Evaluation of Financial Performance in Applying Regional Autonomy in Regional Government Of Majalengka Regency

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Abstract---The purpose of this study is to analyze and evaluate the assessment of regional financial performance in the accountability and transparency of the financial statements of the Regional Budget (APBD) as a result of decentralization or regional autonomy. Regional monetary management is one aspect of the implementation of regional autonomy that is carried out effectively and efficiently so that the realization of civil society welfare. The research sample is financial data in the form of regional cost sources and regional revenue budgets as well as regional expenditure allocations in 2013-2018 in the Regional Government of the Majalengka Regency, West Java. The result of this research is that the financial performance of the Majalengka Regency district needs to increase the contribution of taxes and levies to support the Locally Generated Revenue while the need for effective and efficient use of SILPA. Another analysis of independence, the effectiveness of Locally Generated Revenue and local taxes as well as efficient and harmonious spending was obtained that the Regional Government of the Majalengka District was quite good despite fluctuations, so it was necessary to increase financial resources and use them more optimally so that public facilities were met.

Keywords---Regional Financial Performance, Regional Autonomy, Regional Government

I. INTRODUCTION

Regional autonomy is marked by the democratization carried out by the Regional Government in the context of meeting the needs of the people who live in the region more independently. Therefore Law No. 22/1999 was implemented as a prelude to opening a policy on regional autonomy which later became Law No. 32/2004 concerning Regional Government and Law No. 25/2009 which then became UU No. 33/2004 concerning the financial balance between the Central Government and Regional Governments. It was explained that the implementation of regional autonomy was based on the principle of decentralization in which the regulation of regional government affairs was carried out in the interests of the benefits of the local community to the fullest extent with reference to the duties and authority stipulated in the law.

Regional autonomy which is carried out by regional heads is expected to be responsible so that the implementation is in accordance with the provisions of the aims and objectives of regional autonomy. This is intended so that the condition of an area is better and improved in terms of the welfare of the people of the area and the excavation of the regional potential that is characteristic of the region. Therefore, as a form of accountability of the Regional Government to the community, an assessment of the transparency of policies implemented by the Regional Government must be made so that it is still within the corridor of the applicable law and legislation.

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The role of information and data regarding the financial condition of the Regional Government is needed by the Regional Government and the community as a form of using financial resources in the region to be more effective and efficient and based on public accountability and transparency. Therefore the Regional Government must prepare a Financial Report as a form of accountability for the implementation of the APBD to the DPRD as stipulated in the provisions of Law Number 17 of 2006 Article 31 Concerning State Finances.

One tool to analyze the performance of local governments in managing their regional finances is by analyzing the financial ratios of the APBD that have been determined and implemented by the government of the Majalengka Regency. In this ratio analysis, we can evaluate whether the financial performance of regional governments is due to the impact of decentralization or regional autonomy well or not so that the results obtained can correct and improve financial performance in order to achieve the effectiveness and efficiency of financial sources in line with the satisfaction of public services to the community transparent and accountable local areas.

From the several descriptions above, it can be taken several financial ratios that can be used to measure the accountability of the Regional Government of Majalengka Regency such as the Regional Financial Independence Ratio, Effectiveness Ratio to Locally Generated Revenue, Effectiveness Ratio to Regional Taxes and Regional Financial Efficiency Ratio through Regional Expenditure, Harmony Ratio Expenditures, as well as the Ratio of Tax and Retribution Contributions to Locally Generated Revenue.

II. LITERATUR REVIEW

Previous research on evaluating regional financial performance in Indonesia when regional autonomy has shown diverse economic growth as a form of regional government performance through the leadership of each different regional head. Financial performance in Malang Regional Government shows good quality, in terms of performance ratios in the form of Associated with the emergence of the era of regional autonomy, then one element that must be considered in the context of evaluating regional financial performance is the acceptance of Locally Generated Revenue. In order to assess the financial performance of the Majalengka Regional Government, it must be known how the capability of the Majalengka Regency Government in realizing Locally Generated Revenue compared to the targets set so that the effectiveness ratio of Locally Generated Revenue can be applied, Local Tax Effectiveness, and Shopping Efficiency. In contrast to the ratio of Regional Financial Independence, the degree of contribution of BUMD and expenditure growth analysis shows sub-optimal performance (Shidarta, 2008).

The financial independence of the city of Kupang, which originates from original income, is very low and the results of the ratio of the harmony of public expenditure to total regional expenditure also indicate an incompatibility with the allocation of costs. Although the effectiveness ratio shows a good thing from the collection of sources of revenue that is right on target, the efficiency ratio shows that it is quite volatile from the inconsistent performance of regional financial management (Matheus, 2002).

The low Locally Generated Revenue as regional independence towards the Central Government in 27 provinces in Indonesia. The result is that there is a high dependence on the Central Government and encourages the granting of regional financial autonomy to be able to utilize financial resources independently (Kuncoro, 2004). Whereas the research of Susantih and Saftiana (2011) showed that the results of the analysis of regional financial independence in Lampung Province have the ability to meet regional needs more independently and analysis of effectiveness shows a good thing where budgeting posts are carried out effectively in their realization. Furthermore, the results of the analysis of regional

financial activities indicate that the South Sumatra Province has the lowest regional apparatus expenditure ratio and the highest public service ratio. This is considered good because regional apparatus spending is not spent according to the existing budget and the public services that are served are done thoroughly and well.

The impact of the implementation of regional autonomy on financial performance and economic growth in the Kulon Progo Regency. The results showed that after the implementation of regional autonomy, the ratio of spending efficiency tends to decrease, meaning that Regional Expenditure tends to be efficient so that economic growth has increased (Ronald et al, 2010).

III. RESEARCH METHOD

This research was conducted to assess the financial performance of the Regional Government of Majalengka Regency by using a financial ratio analysis approach in the Regional Budget which is an activity in the planning and control cycle of Regional Financial Management. Based on the review of ratio analysis, this research is categorized as descriptive research, not testing hypotheses but only giving a description of a situation or symptoms. The researcher's intention here is to measure regional financial performance using public sector financial ratio analysis in the Majalengka Regional Government without hypotheses.

This type of descriptive research is a case study. The subject of this research is the Regional Budget (APBD). This study analyzes the data induction, namely research that starts with collecting data first then analyzing the problems to be traced.

IV. RESULT AND DISCUSSION

The assessment of the performance of the Majalengka Regency is based on the level of achievement of activities/programs as outlined in the APBD component. The realization of the achievement of these activities/programs can be seen in the form of products or services aimed at improving people's welfare. In addition, the results of this ratio analysis can be used as a motivation for Majalengka District Government to further improve services to the community as one manifestation of public accountability accompanied by its efforts to improve the quality of decision making.

Regional Financial Independence Ratio

The ratio of regional financial independence of the Regional Government of Majalengka Regency has increased and decreased from year to year, then this condition can be illustrated in the table below.

The ratio of Regional Financial Independence of Majalengka Regional Government in 2013-2018

No.	Year	Realization of Locally Generated Revenue	Total income	Ratio of independence
1	2013	50.043.010.324.46	701.153.455.657,46	7,14%
2	2014	46.020.646.259,00	796.759.306.133,00	5,78%
3	2015	47.721.941.970,00	876.122.099.714,00	5,45%
4	2016	68.121.599.611,00	966.481.044.588,00	7,05%

| 5 | 2017 | 76.398.018.123,00 | 1.122.795.910.289,00 | 6,80% |
| 6 | 2018 | 86.579.536.411,00 | 1.277.921.523.925,00 | 6,78% |

Source: Data processed

From the percentage above, it can be seen that the independence of regional finances is decreasing and the independence of the region in self-financing activities of the Regional Government of Majalengka Regency, development, and community services are still low. It can be seen that the comparison between the realization of Locally Generated Revenue and the Total Locally Generated Revenue is still small. Local governments have not been able to optimize the sources of local revenue so they are still dependent on external assistance.

Locally Generated Revenue Effectiveness Ratio

Associated with the emergence of the era of regional autonomy, then one element that must be considered in the context of evaluating regional financial performance is the acceptance of Locally Generated Revenue. In order to assess the financial performance of the Majalengka Regional Government, it must be known how the capability of the Majalengka Regency Government in realizing Locally Generated Revenue compared to the targets set so that the effectiveness ratio of Locally Generated Revenue can be applied.

Effectiveness Ratio of Local Government Generated Revenue Majalengka Regional in 2013-2018

No.	YEAR	Realization of PAD	PAD Acceptance target	Effectiveness ratio
1	2013	50.043.010.324.46	21.182.528.186,00	236,25%
2	2014	46.020.646.259,00	48.963.859.698,00	93,99%
3	2015	47.721.941.970,00	39.353.908.437,00	121,26%
4	2016	68.121.599.611,00	29.213.187.959,00	233,19%
5	2017	76.398.018.123,00	65.716.643.039,00	116,25%
6	2018	86.579.536.411,00	52.349.316.209,00	165,39%

Source: Data processed

The ratio analysis can be seen that the effectivity ratio of Locally Generated Revenue of Majalengka Regional Government for 2013 to 2014 has decreased. Whereas for 2015 it has increased. Although there has been a slight decrease in the ability of the Majalengka District Government in carrying out their duties, it can already be categorized as effective, because the realization of Locally Generated Revenue is able to exceed the target number of Locally Generated Revenue that has been set, and the effectiveness ratio of Locally Generated Revenue achieved exceeds 1 (one) or 100%. The higher growth shows that the performance of the regional government is getting better.

Local Tax Effectiveness Ratio

Local taxes are a major component in Locally Generated Revenue and provide the highest contribution in regional revenue sources. It is also important to know whether the target set by the Regional Government of Majalengka Regency does not exceed the realization of the local tax in a particular fiscal year. Therefore an analysis of local tax effectiveness

ratios will be conducted which can be used to show the ability of local governments to collect local taxes in accordance with the targeted tax revenue.

The Effectiveness Ratio of Regional Taxes of Majalengka Regency Government in 2013-2018

No.	Year	Realization Of Local Taxes	Local Tax Revenue Target	Local Tax Effectiveness Ratio
1	2013	4.045.783.605,00	4.024.170.548.51	100,54%
2	2014	4.080.079.019,00	4.039.419.145,15	101,01%
3	2015	4.827.278.616.00	4.510.750.000,00	107,02%
4	2016	5.907.816.772,00	5.825.000.000,00	101,42%
5	2017	5.174.181.843,00	7.650.000.000,00	67,64%
6	2018	12.976.000.948,00	10.200.000.000,00	127,22%

Source: Data processed

Seen in a comparison between the realization of local taxes with local tax targets, the percentage of the ratio of the effectiveness of local taxes from 2013-2016 shows a positive tendency, this shows the ability to maintain and increase the success that has been achieved from one period to the next. However, in 2017 it was ineffective and had a negative value because it experienced a decline between the Regional Tax rationalization and the target set, in this case, the readiness of the regional government to raise the target was still not ready. However, in 2018 there was an increase and the readiness of local governments to increase local tax growth with a percentage of 127.22%.

Efficiency Ratio of Regional Financial Spending

Basically, the analysis of regional balances is very important to be carried out as to whether the regional government has used the regional budget in an economical, efficient, and effective manner. With the use of performance-based budgeting systems, the spirit to make efficiency (savings) on every expenditure absolutely must be embedded in the soul of local government employees. In the case of regional expenditure, there is a provision that the budget is the maximum expenditure limit that can be done by the Regional Government. The Regional Government will be assessed as good if the expenditure performance does not exceed the budgeted expenditure.

Efficiency Ratio of Regional Financial Spending in Majalengka Regional Government in 2013-2018

No.	Year	Realization Of Expenditure	Realization Of Receipts	Efficiency Ratio
1	2013	678.326.064.616,46	722.792.036.033,46	93,85%
2	2014	812.853.929.417,00	844.194.818.273,00	96,29%
3	2015	850.194.179.852,00	915.702.247.294,00	92,85%
4	2016	885.605.668.009,00	995.696.163.822,00	88,94%
5	2017	1.134.530.896.200,00	1.188.204.850.171,00	95,48%
6	2018	1.338,.633.360.844,00	1.329.361.744.053,00	100,70%

Source: Data processed

From the percentage above, it can be seen that the overall performance of the Majalengka District Government in allocating regional expenditure is relatively efficient. Here, it can be seen that the percentage of efficiency ratio is less than 100%, wherein the table above can also be seen as the realization of regional expenditure does not exceed the target set. This indicates that the level of regional expenditure savings in the Majalengka Regency Government has been quite good.

The ratio of Regional Financial Spending

This ratio illustrates how regional governments prioritize the allocation of funds to apparatus and public service expenditures optimally.

Ratio of Regional Financial Spending in Majalengka Regional Government in 2013-2018

No.	Year	Expenditure Total	Total APBD Spending	Suitability ratio
1	2013	580.849.504.219,46	669.936.064.616,46	86,70%
2	2014	605.949.023.240,00	807.853.929.417,00	75,01%
3	2015	695.463.143.875,00	844.945.549.828,00	82,31%
4	2016	762.898.330.113,00	883.460.228.083,00	86,35%
5	2017	962.765.675.682,00	1.134.530.896.200,00	84,86%
6	2018	1.091.075.254.206,00	1.287.193.140.716,00	84,76%

Source: Data processed

The higher the percentage of funds allocated for regional apparatus expenditure means the percentage of public service expenditure (capital expenditure) used to provide economic facilities and infrastructure tends to be smaller. This can be seen from the stability with a high average of total routine expenditure, this causes the regional development sector is not optimal.

The ratio of Tax and Retribution to Locally Generated Revenue

The contribution of each type of local tax to Locally Generated Revenue is the ratio between total tax with total Locally Generated Revenue in a certain year, and the ratio between the total amount of local tax to total Locally Generated Revenue in a particular year. This ratio indicates the size of the total role of local taxes on Locally Generated Revenue. The higher the ratio obtained means the greater the level of tax contribution the greater.

Ratio of Local Taxes to Locally Generated Revenue of Majalengka Regional Government in 2013-2018

No.	Year	Local Tax	Locally Generated Revenue	The ratio of Local Taxes to Locally Generated Revenue
1	2013	4.045.783.605,00	50.043.010.324.46	8,08%
2	2014	4.080.079.019,00	46.020.646.259,00	8,87%
3	2015	4.827.278.616.00	47.721.941.970,00	10,12%
4	2016	5.907.816.772,00	68.121.599.611,00	8,67%
5	2017	5.174.181.843,00	76.398.018.123,00	6,77%

| 6 | 2018 | 12.976.000.948,00 | 86.579.536.411,00 | 14,99% |

Source: Data processed

The contribution of local taxes is still considered quite small compared to the total locally generated revenue realized, proving that the Regional Government of Majalengka Regency is still lacking in terms of the contribution of local taxes.

However, it is different in the regional levies that occur that the government has managed to allocate its revenue from levies compared to local taxes. This can be seen from the amount of retribution revenue in 2014 and 2015 while it dropped dramatically in 2017 and 2018.

Ratio of Regional Retribution to Locally Generated Revenue of Majalengka Regency Government in 2013-2018

No.	Year	Regional retribution	Locally Generated Revenue	The Ratio Of Regional Retribution To PAD
1	2013	31.688.027.008,00	50.043.010.324.46	63,32%
2	2014	33.002.041.910,00	46.020.646.259,00	71,71%
3	2015	34.493.554.317,00	47.721.941.970,00	72,28%
4	2016	28.769.971.427,00	68.121.599.611,00	42,23%
5	2017	12.444.252.599,00	76.398.018.123,00	16,29%
6	2018	11.987.641.003,00	86.579.536.411,00	13,85%

Source: Data processed

V. CONCLUSION

Financial performance in the Majalengka District Government is still not good, especially in the independence of the local government. The ability of regional governments to produce locally generated revenue realization has not yet been met compared to the realization of regional financial expenditure. Local governments should explore the potential of regions that are able to contribute to locally generated revenue and be able to optimize local revenue sources again with the intensification and extensification of regional taxes and levies so that self-financing can be carried out. Judging from the locally generated revenue Effectiveness Ratio, the Effectiveness of Regional Taxes, and the Spending Efficiency Ratio in its management it can be said to be good. But there is a need for harmonious work on spending so that public services are more secure.

It is recommended for the Majalengka District Government to:

1. Look for sources of Locally Generated Revenue that are still potential for the realization of the existence of the region through financial autonomy and reduce the level of regional dependence on external parties

2. In development, local governments take into account that development is still relatively small compared to the operational budget. This is because development is not yet optimal, especially what must be considered more is the development sector which has a direct influence on increasing regional income

3. Supervision of fund funds aimed at the public interest to be beneficial such as regional expenditures or costs that are not really needed such as official travel costs or other costs that are not appropriate in the previous work plan

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