



The Effect of The Completeness of Financial Statements and Fiscal Stress on the Human Development Index through the Regional Financial Performance

Rina Anggraeni^{*1} and Kiswanto²

^{1,2}Accounting Department, Faculty of Economics, Semarang State University

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ABSTRACT

This research aims to obtain the empirical evidences regarding the influence of the Completeness of financial statements and fiscal stress on human development index with local government financial performance as an intervening variable. The population in this research is Districts / cities in Central Java Province in 2013-2015. The method used is a saturated sample (census) that is the use of the entire population with the number 35 districts / cities. The analytical technique used is analysis of Structural Equation Models (SEM) with AMOS 21. The results of this study indicate that the Completeness of financial statements affects positively and significantly on the government's financial performance. Financial performance of the regions affects the human development index positively and significantly. Fiscal stress does not have a significant influence to the financial performance of the region. The results of the study also proved that the Completeness of financial statement has a significant influence to human development index of the local financial performance. Based on the research result, it can be concluded that human development index influenced by the Completeness of the financial statement and financial performance.

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INTRODUCTION

Human development index is an indicator to measure the quality of human resources to achieve welfare levels in the development planning. Human development planning carried out by an area certainly needs support, especially from the government. This support can be realized through budget allocations in the sectors that support human development. HDI can be used as an instrument in allocating development budgets in the fields related to public facilities such as education, health and economy.

Human development is expected to be a priority in development planning, because the essence of development is human development. Human development is measured by the Human Development Index (HDI). The indicators of HDI improvement are formed by three basic dimensions, namely a long healthy life, knowledge, and a decent standard of living (BPS, 2014).

During the period 2010-2015, the HDI of Central Java Province has always increased, but in fact the human development status of Central Java Province is still

stagnant and the intervals of change in HDI since 2014 and 2015 have decreased. Table 1 shows that the average HDI in Central Java is still below the national HDI average. Until now, the human development of Central Java Province is still in a "moderate" status and is still the same since 2010 (BPS, 2016).

One of the most important elements in the management of regional government and development is how to properly manage regional finances, so that they are in accordance with the development aspirations and demands of the community. These conditions indicate that the acceptance had by the government of Central Java Province have not been optimally used to increase community welfare as measured by the HDI. HDI is used to assess the success of human development performance in a region through the provision of good public services. A good regional financial management will have a good impact on the availability of public services. Good public services are expected to be able to improve aspects of people's lives in this case illustrated by the increased HDI.

Public sector expenditures related to human development still become the responsibility of local governments in their efforts to meet development needs in their regions by optimizing local revenue sources so that they meet the financing needs of the public sector

* E-mail: rina_anggraeni08@yahoo.com
Address: L2 Building 2nd floor, Campus Sekaran, Gunungpati,
Semarang, Indonesia, 50229

Table 1. The Comparison of HDI in Indonesia and Central Java Province

	Human Development Index						Average
	2010	2011	2012	2013	2014	2015	
Indonesia	66.53	67.09	67.70	68.31	68.90	69.55	68.01
Central Java	66.08	66.64	67.21	68.02	68.78	69.49	67.70
Inter-year interval		0.56	0.57	0.81	0.76	0.71	

Source: Central Bureau of Statistics for 2010-2015 (data processed)

(Amalia & Purbadharmaja, 2012). Research conducted by (Anggraeni & Sutaryo, 2015) stated that good public services are expected to improve aspect of people's lives. The improvement of people's lives aspect in this case is illustrated by the increase in HDI. The implementation of fiscal decentralization requires each region to be able to manage its own regional finances both from their expenditure and income by maximizing locally-generated revenue (PAD) (Narindra & Jati, 2016). An increase in PAD is access to economic growth. Research conducted by (Dewi & Sutrisna, 2014) stated that the budget managed by the regional government in the field of public infrastructure is expected to be able to increase people's access to the welfare sector so that efficiency will occur and in turn will improve human development.

This study aims to examine several factors that affect the human development index, among others, the completeness of the preparation of accrual based financial statement, fiscal stress (fiscal pressure), and regional financial performance. The research to examine the direct effect of the completeness of financial reports and fiscal stress is still not widely done, so this study presents a mediating variable namely regional financial performance which refers to research conducted by Amalia & Purbadharmaja, (2012), Dewi & Sutrisna,(2014), as well as Riphath, et al,(2016) showed that regional financial performance has an effect on the human development index with various indicators used.

Grand theory underlying this research is agency theory. Agency theory is used as the main reference in this study to explain the conflicts that occur in local governments and communities represented by the Regional People's Representative Assembly (DPRD) in relation to regional financial policies (Sandri, et al, 2014). The occurrence of differences in interests between the two parties that are bound in a contract. In the contract, the governments besides want to satisfy the principal also aim to maximize their interests. The community that is represented by the DPRD is the principal and the government is the agent. The agent is expected to take financial policies that benefit the principal. Principals have regulatory authority and provide resources to agents in the form of taxes, levies, balancing funds, the result of regional wealth management and other legitimate income (Sandri, et al, 2014).

The implementation of fiscal decentralization requires each region has independence in managing regional financial both from regional revenues and expenditures. The role of the central government is very needed in implementing the regional finance independence. The government's effort in reforming the management of state finances in a sustainable manner is to establish ac-

crual-based government accounting standards set in the form of Government Regulation Number 71 Year 2010 regarding Government Accounting Standards (GAS) in lieu of Government Regulations (PP) Number 24 Year 2005 about Government Accounting Standards (SAP).

Public sector accounting is very relevant to the concept of the New Public Management because it can help public sector managers to achieve organizational goals related to internal and external accountability. The implementation of Accrual Accounting can be known by looking at the completeness of the financial statements of the regional government based on PP Number 71 Year 2010. The implementation of Accrual-based GAS is one of the government's policies in an effort to improve the quality of financial management (Surepno, 2015), financial transparency, facilitate the identification of service costs, and improve the efficiency of resource allocation (Widayat & Probahudono, 2016).

The real contract between the agent and the principal in the local government is the Regional Budget. Executives (agents) draft the APBD in accordance with the budget general policy and budget priorities, which are then submitted to the legislative (principal) to be studied and discussed together before being determined to become a regional regulation (Perda). APBD can be used by the principal (legislative) to oversee the implementation of the budget by the executive (agent). In this case, the legislative which is a representative of the community can supervise and assess the financial performance of the local government. The preparation of financial statements based on GAS can provide more detailed information for public sector in decision making which is done by agents directly so that it becomes more effective and efficient in providing services to the public. (Citra, et al, 2016).

Based on the research of (Citra et al, 2016) explains accrual accounting has a positive impact on the financial performance, because accrual accounting is believed to be the best practice for managing finances in the public sector so as to improve government performance.

H₁: The completeness of Financial Reports has a significant effect on the regional financial performance

Regional autonomy on the one hand gives broad authority to the local governments, but on the other hand gives greater responsibility for the regional government in an effort to improve people's welfare (Huda, et al, 2015). Some regions are classified as lucky regions because they have potential revenue sources. The decrease of economic activities in various regions can also cause a decrease in PAD so that the area will depend on balance funds which

will lead to fiscal stress symptoms (Setyawan & Adi, 2008).

Agency theory defines an agency relationship as a contract whereby one or more (principal) hires another person (agent) to do some services for their interests by delegating some decision-maker authority to the agent. A conflict of interest will appear in the delegation of tasks given to the agent (Huda, et al, 2015). The community that is represented by the DPRD is the principal and the government is the agent. Agents are expected to take financial policies that benefit the principal, so that there is no information asymmetry in decision making that can benefit both parties between the local government and the community. Principals have regulatory authority and provide resources to agents in the form of taxes, levies, balancing funds, management of regional wealth and other legitimate income (Sandri, et al, 2014).

The government is expected to explore the potency that exists in its area, so that locally-generated revenue can be used to finance regional expenditures, especially those directly related to public services or improving infrastructure that supports the acceleration of regional economic growth. Research conducted by Setyawan & Adi, (2008) explained that there is an indication that high fiscal stress increasingly encourages regions to increase their regional expenditure. Muryawan & Sukarsa, (2016) stated that fiscal stress has a significant effect on economic growth both directly and through regional financial performance.

H₂: Fiscal stress has a significant effect on the regional financial performance

The regional government as the agent in carrying out the mandate given by the community as the principal, then the local government must improve its financial performance (Noviyanti & Kiswanto, 2016). Based on the differentiation of these functions, the executive conducts planning, implementation, and reporting on regional budgets, which are manifestations of service to the public, while the legislative plays an active role in implementing legislation, budgeting, and supervision (Anggraeni & Sutaryo, 2015). Budget policies by local governments are used to improve public services in order to improve people's welfare which can be seen through human quality. Government performance which is often used as a reference in seeing the level of people's welfare is one of them financial performance. Measuring instruments to assess the government's financial performance are quite a lot, including the financial ratio analysis on the Regional Budget (APBD) (Harliyani & Haryadi, 2016).

Delavallade (2006) in Dewi & Sutrisna, (2014) stated that the budget in the field of public infrastructure is expected to be able to increase people's access to the welfare sector so that efficiency will occur and in turn will improve human development. Dewi & Sutrisna,(2014), Amalia & Purbadharmaja (2012), Anggraeni & Sutaryo, (2015) explained that regional financial independence has an impact on increasing HDI.

H₃: The regional financial performance has a significant effect on the human development index

The stipulation of PP Number 71 Year 2010 then the implementation of accrual-based government accounting systems has a legal basis. This means that the government has an obligation to implement accrual based GAS not later than 2015. This is in accordance with Law 17 Year 2003 which mandates that the form and content of the accountability report for the implementation of the APBN / APBD be compiled and presented in accordance with GAS. The preparation of LKPD in accordance with SAP is one form of government accountability in the financial management and by publishing financial performance reports is one form of regional government transparency. Agency theory is a relationship that is established based on an agreement between two or more parties. Agency relationship in the government is carried out based on regional regulations and not solely to fulfil the interests of principals. Through accountability and transparency of performance carried out by the local governments, it will provide information for the public in monitoring the government's performance in the financial management for public services.

One of the efforts to reform the management of state finances in a sustainable manner is regional financial management where one of the sources of regional revenue comes from locally-generated revenue. Good management of government finances accompanied by good implementation of accrual accounting will create a conducive atmosphere in the performance of local governments to service the public and improve the human development index.

H₄: The completeness of the Financial Statement has a significant effect on the human development index through the regional financial performance

Regions are required to be able to optimize every potency and fiscal capacity in order to reduce dependence on the central government. When Fiscal Stress is high, the government tends to explore the potency for tax revenues to increase their regional revenues (Ako-to& Shamsub, 2004). Therefore, high rate of tax effort is identified with the condition of fiscal stress. The community that is represented by the DPRD is the principal and the government is the agent. The agent is expected to take financial policies that benefit the principal. Principals have regulatory authority and provide resources to agents in the form of taxes, levies, balancing funds, management of regional wealth and other legitimate income. The budget provided by the community for regional development must be well managed through transparency of financial reports regarding funds managed by the regional government.

Muryawan & Sukarsa, (2016) stated that fiscal stress has a significant effect on economic growth both directly and through regional financial performance. With good economic growth, there are indications that fiscal pressure is high, regions tend to increase regional revenues as a means of regional financing for the development of a region. The transparency of budgets originating from regional revenues will drive the pace of

the economy so that it impacts on regional development.

H₃: Fiscal stress has a significant effect on the human development index through the regional financial performance

RESEARCH METHOD

This type of research used a quantitative approach. The form of data in this study was secondary data. The population of this study was the districts / cities

government in Central Java Province in 2013-2015. Sampling of the study using the saturated sample method (census) is the use of the entire population with the number of 35 districts / cities in Central Java. This study used four research variables consisting of one dependent variable, and one intervening variable. The dependent variable in this study was the Human Development Index (HDI), and the intervening variable in this study was regional financial performance (KK). The operational definition of variables can be seen in Table 2 as follows:

Table 2. The Operational Definition of Variables

Variables	Definition	Scale	Measurement
Human Development Index (IPM)	Indicators to measure the success or performance of a region in the field of human development. The indicators used in this study cover education, health, and expenditure (BPS, 2016)	Ratio	Ratio scale by using index percentage
Completeness of Financial Statements (KPK)	The form and content of local government financial statements must be compiled and presented in accordance with GAS. This is due to the suitability of the format for preparing and submitting financial reports with GAS will reflect the quality, benefits, and capabilities of the financial statements themselves (Agus, 2008).	Ratio	Viewing the completeness of LKPD based on PP No. 71 of 2010.
Fiscal Stress (FS)	There is an imbalance between revenue and expenditure (Huda, et al., 2015)	Ratio	
Regional Financial Performance (KK)	the ability of a region to explore and manage original regional financial resources in meeting their needs without relying entirely on the central government (Ridhanie, 2012)	Ratio	PAD/ Transfer Income

Source: Writer's summary, 2017

The data analysis method used in this study was descriptive statistical analysis using SPSS 21. To examine the direct effect using AMOS 21, while to examine the mediation effect or indirect effect was using the sobel test.

RESULTS AND DISCUSSIONS

This study examined 35 districts / cities in Central Java Province for three years. Descriptive statistics testing is intended to provide an overview or description

of a data seen from the mean, standard deviation, variance, maximum, minimum, sum, range, kurtosis, and skewness. (Ghozali, 2011).

Based on the minimum, maximum, and mean values in Table 3, it can be seen that the sample of this study shows that the completeness of financial statements, fiscal stress, financial performance and the human development index in the districts / cities of Central Java Province are included in the good category.

Table 3. The Results of Descriptive Statistics Analysis

	N	Minimum	Maximum	Mean	Std. Deviation
The Completeness of Financial Statement	105	0.57	1.00	0.7297	0.20877
Fiscal Stress	105	0.98	1.48	1.1597	0.09196
Financial Performance	105	7.30	58.38	18.4142	9.16663
HDI	105	61.81	80.96	69.3590	4.59035
Valid N (listwise)	105				

Source: Secondary data processed, 2017

HYPOTHESIS TESTING

Testing using the SEM model is done in stages, before conducting hypotheses testing, first testing the criteria for Goodness of Fit done. The result of the Goodness of Fit test shows that the overall research model has good results. The result of the testing shows that

the research model in this study is feasible to use and then the hypotheses test can be done. The results of the research hypothesis testing are shown in Table 4.

The hypothesis in this study can be accepted if the CR value is higher than the t-table and the standardized estimate is positive. This study has a confidence level of 95 percent, then the t-table value in the study is 1.96.

Table 4. Table of Results of Estimated Regression Weights

			Estimate	S.E.	C.R.	P
KK	<---	KLK	9.924	4.360	2.276	.023
KK	<---	FS	6.518	9.898	.659	.510
IPM	<---	KK	.329	.038	8.700	.001

Source: Secondary data processed, 2017

*Explanation: KK= Local Financial Performance, KLK= Completeness of Financial Statement, FS= Fiscal Stress, IPM= HDI.

The significance test of indirect influence in this study is carried out with a model developed by Sobel and known as the sobel test. Based on Table 5, Estimated results of regression weights can be known the effect of the completeness of financial statements on the financial performance and the effect of financial performance on the human development index can be known the values of a, b, Sa, and Sb. The scores are a= 4.267, b = 0.329, Sa = 1.875, and Sb = 0.037. Later, the calculation is done to find out the value of Sab and the value of t count. The mediation hypothesis test is carried out using the program provided. The following are the results of estimated indirect effects.

Table 5. The Table of Indirect Test Result

Input	Test Statistic	Std Error	p-value
a = 4.267	Sobel test = 2.205	0.637	0.027
b = 0.329	Aroian test = 2.192	0.641	0.028
Sa = 1.875	Goodman test = 2.218	0.633	0.027
Sb = 0.037			

Source: quantpsy.org, 2017

Based on the result of the calculation of Table 5, the t-count value of 2.205 shows result that is greater than 1.96 ($2.205 > 1.96$), so that financial performance has a significant effect on influencing the relationship of financial report completeness to the human development index.

Table 6. The Recapitulation of Hypothesis Test Results

	Hypothesis	Output	Results
H ₁	The completeness of Financial Reports has a significant effect on the regional financial performance	CR=2.276 Sig=0.023	H ₁ Accepted
H ₂	Fiscal Stress has a significant effect on the regional financial performance	CR=0.659 Sig=0.510	H ₂ Rejected
H ₃	Local Government Financial Performance has a significant effect on the Human Development Index	CR=8.700 Sig=0.001	H ₃ Accepted
H ₄	The completeness of the Financial Report has a significant effect on the Human Development Index Through Regional Financial Performance	CR=0.149	H ₄ Accepted
H ₅	Fiscal Stress has a significant effect on the Human Development Index Through Regional Financial Performance	CR=0.043	H ₅ Rejected

Source: Secondary data processed (2017)

The Effect of the Completeness of Financial Reports on the Regional Financial Performance

The influence of the completeness of the financial statement on the financial performance of the local government shows the CR value of 2.276 with a probability of 0.023 which indicates that the completeness of financial statements has a significant effect on the financial performance of local government. The effect of fiscal stress on the local government financial performance shows the CR value of 0.659 with a probability of 0.510 which states that fiscal stress does not significantly influence the financial performance of local governments.

The effect of local government financial performance on the human development index shows the CR value of 8.700 with a probability of 0.001, which states that the financial performance of local governments has a significant effect on the human development index. The effect of the Completeness of the Financial Report on the human development index shows the CR value of 0.007 with a probability of 0.995 stating the completeness of financial statements does not significantly influence the human development index.

The result of data processing is concluded that H₁ is accepted. The result of this study is in line with the agency theory which states that the real contract between the agent and the principal in the local government is the Regional Budget. The Regional Budget can be used by the principal (legislative) to oversee the implementation of the budget by the executive (agent). In this case, the legislative which is the representative of the public can supervise and assess the financial performance of the local government. Local governments are required to submit performance reports, especially in the field of regional finance, to assess whether the local government has managed to carry out its duties properly or not in managing regional finances.

The result of this study is in accordance with the hypothesis that has been formulated previously that the Completeness of Financial Statement will affect the Financial Performance of Local Governments. Accrual Accounting is a reform in financial management with the aim of increasing efficiency and effectiveness in using performance sources and accountability. The budget is prepared with a performance approach, name-

ly a budget that prioritizes efforts to achieve work results or output from planning (Suryaningrum et al, 2015).

Government Accounting Standards (GAS) is used by the government as a guideline in the preparation of financial statements of regional governments. LKPD is a source of information for the community (principals) to find out how the performance of local governments in managing regional finance. The preparation of the LKPD in accordance with GAS is one form of government accountability in financial management and by publishing financial performance reports is one form of transparency in regional government.

The result of this study supports the research of Citra et al., (2016) which states that accrual accounting has a positive impact on financial performance. This means that good implementation of accrual accounting also increases the government's financial performance.

The Effect of Fiscal Stress on the Regional Financial Performance

The result of testing on the second hypothesis concerning the relationship of fiscal stress with the financial performance of local governments, so it can be concluded that H_2 is rejected. The existence of fiscal stress due to the existence of regional autonomy that demands the regions to increase their local revenue has not been able to improve regional financial performance. This is because the government's efforts to increase regional revenues by exploring new revenues in the form of existing regional potentials have not been able to cover the regional budget which is increasing every year, so that the dependence on external assistance is still high (Amalia & Purbadharmaja, 2012). The measurement of fiscal stress using the ratio of PAD realization to the PAD target has not been able to indicate the regions in increasing regional independence from dependence on the central government.

The result of this testing is not in line with the agency theory that has been stated previously that conflicts of interest will emerge and delegation of tasks given to agents where agents are not in the interests of maximizing the interests of principals, but have a tendency to selfish by sacrificing public interests (Huda, et al., 2015) The existence of a regional autonomy policy made by the central government has not been able to encourage regions to increase their regional revenues.

Regional autonomy made by the central government has not been able to encourage regions to optimize and increase their potency and fiscal capacity in order to reduce the level of dependence on the central government. Although the province of Central Java has been able to reach the target budgeted, but has not been able to have an impact on the government's financial performance in regulating and allocating its budget for regional development. Regional budgets that should be used as a tool to determine income and expenditure, development planning and performance evaluation of regional governments have not been able to influence the government's financial performance in its management.

The result of this study indicates that the existence of fiscal pressure due to regional autonomy is not able to improve regional financial performance. This can occur because of the inability of the regions to explore regional potencies that can increase PAD, so that dependence on external assistance is still high (Amalia & Purbadharmaja, 2012). The result of this study is not in line with the research conducted by Muryawan & Sukarsa, (2016) which stated that fiscal stress has a significant effect on the regional financial performance. Thus, the presence of higher fiscal pressure has not been able to motivate the regions to increase their local revenue which will ultimately lead to the growth of the economy of a region.

The Effect of the Regional Financial Performance on the Human Development Index

The result of data processing shows that H_4 is accepted which explains that the financial performance of local governments has a significant effect on the human development index. The result of this study supports agency theory that the measurement of financial performance for the public interest can reduce conflicts arising between the community and the government. Communities need information about government performance, especially finance which can be used as consideration in paying taxes as a source of regional income. The existence of information regarding local government finance is one of the additional information needed by the community. The government as an agent must convey information on all the performance that has been done, so that the community as principal can oversee the running of the government and can be used as an evaluation material for the government's performance.

The indicator for measuring regional financial performance in this study is the regional financial independence ratio assessed by PAD. The income earned will be used to improve the quality of Human Resources (HR). The independence ratio also describes the level of community's participation in the regional development. The higher the independence ratio, the higher the community participation in paying regional taxes and retributions illustrates that the level of community welfare is getting higher. Therefore, with financial management of existing regional revenues and expenditures allocated appropriately for the welfare of the community.

The result of this study is also in line with the research conducted by Dewi & Sutrisna, (2014) stated that high regional financial independence illustrates that a region has been able to meet its financial needs independently which is able to create economic stability and social political and equal distribution of development outcomes, as well as research conducted Amalia & Purbadharmaja, (2012) and Riphath, et al., (2016) which stated that that regional financial independence has a significant effect on HDI, which means that the higher the regional financial independence it will increase regional development that has an impact on human development.

The Effect of the Financial Report Completeness on the Human Development Index through the Regional Financial Performance

The result of the calculation of the mediation effect test (sobel test) state that H_5 is accepted. The result of the calculation of the mediation effect test (sobel test) of financial performance variable mediating the relationship between the completeness of financial statements and the human development index shows significant results. It can be interpreted that financial performance can be used as a mediating variable that strengthens the relationship of financial report completeness to the human development index.

This research is in line with agency theory where the presence of agency relationship in government is carried out based on regional regulations and not solely to fulfil principal interests. Many things need to be considered in developing a region, one of which is the existence of regulations in managing state finances in a sustainable manner with the establishment of Government Accounting Standards (GAS). GAS aims to create transparency and accountability as part of financial management by requiring regional governments to submit annual financial reports. Government Accounting Standards (GAS) is used by the government as a guideline in preparing financial statements of regional governments. Meanwhile, LKPD is a source of information for the community (principals) to find out how the performance of local government (agents) in managing regional finance.

The preparation of the LKPD in accordance with GAS is one form of government accountability in the financial management and by publishing financial performance reports is one form of transparency in regional government. The form and content of local government financial statements must be prepared and presented in accordance with GAS, because the suitability of the format for preparing and submitting financial reports with GAS will reflect the quality, benefits, and capabilities of the financial statements themselves. By following the standards set by the regional government, the financial statements have met the transparency criteria for the use of financial statements. GAS can be used as a reference for the local governments in the preparation of local government financial reports (LKPD) that contain all government's performance, especially financial performance. Regional financial performance measured using financial independence ratios is strong enough to influence the relationship between Financial Report Completeness and Human Development Index.

The role of performance indicators is to provide information as a consideration for decision making (Kurrohman, 2013). Amalian & Purbadharmaja, (2012) stated that financial independence is inseparable from the role of PAD in financing government expenditure. Therefore, the local governments need to increase local revenue sources so that the implementation of regional development and public services are guaranteed. The budget in the field of public infrastructure is expected to be able to increase people's access to welfare so that

efficiency will occur and in turn will improve human development. The Human Development Index is an indicator of development success and a mirror of government financial management with high accountability. The success of governance and regional development is actually the result of good cooperation between the community, the DPRD, the regional government and vertical work (Suryaningrum et al., 2015).

The Effect of Fiscal Stress on the Human Development Index through the Regional Financial Performance

The result of data processing states that H_6 is rejected. The result of this study is not in line with the agency theory that has previously been revealed that conflicts of interest will emerge and delegation of tasks given to agents where agents are not in the interests of maximizing the interests of principals, but have a tendency to selfish by sacrificing the public interest (Huda, et al., 2015). The existence of a regional autonomy policy made by the central government (agents) has not been able to encourage the regions to increase their regional revenues.

The inability of regional financial performance which is measured using the regional financial independence ratio as the intervening variable can be influenced by several things, one of which is that the presence of fiscal pressure has not been able to motivate regions to increase their local revenue sources which will eventually lead to the growth of an economy. In line with this, the expectation of increasing own revenues will be difficult to materialize if the budget allocation for development is not increased. The lack of availability of potential regional resources and readiness of human resources for the regions are important factors in success in the era of autonomy.

The implementation of regional autonomy in the regency / city government in Central Java Province is required to be able to increase its regional revenues so that the independence and implementation of development can run in accordance with the planned programs and activities. The financing of regional development comes from PAD, balancing funds, and other legitimate income. Decreased economic activities in various regions can also cause a decrease in PAD so that the region will depend on balancing funds that will cause symptoms of fiscal stress. But the existence of fiscal pressure has not made the regions more independent in regulating and allocating their budgets for regional development.

CONCLUSIONS AND SUGGESTIONS

The results of this study indicate that the completeness of financial statements have an effect on the financial performance while fiscal stress has no effect on the financial performance. Financial performance is able to significantly influence the human development index, while the completeness of financial statements does not significantly influence. This study also found that financial performance is able to be a mediating variable.

Suggestion that can be given for this research is that the local governments need to increase local reve-

nues or incomes by optimizing all regional wealth with qualified human resources and conducting a regional financial management in accordance with the applicable accrual based GAS. Suggestion for further research is to explore the possibility of other variables that affect HDI that have not been developed in this study.

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