

Analysis of The Impact of Financial Performance on Unemployment through Economic Growth as an Intervening Variable in Jambi City, 2004- 2024

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ABSTRACT

This study aims to analyze the influence of local government financial performance, measured based on independence, effectiveness, and efficiency ratios, on unemployment in Jambi City through economic growth. The research method uses secondary data in Jambi City for the period 2004 – 2024, and the analytical tool used in this study is path analysis. The results indicate that the efficiency ratio is the most dominant variable in determining changes in the unemployment rate in Jambi City, with a total effect of 45.8 percent. The independence ratio also provides a positive contribution of 18.3 percent. Meanwhile, economic growth has a total effect of 5.1 percent, indicating a relatively small but still significant contribution in reducing unemployment through increased production and investment activities. Conversely, the effectiveness ratio has a total negative effect of -7.4 percent, indicating that although regional revenue realization is high, this effectiveness has not yet been fully translated into development policies that impact job absorption.

Keywords: *Independence Ratio, Effectiveness, Efficiency, Economic Growth, Open Unemployment Rate*

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1. INTRODUCTION

Economic development is an effort to transform various economic factors from the previous conditions of people's economic life, which are considered less favorable, into better ones. One of the main goals of economic development is to improve the standard of living through the availability of numerous job opportunities in order to achieve a low unemployment rate, as economic development can be measured by the level of unemployment; if unemployment is low, economic development is considered successful. Economic problems in various countries generally revolve around issues related to macroeconomic concerns, one of which is unemployment (Karimah et al., 2023)

Unemployment is a major issue that every country faces, especially in developing countries. An imbalance between supply and demand, both in terms of quantity and quality, can have serious impacts on unemployment levels (Nisa et al., 2022). This indicates that rising unemployment rates not only affect a nation's dignity and status but can also cause various problems within a country. This widespread unemployment phenomenon generally occurs when the available workforce cannot meet the number of existing job opportunities.

Unemployment occurs in many countries, especially in developing countries, including those that are members of ASEAN (Annisa et al., 2022). The issue of unemployment has also become a major labor problem in several ASEAN member countries, including Indonesia, which is considered to have a high potential to disrupt public order and security (Nisa et al., 2022).

According to information from Trading Economy, Indonesia ranks second among Southeast Asian countries with the highest unemployment rate as of 2023. Data shows that the unemployment rate in Indonesia reached 5.45% in February 2023. Therefore, there are at least some efforts to reduce unemployment in Indonesia. Moreover, unemployment is an important economic issue that affects a country's social and economic stability. All countries in the world, including Indonesia, inevitably face unemployment challenges and continue to implement various programs to reduce the unemployment rate. In addition, unemployment can be a burden on the national economy, as it can affect the implementation of national development in both the short and long term (Siahaan, 2020).

As of now, the Indonesian Central Statistics Agency (2025) reported that the unemployment rate in Indonesia reached 7.46 million, out of a total workforce of 152.10 million, or around 4.9%. This figure has decreased compared to the end of 2023, which reached 7.86 million people, or about 5.3%. However, the unemployment rate in Indonesia is still relatively higher than in other developing countries in the ASEAN region, such as the Philippines, Malaysia, and even Thailand. Unemployment in Indonesia is predominantly concentrated in the Sumatra region.

Ten provinces in Sumatra have the highest unemployment in Indonesia. There are five provinces in Sumatra that contribute the most to Indonesia's unemployment rate, namely Aceh, North Sumatra, West Sumatra, Riau, and Jambi (BPS, 2024). What draws the researcher's attention is Jambi Province, which is, by nature, different from the other provinces. Jambi Province has long been a strategic area and possesses extraordinary natural and human resources. It has a fairly good economic condition among its people. However, it surprisingly has a very high unemployment rate. At first glance, this seems contradictory to the generally good economic condition of the community in Jambi.

In fact, Jambi Province is one of the autonomous regions in Indonesia that is given significant authority to manage and empower all of its regional potentials, such as natural resources (NR), human resources, and financial resources, to the fullest, with the aim of achieving fair and equitable welfare for the community.

Unfortunately, the utilization of natural resources in Jambi Province is still not optimal. Jambi Province has 9 regencies and 2 cities. In Jambi Province, open unemployment has become a complex issue because it is influenced by various interacting factors. If this issue of open unemployment is not addressed promptly, it can lead to social vulnerability and potentially create disparities, both socially and economically (Rambe et al., 2019).

Jambi City, as the capital of Jambi Province, serves as the center of government, economic, and administrative activities, and people from other regions outside Jambi City or surrounding districts surely want to try their luck there. The phenomenon occurring in Jambi City shows that the unemployment rate has significantly decreased from 2021 to 2024, from 31,375 people to 23,875. However, the unemployment figures in Jambi City from 2019 to 2024 have shown an upward trend, rising from 20,635 to 23,875. This remains an issue for Jambi City in its efforts to suppress and reduce the unemployment rate.

In the research results (Omi Citra et al., 2022), it is stated that factors that significantly affect unemployment in the Regencies/Cities in Jambi Province include Economic Growth. There is a need to increase the role of the Jambi city government in reducing the number of unemployed, namely through regency/city government policies that strive to boost economic growth, which will impact the reduction of unemployment, namely by increasing the purchasing power of the community and rapidly developing sectors that will eventually be able to absorb a large workforce.

This was actually discussed by Teroi Okun Arthur (1962), who stated that there is a negative relationship between the rate of economic growth and the level of unemployment, and it has been proven in research (Daňová, 2020). A study from the Journal of Economic Surveys argues that unemployment affects not only individual income but also overall economic growth and national productivity (Verick in Syamsurijal et al., 2024). This reality is not in line with Nanga's statement in Madyasari (2021), which states that achieving high economic growth and income distribution will directly or indirectly reduce the number of unemployed, which is a situation where a person is part of the workforce but does not have a job. This has not occurred in Jambi City, which has experienced economic growth.

Economic growth is a tangible illustration of the impact of an economic development policy. This growth refers to the rate of expansion formed from various economic sectors, which indirectly reflects the level of economic change. For regions, it serves as an important indicator to assess the success of development and is useful for determining the direction of future development policies. Economic growth encourages the government to implement development that advances economic activities in a region through the management of available resources and the creation of new job opportunities (Renggo, 2021).

In the theory of fiscal federalism, it is stated that economic growth can be achieved through fiscal decentralization by implementing regional autonomy. Fiscal decentralization is the delegation of decision-making authority to the lowest level of government (Akai & Sakata, 2002), which functions to increase the efficiency of the public sector in the long term (Faridi, 2011). Aristovnik (2012) stated that fiscal decentralization can be divided into two broad categories:

- (i) fiscal autonomy of local governments
- (ii) the importance of local government finance

By implementing a decentralized system of governance, local governments will be driven to improve their efforts in providing better public services in their regions (Suhardjanto et al., 2009). Penthury (2011) stated

that local governments must be able to provide public service facilities well for all local communities, as infrastructure is the key to boosting economic growth. Modebe et al. (2012).

Understanding regional financial performance is very important for policymakers and other stakeholders, offering valuable insights into the economic conditions, opportunities, and challenges in the area (Lukáč et al., 2021). The management of regional finances has a significant impact on a region's future. A region's success in building its strength and influence, as well as its ability to develop, largely depends on how its finances are managed. Therefore, regional financial management needs to follow economic, efficient, and effective principles, which include value for money, as well as participation, transparency, accountability, and fairness. By applying these principles, good regional financial management can stimulate economic growth, which ultimately has the potential to reduce unemployment rates (Suryanta, 2019).

Several researchers have conducted studies on the influence of financial performance, in the form of the independence ratio, effectiveness ratio, and efficiency ratio, on economic growth, yielding varied results. The results of Ernawati's research (2024) indicate that regional financial independence and effectiveness ratios have a significant impact on economic growth. Meanwhile, the results of studies by Rumbobiar et al. (2023), Pradnyani (2024), Syamsudin et al. (2015), Fernanda et al. (2023), and Hafidh (2023) show that financial performance, consisting of regional financial independence ratio, effectiveness ratio, and regional financial efficiency ratio, significantly affects economic growth.

Several researchers who studied the impact of financial performance, measured through independence, effectiveness, and efficiency ratios, on unemployment rates, produced varied findings. The results of research by Rumbobiar et al. (2023), Suryanta (2019), Hay T (2017), Dedy Febry (2023), Suci Nurulita (2018), and Syamsudin (2015) indicate that financial performance, consisting of independence, effectiveness, and efficiency ratios, affects the unemployment rate.

Differences in results from several previous studies prompted the author to conduct this research to compare these findings and determine which results are more significant. Based on this, it is hoped that this study will find information about how the performance of the Jambi City government in managing regional finances greatly affects the fate of a region, which will subsequently drive economic growth and address the unemployment issues in Jambi City. Achieving high economic growth and income equality means that, directly or indirectly, the number of unemployed will be reduced.

2. LITERATURE REVIEW

2.1 Intervening Variable

2.1.1 Economic growth

Economic growth is a process that describes the changes in the economic conditions of a region towards a better state over a certain period of time. This process reflects the extent to which economic activities can increase the income of the community within a specified timeframe (Zahari, 2017).

2.2 Dependent Variable

2.2.1 Unemployment

Unemployment refers to the labor force attempting to obtain work that aligns with their competencies or skills, but has not yet been absorbed into the workforce due to the limited availability of suitable job opportunities (Renggo, 2015).

2.3 Independent Variable

2.3.1 Regional Financial Performance

The financial performance of local governments reflects the extent to which the implementation of activities, programs, or policies can achieve the goals, objectives, mission, and vision set out in the strategic plan. Effective measurement can only be carried out if individuals or groups have established clear success criteria, including specific goals or objectives to be achieved (Mahsun, 2016). Regional financial performance is one of the criteria for determining whether local governments need to implement plans to achieve their financial strategies (Ramadhanti et al., 2022). Financial performance is measured using financial indicators to assess the effectiveness of regional financial management. Financial performance analysis is carried out to evaluate past performance through various analyses, thereby obtaining a picture of the financial position that reflects the true condition of the entity and the performance potentials that will continue (Suwandi et al., 2015).

3. METHODOLOGY

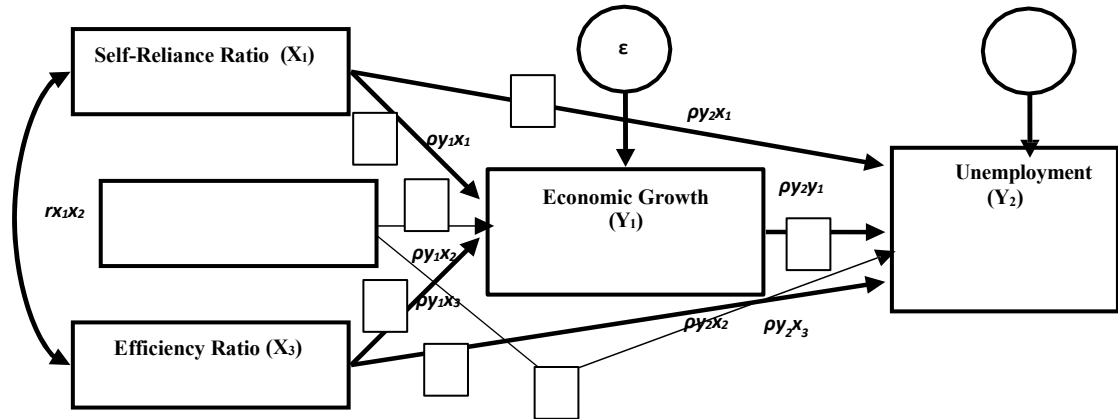
The type of data used in this study is secondary time series data in the form of quantitative data, including financial data from the regional budget (APBD) and its realization, economic growth, and unemployment in Jambi City for the period 2004 to 2024. This data was obtained through the Central Statistics Agency website and the Ministry of Finance website. The path analysis model is used to analyze the patterns of relationships between variables in a cause-and-effect form. Thus, in the model, the relationship exists between exogenous variables and dependent variables, referred to as endogenous. The path analysis model also uses multiple linear regression equations, with the basic equation written as follows (Noor, 2014).

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

The analysis model can be applied based on the following diagram:

Figure 1.

Path Analysis Diagram Model



The model diagram in Figure 1 shows that X_1 , X_2 , and X_3 have both direct and indirect effects on Y_1 , and X_1 , X_2 , and X_3 together have direct and indirect effects on Y_2 through Y_1 , while Y_1 has a direct effect on Y_2 . This model illustrates two structures indicating two causal events that ultimately result in a single event, namely Y_2 .

Coefficient of Determination Test

According to Ghazali (2018), the determination coefficient (R^2) measures the extent to which independent variables can explain the dependent variable. The R^2 determination coefficient shows how far the exogenous variables can influence the endogenous variables explained by the path equation model. The closer the R^2 value in the path equation is to 100%, the greater the proportion of variation in the endogenous variables that can be explained by the exogenous variables in the model. The following is the formula for calculating the determination coefficient.

Simultaneous Test with F Statistics

The F test is used to determine whether all independent variables in a model collectively affect the dependent variable. (Ghozali, 2014). This hypothesis test is often referred to as the overall significance test for the regression line, which aims to examine whether variable Y is linearly related to variable X. The F test is used to determine the extent of the influence of independent variables on the dependent variable simultaneously. The decision criterion is that if the calculated F is greater than the table F and the probability is less than the significance level of 0.10, then H_a is accepted. Meanwhile, if the calculated F is less than the table F and the probability is greater than the significance level of 0.10, H_a is rejected.

Partial Test with t Statistic

This analysis aims to test whether Regional Financial Performance (X) significantly influences economic growth (Z) and the unemployment rate (Y). The t-test is used to determine the extent of the independent variable's partial effect on the dependent variable. The decision-making criteria are if t-count > t-table or -t-count < -t-table and probability < 0.10, then Ha is accepted, which means the proposed hypothesis is accepted. Meanwhile, if t-count < t-table or -t-count > t-table and probability > 0.10, then Ha is rejected, which means the proposed hypothesis is rejected.

4. FINDINGS AND DISCUSSION

Structural Equation Statistical Test I After Trimming

Based on the processed multiple linear regression data for structural equation I after using the Trimming model with SPSS 27, the results of the simple linear regression can be seen in the following table:

Table 1.
Structural Equation Regression Results I After Trimming

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	t	
(Constant)	10.536	1.986		5.306	.000
X2	-.043	.019	-.464	-2.281	.034

a. Dependent Variable: Y1

$$Y_1 = -0,043X_2 + e$$

Description:

Y₁ = Economic growth

X₂ = Effectiveness Ratio

The interpretation of the results is as follows: Effectiveness Ratio → Economic growth = -0.043. This means that every 1 percent increase in the Effectiveness Ratio will decrease Economic Growth by 0.043 percent, assuming other variables (self-reliance ratio and efficiency ratio) remain constant.

To determine the results of the partial test, it can be seen as follows: Effectiveness Ratio → Economic growth = -0.043. From the test results, the probability value for the Effectiveness Ratio variable is 0.034. With a confidence level (α=10 percent), from the calculation it can be seen that the probability value is smaller than alpha (0.034 < 0.1), meaning that Ho is rejected and Ha is accepted, indicating that the Effectiveness Ratio has a negative and significant effect on Economic growth in Jambi City.

Determinant Test

The coefficient of determination is used to assess how much the independent variables affect the dependent variable, expressed as a percentage. As shown in the following table:

Table 2.

R² Square Test Results for Structural Equation I After Trimming

MODEL SUMMARY

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.464 ^a	.215	.174	1.17047

a. Predictors: (Constant), X2

Based on Table 2 above, the R² value of 0.215 indicates that the Effectiveness Ratio variable explains its influence on the Economic Growth variable by 21.5 percent. The remaining 78.5 percent is influenced by other variables outside the model.

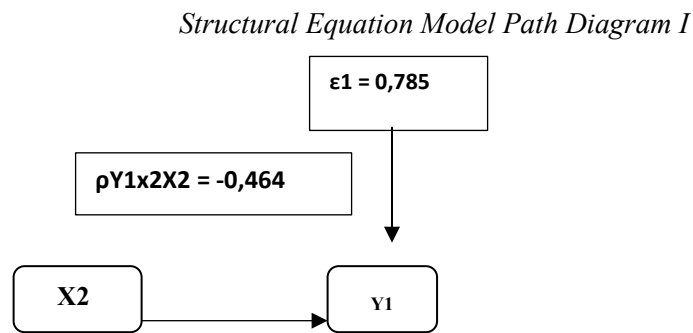
Economic Analysis of Structural Equation I After Trimming

The beta coefficient value for the Effectiveness Ratio is -0.464, indicating a negative effect of the Effectiveness Ratio on Economic growth. This means that if the Effectiveness Ratio increases by 1 percent, it will reduce Economic growth by 0.464 percent. This indicates that every increase in the Effectiveness Ratio will decrease Economic growth.

Path Analysis Structural Equation I After Trimming

To understand the pathway diagram scheme of Structural Equation Model I after trimming, it can be seen in the following Figure 2:

Figure 2.



From Figure 2, the direct effects of the exogenous variables on the endogenous variables can be calculated as follows: The effect of the Effectiveness Ratio on Economic Growth. The direct effect of the Effectiveness Ratio on Economic Growth:

$$\begin{aligned}
 &= (\rho_{Y1X2})^2 \times 100\% \\
 &= (-0,464)^2 \times 100\% \\
 &= 21,5\%
 \end{aligned}$$

The direct effect of the exogenous variable, namely the Effectiveness Ratio, on Economic Growth can be seen in the Effectiveness Ratio in the following Table 3:

Table 3.

Direct Effect of Variable X_2 on Y_1

Variable	Direct Influence (%)	Total Effect (%)
$X_2 \rightarrow Y_1$	21,5	21,5

Source: Processed Data, 2025

The analysis results in Table 3 show that the Effectiveness Ratio has a direct effect of 21.5 percent on Economic Growth, and its total effect is also 21.5 percent. This means that the entire contribution of the Effectiveness Ratio to Economic Growth occurs directly without any indirect influence through other variables. Thus, the Effectiveness Ratio can be said to play a fairly strong and consistent role in influencing Economic Growth, as the proportion of its effect does not change between the direct and total effects. The magnitude of this effect indicates that an increase in the Effectiveness Ratio will have a fairly significant impact on Economic Growth, making the Effectiveness Ratio an important variable that needs to be considered in efforts to improve the value of Economic Growth.

Structural Equation Statistical Test II

Based on the processing of multiple linear regression data for structural equation II using SPSS 27, the results of the simple linear regression can be seen in the following table:

Table 4

Structural Equation Regression Results II

Coefficients ^a							
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
Model	B	Std. Error	Beta			Tolerance	VIF
(Constant)	-37.246	10.420		-3.574	.003		
X1	.078	.031	.447	2.507	.023	.750	1.334
X2	.054	.027	.414	1.966	.067	.536	1.864
X3	.352	.087	.691	4.073	.001	.827	1.209
Y1	.461	.264	.328	1.749	.099	.679	1.474

a. Dependent Variable: Y2

$$Y_2 = 0,447X_1 + 0,414X_2 + 0,352X_3 + 0,328Y_1 + e$$

Description:

Y_2 = Unemployment

X_1 = Self-Reliance Ratio

X_2 = Effectiveness Ratio

X_3 = Efficiency Ratio

Y_1 = Economic growth

The interpretation of the results is as follows: Self-Reliance Ratio $\rightarrow$ Unemployment = 0.447. This means that every 1 percent increase in the Self-Reliance Ratio will increase Unemployment by 0.447 percent, assuming other variables (Effectiveness Ratio, Efficiency Ratio, and Economic Growth) remain constant.

Effectiveness Ratio $\rightarrow$ Unemployment = 0.414. This means that every 1 percent increase in the Effectiveness Ratio will increase Unemployment by 0.414 percent, assuming other variables (Self-Reliance Ratio, Efficiency Ratio, and Economic Growth) remain constant.

Efficiency Ratio $\rightarrow$ Unemployment = 0.352. This means that every 1 percent increase in the Efficiency Ratio will increase Unemployment by 0.352 percent, assuming other variables (Self-Reliance Ratio, Effectiveness Ratio, and Economic Growth) remain constant.

Economic Growth $\rightarrow$ Unemployment = 0.328. This means that every 1 percent increase in Economic Growth will increase Unemployment by 0.328 percent, assuming other variables (Self-Reliance Ratio, Effectiveness Ratio, and Efficiency Ratio) remain constant.

The results of the partial test are as follows: Self-Reliance Ratio. The test results showed a probability value for the Self-Reliance Ratio variable of 0.023. With a confidence level ($\alpha = 10\%$), it can be seen from the calculation that the probability value is smaller than alpha ($0.023 < 0.1$), meaning H_0 is rejected and H_a is accepted, indicating that the Self-Reliance Ratio has a positive and significant effect on Unemployment in Jambi City.

Effectiveness Ratio. From the test results, a probability value for the Effectiveness Ratio variable of 0.067 was obtained. With a confidence level ($\alpha=10\%$), it can be seen from the calculation that the probability value is smaller than alpha ($0.067 < 0.1$), which means H_0 is rejected and H_a is accepted, indicating that the Effectiveness Ratio has a positive and significant effect on Unemployment in Jambi City.

Efficiency Ratio. From the test results, a probability value for the Efficiency Ratio variable of 0.001 was obtained. With a confidence level ($\alpha=10\%$), it can be seen from the calculation that the probability value is smaller than alpha ($0.001 < 0.1$), which means H_0 is rejected and H_a is accepted, indicating that the Efficiency Ratio has a positive and significant effect on Unemployment in Jambi City.

Economic growth. From the test results, the probability value for the Economic growth variable is 0.099. With a confidence level ($\alpha=10\%$), from these calculations it can be seen that the probability value is less than alpha ($0.099 < 0.1$), meaning that H_0 is rejected and H_a is accepted, indicating that Economic growth has a positive and significant effect on Unemployment in Jambi City.

F Test Statistics

To test the effect of the independent variable on the dependent variable simultaneously, the F-statistic test tool is used, which can be seen in the SPSS 27 program output results in the ANOVA table as follows:

Table 5.
Results of F-Test Statistics for Structural Equation II
ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	40.611	4	10.153	6.489	.003 ^b
Residual	25.033	16	1.565		
Total	65.644	20			

a. Dependent Variable: Y2

b. Predictors: (Constant), Y1, X3, X1, X2

Simultaneous testing (F-test) shows an F statistic significance value of 0.003, which is less than 0.1. This means that the variables Self-Reliance Ratio, Effectiveness Ratio, Efficiency Ratio, and Economic Growth simultaneously have a significant effect on Unemployment in Jambi City.

Determinant Test

The analysis of the coefficient of determination (R^2) is used to see the extent to which the independent variables influence the dependent variable, expressed as a percentage. As shown in the following table:

Table 6
 R^2 Square Test Results for Structural Equation II

Model Summary^b

Model	R	R Square	Adjusted Square	Std. Error of the Estimate	Change Statistics					
					Square Change	F Change	df1	df2	Sig. Change	FDurbin-Watson
1	.787 ^a	.618	.523	1.25083	.618	6.489	4	16	.003	1.677

a. Predictors: (Constant), Y1, X3, X1, X2

b. Dependent Variable: Y2

Based on Table 6 above, the R^2 value is 0.618. This value indicates that the Self-Reliance Ratio, Effectiveness Ratio, Efficiency Ratio, and Economic Growth variables can explain their influence on the Unemployment variable by 61.8 percent. The remaining 38.2 percent is influenced by other variables outside the model.

Economic Analysis of Structural Equation II

The beta coefficient value for the Self-Reliance Ratio is 0.447, indicating a negative effect of the Self-Reliance Ratio on Unemployment. This means that if the Self-Reliance Ratio increases by 1 percent, it will reduce Unemployment by 0.447 percent. This indicates that any increase in the Self-Reliance Ratio will decrease Unemployment.

The beta coefficient value for the Effectiveness Ratio is 0.414, indicating a positive effect of the Effectiveness Ratio on Unemployment. This means that if the Effectiveness Ratio increases by 1 percent, it will increase Unemployment by 0.414 percent. This indicates that any increase in the Effectiveness Ratio will encourage a rise in Unemployment.

The beta coefficient value for the Efficiency Ratio is 0.691; this number indicates a negative influence of the Efficiency Ratio on Unemployment. This means that if the Efficiency Ratio increases by 1 percent, it will decrease Unemployment by 0.691 percent. This indicates that every increase in the Efficiency Ratio will reduce Unemployment.

The beta coefficient value for Economic growth is 0.328; this number indicates a positive influence of Economic growth on Unemployment. This means that if Economic growth increases by 1 percent, it will increase Unemployment by 0.328 percent. This indicates that every increase in Economic growth will encourage an increase in Unemployment.

Path Analysis Persamaan Struktural II

To determine the value of the path coefficient γ_{23} , it can be seen in the following correlation table:

Table 7
Results of Structural Equation II Correlation

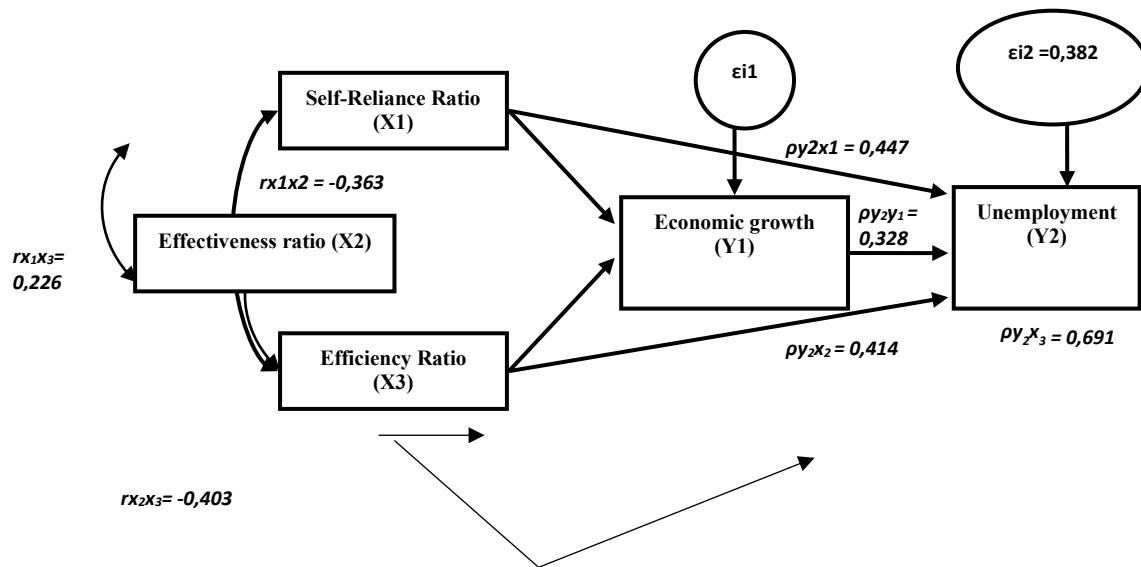
		<i>Correlations</i>			
		X1	X2	X3	Y1
X1	Pearson Correlation	1	-.363	.226	-.132
	Sig. (2-tailed)		.105	.324	.569
	N	21	21	21	21
X2	Pearson Correlation	-.363	1	-.403	-.464*
	Sig. (2-tailed)	.105		.070	.034
	N	21	21	21	21
X3	Pearson Correlation	.226	-.403	1	.115
	Sig. (2-tailed)	.324	.070		.619
	N	21	21	21	21
Y1	Pearson Correlation	-.132	-.464*	.115	1
	Sig. (2-tailed)	.569	.034	.619	
	N	21	21	21	21

*. Correlation is significant at the 0.05 level (2-tailed).

Source: Processed Data, 2025

Based on the correlation results in Table 7, it can be seen that the relationships between variables vary in strength from very weak to moderate. Variable X1 has a weak negative correlation with X2 at -0.363 , a very weak positive correlation with X3 at 0.226 , and a very weak negative correlation with Y1 at -0.132 . Variable X2 shows a negative correlation approaching moderate with X3 at -0.403 , and a moderate negative correlation with Y1 at -0.464 , which is the only significant relationship at the 0.1 level. Furthermore, variable X3 has a very weak positive correlation with Y1 at 0.115 . In general, the correlation values indicate that most of the relationships between variables are considered weak, with only one relationship showing moderate and significant strength, namely between X2 and Y1. Based on the results of multiple linear regression and correlation, a path diagram can be drawn as shown in Figure 3 below:

Figure 3.
Structural Equation Path Diagram II



From Figure 3, the direct effect of exogenous variables on endogenous variables, as well as the indirect effect, can be calculated.

The Influence of Self-Reliance Ratio on Unemployment:

The Direct Effect of the Self-Reliance Ratio on Unemployment

$$= (\rho_{Y2X1})^2 \times 100\%$$

$$= (0,447)^2 \times 100\%$$

$$= 20,0\%$$

The direct effect of the Self-Reliance Ratio on Unemployment through the Effectiveness Ratio

$$= (\rho_{Y2X1})(rx_{1x2})(\rho_{Y2X2}) \times 100\%$$

$$= (0,447)(-0,363)(0,414) \times 100\%$$

$$= -6,7\%$$

The direct effect of Self-Reliance Ratio on Unemployment through Efficiency Ratio

$$= (\rho_{Y_2X_1}) (r_{X_1X_3}) (\rho_{Y_2X_3}) \times 100\%$$

$$= (0,447) (0,226) (0,691) \times 100\%$$

$$= 7,0\%$$

The direct effect of Self-Reliance Ratio on Unemployment through Economic Growth

$$= (\rho_{Y_2X_1})(\rho_{X_1Y_1})(\rho_{Y_2Y_1}) \times 100\%$$

$$= (0,447)(-0,132)(0,328) \times 100\%$$

$$= -1,9\%$$

The Total Effect of Self-Reliance Ratio on Unemployment

$$= 20,0\% - 6,7\% + 7,0\% - 1,9\%$$

$$= 18,3\%$$

The Effect of the Effectiveness Ratio on Unemployment:

The direct influence of the Effectiveness Ratio on Unemployment

$$= (\rho_{Y_2X_2})^2 \times 100\%$$

$$= (0,414)^2 \times 100\%$$

$$= 17,1\%$$

The direct effect of the Effectiveness Ratio on Unemployment through the Self-Reliance Ratio

$$= (\rho_{Y_2X_2}) (r_{X_1X_2}) (\rho_{Y_2X_1}) \times 100\%$$

$$= (0,414) (-0,363) (0,447) \times 100\%$$

$$= -6,7\%$$

The direct effect of the Effectiveness Ratio on Unemployment through the Efficiency Ratio

$$= (\rho_{Y_2X_2})(r_{X_2X_3})(\rho_{Y_2X_3}) \times 100\%$$

$$= (0,414)(-0,403)(0,691) \times 100\%$$

$$= -11,5\%$$

The direct effect of the Effectiveness Ratio on Unemployment through Economic Growth

$$= (\rho_{Y_2X_2})(\rho_{X_2Y_1})(\rho_{Y_2Y_1}) \times 100\%$$

$$= (0,414)(-0,464)(0,328) \times 100\%$$

$$= -6,3\%$$

The effect of the Total Effectiveness Ratio on Unemployment

$$= 17,1\% - 6,7\% - 11,5\% - 6,3\%$$

$$= -7,4\%$$

The Influence of the Efficiency Ratio on Unemployment:

The direct effect of the Efficiency Ratio on Unemployment

$$= (\rho_{Y2X3})^2 \times 100\%$$

$$= (0,691)^2 \times 100\%$$

$$= 47,7\%$$

The direct effect of the Efficiency Ratio on Unemployment through the Self-Reliance Ratio

$$= (\rho_{Y2X3})(r_{X1X3})(\rho_{Y2X1}) \times 100\%$$

$$= (0,691)(0,226)(0,447) \times 100\%$$

$$= 7,0\%$$

The direct effect of the Efficiency Ratio on Unemployment through the Effectiveness Ratio

$$= (\rho_{Y2X3})(r_{X2X3})(\rho_{Y2X2}) \times 100\%$$

$$= (0,691)(-0,403)(0,414) \times 100\%$$

$$= -11,5\%$$

The direct effect of the Efficiency Ratio on Unemployment through Economic Growth

$$= (\rho_{Y2X3})(\rho_{X3Y1})(\rho_{Y2Y1}) \times 100\%$$

$$= (0,691)(0,115)(0,328) \times 100\%$$

$$= 2,6\%$$

The Influence of Total Efficiency Ratio on Unemployment

$$= 47,7\% + 7,0\% - 11,5\% + 2,6\%$$

$$= 45,8\%$$

The Influence of Economic Growth on Unemployment:

The direct effect of Economic Growth on Unemployment

$$= (\rho_{Y2Y1})^2 \times 100\%$$

$$= (0,328)^2 \times 100\%$$

$$= 10,8\%$$

The direct effect of Self-Reliance Ratio on Unemployment through Economic Growth

$$= (\rho_{Y2X1})(\rho_{X1Y1})(\rho_{Y2Y1}) \times 100\%$$

$$= (0,447)(-0,132)(0,328) \times 100\%$$

$$= -1,9\%$$

The direct effect of the Effectiveness Ratio on Unemployment through Economic Growth

$$= (\rho_{Y2X2})(\rho_{X2Y1})(\rho_{Y2Y1}) \times 100\%$$

$$= (0,414)(-0,464)(0,328) \times 100\%$$

$$= -6,3\%$$

The direct effect of the Efficiency Ratio on Unemployment through Economic Growth

$$= (\rho_{Y2X3})(\rho_{X3Y1})(\rho_{Y2Y1}) \times 100\%$$

$$= (0,691)(0,115)(0,328) \times 100\%$$

$$= -2,6\%$$

The total effect of Economic Growth on Unemployment

$$= 10,8\% - 1,9\% - 6,3\% + 2,6\%$$

$$= 5,1\%$$

The direct and indirect effects of the exogenous variables, namely the Self-Reliance Ratio, Effectiveness Ratio, Efficiency Ratio, and Economic Growth on Unemployment can be seen in the following Table 8:

Table 8.

Direct Effects, Indirect Effects, and Total Effects of Structural Equation II Variables X1, X2, X3, and Y1 on Y2

Variable Influence	Causal Effect					
	Direct (%)	Indirect (%)				Total Influence (%)
		X ₁	X ₂	X ₃	Y ₁	
		(%)	(%)	(%)	(%)	
X1 → Y2	20,0	0,0	-6,7	7,0	-1,9	18,3
X2 → Y2	17,1	-6,7	0,0	-11,5	-6,3	-7,4
X3 → Y2	47,7	7,0	-11,5	0,0	2,6	45,8
Y1 → Y2	10,8	-1,9	-6,3	2,6	0,0	5,1

Total Count	61,8
Variable Influencer X1, X2, X3, Y1 toward Y2 = R ²	61,8
The Influence of External Variables	38,2
Total	100,00%

Source: Processed Data, 2025

Based on the calculations above, the following points can be stated: The strength of the Self-Reliance Ratio directly determines changes in Unemployment by 20 percent, and through its relationship with the Effectiveness Ratio by -6.7 percent, with the Efficiency Ratio by 7 percent, and with Economic Growth by -1.9 percent. In total, the Self-Reliance Ratio determines changes in Unemployment by 18.3 percent.

The strength of the Effectiveness Ratio directly determines changes in Unemployment by 17.1 percent, and through its relationship with the Self-Reliance Ratio by -6.7 percent, with the Efficiency Ratio by -11.5 percent, and with Economic growth by -6.3 percent. In total, the Effectiveness Ratio determines changes in Unemployment by -7.4 percent.

The strength of the Efficiency Ratio directly determines changes in Unemployment by 47.7 percent, and through its relationship with the Self-Reliance Ratio by 7 percent, with the Effectiveness Ratio by -11.5 percent, and with Economic growth by 2.6 percent. In total, the Efficiency Ratio determines changes in Unemployment by 45.8 percent.

The power of economic growth directly determines changes in unemployment by 10.8 percent, and through its relationship with the Self-Reliance Ratio by -1.9 percent, with the Effectiveness Ratio by -6.3 percent, and with the Efficiency Ratio by 2.6 percent. In total, economic growth determines changes in unemployment by 5.1 percent.

Final Results of the Path Analysis Scheme

After the path coefficients for the independent variables that have an influence on the dependent variables are found, a path analysis scheme can be created by combining the two results of the structural equations.

Figure 4.

Path Diagram of Structural Equation I and Structural Equation II

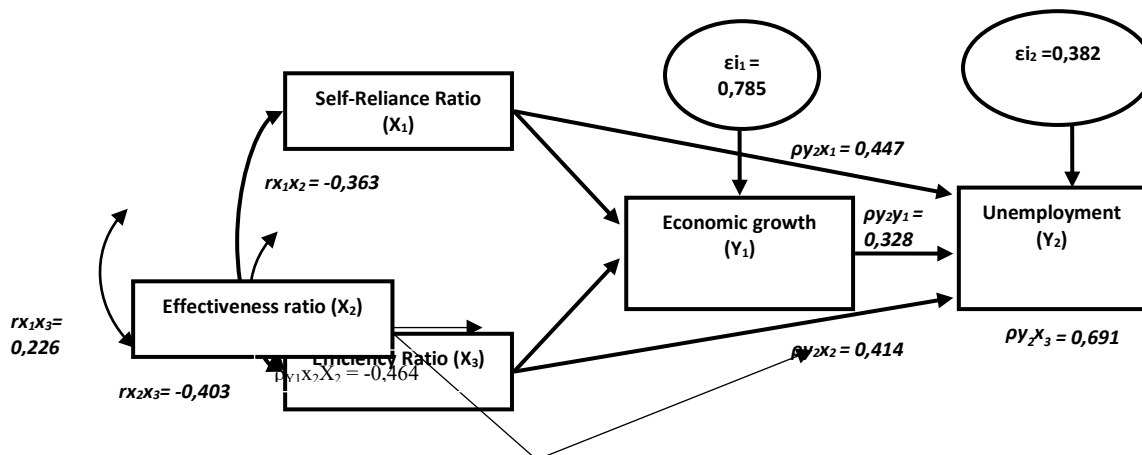


Figure 4 Path Diagram of Structural Equation I and Structural Equation II

The Effect of Self-Reliance Ratio on Economic Growth

The Self-Reliance Ratio has a coefficient of -0.043 , indicating that every 1 percent increase in the Self-Reliance Ratio actually reduces economic growth by 0.043 percent, assuming other variables remain constant. This suggests that an increase in a region's capacity to finance its own fiscal needs has not yet been fully accompanied by enhanced local economic productivity. The study's findings indicate that the Self-Reliance Ratio does not significantly affect economic growth. This result aligns with previous research conducted by Dewi Kusumaningrum et al. (2022, West Java), Putri & Taufiqurrachman (2023), and Dian & Sari (2021), all of whom concluded that the Self-Reliance Ratio has no significant impact on economic growth. In the case of Jambi City, the lack of significance may be attributed to the local government's limited ability to optimize local own-source revenue (Pendapatan Asli Daerah/PAD) as the main driver of development. Although the Self-Reliance Ratio reflects the extent to which a region can fund its expenditures without relying on central government transfers, such fiscal autonomy does not automatically translate into tangible economic growth if core PAD components such as local taxes, levies, and revenue from the management of regional assets do not grow substantially. In other words, a high Self-Reliance Ratio does not necessarily reflect increased productive economic activity among the population; rather, it primarily reflects the structure of the local government's finances.

The Effect of the Effectiveness Ratio on Economic Growth

The Effectiveness Ratio also exhibits a negative influence, with a coefficient of -0.056 , meaning that every 1 percent increase in local revenue effectiveness reduces economic growth by 0.056 percent. This finding may suggest that revenue effectiveness has not yet been channeled into sectors that directly stimulate growth. However, the study's results indicate that the Effectiveness Ratio has a statistically significant impact on economic growth. This conclusion is consistent with prior research conducted by Dewi Kusumaningrum et al. (2022), Rezkia Jayanti et al. (2023), Pangeran Charles Heston (2023), Putri & Taufiqurrachman (2023), and Dian & Sari (2021), all of whom found the Effectiveness Ratio to significantly affect economic growth. In the context of Jambi City, the significant effect of the Effectiveness Ratio on economic growth may stem from the local government's ability to achieve its predetermined revenue targets. The Effectiveness Ratio reflects the extent to which actual local revenue realization meets the planned targets. A high ratio indicates that the local government has successfully optimized revenue through intensification and expansion of local taxes, levies, and the management of legitimate regional assets. The resulting increase in realized revenue provides greater fiscal space for the government to implement development programs, thereby indirectly promoting local economic growth.

The Influence of the Efficiency Ratio on Economic Growth

The Efficiency Ratio has a coefficient of -0.019 , indicating that a 1 percent increase in local government spending efficiency actually reduces economic growth by 0.019 percent. This suggests that budgetary efficiency may not yet be linked to enhanced economic output, or that budget savings have not been redirected toward growth-driving sectors. According to the research findings, the Efficiency Ratio does not have a statistically significant effect on economic growth. This result is consistent with previous studies conducted by Dedy Febry Rachman (2023), Anita Indawati Adam (2022), Rizka Ratna Wati (2022), Astuti & Mispriyanti

(2019), and Budi Lutfitra Wisada (2024), all of whom concluded that the Efficiency Ratio has no significant impact on economic growth. In the case of Jambi City, the insignificance of the Efficiency Ratio's effect on economic growth can be attributed to the nature of this indicator, which primarily measures how frugally the local government utilizes its budget rather than assessing the economic impact of that expenditure. The Efficiency Ratio is calculated as the proportion of actual spending to the allocated budget. A low ratio (indicating higher efficiency) does not necessarily mean that expenditures are directed toward productive sectors capable of stimulating economic growth. In other words, high efficiency does not automatically translate into greater economic output, especially if budget cuts occur in areas that are, in fact, crucial for development investment.

The Effect of Self-Reliance Ratio on Unemployment

The Self-Reliance Ratio has a coefficient of 0.447, meaning that every 1 percent increase in this ratio leads to a 0.447 percent rise in the unemployment rate, holding other variables constant. This suggests that enhanced regional fiscal autonomy while improving the capacity to independently finance government activities has not yet translated into sufficient job creation. The study's findings indicate that the Self-Reliance Ratio has a statistically significant effect on unemployment. This result aligns with the research conducted by Suryanta (2019), who also found that the Self-Reliance Ratio significantly influences unemployment. In the context of Jambi City, the significant impact of the Self-Reliance Ratio on unemployment may stem from the local government's effective management of local own-source revenue (PAD), which creates greater fiscal space to stimulate economic activity and labor absorption. A higher Self-Reliance Ratio indicates that Jambi City is less dependent on central government transfers and is increasingly capable of funding its own development programs. This fiscal independence enables the government to strengthen productive sectors through targeted investments such as economic infrastructure, MSME empowerment, human capital development, and fostering a more conducive business climate. These initiatives, whether directly or indirectly, help reduce unemployment by generating new job opportunities. Moreover, strong fiscal self-reliance reflects sound local fiscal governance, which enhances investor confidence and encourages greater private investment. This rise in investment significantly boosts industrial and trade activities, ultimately expanding employment opportunities for Jambi City residents.

The Effect of the Effectiveness Ratio on Unemployment

The Effectiveness Ratio also has a positive coefficient of 0.414, indicating that every 1 percent increase in local revenue effectiveness is associated with a 0.414 percent increase in the unemployment rate. This seemingly counterintuitive finding may suggest that effectively collected regional revenues have not yet been channeled into programs that directly generate employment opportunities. Nonetheless, the study finds that the Effectiveness Ratio has a statistically significant effect on unemployment. This is consistent with prior research by Dedy Febry (2023), Suci Nurulita (2018), and Syamsudin (2015), all of whom reported a significant relationship between the Effectiveness Ratio and unemployment. In Jambi City, the significant influence of the Effectiveness Ratio on unemployment can be attributed to the local government's capacity to optimize revenue realization relative to its established targets. A high Effectiveness Ratio indicates that the government successfully collects local revenues at or even beyond planned levels, thereby ensuring adequate fiscal resources to support development programs. This financial availability enables the implementation of strategic initiatives such as economic empowerment schemes, workforce skills training, micro, small, and medium enterprise (MSME) financing support, and business-enabling infrastructure development. When budgets are effectively mobilized and well-utilized, these programs can operate optimally and yield tangible outcomes in job creation. Moreover, effective revenue realization reflects strong bureaucratic performance and regional economic stability, both of which enhance investor confidence and attract new investments. The

resulting increase in investment activity boosts labor demand, ultimately contributing to a reduction in Jambi City's unemployment rate.

The Influence of the Efficiency Ratio on Unemployment

The Efficiency Ratio has a coefficient of 0.352, meaning that a 1 percent increase in regional spending efficiency raises the unemployment rate by 0.352 percent, assuming other variables remain constant. This can happen because spending efficiency is often achieved through budget savings, which may suppress economic activity and labor absorption. Based on the research results, the Efficiency Ratio significantly affects unemployment. These findings are in line with studies conducted by Dedy Febry (2023), Suci Nurulita (2018), and Syamsudin (2015), which stated that the Efficiency Ratio significantly influences unemployment. The impact of the Efficiency Ratio on the unemployment rate in Jambi City may be due to the local government's ability to manage spending efficiently, effectively, and without waste, so that every rupiah of the budget yields maximum development output. When the Efficiency Ratio is high (meaning spending can be carried out effectively at a relatively low cost), the government has a broader fiscal space to allocate the budget to priority programs that directly impact job creation. Efficient budget management allows the government to expand skills training programs, support MSMEs, improve economic infrastructure, and enhance public services that support community economic activities. In addition, budget efficiency creates more credible and accountable governance, thereby increasing investor confidence and making it easier for the government to attract new investment to Jambi City. As investment increases, industrial, trade, and service activities also develop, which directly increases labor demand. Thus, a good Efficiency Ratio not only reflects the government's ability to control costs, but also demonstrates the government's effectiveness in directing the budget to sectors that can reduce the unemployment rate in Jambi City.

The Influence of Economic Growth on Unemployment

Economic growth shows a positive coefficient of 0.328, indicating that every 1 percent increase in Economic growth will raise Unemployment by 0.328 percent. This phenomenon may indicate the presence of non-inclusive Economic growth, where the increase in output has not been able to optimally absorb labor. Based on the research results, Economic growth has a significant effect on Unemployment. These research findings are in agreement with studies conducted by Ni Luh Nana (2014), Suryanta (2019), and Daňová (2020), which state that Economic growth has a significant effect on Unemployment. The impact of Economic growth on the Unemployment rate in Jambi City can be attributed to Economic growth's ability to drive increases in production activity, investment, and community consumption. When Economic growth rises, it indicates that various sectors such as trade, services, industry, construction, and MSMEs are experiencing development. The expansion of economic activities creates new labor demand, thus able to absorb the previously unemployed workforce. Good economic growth also increases investor confidence and encourages the inflow of new capital into Jambi City. Increased investment ultimately expands the business base and opens up more job opportunities. In addition, stable economic growth provides the government with room to increase regional revenue, enabling it to fund programs to reduce unemployment, such as skills training, community economic empowerment, and the provision of business-supporting infrastructure. High economic growth also boosts people's purchasing power, which in turn drives increased consumption. This rising demand encourages businesses to hire more workers to meet market needs. Thus, strong economic growth contributes both directly and indirectly to the decline in the unemployment rate in Jambi City.

CONCLUSION

The conclusions obtained indicate that the Effectiveness Ratio has a significant impact on economic growth in Jambi City, while the Self-Reliance Ratio and Efficiency Ratio do not have a significant effect on economic growth in Jambi City. Based on the path analysis results, the Effectiveness Ratio has a direct influence of 21.5 percent on economic growth in Jambi City. Based on the research results, the Self-Reliance Ratio, Effectiveness Ratio, Efficiency Ratio, and economic growth significantly affect unemployment in Jambi City. Based on the path analysis results, it can be concluded that the Efficiency Ratio is the most dominant variable in determining changes in the unemployment rate in Jambi City, with a total influence of 45.8 percent, indicating that the government's ability to manage the budget efficiently and effectively is crucial in reducing unemployment. The Self-Reliance Ratio also contributes positively by 18.3 percent, indicating that fiscal independence still plays an important role in driving job creation. Meanwhile, Economic Growth has a total influence of 5.1 percent, showing a relatively small but still significant contribution in reducing unemployment through increased production and investment activities. In contrast, the Effectiveness Ratio gives a total negative impact of -7.4 percent, indicating that although regional revenue realization is high, this effectiveness has not yet been fully translated into development policies that impact labor absorption. Overall, the dynamics of unemployment in Jambi City are more influenced by budget management efficiency compared to aspects of revenue, fiscal independence, or economic growth.

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CONFLICT OF INTEREST

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in the paper.

AUTHOR CONTRIBUTION STATEMENT

Author's Nisya Permata Putri 1- contributed to the conceptualization, research design, and writing of the original draft.

Author's Junaidi 2- was responsible for data collection, analysis, and validation of the results.

Author's Etik Umiyati 3- provided supervision, critical review, and editing of the final manuscript.

All authors have read and approved the final version of the manuscript.

ETHICS STATEMENT

This research was conducted in accordance with the ethical standards of **Jambi University** and adhered to the principles outlined in the Declaration of Helsinki. Ethical approval was obtained from the [**Institutional Ethics Committee/Review Board**] under reference number [**Approval Number, if applicable**]. All participants were informed about the purpose of the study and provided written informed consent prior to

participation. Participants' privacy and confidentiality were strictly maintained, and data collected were used solely for academic purposes.

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