

ABSTRACT

Public welfare is the ultimate goal of a nation's development that is coveted by every country including Indonesia. It will be achieved when the implementation of regional autonomy is properly run by the regional government. However, in its practice, opportunistic acts are found, such as corruption which can hinder public welfare. Corruption has a negative effect on the quality of public service and it increases the number of poverty that it will disrupt the achievement of public welfare.

This study aims to find the effect of local government's financial performance and the indication of corruption on public welfare. The independent variables that was used in this study was the local government's financial performance and the indication of corruption, while the dependent variable in this study was public welfare. The data collection in this study used secondary data in the form of BPK Audit Results Report, BPK Semester I Examination Result Summary and BPS official website. This research was conducted in all regencies/cities in Central Java province during the period of 2019-2020. Census method was used in order to determine the samples and 70 samples of the local government were obtained.

The data of this study was processed by using Structural Equation Model (SEM) through SmartPLS software. The results show that the performance of the local government has a positive effect on public welfare, while the level of corruption has a negative effect on public welfare.

Keywords: indication of corruption, local government financial performance and public welfare.