

COMPARATIVE ANALYSIS OF REGIONAL FINANCIAL PERFORMANCE IN THE PERIOD BEFORE AND DURING THE COVID-19 PANDEMIC DISTRICT/CITY IN CENTRAL JAVA PROVINCE

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Abstract

This study aims to compare the financial performance of district/city governments in Central Java Province between before the pandemic and during the pandemic using financial ratio analysis. The Regency/City Budget and Expenditure Realization Report used in the 2018-2020 fiscal year is included in the secondary data used in this study. The method used is a descriptive quantitative. Based on the results of this study, it was concluded that the degree of decentralization of regencies/cities in Central Java Province before the pandemic and during the pandemic was still in the low category, meaning that the district/city governments were able to implement decentralization, however, the amount of local revenue was still relatively small compared to the total revenue. In the regions, the independence ratio has an instructive relationship pattern included in the very low category, while the effectiveness ratio and efficiency ratio are in the effective and efficient category.

Keywords: Financial Performance, Financial Ratio, Pandemic Covid-19, Regional Revenues and Expenditures Budget

1. INTRODUCTION

In accordance with Local Government Law No. 32 of 2004, APBD (Regional Revenues and Expenditures Budget) is a regional government financial management plan. One party explains the prediction of funding for regional activities and projects in a certain fiscal year. Meanwhile, other parties provide an overview of the predictions of regional revenues and sources of income to cover related expenses.

As a result of implementing regional autonomy, the government must carry out its role properly and openly. Regional autonomy is one area of regional empowerment to improve regional decision-making and flexibility in managing resources based on regional interests, priorities and potential. With government autonomy, freedom in resource management based on regional autonomy, and accountability to the local community. Therefore, an effective, efficient and transparent decentralization system is needed to be accountable to the public. As the government's responsibility for a clean society, it is an obligation that must be carried out by the government. Achievement of making competitive financial reports by providing several ways. One method is to create financial reports for local governments so that accurate financial performance can be compared to the budget.

In 2019, the whole world experienced an outbreak of the COVID-19 disease, which affected the financial performance of districts and cities in Central Java Province. Central Java Province, which contributed the third-highest number of COVID-19 cases in 2020, with 9.659 cases. As a result, Central Java Regional Original Revenue has not met the expected target for 2020 itself, from the target of IDR 15,9 trillion, it has only been able to realize IDR 14,2 trillion thereby potentially hampering development.

The development of district/city infrastructure in Central Java is quite good. Currently, Central Java districts and cities have national strategic-based projects. Among them is the Batang industrial area, besides the industrial area, it is also preparing two airports that will soon operate optimally. In addition, there is the construction of a toll road in Central Java and a reservoir in Cilacap. The construction and maintenance of infrastructure have been hampered as a result of the COVID-19 pandemic. If infrastructure development in Central Java is not hampered, regional own-source revenue can increase depending on the presence of regional own-source revenue.

Based on the existence of development, the revenue from local revenue can be used to fund development programs. Then used to improve regional financial performance. Assessment of regional financial performance with several regional financial ratios, such as the degree of decentralization, regional independence ratio, effectiveness ratio, and efficiency ratio. There are various ongoing phenomena in Central Java districts/cities.

Based on the background of the problems mentioned above, this study aims to compare the financial performance of district/city governments in Central Java Province before and during the pandemic using financial ratio analysis.

2. LITERATURE REVIEW

2.1. Local Government Financial Reports

Based on SAP No. 1, Paragraph 9, government financial reports have the main objective of presenting financial performance, which is a reporting entity that is useful for report users and is used to determine and evaluate decisions regarding the allocation of existing resources. Government financial reporting in particular, provides information used in decision making and describes the responsibility of a reporting entity for the resources entrusted to it:

- a. Explanations regarding economic resource posts, government funding entities and liabilities are contained in the financial statements.
- b. Reports in the form of changes in the position of economic resources, liabilities and equity of government funds.
- c. Provide reports related to economic resources and the use of allocation resources.
- d. Providing information related to discipline in the realization of a predetermined budget.
- e. Data showing how the reporting entity is in financing activities and fulfilling its cash interests.

2.2. Regional Government Financial Performance

Public sector performance is carried out to fulfill several objectives including assisting in improving government performance, resource allocation and decision making, carrying out public accountability, and improving communication in an institution (Rahmawati, 2014). On the other hand, Abdul Halim (2007) in Sobarudin et al. (2019) explained “it as a useful measure to describe how a region performs in implementing regional autonomy”. The purpose of performance appraisal in the public sector is as follows:

- a. Seeing how the goals of an organization are achieved. In addition, as part of a performance evaluation in public sector organizations, it is useful to see the level of achievement of goals and tell whether an organization is running according to or deviating from predetermined goals.
- b. Provide learning tools for employees, by measuring their performance as a way to tell how they are behaving. Second, it also provides a basis for changing the behavior, skills, attitudes or understanding of work that employees should have in order to achieve good work results.
- c. Improving future performance; at this time, financial performance should take precedence over last year's performance, and future performance must be better than the current period (Pramono, 2014).

2.3. Agency Theory

According to Jansen and Mackling (1976) in Rostia (2013) agency theory refers to “agency interaction as a contract more akin to one hiring another person to carry out some services in their interests using the delegation of authority to an agent”. Agent managers have a moral responsibility to maximize profits for owners. From the other side, there is also an interest in maximizing welfare.

The public sector can apply agency theory. Democratic countries have agency relationships between citizens and the government or interactions between regional governments and the central government. The central government delegated authority to regional governments. As a result, it is expected that it will account to the central government for its responsibilities. In addition, regional governments should maximize their welfare. In the public sector, the relationship to agency theory is seen according to the formulation of the budget. Afterwards, the budget is given to the center after approval by the center. Regional governments carry out activities from the budget, and then regional governments are required to be accountable for the realization of the budget to the central government.

2.4. COVID-19

The coronavirus outbreak is defined as an infectious disease caused by the SARS-CoV-2 virus. At the end of December 2019 in Wuhan City, China, the first news announcement announced that the COVID-19 outbreak emerged from a cluster of human pneumonia cases. Symptoms affected by the virus, such as a dry cough, fever, malaise, and dyspnea were diagnosed as indications of pneumonia virus infection. Wuhan pneumonia is the name given to the disease by the press because its symptoms are similar to those of pneumonia. The results of genome sequencing proved that the trigger was a

new Corona virus. The World Health Organization (WHO) officially announced the name coronavirus 2019 (COVID-19) on February 12, 2020, which previously had a new name, namely 2019 novel coronavirus.

SARS-CoV-2 is part of the spillover of animal coronaviruses which after that, switches its transmission from one human to another. This is because the virus spreads very quickly, so it quickly spreads and multiplies in the human population. Coronaviruses can infect animals including cattle, bats and camels. Coronaviruses are divided into four groups namely alpha, beta, gamma and delta. SARS-CoV-2 is included in the seventh category of the coronavirus family so it can cause infection in the human body.

2.5. Previous Research

Several studies explain that regional financial performance has been carried out by Rahmayati (2016) that in 2011-2013 that the independence ratio of Sukoharjo Regency experienced a significant increase of 17.36% in 2013. The effectiveness ratio showed an increase of 0.08% from 2011 of 1.08% to 1.16 in 2012. The efficiency ratio decreased from 3.71% in 2011 to 2.60% in 2012. However, it has increased from 2013 with a yield of 2.65%.

Mutiha (2016) found that “the average degree of decentralization occurred during the last five years in Bogor City was 23.09%”. Its independence ratio reaches an average of 31.69%. And the average effectiveness ratio is above 100%. Paramitha Sandy Mokodompit, Sifrid S. Pangemanan and Inggriani Elim (2014) the results for the degree of decentralization increased from 2011 to 2012, in 2011 it was 2.345% to 3.029% in 2012. The regional dependency ratio for 2011 was 90.69% and This 96.95% shows that it is still very high for central and provincial government revenues. The level of independence is still very low because in 2011 it was 9.179% and 11.364%.

Priyono et al. (2019) obtained the results that “the fiscal decentralization ratio had the lowest category of 4.36% and the highest was 141.68%”. From the results of the calculation of the fiscal decentralization ratio of 56 districts/cities, the average is 26.38%. This ratio explains the fiscal decentralization of districts/ municipalities in Indonesia in the low, medium and high categories.

2.6. Research Framework

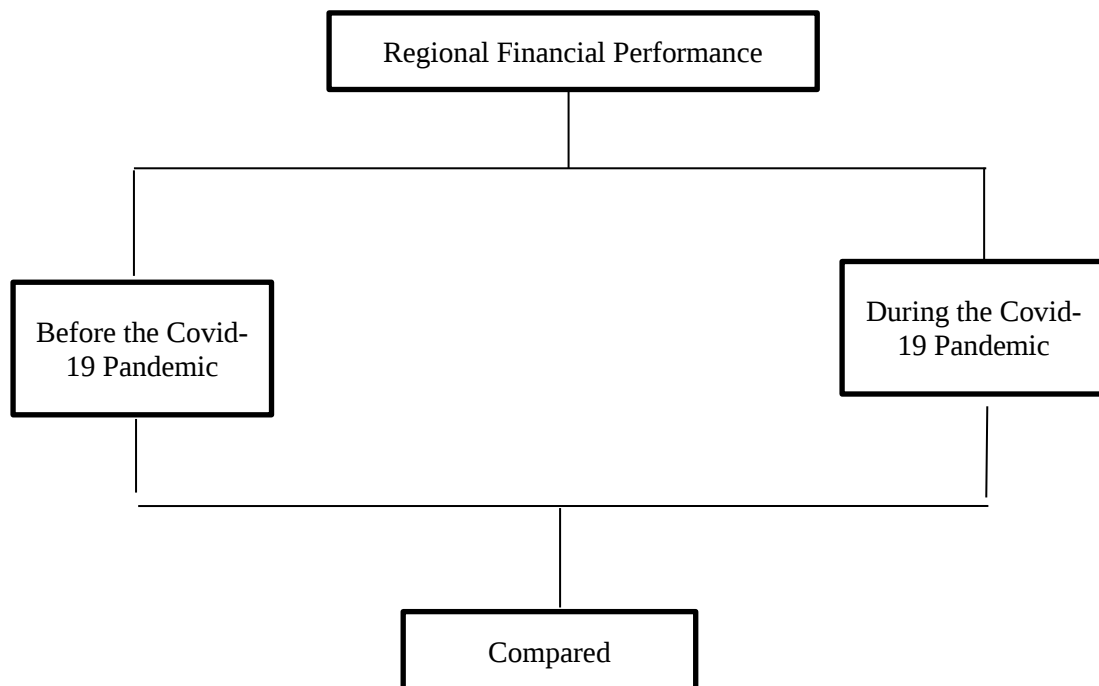


Figure 1. Framework of Thinking

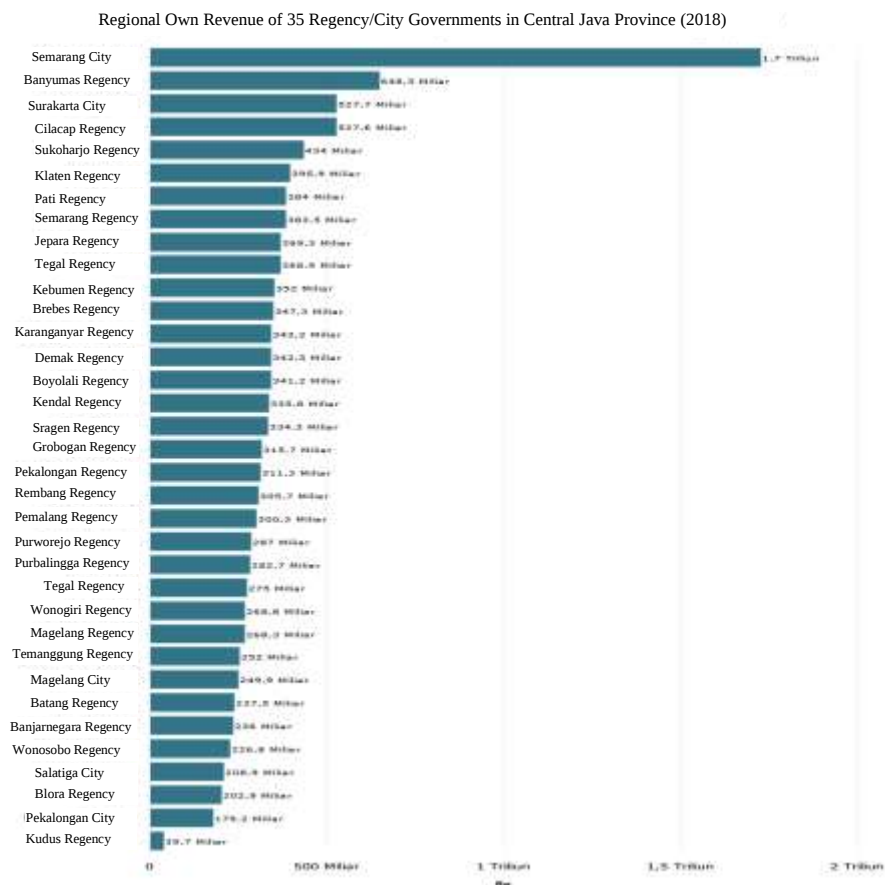
3. RESEARCH METHODS

This type of research is quantitative descriptive research. The research explains the symptoms or characteristics of the data that is being processed at the time of the research or within a specific time frame, allowing all formulations of the problems in the research to be answered (Sugiyono, 2017).

The research data is the Realization Report of District/City Regional Budgets and Expenditure in Central Java Province during the 2018-2020 fiscal year, which is secondary data. Source of data from the Directorate General of Fiscal Balance.

Central Java Province has 35 regencies or cities which are the population of this study. As for the sample, 20 regencies/cities in Central Java Province were taken. In determining the sample itself, the purposive sampling method with specific criteria is used. Regencies/cities in Central Java with high, medium and low local original income criteria in the 2018 fiscal year. Of the 13 regencies/cities having the highest PAD, 9 regencies/cities were taken, namely Semarang City, Banyumas Regency, Cilacap Regency, Sukoharjo Regency, Klaten Regency, Semarang Regency, Jepara Regency, Kebumen Regency, and Brebes Regency. Meanwhile, 5 were taken from 9 regencies/cities, namely Demak Regency, Boyolali Regency, Pekalongan Regency, Rembang Regency, Purworejo Regency. And for PAD with a low category, 6 out of 13 regencies/cities were taken, consisting of Purbalingga Regency, Magelang Regency, Magelang City, Blora Regency, Pekalongan City, Kudus Regency.

The following table shows the ranking of City/Regency PAD in Central Java Province for 2018



Source: Ministry of Finance (MoF), July 2019

Figure 1. Ranking of Local Own Revenue

3.1. Data Collection Technique

The documentation method is a way of collecting data used in research. The technique seeks secondary data by collecting data. Then, from this data an analysis of existing records and documents from an agency/company is carried out (Rukajat, 2018).

3.2. Data Analysis Technique

3.5.1. Degrees of Decentralization

The ratio of the degree of decentralization determines how much authority and responsibility are delegated by the central government to regional governments in carrying out development. Through the calculation of the degree of decentralization in accordance with the ratio of the amount of PAD to the total regional income. This ratio illustrates the results of the PAD ratio related to total regional income (Mahmudi, 2010: 142 in Saputra & Fernando (2017)).

$$\text{Degree of Decentralization} = \frac{\text{Regional Original Revenue}}{\text{Total Regional Revenue}} \times 100\%$$

Table 1. Category Level of Regional Financial Decentralization

Financial Decentralization	Financial Capability
0%-25%	Very low
>25%-50%	Low
>50%-75%	Medium
>75%-100%	High

Source: Nataludin (2001)

3.3. Regional Independence Ratio

Level regional independence is determined from the amount of Regional Original Revenue. Then do a comparison of regional income from other sources. It can be concluded that if the ratio of regional independence the greater the number obtained, the less dependence on assistance from the central/provincial government or vice versa (Fitri et al., 2014).

$$\text{Independence Ratio} = \frac{\text{Regional Original Revenue}}{\text{Central, Provincial and Loan Aid}} \times 100\%$$

Table 2. Regional Independence Category

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

Source: Abdul Halim (2007)

3.4. Effectiveness Ratio

Wahyuningsih et al. (2022) states that the ratio of effectiveness is the degree of achievement of program results for a particular purpose, and if the results are truly in accordance with pre-existing plans, then the results of this ratio are valid which are considered based on existing provisions. The effectiveness ratio is intended to measure the level of organizational performance in the public sector against public sector revenue targets. From this we can conclude that the higher the level of success, the better the performance of local government (Mahsun, 2006 in Agustin & Subardjo (2017)).

$$\text{Effectiveness Ratio} = \frac{\text{PAD Receipt Realization}}{\text{The PAD Revenue Target is determined based on the real potential of the region}} \times 100\%$$

Table 3. Criteria for Regional Financial Effectiveness

Effectiveness Ratio	Effectiveness Ratio
<100%	Ineffective
=100%	Effectively Balanced
>100%	Effective

Source: Mahsun (2009: 187)

3.5. Efficiency Ratio

This ratio makes a clear comparison between the amount of funding that has been used to generate income and the realization that has been received. If the level of achievement is less than 1% or less than 100%, it means that it is efficient. Therefore, the category of good government performance has a smaller efficiency ratio (Pramono, 2014).

$$\text{Efficiency Ratio} = \frac{\text{Cost of collecting PAD}}{\text{PAD realization}} \times 100\%$$

Table 4. Criteria for Regional Financial Efficiency

Efficiency Ratio	Efficiency Criteria
<100%	Efficient
=100%	Efficient Balanced
>100%	Inefficient

Source: Mahsun (2009: 187)

4. RESULTS AND DISCUSSION

4.1. Research Results

Based on data analysis using the degree of decentralization, independence ratio, effectiveness ratio and efficiency ratio of cities/districts in Central Java Province before and during the pandemic, the following data is obtained:

Table 5. Data on Financial Ratios Before and During the Pandemic

Name Regency/ City	Financial Ratio (%)											
	Before the Pandemic								During a Pandemic			
	2018				2019				2020			
	dd	K	EFV	EFS	dd	K	EFV	EFS	dd	K	EFV	EF S
Semarang city	43,00	79,15	100,54	106,40	45,30	86,65	97,10	101,50	46,00	90,80	107,12	93,80
Banyumas Regency	19,85	26,65	102,80	83,95	20,00	26,80	103,85	81,55	20,10	27,15	105,55	80,70
Cilacap Regency	17,20	27,35	106,19	97,20	17,50	22,85	99,85	84,70	18,80	25,20	105,40	82,75
Sukoharjo Regency	21,10	28,00	124,60	84,70	21,40	31,30	127,55	82,85	23,05	34,75	137,00	84,70
Klaten Regency	15,40	21,55	105,95	73,95	11,60	16,55	106,50	71,35	12,80	18,45	133,85	70,60
Semarang Regency	18,15	24,35	102,85	88,80	18,60	25,25	105,40	86,30	20,01	25,05	111,15	84,15
Jepara Regency	16,40	20,75	105,45	86,60	15,95	20,10	103,39	79,75	18,15	23,40	102,80	82,20
Kebumen Regency	13,40	16,30	96,70	81,30	14,55	18,05	100,55	79,70	14,60	18,15	123,35	77,40
Brebes Regency	12,15	17,40	97,20	79,95	12,25	18,00	99,50	79,80	13,05	20,35	108,10	75,15

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Demak Regency	16,00	20,15	110,85	79,45	17,25	22,10	107,95	80,45	18,85	29,45	119,50	79,25
Boyolali Regency	15,35	18,90	103,55	83,45	16,80	21,15	108,50	84,75	18,95	24,60	103,50	82,80
Pelongan Regency	15,00	18,20	84,34	102,85	15,70	19,50	83,65	100,05	17,00	25,20	90,30	99,60
Rembang Regency	16,65	20,75	97,50	82,00	19,95	21,35	99,30	80,35	17,40	22,10	111,85	75,90
Purworejo Regency	14,00	17,00	102,90	82,00	12,90	15,50	95,25	77,40	14,10	17,15	116,35	73,80
Purbalingga Regency	14,50	18,00	102,90	81,95	14,75	18,30	108,20	97,05	16,10	20,40	122,30	76,85
Magelang Regency	14,11	17,23	89,55	84,98	16,20	20,22	94,52	73,18	13,85	17,00	124,20	68,75
Magelang City	27,55	39,35	110,60	103,25	28,30	40,55	112,90	102,80	30,75	45,80	120,95	84,40
Blora Regency	9,60	12,65	101,00	99,55	11,05	15,15	113,25	98,25	14,10	20,45	108,00	98,80
Pekalongan City	19,80	25,80	89,70	81,20	15,65	19,50	83,65	82,10	24,15	32,80	132,90	79,80
Kudus Regency	16,90	21,20	108,72	86,10	16,45	20,50	102,57	86,31	19,05	24,60	131,63	81,55

Source : <https://djpk.kemenkeu.go.id/portal/data/apbd> (processed)

Information :

dd : Degree of Decentralization
K : Regional Independence Ratio
EFV : Effectiveness Ratio
EFS : Efficiency Ratio

From the data above for Semarang City, the degree of decentralization has increased for 2018 by 43,00%, and then for 2019 45,30% and 2020 46,00%, the criteria for all three are still low. The regional independence ratio for Sukoharjo Regency is the same as for Semarang City every year, but the relationship pattern is consultative (25-50), which means that the central government's intervention has begun to decrease, because the regions are considered to be slightly more capable of implementing autonomy. While the effectiveness ratio of Klaten Regency has been effective because the three budget years have exceeded 100%. Kebumen Regency efficiency ratio for 2018 is 81.30%, 2019 is 79,70% and 2020 is 77,40% the criteria are efficient.

Demak Regency, which has the criteria of moderate Original Regional Income, has increased from year to year for the degree of decentralization, but the criteria are still very low for the three fiscal years. The independence ratio of Pekalongan Regency in 2018 and 2019 has a relationship and instructive pattern, in 2020 it has increased to have a consultative pattern of 25.20%. For the effectiveness ratio of Rembang Regency in 2018 it was 97,80 and in 2019 the results obtained were 99,30%, the criteria were ineffective, in 2020 it was effective because it reached 111.85%. The effectiveness ratio of Purbalingga Regency for the three budget years has been efficient.

The degree of decentralization of Magelang Regency has very low criteria for 2018 of 14,11% and 2019 the result is 16,20%, but it has decreased in 2020 with a result of 13,85%. Magelang City for its independence ratio has always experienced an increase in three budget years with low financial capacity (25-50%). For the effectiveness ratio of Blora Regency it has been effective because the three budget years the results exceeded 100%. And the efficiency ratio of Kudus Regency has decreased in 2020 by 81,55%, previously for 2018 it was 86,10% and for 2019 it was 86,31%. The three budget years are included in the efficient criteria.

4.2. Discussion

This study has a difference from previous studies, namely comparing performance before the pandemic and during the pandemic. In addition, the data used uses reports on the realization of budgets and revenues for cities/regencies in Central Java Province. The sample selection is from the 2018 regional original income ranking.

Furthermore, the results of the analysis of the financial ratios of City/Regency governments in Central Java Province are then compared to the average between the periods before and during the pandemic. Below is comparative data on average financial performance before the pandemic and during the pandemic, the data is as follows:

Table 6. Comparison of Ratio Analysis (High PAD Category)

City name/ Regency	Average Ratio (%)							
	Before the Pandemic				During a Pandemic			
	dd	K	EFV	EFS	dd	K	EFV	EFS
Semarang city	44,15	82,90	98,85	103,95	46,00	90,80	107,12	93,80
Banyumas Regency	19,95	26,75	103,35	82,75	20,10	27,15	105,55	80,70
Cilacap Regency	17,35	25,10	103,05	90,95	18,80	25,20	105,40	82,75
Sukoharjo Regency	21,25	29,65	126,10	83,75	23,05	34,75	137,00	84,70
Klaten Regency	13,50	19,05	106,25	72,65	12,80	18,45	133,85	70,60
Semarang Regency	18,60	24,80	104,15	87,55	20,01	25,05	111,15	84,15
Jepara Regency	16,20	20,45	104,45	83,20	18,15	23,40	102,80	82,20
Kebumen Regency	13,00	17,20	98,65	80,50	14,60	18,15	123,35	77,40
Brebes Regency	12,20	17,70	98,35	79,90	13,05	20,35	108,10	75,15

Source : <https://djpk.kemenkeu.go.id/portal/data/apbd> (processed)

Based on calculations from table 6, the results of the Semarang City Government's financial analysis which is used as a basis for assessing financial performance indicate that the government has been able to organize decentralization because the average before the pandemic was 44.15% and when the pandemic was 46.00% but still in the low category (>25%-50%), This means that the amount of local revenue is relatively low than the total regional revenue. These results, supported by research by Nuwun Priyono et al. (2019) using the fiscal degree method for 56 districts/cities, resulted in 26.38%. This shows that fiscal decentralization in districts/cities in Indonesia is at a low rate. The independence ratio of Sukoharjo Regency has increased by 5.13%, for the pattern of consultative relationships. Klaten Regency experienced an increase during the pandemic from 106.25% to 133.85% and has reached effective criteria. The efficiency ratio is at an efficient level for Kebumen Regency because it is less than 100%, with pre-pandemic results of 80.50% and during the pandemic of 77.40%.

Table 7. Comparison of Ratio Analysis (Moderate PAD Category)

City/District Name	Average Ratio (%)							
	Before the Pandemic				During a Pandemic			
	dd	K	EFV	EFS	dd	K	EFV	EFS
Demak Regency	16,65	21,15	109,40	79,95	18,85	29,45	119,50	79,25
Boyolali Regency	16,10	20,05	108,50	84,10	18,95	24,60	103,50	82,80
Pelongan Regency	15,35	18,85	83,95	101,45	17,00	25,20	90,30	99,60
Rembang Regency	18,30	21,05	98,40	81,20	17,40	22,10	111,85	75,90
Purworejo Regency	13,45	16,25	99,10	79,70	14,10	17,15	116,35	73,80

Source : <https://djpk.kemenkeu.go.id/portal/data/apbd> (processed)

According to the financial analysis calculation table 7, Pekalongan Regency's three degrees of decentralization have increased by 2,85%. Boyolali Regency's independence ratio before the pandemic was 20,05%, for during the pandemic the result was 24,60% both of them have an instructive relationship pattern meaning that the central government has a more dominant role than the independence of the local government. In line with research conducted by Rahmayati (2016) using a similar method and resulting in a very low level of independence or an instructive relationship pattern.

The effectiveness ratio of Rembang Regency increased with a result of 111,85% during the pandemic from the previous 98,40%. Purworejo Regency for calculating its efficiency ratio is in the efficient criteria because before the pandemic it was 79,70% and when it was 73,80%, the efficiency ratio which produces a small number means that the local government's performance is good.

Table 8. Comparison of Ratio Analysis (Low PAD Category)

City/District Name	Average Ratio (%)							
	Before the Pandemic				During a Pandemic			
	dd	K	EFV	EFS	dd	K	EFV	EFS
Purbalingga Regency	14,65	18,15	105,55	89,50	16,10	20,40	122,30	76,85
Magelang Regency	15,20	18,75	92,05	79,10	13,85	17,00	124,20	68,75
Magelang City	27,95	39,95	111,75	103,05	30,75	45,80	120,95	84,40
Blora Regency	10,35	13,90	107,15	98,90	14,10	20,45	108,00	98,80
Pekalongan City	17,75	22,65	86,65	81,65	24,15	32,80	132,90	79,80
Kudus Regency	16,65	20,85	105,65	86,05	19,05	24,60	131,63	81,55

Source : <https://djpk.kemenkeu.go.id/portal/data/apbd> (processed)

For the calculation in Table 8, with the criteria of low original regional income, Magelang Regency's degree of decentralization decreased before the pandemic to 15.20% and during the pandemic to 13.85%. The ratio analysis of regional independence in Magelang City has the largest number, but the relationship pattern is still consultive (25-50% scale). Pekalongan City experienced an increase in the effectiveness ratio prior to the pandemic, which was not yet effective because it obtained a result of 86.65%, and it reached 132.90% during the pandemic. Similar to the research conducted by Arthaingan,

the results of the 2010-2014 Bogor government's financial performance showed that the effectiveness ratio for the last five years was above 100% or in the effective category. The efficiency ratio for Kudus Regency has reached the efficiency criteria (scale <100%) because the results of the analysis before the pandemic were 86.05% and during the pandemic they were 81.55%.

5. CONCLUSION

It can be seen that the degree of decentralization of cities/regencies in Central Java Province before and during the pandemic is still in the low category (scale > 25% -50%), meaning that they have been able to carry out decentralization but the amount of local revenue is still lower than the total revenue area. The results of the independence ratio analysis showing the highest level of independence is Semarang City because it increased during the pandemic to reach 90.80% with a delegative relationship pattern. Likewise, if for all cities/regencies in Central Java Province the role of the central government is more dominant than the independence of the local government, this means that it is in an instructive relationship pattern. From a comparison of the average financial performance analysis before and during the pandemic, most of the cities/districts in Central Java Province have been effective because their effectiveness ratio exceeds 100%, meaning that cities/regencies have been effective in realizing local revenue.

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