

Performance Analysis of Revenue and Expenditure Budget Realization

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Abstract

The purpose of this study is to determine the financial performance of the Balikpapan City Government for the 2016-2018 fiscal year based on five financial ratios, namely: regional financial independence, regional financial dependence, degree of decentralization, effectiveness and efficiency of regional original revenue. The analysis tools used for this study were the ratio of regional financial independence, regional financial dependence, degree of decentralization, effectiveness and efficiency of regional original income. The type of data in this study is quantitative data. The data source is secondary data. Based on the results of the research and analysis obtained for the ratio of regional financial independence levels is still low, the ratio of regional financial dependence is very high, the ratio of degrees of decentralization is still not optimal, the effectiveness ratio looks very effective, and the efficiency ratio looks less efficient.

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1. Introduction

The local government as the party entrusted with the task of running the wheels of government, development, and community services is obliged to submit a report on its regional financial accountability to assess whether the local government has succeeded in carrying out its duties properly or not. Local government financial statements are a tool for controlling and evaluating performance for local governments as a whole and the work units in them.

Based on article 4 of Government Regulation Number 105 of 2000 concerning regional financial management and accountability, it is emphasized that regional financial management must be carried out in an orderly manner, obey applicable laws and regulations, efficient, effective, transparent, and responsible by paying attention to the principles of justice and compliance. The ability of local governments to manage finances is outlined in the regional revenue and expenditure budget (APBD) which directly or indirectly reflects the ability of local governments to finance the implementation of government tasks, development, and community social services.

Financial performance measurement is very important to assess the accountability of local governments in carrying out regional financial management. Accountability is not just the ability to show how public money is spent, but it includes the ability to show that public money has been spent efficiently, effectively, and economically. Efficient means that the use of public funds produces maximum output, effective means that the use of the budget must achieve targets or goals for the public interest, and economical means related to the selection and use of resources in a certain quantity and quality at the lowest price level. (Mardiasmo, 2013)

2. Method

This research was carried out on the Balikpapan City Revenue and Expenditure Budget, especially for the Balikpapan City Government Budget Realization Report for 2016-2018. With the focus of the research using the regional financial independence ratio, the regional financial dependence ratio, the ratio of the degree of decentralization, the effectiveness ratio, and the efficiency ratio. The type of data used in this study is a type of quantitative data, which is a type of data that can be measured or calculated directly. The data sources used are in the form of secondary data obtained from official documents, namely the Budget Realization Report and other sources related to the financial performance of the Balikpapan City Regional Government in 2016, 2017, and 2018 obtained from the Regional Financial and Asset Management Agency (BPKAD) of Balikpapan City. Data collection technique by using secondary data by collecting data by studying records and documents in the company or agency being researched using the documentation method. The documentation method is carried out by obtaining data from the office of the Regional Financial and Asset Management Agency (BPKAD) of Balikpapan City. The data obtained is divided into two, namely general data and special data. General data is data in the form of an overview of Balikpapan City and an overview of the Balikpapan City Financial and Asset Management Agency, while special data is data in the form of the Balikpapan City Regional Government Budget Realization Report for 2016-2018.

Drawing conclusions

3. Results and Discussion

3.1. Analysis of regional financial independence ratio

Based on the condition of data on Regional Original Revenue and revenue assistance from the center, province, and loans in the Balikpapan City Government Budget Realization Report for 2016-2018, the following are the calculations:

$$\text{Rasio Kemandirian} = \frac{\text{Pendapatan Asli Daerah (PAD)}}{\text{Bantuan Pemerintah Pusat, Provinsidan Pinjaman}} \times 100\%$$

The criteria for determining the ratio of regional financial independence can be seen as follows:

Table 1. Regional Levels of Independence and Financial Capability

Financial Ability	Independence Ratio (%)
Very Low	0 - 25
Low	>25 - 50
Medium	>50 - 75
Height	>75 - 100

Source: Halim, 2011.

With the above criterion table, it can be known the level of financial independence of the Balikpapan City Regional Government for the 2016-2018 Fiscal Year and can be classified as follows:

Table 3. Balikpapan City Government's Regional Financial Independence Ratio in 2016-2018

Year	Realization of PAD (Rp)	Realization of Assistance (Rp)	Independence Ratio	Financial Independence
2016	560.365.008.676,29	1.427.957.897.049,00	39,24%	Low
2017	612.250.040.990,01	1.259.322.950.368,00	48,61%	Low
2018	646.868.407.485,10	1.580.568.213.748,00	40,92%	Low

Based on the results of the analysis, the ratio of regional financial independence is still low, it shows that the source of regional revenue is still not optimal. This is due to the lack of PAD that can be excavated by the local government. Thus, an even greater effort is needed from the Balikpapan City Government to be able to reduce dependence on external sources of funds and ask for authority to be able to manage other sources of income that until now are still managed by the Central Government.

Analysis of Regional Financial Dependency Ratio

Based on the conditions of transfer revenue and total regional revenue in the Balikpapan City Government Budget Realization Report for 2016-2018, the calculation for the regional financial dependence ratio is as follows:

$$Rasio\ Ketergantungan\ Keuangan = \frac{Pendapatan\ Transfer}{Total\ Realisasi\ Pendapatan\ Daerah} \times 100\%$$

The criteria for determining the regional financial dependency ratio can be seen as follows:

Table 4. Criteria for Assessing Regional Financial Dependency

Percentage of Transfer Revenue to Total Regional Revenue	Regional Financial Dependence
0,00 - 10,00	Very Low
10,01 - 20,00	Low
20,01 - 30,00	Medium
30,01 - 40,00	Enough
40,01 - 50,00	Height
>50,00	Very High

Source: Bisma, 2010.

With the above criterion table, it can be known the level of financial dependence of the Balikpapan City Government for the 2016-2018 Fiscal Year and can be classified as follows:

Table 5. Balikpapan City Government's Regional Financial Dependence Ratio in 2016-2018

Year	Realization of Transfer Income (Rp)	Total Regional Revenue Realization (Rp)	RKKD	Financial Dependence
2016	1.427.957.897.049,00	1.993.392.905.725,29	71,63%	Very High
2017	1.259.322.950.368,00	1.873.966.991.358,01	67,20%	Very High
2018	1.580.568.213.748,00	2.230.736.621.233,10	70,85%	Very High

This illustrates that the performance of PAD and other sources of regional revenue has not been optimal in financing regional development activities, so the region is still very dependent on government subsidies through the Balance Fund. The Balikpapan City Government can further improve aspects contained in regional original revenue such as regional taxes, regional levies, the results of segregated regional wealth management and other legitimate regional original revenue.

3.2. Decentralized Degree Ratio Analysis

Based on the conditions of PAD and Total Regional Revenue in the Balikpapan City Government Budget Realization Report, the calculation of the ratio of degrees of decentralization is as follows:

$$\text{Derajat Desentralisasi} = \frac{\text{RealisasiPendapatanAsliDaerah}}{\text{RealisasiTotalPendapatanDaerah}} \times 100\%$$

Table 6. The criteria for determining the degree of decentralization can be seen as follows:

Decentralized Degree Ratio Assessment Criteria	
Percentage of PAD to TPD (%)	Decentralization Rate
0,00 – 10,00	Very Less
10,01 – 20,00	Less
20,01 – 30,00	Medium
30,01 – 40,00	Enough
40,01 – 50,00	Good
>50,00	Excellent

Source: Bisma, 2010.

With the above criterion table, it can be known the degree of decentralization of the Balikpapan City Government for the 2016-2018 fiscal year and can be classified as follows:

Table 7. Ratio of Decentralization Degree of Balikpapan City Government in 2016-2018

Year	Realization of PAD (Rp)	Total Regional Revenue Realization (Rp)	Decentralized Degree Ratio	Decentralized Degree Capability
2016	560.365.008.676,29	1.993.392.905.725,29	28,11%	Medium
2017	612.250.040.990,01	1.873.966.991.358,01	32,67%	Enough
2018	646.868.407.485,10	2.230.736.621.233,10	29%	Medium

The ratio of degrees of decentralization illustrates the magnitude of central government intervention in regional development which shows the level of readiness of local governments in implementing regional autonomy. The higher the ratio of degrees of decentralization, the higher the regional financial ability to support regional autonomy.

3.3. Analysis of the Effectiveness Ratio of PAD

Based on the data conditions on the realization of PAD and PAD targets in the Balikpapan City Government Budget Realization Report, the calculation of the effectiveness ratio is as follows:

$$\text{Rasio Efektifitas} = \frac{\text{RealisasiPenerimaanPendapatanAsliDaerah}}{\text{TargetPenerimaanPADberdasarkanPotensiRiilDaerah}} \times 100\%$$

The criteria for determining the PAD effectiveness ratio can be seen as follows:

Table 8. Financial Performance Criteria Effectiveness Ratio

Percentage of Financial Performance	Criteria
Above 100%	Highly Effective
100%	Effective
90% - 99%	Quite Effective
75% - 89%	Less Effective
Less than 75%	Ineffective

Source: Mahmudi, 2013

With the above criterion table, it can be seen that the level of effectiveness of the Balikpapan City Government for the 2016-2018 fiscal year can be classified as follows:

Table 9. Effectiveness Ratio of Balikpapan City Government in 2016 – 2018

Year	Realization of PAD (Rp)	PAD Target (Rp)	Effectiveness Ratio	Financial Effectiveness
2016	560.365.008.676,29	555.970.991.413,00	100,79%	Effective
2017	612.250.040.990,01	568.575.283.786,00	107,68%	Highly Effective
2018	646.868.407.485,10	678.500.000.000,00	95,33%	Quite Effective

Effectiveness is considered very necessary in all fields of work, organization, private or government. Effectiveness is a measure of an organization's success in realizing organizational goals. If you look at the 3 years, the Balikpapan City Government is included in the category of being very effective in realizing the targeted regional original income.

PAD Efficiency Ratio Analysis

Based on the conditions of the total realization of regional expenditure and the total realization of regional revenue in the Balikpapan City Government Budget Realization Report for 2016-2018, the calculation of the efficiency ratio is as follows:

$$Rasio\ Efisiensi = \frac{TotalRealisasiBelanjaDaerah}{TotalRealisasiPendapatanDaerah} \times 100\%$$

The criteria for determining the financial performance efficiency ratio can be seen in the following table:

Table 10. Financial Performance Criteria Efficiency Ratio

Percentage of Financial Performance	Criteria
100% - and above	Inefficient
90% - 100%	Less efficient
80% - 90%	Quite efficient
60% - 80%	Efficient
Below 60%	Highly efficient

Source: Halim, 2013.

With the above criterion table, the level of efficiency of the Balikpapan City Government for the 2016-2018 fiscal year can be known and can be classified into the following table:

Table 11. Efficiency Ratio of Balikpapan City Government in 2016-2018

Year	Total Regional Expenditure Realization (Rp)	Total Regional Revenue Realization (Rp)	Efficiency Ratio	Financial Efficiency Ability
2016	2.114.716.897.992,83	1.993.392.905.725,29	106,08%	Inefficient
2017	1.759.664.053.267,85	1.873.966.991.358,01	93,90%	Less efficient
2018	2.119.971.369.743,75	2.230.736.621.233,10	95,03%	Less efficient

The calculation of the efficiency ratio of the original regional revenue is used to measure the level of budget savings carried out by the government.

4. Conclusion

Based on the results of the analysis and discussion in the previous chapter, the author draws the following conclusions:

- 1) The level of regional financial independence in the Balikpapan City Government in 2016-2018 is included in the low category because it is in the interval of >25 – 50%. This can be seen in the Balikpapan City Government whose level of independence is still not good due to the low local revenue generated compared to transfers from the central government.

- 2) The level of regional financial dependence on the Balikpapan City Government in 2016 – 2018 is very high because it is in the interval of >50%. This is due to the fact that the realization of transfer revenue is smaller than the realization of regional revenue.
- 3) The level of decentralization in the Balikpapan City Government in 2016-2018 is in the medium category because it is on an interval scale of 20.01% to 30%. This is due to the fact that the realization of regional original revenue is smaller than the realization of regional revenue.
- 4) The level of effectiveness against PAD in the Balikpapan City Government in 2016 – 2018 was at intervals above 100% which means that the ratio of effectiveness to PAD is very effective. This has illustrated the performance of the Balikpapan City Government for three years of the budget has been included very well in realizing the planned PAD.
- 5) The level of regional financial efficiency in the Balikpapan City Government has an average of 98.37% which according to the efficiency ratio criteria is less efficient because it is on the scale of 90%-100% interval, this happens because there is a tendency to spend all regional expenditure funds in the relevant fiscal year.

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