Financial performance analysis of Regional Government

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A B S T R A C T

This study uses secondary figures, i.e., reports from the Directorate General of Fiscal Balance and the Supreme Audit Agency on implementing the District Government and the Government of the Majene Regency in 2018 and 2019. This study shows that (1) the financial performance of the Regional Government of Majene Regency, as shown in the Regional Budget for 2019 by the analysis of variances, is well established. (2) the 2019 ABPD level of efficiency and efficiency is less efficient in the Majene Regency. It can be said that Majene Regency's level of financial achievement is less efficient. On efficiency, the level of achievement of Majene Regency's regional financial performance is beneficial. (3) the independence story remains shallow in 2018 and 2019.

INTRODUCTION

In Indonesia, a representative of the people represents the interests of the community and an agent of the government. Thus, therefore, the DPRD members should be able to have a hand in realizing progress and increasing the community's well-being at the local level Members DPRD are the people's representatives who work for the aspirations of the public, who aggregate the public's needs and advocate for the public's interests in the legislative and executive departments. The work of DPR/DPRD is performed in the same manner as that of each administrative region's head. In this situation, the DPRDs have enough power to represent the people's needs while also fulfilling the government's functions in the regions. As the DPR works to form and improve the quality of regional laws and ensure that regional finances are properly funded, it hopes to strengthen and grow the overall well-being of the community (Rahim et al., 2020).

Wasistiono (2010) mentions four necessary components in creating community well-being: understanding, participation, equal opportunity, empowerment, participation, and self-ability (such as fair law enforcement, moral-political democracy, adequate economic growth, and good government management). It necessitates the performance of the role and execution of the DPRD. The performance must be measured over a specific time period to implement the expected results. For an organization such as the DPRD to understand its performance, it must also accept and acknowledge criticism and develop ideas (Yasin, 2020). This indicates that the highest performance is only possible if the behavior aligns with the organization's expectations. As a result, many people ask whether the DPR is a valid legal mandate, either to speak on behalf of the people or in administering regional government. A community feels that the department does not yet have the capacity to carry out its expectations, even though the opportunities and duties are already here.

The fiscal power of local governments is regulated in Law 22 of 1999 (Regional Governments' fiscal autonomy), which was subsequently changed in Law 32 (regional financial balance between the state and local governments), which was finally changed into Law 33 (local governments' fiscal autonomy). About Article 1, subsection 3, it is stated that the financial system must be objective, democratic, clear, and efficient to serve the interests of all citizens and local governments, with special emphasis on empowering existing economic resources. Cost-effective, efficient, and productive Local governments should have as much autonomy as possible regarding regulating and utilizing existing regional assets. This confirms that districts and provinces have the authority to plan their revenue and expenditure budgets based on local requirements and potential. It is also legally required to account for all revenues and expenditures in the community. Thus, local governments have the flexibility to make decisions about regional development as long as they also follow the regional financial balance (APBD).

The Regional Revenue and Expenditure Budget can reflect the regional government's performance and capacity in financing and managing government administration and the implementation of development in each region in a budget (Lucky, 2013). Many public complaints are related to budget allocations that are not by the needs and priority scale and do not reflect economic, efficiency, and effectiveness aspects (Mardiasmo, 2002). Increasing public awareness of the implementation of public administration triggers turmoil that is rooted in dissatisfaction. Government agencies' performance is now getting more attention because people are starting to question the benefits they get from government agency services (Waddock & Graves, 1997). This condition encourages an increase in the need for performance measurement for state administrators who have received a mandate from the people. This measurement will see how far the performance produced in a certain period is compared to what was planned (Mahsun, 2006).

Changes and developments have occurred in the system of democratic government in Indonesia due to the dynamic of democracy. People increasingly perceive the government's actions and policies as unjust and biased. These voters have a lot of hope that their representatives will defend their interests as members of the Regional People's Council (DPR). Thus, members of the board are legally required to voice the community's hopes and fight on behalf of the community to betterment that welfare increase. As Abraham Lincoln's famous formulation states, this is logical because the state is built on democratic principles (Government of, by, and for the people). Our study focuses on analyzing regional performance under the assumption that all the conditions used in measuring efficiency and effectiveness are fulfilled.

RESEARCH METHOD

This research was conducted at the Regional Asset Finance Agency (BKAD) Majene Regency, West Sulawesi, for the 2018 and 2019 budget periods. This study uses secondary data and will then be analyzed and make conclusions. The conclusion only applies to assessing the financial performance of the 2018 and 2019 APBD in Majene Regency. The first problem is by looking at the Regional Government of Magetan Regency's financial performance, seen from the APBD by using the variance analysis method. The analysis steps are (collecting research

data, namely the Summary Report of the Regional Income and Expenditure Budget Calculation and conducting a variance analysis that focuses on income/revenue variance and expenditure/expenditure variance). The results of the analysis of variance are then expressed in the form of a percentage between the budget realization and the budgeted one. Mahsun (2006) divides the analysis of budget differences into two. First, Analysis of the Difference of Income / Revenue = Realized Revenue - Budget Revenue. Second, Analysis of Expenditure Difference / Expenditure = Expenditure Realization - Expenditure Budget, Analysis of Variance = Realization X 100% of the budget. This study also uses analysis, effectiveness and efficiency to measure financial performance further.

RESULTS AND DISCUSSION
Research Analysis

Financial performance is an achievement that can be achieved in the budget that has been made by the Inter-Village Cooperation Agency (BKAD) by analyzing the difference between the realization and the budgeted target, both in terms of income and expenditure. A certain level of effectiveness and efficiency can be produced under the predetermined financial performance assessment criteria. The assessment is carried out by analyzing the variance (difference or difference) between actual and budgeted performance. The first step for analyzing variance is collecting data regarding the Summary of Calculation of the Regional Budget for 2019. Next, conduct a variance analysis by comparing the difference between realized regional budgets and those budgeted for the 2018 and 2019 fiscal years multiplied by one hundred in the form of a percentage (%). The results of the analysis of variance show that in the income section, the realization is higher than the predetermined budget. In the expenditure section, the expenditure budget realization is lower than the planned budget, which means spending for the 2019 fiscal year is profitable.

The results of the effectiveness analysis show that the level of regional effectiveness according to the BKAD Government of Majene Regency for the 2018 Fiscal Year is only 101.86% and lower compared to 2019 of 102.48% (very effective). The level of effectiveness of revenue realization of the Majene district government shows that the government has succeeded in managing finances in such a way as to achieve the revenue target each year. Determination of the budget in the current year is based on the realization from the previous year. The nominal set will tend to be higher so that it is expected that financial performance will increase in the following year. During the current budget year, APBD changes will usually occur due to adjustments that need to be made during the current budget period. This APBD amendment can increase or decrease the previously determined budget.

The realization of regional income always reaches the target every year and is influenced by each income component. PAD revenue in 2018 and 2019 has consistently increased. Local tax revenues and local user fees that continue to increase show that people are increasingly obedient to the government's taxes. Apart from local tax revenues, transfer revenues from the central government such as PBB, PPh 21, PPh 25, and other income other than taxes also increase. Although overall revenue realization has exceeded the target set, not all revenue components have succeeded in achieving the target if you look at it in more detail.

Other Acquisition of Legitimate Original Regional Income only managed to reach 88% of the budget target because the receipt of demand deposits and deposit interest was not maximized.

The self-reliance ratio can be calculated by comparing the realization of revenue from local revenue (PAD) with the target of central government assistance. Based on the research analysis results, the results were still low with a percentage of 13.45 and 10.81% percent based on the performance criteria; the level of independence of 0-25 percent is a deficient level of independence criteria 2018 and 2019. This shows that the Regional ability finances are classified as low because they still depend on revenues from the central government. However, there is a change in the pattern of relations between local governments and the central government, which initially shows an instructive relationship pattern where the central government's role is still dominant in local governments. In 2019 it changed to a consultative pattern when the central government's interference with local governments began to decrease.

Regional governments will rely on federal funding to a greater extent than they have done previously. Through the calculation of financial dependence, it can be seen that the Majene government is still receiving a lot of aid from the central government to meet its needs and carry out programs. From the comparisons of both the reader and real aid, it is clear that the amount of aid received is higher than the amount of revenue from aid receipts. One reason may be the paucity of PAD revenue sources, as well as undeveloped administration. PAD in Majene Regency is the Legitimate Regional Income Legitimate alternative revenue is not entirely separated from monetary asset sales; income from executing returns, late payments, fine money from guarantees, and revenue from BLUMS (Public Service Agency-Regional General Hospital). the BLU-RS income is always most important because it always has the greatest nominal value in any given year.

A local revenue source should be factored into the calculation of PAD. As mentioned previously, local tax revenues are made up of several tax types, including the hotel tax, restaurant tax, advertising tax on parking and water, light and street lighting, and parking and BPTB taxes. This increases since the number of public lighting installations are on the rise. Electricity tax is imposed on the use of street lighting within an area. Only after this street lighting tax is paid will the bill be issued and collected by PLN to be used in the Majene district. Meanwhile, the nominal central and regional governments are paid more because they are appropriated from Tax Sharing Funds such as the tax on land and motor vehicles and materials and the tax on motor vehicles. Incomplete destruction of a motor vehicle The nominal or another component of this local tax is less than the other taxes paid to the city.

Despite PAD revenues being lower than loans or aid, the local government successfully reached almost all of the previous PAD budgeted target. Despite this, the government must see if regionally generated incomes can be increased to improve the PAD revenue base. Revenue also maximizes the revenues that have true potential for regional development. Regional-owned enterprises can make a significant contribution to PAD. Other programs that may help increase revenue production include better coordination of SKPDs, improving human resources tasked with revenue generation, and increasing revenue facilities' capabilities.

As a rule, although PAD revenues tend to be lower than loans and aid, the city managed to exceed almost all previously approved program expenses. Regional efforts to boost revenues should continue, but the government must see which sources may be

optimized so that the PAD ratio can be improved. Revenue focuses on developing resources that have real potential for regional income. Regional-owned businesses can make a significant contribution to PAD. Other things could be done, such as coordinating sales & service (or delivery), improving the human resources involved in generating sales revenue, and developing support facilities (i.e., facilities for generating revenue).

Except for PAD, the remaining revenue comes from two other central government transfers and provincial government transfers. central government grants dominate the regional aid/disbursements/withdrawals (DAU). Fund transfer from the general fund is made using APN income. The allocation of DAUs is calculated according to each region's specific needs. Determining the allocation of DAU money under an agreement between the provincial and municipal governments is done. DAU and DAU revenue grow exponentially year after year in Majene. At the same time, central government transfers and transfers from the provinces tend to be of smaller magnitudes.

Discussion

The first discussion is about the results of the analysis of variance. The second discussion is about the analysis of efficiency and analysis of effectiveness—discussion on the level of effectiveness of the Majene Regency area. Effectiveness Level By using the formula above, it can be seen that the level of effectiveness of the Majene Regency DPRD for Fiscal Year 2019 with an adequate level of 102.50%, which means it is very effective, and it can be said that the level of achievement of regional financial performance in Majene Regency is very effective. The results of the analysis and discussion show that the City Government's financial performance, when viewed from the ratio of financial independence, is still not good because the resulting percentage tends to below. Central government interference with local governments was high at first but lessened in the following year. Judging from the activity ratio, the expenditure for routine expenditure (operating expenditure) tends to be higher than that for development expenditure (capital expenditure). The income-effectiveness ratio shows good results because the management is considered to be effective.

Realization of revenue always reaches and even exceeds the budget target previously set. Meanwhile, the expenditure efficiency ratio during this period is still inefficient. The growth ratio of PAD and TPD of the Majene Regency government shows a further increase and decrease every year. The revenue for both PAD and TPD tends to increase, although the increase is not always in a large amount. The growth of routine expenditure is still relatively stable; the increase and decrease are not significant every year.

In contrast to the growth in routine spending, the growth in development spending significantly increased and decreased. This is because the realization of development spending sometimes succeeds in achieving the budget target, and in specific years it does not succeed in achieving the budget target. The results of this study, when compared with previous research conducted by (Wardhani 2012), will show several differences, namely: the ratio of regional financial independence changes the pattern of relationships from instructive to consultative, the PAD growth ratio tends to have a higher percentage, but the percentage growth ratio routine spending tends to be lower than previous studies. Meanwhile, the ratio of effectiveness and efficiency shows results that are not much different from previous studies, that revenue management is effective and expenditure management is still inefficient. Likewise, the ratio of

TPD growth and development spending has a similar pattern, where the growth ratio is still unstable.

CONCLUSIONS

This study indicates that the amount of revenue realization in 2018 is higher than the predetermined budget. In the expenditure section, the expenditure budget realization is higher than the planned budget, which means that spending for the 2018 fiscal year is less profitable. As for the 2019 Budget, the variance analysis results show that the realization is higher than the predetermined budget. In the expenditure section, the expenditure budget realization is lower than the planned budget, which means that spending for the 2019 fiscal year is profitable. Furthermore, the level of effectiveness of the BKAD Government of Majene Regency was during the research period of the 2018 fiscal year was only 101.86% lower than in 2019 of 102.48%, which means it is very effective, and it can be said that the level of achievement of regional financial performance in Majene Regency is very effective. This study suggests that further researchers can use the balanced scorecard and value for money analysis techniques.

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