



ANALYSIS OF LOCAL GOVERNMENT FINANCIAL PERFORMANCE (Study on Nunukan Regency Local Government 2018-2022)

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ABSTRACT

Abstract: his research aims to determine the financial performance of the Nunukan Regency regional government for 2018-2022. This research is quantitative research with descriptive analysis. The data used in this research is secondary data. The population used in this research is the Nunukan Regency Regional Government. The samples used in this research are several components contained in the Nunukan Regency regional government Budget Realization Report for 2018-2022. This research uses 5 data analysis tools consisting of 1) Regional Financial Independence Ratio, 2) ROI Effectiveness Ratio, 3) Regional Financial Efficiency Ratio, 4) Regional Financial Harmony Ratio, and 5) Regional Financial Growth Ratio. The results of research using the regional financial independence ratio show an instructive relationship pattern, the ROI effectiveness ratio shows the criteria of less, quite, and very effective, the regional financial efficiency ratio has the criteria of being quite efficient and efficient, the harmony ratio shows that regional governments prioritize most of their income for operational expenditure rather than capital expenditure, and the growth ratio of ROI, income, and expenditure shows positive and negative growth. Financial Report.

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1. Introduction

In implementing regional autonomy and fiscal decentralization, it is important to monitor and measure government performance, because the success of a government in the era of regional autonomy can be assessed through various performance indicators that it has achieved. One way to measure local government performance is through financial ratio analysis (Hanifa & Amalia, 2022). Government Regulation No. 71 of 2010 concerning Government Accounting Standards requires the government to carry out the process of identifying, recording, measuring, classifying, summarizing financial transactions and events, presenting reports, and providing accountability for the results of all types of activities that have been carried out in the form of accountability reports to the public with the aim of fulfilling the rights of the community. The public, as the entrusting party to the government, has the right to know how regional financial management is carried out in each fiscal year. However, not all members of the public and other users of financial statements have the ability to analyze financial statements properly, so it is necessary to analyze local government financial statements to ensure that they are reliable for decision-making and policy-making (Putri, 2022). Various studies have been conducted related to assessing the financial performance of local governments, including research

conducted by R. S. E. Putri & Munandar (2021), which states that the local government of Malang City in the 2016-2020 fiscal year experienced positive and negative growth in PAD, revenue, and expenditure. The financial independence ratio was categorized as low or showed a consultative relationship pattern. Saputra et al (2018) also conducted the same study on the assessment of the financial performance of the Jembrana Regency local government for the 2010-2014 fiscal years, and the results showed positive revenue growth. The independence ratio was categorized as very low. Meanwhile, research conducted by Sari et al. (2021) showed that the growth of local revenue in South Tangerang City during the 2010-2019 fiscal period experienced positive and negative growth. The independence ratio of South Tangerang City in 2010-2013 experienced fluctuating increases. In 2014-2019, the level of independence of South Tangerang City was in the high category and fell into a delegative relationship pattern

Table 1.1
Comparison of PAD Budget, PAD Realization, Total Revenue Realization, and Transfer Revenue Realization

Tahun	Anggaran PAD	Realisasi PAD	Realisasi Total Pendapatan	Realisasi Pendapatan Transfer
2018	80.325.296.537,00	81.080.054.422,38	1.189.894.994.062,03	1.081.801.339.669,73
2019	111.331.435.802,00	104.841.899.340,25	1.210.576.430.412,97	882.872.536.041,38
2020	104.676.786.124,87	129.631.730.357,67	1.354.211.709.435,70	994.838.088.947,87
2021	113.736.807.590,00	176.077.489.030,17	1.389.823.131.075,73	1.185.591.058.704,06
2022	130.699.589.536,00	106.015.463.479,65	1.302.632.341.033,84	1.189.743.669.297,43

Source: Nunukan Regency Budget Realization Report for 2018-2022

From the data above, it can be seen that the local revenue and total revenue of the Nunukan Regency government experienced positive and negative growth, which means that the Nunukan Regency government was unable to maintain and increase the local revenue and total revenue that had been achieved from period to period. The Nunukan Regency government has also been unable to achieve the PAD targets set for 2019 and 2022. This indicates that the local government will have difficulty financing development and public services and will have to use financing and transfer funds to cover the budget shortfall. The PAD of Nunukan Regency is still relatively small compared to the total revenue, and regional revenue is still dominated by revenue from transfer income. This shows that the Nunukan Regency local government has not optimized the potential of PAD, and the level of dependence of the Nunukan Regency local government on transfer funds from the central government in the 2018-2022 period is still very high. Financial performance analysis in Nunukan Regency is a process of assessing the extent to which the local government of Nunukan Regency has been successful in carrying out work and activities related to financial aspects. Based on the above background, the author is interested in conducting research with the title **"Analysis of The Financial Performance of the Government Region (A Study on the Local Government of Nunukan Regency from 2018 to 2022"** Based on the description in the background above, the research questions in this study are as follows: How is the financial performance of the Nunukan Regency government when measured using the Regional Financial Independence Ratio? How is the financial performance of the local government of Nunukan Regency when measured using the PAD Effectiveness Ratio? How is the financial performance of the local government of Nunukan Regency when measured using the Regional Financial Efficiency Ratio? How is the financial performance of the local government of Nunukan Regency when measured using the Harmony Ratio? How is the financial performance of the local government of Nunukan Regency when measured using the Growth Ratio?

2. Literatur Review

2.1. Stewardship Theory

The stewardship theory is a theory in which management is not motivated by individual goals but rather focuses on their main objectives, which are in the interests of the organization (Donalson & Davis, 1991 in Digidowiseiso et al., 2022). The stewardship theory basically explains how a local government as an institution can be relied upon and play an active role in prioritizing public interests through its work plans. The stewardship theory in this study is to explain how the local government of Nunukan Regency as an agency can

provide the best services to the community, accommodate public aspirations, win public trust, and be accountable for the financial transparency managed by the government.

2.2 Regional Autonomy

Based on Law of the Republic of Indonesia Number 23 of 2014, regional autonomy is the right, authority, and obligation of autonomous regions to regulate and manage their own governmental affairs and the interests of the local community within the system of the Unitary State of the Republic of Indonesia.

2.3 Regional Financial Management

Based on Regulation of the Minister of Home Affairs of the Republic of Indonesia Number 77 of 2020 Article 1, regional financial management is the entirety of activities that include planning, budgeting, implementation, administration, accountability, and supervision of regional finances. Regional financial management is a series of actions that include planning, implementation, recording, reporting, accountability, and supervision of finances at the regional level.

2.4 Analysis of Regional Financial Ratios

Financial ratios are an analytical process that compares one financial statement with another (), with the aim of determining the financial condition of the local government (Nurdin et al, 2023). Local government financial ratios are one of the methods used to calculate and analyze financial statements.

3. Research Methodology

3.1 Research Design

This research is quantitative research with descriptive analysis. Quantitative research is research that uses quantitative data in the form of numbers that will be measured using statistics as a test tool related to the problem being studied to produce a conclusion (Sugiyono, 2018).

3.2 Population and Sample

The population used in this study is the Local Government Financial Report () of Nunukan Regency. A sample is a part of the number and characteristics possessed by the population (Sugiyono, 2018). The sample used in this study is several components contained in the Nunukan Regency Local Government Budget Realization Report from 2018 to 2022. The sampling technique used in this study is purposive sampling.

3.3 Data Collection Technique

The data collection technique used in this study is the documentation technique. The documentation technique is a data collection technique carried out by collecting data from various documents related to the issue being studied. The data used in this study is sourced from secondary data from the Nunukan Regency Regional Revenue and Expenditure Budget Realization Report for the 2018-2022 fiscal years.

3.4 Data Analysis Techniques

Regional Financial Independence Rasio The independence ratio reflects the extent to which a region depends on external sources of funding. A high independence ratio indicates that the region's dependence on external assistance, particularly from the central and provincial governments, is low, and vice versa. The regional financial independence ratio is calculated using the following formula:

3.5. Local Own-Source Revenue Effectiveness Rasio

$$RKKD = \frac{PAD}{\text{Bantuan Pemerintah Pusat/Provinsidan pinjaman}} \times 100\%$$

The Local Own-Source Revenue Effectiveness Ratio (PAD) describes the extent to which the local government has succeeded in realizing PAD in accordance with what was planned compared to the target set based on the actual economic potential in the region. The calculation of the PAD effectiveness ratio the following

formula is used:

$$PAD \text{ Effectiveness Ratio} = \frac{\text{Realization PAD}}{\text{}} \times 100\%$$

3.6. Local Government Financial Efficiency Ratio

The regional financial efficiency ratio is a measure that compares the amount of costs incurred to obtain revenue with the realized revenue received. The financial performance of local governments in revenue collection is considered efficient if the resulting ratio is less than 1 or below 100%. The regional financial efficiency ratio is calculated using the following formula:

$$REKD = \frac{\text{Regional Expenditure Realization}}{\text{Actual Regional Revenue}} \times 100$$

3.7. Regional Financial Consistency Ratio

Operating Expenditure Ratio The operating expenditure ratio is a financial measure that compares total operating expenditures with total regional expenditures. **Capital Expenditure Ratio** The capital expenditure ratio is a comparison between total realized capital expenditure and total regional expenditure.

3.8. Local Government Financial Efficiency Ratio

The regional financial efficiency ratio is a measure that compares the amount of costs incurred to obtain revenue with the actual revenue received. Regional government financial performance.

3.9. Regional Financial Growth Ratio

The growth ratio measures the ability of local governments to maintain and improve achievements from one period to the next. The growth ratio is considered good if there is positive growth or improvement every year (Halim, 2014). To calculate the local financial growth ratio, use the following formula:

$$\begin{aligned} \text{Rasio Pertumbuhan PAD} &= \frac{\text{Realisasi Pendapatan PAD } X_t - X_{t-1}}{\text{Realisasi Pendapatan PAD } X_{t-1}} \times 100\% \\ \text{Rasio Pertumbuhan Pendapatan} &= \frac{\text{Realisasi Pendapatan Pendapatan } X_t - X_{t-1}}{\text{Realisasi Pendapatan Pendapatan } X_{t-1}} \times 100\% \\ \text{Rasio Pertumbuhan Belanja} &= \frac{\text{Realisasi Belanja } X_t - X_{t-1}}{\text{Realisasi Belanja } X_{t-1}} \times 100\% \end{aligned}$$

Keterangan: X_t = Tahun yang dihitung
 X_{t-1} = Tahun sebelumnya

3.10. Time and Location of Research

This research was conducted over a period of 3 (three) months from November 2023 to January 2024. The location of this research was the Nunukan Regency Local Government

4. Result of Research Object

4.1. Overview of Research Object

Nunukan Regency is located between 115°33' and 118°03' east longitude and 3°15'00" and 4°24'55" north latitude. Nunukan Regency is the northernmost region of North Kalimantan Province and has a strategic position as a border area between Indonesia and Malaysia, making it an important point in the transportation network between countries. The northern part of Nunukan Regency borders directly with the state of Sabah in East Malaysia, borders the Sulawesi Sea to the east, borders Malinau and Bulungan Regencies to the south, and to the west, it directly borders the Malaysian state of Sarawak.



Results of Research and Discussion on Regional Financial Independence Ratio

Table 1. Local Government Financial Independence Ratio
 Nunukan Regency 2018-2022

Tahun	Realisasi PAD	Pendapatan Transfer	RKKD (%)	Pola Hubungan
2018	81.080.054.422,30	1.081.801.339.669,73	7,49	Instruktif
2019	104.841.099.340,75	882.872.516.041,39	11,87	Instruktif
2020	129.631.750.357,67	994.828.088.947,87	13,03	Instruktif
2021	176.077.409.030,17	1.185.595.058.784,06	14,85	Instruktif
2022	106.015.465.479,65	1.189.745.669.297,43	8,91	Instruktif

Source: Processed data, 2024

Based on the calculations made by the researcher above, the Local Government Financial Independence Ratio of Nunukan Regency during the period 2018 to 2022 has financial capacity is very low, ranging from 0% to 25%, and shows an instructive relationship pattern. Although there has been an increase from 2018 to 2022, the results are still below 25%. This illustrates that during this period, the role of the central government tended to be more dominant than the financial capacity of local governments. Nunukan Regency in financing its regional finances, and the level of dependence on the central government is still very high.

4.2. Local Revenue Effectiveness Ratio (PAD)

Table 2. Ratio Effectiveness PAD

Tahun	Realisasi PAD	Anggaran PAD	REPAD(%)	Kriteria
2018	81.080.054.422,30	80.323.296.357,00	100,94	Sangat Efektif
2019	104.841.099.340,75	111.331.435.802,00	94,17	Cukup Efektif
2020	129.631.750.357,67	104.676.786.124,85	123,84	Sangat Efektif
2021	176.077.409.030,17	113.736.807.590,00	154,81	Sangat Efektif
2022	106.015.465.479,65	130.699.589.536,00	81,11	Kurang Efektif

Source: Processed data, 2024

Based on the calculations made by the researcher above, the PAD Effectiveness Ratio of the Nunukan Regency Government in 2018, 2020, and 2021 is categorized as very effective because the PAD realization is greater than the budget and the percentage is above 100% with effectiveness percentages of 100.94%, 123.84%, and 154.81%. In 2019, there was a decline to 94.17% due to a decrease in PAD realization, such as local retribution income and other legitimate PAD, but it was still considered quite effective. Meanwhile, in 2022, the PAD effectiveness percentage was 81.11% and was classified as less effective. This was due to low tax revenue, which is one of the largest contributors to PAD revenue.

4.3 Local Government Financial Efficiency Ratio

Table 3. Regional Financial Efficiency Ratio
 Government
 Nunukan Regency 2018-2022

Tahun	Belanja Daerah	Pendapatan Daerah	REKD(%)	Kriteria
2018	978.003.123.157,85	1.189.894.994.092,03	82,19	Cukup Efisien
2019	939.385.108.427,20	1.210.576.410.412,97	77,60	Efisien
2020	1.071.409.548.625,75	1.354.211.709.415,70	79,12	Efisien
2021	1.067.399.583.906,05	1.395.823.155.075,65	76,47	Efisien
2022	1.027.498.681.561,22	1.302.632.345.033,84	78,88	Efisien

Source: Processed data, 2024

Based on the calculations made by the researchers above, the Regional Financial Efficiency Ratio of the Nunukan Regency local government in 2018 was quite efficient at 82.19%. This means that the local government is still able to generate regional revenue at a relatively high cost, but is still able to meet its needs. regional budget. Then, from 2019 to 2022, it had efficient criteria because the efficiency percentage was in the 60%-80% interval with percentages of 77.60%, 79.12%, 76.47%, and 78.88%. This indicates that the local government has been able to achieve efficiency in regional spending so that it does not exceed regional income

4.4 Harmony Ratio

The analysis results indicate that during the 2018-2022 period, the local government prioritized most of its revenue for operational expenditures rather than capital expenditures. Nunukan Regency's expenditures tend to prioritize routine expenditures to support government activities, while not giving adequate attention to regional development. This is due to the absence of an ideal benchmark for the percentage that should be spent on capital expenditures and operational expenditures.

4.5 Regional Financial Growth Ratio

The PAD growth ratio experienced positive growth in 2018-2021 and negative growth in 2022, while the revenue growth ratio experienced positive growth in 2019 to 2021 and negative growth in 2018 and 2022. The expenditure growth ratio tended to be negative and only experienced positive growth in 2020.

5. Conclusion and suggestion

5.1. Conclusion

Based on the results of research and discussion related to the analysis of the financial performance of the Nunukan Regency local government from 2018 to 2022 conducted by the researcher, several conclusions can be drawn, including:

1. The Nunukan Regency's Regional Financial Independence Ratio during the 2018-2022 period has very low financial capacity, which is in the 0%-25% range and shows an instructive relationship pattern. Even though there was an increase from 2018 to 2022, the result is still below 25%. This illustrates that during this period, the role of the central government tended to be more dominant than the financial capacity of the Nunukan Regency local government in financing its regional finances, and the level of dependence on the central government was still very high.
2. The effectiveness ratio of local revenue (PAD) of the Nunukan Regency Government in 2018, 2020, and 2021 was categorized as highly effective because the realization of PAD was greater than the budget and the percentage was above 100%, with effectiveness percentages of 100.94%, 123.84%, and 154.81%, respectively. In 2019, there was a decline to 94.17% due to a decrease in PAD realization, such as local retribution income and other legitimate PAD, but it was still considered quite effective. Meanwhile, in 2022, the PAD effectiveness percentage was 81.11% and was classified as less effective. This was due to low tax revenue, which is one of the largest contributors to PAD revenue.

3. The financial efficiency ratio of the Nunukan Regency local government in 2018 was quite efficient at 82.19%. This means that the local government was still able to generate regional revenue at a relatively high cost, but was still able to meet regional budget requirements. Then, from 2019 to 2022, it was considered efficient because the efficiency percentage was in the 60%-80% range , with percentages of 77.60%, 79.12%, 76.47%, and 78.88%. This indicates that local governments have been able to achieve efficiency in regional spending so that it does not exceed regional income.
4. The financial harmony ratio of the Nunukan Regency local government during the 2018-2022 period shows that the local government prioritized most of its revenue for operational expenditures rather than capital expenditures. Nunukan Regency's expenditures tended to prioritize routine expenditures to support government activities, while not paying sufficient attention to regional development. This was due to the absence of an ideal benchmark for the percentage that should be spent on capital expenditures and operating expenditures.
5. The PAD growth ratio experienced positive growth in 2018-2021 and negative growth in 2022, and the revenue growth ratio showed positive growth from 2019 to 2021 and negative growth in 2018 and 2022, while the expenditure growth ratio tended to be negative and only showed positive growth in 2020.

5.1. Suggestion

Based on the research results and considering the limitations of the researcher in conducting this study, the researcher provides the following recommendations: limitations of the researcher in conducting this study, the researcher provides the following recommendations:

1. It is hoped that in the future, the Nunukan Regency government can increase its own-source revenue in line with its potential. Increasing PAD can be done through intensification and extensification of local taxes. Intensification of local taxes can be done by re-registering registered tax objects directly in the field (business premises), summoning taxpayers and retribution payers who are in arrears with their reports and payments, holding monthly coordination and evaluation meetings with regional apparatus organizations (OPD), and so on. Meanwhile, the extensification of local taxes can be done by exploring sources of PAD that are in the form of taxes and not levies, do not have a negative economic impact, take into account aspects of fairness and community capacity, and so on.
2. For future researchers who will conduct research in the same field, it is hoped that they can add analytical tools such as cluster analysis, using different ratios from this study, and also involve external factors such as geography, regional economic conditions, resource availability, and national policies to assess the financial performance of the Nunukan Regency government based on similar characteristics so that the assessment of local government performance is more accurate. It is also hoped that the scope of the research can be expanded, for example, to the provincial government level.

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