

RATIO ANALYSIS TO ASSESS FINANCIAL PERFORMANCE IN THE PURWOREJO DISTRICT BUDGET REALIZATION REPORT FOR 2017-2020

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Abstract

This study aims to determine the financial performance of Purworejo district in 2017-2020 by using the ratio of the degree of fiscal decentralization, the ratio of regional financial independence, the ratio of regional dependence, the ratio of effectiveness, and the ratio of efficiency. This is a qualitative research using secondary data taken from the official website of Purworejo district, namely <https://purworejokab.go.id>. The findings highlight that the financial performance of Purworejo Regency is still lacking when seen from the ratio of the degree of fiscal decentralization, the ratio of regional financial independence is still very low, the Regional Dependency Ratio is still very high. However, the Effectiveness Ratio has been very effective, and the Efficiency Ratio has also been efficient.

Keywords: Budget Realization, Regional Financial Performance, Regional Financial Ratio

1. INTRODUCTION

Since the enactment of regional autonomy in Indonesia, each region has been given the authority to manage and manage its own area. According to Law Number 32 of 2004 which has been amended into Law Number 23 of 2014 concerning Regional Government, the meaning of regional autonomy is the authority of an autonomous region to regulate and manage its affairs delegated by the central government and the interests of the local community according to their own initiative based on the aspirations of the community in accordance with statutory regulations. There is also the aim of granting regional autonomy from the Central Government to Regional Governments, namely the services provided to the community to be better, developing democratic life, realizing national justice, regional equity, maintaining central and regional relations in the unity of Indonesia, and increase community participation. One of the successes in the implementation of regional autonomy comes from the hard work of the Regional Government in efforts to manage finances in accordance with applicable law (Susilawati et al., 2018).

Regional financial management affects regional progress, if regional financial management is good, regional progress will also be good (Akhmad et al., 2017). One of the bases for regional financial management is the Regional Revenue and Expenditure Budget (also known as APBD) with a period of one year from 1 January to 31 December. The APBD is an annual financial plan prepared by the regional government which is discussed and approved by the DPRD (Ibrahim, 2014). APBD also reflects the ability of local governments to carry out various tasks of government, development and community social services.

Regional ability to manage finances and implement regional autonomy, one of which can be determined by regional financial performance, namely by analyzing government financial reports such as the Budget Realization Report (LRA). With the measurement of financial performance it is very important to assess accountability and effectiveness of budget management related to activities public service (Agustin & Subardjo, 2017). Measurement of financial performance can be carried out in several ways, including using financial ratio analysis measurements, balanced scorecard measurements, and value for money measurements (Munandar, 2017). One of the tools used to measure financial performance is by using financial ratio analysis. The results of these financial ratios need to be interpreted, so that they can be used to evaluate financial performance as a consideration in making decisions. Performance appraisal is in the form of financial ratio analysis originating from the aspect of Regional Head Accountability Reports in the form of APBD calculations (Sijabat et al., 2014).

Purworejo Regency is an autonomous region where in its decentralization it not only receives funds from the central government but also manages its own PAD sources. The source of PAD for Purworejo district comes from regional revenue sources consisting of regional taxes, regional levies, BUMD profit share, revenue from agencies, and other revenues. In 2017, the PAD of Purworejo district reached Rp298.606.494.653,00, but in 2018 it decreased to Rp286.971.121.793,00, then in 2019 it fell again with a PAD value of Rp280.396.155.599,65 and in 2020 it again rose to Rp304.800.202.905,00. Even though in 2020 it increased, PAD from 2017-2019 decreased to Rp18.210.339.053,4.

Based on the background above, the formulation of the research problem is how is the financial performance of the Purworejo Regency Regional Revenue and Expenditure Budget Realization Report in 2017-2020? Hence, this study aims to determine the financial performance of Purworejo district using the ratio of the degree of fiscal decentralization, the ratio of regional financial independence, the ratio of regional dependence, the ratio of effectiveness, and the ratio of efficiency

2. THEORETICAL BASIS

2.1. Regional Revenue and Expenditure Budget (APBD)

According to Law Number 17 of 2003, the Regional Revenue and Expenditure Budget (APBD) is a manifestation of regional financial management which has been determined annually by Regional Regulation. APBD sources include the revenue budget, expenditure budget, and financing. Regional revenue itself comes from Regional Original Revenue, balancing funds, and other legitimate income (Asari & Suardana, 2018). The APBD is prepared by the Regional Government which is discussed and approved by the Regional People's Representative Council (DPRD) so that in the end it becomes a Regional Regulation and must be followed by all regional institutions.

2.2. Financial Performance Measurement

According to Indrayani & Khairunnisa (2018), performance measurement is a process to find out whether the activities that have been carried out have reached the predetermined targets. Meanwhile, financial performance is an issue that needs to be understood by public sector organizations, including the government. So that since the existence of performance-based budgeting regulations, every government is able to

produce good government financial performance (Ardila & Putri, 2015).

2.3. Local Government Financial Reports

According to the Government Regulation of the Republic of Indonesia Number 8 of 2006 Financial Statements are a form of accountability for the management of state/regional finances during a period. As such, in order to be accountable for the implementation of the APBD, each Reporter is required to prepare and present Financial Reports. This report is intended for non-local government report users to assess and make decisions. The financial reports presented must be transparent, easy to understand, fair, and comparable to the previous year and other local governments

2.4. Components of Regional Government Financial Statements

In Government Regulation No. 71 of 2010 concerning Government Accounting Standards, it is explained that the principal government financial reports include

- 1) Budget Realization Report (BRR)
- 2) Report on Changes in Budget Balance (RCBB)
- 3) Balance sheet
- 4) Operational Report (OR)
- 5) Statement of Changes in Equity (SCE)
- 6) Statement of Cash Flows (SCF)
- 7) Notes to Financial Statements (NFS)

3. RESEARCH METHODS

3.1. Data Sources and Types

The data source used in this study is a secondary data source, because the data was obtained indirectly but from the Budget Realization Report which has been published through the official Purworejo district website, namely <https://purworejokab.go.id>. This type of research data is quantitative data in the form of the 2017-2020 Purworejo Regency Budget Realization Report.

3.2. Analysis Techniques

Research analysis technique that is with quantitative analysis, which can describe the financial performance of Purworejo district based on financial performance ratios as follows:

3.2.1. Fiscal Decentralization Degree Ratio

The ratio of the degree of fiscal decentralization is a tool for measuring the authority and responsibility delegated by the central government to the local government for managing and optimizing revenue. The calculation of the degree of fiscal decentralization is by comparing Regional Original Revenue with Total Regional Revenue multiplied by 100%.

$$\text{Fiscal Decentralization Degree Ratio} = \frac{\text{PAD}}{\text{Total Regional Revenue}} \times 100\%$$

Table 1. Decentralized Degree Ratio Interval Scale

Interval Scale	Regional Financial Capacity
00,00-10,00	Very less
10,01-20,00	Less
20,01-30,00	Medium
30,01-40,00	Enough
40,01-50,00	Good
< 50,00	Very good

3.2.2. Regional Financial Independence Ratio

The Regional Financial Independence Ratio is a ratio that can be used to measure the degree of financial independence of a regional government in financing development, public services and other government affairs. The calculation of the regional independence ratio is formulated by Regional Original Revenue (PAD) divided by Transfer Income multiplied by one hundred percent. The higher the regional financial independence ratio, the lower the dependence on external assistance, but if the independence ratio is low, the dependence on external parties will be higher.

$$\text{Regional Independence Ratio} = \frac{\text{PAD}}{\text{Regional Revenue}} \times 100\%$$

Table 2. Relationship Patterns and Regional Levels

Independence Ratio	Financial Capability	Relationship Patterns
0%-25%	Poor	Instructive
25%-50%	Low	Consultative
50%-75%	Medium	Participative
75%-100%	High	Delegative

3.2.3. Regional Dependency Ratio

The regional financial dependence ratio is measured by comparing the amount of regional transfer revenue with total Regional Revenue (Oki et al., 2020). So that if the regional dependency ratio is higher, then the local government is more dependent on the central government.

$$\text{Regional Independence Ratio} = \frac{\text{Transfer Income}}{\text{Total Regional Revenue}} \times 100\%$$

Table 3. Regional Dependence Ratio Criteria

Scale	Regional Financial Capacity
00,00-10,00	Very low
10,01-20,00	Low
20,01-30,00	Medium
30,01-40,00	Enough
40,01-50,00	High
< 50,00	Very High

3.2.4. Effectiveness Ratio

The Effectiveness Ratio is useful for proving the ability of local governments to regulate PAD revenues in accordance with predetermined revenue targets (Fathah, 2017). The calculation of the Effectiveness Ratio is by comparing the realized PAD with the targeted PAD.

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

Table 4. Effectiveness Criteria

Percentage	Criteria
>100%	Very effective
90%-100%	Effective
80%-90%	Effective enough
60%-80%	Less effective
<60%	Ineffective

3.2.5. Efficiency Ratio

According to Amanda et al. (2021), the efficiency ratio represents a comparison of the total costs incurred to generate income with the realization of income received. The following is the formula for calculating the efficiency ratio:

$$\text{Efficiency Ratio} = \frac{\text{Regional Expenditure Realization}}{\text{Regional Revenue Realization}} \times 100\%$$

Table 5. Efficiency Criteria

Percentage	Criteria
>100%	Inefficient
90%-100%	Less Efficient
80%-90%	Efficient Enough
60%-80%	Efficient
<60%	Very efficient

4. RESULTS AND DISCUSSION

The following is a discussion of how the performance was carried out by the Regional Government of Purworejo Regency with data in the form of APBD Budget Realization Reports in 2017, 2018, 2019 and 2020 which were measured using several analyzes as follows:

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4.1. Fiscal Decentralization Degree Ratio (RDDE)

Table 6. Degree of Fiscal Decentralization Ratio Result

Year	Regional Original Revenue	Total Regional Revenue	Decentralization Ratio	Financial Capability
2017	298.606.494.653,00	2.114.807.792.154,00	14,11 %	Less
2018	286.971.121.793,00	2.049.784.186.054,00	14,00 %	Less
2019	280.396.155.599,65	2.172.436.925.113,65	12,90 %	Less
2020	304.800.202.905,00	2.166.947.747.648,00	14,06 %	Less
Average			13,76 %	Less

Source: Data processed, 2022

Results Based on the calculations in the table above, it can be seen that the Degree of Fiscal Decentralization Ratio for Purworejo Regency in 2017-2020 is still lacking because it only obtained an average of 13,76%. This means that the ratio of entitlements to the central government is very high, which is caused by the small contribution of PAD compared to the total regional revenue. The highest degree of decentralization ratio occurred in 2017 with a ratio of 14,11% while the lowest degree of decentralization occurred in 2019 with a ratio of 12,90%. As such, to increase the degree of fiscal decentralization, Purworejo district must increase its own Regional Revenue.

4.2. Regional Financial Independence Ratio (RKKD)

Table 7. Regional Financial Independence Ratio Result

Year	Regional Original Revenue	Transfer Income	Independence Ratio	Relationship Patterns
2017	298.606.494.653,00	1.742.879.831.256,00	17.13 %	Instructive
2018	286.971.121.793,00	1.691.142.572.340,00	16.96 %	Instructive
2019	280.396.155.599,65	1.810.639.567.441,00	15.48 %	Instructive
2020	304.800.202.905,00	1.777.624.550.851,00	17.14 %	Instructive
Average			16.67 %	Instructive

Source: Data processed, 2022

Based on the calculation results above, it can be seen that the average financial independence ratio for the Purworejo Regency area from 2017 - 2020 is 16,67% so that the level of financial capability of Purworejo Regency is still very low and the relationship pattern is still instructive. This shows that Purworejo district has not been able to implement regional autonomy because the revenues derived from assistance from the central government and the provincial government are higher than community participation in paying regional taxes and levies, which is indicated by transfer revenues that are greater than regional revenues. With this, it can be shown that Purworejo Regency has not been able to finance its own needs and its dependence on the government is also still high.

4.3. Regional Dependence Ratio

Table 8. Regional Dependence Ratio Result

Year	Transfer Income	Total Regional Revenue	Dependence Ratio	Financial Capability
2017	1.742.879.831.256,00	2.114.807.792.154,00	82,41 %	Very high
2018	1.691.142.572.340,00	2.049.783.717.823,00	82,50 %	Very high
2019	1.810.639.567.441,00	2.172.436.925.113,65	83,34 %	Very high
2020	1.777.624.550.851,00	2.166.947.747.648,00	82,03 %	Very high
Average			82,57 %	Very high

Source: Data processed, 2022

Based on the table above, it can be seen that the regional financial dependency ratio for Purworejo Regency from 2017-2020 has a very high dependence with an average of 82,57%. In 2017 the dependency ratio reached 82,41%. In 2018 it increased by 82,50%. In 2019 it rose again to reach 83,34%. In 2020, the dependency of the Purworejo district has decreased by 82,03%, which means that there has been a slight increase in the region's ability to finance regional development activities through optimizing local revenue. Even though in 2020 the percentage of regional dependency has decreased, when viewed as a whole during the 2017-2020 fiscal year the dependency ratio for Purworejo Regency is still very high. This condition shows that the Purworejo District Government is still heavily dependent on the referral transfer of the government of the central and provincial government.

4.4. Effectiveness Ratio

Table 9. Effectiveness Ratio Result

Year	PAD Realization	PAD Budget	Effectiveness Ratio	Criteria
2017	298.606.494.653,00	269.067.899.709,60	110,97 %	Very effective
2018	286.971.121.793,00	278.952.386.723,00	102,87 %	Very effective
2019	280.396.155.599,65	294.463.075.39700	95,22 %	Effective
2020	304.800.202.905,00	261..999.024.780,00	116,33 %	Very effective
Average			106,34 %	Very effective

Source: Data processed, 2022

From the table above it can be seen that the average effectiveness ratio for Purworejo City has reached 106.34% during the 2017-2020 budget period. The average results show that Purworejo district has been included in the very effective category. In 2017 the effectiveness ratio was 110,97% where the realization of Regional Original Revenue was higher than the set Regional Original Revenue revenue target. The effectiveness ratio in 2018 decreased to 102,86% but the realization of Regional Original Revenue was still able to exceed the target of Regional Original Revenue. In 2019 there was a decline again where the realization effectiveness ratio became 95,22% and the realization of Regional Original Revenue was smaller than the targeted Regional Original Revenue, this shows that the Purworejo Regency Government has not optimized its performance in 2019. In 2020 the district effectiveness ratio Purworejo again increased to 116,33% and the realization of Regional Original Revenue again exceeded the target

of Regional Original Revenue that had been set.

Even though the average results of the Purworejo district in 2017-2020 have shown the Very Effective category. However, there is a decrease in the realization of regional original revenues that must be considered and must be increased in the following years. Especially in increasing the source of local revenue, namely the collection of regional taxes and fees.

4.5. Efficiency Ratio

Table 10. Efficiency Ratio Result

Year	Regional Expenditures Realization	Regional Revenue Realization	Efficiency Ratio	Criteria
2017	1.773.135.401.455,00	2.114.807.792.154,00	83,84 %	Efficient Enough
2018	1.680.531.273.236,00	2.049.783.717.823,00	81,98 %	Efficient Enough
2019	1.681.554.060.429,82	2.172.436.925.113,65	77,40 %	Efficient
2020	1.598.638.305.094,00	2.116.947.747.648,00	75,51 %	Efficient
Average			79,68 %	Efficient

Source: Data processed, 2022

Based on the results of the table above, it can be seen that the average regional financial efficiency for Purworejo Regency in 2017-2020 is classified as efficient because it is below 100%, namely 78,68%. During the 2017-2020 fiscal year, the district efficiency ratio continued to increase from less efficient criteria to efficient criteria. This is because the realization of spending in Purworejo district is higher than the realization of total Regional Revenue. Could said that the performance of Purworejo Regency has been efficient in managing its regional spending. This is because the local government has been able to reduce the amount of regional expenditure that does not exceed Regional Revenue.

5. CONCLUSION

5.1. Conclusion

Based on the results of the analysis of Purworejo Regency Regional Budget and Expenditure Revenue data in 2017-2020, it can be concluded that the financial performance of the Purworejo Regency Government is as follows:

- 1) The ratio of the Degree of Fiscal Decentralization in Purworejo Regency in 2017-2020 is still lacking because it only obtains an average of 13,76%. This is because the contribution of Regional Original Revenue is small compared to the total Regional Revenue. Consequently, to increase the degree of fiscal decentralization, Purworejo district must increase its own Regional Revenue.
- 2) The ratio of Regional Financial Independence for Purworejo Regency from 2017 - 2020 has an average of 16,67% so that the level of financial capability of Purworejo Regency is still very low and the relationship pattern is still instructive. As such, it can be shown that Purworejo Regency has not been able to finance its own needs

and its dependence on the government is also still high.

- 3) The Regional Financial Dependence Ratio for Purworejo Regency from 2017-2020 has a very high dependency with an average of 82,57%. This shows that the regional dependence of Purworejo Regency is still very high when viewed as a whole during the 2017-2020 fiscal year. This condition shows that the Government of Purworejo Regency is still very dependent on transfer receipts obtained from the Central Government and the Provincial Government.
- 4) Purworejo City's Effectiveness Ratio has reached an average of 106.34% during the 2017-2020 budget period. The average results show that Purworejo district has been included in the very effective category.
- 5) The average regional financial efficiency ratio for Purworejo Regency for 2017-2020 is classified as efficient because it is below 100%, namely 78,68%. During the 2017-2020 fiscal year, the district efficiency ratio continued to increase from the criteria of less efficient to efficient criteria. This is because the realization of spending in Purworejo district is higher than the realization of total Regional Revenue. In conclusion, the performance of Purworejo Regency has been efficient in managing its regional spending.

5.2. Suggestion

Based on the findings and conclusions above, we suggest that:

- 1) For the Government of Purworejo Regency
After conducting this research, it can be seen that the dependency ratio for Purworejo district is still very high and so the financial independence ratio is still low. For this reason, the authors suggest that the Government of Purworejo Regency further increase and maximize its Regional Original Revenue, which comes from regional taxes, regional levies, BUMD profit share, revenue from agencies, and other revenues. As such, Purworejo district does not always rely on central government assistance. So that in the future the Purworejo district government can become a district that can finance its own area and the level of dependence on the central government will also be reduced
- 2) For further researchers
Future researchers are expected to be able to increase the ratio so that it can be more detailed and complete in analyzing local government performance and it is also hoped that further research will add another research period not only 4 years.

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