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BREAKING BARRIERS: THE CONTRIBUTION OF WOMEN LEADERS TO FINANCIAL PERFORMANCE IN LOCAL GOVERNMENTS

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ABSTRACT

Introduction*: Women are still underrepresented in public sector leadership, despite their significant numbers in the workforce. Previous research suggests that women leaders bring innovation, effective communication, and transformational leadership, which can improve financial performance. However, research results are still inconsistent. This study examines the impact of female leadership and demographic factors such as age, education, and tenure,on the financial performance of local governments in Indonesia. Using Upper Echelons Theory as a framework, this study provides empirical evidence to understand the role of gender in public sector financial performance.*

Methods: *This research is a quantitative study using multiple linear regression to examine the impact of gender, age, tenure, and education level of regional leaders on local government financial performance. The analysis was conducted using STATA software to obtain accurate and efficient results. The study focuses on regional governments in Java Island, with purposive sampling based on leadership tenure (2020–2022) and availability of audited LKPD by the Audit Board of Indonesia (BPK RI).*

Results: *Regression results show that education level positively affects profit margin (coef. = 0.0136; p = 0.008), while age is significantly associated with better debt management (NDTR; coef. = 0.0062; p = 0.046). Longer tenure improves debt-to-asset ratio, rate coverage, and asset turnover, but reduces tax revenue share, indicating shifts in fiscal strategy. Gender has no significant impact, suggesting that structural and institutional factors outweigh demographic characteristics in influencing financial performance.*

Conclusion and suggestion: *This research examines how the characteristics of regional leaders influence the financial performance of local governments. in Java Island during 2020–2022. The results indicate that gender does not significantly affect financial performance. However, regional leaders' age, tenure, and education level significantly influence various aspects of financial management, such as debt management, asset utilization, and profit margins. These findings support Upper Echelons Theory, which emphasizes the role of demographic characteristics in leadership effectiveness. This study has limitations, including its focus exclusively on Java. Future research should extend to other regions to provide a more comprehensive perspective. Moreover, upcoming research should incorporate institutional factors such as governance quality and fiscal transparency, which may influence financial performance.*

Keywords: Financial Performance, Upper Echelons Theory, Women Leaders

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INTRODUCTION

Women are still underrepresented in leadership positions within the public sector (Alkadry et al., 2017). Women represent half of the world's population and 40.20% of the labor force (on average) according to data from the World Bank in 2024 (The World Bank, 2024). Numerous studies advocate for increased female leadership. According to Hopkins et al. (2021), the presence of women in leadership is able to provide new ideas for the industry, better communication and a transformational style for management. In research by Agarwal et al. (2020), there is evidence that women have great abilities, such as forward-thinking and out-of-the-box ideas, leadership skills, societal consciousness and the ability to identify opportunities, which are key to improving local performance and governance. Research by Bruce et al. (2022) shows that under crisis conditions, women leaders tend to perform better than men, due to their ability to manage pressure and make decisions effectively.

Women's unique skills and innovative perspectives have also been shown to support the birth of new breakthroughs in public sector management (Homsy & Lambright, 2021), and produce relatively superior performance (Feeney & Camarena, 2021). According to Hopkins et al. (2021), the presence of women in leadership is able to provide new ideas for the industry, better communication and transformational style for management. Research by (Agarwal et al. 2020) provides evidence that women possess great capabilities such as innovative and creative thinking, leadership skills, social awareness, and the ability to identify opportunities—skills crucial for improving performance and governance at the regional level. Bruce et al. (2022) found that female leaders perform better during crises than their male counterparts due to their ability to manage pressure and make decisions effectively. Women's unique skills and innovative perspectives have also been shown to support the birth of new breakthroughs in public sector management (Homsy & Lambright, 2021), and produce relatively superior performance (Feeney & Camarena, 2021). Given the potential contributions of women in strategic positions, it is important to assess how women's leadership impacts technical aspects such as financial performance for fiscal sustainability in local government. In this context, (Arunachalam et al. 2017) categorized financial performance into key dimensions: financial management, liquidity, and financial structure performance. These dimensions are measured using specific financial ratios to evaluate the effectiveness of local financial management and ensure that the financial performance achieved is sustainable and healthy.

Over the last five years, local government financial performance has experienced a significant decline during the COVID-19 pandemic, as shown by Karina & Wibowo (2022), attributed to a drop in local revenue and budget reallocations towards pandemic management. Previous research has shown that women's leadership significantly impacts improved performance. Studies by (Pierli et al. 2022), (Amelia et al. 2024), (Baskaran et al. 2024), Sutianingsih & Kirom (2023), Dastane (2020), Alaslan (2017), Waworuntu et al. (2022) and Ambarwati (2023) support this finding. However, Aldrich & Lotito (2020) found different results, indicating that women's leadership did not significantly improve performance. Upper Echelons Theory supports the influence of women's leadership on public sector financial performance. According to this theory, a leader's gender can influence financial performance, and other factors such as age, education, and tenure also affect financial outcomes. Although initially applied in commercial or corporate settings, this theory is relevant in the public sector, particularly when examining female leadership. Yang et al. (2022) demonstrate that female representation supports stable financial performance during crises.

Their study shows that while women remain underrepresented, they have positive implications for financial performance and governance at the local level. Rahayu & Setiawan (2019) also examined the gender of leaders as a proxy for financial performance, finding no significant effect of leader gender on financial outcomes. Previous studies have discussed the role of women's leadership in local governments and its impact on financial performance. Still, their findings show inconsistencies in the direction and significance of these relationships. This study aims to contribute empirically to the growing literature on women's leadership in the public sector. In Indonesia, research on the role of women leaders in the public sector is limited, highlighting the need for a more in-depth and contextual scientific basis in this area. This study aims to empirically examine the relationship between gender, particularly women's leadership, and financial performance in the public sector in Indonesia.

The main focus of this research is to analyze the role of women leaders in strengthening local government governance, drawing on relevant empirical findings. This research also seeks to build a strong argumentative foundation regarding the urgency of women's leadership in the public sector. While previous studies have shown that women's leadership positively contributes to societal welfare, it is essential also to consider other characteristics of local government leaders that may influence this relationship. This study employs a systematic statistical analysis approach, presenting results and discussions in a structured manner, with detailed conclusions.

LITERATURE REVIEW

Grand Theory

Upper Echelons Theory

Referring to the development by (Hambrick & Mason 1984), an organization tends to reflect the attributes of its senior executives. The strategies employed in the competitive landscape are largely shaped by leadership traits, including personal characteristics, demographic profiles, and professional backgrounds. The Upper Echelons Theory emphasizes that managerial influence plays a crucial role in determining strategic choices, positioning leadership as a key organizational resource. This theory also highlights that variables such as gender, age, educational attainment, and length of service are closely associated with an organization’s strategic outcomes.

(Hambrick & Mason 1984) was noted that a manager’s age is associated with their maturity level when making decisions.Older managers tend to exhibit caution in considering information, evaluating it thoroughly, and prioritizing financial certainty and career stability. On the other hand, education level influences a person's openness and ability to process complex information. Gender also affects how individuals process information; generally, men and women have different cognitive characteristics. Women tend to be more meticulous and in-depth in gathering and evaluating information. Conversely, men tend to be more concise and direct in responding to information, which can influence their decision-making or responses to certain situations (Sidhawara et al., 2023).

Financial Performance

Financial performance results from implementing programs and policies related to budget utilization, which can be assessed both quantitatively and qualitatively. (Ramadana et al., 2023). In the context of local government, financial performance reflects the growth of local economic activities, including the preparation and realization of the Regional Revenue and Expenditure Budget (APBD) and Local Original Revenue (PAD). This assessment uses financial indicators established based on legal provisions and regulations within a specific budget period. According to Herawati et al. (2021), organizational performance measurement, including local government performance, can be done through various relevant performance metrics. Some common indicators in measuring the government's financial performance include economic growth, government revenue and expenditure, budget deficit or surplus, and government debt levels. Financial performance is an essential tool in evaluating the effectiveness of financial management in a region, including its ability to generate revenue, expenditure efficiency, debt management, and public asset management (Erawati & Kelep, 2023). To obtain a more comprehensive assessment, Arunachalam et al., (2017) adopted several financial ratios from the International City/County Management Association (ICMA) model to evaluate the financial performance of local governments. These ratios cover dimensions that enable an objective and systematic evaluation of the local financial condition as follows:

Financial Management

Financial management is a tool to manage resources efficiently and accountably to ensure the achievement of results aligned with society's needs (Niyi Oladipo et al.,2018). Its effectiveness is a key element in governance, and allows the optimization of budget utilization to improve the quality of public life. One of the ratio assess financial efficiency is the profit margin ratio, which measures the extent to which local governments can generate surpluses or profits from existing revenues (Ma et al., 2022). A small positive value in this ratio is considered a favorable indicator, reflecting the government's ability to produce a slight surplus. Conversely, a significant negative value indicates issues in financial management, potentially signaling poor economic prospects and future difficulties in funding operations or investments (Audhina, 2023).

Liquidity

Liquidity serves as an indicator of a local government's ability to pay its short-term debt (Jaworzyńska, 2021). Low liquidity ratios can lead to cash flow problems, often requiring increased short-term borrowing to cover expenditures. Liquidity can be assessed using two main ratios. The current ratio reflects how effectively a government can cover its short-term liabilities with its current assets; a higher value suggests a greater capacity to fulfill immediate financial commitments.Meanwhile, The operating cash flow to total revenue ratio indicates the proportion of total revenue that remains as operating cash flow, demonstrating the government's capacity to meet expenses and short-term debt. (Pazarskis et al., 2022). A cash surplus represents the excess financial resources that a government or organization has available to carry forward into the next fiscal period (Jaworzyńska, 2021).

Financial Structure

Financial structure serves as a critical tool for evaluating the long-term management of asset financing (Sdiq & Abdullah, 2022). In the context of local governments, three key financial ratios are commonly used to represent financial structure. The first is the debt-to-total-assets ratio, which focuses on assessing financial risk by measuring the extent to which a local government's assets are financed by debt. A higher ratio indicates a greater dependency on debt, suggesting a higher level of financial risk (Lee et al.,2023). The second is the net debt-to-total revenue ratio, which provides an overview of how much the government's net liabilities, after deducting financial assets, relate to its operational revenue. This ratio is essential for understanding the burden of obligations about the government's revenue-generating capacity. The third is the interest coverage ratio, which gauges the government's ability to meet its interest payments on outstanding debt. Taken together, these three ratios offer a comprehensive perspective on the financial stability and sustainability of a local government, and its capacity to manage long-term fiscal commitments (Arunachalam et al., 2017).

Performance

Financial performance of local governments can be assessed using four key ratios that provide a comprehensive overview of their fiscal condition. First, the tax coverage ratio reflects the extent to which tax revenues can cover the operational costs of the local government. A higher ratio indicates a stronger ability of the region to fund its activities through taxation. Second, the tax revenue-to-total revenue ratio illustrates the proportion total income derived from taxes, highlighting the degree of dependence on this revenue source (Arunachalam et al., 2017). Third, the asset turnover ratio evaluates the efficiency with which local government assets are utilized to generate income. A higher ratio signifies greater operational efficiency in asset management. Lastly, the net interest burden ratio measures the level of debt servicing obligations borne by the local government. This ratio is crucial for assessing the sustainability of debt payments and the government's capacity to manage its financial liabilities (Lee et al., 2023). These ratios are essential indicators in determining whether a local government's finances are stable and sustainable.

Table 1
Description of Financial Ratios

Dimension	Ratio	Calculation
Financial Management *(Profitability)*	01 Profit Margin Ratio	Net surplus (deficit) divided by total revenues
Liquidity	02 Current Ratio	Current assets divided by current liabilities
	03 Operating Cash Flow to Total Revenue Ratio (OCF/TR)	Operating cash flow divided by total revenue
Financial Structure	04 Interest Coverage Ratio	Net surplus (deficit) divided by interest expense

	05 Debt to Total Asset Ratio	Total liabilities divided by total assets
	06 Net Debt to Total Revenue Ratio (ND/TR)	Total liabilities less financial assets (cash and cash equivalents) divided by operating income
Performance	07 Rates Coverage	Total rates revenue divided by total expenses
	08 Rates Revenue to Total Revenue Ratio (RR/TR)	Total rates revenue divided by total revenue
	09 Asset Turnover	Total revenues divided by total assets
	10 Net Interest Expense Ratio	(Interest expense – interest income on unrestricted cash & securities) divided by operating revenue

Source: Arunachalam et al. (2017)

Previous Study and Hypothesis

Gender of Regional Leaders and Financial Performance of Local Governments

Gender is a characteristic that a people possesses from birth. The gender difference between men and women creates different perceptions regarding how they approach challenges in problem-solving. This also influences the decision-making and policy-setting styles of male and female regional leaders in carrying out their duties. According to (Hambrick & Mason 1984), through the framework of *Upper Echelons Theory*, gender is one of the significant demographic factors that can affect decision-making, policies, and organizational strategies. Sidhawara et al. (2023) argue that, compared to men, women tend to analyze information more thoroughly. Furthermore, female managers are generally more flexible and participatory in managing organizations. Therefore, the presence of women regional leaders is expected to result in better financial performance. Research by Eliya & Suprapto (2022) Indicates that female leaders positively influence financial performance, especially in terms of profitability improvements. This reflects that the involvement of women in strategic leadership positions can promote the efficiency and effectiveness of resource management. This contribution impacts financial stability and the organization's ability to create sustainable economic value. Additionally, research conducted by Yang et al. (2022) shows that female leaders perform better than male leaders, particularly when an organization experiences declining performance or is in a crisis. This finding suggests that female leadership demonstrates a high adaptive capacity and a tendency to make more strategic decisions under pressure. Although their managerial presence is often reactive to crises, their contributions are significant in recovering and improving performance. In light of the observed outcomes, the following hypothesis can be developed:

H1: Women Leaders Have a Positive Impact on the Financial Performance of Local Governments

Age of Regional Leaders and the Financial Performance of Local Governments

Age is an essential factor that influences a person's behavior, including decision-making. From the perspective of *Upper Echelons Theory* (Hambrick & Mason 1984) explain that managerial age tends to be positively linked with a more thorough approach to decision-making. As individuals age, they are more likely to seek out extensive information, assess it with greater precision, and proceed through a more cautious and systematic decision-making process. Research by (Pahlevi & Setiawan 2017) show that older managers tend to be more mature in considering various aspects before making decisions. Older regional leaders are more likely to achieve better governance performance. Greater age reflects the maturity of values, experience, and personal qualities that support wise decision-making. This finding also shows that the older the regional leader, the higher the performance of local government administration. Younger leaders tend to show lower performance. Based on this study, the hypothesis can be formulated as follows:

H2: The age of regional leaders is positively related to the financial performance of local governments.

Tenure of Regional Leaders and the Financial Performance of Local Governments

Tenure refers to the period during which an individual holds a leadership role and position within an organization. (Hambrick & Mason 984) argued that the longer the tenure of a regional leader, the more experience they accumulate, leading to better decision-making abilities. Regional leaders with longer tenures tend to use more refined judgment and thought processes in decision-making. Research by (Livnat et al. 2021) shows that the longer the tenure of the board of directors, the greater the potential for the company to generate higher stock returns in the future. While this study was conducted in the corporate sector, these findings also apply to the public sector. Leadership stability resulting from longer tenure can positively impact local government financial performance, enhancing policy consistency and public service efficiency. Regional leaders with longer tenures are more likely to have a deeper understanding of local issues and develop more effective policies. Based on the explanation above, the third hypothesis can be formulated as follows:

H3: The tenure of regional leaders has a positive effect on the financial performance of local governments.

Education Level of Regional Leaders and the Financial Performance of Local Governments

Leaders with higher education levels tend to be more effective in performing their duties due to their superior cognitive abilities (Hambrick & Mason,1984). This is further supported by research conducted by (Zaidi et al. 2021) which shows that the educational attainment of leaders, both in terms of level and field of study, influences performance. More specifically, regression analysis provides strong evidence that banks led by leaders with higher education levels demonstrate superior performance compared to their peers. Based on this explanation, the fourth hypothesis can be formulated as follows:

H4: The education level of regional leaders has a positive effect on the financial performance of local governments.

RESEARCH METHODS

This study uses a quantitative approach with an associative research type, which aims to determine the relationship between the independent and dependent variables. This type of research was chosen because it can explain the influence of variables statistically (Akbar et al., 2024). Data analysis was carried out using multiple linear regression, which allows testing the effect of several independent variables on one dependent variable. The analysis process was assisted by STATA software, which facilitates data processing and interpretation of results accurately and efficiently. Through this approach, researchers can describe the characteristics of the data in detail and identify the influence of each variable on regional financial performance.

Population and Sample

This study focuses on the population of all local governments (Regencies and Cities) in Java Island. The sampling technique applied is purposive sampling, with the following criteria:

a. Local governments (Regencies/Cities) led by regional leaders who served during the 2020–2022.
Local governments (Regencies/Cities) that provide complete data and information in the relevant Regional Government Financial Statements (LKPD) for the study, and that have been audited by the Financial Audit Board of the Republic of Indonesia (BPK RI).

The research equation for this study is as follows:

$$FP_{it} = \alpha + \beta 1 Gender_{it} + \beta 2 Age_{it} + \beta 3 Tenure_{it} + + \beta 4 Education_{it} + \varepsilon_{it}$$

Explanation:

FP_{it}	: Financial Performance of local government i at time t
α	: Intercept term (constant)
$\beta 1, \beta 2, ..$	: Regression coefficients of the independent variables
$Gender_{it}$	: Gender of regional heads *i* at time *t* (dummy variable; 0 = Female, 1 = Male).

Age_{it} : Age of regional heads *i* at time *t* (in years).
$Tenure_{it}$: Tenure of regional heads *i* at time *t* (in years).
$Education_{it}$: Education level of regional heads *i* at time *t*

Operational Definition of Variables

Table 2
Operational Definitions of Variables

No	Variable	Indicator / Formula	Scale	Unit / Measurement	Data Source
1	Education Level of Regional Leaders	Highest level of education	Ordinal	Education Level	Official government website
2	Tenure of Regional Leaders	Duration in office (in years)	Ratio	Years	Official government website
3	Age of Regional Leaders	Age at the time of observation	Ratio	Years	Official government website
4	Gender of Regional Leaders	Male = 0; Female = 1	Nominal	Dummy (0/1)	Official government website
5	Profit Margin	Surplus / Total Revenue	Ratio	Percentage	Regional government financial report
6	Current Ratio	Current Assets / Current Liabilities	Ratio	Ratio	Regional government financial report
7	OCFTR (Operating Cash Flow to Total Revenue)	Operating Cash Flow / Total Revenue	Ratio	Ratio	Cash flow and regional government budget report
8	Interest Coverage Ratio	Operating Expenses / Interest Expenses	Ratio	Ratio	Financial report
9	Debt to Total Asset Ratio (DTA)	Total Debt / Total Assets	Ratio	Ratio	Regional government balance sheet
10	Rate Coverage Ratio	Tax Revenue / Total Expenditure	Ratio	Ratio	Budget realization report
11	RTRT (Tax Revenue to Total Revenue)	Tax Revenue / Total Revenue	Ratio	Ratio	Revenue realization report
12	Asset Turnover	Total Revenue / Total Assets	Ratio	Ratio	Regional government financial report
13	Net Debt to Total Revenue (NDTR)	(Total Debt - Cash) / Total Revenue	Ratio	Ratio	Balance sheet and revenue report

RESULT AND ANALYSIS

Tables 3 to 11 show the results of multiple linear regression analysis. The regression results reveal that the educational attainment of regional heads has a statistically significant effect on the profit margin ratio, with a coefficient of 0.0136 and a p-value of 0.008. This finding suggests that each incremental increase in education level is associated with a 1.36% rise in profit margin, indicating a positive and statistically significant relationship. In contrast, the current ratio appears unaffected by the examined independent variables, as all associated p-values exceed the 0.05 threshold, suggesting no significant impact. Furthermore, the length of tenure of regional heads demonstrates a significant influence on several financial ratios. Specifically, it positively affects the debt-to-total asset ratio (coefficient: 0.000749; p-value: 0.038), the rate coverage ratio (p-value: 0.001), and asset turnover (coefficient: 0.015412; p-value: 0.000), while negatively influencing the regional revenue to total revenue ratio (RRTR) (coefficient: -0.00789; p-value: 0.000). These results indicate that longer tenure is generally associated with greater fiscal efficiency and capacity, albeit accompanied by a decline in the effectiveness of tax utilization. Additionally, the Net Debt to Total Revenue (NDTR) ratio is significantly influenced by the age of the regional head, with a coefficient of 0.006223 and a p-value of 0.046. This implies that age plays a role in shaping debt management strategies about local revenue generation. Lastly, the analysis finds that female leadership does not have a statistically significant effect on any of the regional financial performance indicators, as the p-values for gender across all financial ratios exceed the 0.05 significance level.

Table 3
Results of Multiple Linear Regression Analysis – Dependent Variable: Profit Margin

Profit Margin	**Coef.**	**t**	**P>t**	**[95% Conf.**
Gender	-0.01359	-1.3	0.196	-0.0342349
Age	0.000485	0.99	0.321	-0.0004737
MasaJabatan	-0.00026	-0.15	0.882	-0.0037333
Education	0.013684	2.68	0.008	0.0036534
_cons	0.038834	1.41	0.158	-0.0151703

Source: Author’s Calculation Based on Data Processed With STATA, 2025.

Table 4
Results of Multiple Linear Regression Analysis – Dependent Variable: Current Ratio

Current Ratio	Coef.	t	P>t	[95% Conf.
Gender	-3.02053	-1.09	0.276	-8.46972
Age	0.066878	0.52	0.603	-0.1860679
MasaJabatan	-0.6883	-1.48	0.141	-1.60483
Education	-2.48016	-1.84	0.066	-5.127781
_cons	16.85016	2.33	0.021	2.594785

Source: Author’s Calculation Based on Data Processed With STATA, 2025.

Table 5
Results of Multiple Linear Regression Analysis – Dependent Variable: Operating Cash Flow to Total Revenue Ratio (OCF/TR)

OCF/TR	Coef.	t	P>t	[95% Conf.
Gender	-0.00435	-0.4	0.687	-0.0256265
Age	0.000561	1.12	0.265	-0.0004266
MasaJabatan	-0.00288	-1.58	0.114	-0.0064596
Education	-0.00687	-1.31	0.192	-0.0172009
_cons	0.137631	4.87	0.000	0.0819829

Source: Author’s Calculation Based on Data Processed With STATA, 2025.

Table 6
Results of Multiple Linear Regression Analysis – Dependent Variable: Interest Coverage Ratio

Interest Coverage Ratio	Coef.	t	P>t	[95% Conf.
Gender	-2494.87	-1.5	0.139	-5820.539
Age	-26.0519	-0.3	0.767	-201.2878
MasaJabatan	-290.384	-1.03	0.31	-857.4988
Education	-250.862	-0.27	0.79	-2127.656
_cons	6062.87	1.23	0.225	-3843.658

Source: Author's Calculation Based on Data Processed With STATA, 2025.

Table 7
Results of Multiple Linear Regression Analysis – Dependent Variable: Debt to Total Asset Ratio

Debt to Total Asset Ratio	Coef.	t	P>t	[95% Conf.
Gender	0.0021	0.98	0.327	-0.0021091
Age	-0000258	-0.26	0.796	-0.0002212
MasaJabatan	0.000749	2.08	0.038	0.0000405
Education	-0.00021	-0.2	0.841	-0.0022542
_cons	0.0021	0.98	0.327	-0.0021091

Source: Author's Calculation Based on Data Processed With STATA, 2025.

Table 8
Results of Multiple Linear Regression Analysis – Dependent Variable: Net Debt to Total Revenue Ratio (ND/TR)

ND/TR	Coef.	t	P>t	[95% Conf.
Gender	0.106362	1.59	0.112	-0.025096
Age	0.006223	2.01	0.046	0.0001204
MasaJabatan	0.018921	1.68	0.093	-0.0031896
Education	-0.04026	-1.24	0.216	-0.1041357
_cons	-0.98756	-5.65	0	-1.33146

Source: Author's Calculation Based on Data Processed With STATA, 2025.

Table 9
Results of Multiple Linear Regression Analysis – Dependent Variable: Rates Coverage

Rates Coverage	Coef.	t	P>t	[95% Conf.
Gender	-0.01438	-0.99	0.322	-0.0428939
Age	0.000682	1.01	0.312	-0.000642
MasaJabatan	-0.00842	-3.45	0.001	-0.0132143
Education	0.005102	0.72	0.469	-0.0087521
_cons	0.150875	3.98	0.000	0.0762831

Source: Author's Calculation Based on Data Processed With STATA, 2025.

Table 10

Results of Multiple Linear Regression Analysis – Dependent Variable: Rates Revenue to Total Revenue Ratio (RR/TR)

RR/TR	Coef.	t	P>t	[95% Conf.
Gender	-0.00878	-0.71	0.479	-0.0331629
Age	0.000402	0.7	0.485	-0.00073
MasaJabatan	-0.00789	-3.79	0.000	-0.0119959
Education	0.002438	0.4	0.686	-0.0094114
_cons	0.147725	4.55	0.000	0.0839285

Source: Author's Calculation Based on Data Processed With STATA, 2025.

Table 11
Results of Multiple Linear Regression Analysis – Dependent Variable: Asset Turnover

Asset Turnover	Coef.	t	P>t	[95% Conf.
Gender	-0.009	-0.43	0.667	-0.0501728
Age	-0.00066	-0.68	0.494	-0.002576
MasaJabatan	0.015412	4.38	0	0.0084868
Education	0.013901	1.37	0.173	-0.0061027
_cons	0.460961	8.42	0	0.3532564

Source: Author's Calculation Based On Data Processed With STATA, 2025.

The analysis of the regression model shows, gender of the regional head does not have a statistically significant effect on any of the financial performance indicators. This conclusion is supported by p-values exceeding the 0.05 threshold across all model specifications, indicating no meaningful difference in financial performance between regions led by male versus female heads. As such, Hypothesis H1, which posits that female regional heads positively influence local government financial performance, is not supported. This finding suggests that the effectiveness of local financial management is more strongly influenced by structural and institutional factors—such as organizational capacity and governance quality—than by demographic characteristics like gender This is in agreement with earlier studies of (Ahmad et al. 2023), and supports the results of Lestari et al. (2020) which states that female leaders may not significantly influence financial performance due to their generally risk-averse nature. The results further support the view that in relatively established bureaucratic and governmental systems, gender differences do not directly affect the quality of financial management. Instead, variables such as compliance with fiscal regulations, internal control effectiveness, and civil service capability are more decisive in achieving optimal financial outcomes.

The age of the regional head shows a significant positive association with the Net Debt to Total Revenue (NDTR) ratio, with a coefficient of 0.006223 and a p-value of 0.046. This indicates a statistically significant relationship between the age of the regional head and the level of debt dependency on local revenues. The finding suggests that older leaders may adopt different debt management strategies compared to their younger counterparts. Theoretically, older leaders tend to adopt more conservative and cautious approaches to fiscal decision-making, aligning with a greater propensity to avoid high-risk strategies. Nevertheless, they still utilize debt financing as part of a measured and well-planned development strategy. Therefore, Hypothesis H2, which posits a positive relationship between the age of the regional head and local government financial performance, is supported. This result aligns with the findings of (Reza Pahlevi Agus & Setiawan Doddy, 2017) who argue that a higher age reflects emotional maturity, bureaucratic experience, and stronger strategic thinking capabilities—all of which contribute positively to local financial governance. In sum, this study strengthens the argument that age, representing experience and maturity, is a key factor in determining the effectiveness of local fiscal management.

The tenure of the regional head significantly affects several financial performance indicators. The Debt to Total Assets (DTA) ratio shows a positive coefficient of 0.000749 ($p = 0.038$), indicating that longer-serving regional heads are more likely to utilize long-term financing instruments, potentially to support local development projects. Moreover, the Rate Coverage Ratio shows a highly significant p-value ($p = 0.001$), suggesting that tenure contributes to a region's ability to fund operational expenditures through tax revenues. Longer-serving leaders are presumed to have more profound knowledge of local revenue potentials and are better positioned to implement tax optimization strategies. Conversely, the Rates Revenue to Total Revenue (RRTR) ratio shows a negative coefficient of -0.00789 with a p-value of 0.000, indicating a decline in the share of tax revenues relative to total revenues as tenure increases. This may reflect a strategic shift towards reliance on other funding sources, such as intergovernmental fiscal transfers. The Asset Turnover Ratio yields a positive coefficient of 0.015412 ($p = 0.000$), suggesting that longer tenures enhance asset utilization efficiency in generating revenues. Familiarity with asset characteristics may grow over time, enabling leaders to manage them more effectively. Overall, Hypothesis H3—that longer tenure positively influences financial performance—is supported, albeit with varying directions across different indicators. These findings align with the findings of Lestari et al. (2020) who argue that longer-serving leaders benefit from accumulated experience and intuitive decision-making developed over time.

The educational level of regional heads has a statistically significant effect on the profit margin ratio, with a coefficient of 0.0136 and a p-value of 0.008. This indicates that each additional level of education correlates with a 1.36% increase in profit margin, reflecting improved budgetary efficiency and the ability to generate fiscal surpluses. This finding suggests that highly educated regional heads are more likely to possess the managerial capacity, technical knowledge, and understanding of public budgeting and fiscal policy needed for effective financial management. Advanced education is also associated with enhanced analytical and strategic planning skills, contributing to better fiscal performance. Therefore, Hypothesis H4—that education level positively influences financial performance—is supported. This conclusion aligns with prior studies emphasizing the importance of human capital quality, particularly formal education, as a critical determinant of successful public financial management (Juniar & Hermanto, 2022).

Although the statistical analysis does not show a significant impact of female leadership on financial performance under normal conditions, empirical evidence during the COVID-19 pandemic paints a different picture. Damanhuri et al. (2022) highlight the case of Tri Rismaharini, the Mayor of Surabaya, as an example of strategic and adaptive female leadership during a public health crisis. Risma implemented effective policies including handwashing infrastructure, provision of personal protective equipment, targeted social assistance aligned with national initiatives, and coordination with local hospitals. Her leadership addressed immediate health concerns and reinforced social and economic resilience. She was awarded the APACPH Excellence in Leadership Medallion for her contributions at the 52nd Asia Pacific Academic Consortium for Public Health (APACPH) Conference in 2021. This evidence suggests that while gender may not statistically influence financial performance, it can be crucial in crisis responsiveness and adaptive governance.

Local government financial performance reflects the effectiveness and efficiency of public resource management across all government agencies at the regional level. In this context, financial performance is not solely determined by the leadership of the regional leader, but is more strongly influenced by structural and administrative factors embedded within the local governance system. These factors include local own-source revenue (PAD), capital expenditure, personnel expenditure, special allocation funds (DAK), the rate of regional economic growth, the competency of civil service human resources, the implementation of the Government Internal Control System (SPIP), and the functionality of regional financial accounting systems (Oktaviani Wulandari et al., 2022). Mardiasmo (2018) asserts that the success of regional financial management is closely linked to institutional capacity and an effective governance system. Although regional heads possess the authority to determine the direction of fiscal policy and regional development, their direct influence on financial performance is often limited. This is because local government agencies across various sectors carry out the technical implementation of budgeting and financial management. Therefore, to obtain a comprehensive understanding of local government financial performance, it is essential to conduct an in-depth analysis of structural and administrative aspects, rather than assessing it solely based on leadership factors.

CONCLUSION

This study aims to examine the influence of regional head characteristics on the financial performance of local governments in Java Island during the 2020–2022 period. The analysis reveals that the gender of regional heads, particularly female leadership, does not significantly impact any financial performance indicators. This finding suggests that the efficiency of regional financial management is more strongly determined by institutional and structural factors rather than gender differences. In contrast, the age of regional heads significantly influences debt management, with older leaders tending to manage financing more cautiously and strategically. The length of tenure also affects several financial ratios, including asset utilization efficiency and revenue structure, indicating that longer bureaucratic experience is associated with more effective fiscal management. Furthermore, the educational attainment of regional heads has a significant impact on profit margins, implying that those with higher levels of education are more capable of generating budget surpluses through better financial planning and control. These findings support the Upper Echelons Theory, which posits that demographic and cognitive characteristics of leaders, such as age, experience, and education, play a critical role in organizational performance, including within the public sector context.

This study presents several limitations that warrant attention in future academic inquiries endeavors. First, its scope is confined to local governments on Java Island, which may limit the generalizability of the findings to the national level. Therefore it is advisable for future studies to broaden the scope the geographical coverage to regions outside of Java in order to obtain a more representative understanding of the impact of regional head characteristics across diverse geographic and socio-economic contexts. Additionally, this study does not incorporate institutional variables such as governance quality, fiscal transparency, and the effectiveness of internal controls, which may serve as mediating or moderating factors in the relationship between regional head characteristics and financial performance. Future research encouraged to integrate these variables to provide a deeper understanding of local government financial management dynamics.

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