

Analysis of the Effectiveness and Efficiency of Regional Financial Management of Sigi Regency for the Period 2020-2024

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Abstract

Regional financial management plays a pivotal role in attaining development objectives and enhancing community welfare particularly in fledgling regions like Sigi Regency. Regional governments' fiscal performance gets thoroughly evaluated via wonky effectiveness and efficiency metrics quite essential for assessing resource management skills and revenue goals. The goal of this research is to evaluate the financial performance of Sigi Regency. The study utilised secondary data from the Sigi Regency APBD for the 2020-2024 budget cycle. In order to assess the financial effectiveness and efficiency of the region, the analysis method involved calculating the Effectiveness Ratio and Financial Efficiency Ratio. The findings indicate that, on the whole, the financial effectiveness ratio of Sigi Regency during the 2020-2024 period has reached a highly effective level. This suggests that the local government of Sigi Regency has effectively managed to achieve the expected Regional Original Revenue (PAD), thereby maximising the potential of PAD to support the region's development. Meanwhile, the financial efficiency of Sigi Regency from 2020 to 2024 generally remained at a lower and less efficient level. This indicates that the ratio of revenue to expenditure was not optimal. Even during the periods of 2020, 2021, 2022, and 2024, the efficiency ratio exceeded 100 percent.

Keywords: Effectiveness, Efficiency, Financial Performance, Regional Finance, Sigi Regency.

1. Introduction

Regional financial management is considered a branch of state financial management, acting as an integral part of the overall state financial system and playing a crucial role in managing regional government affairs. The financial interactions between central and regional governments are composed of various components, such as: (1) the distribution of revenue authority (taxation), (2) systems and mechanisms to address horizontal disparities, and (3) systems and mechanisms to address vertical disparities. On the expenditure side, the granting of fiscal authority to an autonomous region is based on the principle that resource allocation should be more effective and efficient. Local governments, which are closer to the community, are assumed to be more aware of community needs than the central government (Elcock, 2013). Therefore, resource allocation by local governments (Pemda) will be more responsive and address community needs (Farida, 2021; Hastuti, 2021). On the revenue side, granting tax authority to regions is intended to increase community participation in funding public services because the community can directly feel the benefits of paying taxes/fees (Okeyo, 2023). The budget planning process is one of the key steps in budget management (Kasmir, 2010). The budget planning process begins twelve months before the fiscal year



starts. Planning can be defined as a process to determine appropriate future actions through a series of choices, taking into account available resources (Pareda et al., 2015).

Essentially, regional autonomy consists of three main objectives: enhancing public services and community welfare, promoting efficiency and effectiveness in managing local resources, and empowering community participation in development (Hasyim, 2021). There are five key roles in regional autonomy: enhancing community welfare, promoting fairness and justice, fostering democracy, respecting local traditions, and acknowledging regional potential and diversity. Therefore, the primary aim of regional autonomy is to enhance community welfare by improving public services and encouraging community involvement in development initiatives. In the formation of laws, autonomy is rooted in legal norms outlined in Article 18(2) of the 1945 Constitution of Indonesia. This article dictates that provincial, regency, and city governments should independently handle their own affairs in line with the principles of autonomy and support. Therefore, local governments are structured and operated based on these principles. Additionally, when it comes to autonomous regions, the system of authority and regional bodies is more extensive, as specified in Article 18(5) of the constitution. This article states that regional governments have full autonomy, except for matters determined by law as central government affairs. This implies that regional governments function based on the principle of maximum autonomy, giving them the power to manage all government matters within the region, excluding those designated as central government affairs (Hasyim, 2021).

The execution of a budget is a crucial aspect of financial management that should only be undertaken once the budget planning phase is finished (Melnichuk, 2015). Execution involves the actions or initiatives undertaken to achieve established plans and policies (Legoh et al., 2024). Implementing the budget involves carrying out the prepared budget plan (Dahana, 2020). The budget implementation process covers issues that arise within the work unit, as well as the payment mechanism (budget disbursement) process.

Minister of Home Affairs Regulation No. 77 of 2020 outlines the Technical Guidelines for Regional Financial Management in Article 1. The regulation details the specifics of how regional finances should be managed according to government standards. It provides several key definitions: 1) *Regional Financial Management* is defined as the entirety of activities that include planning, budgeting, implementation, administration, reporting, accountability, and supervision of regional finances; 2) *Regional Regulations* (Perda) refer to provincial and regency/city regulations; 3) *Regional Head Regulations* (Perkada) are governor or regent/mayor regulations; 4) the *Regional Revenue and Expenditure Budget* (APBD) is the annual financial plan established by Perda; and 5) the *Minister* refers to the official responsible for internal government affairs.

In this case, Sigi Regency is an area with a lot of potential that can be maximised as a source of regional income. Sigi Regency is a developing regency, so its development will benefit the expansion of neighbouring areas. The success of development is greatly aided by the effectiveness and efficiency of regional financial management, which drives economic growth in Sigi Regency and the surrounding area.

The target for local revenue (PAD) in Sigi Regency compared to the actual PAD realisation for the 2020-2024 budget year is classified as highly effective, with a percentage ratio exceeding 100%, as the actual PAD realisation exceeds the target. However, the total expenditure realisation (expenditure) compared to the total revenue realisation for the 2020-2024 budget year is classified as average, with efficiency exceeding 100%, due to the low local revenue compared to actual expenditure. with efficiency exceeding 100 percent due to the low level of regional revenue compared to expenditure realisation.

The selection of Sigi Regency as the research location was based on regional financial management aspects. In 2020-2024, Sigi Regency has accelerated the development of underdeveloped areas, enabling it to exit underdeveloped status and demonstrating that the financial management of Sigi Regency has been sufficiently good so far. This is sufficiently interesting to be studied further, particularly the level of effectiveness and efficiency of regional financial management in Sigi Regency. Hence, this research aimed to evaluate the financial performance of Sigi Regency. Regional financial management practices in transitioning areas gain valuable insights from this research which offers practical guidance for financial efficiency improvement. Findings shed light on optimizing financial performance of regional governments for local development and bolstering community welfare initiatives effectively nationwide.

2. Literature Review

2.1. Regional Financial Management

In the Republic of Indonesia, under Regulation No. 77 of 2020 from the Ministry of Home Affairs, the responsibility for handling regional finances lies with the regional financial management official. This official oversees a range of tasks such as planning, budgeting, implementation, administration, reporting, accountability, and supervision related to regional finances (Ananta & Erawati, 2024). The performance of the duties and authorities of the Local Government Financial Manager may involve the use of information, data, and the electronic submission and presentation of documents. The documents referred to in this Ministerial Regulation are presented in the form of examples illustrating the dynamic information requirements at each stage of local government financial management.

2.2. Structure of Regional Revenue and Expenditure Budget

According to Government Regulation No. 12 of 2019 Based on Articles 27 and 28, the APBD is a single entity organised within a specific structure.

Several provisions related to the structure of the APBD are as follows:

- 1) The APBD is a single entity consisting of:
 - a. Regional revenue;
 - b. Regional expenditure; and
 - c. Regional financing.
- 2) The APBD is classified according to regional government affairs and organisations established in accordance with the provisions of laws and regulations.
- 3) The classification of the APBD according to regional government affairs and organisations is adjusted to regional needs based on the provisions of laws and regulations.
- 4) Regional Revenue includes all cash receipts through the Regional General Cash Account that do not need to be repaid by the Region and other receipts in accordance with the provisions of laws and regulations recognised as equity increases that are the rights of the region in one (1) fiscal year.
- 5) Regional Expenditure includes all expenditures from the Regional General Cash Account that do not need to be repaid by the Region and other expenditures in accordance with the provisions of laws and regulations recognised as a reduction in equity, which is the obligation of the region within one (1) fiscal year.
- 6) Regional financing includes all receipts that need to be repaid and/or expenditures that will be received back, either in the current fiscal year or in the following fiscal year.

2.3. Regional Revenue

According to Government Regulation No. 12 of 2019, Articles 49 to 54, regional expenditure consists of:

1. General Provisions on Regional Revenue are all rights of the region recognised as increasing net wealth during the fiscal year. Regional revenue is broken down according to regional government affairs, organisations, accounts, groups, types, objects, and details of objects, as well as sub-details of regional revenue objects. Regional revenue consists of:
 - a. Original Regional Revenue;
 - b. Transfer Revenue; and
 - c. Other Legitimate Regional Revenue.
2. Provisions Related to Regional Original Revenue Referring to Articles 30 to 33 of Government Regulation No. 12 of 2019, provisions related to Regional Original Revenue are regulated as follows:
 - a. Regional Original Revenue consists of:
 - 1) regional taxes;
 - 2) local fees;
 - 3) proceeds from the management of separated local assets; and
 - 4) other legitimate local original revenue.
 - b. The classification of the Local Budget (APBD) according to accounts, groups, types, objects, object details, and sub-object details of local original revenue is managed based on the financial management authority of the SKPD and SKPKD.
 - c. Regional taxes are detailed according to object, object details, and sub-object details. Further provisions regarding regional taxes are regulated by a Regional Regulation based on the law on regional taxes and regional fees.
 - d. Regional fees are detailed according to object, object details, and sub-object details. Further provisions regarding local levies are regulated by Local Regulations based on the law on local taxes and local levies.
 - e. The results of the management of separated local assets are detailed according to object, object details, and sub-object details. The results of the management of separated local assets constitute local government revenue from the results of local government capital participation.
 - f. Other legitimate local original revenues are local government revenues other than local taxes, local fees, and proceeds from the management of separated local assets, which are detailed according to objects, object details, and sub-object details in accordance with the provisions of laws and regulations. Other legitimate local original revenues may be managed by the SKPKD or SKPD.
 - g. The Regional Government is prohibited from:
 - 1) Imposing levies or other charges that are equivalent to levies outside of those regulated by law;
 - 2) Imposing levies that cause high economic costs, hinder population mobility, the movement of goods and services between regions, and export/import activities that are part of national strategic programmes.
 - h. Regional Heads who impose levies or other fees shall be subject to administrative sanctions, including the suspension of their financial rights as stipulated in applicable laws and regulations for a period of 6 (six) months.
 - i. Regional Heads who impose levies shall be subject to administrative sanctions in accordance with applicable laws and regulations.
 - j. The proceeds from levies or other fees must be fully remitted to the state treasury.

2.4. Regional Expenditure

Government Regulation No. 12 of 2019, Articles 49 to 54, concerning regional expenditure, are explained as follows:

- a. Regional expenditure to fund the implementation of government affairs that are the authority of the region.

- b. Government affairs that are the authority of the region consist of Mandatory Government Affairs and Optional Government Affairs in accordance with the provisions of laws and regulations.
- c. Mandatory Government Affairs consist of Mandatory Government Affairs related to Basic Services and Mandatory Government Affairs not related to Basic Services.
- d. Optional Government Affairs are in accordance with the potential of the region.
- e. Regional expenditure is allocated by prioritising funding for Mandatory Government Affairs related to Basic Services in order to meet the Minimum Service Standards.
- f. Regional expenditure for funding Optional Government Affairs shall be allocated in accordance with regional priorities and the potential of the Region.
- g. Regions are required to allocate expenditure to fund regional government affairs, the amount of which has been established in accordance with the provisions of laws and regulations, including the amount of expenditure allocation for education, health budgets, and infrastructure.
- h. In the event that a region fails to meet the expenditure allocation, the minister responsible for government affairs in the field of finance shall delay and/or reduce the disbursement of General Transfer Funds, after coordinating with the Minister and relevant technical ministers.
- i. Regional expenditure shall be based on regional unit price standards, expenditure standard analysis, and/or technical standards in accordance with the provisions of laws and regulations.
- j. Regional expenditure shall be based on regional unit price standards, expenditure standard analysis, and/or technical standards in accordance with the provisions of laws and regulations.
- k. Regional unit price standards shall be established by Presidential Regulation. Regional unit price standards shall be used as guidelines in compiling unit price standards in each region.
- l. The establishment of unit price standards in each region shall take into account the cost of living in that region.
- m. Standard expenditure analysis, technical standards, and unit price standards shall be established by Perkada.
- n. Standard expenditure analysis, unit price standards, and/or technical standards shall be used to prepare work plans and budgets in the drafting of Perda on APBD.
- o. Regional expenditure is detailed according to regional government affairs, organisations, programmes, activities, sub-activities, types, objects, object details, and sub-object details of regional expenditure.
- p. Regional government affairs are aligned and integrated with state expenditure classified according to function.
- q. Regional expenditure according to organisation shall be adjusted to the organisational structure established based on the provisions of laws and regulations.
- r. Regional expenditure according to programmes, activities, and sub-activities shall be adjusted to provincial and regency/city government affairs based on the provisions of laws and regulations.

2.5. Quality of Regional Financial Reports

Defitri (2018) states that the qualitative elements of financial statements are standards that need to be included in accounting information to fulfil their goals, and are organised documents detailing the financial status and activities conducted by the preparer in line with Government Regulation No. 71 of 2010. Financial statements serve the overall aim of offering users details on the preparer's financial status, budget implementation, surplus balance, cash flow, operational outcomes, and variations in equity to assist them in making and assessing allocation choices. The level of goodness or badness of something, or its degree, can be used to evaluate its quality. For financial statements to be considered high quality, certain

qualitative requirements must be met. The following are the qualitative attributes of financial statements:

1. Relevant in financial statements if the information contained therein can influence users' choices between forecasting the future and analysing current or past events. As a result, the intended use can be linked to relevant financial statement data. Relevant details are listed below:
 - a. Offers feedback benefits (feedback value), which allows users to confirm or modify their previous expectations;
 - b. Has predictive value, which allows users to predict the future by utilising historical data and current circumstances;
 - c. Timely: Information is communicated in a timely manner to maximise its impact and use during the decision-making process;
 - d. Completeness: All accounting data that may influence decision-making, taking into account current limitations, is included in the presentation of government financial accounting data. To prevent errors in the use of financial statements, the information supporting each key piece of information is made explicit;
2. Reliable financial statement information is factually accurate, free from material misstatement and misleading interpretation, and verifiable. Even if information is important, its use can be misleading if its presentation or substance is questionable. Reliable information meets the following requirements:
 - a. Honest presentation of information that accurately reflects events and transactions that should be reported or that are logically expected to be reported;
 - b. Confirmability, i.e. the information provided in the financial statements can undergo examination, and even if various parties conduct multiple tests, the findings consistently draw similar conclusions without major discrepancies;
 - c. Neutrality of information, intended to meet the needs of the general public rather than specific parties.
3. Comparability, comparing financial statements with financial statements from previous periods or with financial statements from other reporting organisations will generally make the information in the financial statements more valuable. Internal and external comparisons are possible. When an organisation's financial statements are compared with those of other reporting organisations, the information in the financial statements will generally be more valuable. Internal and external comparisons are possible.
4. It is expected that users have a good understanding of the operations and conditions in which the reporting entity operates, as well as their willingness to analyse the information provided in the financial statements. Financial statements must have high-quality information value and assist in decision-making because they can help their users. High-quality financial statements indicate that local leaders are responsible for operating the company in accordance with the authority granted to them. Financial statements are used to evaluate how well an organization is doing and whether they are following the rules and regulations that dictate how financial statements should be prepared. The information in financial statements is important for making decisions that affect the economy, society, and politics, as well as for holding the organization accountable and managing it effectively. ;

2.6. Central and Regional Financial Relations

Local governments have the power to oversee certain forms of revenue. The taxation powers of local governments are established by law. The idea that resource allocation is more effective and efficient is the basis for granting fiscal autonomy to autonomous regions on the

expenditure side. It is believed that local governments, which are closer to the community, are better able to understand its needs than the distant central government. This allows local governments to allocate resources in a manner that is more responsive to community needs. On the revenue side, the allocation of local tax authority is intended to increase community involvement in the funding of public services because the community will benefit directly from tax or levy payments (Rondonuwu et al., 2019).

2.7. Regional Financial Performance

According to Wahyuningsih (2020), the main attributes of a region that can implement autonomy are:

- 1) Regional financial capacity, which indicates that it has the strength and ability to manage its own wealth, find new sources of funding, and use them to finance government operations;
- 2) Dependence on central government assistance must be reduced, so that Regional Original Revenue (PAD) must be the largest source of funding, supported by policies that maintain a balance between regional and central finances;

2.8. The Concept of Effectiveness

If efficiency focuses on output and process, effectiveness focuses on outcome (results). An organisation, programme, or activity is considered effective if the output produced can meet the expected objectives or is said to be spending wisely (Rondonuwu et al., 2019).

2.9. The Concept of Efficiency

Efficiency involves producing the most results possible with a specific amount of resources or using the least amount of resources to accomplish a specific goal. Efficiency is determined by comparing the results achieved to the resources used based on predefined benchmarks or goals. The greater the results achieved with fewer resources, the more efficient the process is considered to be. Efficiency must be compared with certain reference figures, such as the efficiency of the previous period or the efficiency of other public sector organisations (Rondonuwu et al., 2019).

3. Methods

3.1. Research Type

This form of study is known as descriptive research, with the goal of systematically and accurately portraying a particular situation, condition, or area of study that is the focus of the research. Descriptive research results can be quantitative (using numbers) or qualitative (verbal sentences) or both.

3.2. Types and Sources of Data

Secondary data was used in this investigation. The information consists of financial reports from the Sigi district government in the form of reports from local government administrators and updates on general policies regarding the Sigi district budget. The data period used was 2020–2024, or five years.

3.3. Data Collection Methods

The study utilised existing information gathered from sources such as journals, books, archives, and government reports. Secondary data for the study were sourced from the Regional Development Planning, Research, and Innovation Agency of Sigi Regency. Document and literature studies were conducted to gather the necessary data for the research.

3.4. Data Analysis Techniques

The analysis technique used to analyse the results of this study is descriptive analysis, with ratios of comparison, efficiency and effectiveness of regional financial management, Regional Development Planning, Research and Innovation Agency of Sigi Regency for 2020-2024. The calculation formula is as follows.

3.5. Effectiveness Analysis Tools

Rondonuwu et al. (2019) states that the efficiency of regional finances is determined by comparing the actual income generated locally (PAD) with the target set in the regional budget (APBD). This comparison is used to evaluate how well regional governments can meet their budget targets for PAD. A higher ratio between actual PAD and the budget target indicates more successful management of regional finances.

$$\text{Effectiveness} = \frac{\text{Realisation of Local Revenue Receipts}}{\text{Target Local Revenue Receipts}} \times 100\%$$

The criteria used to assess regional financial effectiveness in this study are as follows:

Table 1. Financial Effectiveness Performance Criteria

No	Percentage of Financial Performance (%)	Criteria
1	> 100	Very effective
2	90 – 100	Effective
3	80 – 89,99	Fairly effective
4	60 – 79,99	Less effective
5	< 60	Not effective

Source: Trianto (2016)

3.6. Efficiency Analysis Tools

Rondonuwu et al. (2019) states that regional financial efficiency is a ratio that calculates the percentage comparison of regional expenditure realisation against total regional revenue realisation.

$$\text{Efficiency} = \frac{\text{Total Realised Expenditure (Spending)}}{\text{Total Realised Revenue}} \times 100\%$$

The criteria used for regional financial efficiency performance in this study are as follows:

Table 2. Financial Efficiency Performance Criteria

No	Financial Performance Percentage (%)	Criteria
1	>100	Inefficient
2	90 – 100	Less efficient
3	80 – 89,99	Fairly efficient
4	60 – 79,99	Efficient
5	< 60	Very efficient

Source : Trianto (2016)

4. Results and Discussion

4.1. Research Results

4.1.1. Results of regional financial effectiveness calculations

The realisation of Local Own-Source Revenue (PAD) and the PAD target established in the APBD are used to determine regional financial effectiveness. The purpose of this ratio is to assess the capacity of local governments in establishing and meeting PAD budget targets. The financial effectiveness of Sigi Regency during 2020–2024 is detailed in Table 3.

Tabel 3. Financial Effectiveness of Sigi Regency for the Period 2020-2024

Year	Target revenue from local own-source revenue (RP)	Realisation of Local Own-Source Revenue (RP)	Effectiveness (%)	Criteria
2020	53.484.720.303,00	66.022.058.704,39	123,44	Very Effective
2021	60.289.756.461,00	78.108.594.634,28	129,56	Very Effective
2022	71.382.753.718	86.478.763.681	121,15	Very Effective
2023	92.953.492.573	96.209.026.838,46	103,50	Very Effective
2024	70.027.149.794,00	148.325.914.835,00	211,81	Very Effective

Source: Data from Bapperida Sigi (Processed by the author, 2025)

Table 3 shows the results of calculations to determine the Effectiveness Ratio. The first column lists the fiscal years from 2020 to 2024, while the second and third columns show the Targets and Realizations, which are the Target Local Government Revenue (PAD) and the Realized Local Government Revenue (PAD). Overall, the average level of financial management effectiveness for Sigi Regency is considered highly effective during the 2020–2024 budget years, with a percentage of 137.89%, which is deemed highly effective as it exceeds the financial effectiveness percentage of Sigi Regency, which is over 100%. This indicates how well the government has performed in generating local revenue during the 2020–2024 fiscal year.

4.1.2. Results of regional financial efficiency calculations

The ratio known as regional financial efficiency determines the proportion of total regional revenue realised compared to regional expenditure realised. This ratio looks at how well the regional government is able to create and meet regional expenditure targets. Regional financial management will be more effective if the ratio of regional revenue realisation to regional expenditure realisation is higher. The level of regional financial efficiency in Sigi Regency during 2020–2024 is shown in Table 4.

Table 4. Financial Efficiency of Sigi Regency for the Period 2020-2024

Year	Total Realisation of Expenditure (Expenses) (IDR)	Total revenue realisation (RP)	Efficiency (%)	Criteria
2020	1.267.213.938.724,20	1.130.769.009.134,39	112,07	Inefficient
2021	1.267.213.938.724,20	1.201.902.576.842,28	105,43	Inefficient
2022	1.247.162.377.500	1.182.841.939.610	105,44	Inefficient
2023	1.266.810.381.331,74	1.269.372.352.422,46	99,80	Less efficient
2024	1.476.843.065.693,00	1.406.468.234.240,00	105,00	Inefficient

Source: Data from Bapperida Sigi (Processed by the author, 2025)

The first column of Table 4 lists the 2020–2024 fiscal years, the second column shows the total realised expenditure divided by the total realised revenue, and the fourth column shows the results of the Efficiency Ratio calculation for the five fiscal years. During the 2020–2024 fiscal years, the financial management of Sigi Regency had an average efficiency of 105.55 per cent, which is considered inefficient as it exceeds 100 per cent. In 2020, 2021, 2022, and 2024, the efficiency percentage was the highest because the average exceeded 100 percent, while in 2023 it was less efficient because the efficiency percentage was below 100 percent. This was due to the low level of local revenue compared to expenditures.

4.2. Discussion

4.2.1. Local Government Financial Effectiveness

The study findings indicate that the financial management effectiveness ratio for Sigi Regency between 2020 and 2024 was highly successful. The regional financial effectiveness ratio is a measure of the local government's financial performance in achieving its budget targets through PAD realisation. This ratio illustrates the percentage of PAD achieved in relation to the budget target. Thus, this ratio shows how hard the local government of Sigi Regency has worked to maximise the potential of PAD so that it can be fully absorbed, for example through local taxes and levies.

In 2020-2024, the average local financial effectiveness ratio of Sigi Regency was 137.89 per cent, which is considered highly effective because it exceeds the effectiveness percentage of more than 100 per cent. The lowest financial management effectiveness of Sigi Regency was in the 2023 budget year with a percentage of 103.50 percent due to the low actual revenue from PAD compared to the previous year. The highest financial management effectiveness of Sigi Regency was in the 2024 budget year with a percentage of 211.81 percent due to the increase in the actual revenue from PAD, which was more than twice as much as compared to the previous fiscal year. This figure indicates that PAD realisation against its budget target has averaged 100% from 2020 to 2024. This demonstrates that the local government of Sigi District has successfully realised PAD from the previously estimated target, thereby maximising the potential of PAD to support development in Sigi District.

This study aligns with research conducted by Trianto (2016) Based on the research findings, overall, the average financial effectiveness ratio of Palembang City for the period 2003-2013 reached an effective level, and according to H. Rondonuwu (2015), based on the Guidelines for Financial Assessment and Performance at the Minahasa Regency Revenue Service, the overall average level of financial management effectiveness at the Minahasa

Regency Revenue Service during the 2010 to 2014 fiscal years was declared to be highly effective.

4.2.2. Regional Financial Efficiency

Overall, the average financial management effectiveness ratio for Sigi Regency for the 2020-2024 period is inefficient and less than efficient. The Regional Financial Efficiency Ratio shows how well the local government's financial performance is compared to total regional revenue. This ratio shows the percentage of expenditure realisation compared to regional revenue realisation. Thus, this ratio shows the extent of the efforts made by the regional government to maximise their ability to establish and meet regional expenditure targets.

The average level of regional financial efficiency in Sigi Regency is inefficient or less than efficient for the 2020-2024 period. Only in 2020, 2021, 2022, and 2024 was the financial efficiency level of Sigi Regency at an inefficient level, and in the 2023 fiscal year, the financial efficiency level of Sigi Regency was at a less efficient level. From 2020 to 2024, the financial efficiency level of Sigi Regency was inefficient with an average percentage of 105.55%, exceeding the efficiency percentage of 100%. The lowest financial management efficiency of Sigi District was in the 2023 fiscal year at 99.80%, deemed inefficient as it was below 100%, and the highest financial management efficiency of Sigi District was in the 2020 fiscal year at 112.07%, deemed inefficient as it exceeded the efficiency threshold of 100%. This relates to the comparison of inputs and outputs during the implementation of public service and development projects and initiatives. The inputs used increase in line with increased expenditure. Conversely, the quality of outputs can only be measured by how much potential the activity or project has to improve community welfare and local economic growth. The principle of economic efficiency does not allow for excessive involvement in operational processes. An activity is considered efficient if it achieves good results at a relatively low cost.

This research is in line with research conducted by Trianto (2016). According to studies, it was discovered that the financial efficiency in Palembang from 2003 to 2013 was suboptimal and ineffective. Rondonuwu (2015) conducted research which revealed that the financial management efficiency at the Minahasa District Revenue Office was deemed to be inefficient for the fiscal years 2010 to 2014.

5. Conclusion

In general, the financial effectiveness ratio of Sigi Regency for the period 2020–2024 shows very effective performance. This indicates that the local government has successfully realised its Local Own-Source Revenue (PAD) targets as planned and optimally utilised PAD potential to support growth and development in Sigi Regency. With this achievement, it is hoped that the local government can continue to maintain the effectiveness of revenue management so that regional development becomes more sustainable.

However, the average financial efficiency of Sigi Regency during the 2020–2024 period is classified as inefficient and less efficient. This condition occurs because the realisation of regional expenditure exceeds the realisation of revenue, thereby creating an economically and financially unhealthy situation. In fact, during this period, expenditure financing must be supported by loans and debt to cover budget shortfalls, so that significant improvements are needed in expenditure management to match regional financial capabilities.

The Sigi Regency government is expected to continue to improve its financial management performance so that the level of effectiveness that has been achieved can be maintained. In addition, the government needs to prioritise the preparation of a more efficient expenditure budget, especially in terms of operational expenditure for regional apparatus.

Since PAD is collected from the community, the regional government should direct its expenditure towards public interests, such as the development of facilities and infrastructure, so that the community can feel the benefits and actively participate in regional development.

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