Analysis of Regional Government Financial Performance in Improving Community Welfare

A Ikbal Husni P
Graduated Program of Economics and Business Faculty
Diponegoro University
Semarang, Indonesia

Joko Hadi Susilo
Graduated Program of Economics and Business Faculty
Diponegoro University
Semarang, Indonesia

M. Kholilurrohman
Lecturer in Management Department
Islamic Economics College (STEI) Permata
Bojonegoro, Indonesia

Abstract:- This study aims to determine the performance of local governments in carrying out financial management in improving community welfare.This research was conducted at the local government of Barru Regency using secondary data, namely the 2015-2019 financial reports. Descriptive quantitative method is used in this research by using a mathematical formula, namely financial ratio analysis which includes analysis of independence ratios, effectiveness, efficiency and conformity. The results showed that based on the ratio of independence in general, the regional government of Barru Regency still had a level of dependence on the central government in carrying out government affairs to improve the welfare of the community. Based on the ratio of effectiveness in general, local governments in allocating local revenue against the targets that have been planned in improving community welfare can be implemented very effectively. Based on the efficiency ratio of the government in managing regional revenue to regional spending to improve public welfare, it is generally implemented and managed efficiently. Based on the analysis of the conformity Ratio ratio, local governments generally prioritize the use of regional revenues for operating expenditures in an effort to increase public welfare. The results of this analysis can empirically provide information that in improving public welfare as measured by the financial performance of local governments, it can be implemented by determining the right policies according to performance targets and maximizing local revenue.

Keywords:- *Independence Ratio; Effectiveness Ratio; Efficiency Ratio;Conformity Ratio, Community Welfare.*

I. INTRODUCTION

Development activities that are constantly increasing have become one of the most important goals in the management of government finances, one of which is to increase the level of community welfare. The prospect of regional development must be carried out continuously in the hope that there will be infrastructure development and better public facilities in order to serve the needs of the community. Each region has the right and authority in managing and regulating its government affairs and policies, this is in accordance with Law Number 32 of 2004 concerning regional government which explains that regional governments are given broad authority in carrying out all government affairs ranging from planning, implementation, supervision, control, and evaluation. Granting regional autonomy rights to regional governments to determine regional revenue and expenditure budgets in accordance with regional needs and potential. This shows that regional governments with autonomous regions have the rights and obligations in carrying out their governmental affairs.

Regional autonomy is a form of central government concern for local governments based on trust in local governments in implementing structured development. The era of regional autonomy is no longer just carrying out instructions from the center, but actually has the flexibility to increase creativity in developing potential that previously did not have freedom (Mardiasmo, 2006:12). However, on the other hand, the increased authority of a region will have an impact on the increased responsibility of the regional government in carrying out its government affairs. Thus the regional government as an autonomous region must implement and manage its regional finances in carrying out development accountably, transparently and carrying out measurable financial performance. The existence of regional autonomy also results in a fiscal gap between the central government and local governments (Pangkey, et al 2017).

Local government financial management is directly able to describe the financial performance of local governments in implementing their government through infrastructure development and public services, Sino, et al (2016) Government financial performance is basically related to regional autonomy so that regional governments should be able to improve regional financial performance properly. Some indicators that can be used in measuring performance include input indicators, output indicators, outcome indicators, benefit indicators and impact indicators (Bastian, 2001: 337). Nurhayati (2016) explains that government financial performance is a financial condition that can be analyzed and can be measured so that the good and bad local government finances can be found. The financial performance of the local government basically shows the potential of the region and extracts resources that can generate sources of funds to be utilized and managed with the aim of carrying out regional development so that it does not depend on the central government and is implemented in accordance with applicable regulations (Rahmawati & Putra, 2016).

Measurement of local government financial performance can be carried out by analyzing or conducting a comprehensive financial assessment so that it can be seen that the government can manage its finances properly or not, The measurement of financial performance can be done by analyzing the financial ratios of the regional government budget realization reports, which are the realization of the established and implemented regional revenue and expenditure budgets. In this case, the use of ratio analysis in local government finances is a financial analysis tool that has been applied to public sector organizations and is commercial. Based on this, it can be seen that the measurement of local government financial performance must be done to empirically determine the financial management of local governments in carrying out infrastructure development and public services in improving people's welfare.

The benefits of performance measurement include knowing and measuring management performance, evaluating and comparing it with performance targets so that corrective efforts can be made to improve performance (Chen, et al. 2012). Khalad, et al (2011) explained that there are several benefits in conducting ratio analysis, including to evaluate the performance that has been done and to know the standard of performance measures to identify conditions in the future. In addition, financial ratio analysis is a benchmark for a public sector organization in managing its finances so that it can be accurately identified the level of financial independence in governance as the basis for implementing regional autonomy. Thus, the analysis of financial ratios in local governments needs to be carried out using appropriate measuring instruments. Several measuring tools in analyzing financial performance can be done by analyzing the independence ratio, effectiveness ratio, efficiency ratio and compatibility ratio (Halim, 2007: 232).

Regional financial independence in financing the implementation of regional autonomy is measured using the independence ratio. The independence ratio illustrates the dependence of regions on external sources of funds. The ability of local governments to realize planned local revenue is measured using the effectiveness ratio. The efficiency ratio of regional income, measures how much the level of regional income has been obtained and the level of regional spending that has been carried out in each period. In an effort to prioritize the allocation of funds to routine expenditure and development expenditure, a conformity ratio is used optimally. The higher the percentage of funds allocated for routine expenditure, the smaller the percentage of investment spending (development spending) used to provide public economic facilities and infrastructure.

Community welfare is one of the goals of development carried out by a region, based on this, the results of local government financial performance must show a better direction. Directly, the analysis of financial performance produces empirical information as a basis for determining policies to be implemented relating to financial management and to assess local governments whether they can manage finances properly or not, which has an impact on people's welfare. Financial performance analysis needs to be done because the financial performance of local governments has a positive impact in improving the welfare of the community (Rahmayati, 2016). The implementation of regional autonomy has consequences for local governments in fulfilling their obligations to improve people's welfare and improve services in a fair, equitable and sustainable manner (Putri & Bahrudin, 2017). Regional autonomy contains the mission of creating efficiency and effectiveness in managing regional resources, improving the quality of public services and community welfare and providing space for the community to participate in changes to the regional financial system. Thus each region has an obligation to improve the welfare of the community.

Barru Regency, South Sulawesi is one of the areas that has adequate infrastructure and regional potential, based on information obtained by researchers from one of the online media makassar.sindonews.com, explained that the South Sulawesi Provincial Government relies on Barru Regency as a special economic area. This shows that Barru Regency is one of the areas that is in excellent development in meeting community needs, building infrastructure and improving public services to improve community welfare. Barru Regency has regional potential that can be developed as a special economic area, one of which is the Garongkong Port which continues to grow and has a very large area. (www.makassar.sindonews.com). Regional potential and increased infrastructure development in Barru Regency as the basis for the Provincial Government of South Sulawesi as a special economic area which will have an impact on increasing the responsibility of local governments in providing public services and improving community welfare, so it is necessary to have a financial performance analysis to see the performance of the Barru Regency local government in managing its finances.

This study aims to determine the financial performance of local governments through ratio analysis, including independence ratios, effectiveness ratios, efficiency ratios and compatibility ratios, these can be used as a basis for determining financial policies that will be carried out for infrastructure development and public services in improving people's welfare. Ratio analysis in measuring financial performance needs to be carried out every period because of budget changes that always occur at each stage which will result in a change in policy towards a better or vice versa.

II. LITERATURE REVIEW

A. *Legitimacy Theory*

Legitimacy theory can be considered as an important thing in an organization both public and private organizations, in organizational behavior there are boundaries that are emphasized more by norms, social values and reactions to these boundaries, so that it will encourage the importance of analyzing organizational behavior while paying attention to the environment (Chariri & Ghozali, 2007). In the theory of legitimacy it explains that organizations are continually looking for ways to ensure that the organization operates within the boundaries and norms that exist in society, so that the organization tries to ensure that the activities carried out by the organization are cared for by outsiders (Deegan, 2002). Community legitimacy is a strategic factor for organizations in the context of development towards a better direction, it can be used as a vehicle in constructing organizational strategies, especially in an effort to position oneself in an increasingly advanced community environment (Hadi, 2011: 87).

Legitimacy theory in relation to governance focuses on the interaction between local government and society. This theory states that the organization is a part of society so that it must pay attention to the social norms of society. If conformity with social norms is achieved, this can make local governments more legitimate, which means that people are willing to accept and recognize the authority, decisions or policies taken by a leader. (Chariri & Ghozali, 2007) stated that the thing that underlies the theory of legitimacy is a social contract between the local government and the community where the local government operates and uses economic resources.

Deegan et al (2002) stated that the legitimacy of the local government will be obtained, if there is a similarity between the results expected by the community from the local government, so that there is no demand from the community. Local governments can make social sacrifices as a reflection of the attention of the local government to the community. Thus, the theory of legitimacy becomes the basis for local governments to pay attention to the expectations of the community and to be able to harmonize the values of their regional governments with the prevailing social norms where the regional government carries out its activities.

B. *Regional Government Financial Performance*

Regional government financial performance is the potential that a region has in exploring, managing and utilizing its original regional financial sources to support the running of the government system, services to the community and regional development without fully depending on the central government and can have full freedom in using / utilize funds for the benefit of regional communities within the limits specified in the prevailing laws and regulations. The definition of Regional Finance according to (Halim, 2004: 19) is all rights and obligations that can be valued in money, as well as everything in the form of money or goods that can be used as regional assets as long as they are not owned / controlled by the state, a higher region or other parties in accordance with the provisions of the applicable laws. According to (Yani, 2009) regional finance is all the rights and obligations in the administration of regional government with money, including all forms of wealth related to the rights and obligations of the region.

Bastian (2001: 337) states that performance indicators are measures used in measuring the level of achievement of predetermined goals and objectives while still referring to the elements of performance indicators. Performance indicator elements consist of:

1. Input indicators are everything in the form of funds, human resources, and information needed to carry out activities in order to obtain the expected results. For example: the amount of funds needed, the number of staff needed, the amount of infrastructure that is there, and the amount of time it takes.
2. Process Indicators. Process Indicators are formulating activity measures, both in terms of speed, accuracy, and level of accuracy of the implementation of these activities. For example: compliance with laws and regulations and rates required to produce services.
3. An output indicator is something that is expected to be achieved directly from an activity that has been carried out in the form of goods or services or physical and non-physical. For example: the number of products or services produced and the accuracy in producing goods or services.
4. Indicators of results (outcome) are the results of an activity that can be received / felt directly by other parties / society in the medium term. For example: the level of quality of products and services produced and the productivity of employees or employees.
5. Indicators of benefits are benefits that can be felt directly by the community / other parties for the work of the government or certain organizations. For example: the level of community satisfaction and the level of community participation.
6. Impact indicators are the effects of the activities that have been carried out. For example: increasing community welfare and measuring community income.

C. *Regional Government Financial Ratio*

The Regional Government as the party given the task of running government, development and community services is required to report financial accountability for the resources collected from the community as the basis for evaluating its financial performance. One of the tools for analyzing the Financial Performance of Regional Governments in managing their regional finances is by conducting a financial analysis of the Regional Revenue and Expenditure Budgets that have been determined and implemented(Halim, 2007: 231). The parties with an interest in the Regional Government Financial Ratio (Halim, 2007: 232) are:

1. The executive as the basis for preparing the next Regional Revenue and Expenditure Budgets.
2. Central / provincial government as input in fostering the implementation of regional financial management.
3. The public and creditors, as parties that will also own the shares of the local government, are willing to provide loans or buy bonds.

ISSN No:-2456-2165

Regional Government Financial Ratios are carried out by comparing the results achieved from a period with the previous period, so that the trend can be seen. In addition, the Regional Government Financial Ratio can also be compared to other government finances that are closest to or whose regional potential is relatively the same to see how the position of the local government's financial ratios to other local governments (Halim, 2004:283). The following are the ratios used in measuring the financial performance of local governments, including:

1. Ratio of Independence, Regional financial independence shows the ability of local governments to self-finance government activities, development and services to people who have paid taxes and levies as a source of revenue needed by the region. Regional financial independence is indicated by the size of the original regional income compared to regional income originating from other sources, for example central government assistance or from loans (Halim,2004:284). The ratio of regional financial independence is indicated by the amount of regional original revenue compared to regional revenue from other sources (transfer income), including: tax revenue sharing, non-tax revenue sharing for natural resources, general allocation funds and special allocations, emergency funds and loans (Widodo,2001:262). The independence ratio can be calculated by the following formula:

$$\text{Independence Rati} = \frac{\text{Locally} - \text{generated revenue}}{\text{Income Transfer}} \text{x}100\%$$

Table 1. Criteria for the level of regional financial independence

Percentage of Independence	Independence Criteria
0 % - 25 %	Very low
25 % - 50 %	Low
50 % - 75 %	Medium
75 % - 100 %	High

Source : Halim, (2004:189)

2. Effectiveness ratio. The ratio of effectiveness illustrates the ability of local governments to realize the planned Regional Original Income compared with the targets set based on the real potential of the region. The higher the ratio of effectiveness of local revenue (*PAD*), the better the performance of local governments. Here is the formula for calculating the effectiveness ratio:

$$\text{Effectiveness ratio} = \frac{\text{Realization of Local Own Revenue}}{\text{PAD revenue targets based on the real potential of the region}} \text{x}100\%$$

Table 2. Regional Financial Effectiveness Ratio Criteria

Effectiveness Criteria	Percentage of Effectiveness (%)
Very effective	>100
Effective	>90 – 100
Effective enough	>80 – 90
Less effective	>60 – 80
Ineffective	≤60

Source: Halim, (2004 : 285)

3. Efficiency Ratio. The regional financial efficiency ratio illustrates the comparison between the amount of costs incurred to obtain revenue and the actual revenue received. The financial performance of the Regional Government in collecting revenue is categorized as efficient if the ratio achieved is less than 1 (one) or below 100%. The smaller the regional financial efficiency ratio, the better the local government's financial performance. For this reason, the local government needs to calculate carefully how much it costs to realize all the revenue it receives so that it can be seen whether the revenue collection activity is efficient or not. The following is a formula for calculating the efficiency ratio:

$$\text{Efficiency ratio} = \frac{\text{Realization of regional spending}}{\text{Realization of Regional Income}} \text{ x } 100\%$$

Table 3. Regional Financial Efficiency Ratio Criteria

Efficiency Criteria	Persentase Efisiensi
100% >	Not efficient
100%	Efficiently balanced
< 100%	Efficient

Source : Mahsun, (2009 : 187)

4. Conformity Ratio. According to (Halim, 2004: 287) this ratio illustrates how local governments prioritize their optimal allocation of funds for routine expenditure and development expenditure. The higher the proportion of funds allocated for routine spending means that the proportion of investment (development spending) used to provide economic facilities and infrastructure for the community tends to be smaller. In simple terms the compatibility ratio is formulated as follows:

a. $\text{Ratio of routine expenditure to } APBD = \frac{\text{Total routine purchases}}{\text{Total } APBD}$

b. $\text{Ratio of routine expenditure to } APBD = \frac{\text{Total belanja pembangunan}}{\text{Total APBD}}$

D. Public Welfare

The United Nations development program explains that human development is one of the models in development that aims to expand options for the population that can be realized through community empowerment. This condition can be implemented through development that focuses on improving basic human abilities with indicators of increasing health status, longevity and healthy living, having quality knowledge and skills which will have an impact on increasing participation in the economy so that it will increase income and increase proper purchasing power (Hamid, 2018). Income per capita is gross regional domestic income based on prices prevailing in society divided by the total population at mid-year in thousands of rupiah.

Three categories are targets for development achievement, namely by increasing the level of community welfare, this can be seen from the extent to which existing social problems can be overcome, the extent to which problems related to the level of fulfillment of community needs can be met, and the extent to which there are opportunities to obtain an improved standard of living (Midgley, 2005) & (Suryaningsih et al, 2015). The United Nations Development Program (UNDP) explains that the measurement of people's welfare is more comprehensive by using the level of per-capita income, education level and life expectancy which are constructed into a human development index. The measurement of community welfare is extended to use at a lower level, namely at the district / city level (Gregorius, 2011).

III. RESEARCH METHODS

This study uses a quantitative descriptive method, namely by collecting and analyzing secondary data in the form of regional income and expenditure budgets and reports on the realization of regional income and expenditure budgets as accurate data in conducting tracing and analysis which will later be broadly generalized. This research was not conducted with software tools, but used mathematical calculations based on a predetermined formula as the basis for data analysis. This research was conducted in Barru Regency, South Sulawesi Province with an observation year of 2015-2019. The sample of this research is the local government financial reports for 2015-2019. The data analysis technique used is the analysis of financial ratios as follows:

1. Ratio of Independence, Regional financial independence shows the ability of local governments to self-finance government activities, development and services to people who have paid taxes and levies as a source of revenue needed by the region. The independence ratio can be calculated by the following formula:

$$\text{Independence Ratio} = \frac{\text{Locally} - \text{generated revenue}}{\text{Income Transfer}} x100\%$$

Table 4. Criteria for the level of regional financial independence

Percentage of Independence	Independence Criteria
0 % - 25 %	Very low
25 % - 50 %	Low
50 % - 75 %	Medium
75 % - 100 %	High

Sumber : Halim, (2004:189)

2. Effectiveness ratio. The ratio of effectiveness illustrates the ability of local governments to realize the planned Regional Original Income compared to the targets set based on the real potential of the region. The higher the ratio of effectiveness of local revenue (*PAD*), the better the performance of local governments. Here is the formula for calculating the effectiveness ratio:

$$\text{Effectiveness ratio} = \frac{\text{Realization of Local Own Revenue}}{\text{PAD revenue targets based on the real potential of the region}} x100\%$$

Table 5. Regional Financial Effectiveness Ratio Criteria

Effectiveness Criteria	Percentage of Effectiveness (%)
Very effective	>100
Effective	>90 – 100
Effective enough	>80 – 90
Less effective	>60 – 80
Ineffective	≤60

Source: Halim, (2004 : 285)

3. Efficiency Ratio. The regional financial efficiency ratio illustrates the comparison between the amount of costs incurred to obtain revenue and the actual revenue received. Regional Government Financial Performance in collecting revenue is categorized as efficient if the ratio achieved is less than 1 (one) or below 100%. The smaller the regional financial efficiency ratio, the better the local government's financial performance. The following is a formula for calculating the efficiency ratio:

$$\text{Efficiency ratio} = \frac{\text{Realization of regional spending}}{\text{Realization of Regional Income}} \text{x } 100\%$$

Table 6. Regional Financial Efficiency Ratio Criteria

Efficiency Criteria	Efficiency Percentage
100% keatas	Not efficient
100%	Efficiently balanced
Kurang dari 100%	Efficient

Source : Mahsun, (2009 : 187)

4. Conformity Ratio. This ratio illustrates how local governments prioritize their allocation of funds to routine spending and development spending optimally. The higher the percentage of funds allocated for routine expenditure, the smaller the percentage of investment (development spending) used to provide public economic facilities and infrastructure. (Halim, 2004:287). In simple terms, the formulation compatibility ratio is as follows:

a. $\text{Ratio of routine expenditure to } APBD = \frac{\text{Total routine purchases}}{\text{Total } APBD}$

b. $\text{Ratio of routine expenditure to APBD} = \frac{\text{Total development spending}}{\text{Total } APBD}$

IV. RESULTS AND DISCUSSION

A. Regional Government Independence Ratio

The independence ratio analysis was carried out to determine the performance of the Barru Regency local government in its ability to self-finance government activities, Development and services to people who pay taxes and levies as a source of regional income, the financial capacity of local governments can be shown by the size of the original regional income and compared to regional revenue from other sources such as central government assistance or loans. The Regional Government of Barru Regency, The following is an analysis of the independence ratio in the regional government of Barru Regency in 2016-2019:

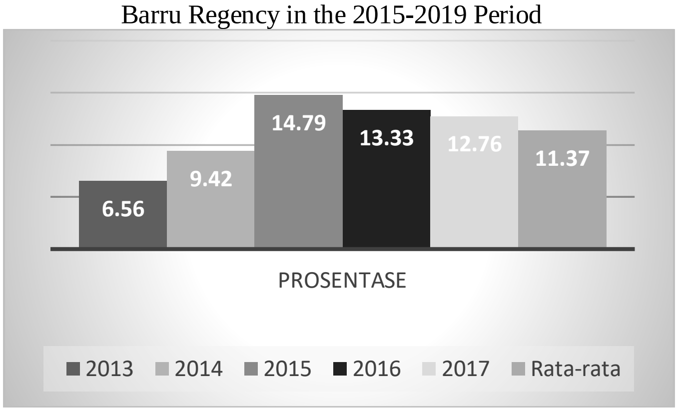
Table 7. Analysis of the Regional Financial Independence Ratio of Barru Regency in the 2015-2019 Period

Year	Realization of *PAD* (Rp)	Income Transfer (Rp)	Ratio (%)	Criteria
2015	56,315,635,019	858,111,627,939	6.56	Very low
2016	82,525,923,590	876,247,642,357	9.42	Very low
2017	130,679,972,434	883,679,073,403	14.79	Very low
2018	114,960,470,728	862,172,427,646	13.33	Very low
2019	103,887,386,166	814,429,678,348	12.76	Very low

Source: Financial reports for 2015-2019 Regional Government of Barru Regency

Based on table 7 above, it can be explained that the percentage change in the independence ratio in Barru Regency in 2015-2019 is as follows:

Fig. 1. Graph of the Regional Financial Independence Ratio of Barru Regency in the 2015-2019 Period



Source: Source: Financial reports for 2015-2019 Regional Government of Barru Regency

Based on the independence ratio analysis in table 7 and the independence ratio graph in Figure 1 it can be explained that in general the results of the analysis of the financial independence ratio of the Barru Regency local government show very low financial performance in realizing financial independence in 2015-2019. However, when viewed from the fluctuating changes in the government's financial independence ratio, it shows very good changes, this can be explained by the percentage increase in the results of the independence ratio analysis from 2015-2017. The criteria for very low independence were shown in 2015 the percentage of regional financial independence was 6.56%, then in 2016 the ratio of regional financial independence increased by 9.42%, then in 2017 the ratio of regional financial independence increased to 14.79%, in 2018 the ratio of self-reliance experienced decrease at 13.33% and in 2019 at 12.76%.

In the 2015-2019 period, the results of the independence ratio analysis in measuring the financial performance of the Barru Regency local government showed very low criteria. Thus it can be concluded that the level of independence in self-financing of government activities, development and services to people who pay taxes and user fees as a source of regional income is still very low, so that the dependence of the regional government of Barru Regency on the central government is still high. In improving the welfare of the people, the government of Barru Regency is still unable to implement it independently, but it still depends on the central government. Community welfare can be realized through government activities, development and increasing the quality and quantity of services to the community as a whole.

B. Regional Government Effectiveness Ratio Analysis

The effectiveness ratio analysis was carried out to determine the performance of the Barru Regency local government in its ability to realize the planned local revenue compared to the target set based on the real potential of the region. The following is the realization of local revenue and the target of receiving local revenue based on the real potential of the regional government of Barru Regency. The following is an analysis of the effectiveness ratio of Barru Regency for the 2015-2019 fiscal year:

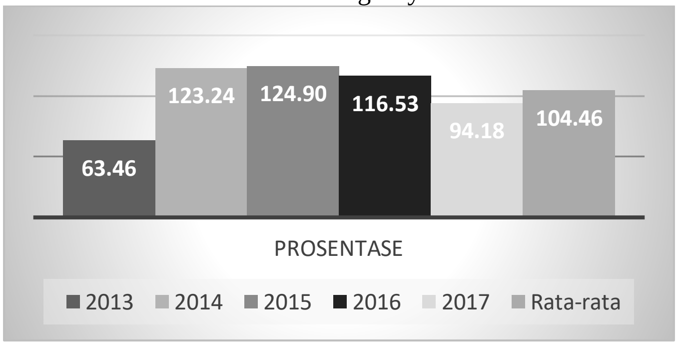
Table 8. Analysis of the Effectiveness Ratio of the Barru Regency Government in the 2015-2019 Period

Year	Budget of *PAD* (Rp)	Realization (Rp)	Ratio (%)	Criteria
2015	88,747,060,173	56,315,635,019	63.46	Less effective
2016	66,962,354,751	82,525,923,590	123.24	Very effective
2017	104,627,706,924	130,679,972,434	124.90	Very effective
2018	98,652,892,544	114,960,470,728	116.53	Very effective
2019	110,310,167,038	103,887,386,166	94.18	Effective

Source: Financial reports for 2015-2019 Regional Government of Barru Regency

Based on table 8 above, it can be explained that the percentage change in the effectiveness ratio in Barru Regency in 2015-2019 is as follows:

Fig. 2. Graph of the Effectiveness Ratio of the Regional Government of Barru Regency in 2015-2019



Source: Financial reports for 2015-2019 Regional Government of Barru Regency

Based on the effectiveness ratio analysis in table 8 and the effectiveness ratio chart in Figure 2 it can be explained that in general the results of the analysis of the financial effectiveness ratio of the Barru Regency local government show very effective financial performance in financial performance in 2015-2019. The results of the analysis show that in 2015 it was 63.46% which means less effective, in 2016 it was 123.24%, in 2017 it was 124.90% and in 2018 it was 116.53% which showed it was very effective, while in 2019 it was 94.18% which indicated it was effective. The regional government of Barru Regency in its ability to realize the planned regional revenue compared to the target set based on the regional real potential can be implemented very effectively. Thus it can be explained that based on the results of the effectiveness ratio analysis in measuring the financial performance of the Barru Regency local government, it shows a very effective performance. So that the level of community welfare can be realized through the management of local revenue which is adjusted to very good planning targets. This means that the financial performance of the Barru Regency government in managing local revenue which is very effective will enable it to bring prosperity to the community.

C. Local Government Efficiency Ratio Analysis

The efficiency ratio is carried out to analyze the performance of the Barru Regency local government in realizing all the revenue it receives so that it can be seen whether the revenue collection is efficient or not, the amount of costs incurred to obtain revenue with the realization of revenue received by the financial performance of the Barru Regency regional government in collecting revenue is categorized efficient if the ratio achieved is less than 1 (one) or below 100%. The smaller the financial efficiency ratio of the Barru Regency local government, the better the financial performance of the Sumbawa Regency Regional Government. The following is an analysis of the efficiency ratio of the financial performance of the Barru Regency regional government in 2016-2019:

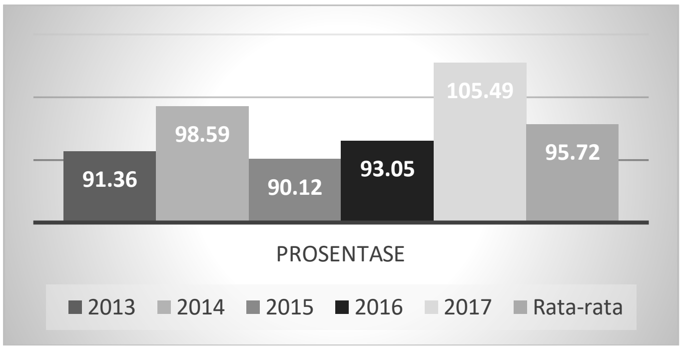
Table 9. Analysis of the Regional Financial Efficiency Ratio of Barru Regency in 2015-2019

Year	Expenditure Realization (Rp)	Revenue Realization (Rp)	Ratio (%)	Criteria
2015	839,845,829,227	919,249,333,958	91.36	Efficient
2016	949,079,564,249	962,696,223,948	98.59	Efficient
2017	916,383,461,284	1,016,844,818,851	90.12	Efficient
2018	896,406,810,666	963,311,132,483	93.05	Efficient
2019	992,414,128,554	940,724,982,885	105.49	Not efficient

Source: Financial reports for 2015-2019 Regional Government of Barru Regency

Based on table 9 above, it can be explained that the percentage change in the efficiency ratio in Barru Regency in 2015-2019 is as follows:

Fig. 3. Graph of the efficiency of the Barru Regency Regional Government in 2015-2019



Source: Financial reports for 2015-2019 Regional Government of Barru Regency

Based on the efficiency ratio analysis in table 9 and the efficiency ratio graph in Figure 3 it can be explained that in general the results of the analysis of the financial efficiency ratio of the regional government of Barru Regency show efficient financial performance in financial performance in 2015-2019. The results of the efficiency ratio analysis with efficient criteria can be shown in 2015 amounting to 91.36%, 2016 at 98.59%, 2017 at 90.12% and in 2018 at 93.05%, while inefficient criteria occurred in 2019 amounting to 105.49% due to expenditure realization greater than the revenue realization. However, the 2015-2019 period shows that the financial performance of the Barru Regency regional government is implemented efficiently.

The results of the efficiency ratio analysis in measuring the performance of local governments, Barru Regency can realize all the revenue it receives. so it can be seen whether the collection of income is efficient or not. Thus, based on the analysis, the efficiency ratio on the financial performance of the regional government of Barru Regency can be implemented effectively. This means that the increase in the

ISSN No:-2456-2165

welfare of the people in Barru Regency can be realized properly because the management of regional finances through regional income is realized as a whole and can be managed efficiently.

D. Regional Government Conformity Ratio Analysis

The compatibility ratio analysis was carried out to determine the performance of the Barru Regency Regional Government which illustrates how the regional government prioritizes its allocation of funds in optimal operational and development spending. The higher the percentage of funds allocated for operating expenditures means the smaller the percentage of investment (development spending) used to provide economic facilities and infrastructure for the community. The following is an analysis of the compatibility ratio of the regional government of Barru Regency in 2016-2019:

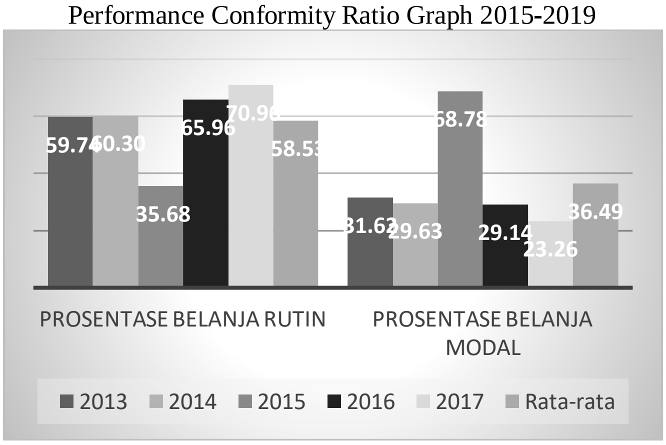
Table 10. Analysis of Regional Government Conformity Ratio of Barru Regency 2015-2019

Operations Expenditures			
Year	**Expenditure Realization (Rp)**	**Total *APBD* (Rp)**	**Ratio(%)**
2015	549,203,326,689	919,249,333,958	59.74
2016	580,510,453,996	962,696,223,948	60.30
2017	362,848,154,602	1,016,844,818,851	35.68
2018	635,406,810,666	963,311,132,483	65.96
2019	667,526,685,638	940,724,982,885	70.96
Capital Expenditures			
Year	**Expenditure Realization (Rp)**	**Total *APBD* (Rp)**	**Ratio(%)**
2015	290,642,502,537	919,249,333,958	31.62
2016	285,276,865,995	962,696,223,948	29.63
2017	699,411,186,306	1,016,844,818,851	68.78
2018	280,726,838,092	963,311,132,483	29.14
2019	218,826,518,188	940,724,982,885	23.26

Source: Financial reports for 2015-2019 Regional Government of Barru Regency

Based on table 10 above, it can be explained that the percentage change in the conformity ratio in Barru Regency in 2015-2019 is as follows:

Fig. 4. Barru Regency Regional Government Financial Performance Conformity Ratio Graph 2015-2019



Source: Financial reports for 2015-2019 Regional Government of Barru Regency

Based on the compatibility ratio analysis in table 10 and the compatibility ratio graph in Figure 4, it can be explained that in general the results of the analysis of the financial compatibility ratio of the regional government of Barru Regency show the financial performance between operating expenditures and capital expenditures in financial performance in 2015-2019. The results of the analysis of the compatibility ratio on operating expenditures with an average of 58.53% indicate a greater percentage of capital expenditures of 36.49%. This shows that the focus on the use of regional revenue in Barru Regency is used for the implementation of development through operating spending. However, the percentage in 2015 the Barru Regency government focused more on the use of regional income for capital expenditure, this is shown in the percentage of operating expenditures of 35.68%, smaller than the percentage of capital expenditures of 68.78%.

The results of the analysis of the conformity ratio on the financial performance of the Barru Regency government prioritize optimal allocation of funds for operational and development expenditures. Thus it can be explained that the regional government of Barru Regency in an effort to increase the level of community welfare during 2015-2019 was carried out by allocating regional income to operating expenditures. This is done by improving the quality of public services to the community. In general, based on the results of the analysis of the ratio of confidentiality in measuring the financial performance of the regional government of Barru Regency, it is carried out through operating expenditures to improve community welfare.

V. CONCLUSION

The results of the analysis of the regional financial performance of Barru Regency based on financial ratios can be concluded that the regional government of Barru Regency has not yet reached the level of independence in implementing government and community welfare. The regional government of Barru Regency is still at a very high level of dependence on the central government in financing government affairs. Barru Regency in allocating local revenue against the planned targets in improving community welfare can be managed very effectively. The regional government of Barru Regency in managing regional income towards regional expenditure to improve the welfare of the community is generally carried out and managed efficiently. The regional government of Barru Regency generally prioritizes the use of regional income for operating expenditures in an effort to increase community welfare. The results of this research can provide suggestions based on the results of empirical analysis that improving public welfare as measured by the financial performance of local governments can be implemented by determining the right policies according to performance targets and maximizing local revenue. This research can provide benefits in obtaining accurate information about the financial performance of local governments.

REFERENCES

[1]. Bastian, Indra. 2001. *Akuntansi Sektor Publik Di Indonesia*. Yogyakarta:BPFE Yogyakarta.
[2]. Chariri, Anis, and Imam Ghozali. 2007. *Teori Akuntansi: Edisi 1.* Semarang: Badan Penerbit UNDIP.
[3]. Chen, Tser-Yieth, Tsai-Lien Yeh and Mao-ming Chung. 2012. Financial Performance of Township Governments and its Four Budget Cycles. *African Journal of Business Management*, 6 (2), 530-537.
[4]. Deegan, Craig. 2002. The legitimising effect of social and environmental disclosures–a theoretical foundation.*Accounting, Auditing & Accountability Journal*, 15 (3), 282-311.
[5]. Deegan, Craig, Michaela Rankin, and John Tobin. 2002. An examination of the corporate social and environmental disclosures of BHP from 1983-1997.*Accounting, Auditing & Accountability Journal*.
[6]. Gregorius. 2011. Evaluasi Kinerja Keuangan dan Tingkat Kesejahteraan Masyarakat Kabupaten Lembata-Provinsi NTT. *Tesis*. Denpasar: Universitas Udayana. (unpublished)
[7]. Hadi, Nor. 2011. *Corporate Social Responsibility*. Yogyakarta : Graha Ilmu.
[8]. Halim, Abdul. 2004. *Akuntansi Sektor Publik: Akuntansi Keuangan Daerah.*Jakarta: Salemba Embat.
[9]. Halim, Abdul. 2004. *Bunga Rampai :Manajemen Keuangan Daerah*. Yogyakarta : (UPP) AMP YPKN.
[10]. Halim, Abdul. 2007. *Akuntansi Keuangan Daerah*. Jakarta: Salemba empat.
[11]. Halim, Abdul. 2007. *Akuntansi Sektor Publik: Akuntansi Keuangan Daerah*. Jakarta : Salemba Empat.
[12]. Hamid, Aceng Abdul. 2018. Analisis Pengaruh Kinerja Keuangan Daerah Terhadap Tingkat Kesejahteraan Masyarakat Kabupaten Majalengka–Jawa Barat.*Jurnal SEKURITAS (Saham, Ekonomi, Keuangan dan Investasi)*, 1 (4)
[13]. Mahsun, Mohammad. 2009. *Pengukuran Kinerja Sektor Publik.*Yogyakarta :BPFE.
[14]. Mardiasmo. 2006. *Akuntansi Sektor Publik*. Yogyakarta: Penerbit Andi.
[15]. Midgley, James. 2005. Pembangunan Sosial Perspektif Pembangunan Dalam Kesejahteraan Sosial.*Dorita Setiawan dan Sirojudin Abbas (Jakarta: Direktorat Perguruan Tinggi: Agama Islam, 2005)*.
[16]. Nurhayati, S. E. 2016. Analisis Laporan Keuangan untuk Mengukur Kinerja Keuangan Pemerintah Daerah Kabupaten Rokan Hulu.*Jurnal Mahasiswa Prodi Akuntansi Fakultas Ekonomi*, 2 (1).
[17]. Pangkey, Aldy R., Ivonne S. Saerang, and Joy Elly Tulung. 2017. Analisis Kinerja Keuangan Pemerintah Daerah Kabupaten Minahasa Selatan Tahun Anggaran 2011-2015.*Jurnal EMBA: Jurnal Riset Ekonomi, Manajemen, Bisnis dan Akuntansi*, 5 (3).
[18]. Pemerintah Indonesia. 2004. *Undang-undang tentang Pemerintah Daerah No. 32 Tahun 2004*. Jakarta: Sekretariat Negara.
[19]. Putry, Nur Anita Chandra, and Rudy Badrudin. 2017. Pengaruh kinerja keuangan daerah terhadap opini audit dan kesejahteraan masyarakat di daerah istimewa yogyakarta.*Jurnal Riset Manajemen dan Bisnis,* 12 (1), 25-34.
[20]. Rahmawati, Ni Ketut Erna, and I. Wayan Putra. 2016. Analisis Kinerja Keuangan Pemerintah Kabupaten Sumbawa Tahun Anggaran 2010-2012.*E-Jurnal Akuntansi Universitas Udayana*, 15 (3).
[21]. Rahmayati, Anim. 2016. Analisis Kinerja Keuangan Pemerintah Daerah Kabupaten Sukoharjo Tahun Anggaran 2011-2013.*EKA CIDA* 1 (1).
[22]. Sino, Supina, et al. 2016. Kinerja Keuangan Pemerintah Daerah pada Kantor Sekretariat Kabupaten Kutai Barat.*Ekonomia*, 5 (1), 432-438.
[23]. Suryaningsih, Ni Nyoman, Made Suyana Utama, and IN Mahaendra Yasa. 2015. Dampak kinerja keuangan daerah terhadap kesejahteraan masyarakat kabupaten/kota di Provinsi Bali.*E-Jurnal Ekonomi dan Bisnis Universitas Udayana*, 4.2015, 537-554.
[24]. Subhan, Muhammad (Writer). 2020. Pemprov Sulsel Andalkan Barru Jadi Kawasan Ekonomi Khusus. Retrieved from https://makassar.sindonews.com/read/87388/713/pemprov-sulsel-andalkan-barru-jadi-kawasan-ekonomi-khusus-1593601627
[25]. Widodo, Joko. *Akuntansi Sektor Publik*. Yogyakarta: BPFE Yogyakarta.
[26]. Yani, Ahmad. 2009. *Hubungan Keuangan Antara Pemerintah Pusat dan Daerah di Indonesia*.Jakarta:Rajawali Pers.