

Case Study on Regional Original Income: Analysis of Effectiveness, Efficiency, Fiscal Decentralization, and Regional Financial Dependence Ratio

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Abstract

This study aims to analyze the financial performance of the Kubu Raya Regency Government using the Effectiveness Ratio Analysis, Efficiency Ratio, Fiscal Decentralization Ratio, and Regional Financial Dependency Ratio. This study uses quantitative research, with secondary data in the form of the Kubu Raya Regency Government Budget Realization Report 2018-2020 obtained using a documentation study. The results showed that the Effectiveness Ratio resulted in an average of 101.12%, which means that it is classified as very effective. Furthermore, the Efficiency Ratio is 86.08%, which means that it is classified as an efficient criterion. Then the Fiscal Decentralization Ratio is 33.34%, which means that it is classified as moderate. And the average Regional Financial Dependency Ratio is 79.13%, which means it is classified as very high criteria. The implication of the results of this study is that the Kubu Raya Regency Government should further explore the existing regional potential in order to increase PAD, so as to reduce regional financial dependence in the implementation of fiscal decentralization in the following years.

Keywords: Effectiveness, Efficiency, Decentralization, Regional Dependence

Introduction

Changes in the conditions of regional autonomy are a series of desires for the Regional Government to create good governance and clean government by doing good governance. The success of a regional development cannot be separated from the aspect of regional financial management, one of which must be considered (Firm, 1975). Aspects of regional financial management include efficiency, effectiveness, transparency, accountability, and participation (Sumtaky et al., 2018; Masdar et al., 2021). Local governments are required to manage regional finances in an orderly, transparent and accountable manner in order to realize good governance and clean government.

Regional financial management is all activities that include planning, budgeting, implementation, administration, reporting, accountability, and supervision of regional finances (Atmadja & Saputra, 2018). Regional financial management provides an overview of the ability of regional budgets to finance regional expenditures. The ability of regional expenditures, both direct and indirect expenditures, can be used as a reference in budget allocation related to programs that will be implemented in the coming year.

Regional Original Income (PAD) is a source of regional income that comes from the regional economic activity itself. Regional Original Income is one of the pillars of the independence of a region. According to Law Number 33 In 2004 concerning the financial balance between the Central and Regional Governments, the sources of PAD consist of regional taxes, regional

levies, results of regional wealth management, and other legitimate regional revenues. PAD aims to give authority to Regional Governments to fund the implementation of regional autonomy in accordance with regional potential as a manifestation of decentralization.

The Regional Financial and Asset Management Agency (BPKAD) of Kubu Raya Regency is the agency responsible for managing regional finances and managing regional assets from the budgeting process to the APBD accountability process. BPKAD Kubu Raya Regency is committed to building a more transparent and accountable regional financial system and governance (Good Governance). Measurement of regional financial management performance can be analyzed using financial ratios. Financial ratio analysis to APBD is one of the parameters in measuring the performance of regional financial management. Financial performance analysis can use the calculation of effectiveness, efficiency, fiscal decentralization, and regional financial dependence (Haryanto, 2018; Ratang, 2016). In this case, what is needed for measuring regional financial performance is the Budget Realization Report or commonly referred to as the LRA.

The summary of Budget data and Realization of Regional Original Revenue in Kubu Raya Regency for 2018-2020 can be seen in the following table:

Table 1. Budget and Realization of Regional Original Revenue for Kubu Raya Regency 2018-2020

Year	Regional Original Revenue Budget (In Rupiah)	Realization of Regional Original Income (In rupiah)	Achievement Between Budget and Realization (%s)
2018	168. 170. 819. 99 6.0 0	184. 531. 274. 75 2.1 5	109.7 2
2019	174. 442. 230. 06 6.0 0	172. 839. 464. 39 5.3 6	99.0 8
2020	160. 118. 773. 16 9.5 7	151. 009. 789. 22 8.7 8	94.3 1

Source: BPKAD Kubu Raya Regency, 2022

Table 1 shows that the percentage of achievement between the budget and the realization of PAD has decreased every year. Where the percentage of realization in 2018 was 109.72%. Then in 2019 it decreased by 10.64% to 99.08%. And in 2020, it decreased by 4.77% to 94.31%. This shows that the PAD component has decreased over the last 2 years, which has an impact on the PAD realization that does not reach the set target. The summary of the Realization of Revenue and Costs for Earning Revenue in Kubu Raya Regency in 2018-2020 can be seen in the following table:

Table 2. Realization of Revenue and Costs to Obtain Revenue (Regional Shopping) for Kubu Raya Regency in 2018-2020

Year	Regional Original Revenue Budget (In Rupiah)	Actual Costs to Earn Revenue (Regional Expense) (In Rupiah)
2018	1.577.257.039.764,53	1.335.361.557.533,21
2019	1.533.363.622.188,15	1.348.672.392.417,84
2020	1.477.080.851.351,36	1.265.124.730.428,43

Source: BPKAD Kubu Raya Regency, 2022

Table 2 shows that the realization of costs for obtaining income does not exceed the realization of income, but has increased in 2019 and decreased in 2020. In 2018 the realization of costs for obtaining revenues (regional expenditures) was Rp. 1,335,361,557,533.21. Then in 2019 it increased by Rp. 13,310,834,884.63 to become Rp. 1,348,672,392,417.84. And in 2020 the

realization of costs to obtain revenue (regional expenditures) decreased by Rp. 83,547,661,989.41 so that it became Rp. 1,265,124,730,428.43.

The summary of data on Realization of Regional Original Revenue (PAD) and Realization of Central Government Transfer Revenue in Kubu Raya Regency in 2018-2020 can be seen in the following table:

Table 3. Realization of Regional Original Revenue (PAD) and Realization of Central Government Transfer Revenue for Kubu Raya Regency in 2018-2020

Year	Realization of Regional Original Revenue (PAD) (In Rupiah)	Realization of Central Government Transfer Revenue (In Rupiah)
2018	184.531.274.752,15	1.140.511.991.712,00
2019	172.839.464.395,36	1.084.951.262.629,00
2020	151.009.789.228,78	964.995.503.675,00

Table 3 shows that the Realization of PAD for the 2018-2020 period is smaller than the Central Government Transfer Revenue. In 2018 the transfer income was IDR 1,140,511,991,712.00 while the PAD was IDR 184,531,274,752.15. Then in 2019 the transfer income was IDR 1,084,951,262,629.00 while PAD was IDR 172,839,464,395.36. And in 2020 the transfer income is IDR 964,995,503,675.00 while PAD is IDR 151,009,789,228.78. From the various things that have been explained in the background, it makes researchers interested in conducting a research entitled "Analysis of Effectiveness, Efficiency, Fiscal Decentralization, and Regional Financial Dependence Ratio (Case Study on PAD Kubu Raya Regency in 2018-2020)".

Methods

Types of Research

The type of research used is descriptive quantitative. Quantitative descriptive research in this research is research in the form of numbers and analysis using financial ratios to provide a clear picture of how much effectiveness, efficiency, fiscal decentralization, and regional financial dependence on PAD Kubu Raya Regency.

Data Collection Techniques

The data collection technique used in this research is documentation study data where the types and sources of data used are secondary data. Primary data is specifically collected by researchers to answer research questions or research. Secondary data is documentation data, published data or data used by the organization in this study, researchers obtained data from the Kubu Raya Regency BPKAD with the documents used in this study, namely the Kubu Raya Regency Regional Budget Realization Report Data for 2018-2020.

Research Variables

A research variable is an attribute or nature or value of a person, object or activity that has a certain variation determined by the researcher to be studied and conclusions drawn. This study uses four variables, namely: Effectiveness, Efficiency, Fiscal Decentralization, and Regional Financial Dependence.

Data Analysis Techniques

The data analysis technique used in this study is the Effectiveness Ratio, Efficiency Ratio, Decentralization Ratio Fiscal, and Regional Financial Dependency Ratio.

Effectiveness Ratio can be categorized as follows:

Table 4. Effectiveness Decision Making Criteria

Percentage	Criteria
>100%	Very effective
100%	Effective
90% - 99%	Effective
75% - 89%	Less effective
<75%	Ineffective

Source: (Mahmudi, 2019)

Efficiency Ratios can be categorized as follows:

Table 5. Efficiency Decision Making Criteria

Percentage	Criteria
<100%	Efficient
=100%	Efficient Balanced
>100%	Not efficient

Source: (Mahsum, 2013)

Table 6. Criteria for Decision Making Fiscal Decentralization

Percentage	Criteria
<10%	Very less
10,01% - 20,00%	Not enough
21% - 30%	Enough
30,01% - 40,00%	Currently
40,01% - 50,00%	Well
>50,00%	Very good

Results and Discussion

Effectiveness Analysis

The effectiveness ratio is a ratio that measures the success of an organization in an effort to achieve the organizational goals that have been set. The performance of the Kubu Raya Regency Government is said to be effective if the ratio produced or achieved can be more than 100%. The higher the value of the effectiveness ratio, the better the performance of the Kubu Raya Regency Government.

Table 7. Calculation of Budget Effectiveness and Realization of PAD for Kubu Raya Regency in 2018-2020

Year	PAD Budget/Target (In Rupiah)	Realization of PAD (In Rupiah)	Effectiveness (%)	Criteria
2018	168.170.819.996,00	184.531.274.752,15	109,72	Very effective
2019	174.442.230.066,00	172.839.464.395,36	99,08	Effective enough
2020	160.118.773.169,57	151.009.789.228,78	94,31	Effective enough
Average	502.731.823.231,57	508.380.528.376,29	101,12	Very effective

Table 7 shows that in 2018 the level of PAD acquisition meets the criteria of being very effective with a percentage of 109.72%. Then in 2019 it decreased by 10.64% to 99.08% by showing the criteria to be quite effective. This decrease was caused by the realization of 1.6 billion less than the set target. The decline in PAD realization again occurred in 2020, where

the realization was smaller than the set PAD target. So that in 2020 the effectiveness of PAD decreased by 4.77% to 94.31%. Although there has been a decline in the last 2 years, the average PAD effectiveness in Kubu Raya Regency remains in the very effective category.

Efficiency Analysis

The efficiency ratio is a ratio that can measure the level of input from public sector organizations to the level of output of the public sector (Smith & Street, 2005; Kumar & Gulati, 2010). The process of operational activities can be said to be efficient if a certain product or work uses the lowest possible resources and funds. Efficiency is the ratio between output and input. Output is the realization of costs to obtain regional revenue and input is the realization of regional revenues. In this case the realization of costs to obtain regional income is assumed to be the realization of expenditures.

Table 8. Efficiency Calculation of Revenue & Cost Realization to Obtain Kubu Raya Regency Revenue in 2018-2020.

Year	Realization of Regional Revenue (In Rupiah)	Actual Cost to Earn Revenue (In Rupiah)	Efficiency (%)	Criteria
2018	1.577.257.039.764,53	1.335.361.557.533,21	84,66	Efficient
2019	1.533.363.622.188,15	1.348.672.392.417,84	87,95	Efficient
2020	1.477.080.851.351,36	1.265.124.730.428,43	85,65	Efficient
Average	1.529.233.837.768,013	1.316.386.226.793,16	86,08	Efficient

Table 8 shows the calculation of the efficiency ratio of Kubu Raya Regency from 2018 to 2020 is in the efficient criteria. It can be seen that in 2018 the percentage of achievement was 84.66%. Then in 2019 there was an increase of 3.29% so that the percentage obtained was 87.95%. However, in 2020 the level of efficiency in the realization of income and costs to obtain income in Kubu Raya Regency decreased by 2.3%. However, this decrease did not change its efficiency status during the period 2018 to 2020.

Analysis of Fiscal Decentralization

The ratio of fiscal decentralization is a ratio that shows the comparison between the amount of Regional Original Revenue (PAD) and Total Regional Revenue. To find out the level of decentralization in this ratio, the higher the contribution of Regional Original Revenue (PAD) to Total Regional Revenue, the higher the ability of local governments to implement decentralization. With fiscal decentralization, it can create a regional independence and will reduce the dependence of regional governments on the central government.

Table 9. Calculation of Fiscal Decentralization Realization of Regional Original Revenue and Total Regional Revenue of Kubu Raya Regency in 2018-2020

Year	Realization of Total Regional Revenue (In Rupiah)	Realization of Regional Original Revenue (In Rupiah)	Decentralization (%)	Criteria
2018	1.577.257.039.764,53	184.531.274.752,15	11,70	Less
2019	1.533.363.622.188,15	172.839.464.395,36	11,27	Less
2020	1.477.080.851.351,36	151.009.789.228,78	10,22	Less
Average	1.529.233.837.768,013	508.380.528.376,29	33,24	Less

Table 9 shows that the level of fiscal decentralization of Kubu Raya Regency is in the less criteria. Where, the percentage of fiscal decentralization has decreased every year. In 2018 the fiscal decentralization of Kubu Raya Regency was at the level of 11.70%, then in 2019 the

fiscal decentralization of Kubu Raya Regency decreased by 0.43% to 11.27%. And in 2020 the fiscal decentralization of Kubu Raya Regency again decreased by 1.05% to become 10.22%.

Analysis of Regional Financial Dependence

The regional financial dependence ratio is a ratio that can be calculated by comparing the amount of transfer income received by regional revenues with total regional revenues. By using this ratio, it is possible to find out how much the local government is dependent on the central government. The higher this ratio, the greater the level of dependence of the regional government on the central government.

Table 10. Calculation of Dependence on Realization of Transfer Revenue and Total Regional Revenue of Kubu Raya Regency in 2018-2020

Year	Realization of Total Regional Revenue (In Rupiah)	Realized Transfer Revenue (In Rupiah)	Dependency (%)	Criteria
2018	1.577.257.039.764,53	1.309.772.618.745	83,04	Very High
2019	1.533.363.622.188,15	1.279.740.671.302	83,45	Very High
2020	1.477.080.851.351,36	1.040.956.520.388	70,47	Very High
Average	1.529.233.837.768,013	1.210.156.603.478,333	79,13	Very High

Source: Processed Data, 2022

Table 10 shows that the regional financial dependence of the Kubu Raya Regency regional government for the 2018-2018 period 2020 is classified as a very high criterion, which means that the Kubu Raya District Government still relies heavily on funds from the Central Government. In 2018 the percentage of achieving regional financial dependence of the Kubu Raya Regency Government was 83.04%, then in 2019 it increased by 0.41% to 83.45%, and in 2020 it decreased by 12.98% so that to 70.47% and still classified as very high criteria.

Conclusion

Based on the results of the analysis and discussion that has been carried out, the following conclusions can be drawn; (1) The effectiveness ratio of the Kubu Raya Regency Government is in the very effective category; (2) The efficiency ratio of the Kubu Raya Regency Government is in the efficient category; (3) The analysis and calculation of the ratio of regional financial decentralization proves that the Government's decentralization efforts. The Kubu Raya Regency area is in the medium category so it still needs to be improved; (4) The analysis and calculation of the regional financial dependence ratio proves that the District Government Kubu Raya is still very high in receiving transfer revenue from the Central Government.

Suggestions

Based on the results of the analysis and the existing conclusions, the researchers have the following suggestions; (1) The Kubu Raya Regency Government is expected to be able to optimize PAD revenue sources, especially tax revenue sources in order to increase Regional Original Income so that dependence on other sources of income is reduced and efforts to implement decentralization in the coming year will be achieved immediately; (2) With the achievement of efficiency levels classified as efficient criteria, it is expected to maintain its consistency in the following years; (3) For further researchers, it is hoped that they can analyze the financial performance of the Regional Government by adding or using other regional

financial ratios, so that the results of existing research can be used as comparison materials and add references.

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