



The Effect of Intellectual Capital Disclosures on Local Government Financial Performance and the Intergovernmental Revenue as the Moderating Variable

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ABSTRACT: This study aims to examine and analyze the effect of intellectual capital disclosure on financial performance of local governments and also the effect of intellectual capital disclosure on financial performance of local governments when intergovernmental variable as moderating variable. In general, local governments in Indonesia put intergovernmental revenue as one of the main sources of regional revenue, including in areas in South Sulawesi. The data source was using secondary data. And the descriptive correlation study that explains the effect of independent variable on the dependent variable. The analysis technique uses moderated regression analysis (MRA). The unit of analysis in this study was public sector organizations in all District/City Governments in South Sulawesi Province. The results showed that (1) intellectual capital disclosure had a significant positive effect on local governments financial performance; (2) intergovernmental revenue moderates the effect of intellectual capital disclosure on local governments financial performance.

KEYWORD: intellectual capital disclosure, financial performance, intergovernmental revenue.

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I. INTRODUCTION

The region autonomy provides a great opportunity for local governments to further optimize the independence and potential of the region about human resources, budgets, and other resources that are part of regional wealth. Local governments are responsible for managing their resources and finances under the principles and principles governed by the laws and regulations. One form of accountability of regional government is also manifested in the form of regional government financial reports. Great attention to performance measurement is caused by the opinion that performance measurement can improve efficiency, effectiveness, savings and productivity in public sector organizations (Halachmi, 2005). Mardiasmo (2004) states that performance measurement derived from financial information, such as financial statements, that measure based on the budget that has been made. Financial performance is one measurement can use to see the ability of the region to manage its finances and produce the desired output by the goals desired by the government and external parties such as the community.

Referring to the Examination Report on the Regional Government Financial Reports issued by the State Audit Board (BPK), there are various problems that have become obstacles in achieving financial performance targets in the regional government. For example, in achieving the financial performance of the Makassar city government in 2014 the income growth ratio only increased by 10% from the previous year and when viewed from the ratio of capital expenditure the Makassar city government only had a capital expenditure value of 18% of the total budget it had. The result of the accumulated performance of the Makassar city government is only 64%. (LHP of BPK, 2014)

In general, the problems faced by local governments were not yet maximized in making database of regional income, lack of regional capacity to meet the expenditure needed, lack of supporting facilities and infrastructure to achieve the target of financial performance of local governments, and lack of capacity of apparatus possessed by local governments. Various problems that have constrained the achievement of financial performance in the Makassar city government and the Gowa district government show the importance of tactical steps in overcoming these problems to achieve the output targeted by the regional government. The various

problems mentioned indicate that the financial performance of the local government was supported by financial and non-financial aspects owned by the local government.

Performance measurement can not only be measured by considering the financial aspects of an organization, but it is also important to consider non-financial aspects such as intellectual capital (IC), where intellectual capital is one of the measuring instruments used to see performance. One reason is in determining organizational performance, intellectual capital does not only focus on financial measurement but considers non-financial measurements, such as human capital, structural capital and external capital. Human capital in this case relates to knowledge, skills, experience, intuition and attitudes of employees. Structural capital consists of various components such as patents, concepts, models, and computers or administrative systems. While external capital is customer capital which means to related to organizational relations with customers or external parties. Oliveira et. al. (2014) observe that companies with greater intangibility present superior performance to others and that intangible assets (IA) are capable of producing competitive advantage. Intangible assets are valuable, rare, and impossible to copy or replace resources that will be a source of long-lasting competitive advantage (Kozak M., 2011). Both analyzed from a qualitative and quantitative point of view, the views on intellectual capital (IC) greatly figure the ability to give economically or profit (Suciu, et. al., 2011). Knowledge-based capital investment or intellectual capital considered the most important source and certainly can support the performance of the organization.

The importance of applying intellectual capital in the public sector is because intangibles even have a stake in public sector entities rather than private companies; first, because public administration tends to have several non-financial objectives; second, because among productive resources such as human resources, intellectual capital, raw materials and machinery, public administration bodies intensively use HR and intellectual capital, which are intangible; and finally, because of the final product of public administration services, and this is basically intangible (Serrano et al., 2003). In addition, the public sector places humans (employees) as the main capital and focuses on intangible results (Wall, 2005).

The effect of non-financial aspects in this case intellectual capital on financial performance must of course also be supported by financial aspects. There are many financial factors that can affect financial performance but what's interesting was intergovernmental revenue. In general, local governments in Indonesia place intergovernmental revenue as one of the main sources of regional revenue, including in areas in South Sulawesi. Patrick (2007) mentions intergovernmental revenue as one of the regional government revenues originating from central government transfers to regional governments to finance the activities of local governments. Several studies have examined the effect of intergovernmental revenue on the financial performance of local governments. Andirfa's research results (2016) state that intergovernmental have a significant effect on the financial performance of local governments. Likewise, the research conducted by Budianto and Alexander (2016) states that balancing funds have a significant effect on local government financial performance both partial and simultaneously. The results of different studies were conducted by Sesotyaningtyas (2012) who concluded that intergovernmental revenue did not affect the financial performance of local governments. Therefore, the main aim of this research is to find the relationship between intellectual capital disclosure and financial performance of local governments and also the relationship between the two when there are intergovernmental variables as moderating variables.

II. LITERATURE REVIEW

2.1. Intellectual Capital Disclosures

The term intellectual capital was first put forward by Galbraith in 1969. He wrote a letter to his friend named Michael Kalecki, the contents of the letter were: "I wonder if you realize how much they have owed to the intellectual capital you have provided over last decades "(Bontis, 2001). As a concept, intellectual capital refers to intangible or invisible assets, which relate to human knowledge and experience and the technology used (Rupidara, 2008). So in intellectual capital there are several non-financial aspects which have no material value.

There are several definitions put forward by experts regarding intellectual capital. Stewart (1997) defines intellectual capital as "The sum of everything everybody knows is competitive edge in the market place. It is intellectual capital of material knowledge, information, intellectual property, experience that can be used to create wealth. Guthrie and Petty (2000) provide the definition of intellectual capital as "... instrumental in the determination of enterprise value and national economic performance". Li et al. (2008) also gave opinions on the definition of intellectual capital as "... the possession of knowledge and experience, professional knowledge and skills, good relationships, and technological capacities, which when applied advantages and disadvantages will be given.

Based on the definitions expressed by the experts, it can be concluded that intellectual capital is an intangible asset in the form of knowledge, technology, innovation, operational systems, and good relationships with customers that can create more value for the organization. Until now there has been no single theory that

can be used as the main basis in describing in full about intellectual capital due to the difficulty of quantifying intangible assets. By that, disclosure relates to explanations about things that are informative that are considered important and useful for users in addition to what can be described through financial accounting values. In general, the purpose of disclosure is to present information that is deemed necessary in achieving the objectives of financial reporting and to serve various parties where they have different interests (Suwardjono, 2005).

Disclosures are divided into two, namely mandatory disclosures and voluntary disclosures. Intellectual capital disclosure is voluntary disclosure. The nature of voluntary intellectual capital disclosure makes organizations have the freedom to disclose because it is not required by regulation. This freedom causes diversity in the quality of voluntary disclosure among public companies (Marwata, 2001).

Some researchers have offered a model to measure how far the quality of intellectual capital disclosure is in the annual report. Broadly speaking, in the studies that have been carried out, intellectual capital is divided into three main aspects that have been developed by previous researchers (Sawarjuwono and Kadir, 2003). The three aspects are:

1. Human Capital (Employee Competence)

Human capital is a lifeblood in intellectual capital (Sawarjuwono and Kadir, 2003). This component includes the competencies and knowledge of individuals shown by company employees. Some of the characteristics included in human capital/employee competence include: know-how, employee education programs, vocational qualifications, work-related knowledge, cultural diversity, entrepreneurial innovativeness, equal employment opportunities, executive compensation plans, training programs, and union activity (Schneider et al., 2008).

2. Structural Capital/Internal Capital

Structural capital is the ability of an organization or company to fulfill the company's routine processes and structures that support employees' efforts to produce optimal intellectual performance and overall business performance (Sawarjuwono and Kadir, 2003). Internal capital includes: intellectual property, management philosophy, management processes, corporate culture/value, information/networking systems, financial relations, and promotional tools (Schneider et al., 2008).

3. Relational Capital/ Customer Capital/External Capital

This element is a component of intellectual capital that provides real value. Relational capital is a harmonious relationship that the company has with its partners (Sawarjuwono and Kadir, 2003). According to Schneider et al. (2008) external capital measurements in local governments include: brands, ratepayer databases, ratepayer demographics, ratepayer satisfaction, backlog work, distribution channels, business collaboration, licensing agreements, and quality standards.

The benefits of intellectual capital disclosure are the use of science and technology so that it can be obtained how to use other resources efficiently and economically, which in turn will provide competitive advantage (Rupert 1998). Another benefit was conveyed by Suwarjuwono and Kadir (2003) that intellectual capital is considered as the company's main asset because it can provide value added to the company so it needs to be disclosed. The benefits of intellectual capital make managers better able to manage intellectual capital, because if it is not disclosed, there is a risk that it will not get enough attention (Guthrie and Petty 2000).

Intellectual capital disclosure has been carried out by several researchers including Suhardjanto and Wardhani (2010) who found that intellectual capital disclosure in companies listed on the Indonesia stock exchange was 35%. Yunanto (2010) examined the disclosure of intellectual capital in the public sector in Indonesia with a yield of 17.9%.

2.2. Intergovernmental Revenue

Intergovernmental revenue is income received by local governments originating from external sources and does not require repayment (Patrick, 2007). Intergovernmental revenue is commonly known as balancing funds (Suhardjanto et al., 2010). Balancing funds are funds originating from APBN revenues allocated to regions to fund regional needs in the context of implementing decentralization. Based on Government Regulation Number 55 of 2005, a balance fund was formed to support funding for the autonomy program. Balancing funds include general allocation funds (DAU), special allocation funds (DAK), and profit sharing funds (DBH). The balance fund is not only intended to assist the region in funding its authority, but also aims to reduce the imbalance of government funding sources between the center and the regions and to reduce the gap in government funding between regions.

General Allocation Fund (DAU) is a number of funds originating from the state budget revenues allocated to each Autonomous Region (province/district/city) in Indonesia each year as a development fund. The General Allocation Fund (DAU) aims to equalize financial capacity between regions which is intended to reduce the inequality of financial capacity between regions through the application of formulas that take into account regional needs and potential. DAU of a region is determined by the size of the fiscal gap of a region, which is the difference between regional needs and regional potential. Allocation of DAU for regions with large fiscal

potential but small fiscal needs will obtain a relatively small DAU allocation. Conversely, regions with small fiscal potential, but large fiscal needs will receive a relatively large DAU allocation. Implicitly, this principle confirms the function of the DAU as a factor in fiscal capacity equalization.

Special Allocation Funds (DAK) are allocations from the State Revenue and Expenditure Budget to certain provinces/districts/cities with the aim of funding special activities which are regional government affairs and in accordance with national priorities. The Special Allocation Fund (DAK) is intended to help finance specific activities in certain regions which are regional affairs and in accordance with national priorities, especially to finance the needs of basic community service facilities and infrastructure that have not reached certain standards or to accelerate regional development.

DBH is funds originating from the APBN which are distributed to regions based on a certain percentage number. The DBH arrangement in this Act is an alignment with Law Number 7 of 1983 concerning Income Tax as has been amended several times, most recently by Law Number 17 of 2000. Revenue Sharing Funds (DBH) are funds originating from state budget revenues allocated to Regional Governments based on percentage numbers to fund regional needs in the context of implementing decentralization.

Balancing funds are funds originating from APBN revenues allocated to regions to fund regional needs in the context of implementing decentralization. With the era of decentralization, financial supervision of local governments must be more effectively carried out by the central government in order to create an atmosphere of transparent and accountable regional governance. Supervision is carried out by the central government by establishing a Financial and Development Supervisory Agency (BPKP) that carries out the function of internal financial oversight and the Supreme Audit Agency (BPK) which performs an external monitoring function (Cahyat, 2004). the amount of injection funds from the central government is expected to facilitate the running of government at the regional level. This fund is used for district/city regional government funding in the context of public services. With the existence of adequate and targeted public services, it proves that the regional government has good financial performance (Sesotyaningtyas, 2012).

2.3. Hypotheses

According to Mayo (2000), measuring organizational performance from a financial perspective is very accurate, but actually what will become the basis for driving the value of finance is human resources. HR or organization can encourage an organization's performance improvement. HR development is the main indicator of human capital (HC) where HC is a part of Intellectual capital (IC). In Intellectual Capital, it is explained that the development of HR in the form of scholarships and training is not considered as a cost, but the development is considered as the main capital that will support organizational performance, especially finance. This is in accordance with the theory of resource based view (RBV), which emphasizes that organizational resources are fundamental factors determining performance and competitive advantage of the organization (Peteraf and Bergen, 2003).

Both analyzed from a qualitative and quantitative point of view, the view of intellectual capital greatly determines the ability to contribute economically or profit (Suciu et al., 2011). Several studies on intellectual capital's contribution to financial performance and performance have been carried out. Farah and Abouzeid (2017) and Gogan (2016) found findings that the relationship of positive intellectual capital influence on the performance of public sector organizations. Jordao and Almeida (2017) have also conducted research that found results that intellectual capital affects profitability which then has a positive impact on the sustainability of the entity so that it can be concluded that intellectual capital can help improve financial performance systematically from time to time. Research from Chen et.al. (2005) and Fathi et.al.(2013) provide confidence in the influence of intellectual capital on financial performance. The hypothesis proposed is as follows:

H1: intellectual capital disclosure has a significant positive effect on financial performance.

In measuring the performance of local governments the things that need to be considered are financial and non-financial aspects. Mahsun (2009) said that traditional budget-based performance (line item and incrementalism) performance measurement systems do not reflect performance objectively because they are only guided by financial (input) aspects, performance measurement that is more objective in considering financial aspects and direct and tangible also pays attention to non-financial aspects indirect and intangible.

In the previous hypothesis, it was explained that intellectual capital disclosure is indicated to affect the financial performance of regional governments. The variable intellectual capital disclosure is used to see the impact of non-financial aspects on financial performance. However, it should be noted that there needs to be support from the financial aspect to measure financial performance objectively, for which supporting variables are used, one of which is intergovernmental revenue.

The balancing fund is the biggest supporter of the financial budget in each local government. Balancing funds consist of General Allocation Funds (DAU), Special Allocation Funds (DAK), and Revenue Sharing Funds (DBH). Balancing funds are intended to reduce the imbalance of funding sources between the center and the regions. When the realization of regional government expenditure is greater than the income of the region,

there will be a deficit. Therefore, to cover budget shortages, the central government transfers funds in the form of balancing funds to local governments. The basic assumptions that can be drawn from the explanation are that the greater the transfer of balance funds received by the regional government will show the regional power to finance their operations which in turn will have an impact on performance, especially the financial performance of the local government. This assumption is supported by research conducted by Andirfa (2016) which states that intergovernmental revenue has an influence on financial performance. Research by Sumarjo (2010) and Sesotyaningtyas (2012) also found the effect of intergovernmental revenue on the financial performance of regional governments. The hypothesis proposed is as follows:

H2: intergovernmental revenue moderates the effect of intellectual capital disclosure on financial performance.

III. METHODOLOGY

This study uses a quantitative research approach with descriptive correlational properties. The location chosen in this study was all District/City Governments in South Sulawesi. The population in this study were 24 Regional Governments. The research respondents were directors, section heads, and section heads. The type of data used in this study is documentary data. The data source used is secondary data. Secondary data for the Intellectual Capital Disclosure, Intergovernmental Revenue, Leverage, and Financial Performance variables use available data on local government financial reports that have been audited by the Supreme Audit Agency (BPK) for the two financial reporting periods.

In this study, the dependent variable (Y) used is local government financial performance, and the moderating variable (Z) used is the Intergovernmental Revenue, while the independent variable (X) used is the Intellectual Capital Disclosure. To assess regional financial performance in this study the ratio scale is used. Ratios used to measure financial performance include:

a) Efficiency Expenditure Ratio

$$\text{Efficiency Expenditure Ratio} = \frac{\text{Expenditure Realization}}{\text{Expenditure Budgeting}}$$

b) Revenue Varians Analysis (RVP)

$$\text{Revenue Varians Analysis} = \frac{\text{Revenue Realization}}{\text{Revenue Budgeting}}$$

c) Revenue Growth Anaysis (RPP)

$$\text{Revenue Growth Anaysis} = \frac{\text{Revenue } (t) - \text{Revenue } (t-1)}{\text{Revenue } t}$$

d) PAD Growth Analysis (RPPad)

$$\text{PAD Growth Analysis} = \frac{\text{PAD } (t) - \text{PAD } (t-1)}{\text{PAD } t}$$

e) PAD Effectiveness Analysis (REPad)

$$\text{PAD Effectiveness Analysis} = \frac{\text{PAD realization}}{\text{PAD Target}}$$

f) Expenditure Harmonization Analysis (RKB)

$$\text{Expenditure Harmonization Analysis} = \frac{\text{Operation Expenditure Realization}}{\text{Total Expenditure}}$$

g) Capital Expenditure Ratio (RBM)

$$\text{Capital Expenditure Ratio} = \frac{\text{Capital Expenditure Realization}}{\text{Total Expenditure}}$$

The formulations that can be used to determine the percentage of financial performance are as follows:

$$\text{FPScore} = \frac{\sum_{i=1}^m \text{REB} + \text{RVP} + \text{RPP} + \text{RPPad} + \text{REPad} + \text{RKB} + \text{RBM}}{m} \times 100\%$$

Intergovernmental revenue is measured by the same proxy Patrick's (2007) research is a comparison between total funds balance with total income. Consistent with research previously, intergovernmental revenue can be measured as follows:

$$\text{Intergovernmental Revenue} = \frac{\text{Total Intergovernmental Revenue}}{\text{Total Revenue}} \times 100\%$$

The Intellectual capital disclosure index (ICDi) for each local government is calculated based on the method developed by Guthrie and Petty (2000). In the Index of Intellectual Capital Disclosures method, each element is given a value of 1 if disclosed in the financial statements, and given a value of 0 if not disclosed in the financial statements. Results obtained: $0 < \text{ICDi} < 1$. With the formulation of the calculation of the intellectual capital disclosuresscore, as follows:

$$ICDScore = \frac{\sum_{i=1}^m HCScore + SCScore + CCScore}{m} \times 100\%$$

The analysis technique uses moderated regression analysis (MRA) stated in a mathematical relationship that is about the influence of Intellectual Capital Disclosure on Local Government Financial Performance with the Intergovernmental Revenue as a moderating variable.

IV. RESULT AND DISCUSSION

The results of simple regression testing without moderating variables can be seen in table 4.1 as follows:

Table 4.1 Regression Test without Moderating Variable

Independent Variable	Coefficient	t	Sig	Result
Constant	0.551			
Intellectual Capital Disclosure	0.287	4.952	0.000	Significant

$\alpha = 0,05$

Source: Data processed, 2018

Based on a regression test results in Table 4 .1 mathematical equation can be structured as follows.

$$Y = 0.551 + 0.287X + e. . . (1)$$

From this equation shows that the coefficient value for the independent variable namely intellectual capital disclosure (ICD) is positive. This indicates that the influence of the variable intellectual capital disclosure is directly proportional to the financial performance of regional governments. Table 4.1 also shows that intellectual capital disclosure has a significant effect on the financial performance of local governments. This can be seen from a probability value that is smaller than 0.05 where the probability value of the variable intellectual capital disclosure is 0,000.

The test results show that the proposed hypothesis 1 is accepted. Where obtained a significance level of 0.000 (sig. P <0.05) with a coefficient of 0.287. Thus, the hypothesis that intellectual capital disclosure has a significant positive effect on financial performance is empirically proven. The results of this study are in accordance with stakeholder theory, which Freeman (2001) argues that an organization conducts disclosure as a form of responsibility. The responsibility of the company in disclosing the intellectual capitalization because in developing and producing capital requires a small budget allocation. In line with the theory of resource based view by Peteraf and Bergan (2003), the resources owned by the organization are fundamental factors supporting performance. The intended resources include the intangible assets (non-financial aspects) that the organization has in this case the local government.

Previous research on intellectual capital by Schneider and Samkin (2008) is the basis of this research in assessing intellectual capital contained in the financial statements of local governments. The results of this study are supported by Fathi's research (2013) which shows the positive influence of intellectual capital on financial performance. Other research also supports the results of this study, namely research from Farah and Abouzeid (2017) who found that intellectual capital has a positive influence on the financial performance of the organization.

Table 4.2. Value of R Square Regression Test without Moderating Variable

Model	Dependent Variable	Independent Variable	R	R Square
1	Financial Performance	Intellectual Capital Disclosure	0.455	0.207

Source: Data processed, 2018

The R-square determination coefficient value on the test results shown in table 4.2 shows the value of 0.207 or 20.7 percent. This indicates that the regional government financial performance variable is influenced by the variable intellectual capital disclosure of 20.7 percent and the remaining 79.3 percent is influenced by other variables outside the independent variables used in this study.

The results of a simple regression test with moderating intergovernmental revenue (Z) variables can be seen in table 4.3 as follows.

Tabel 4.3 Regression Test with Moderating Variable

Independent Variable	Coefficient	t	Sig	Result
Constanta	0.551			
Interaction ICD (X) with Intergovernmental Revenue (Z)	0.219	2.030	0.045	significant

$\alpha = 0,05$

Source: Data processed, 2018

Based on the regression test results in table 4.3 mathematical equations can be arranged as follows.

$$Y = 0.551 + 0.126X + 0.219X.Z1 + e. . . (2)$$

From this equation shows that the coefficient for the independent variable namely intellectual capital disclosure (ICD) after interacting with the intergovernmental revenue variable (moderation) is positive. This indicates that the influence of intellectual capital disclosure variable after interacting with the intergovernmental revenue variable (moderation) is directly proportional to the financial performance of regional governments. Table 4.3 also shows that intellectual capital disclosure after interacting with intergovernmental revenue variables (moderation) has a significant effect on the financial performance of local governments. This can be seen from a probability value smaller than 0.05 where the probability value of the intellectual capital disclosure variable after interacting with the intergovernmental revenue variable (moderation) is 0.045.

The test results show that the proposed hypothesis 2 is accepted. Where the significance level of intellectual capital disclosure (ICD) variable is obtained after interacting with the intergovernmental revenue variable, which is 0.045 (sig. P <0.05) with a coefficient value of 0.219. Thus, the hypothesis that the Intergovernmental Revenue moderates the effect of Intellectual Capital Disclosure on Financial Performance is proven empirically. Intergovernmental revision of Indonesia is known as a balance fund. Balancing funds are transfers of funds from the central government to fund the operations of district / city governments so that the central government can be categorized as stakeholders. Deegan (2004) says that all stakeholders have the right to obtain information about the organization's operations. Local governments obtain information about the impact of providing transfers of funds by the central government to financial performance. In this study intergovernmental revenue is placed as a variable that supports non-financial aspects (intellectual capital) in providing a positive effect on financial performance.

Intergovernmental revenue does not have a direct effect on financial performance as evidenced by the results of several studies which state that intergovernmental revenue has a negative effect (Andirfa, 2016) or does not even affect financial performance (Sesotyanyngtyas, 2012). If it is associated with this research, intergovernmental revenue is a pure moderating variable. This illustrates that the intergovernmental revenue as part of regional income to finance the operations of regional governments has a negative impact on financial performance because regions with high levels of intergovernmental revenue are considered not able to manage their finances independently. But when intergovernmental revenue is used as a supporting variable, it is undeniable that intergovernmental revenue provides support for financial performance indirectly. The results of this study are supported by research conducted by Andirfa (2016) and Sesotyanyngtyas (2012) who find that intergovernmental revenue has an effect on financial performance.

Tabel 4.4 Value of R Square Regression Test with Moderating Variable

Model	Dependent Variable	Independent Variable	R	R Square
2	Financial Performance	Interaction ICD with Intergovernmental Revenue (Moderation)	0.490	0.241

Source: Data processed, 2018

The R-square determination coefficient value on the test results shown in table 4.4 shows the value of 0.241 or 24.1 percent. This indicates that the government's financial performance variables influenced by the intellectual capital disclosure variable after interacting with the intergovernmental revenue variable (moderation) were 24.1 percent and the remaining 75.9 percent is influenced by other variables outside the independent variables used in this study.

V. CONCLUSION

The results of this study indicate that intellectual capital disclosure has a significant positive effect on empirically proven financial performance. The findings of this study indicate that intellectual capital disclosure affects financial performance taken from the financial statements of district / city governments in South Sulawesi. The meaning is that the higher intellectual capital disclosure that is owned by the regional government will have a good impact on the financial performance of local governments as contained in the financial statements of local governments. Based on the results of this study, it can be concluded that intellectual capital disclosure has a significant positive effect on regional government financial performance. The higher intellectual capital disclosure that is owned by the district / city government contained in the financial statements of local governments, the financial performance of the local government will also have a positive impact .

In addition to showing that there is a positive and significant relationship between intellectual capital and financial performance of local governments, this study also finds that the relationship between the intellectual capitalization and financial performance of local governments can be moderated by intergovernmental. This shows that the high intergovernmental revenue affects the influence of intellectual capital disclosure on the financial performance of district / city governments in South Sulawesi. The high

intergovernmental revenue if coupled with the level of intellectual capital disclosure will help in improving the financial performance of the district / city governments in South Sulawesi Province.

The results of this study can give implications for local governments both districts and cities to consider the factors that exist in this study which are considered to have a good effect on the financial performance of local governments. This is important because understanding these factors in carrying out regional government operations and preparing financial reports can increase the output of performance that will be achieved by the regional government.

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