

## **The Influence of Service Performance and Institutional Age on Budgetary Independence with Financial Performance as A Mediating Variable (A Study at The Bendan Regional General Hospital Public Service Agency, Pekalongan City)**

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### **ABSTRACT**

*This study aims to examine and analyze the influence of service performance and agency age on budget independence, with financial performance as a mediating variable at the Regional Public Service Agency (BLUD) of RSUD Bendan Pekalongan City during the 2018–2023 period. The population used in this research comprises the annual financial reports of the BLUD RSUD Bendan Pekalongan City. The sampling technique employed is purposive sampling, selecting samples based on specific criteria relevant to the research objectives. The selected sample consists of the Notes to Financial Statements (CALK) for the 2018–2023 period, further broken down into monthly data, resulting in a total of 72 observations. Secondary data collection methods were used, and the data were analyzed using Partial Least Squares (PLS) regression analysis. The study findings reveal that service performance does not significantly affect financial performance. Similarly, agency age does not have a significant effect on financial performance. Service performance also does not significantly influence budget independence. However, agency age shows a positive and significant effect on budget independence. Financial performance has a positive and significant effect on budget independence. Furthermore, financial performance does not mediate the relationship between service performance and budget independence but does mediate the relationship between agency age and budget independence at BLUD RSUD Bendan Pekalongan City during the 2018–2023 period.*

**Keywords:** service performance, agency age, financial performance, budget independence, RSUD Bendan Pekalongan City

### **ABSTRAK**

Penelitian ini bertujuan untuk mengkaji dan menganalisis pengaruh kinerja layanan dan usia lembaga terhadap kemandirian anggaran, dengan kinerja keuangan sebagai variabel mediasi di Badan Layanan Umum Daerah (BLUD) RSUD Bendan Kota Pekalongan selama periode 2018–2023. Populasi yang digunakan dalam penelitian ini terdiri dari laporan keuangan tahunan BLUD RSUD Bendan Kota Pekalongan. Teknik sampling yang digunakan adalah sampling purposif, yaitu pemilihan sampel berdasarkan kriteria tertentu yang relevan dengan tujuan penelitian. Sampel yang dipilih terdiri dari Catatan atas Laporan Keuangan (CALK) untuk periode 2018–2023, yang kemudian dibagi menjadi data bulanan, sehingga total terdapat 72 observasi. Metode pengumpulan data sekunder digunakan, dan data dianalisis menggunakan analisis regresi Partial Least Squares (PLS). Hasil penelitian menunjukkan bahwa kinerja layanan tidak memiliki pengaruh yang signifikan terhadap kinerja keuangan. Demikian pula, usia

lembaga tidak memiliki pengaruh yang signifikan terhadap kinerja keuangan. Kinerja layanan juga tidak memiliki pengaruh yang signifikan terhadap kemandirian anggaran. Namun, usia lembaga menunjukkan pengaruh positif dan signifikan terhadap kemandirian anggaran. Kinerja keuangan memiliki pengaruh positif dan signifikan terhadap kemandirian anggaran. Selain itu, kinerja keuangan tidak memediasi hubungan antara kinerja layanan dan kemandirian anggaran, tetapi memediasi hubungan antara usia lembaga dan kemandirian anggaran di RSUD Bendan Kota Pekalongan selama periode 2018–2023.

**Kata Kunci :** kinerja layanan, usia lembaga, kinerja keuangan, kemandirian anggaran, RSUD Bendan Kota Pekalongan

## INTRODUCTION

A financial report is more useful if the information presented can be used to predict the future. Information on profit is a highlight of a financial report because this information provides a picture of a company over a certain period (Prastyanti Indarti, 2024). Profit is considered to be of high quality if it can function as a tool to predict sustainable profit (Widiatmoko and Indarti, 2023). Bendan Regional General Hospital (RSUD Bendan) in Pekalongan City is a local government-owned hospital under the auspices of the Mayor of Pekalongan City. It was established in 2009 and inaugurated by H. Jusuf Kalla (Vice President in 2009). Therefore, in carrying out its activities, it must comply with the established Mayor's regulations. So far, RSUD Bendan Kota Pekalongan has assessed its performance by preparing reports related to hospital performance, including Accountability Reports, and submitting them to the Pekalongan City Regional Finance Agency. The performance report contains the hospital's activities and administration in accordance with the hospital's financial and operational performance based on the standardization of healthcare service fee calculations. Since the enactment of Director-General of Budgeting Regulation No. PER-36/ PB-2016 regarding the Guide to Performance Assessment in Public Service Agencies in the Healthcare Service Sector, RSUD Bendan has not carried out a financial evaluation based on the regulation (Andy and Supeno, 2022).

For an organization, including RSUD Bendan Kota Pekalongan, it is important to study and evaluate the level of service performance and financial performance on

budgetary independence. Budgetary/financial independence (fiscal autonomy) shows the ability of a Work Unit to finance its own government, development, and service activities to the community, with service fees paid by the community serving as a source of revenue required by the Regional Apparatus (PD). A higher hospital independence ratio indicates higher financial independence (Andy and Supeno, 2022).

Hospital independence is part of the hospital's financial performance measurement tool (Tama, 2020). Budgetary/financial independence can be influenced by service performance and financial performance, in accordance with the Indonesian Minister of Health Decree Number: 129/Menkes/SK/II/2008 concerning Minimum Service Standards (SPM) for Hospitals. These minimum service standards are intended to provide guidance for regions in carrying out planning, implementation, control, supervision, and accountability for the implementation of hospital minimum service standards. This SPM aims to standardize understanding of operational definitions, performance indicators, measurement units, national targets, calculation methods/standards/ performance achievement units, and data sources. With the existence of the General Allocation Fund (DAU) and the State Budget (APBN), regional independence does not increase; instead, there is an increase in the dependency of local governments on transfers from the central government (Winarto and Indarti, 2024).

Additionally, the long and complex bureaucratic process in disbursing funds is also an obstacle to meeting the hospital's operational needs. Delays in budget

allocation impact the effectiveness of service delivery and hinder efforts to improve service quality and strengthen human resource capacity. The root of these problems is suspected to come from several internal factors, including suboptimal service performance, weak financial performance, and an institutional age that is still relatively young compared to other hospitals that have been established for a longer time and are more institutionally stable. In this case, service performance is an important aspect that needs further study, given its role in influencing the level of public satisfaction and service revenue. Meanwhile, financial performance is a key indicator that reflects the extent to which a hospital can manage existing resources to generate revenue independently.

Based on this description, this study aims to identify and analyze the root problems causing the low level of budgetary independence at RSUD Bendan Kota Pekalongan, focusing on the influence of service performance and institutional age, as well as the mediating role of financial performance. The findings of this study are expected to provide constructive input for the management of RSUD Bendan and the Pekalongan City Regional Government in formulating financial management policies and improving service quality, so that the hospital can move towards sustainable fiscal independence.

Hospitals are required to provide health services in accordance with the SPM prepared and approved by the Regional Head. RSUD Bendan's duty is to provide health services with a focus on healing (curative) and recovery (rehabilitative) efforts carried out in an integrated manner with prevention (preventive), improvement (promotive), and referral efforts. RSUD Bendan, which applies the Public Service Agency Financial Management Pattern (PPK-BLUD), is required to implement services based on SPM as regulated in Mayor's Regulation Number 18 of 2010 concerning the Minimum Service Standards of Bendan Regional General Hospital, Pekalongan City. With quality service

performance, budgetary independence can be increased. This is supported by the results of previous research conducted by Candrasari, et al (2018) and Astuti, et al (2020), which found that service performance has a positive and significant effect on budgetary independence. This is different from the findings by Aryani and Bachtiar (2023) which found that service performance does not affect budgetary independence. This difference in results can serve as a research gap in this study.

The performance of budgetary independence can also be influenced by financial performance. Permendagri No. 13 of 2006 (Chapter 1, Article 1:37) states that performance is the output or result of activities/programs that will be or have been achieved in connection with the use of the budget with measurable quantity and quality. Financial performance can be measured and analyzed through the financial reports produced by the entity. Financial performance analysis is a process of critically examining data reviews, making calculations, measuring by comparing the results of the calculations obtained, interpreting and providing solutions to the hospital's finances for a certain period (Slamet and Supeno, 2022). With quality and measurable financial performance, budgetary independence can be increased. This is supported by the results of previous research conducted by Candrasari, et al (2018) and Astuti, et al (2020), which found that financial performance has a positive and significant effect on budgetary independence. This is different from the research results by Aryani and Bachtiar (2023) which found that financial performance does not affect budgetary independence. This difference in results can serve as a research gap in this study.

Meanwhile, financial performance can be influenced by service performance (Aryani and Bachtiar, 2023). The higher the realization of service performance, the more it will directly increase the BLU's revenue, which is expected to improve the quality of the BLU's independence. However, this is not the only indicator. On the other hand, it

is necessary to further study financial ratios, which are financial analysis tools to assess an institution's performance based on a comparison of financial data contained in the financial report items. In addition, the quality assessment of BLU independence is inseparable from the performance of the BLU institution based on the quality of service and the level of public trust in the BLU institution. Service performance and service quality have a significant effect on financial performance. Services to the community can be improved if the quality of service and efficiency and effectiveness in providing services are good (Aryani and Bachtiar, 2023). The research conducted by Aryani and Bachtiar (2023) shows that service performance has a strong and significant correlation with hospital financial performance.

Another factor that influences budgetary independence is institutional age. Institutional age is how long an institution has been able to survive, compete, and take advantage of existing business opportunities in the economy. Institutions that have been established for a long time have likely gained a lot of experience and have obtained more information from the public about the institution. This will create public trust in these institutions. Institutions that have been established for a longer time will be more experienced and usually have very good performance and a good reputation, thus making it possible to have high profit margins when selling their service products, which in turn will be able to influence the institutional's budgetary independence (Tama, 2020).

The results of previous research that support the influence of institutional age on budgetary independence conducted by Nugroho (2017) found that institutional age has a positive and significant effect on budgetary independence. This is different from the research results by Tama (2020) and Rofiq and Arza (2021) which found that institutional age does not affect budgetary independence. This difference in results can serve as a research gap in this study.

Research on institutional age, service performance, and financial performance on the budgetary independence of regional public service agencies will be carried out at RSUD Bendan Kota Pekalongan. Nowadays, the problems that arise at RSUD Bendan Kota Pekalongan are the limited budget available for the hospital's operations, which makes it unable to improve the quality of services, as well as the overly long bureaucratic flow in the fund disbursement process or financial management regulations that hinder the smoothness of services, so the management of RSUD Bendan Kota Pekalongan is re-arranging the hospital's management, including its financial management pattern, so that the hospital can operate more effectively and efficiently in providing health services to the community (Aryani and Bachtiar, 2023).

The research that has been done directly and partially between service performance and financial performance. This research tests the effect of service performance, institutional age, financial performance, and independence comprehensively, both directly and indirectly through financial performance as a mediating variable. Comprehensive testing will provide a complete understanding of the relationship between these variables so that it can contribute theoretically and practically to policymakers, in this case, the management of RSUD Bendan Kota Pekalongan.

## LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

This research is based on **Stewardship Theory**, which explains that managers or organizational leaders tend to be honest, responsible, and prioritize the interests of the organization over personal interests (Haynes et al., 2015). In the context of RSUD Bendan as a BLUD, this theory is relevant because the hospital as a public organization has an obligation to provide optimal and efficient health services, even though its financial resources are limited because financial factors are not always the main motivation for all managers. There is a

need for recognition and a reputation for success that is more valuable than financial rewards. Based on the perspective of stewardship theory, politically connected companies will have better performance and profit quality (Harianto, 2022).

Political connections are inversely (negatively) related to real earnings management. This finding proves that political connections can help reduce opportunistic management behavior. This is in line with stewardship theory that politically appointed board members will act responsibly and accountably, which ultimately leads to a reduction in earnings management activities, especially real earnings management activities (Kentris et.al, 2024).

### **The Influence of Service Performance on Financial Performance**

Service performance has a relationship with an organization's financial performance. This is supported by stewardship theory (Haynes et al., 2015). Good service performance will be responded to positively by the market, so the earning response coefficient, which is a proxy for earnings quality, in this case, financial performance, will increase (Kentris et al, 2023). According to stewardship theory, some employees as leaders place the company's interests above their own interests or include the company's interests as their own. This is because they believe that improving the company's interests means improving long-term benefits for themselves. In addition, financial factors are not always the main motivation for all managers. There is also a need for recognition and a reputation for success that is more valuable than financial rewards.

As stated by Sirait (2017), BLUs are strictly controlled in their planning and budgeting, as well as their accountability, so they can develop to improve services by controlling costs, and can also improve the BLU's financial performance and independence. Good service quality can improve a hospital's financial performance.

Service performance in a hospital describes the quality of services provided to patients, both in terms of waiting times, the level of inpatient bed utilization (BOR), and patient satisfaction. Within the BLUD framework, an increase in service performance is expected to increase the volume of services and hospital revenue.

Previous research on the influence of service performance on financial performance conducted by Aryani and Bachtiar (2023) shows that service performance has a positive and significant effect on hospital financial performance. Based on this line of reasoning, the following hypothesis can be formulated:

H1: Service performance has a positive effect on financial performance.

### **The Influence of Institutional Age on Financial Performance**

The main goal of employees as leaders is to improve organizational performance so that it can survive for a long time and have a long institutional age. According to this theory, the steward leader/manager who works to improve organizational performance with the goal of keeping the organization running will have the assumption of a strong relationship between corporate performance and corporate satisfaction. Employees are a source of economic power when they control a company (Najaf & Najaf, 2021). Institutional age is how long an institution has been able to survive, compete, and take advantage of existing business opportunities in the economy. Institutions that have been established for a long time are likely to have gained a lot of experience. The longer the institutional age, the more information the public has obtained about the institution. Hospitals that have been established for a longer time generally have a more mature work system, proven standard operating procedures, and a more stable patient base, which will ultimately be able to influence the institution's financial performance (Tama, 2020). This provides a competitive advantage in terms of financial efficiency and productivity.

The research of Anggraeni Dwi Cahyani and Endah Sulistyowati (2023) and Widya Fujiyanto and Limajatini (2024) proves that institutional age has a positive and significant effect on hospital financial performance. Based on this line of reasoning, the following hypothesis can be formulated:

H2: Institutional age has a positive effect on financial performance.

### **The Influence of Service Performance on Budgetary Independence**

Service performance has a relationship with the organization's budgetary independence. This is supported by stewardship theory which states that an employee will carry out their duties in supporting the organization's service performance which can influence the budgetary independence issued by the organization (Haynes et al., 2015). According to stewardship theory, employees as leaders place the company's interests above the company's interests.

Hospitals are required to provide health services in accordance with the Minimum Service Standards prepared and approved by the Regional Head. RSUD Bendan's duty is to provide health services with a focus on healing (curative), recovery (rehabilitative) carried out in an integrated manner with prevention (preventive), improvement (promotive), and referral efforts. RSUD Bendan, which applies the Public Service Agency Financial Management Pattern (PPK-BLUD), is required to implement services based on SPM as regulated in Mayor's Regulation Number 18 of 2010 concerning the Minimum Service Standards of Bendan Regional General Hospital, Pekalongan City. With quality service performance, budgetary independence can be increased. Meanwhile, budgetary independence is inseparable from the hospital's ability to increase original revenue from service fees. The better the service performance, the greater the potential revenue from general patients and from the national health insurance (JKN) scheme.

This line of reasoning is supported by the findings of Candrasari, et al (2018) and Astuti, et al (2020), which found that service performance has a positive and significant effect on budgetary independence. Based on this line of reasoning, the following hypothesis can be formulated:

H3: Service performance has a positive effect on budgetary independence.

### **The Influence of Institutional Age on Budgetary Independence**

As a leader/manager in improving organizational performance, they pay attention to the continuity of the organization so that it can survive for a long time. An organization that has a long age will be able to influence the organization's budgetary independence. According to this theory, the steward leader/manager who works to improve organizational performance with the goal of keeping the organization running will have the assumption of a strong relationship between corporate performance, which means the budget can be determined by themselves (Najaf & Najaf, 2021).

Institutional age shows how long an institution has been able to survive, compete, and take advantage of existing business opportunities in the economy. Institutions that have been established for a long time are likely to have gained a lot of experience. The longer the institutional age, the more information the public has obtained about the institution. This will create public trust in the institution. Institutions that have been established for a longer time will be more experienced and usually have very good performance, a good reputation, thus making it possible to have high profit margins when selling their service products, which in turn will be able to influence the institutional's budgetary independence (Tama, 2020).

Hospitals with a longer age tend to have experience in managing finances and developing more effective service strategies. This long experience allows RSUD Bendan to be more adaptive in facing external challenges and increasing independent revenue sources.

The results of previous research that support the influence of institutional age on budgetary independence were conducted by Nugroho (2017), where the results showed that institutional age has a positive and significant effect on budgetary independence. Based on this line of reasoning, the following hypothesis can be formulated:

H4: Institutional age has a positive effect on budgetary independence.

### The Influence of Financial Performance on Budgetary Independence

Stewardship theory states that managers who are trustworthy, honest, and responsible in an organization (Haynes et al., 2015) will pay attention to the organization's financial condition.

Financial performance can be measured and analyzed through the financial reports produced by the entity. Financial report analysis is a process to help analyze or evaluate the company's financial condition, past and future operating results, and the purpose of financial report analysis is to assess the performance achieved by the institution so far and estimate the institution's performance in the future. Financial performance analysis is a process

of critically examining data reviews, making calculations, measuring by comparing the results of the calculations obtained, interpreting and providing solutions to the hospital's finances for a certain period (Slamet and Supeno, 2022). With quality and measurable financial performance, budgetary independence can be increased.

Financial performance reflects the efficiency of the hospital's financial management over a certain period. Good financial performance allows the hospital to reduce its dependence on regional government funds, as revenue surpluses can be used to finance operational and service development.

Research that has been conducted by Candrasari, et al (2018) and Astuti, et al (2020) found that financial performance has a positive and significant effect on budgetary independence. According to this line of reasoning, the following hypothesis can be formulated:

H5: Financial performance has a positive effect on budgetary independence.

### Research Model

Based on the hypotheses above, the research model can be illustrated as in Figure 2.1.

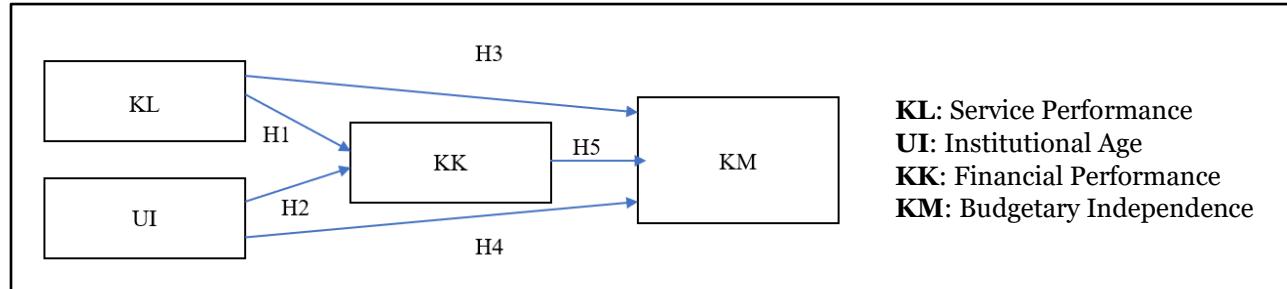


Figure 1. Research Model

## METHODOLOGY

### Data Type and Source

The type of data used in this study is **secondary data**, which is data that has been obtained, collected, and processed by other parties beforehand. The research data consists of service performance, institutional

age, financial performance, and budgetary independence data for the years 2018-2023, which was obtained from the **Notes to Financial Statements (CALK)**, detailed into monthly data, at the Bendan Regional General Hospital Public Service Agency, Pekalongan City. CALK was not taken as direct quantitative data, but as supporting

data to identify revenue recognition policies, operational costs, disclosure of SPM indicator achievements, and justification for using data in the main Financial Statements.

### **Population and Research Sample**

The **population** in this study is the total number of all objects (units/individuals) whose characteristics are to be studied. In this study, the population is the Financial Statements for the years 2018-2023 of the Bendan Regional General Hospital Public Service Agency, Pekalongan City.

The **sample** in this study is a part of the population whose characteristics are to be investigated and are considered to represent the entire population. The sample in this study is the Financial Statements of the Bendan Regional General Hospital Public Service Agency for the period 2018-2023, which are detailed into monthly data, so a total of 72 data points were obtained. The sampling method used in this study is **judgment sampling**, which is a form of purposive sampling by taking samples that have been predetermined based on the purpose and objective of the research. The sample provisions taken are the Financial Statements of the Bendan Regional General Hospital Public Service Agency for the period 2018-2023.

### **Data Collection Method**

The data collection method used in this study is **documentation study**. A documentation study is a data collection method obtained by viewing and collecting documents and reports related to this research. The documents viewed are the data on service performance, institutional age, financial performance, and budgetary independence for the years 2018-2023 obtained from the Financial Statements of the Bendan Regional General Hospital Public Service Agency, which are detailed in a monthly version.

### **Operational Definition and Variable Measurement**

Variable measurement in an operational definition is the determination of a construct so that it can be measured. The operational definition explains the specific way used by the researcher to operationalize the construct, making it possible for other researchers to replicate the measurement in the same way or to develop a better way of measuring the construct (Sugiyono, 2018). The variables used in this study consist of **exogenous variables** in the form of service performance and institutional age, while the **endogenous variable** in this study is financial performance, and the independence ratio is used as a **mediating variable**. The operational definitions of each variable used in this study are as follows:

### **Budgetary Independence (BI)**

According to Slamet and Sumpeno (2022), financial independence (fiscal autonomy) shows the ability of a Work Unit to finance its own government, development, and service activities to the community, with service fees paid by the community serving as a source of revenue required by the Regional Apparatus (PD). A higher hospital independence ratio indicates a higher level of financial independence for the hospital. According to the Minister of Home Affairs Decree Number 690.900.327 of 1996, BLU independence can be measured using the independence ratio. The BLU independence ratio shows the hospital's ability to finance its own operational, service, government, and development activities. The calculation of the BLU independence ratio in this study is based on a comparison between the total BLU revenue and the total APBN budget outside of community assistance (grants) per year in percent. The formula for the independence ratio can be seen as follows:

$$\text{Independence Ratio} = \frac{\text{Total APBN Budget for operations}}{\text{Total BLU Revenue}} \times 100\%$$

### **Financial Performance (FP)**

Financial performance is used to determine the level of profitability that shows the organization's ability to earn a profit during a certain period. The level of

business stability shows the organization's ability to run its business in a stable manner (Fahmi, 2017). In this study, financial performance is measured and applied according to Aryani and Bachtiar (2023) using the **Net Profit Margin (NPM)**. Net Profit Margin is net income divided by net sales. This ratio describes the amount of net profit earned by the institution from every sale made. The higher the Net Profit Margin, the better the operation of an institution. The formula used to find the hospital's NPM can be seen as follows:

$$\text{NPM} = \frac{\text{Total Operational Revenue} - \text{Operation al Surplus}}{\text{Total Operational Revenue}} \times 100\%$$

### Service Performance (SP)

Service Performance is the customer's overall assessment of the excellence or distinctiveness of a product or service. According to Dhamayanti (2019), Service Performance is the performance of the service received by the consumer/patient themselves and assesses the quality of the service they actually feel.

Referring to the Minimum Service Standards (SPM) for Hospitals in accordance with the Minister of Health Regulation Number 129/Menkes/SK/II/2008 and Mayor's Regulation Number 18 of 2010 concerning the SPM for RSUD Bendan Kota Pekalongan. The main indicator used is the **Bed Occupancy Rate (BOR)**, which is the percentage of inpatient bed usage to the total number of available beds in a certain period. BOR is a standardized national indicator of hospital service performance and is a reference for evaluating BLUD RSUD. This indicator provides a picture of the high or low level of hospital bed utilization. The ideal BOR parameter value is between 60-85%.

### Institutional Age (IA)

The institutional age of a hospital is how long the hospital has been operating. A hospital with a relatively longer age usually better collects, processes, and produces information, because the hospital has had a lot of work experience. The age of the hospital reflects the level of organizational

maturity and experience in managing finances and health services. The age of the hospital can be measured using the formula (Tama, 2020):

$$\text{Hospital Age} = \text{Observation Year} - \text{Year of Establishment}$$

### Data Analysis Method

The hypotheses in this study were tested using **Partial Least Square (PLS) regression**. PLS regression was used to test several hypotheses in this study. Each hypothesis was analyzed using **Smart PLS 3.0** software to test the relationship between variables. According to Ghazali (2020), PLS is a multivariate statistical technique that performs multiple dependent and multiple independent variable comparisons. PLS is a variant-based SEM statistical method designed to solve multiple regression problems when specific data problems occur, such as a small research sample size, missing data, and multicollinearity.

The choice of the PLS method was based on the consideration that this study has four variables formed with formative indicators and forming a mediating variable. The steps in the analysis using PLS (Ghazali, 2020) are:

1. **Design the structural model (inner model).** At this stage, the model of the relationship between constructs is formulated.
2. **Design the measurement model (outer model).** At this stage, the relationship between the latent construct and its indicator is defined and specified as either reflective or formative.
3. **Construct a path diagram.** The main function of building a path diagram is to visualize the relationship between indicators and their constructs as well as between constructs, which will make it easier to see the model as a whole.
4. **Model Estimation.** There are three weighting scheme choices in the

model estimation process, including factor, centroid, and path weighting scheme.

5. **Goodness of Fit or model evaluation** includes the evaluation of the measurement model and the evaluation of the structural model.
6. **Hypothesis testing** where the hypothesis can be accepted if the significant level result is  $< 0.05$ , otherwise the hypothesis is rejected if the significant level result is  $> 0.05$ .

## RESULTS AND DISCUSSION

### Inner Model

The inner model or structural model test was conducted to see the relationship between constructs, the significance value, and the R-square of the research model. The structural model was evaluated using R-square for the dependent construct, the t-test, and the significance of the structural path parameter coefficients.

Table 2.1 R-Square

Variable	R-Square
Financial Performance	0.174
Independence Ratio	0.696

Source: Processed secondary data, 2024

Table 3 *T-Statistic and P-Value of Hypothesis Testing*

Variable Relationship	Beta Coefficient	T Statistic (  Z/STDEV  )	P Values	Conclusion
Service Performance --> Financial Performance	-0,273	2,155	0,032	H1 Accepted
Institutional Age --> Financial Performance	-0,914	1,235	0,218	H2 Rejected
Service Performance --> Independence Ratio	0,011	0,105	0,916	H3 Rejected
Institutional Age --> Independence Ratio	0,795	8,630	0,000	H4 Accepted
Financial Performance --> Independence Ratio	0,715	6,809	0,000	H5 Accepted
Financial Performance Mediates Service Performance à Independence Ratio	0,052	0,491	0,624	H6 Rejected
Financial Performance Mediates Institutional Age à Independence Ratio	0,608	5,909	0,000	H7 Accepted

Source: Processed secondary data, 2024

Based on the data presented in Table 2.1, it can be seen that the R-Square for the financial performance variable is 0.174. This value explains that the variation in financial performance can be explained by the independent variables, namely service performance and institutional age, by 17.4%, while the remaining 86.2% is explained by other variables not in the research model. Meanwhile, the R-Square value obtained for the independence ratio variable is 0.696. This value explains that the variation in the independence ratio can be explained by financial performance, service performance, and institutional age by 69.6%, while the remaining 30.4% is explained by other variables not in this research model.

### Hypothesis Testing

Based on the data processing that has been done, the results can be used to answer the hypotheses in this study. Hypothesis testing in this study was carried out by looking at the T-Statistics and P-Values. A research hypothesis can be stated as accepted if the P-Values  $< 0.05$ . The following are the results of the hypothesis test obtained through the inner model (Table 3).

## **The Influence of Service Performance on Financial Performance**

The results of the first hypothesis test (H1) are that service performance has a positive effect on the financial performance of the Bendan Regional General Hospital Public Service Agency. In Table 2.2, it can be seen that the service performance variable has a beta coefficient of -0.273 with a significance level of 0.032, where this number is less than 0.05. The conclusion is that hypothesis 1, which states that service performance has a positive effect on financial performance, is accepted.

## **The Influence of Institutional Age on Financial Performance**

The results of the second hypothesis test (H2) are that institutional age has a positive and significant effect on the financial performance of the Bendan Regional General Hospital Public Service Agency. In Table 2.2, it can be seen that the beta coefficient is -0.914 with a significance value of 0.218, where this number is greater than 0.05. From these results, it can be concluded that the second hypothesis submitted is rejected because the institutional age variable does not have a significant effect on financial performance.

## **The Influence of Service Performance on the Independence Ratio**

The results of the third hypothesis test (H3) are that service performance has a positive and significant effect on the budgetary independence of the Bendan Regional General Hospital Public Service Agency. In Table 2.2, it can be seen that the beta coefficient value is 0.011 and the significance value is 0.916, where this number is greater than 0.05, which means the analysis results are not significant. The conclusion from this analysis is that the third hypothesis submitted is rejected because the service performance variable does not affect the independence ratio.

## **The Influence of Institutional Age on the Independence Ratio**

The results of the fourth hypothesis test (H4) are that institutional age has a positive and significant effect on the budgetary independence of the Bendan Regional General Hospital Public Service Agency. In Table 2.2, it can be seen that the beta coefficient value is 0.795 and the significance value is 0.000, where this number is less than 0.05, which means the analysis results are significant. The conclusion from this analysis is that the fourth hypothesis submitted is accepted because the institutional age variable has a positive effect on the independence ratio.

## **The Influence of Financial Performance on the Independence Ratio**

The results of the fifth hypothesis test (H5) are that financial performance has a positive and significant effect on the budgetary independence of the Bendan Regional General Hospital Public Service Agency. In Table 2.2, it can be seen that the beta coefficient value is 0.715 and the significance value is 0.000, where this number is less than 0.05, which means the analysis results are significant. The conclusion from this analysis is that the fifth hypothesis submitted is accepted because the financial performance variable has a positive effect on the independence ratio.

## **Financial Performance Mediating the Influence of Service Performance on the Independence Ratio**

The results of the research regarding financial performance mediating the influence of service performance on the independence ratio. In Table 2.2, it can be seen that the beta coefficient value is 0.052 and the significance value is 0.624, where this number is greater than 0.05, which means the analysis results are not significant. The conclusion from this analysis is that the financial performance variable does not mediate the influence of service performance on the independence ratio.

## **Financial Performance Mediating the Influence of Institutional Age on the Independence Ratio**

The results of the research regarding financial performance mediating the influence of institutional age on the independence ratio. In Table 2.2, it can be seen that the beta coefficient value is 0.608 and the significance value is 0.000, where this number is less than 0.05, which means the analysis results are significant. The conclusion from this analysis is that the financial performance variable mediates the influence of institutional age on the independence ratio.

## **DISCUSSION**

### **The Influence of Service Performance on Financial Performance**

The results of the test on the first hypothesis show that service performance has a negative effect on the financial performance of the BLUD RSUD. This finding contradicts stewardship theory, which states that service performance has a relationship with an organization's financial performance (Haynes et al., 2015). To improve services to the public, it is expected to improve the quality of service, efficiency, and effectiveness in service delivery. Hospitals, as public service institutions, play an important role in improving public health. The results of this study contradict the results of previous research conducted by Aryani and Bachtiar (2023), which showed that service performance has a positive and significant effect on hospital financial performance. The conclusion from this analysis is that the first hypothesis submitted cannot be accepted because the service performance variable has a negative and significant effect on financial performance.

### **The Influence of Institutional Age on Financial Performance**

The results of the second hypothesis test show that institutional age has a positive and significant effect on the financial

performance of the Bendan Regional General Hospital Public Service Agency. The results of this study support the research conducted by Putra (2022) and Tjahjono (2022), which found that institutional age does not affect financial performance. The conclusion from this analysis is that the second hypothesis submitted is rejected because the institutional age variable does not have a significant effect on financial performance.

### **The Influence of Service Performance on the Independence Ratio**

The results of the third hypothesis test show that service performance has a positive and significant effect on the budgetary independence of the Bendan Regional General Hospital Public Service Agency. This contradicts stewardship theory, which states that service performance has a relationship with an organization's budgetary independence (Haynes et al., 2015). The results of this study support the research conducted by Nugroho (2017) and Bachtiar (2023), which found that service performance does not affect the independence ratio. The conclusion from this analysis is that the third hypothesis submitted is rejected because the service performance variable does not have a significant effect on the independence ratio.

### **The Influence of Institutional Age on the Independence Ratio**

The results of the fourth hypothesis test show that institutional age has a positive and significant effect on the budgetary independence of the Bendan Regional General Hospital Public Service Agency. The results of this study support the research conducted by Nugroho (2017), which found that institutional age has a positive and significant effect on budgetary independence. The conclusion from this analysis is that the fourth hypothesis submitted is accepted because the institutional age variable has a positive and significant effect on the independence ratio.

## **The Influence of Financial Performance on the Independence Ratio**

The results of the fifth hypothesis test show that financial performance has a positive and significant effect on the budgetary independence of the Bendan Regional General Hospital Public Service Agency. This is supported by stewardship theory (Haynes et al., 2015). The results of this study support the research conducted by Candrasari, et al (2018) and Astuti, et al (2020), which found that financial performance has a positive and significant effect on budgetary independence. The conclusion from this analysis is that the fifth hypothesis submitted is accepted because the financial performance variable has a positive and significant effect on the independence ratio.

### **Financial Performance Mediating the Influence of Service Performance on the Independence Ratio**

The results of the research show that financial performance does not mediate the influence of service performance on the independence ratio. Therefore, with or without financial performance, service performance does not affect the independence ratio. The conclusion from this analysis is that the financial performance variable does not mediate the influence of service performance on the independence ratio. Before being mediated by financial performance, service performance already had no effect on the independence ratio.

### **Financial Performance Mediating the Influence of Institutional Age on the Independence Ratio**

The results of the research on financial performance mediating the influence of institutional age on the independence ratio. Thus, institutional age is more effective indirectly on the independence ratio through financial performance first, rather than directly on the independence ratio. The conclusion from this analysis is that the financial performance variable mediates the

influence of institutional age on the independence ratio.

## **CONCLUSION**

Based on the data obtained, it can be concluded that the study aimed to analyze the influence of service performance and institutional age on budgetary independence with financial performance as a mediating variable at the Bendan Regional General Hospital Public Service Agency, Pekalongan City, can be summarized as follows:

- Service performance has a significant negative effect on the financial performance of the BLUD RSUD Bendan Kota Pekalongan from 2018-2023.
- Institutional age does not affect the financial performance of the BLUD RSUD Bendan Kota Pekalongan from 2018-2023.
- Service performance does not affect the budgetary independence of the BLUD RSUD Bendan Kota Pekalongan from 2018-2023.
- Institutional age has a positive and significant effect on the budgetary independence of the BLUD RSUD Bendan Kota Pekalongan from 2018-2023.
- Financial performance has a positive and significant effect on the budgetary independence of the BLUD RSUD Bendan Kota Pekalongan from 2018-2023.
- Financial performance does not mediate the influence of service performance on the independence ratio from 2018-2023.
- Financial performance mediates the influence of institutional age on the independence ratio from 2018-2023.

## **Implications**

This study provides both theoretical and practical implications. It supports stewardship theory, which states that not all managers are opportunistic; some are trustworthy, honest, and responsible in an organization. The application of Stewardship Theory in this study is at the institutional level (BLUD RSUD Bendan) as a public

service management entity, not at the individual level. This research contributes to expanding the application of Stewardship Theory to the public sector in the context of the fiscal independence of health BLUDs.

The practical implications of these findings provide input to hospital management on the need for the institution to pay attention to its independence ratio, because the financial independence ratio (fiscal autonomy) shows the ability of the work unit to self-finance government activities, development, and services to the public who pay service fees as a necessary source of revenue for the Regional Apparatus (PD). A higher independence ratio indicates higher financial independence for the hospital. The institution needs to pay more attention to service performance, institutional age, and financial performance because they can be used as a measure to assess the level of profit from capital invested in the business so that the institution does not incur losses.

### Research Limitations

The limitation of this study is that the R-square value for the financial performance variable is relatively low, at 0.174. This value explains that the variation in financial performance that can be explained by the independent variables of service performance and institutional age is only 17.4%. This finding is due to the research object being only one institution, namely RSUD Bendan Kota Pekalongan. A suggestion for future research is that researchers can expand the research object, for example by taking a sample from several regional hospitals in Central Java so that the findings can be generalized. In addition, researchers can also extend the research period so that it can reflect the overall data accuracy of the research. There are many variables that can influence the independence ratio. In this study, it was only examined with two independent variables, namely service performance and institutional age, with a mediating variable of financial performance and a dependent variable of the independence ratio. For

future research, other variables can be added such as regional taxes, regional levies, the general allocation fund, and capital expenditure.

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