

ANALYSIS OF THE EFFECTIVENESS AND EFFICIENCY OF THE MAGELANG CITY GOVERNMENT AREA'S FINANCIAL PERFORMANCE FOR THE 2017-2021 FISCAL YEAR

Apriliana Kurnia Ratri^{1*}, Retnosari²

^{1,2}Undergraduate of Accounting Department, Faculty of Economics, Universitas Tidar
E-mail: ¹⁾ apriliana.kurniaratri22@gmail.com, ²⁾ retnosari1808@untidar.ac.id

Abstract

Regional government activities aim to accelerate the attainment of a prosperous population through improved services, empowerment, and participation of the population, followed by increasing regional competitiveness. The region always adheres to the concepts of democracy, equity, and justice, as well as the uniqueness of a region in the structure of a unitary state. In this regard, the regional government must also pay attention to the issue of the effectiveness and efficiency of regional financial management, which is an element of the principle of government activity. The aim of this research is to identify the effectiveness and efficiency of the regional financial activities of the Magelang City Government for the 2017–2021 fiscal year. This observation is made through a quantitative approach, and the data identification technique used is descriptive through the use of accumulated principles of effectiveness and efficiency analysis. The results of this observation show that regional financial activity for the level of effectiveness in the City Government of Magelang in the 2017–2021 fiscal year is classified as effective. Meanwhile, regional finance for the level of efficiency in the City Government of Magelang in 2017–2021 has three criteria, namely efficient, inefficient, and very efficient. In fact, 2020 is a year with good criteria, which is very efficient, and in 2021 it will return again with efficient criteria.

Keywords: Effectiveness, Efficiency, Regional Financial Performance

1. INTRODUCTION

The regional government is the head of the region, and the organizing committee section's task is to regulate the implementation of government affairs in the autonomous region. This has been regulated in Law No. 23 of 2014. Regarding government activities that need to be considered, namely the implementation of regional government, the goal is to accelerate the achievement of population prosperity through improving services, empowering and participating the population, and increasing regional competitiveness through observing concepts in the structure of the Unitary State of the Republic of Indonesia, namely the concepts of democracy, equity, justice, and the characteristics of a region.

Local governments also have a role in carrying out decentralization tasks and assistance tasks to become government representatives in autonomous regions. In connection with this role, the problem of efficiency and effectiveness of local government activities can be handled by increasing and paying attention to the linkages between the central government and regional governments in each region, opportunities, and regional diversity, followed by potential and competitive barriers in an integrated government structure. In order for the management structure of the local government to operate

effectively and efficiently, a regional financial management structure was formed. Regional financial management is the main point for the region's advancement if it is done carefully and appropriately. Regional finances that are properly managed, comply with laws, are effective, efficient, economical, transparent, and accountable by adhering to the principles of fairness, decency, and utility for residents. The statement is contained in the general principles of regional financial management, which are included in Ministerial Regulation Domestic Affairs (Permendagri) No. 13 of 2006, Article 4 Paragraph 1. Regional finance is an element of state finance, which is manifested in the form of the state revenue and expenditure budget (hereinafter referred to as the APBN) followed by the regional revenue and expenditure budget (hereinafter referred to as the APBD). The rights and obligations of each region to seek regional income sources in the form of local taxes, tax payments, and other sources of revenue are in line with applicable laws and regulations and regional obligations; issuing funds for the implementation of all government actions is the meaning of regional finance. Regional finance is an element of the nation's finances, which is manifested in the form of the state revenue and expenditure budget (APBN) and the regional revenue and expenditure budget (APBD). In line with Law No. 17 of 2003 regarding regional finance, which is determined annually by regional regulation.

Regional finance as an element of state finances is manifested in the form of the State Revenue and Expenditure Budget (APBN) and the Regional Revenue and Expenditure Budget (APBD), in line with Law No. 17 of 2003 concerning State Finance, namely in Article 16 paragraph 1, which states that the APBD is a form of regional monetary processing that is determined annually through regional regulations. The APBD is a concrete manifestation of a comprehensive regional monetary activity plan that links government revenues and expenditures in the form of money (budget), in order to achieve the goals set for a certain period of the fiscal year (budget period). This phenomenon shows that the APBD is used by the regional government as a guideline for revenue (income) and expenditure, which relate to government administration in the region.

In this observation, the researcher wants to measure the effectiveness and efficiency of the financial activities of the Regional Government of the City of Magelang in 2017–2021 through problems that arise when the regional government and the central government carry out their duties. As stated by Pondaag, there are various problems and errors that are very common in the preparation, processing, and absorption of the budget. This problem is often an obstacle for units working in the region (Budiarto et al., 2018). Another phenomenon was also mentioned by the Ministry of Home Affairs, noting that most local governments always spend quite a lot of their finances on employee salaries rather than on development projects, which makes operational efficiency ineffective (Khusaini, 2018).

Based on the background mentioned above, the purpose of this study is to identify the effectiveness and efficiency of the regional financial activities of the Magelang City Government for the 2017–2021 fiscal year.

2. LITERATURE REVIEW

2.1. Regional Finance

Regional finance can be explained as all regional rights and obligations for local government activities, which can be measured through funds and included in all forms of wealth that relate to the rights and obligations of a region (Defitri, 2018). The intended area is the local government, which is an autonomous region according to law. The autonomous region itself includes the provincial government, district government and city government. The description of regional finances is stated in Government Regulation No. 58 of 2005 regarding Regional Financial Management.

2.2. Public Sector Budget

The public sector budget includes activity plans that are translated into income and expenditure results in monetary units. A fairly simple form describes if public sector funds are a document that describes the financial situation of an organization and includes information on income, spending, and activities. Public sector funding relates to the stage of determining the total use of the budget for each activity that has been designed in monetary units (Mardiasmo, 2021).

Budgeting is a stage for providing funds through a process that is quite complicated and there is a political element that has quite an impact because budgeting requires discussion and approval from people's representatives in parliament which includes a number of delegates and representatives from political parties. Budgets in the public sector should be submitted to the public to be formulated and given input. In addition, public sector funds are a means of accountability for the processing of public funds and the realization of each activity that is financed through the public budget (Sumenge, 2013).

2.3. Regional Revenue and Expenditure Budget (APBD)

Regional Revenue and Expenditure Budget (APBD) is the regional annual monetary plan which is determined through regional regulations. The description is listed in Government regulation (PP) No. 12 of 2019 concerning Regional Financial Management. In addition, the APBD can be interpreted as the annual regional government monetary plan which is passed by the DPRD (Kato et al., 2021). The preparation of the APBD is aligned with the needs for implementing regional government activities where regional authority is accompanied by regional income capabilities.

2.4. Measurement of Financial Performance with the Concept of Effectiveness

In the opinion of Rampengan (2016), “effectiveness is basically always related to achieving the goals or policy targets that have been made/defined (utilities)”. Effectiveness can be interpreted as the relationship between output and goals and targets to be achieved. An operational activity can be called effective if its operations can achieve goals with the right target and susad in accordance with the end of the policy. In this regard, it is called an effective organization or program if the output itself can complete the objectives and can be processed properly and appropriately.

Furthermore, effectiveness in the opinion of Mahmudi (2013: 86) in Manimbaga et al. (2021), describes when there is a link between the desired results and the actual findings. If reinterpreted from this explanation, effectiveness, namely the correlation of

results and findings where the higher the participation (output) for achieving goals, the more effective the organization and programs in these activities. The effectiveness of financial performance measurement put forward by Waney et al. (2018) explains that “the measure of budget effectiveness is obtained through a comparison of the implementation of direct budget spending and the implementation of budget spending”. Here's how to find out the percentage level of effectiveness:

$$\text{Effectiveness} = \frac{\text{outcome}}{\text{output}} \times 100\%$$

Description:

Outcome = Revenue Realization

Output = Income Budget

2.5. Measurement of Financial Performance with the Concept of Efficiency

The concept of efficiency is closely related to the concept of productivity, as stated by Anggraeni & Martoatmodjo (2015). The efficiency measurement stage is carried out through a comparison of the output formed with the input used through a comparison of the output formed through the input used. The implementation of an activity can be called efficient if a product or activity can be carried out using the fewest resources and budget.

The rules governing efficiency are included in the Regulation of the Minister of Finance of the Republic of Indonesia No. 21/PMK.02/2017, which states that the efficiency measurement stage is carried out through a comparison of the difference between supposed usage and actual usage. The actual use is the total amount of funds designed to produce outputs in the form of programs and activities. Meanwhile, actual spending is the total amount of funds that have been realized to produce outputs in the form of programs and activities.

Efficiency is related to the output correlation, which is formed through the resources used to form the output as stated by Triyani et al. (2018). An organization can be said to be efficient if a program or activity can form the lowest output and input or an input can form the highest output. The following is a way to measure the level of efficiency by comparing the implementation of the expenditure budget and the implementation of revenue funds, namely:

$$\text{Efficiency} = \frac{\text{output}}{\text{input}} \times 100\%$$

Description:

Output = Shopping Realization

Inputs = Revenue Realization

3. RESEARCH METHODS

3.1. Types of research

This observation was carried out by the Regional Government of Magelang City. This study had the objective of identifying the effectiveness and efficiency of the monetary activities of the Magelang City Regional Government in the 2017–2021 fiscal year. This type of observation was called descriptive quantitative observation. According to Robert Donmoyer in Prajitno (2013), “Quantitative observation was an approach for empirical studies to classify and identify data in the form of numbers rather than narrative”. Rukajat (2018) mentions that “descriptive observations are observations that seek to convey solutions that are currently available according to the data through presentation, analysis, and interpretation”.

3.2. Data Types and Sources

In this observation researchers used secondary data. The secondary data used was in the form of the 2017–2021 Local Government Budget and Expenditure Realization Report, which was obtained from data published by the Directorate General of Fiscal Balance and downloaded from <https://djpk.kemenkeu.go.id/portal/data/apbd>.

3.3. Method of collecting data

In this observation, the data collection technique used was a documentation study. Documentation techniques were techniques for collecting data that were not directly related to the subject of observation.

3.4. Data analysis method

The data analysis technique used in this observation was a quantitative descriptive analysis method that measured the financial activities of the Regional Government of Magelang City through the principles of effectiveness and efficiency.

3.4.1. Analysis With The Concept of Effectiveness

This effectiveness analysis was used in measuring the effectiveness of the regional financial activities of the City Government of Magelang. The measurement was carried out with a comparison of realized income and income funds. As formulated below (Mahmudi, 2013:86):

$$\text{Effectiveness} = \frac{\text{outcome}}{\text{output}} \times 100\%$$

Description:

Outcome = Revenue Realization

Output = Income Budget

At the stage of measuring the effectiveness of self identification required guidelines were formed as a basis for determining whether it can be grouped effectively. As described by Mahmudi (2013:111) in table 1.

Table 1. Effectiveness Ratio

Effectiveness Ratio %	Criteria
$\geq$	Effective
85-99	Effective enough
65-84	Less effective
≤ 65	Ineffective

3.4.2. Analysis With Efficiency Concept

This efficiency analysis was used in determining whether something that had been achieved could be called efficient or not, with the achievement taking the form of high output and little input. The measurement stage included a comparison of expenditure realization and income realization through formulatin of Mahmudi (2013:85), namely:

$$\text{Efficiency} = \frac{\text{output}}{\text{input}} \times 100\%$$

Description:

Output = Shopping Realization

Input = Revenue Realization

In determining the comparison ratio in the formula, a reference was needed to be included as an efficient criterion. It was called efficient when it completed the criteria mentioned by Mahmudi (2013:111) in table 2.

Table 2. Efficiency Ratio

Efficiency Ratio %	Criteria
<90	Very Efficient
90-99	Efficient
100	Efficient Enough
>100	Inefficient

4. RESULTS AND DISCUSSION

4.1. Overview of Magelang City

Magelang City is a city in the province of Central Java that is located in the middle of the Magelang Regency area, so all of the boundaries of the Magelang City area are in the administrative area of Magelang Regency. There is also the boundary of Magelang City on the north side which is related to Secang District, the south side is related to Metoyudan District, the west side is related to Bandongan District and the east side is related to Tegalrejo District. In terms of topography, the City of Magelang is a plateau that is located at 380 meters above sea level, with a slope of 5° to 45°, so that the City of Magelang can be called a location free from flooding. Next, on the climatological side, Magelang City includes a humid climate at temperatures around 20°C to 29°C. The rain intensity in Magelang City is 8.16 mm/day, in 2016 the most frequent rain intensity took place in January in total rainy days a total of 24 days. Meanwhile, geographically, Magelang City is located at 7° 26'18" and 7° 30'9" South Latitude and between 110° 12'30" and 110° 12'52" East Longitude.

**CURRENT ADVANCED RESEARCH ON SHARIA FINANCE AND
ECONOMIC WORLDWIDE
(CASHFLOW)**

4.2. Research result

4.2.1. Financial Performance Calculation Results With the Concept of Effectiveness

**Table 3. Magelang City Government Budget and Revenue Realization
for 2017-2021**

Year	Budget Revenue (Rp)	Revenue Realization (Rp)	Effectiveness Ratio (%)	Effectiveness Criteria
2017	887.700.000.000	909.530.000.000	102.45%	Effective
2018	882.760.000.000	908.090.000.000	102.86%	Effective
2019	911.970.000.000	967.790.000.000	106.12%	Effective
2020	920.110.000.000	946.190.000.000	102.83%	Effective
2021	907.280.000.000	994.060.000.000	109.56%	Effective

Source: djpk.kemenkeu.go.id (Data processed) 2022

In table 3, it can be observed that the percentage of effectiveness from year to year varies quite a bit, as can be seen in 2017, 2018 and 2019 the actual income is above the specified income fund. In 2020, the effectiveness ratio will have decreased by 102.83% but actual income can still exceed the specified revenue budget. The highest level of effectiveness will be in 2021 with a percentage of 109.56% where actual revenue is greater than the revenue budget. Even though the average effectiveness ratio obtained shows the effective group, the ongoing reduction in real income should be added in the future, especially in efforts to optimize tax collection or regional levies which are a source of regional income.

4.2.2. Results of Financial Performance with the Concept of Efficiency

**Table 4. Expenditure Realization and Revenue Realization of the Municipal
Government of Magelang in 2017-2021**

Year	Shopping Realization (Rp)	Revenue Realization (Rp)	Efficiency Ratio (%)	Efficiency Criteria
2017	879.410.000.000	909.53 million	96.68%	Efficient
2018	937.350.000.000	908.090.000,000	103.22%	Inefficient
2019	995.160.000.000	967.790.000,000	102.82%	Inefficient
2020	798.350.000.000	946.190.000,000	84.37%	Very Efficient
2021	934.740.000.000	994.060.000,000	94.03%	Efficient

Source: djpk.kemenkeu.go.id (Data processed) 2022

In Table 4, it can be observed that the percentage of efficiency from 2017 to 2021 varies greatly, starting in 2017 with a percentage of 96.68% indicating efficient criteria, but in 2018 and 2019 there has been an increase in percentage, showing an increasingly large percentage. This can be explained by the fact that the greater the monetary efficiency ratio, the more inefficient the monetary management of the Magelang City Government area. This phenomenon involves a comparison of output and input for the realization of development activities, programs, and public services. The higher the spending and spending, the higher the input used, while the quality of the output formed can only be

measured by the size of the impact on activities or programs that have the potential to increase regional economic growth and a prosperous population. Excess input at the activity realization stage is inconsistent with the concept of economic efficiency.

In connection with this explanation, it can also be linked to the research that has been conducted by Sofyani & Prayudi (2018) which states that the absorption factor of funds is a parameter that can be used in measuring output performance and efficiency in the processes of formulation, planning, and budgeting in performance-based budgeting techniques (crew). Damnation absorption can then be used as a control tool and a strategy for applying funds which leads to an increase in government activity. Added by Habiburrochman & Rizki (2012), ABK has the nature of being a financial prevention tool that tends to be effective because it can provide a clear concept of the specific goals of the organization to be achieved in line with the target fund and provide quality performance parameters. Thus, managers and organizational managers can ensure that the actual percentage of spending is aligned so that the realization of spending funds can be achieved in harmony with what has been planned.

With regard to fluctuations in the percentage level of efficiency in the financial performance of the City Government of Magelang due to the total realization of income being much lower than the realization of spending in the fiscal year which results in an inefficient comparison for that year. The results of this study are almost the same as the results of observations carried out Rondonuwu et al. (2016) these observations show that the percentage of regional financial processing efficiency in the Regional Revenue Service of Minahasa Regency from 2010 to 2014 was less efficient or inefficient. This is due to the high regional spending when compared to the receipts, and it can be interpreted that the ability or capacity of regional funding for each activity needs to be increased.

5. CONCLUSION

5.1. Conclusion

With the acquisition of observations that have been made, the following conclusions can be drawn:

- 1) Regional financial performance for the level of effectiveness in the City Government of Magelang for the 2017–2021 fiscal year shows the same criteria from year to year. It's just that every year the percentage changes but is still classified as effective. Further, in 2019 the highest percentage was obtained at 106.12% and is still within the effective criteria.
- 2) Regional financial performance for the level of efficiency in the City Government of Magelang in the 2017–2021 fiscal year, there are three criteria, namely efficient, inefficient and very efficient. In 2017 and 2021, they are included in the efficient criteria but in 2018 and 2019 they are considered inefficient, because in 2018 the actual revenue for this year was Rp908.090.000.000 and expenditure realization of Rp937.350.000.000 then for 2019 realized revenue of Rp967.790.000.000 and expenditure realization of Rp995.160.000.000 This means that real income is much lower than actual spending which makes the comparison between the two groups turn out to be inefficient. However, in 2020 there was a good percentage change, namely a percentage of 84.37%, so that this percentage is included in the very efficient criteria.

5.2. Suggestion

- 1) The regional financial performance of the Magelang City Government can be stabilized so that it can maintain its level of effectiveness and efficiency in the next budget period through the establishment of a budget that is good enough to increase the effectiveness and efficiency of the regional financial performance of the Magelang City Government in the future.
- 2) Regarding the issue of fluctuations in the percentage of effectiveness and efficiency of the financial performance of the financial area of the Magelang City Government, it can be observed through evaluation or re-control from the local government for programs or activities to be carried out so that what has been carried out can be on target in the future and enable the performance of the regional finance of the Magelang City Government in the following years to be stable in achieving effectiveness and efficiency.
- 3) For the next observation, it is hoped that it will be possible to carry out the development of this observation through the application of similar analytical techniques as well as analysis that is quite accurate and has a relationship with regional financial performance.

REFERENCES

- Anggraeni, L. S., & Martoatmodjo, S. (2015). Pengaruh Produktivitas, Efisiensi, Kepuasan Kerja Terhadap Perputaran Karyawan Bagian Marketing. *Jurnal Ilmu Dan Riset Manajemen (JIRM)*, 4(5).
- Budiarto, R., Putero, S. H., Suyatna, H., Astuti, P., Saptoadi, H., Ridwan, M. M., & Susilo, B. (2018). *Pengembangan UMKM antara konseptual dan pengalaman praktis*. Ugm Press.
- Defitri, S. Y. (2018). Pengaruh Pengelolaan Keuangan Daerah Dan Sistem Akuntansi Keuangan Daerah Terhadap Kualitas Laporan Keuangan Pemerintah Daerah. *Jurnal Benefita*, 3(1), 64–75.
- Habiburrochman, & Rizki, A. (2012). Effect of Performance-Based Budgeting to Effectiveness of Control: (A Study Case at Indonesia's State University). *Paper Read at World Business Research Conference, Bangkok, Thailand*.
- Kato, I., Faridi, A., Revida, E., Damanik, D., Siregar, R. T., Purba, S., Handiman, U. T., Purba, B., Firdaus, F., & Silalahi, M. (2021). *Manajemen Pembangunan Daerah*. Yayasan Kita Menulis.
- Khusaini, M. (2018). *Keuangan Daerah*. Universitas Brawijaya Press.
- Mahmudi. (2013). *Manajemen Kinerja Sektor Publik. Edisi Kedua*. Sekolah Tinggi Ilmu Manajemen YKPN.
- Manimbaga, F., Sondakh, J. J., & Pinatik, S. (2021). Analisis Efektivitas Dan Efisiensi Kinerja Keuangan Daerah Pemerintah Kota Bitung Tahun Anggaran 2014-2018. *Jurnal EMBA: Jurnal Riset Ekonomi, Manajemen, Bisnis Dan Akuntansi*, 9(2).
- Mardiasmo, M. B. A. (2021). *Akuntansi Sektor Publik-Edisi Terbaru*. Penerbit Andi.
- Prajitno, S. B. (2013). Metodologi penelitian kuantitatif. *Jurnal. Bandung: UIN Sunan Gunung Djati.(Tersedia Di Http://Komunikasi. Uinsgd. Ac. Id)*.
- Rampengan, M. (2016). Analisis Efektifitas dan Efisiensi Pelaksanaan Anggaran Belanja Badan Perencanaan Pembangunan Daerah (BAPPEDA) Kota Manado. *Jurnal*

- Berkala Ilmiah Efisiensi*, 16(3).
- Rondonuwu, R. H., Tinangon, J. J., & Budiarmo, N. (2016). Analisis efisiensi dan efektivitas pengelolaan keuangan daerah pada Dinas Pendapatan Daerah Kabupaten Minahasa. *Jurnal EMBA: Jurnal Riset Ekonomi, Manajemen, Bisnis Dan Akuntansi*, 3(4).
- Rukajat, A. (2018). *Pendekatan penelitian kuantitatif: quantitative research approach*. Deepublish.
- Sofyani, H., & Prayudi, M. A. (2018). Implementasi Anggaran Berbasis Kinerja Di Pemerintah Daerah Dengan Akuntabilitas Kinerja “A.” *Jurnal Ilmiah Akutansi Dan Bisnis*, 13(1), 54–64.
- Sumenge, A. S. (2013). Analisis Efektifitas dan Efisiensi Pelaksanaan Anggaran Belanja Badan Perencanaan Pembangunan Daerah (BAPPEDA) Minahasa Selatan. *Jurnal EMBA: Jurnal Riset Ekonomi, Manajemen, Bisnis Dan Akuntansi*, 1(3).
- Triyani, W., Mahmudi, B., & Rosyid, A. (2018). Pengaruh Pertumbuhan Aset terhadap nilai perusahaan dengan profitabilitas sebagai variabel intervening (studi empiris perusahaan sektor pertambangan yang terdaftar di bursa efek indonesia periode 2007-2016). *Tirtayasa Ekonomika*, 13(1), 107–129.
- Waney, C. K., Saerang, D. P. E., & Alexander, S. W. (2018). Analisis realisasi anggaran untuk menilai efektivitas dan efisiensi kinerja pemerintah di Dinas Pertanian dan Peternakan Provinsi Sulawesi Utara. *Going Concern: Jurnal Riset Akuntansi*, 13(02).