social programs that are directly felt by the community.(Roskaputri & Heniwati, 2024). However, the management of DAU must be carried out very carefully, so as not to increase regional dependence on these external resources. Regional governments need to strive to improve the

taxation system and management of regional wealth in order to generate more stable income and increase fiscal independence.

Thus, the success of regional governments in improving their performance does not only depend on one factor, but rather on the synergistic interaction between regional wealth, regional spending, and DAU.(Dahliah, 2022). These three factors must be managed in an integrated manner and directed towards a common goal of improving community welfare and supporting sustainable regional development. Efficient, transparent, and accountable management of these three elements will have a positive impact on the overall performance of local government.

CONCLUSION

Based on the literature review conducted, it can be concluded that the management of regional wealth, regional spending, and the General Allocation Fund (DAU) have a significant influence on the performance of regional governments. Well-managed regional wealth can increase regional fiscal capacity, reduce dependence on DAU, and provide flexibility in spending allocation. Efficient and targeted regional spending plays an important role in improving the quality of public services and supporting infrastructure development. Meanwhile, DAU functions as the main source of funding for regions with limited fiscal capacity, although it is necessary to be vigilant so as not to increase regional dependency. The interaction between these three factors—regional wealth, regional spending, and DAU—affects the overall performance of regional governments, which is reflected in the achievement of sustainable development and improving the quality of life of the community.

Suggestion

Based on the research findings, several suggestions can be submitted to local governments to optimize the management of regional wealth, regional spending, and DAU in order to improve government performance. First, local governments need to increase the capacity of regional wealth management by optimally utilizing existing assets, as well as encouraging policies that support fiscal independence. Second, the allocation of regional spending should be more focused on sectors that directly impact community welfare, such as education, health, and infrastructure. Third, although DAU is very important, regions must strive to reduce dependence on DAU by increasing PAD capacity and improving the local taxation system. For further research, it is recommended to explore more deeply the external factors that influence regional wealth management, as well as analyze in more detail the impact of DAU management on regional fiscal resilience in the long term.

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