# Financial Performance Analysis of the Regional Financial and Asset Management Agency Aru Islands Regency

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**ABSTRACT**
*This study aims to analyze the financial performance of the BPKAD of Aru Islands Regency from 2019 to 2023 based on the following criteria: Fiscal Decentralization Degree Ratio; Regional Financial Independence Ratio; Local Revenue Effectiveness Ratio; Regional Financial Efficiency Ratio and Harmony Ratio. This research is a descriptive quantitative study conducted at the Regional Financial and Asset Management Agency (BPKAD) of Aru Islands Regency. Data collection was carried out using documentation methods. The data analysis technique used is descriptive quantitative with the formulas.The analysis results show that the financial performance of the BPKAD of Aru Islands is categorized as follows: The Fiscal Decentralization Degree Ratio is very low, with an average of 5.07%. The Regional Financial Independence Ratio indicates an instructive relationship pattern, with an average ratio of 5.92%. The Local Revenue (PAD) Effectiveness Ratio shows that the financial performance of Aru Islands is less effective, with an average effectiveness of 36.86%. The Regional Financial Efficiency Ratio is considered less efficient, with an average efficiency of 90.05%. The Harmony Ratio reveals that the average operational expenditure is very high at 79.49%, compared to the average capital expenditure of 14.50%, indicating that the local government has not adequately prioritized regional development.*
***Keywords:*** *efficiency ratio, effectiveness ratio, fiscal decentralization degree ratio.*

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## I.    INTRODUCTION

Law Number 32 of 2004 concerning local government states that one of the main points of the formation of autonomous regions is the ability to regulate and manage their own households, for which the regions are given the right to manage several sources of regional income that enable the regions to be able to carry out government and development in an efficient and effective manner. In the implementation of a government's development can be seen in the preparation of the budget.

Regional finance is one of the main elements in the implementation of regional autonomy. However, there are various other factors that affect regional financial capacity, such as human resources, organisation, management, facilities and infrastructure, and other supporting factors (Fajriansyah, et al. , 2019). Regional finance is closely related to the fact that regional financial mobilisation is often considered the most vital aspect in the implementation of regional government (Suryantini et al., 2017).

It is recognised that the paradigm shift in local governance from a centralised pattern to a decentralised pattern (regional autonomy), has consequences for the greater transfer of authority from the central government to local governments on the one hand, and on the other hand local governments have great authority to regulate and manage their own households autonomously. Regional autonomy with the principle of decentralisation provides broad authority and opportunities for local governments to govern responsibly in realising the welfare of the people in the regions. Broad authority requires optimal supervision, because without supervision there are opportunities for irregularities and abuse of authority, which will result in state financial losses, and the realisation of public welfare. Therefore, good regional financial performance is needed (Matei et al., 2017).

One of the fundamental changes in local financial management after regional financial reform is the change in the accounting system of the central and local governments. The essence of these changes is the demand for the implementation of accounting in regional financial management by the government, both local, provincial and district and city governments. Good regional financial management needs to be supported by a good understanding of the regional financial accounting system so that financial administration in the regions has high accuracy and accountability.

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Some of the regional financial problems faced by the Aru Islands Regency include: (1) the dependence of the regional government on subsidies from the central government which is reflected in the amount of central government assistance both in terms of routine budgets, namely autonomous regional subsidies and in terms of local government budgets, (2) the low ability of the region to explore potential sources of regional original income which is reflected in the relatively small receipt of Regional Original Income (PAD) compared to total regional revenue, (3) the lack of effort and ability of regional revenue in managing and exploring existing sources of income. (4) Inefficiency of local governments in making local expenditures.

The performance of local government must receive special attention and also the community because it is related to the manifestation of achieving prosperity (Khalikussabir, 2017). Financial performance measurement for the public interest can be used as an evaluation and restore performance by comparing work schemes and their implementation. In addition, it can also be used as a benchmark for improving performance, especially local government finance in the next period. The existence of regional autonomy has resulted in the decentralisation of the government system in the Aru Islands Regency, therefore the Aru Islands Regency Government as the party entrusted with the task of running the wheels of government, development and community services is obliged to submit its regional financial accountability report to assess whether the Aru Islands Regency government has succeeded in carrying out its duties properly or not. Good performance is very important in every organisation, be it business or public, which follows predetermined standard procedures. The performance of a group or individual can be known if it has criteria for the level of success that has been set in the form of targets and goals to be achieved (Isna, 2015).

Financial performance analysis at the Aru Islands Regency Financial and Asset Management Revenue Office (DPPKAD) is an assessment process regarding the level of progress in achieving the implementation of the work / activities of the DPPKAD of the Aru Islands Regency in the financial sector for a certain period of time. This study aims to determine the effect of the decentralisation degree ratio, regional financial independence ratio, PAD effectiveness ratio, regional financial efficiency ratio, and compatibility ratio on the financial performance of BPKAD Aru Islands Regency.

## II. THEORY

Local Government Financial Performance is the level of achievement of a work result in the field of local finance which includes budget and budget realisation using financial indicators determined through a policy or statutory provisions during the budget period.

Measurement of Local Government Financial Performance is carried out to be used as a benchmark in assessing regional financial independence in financing the implementation of regional autonomy; Measuring effectiveness and efficiency in realising local revenues; Measuring the extent of local government activity in spending local revenues; Measuring the contribution of each source of income in the formation of regional income; Seeing the growth or development of revenue generation and expenditures made during a certain period of time.

Local government performance measurement must include financial performance measurement. This is related to the objectives of the LG organisation. Local Government Financial Performance Indicators include: Input Indicators are everything that is needed so that the implementation of activities can run to produce outputs; Process Indicators to formulate measures of activities, both in terms of speed, accuracy, and accuracy of the implementation of these activities; Output Indicators are something that is expected to be achieved directly from an activity which can be physical or non-physical; Result Indicators are everything that reflects the functioning of activity outputs in the medium term; Benefit Indicators are something related to the ultimate goal of implementing activities.

2.1. Fiscal Decentralisation Degree Ratio

The Fiscal Decentralisation Degree Ratio is calculated based on the ratio between the amount of Regional Original Revenue (PAD) and Total Regional Revenue. This ratio shows the degree of PAD contribution to total local revenue. The higher the PAD contribution, the higher the local government's ability to implement decentralisation.

2.2. Regional Financial Independence Ratio

The Regional Financial Independence Ratio describes the region's dependence on transfer revenues (external data sources). The higher the Regional Financial Independence Ratio means that the level of regional dependence on external assistance is lower and vice versa. The Regional Financial Independence Ratio also illustrates the level of community participation in regional development.

2.3. PAD Effectiveness Ratio

The PAD Effectiveness Ratio describes the local government's ability to realise planned PAD compared to the target set based on the real potential of the region. The higher the PAD Effectiveness Ratio, the better the local government performance.

2.4. Regional Financial Efficiency Ratio

The Regional Financial Efficiency Ratio (REKD) describes the comparison between the amount of costs incurred to obtain revenue and the realisation of revenue received. For this reason, the local government needs to carefully

calculate how much it costs to realise all the revenue it receives so that it can be seen whether its revenue collection activities are efficient or not.

2.5. Coherence Ratio

The Coherence Ratio illustrates how local governments prioritise the allocation of funds to Operating Expenditure and Capital Expenditure optimally. The higher the percentage of funds allocated to Operating Expenditure, the smaller the percentage of Capital Expenditure used to provide economic infrastructure for the community.

2.6 Previous Research

Susilowati, et al (2016), Analysis of the Financial Performance of the Karanganyar Regency Government Fiscal Year 2013 - 2015. The results of the analysis of the Karanganyar fiscal decentralisation level ratio from 2013 to 2015 decreased, the results of the analysis of the Karanganyar dependency ratio showed relatively low financial dependence. The results of the analysis of the ratio of local financial independence in 2013-2015 show that Karanganyar Karanganyar's financial capacity is still relatively very low and the relationship pattern includes an instructive relationship pattern where the role of the central government is more dominant than the independence of local governments. (regions that are unable to implement regional autonomy), The results of the analysis of the effectiveness ratio of Karanganyar PAD from 2013 to 2015 show that the effectiveness of Karanganyar Local Government Finance in 2013 and 2014 is quite effective, and 2015 is very effective; The results of the analysis of the regional expenditure efficiency ratio of Karanganyar Regional Expenditure Efficiency Ratio in 2013-2015 are very efficient for efficiency intervals of less than 10%.

Pangkey et al., (2017 states that the results of the Regional Original Revenue Independence Ratio show that the level of regional independence is still very low. The ratio of the degree of fiscal decentralisation of the local government is still low, but judging from the effectiveness ratio of local revenue, the effectiveness of regional financial management is very effective and the ratio of regional expenditure compatibility shows that the balance between expenditures is still not balanced. The reason is that the potential owned is still poorly managed by the government. If the potential is maximised, the tax which is the main support for Regional Original Revenue will increase, and will become a benchmark for the level of community welfare, so that people can enjoy every physical development provided by the local government.

Muhajirin (2019) conducted research with the title 'Financial Performance of District and City Local Governments in the SWP Gerbang Kertasusila Plus Area of East Java Province Fiscal Year 2012-2017'. The results of the study show that the majority of governments still depend on funds from the central government through balancing funds. Only three regions show a good fiscal decentralisation ratio. From the results of the analysis of regional financial capacity, the average is> 1, so it is said to be high. Regional financial performance represented by regional financial independence, fiscal decentralisation, effectiveness, and efficiency simultaneously has a positive and significant effect on people's welfare.

## III. METHODOLOGY

This research uses quantitative descriptive research because it is to find out how the ratio of the degree of fiscal decentralisation, the ratio of independence, the ratio of PAD effectiveness, the ratio of regional financial efficiency and the ratio of compatibility affects the financial performance of the Regional Financial and Asset Management Agency (BPKAD) of the Aru Islands Regency Government, while the approach used is an associative approach, which aims to see whether the five variables have a relationship or influence.

Regarding the type and source of data, it is divided into two, namely primary data and secondary data. Primary data is data obtained by researchers directly by means of interviews, while secondary data is data obtained by researchers from existing sources.

Quantitative descriptive analysis is to perform calculations on the financial data obtained to solve existing problems in accordance with the research objectives.

Degree of fiscal decentralisation can be calculated using the following formula:

$$DDF = \frac{PADt}{TPDt} \; x \; 100 \; \%$$

Description :
DDF = Degree of Fiscal Decentralisation
PADt = Total local revenue in year t
TPDt = Total Regional Revenue in year t

The Regional Financial Independence Ratio can be calculated using the formula :

$$\text{Regional Financial Independence Ratio} = \frac{PADt}{transfer \; income} \; x \; 100 \; \%$$

The Regional Effectiveness Ratio can be calculated using the formula

$$\text{Effectiveness Ratio of PAD} = \frac{realisation \; PAD}{budget \; PAD} \; x \; 100 \; \%$$

The criteria for the Effectiveness Ratio according to Mohammad Mahsun (2009), are: If the value obtained is less than 100% (x < 100%) means ineffective; If the value obtained is equal to 100% (x = 100%) means balanced effectiveness; If the value obtained is more than 100% (x > 100%) means effective.

The Regional Financial Efficiency Ratio can be calculated using the formula

$$\text{Regional Financial Efficiency Ratio } = \frac{realisation\ of\ regional\ expenditure}{realisasi\ pendapatan\ daerah} \ x\ 100\ \%$$

The Coherence Ratio can be calculated using the formula

$$\text{operating expenditure ratio } = \frac{\text{total operating expenditure}}{total\ regional\ expenditure} \ x\ 100\ \%$$

$$\text{capital expenditure ratio} = \frac{\text{total capital expenditure}}{total\ regional\ expenditure} \ x\ 100\ \%$$

## IV. RESULT

Analysis of the Financial Performance of the Regional Financial and Asset Management Agency (BPKAD) of the Aru Islands Regency in this study is an assessment process regarding the level of progress in achieving the implementation of the work / activities of the Regional Financial and Asset Management Agency (BPKAD) of the Aru Islands Regency in the financial sector for the period 2019 - 2023. The ratios used by researchers in analysing the financial performance of the Aru Islands Regency Financial and Asset Management Agency (BPKAD) in this study are: Fiscal Decentralisation Degree Ratio, Regional Financial Independence Ratio, PAD Effectiveness Ratio, Regional Financial Efficiency Ratio, and Compatibility Ratio.

4.1. Fiscal Decentralisation Degree Ratio
This ratio reflects the degree of PAD contribution to total local revenue. The degree of fiscal decentralisation can briefly be interpreted as a process of budget distribution from higher levels of government to lower governments, to support government functions or tasks and public services in accordance with the amount of authority in the field of government delegated.

Table. 4. 1. Calculation of DDF Ratio BPKAD Aru Islands Regency Fiscal Year 2019 - 2023

| Year | Local Revenue (PAD) (Rp) | TPD (Rp.) | DDF (%) |
|------|--------------------------|-----------|---------|
| 2019 | 61.725.918.480 | 958.783.818.600 | 6,44 |
| 2020 | 54.727.071.250 | 837.119.051.090 | 6,54 |
| 2021 | 42.328.738.690 | 883.623.206.010 | 4,79 |
| 2022 | 35.931.706.480 | 883.089.852.920 | 4,07 |
| 2023 | 31.955.275.190 | 912.676.924.900 | 3,50 |

Source: processed data (2024)

In Table 4.1. shows that the realisation of PAD of the Aru Islands Regency from 2019 to 2023 has decreased on average by 15.04%, while the realisation of regional income over the past five years has fluctuated.
The total realisation of regional revenue of the Aru Islands Regency from 2019 to 2023 experienced fluctuations, so it can be said that the BPKAD Financial Performance of the Aru Islands Regency for the last five years when viewed from the Fiscal Decentralisation Degree Ratio can be categorised as Very Poor, and is only on the interval scale 00.00 - 10.00%.
This happens because PAD in the Aru Islands Regency is still relatively small when compared to total regional revenue. In addition, public participation and awareness to pay regional taxes and levies are still very lacking, causing PAD to not have a big share in financing regional development in the Aru Islands Regency. The Aru Islands Regency Government in financing the implementation of government and development is still very dependent on assistance from the central government and the local provincial government. It is hoped that in the future the Aru Islands Regency Government can try to increase its PAD by developing existing potentials and exploring new potentials.
The results of this study are supported by Hartoyo and Arsad (2021) explained that the Financial Performance of Dompu Regency 2015-2019 seen from the Fiscal Decentralisation Degree Ratio is still classified as Very Poor with an average of 6.5%. This result is in accordance with what happened to Aru district in this study. According to Hartoyo and Arsad, the problems that occur are due to the inability of local governments to explore the potential of the region to increase PAD. The author can also conclude that the inability of local governments to explore existing potentials causes the financial performance of the Aru Islands Regency regional government seen from the Fiscal Decentralisation Degree Ratio to still be classified as very lacking.

### 4.2. Regional Financial Independence Ratio

The Independence Ratio describes the level of community participation in regional development and to determine how far the regional financial condition can support regional autonomy. The higher the independence ratio, the higher the community participation in paying local taxes and levies which are the main components of local revenue. The higher the community pays local taxes and levies will illustrate the higher level of community welfare.

Table. 4. 2. Calculation of the Regional Financial Independence Ratio (RFIR) of BPKAD of Aru Islands Regency for the 2019 - 2023 Budget Year

| Year | PAD (Rp) | Transfer Funds (Rp.) | RFIR (%) |
|------|----------|----------------------|----------|
| 2019 | 61.725.918.480 | 766.250.174.950 | 8,06 |
| 2020 | 54.727.071.250 | 656.479.490.400 | 8,34 |
| 2021 | 42.328.738.690 | 825.152.345.320 | 5,13 |
| 2022 | 35.931.706.480 | 830.058.596.440 | 4,33 |
| 2023 | 31.955.275.190 | 859.706.460.310 | 3,72 |

Source: processed data (2024)

Table 4.2 shows that the PAD of the Aru Islands Regency from 2019 to 2023 has decreased. While revenue or assistance from external parties, in this case assistance from the provincial government and from the central government, always fluctuates, where in 2019 the transfer funds from the central government amounted to Rp. 766,250,174,950 and then decreased in 2020 by 14.33% or decreased to Rp. 656,479,490,400. In 2021, central and provincial government assistance / transfer funds increased to Rp. 825,152,345,320, or an increase of 25.69% from the previous year, then experienced another increase of 0.59% or increased to Rp. 830,058,596,440 in 2022. Furthermore, in 2023 it again increased by 3.57% or increased to Rp 859,706,460,310.

Based on the calculation results in table 4.2., the financial capacity of BPKAD Aru Islands Regency is still very low and the relationship pattern includes an Instructive relationship pattern where the role of the central government is more dominant than the independence of the local government (regions that are unable to implement regional autonomy). Regions have not been able to optimise PAD to finance their regional development. Public awareness and participation in the payment of taxes and levies is also one of the things that causes the PAD generated by the Aru Islands Regency Government to be small and cannot be relied upon to finance the implementation of government and development. To overcome this, the local government must be able to optimise revenue from its existing revenue potential. The initiative and willingness of the local government are needed in an effort to increase PAD, for example the establishment of potential sector BUMDs.

The results of this study are in accordance with previous research conducted by Hanifa and Amalia (2022), which states that based on the results of the calculation of the Regional Independence Ratio of the Regional Financial and Asset Management Agency of Ogan Komering Ilir Regency so far, it illustrates that the level of regional financial capacity is still very low or included in the Instructive pattern, which means that the role of the Central Government is more dominant than the independence of the Regional Government (the region is unable to implement Regional Autonomy). So that the regional government of Aru Regency is considered to be still very dependent on balancing funds originating from central funds.

### 4.3. PAD Effectiveness Ratio

The PAD Effectiveness Ratio describes the local government's ability to realise planned PAD compared to the target set based on the real potential of the region. The higher the effectiveness ratio, the better the performance of the local government.

Table. 4. 3. Calculation of the Effectiveness Ratio (ER) of PAD of Aru Islands Regency for the 2019 - 2023 Budget Year

| Year | Budget PAD (Rp) | realisation PAD (Rp.) | PAD ER (%) |
|------|-----------------|-----------------------|------------|
| 2019 | 163.281.272.450 | 61.725.918.480 | 37,80 |
| 2020 | 158.045.343.990 | 54.727.071.250 | 34,63 |
| 2021 | 119.003.945.830 | 42.328.738.690 | 35,57 |
| 2022 | 117.911.750.710 | 35.931.706.480 | 30,47 |
| 2023 | 69.752.593.430 | 31.955.275.190 | 45,81 |

Source: processed data (2024)

The realisation of PAD of the Aru Islands Regency from 2019 to 2023 has decreased. In 2019 the PAD of the Aru Islands Regency was IDR 61,275,918,480 or 6.39% of the total realisation of PAD revenue. Experienced another decline in 2020, namely to Rp 54,727,071,250 or a decrease of 6.54% of total revenue. In

2021 the PAD of the Aru Islands Regency decreased to IDR 42,328,738,690 or a decrease of 4.79% of the total revenue realisation. In 2022 it decreased to IDR 35,931,706,480 or a decrease of 4.07% of total revenue. Then in 2023 the realisation of PAD decreased to Rp 31,955,275,190 or decreased to 3.50% of total revenue.

Based on the calculations in table 4.3., it can be seen that the effectiveness of BPKAD's financial PAD in 2019 was 37.80%, in 2020 it was 34.63%, in 2021 it was 35.57%, in 2022 it was 30.47%, and in 2023 it was 45.81%. The effectiveness of the financial performance of the Aru Islands Regency for 2019 to 2023 is less effective because the effectiveness is still below 100%.

However, to maintain PAD, the Aru Islands Regency Regional Government must continue to optimise revenue from its existing revenue potential. The initiative and willingness of the Regional Government are needed in an effort to increase PAD. The Blood Government must look for possible alternatives to be able to overcome its financing shortcomings, and this requires the creativity of the regional financial implementation apparatus to find new sources of financing both through financing cooperation programs with the private sector and also PAD increase programs, for example the establishment of potential sector BUMDs.

The results of this study differ from previous studies which have positive effectiveness ratios. This is because revenue from the regional tax and levy sector exceeds that previously budgeted, while in Aru Regency the community still does not have full awareness to pay taxes and other regional levies.

4.4 Regional Financial Efficiency Ratio

The Regional Financial Efficiency Ratio (RFER) illustrates the comparison between the amount of costs incurred to obtain revenue and the realisation of revenue received. The following is the Aru Regency Regional financial efficiency ratio

Table 4. 4. Calculation of the Financial Efficiency Ratio of the Aru Islands Regency for the 2019 - 202 Budget Year

| Year | Expenditure Realisation (Rp) | Revenue Realisatio (Rp.) | RFER (%) |
|------|------------------------------|--------------------------|----------|
| 2019 | 832.687.217.460 | 958.783.818.600 | 86,85 |
| 2020 | 687.773.783.140 | 837.119.051.090 | 82,16 |
| 2021 | 883.088.169.240 | 883.623.206.010 | 99,94 |
| 2022 | 725.529.948.580 | 883.089.852.920 | 82,16 |
| 2023 | 904.647.905.880 | 912.676.924.900 | 99,12 |

Source: processed data (2024)

Based on the calculations in table 4.4., above, the Regional Financial Efficiency of BPKAD Aru Islands Regency in 2019, 2020 and 2022 is classified as quite efficient because the efficiency interval is between 80% - 90%. This happened because the realisation of revenue was greater than the realisation of regional expenditure. In 2021 and 2023 it is classified as less efficient because the ratio value is between 90% - 100%. However, the total revenue is still greater than the total expenditure.

Less and quite efficient regional finances of the Aru Islands Regency are caused because the total regional expenditure is still greater than the regional income, especially in 2019, 2020, 2021 and 2023, although in 2022 the total revenue is still greater than the total expenditure allocated. Although in 2019, 2020, 2021 and 2023 the Aru Islands Regency Government was able to reduce its expenditure than previously budgeted, the amount of revenue it obtained was still a small amount when compared to its regional expenditure. So it can be said that the performance of the Aru Islands Regency Government in this case is still poor because it has not been able to reduce the amount of regional spending. In the future, it is hoped that the Aru Islands Regency Government can minimise the amount of spending by adjusting its income. So that in the future there can be an increase in regional spending efficiency.

This research is in line with research conducted by Andi Melisa Anastasia. B (2012) in Bulukumba Regency, South Sulawesi The financial performance when viewed from the Regional Financial Efficiency Ratio is efficient because the average is 87.34%. According to researchers, this happened because the Bulukumba Regency Government had succeeded in implementing its budget efficiency. This is different from what happened in this study where the Government's financial efficiency in 2019, 2020, 2021 and 2023 was less efficient.

4.5. Coherence Ratio

The Coherence Ratio illustrates how local governments prioritise the allocation of funds to operating expenditure and capital expenditure optimally. The compatibility ratio of the research results can be seen in table 4.5a and table 4.5b.

Where in table 4.5a will show the operating expenditure compatibility ratio Realisation of regional operating expenditure consisting of: Employee Expenditure, Goods Expenditure, Interest Expenditure, Subsidy Expenditure, Grant Expenditure, Social Assistance Expenditure, Financial Assistance Expenditure, and Financial Assistance Expenditure and in table 4.5b will show the ratio of compatibility of capital expenditure consisting of:

Land Expenditure, Equipment and Machinery Expenditure, Building and Construction Expenditure, Road, Irrigation and Network Expenditure, Other Fixed Assets Expenditure, and Other Assets Expenditure.

Table 4. 5a. Calculation of Compatibility of Operating Expenditures of Aru Regency for the 2019 - 2023 Budget Year

| Year | Total Expenditure | Realised Operating Expenditure | Operating Expenditure Ratio |
|---|---|---|---|
| 2019 | 832.687.217.460 | 670.977.822.040 | 80,58 |
| 2020 | 687.773.783.140 | 577.761.325.278 | 84,00 |
| 2021 | 883.088.169.240 | 616.793.593.817 | 69,85 |
| 2022 | 725.529.948.580 | 685.461.975.675 | 94,48 |
| 2023 | 904.647.905.880 | 620.084.341.553 | 68,54 |

Source: processed data (2024)

Based on the calculation results in table 4.5a. above, it is known that the average Operating Expenditure Compatibility Ratio of BPKAD Aru Islands Regency is 79.49%. In 2019 the operating expenditure ratio of 80.58% increased to 84.00% in 2020 or increased by 3.42%. Conversely, in 2021 there was a decrease to 69.85% or a decrease of 14.15%, and experienced an increase again in 2022 to 94.48% or an increase of 24.63%. Furthermore, in 2023 there was a decrease to 68.54% or a decrease of 25.94%.

Table 4. 5b. Calculation of Compatibility of Capital Expenditure of Aru Islands Regency for Fiscal Years 2019 - 2023

| Year | Total Expenditure | Capital Expenditure Realisation | Capital Expenditure Ratio |
|---|---|---|---|
| 2019 | 832.687.217.460 | 161.709.395.420 | 19,42 |
| 2020 | 687.773.783.140 | 67.586.260.760 | 9,83 |
| 2021 | 883.088.169.240 | 104.336.778.370 | 11,81 |
| 2022 | 725.529.948.580 | 131.621.225.750 | 18,14 |
| 2023 | 904.647.905.880 | 120.290.828.070 | 13,30 |

Source: processed data (2024)

Based on the calculation results in table 4.5b. above, it is known that the average Capital Expenditure Compatibility Ratio of BPKAD Aru Islands Regency is 14.50%. In 2019 the Capital Expenditure Compatibility Ratio of 19.42% decreased in 2020 to 9.83% or decreased by 9.59%, and experienced an increase in the following year, namely in 2021 by 11.81% or an increase of 1.98%. In 2022 there was also an increase to 18.14% or an increase of 6.33%, but in 2023 there was a decrease to 13.30% or a decrease of 11.43%.

According to the descriptions and calculations above, most of the funds owned by the Regional Government are still prioritised for operating expenditure needs so that the capital expenditure ratio is relatively small. This can be evidenced from the average operating expenditure ratio which is still large compared to the average capital expenditure ratio. The large allocation of funds for operating expenditures is mainly due to the large number of autonomous agencies and personnel expenditures for civil servant salaries. This can show that the Aru Islands Regency Government is more inclined to routine expenditures to fulfil government activities and has not paid attention to regional development. This is because there is no definite benchmark for capital expenditure, so that the Regional Government is still concentrating on fulfilling operating expenditure which results in capital expenditure for the Aru Islands Regency Government being small or unfulfilled. For this reason, in the future the Aru Islands Regency Government is expected to pay more attention to services to the community which can later be enjoyed directly by the public. Because basically the funds in the regional budget are public funds so that these funds are utilised for the public interest.

This research is in line with research conducted by Sri Wahyuni (2008) which explained that the financial performance of the Sragen Regency Government when viewed from the Coherence Ratio is still less stable because there is always an increase or decrease in each period. This is almost the same as what happened in this study where the Financial Performance of the Blora Regency Government when viewed from the Compatibility Ratio is still unstable.

## V. CONCLUSION
Based on the results of the data analysis that has been described, the following conclusions can be drawn:

The Financial Performance of BPKAD Aru Islands Regency when viewed from the Fiscal Decentralisation Degree Ratio can be categorised as Very Poor, because it is still on the interval scale 00.00% - 10.00%; when viewed from the Regional Financial Independence Ratio, it is still very low and the relationship pattern includes an Instructive relationship pattern, because it is still classified in the interval 0% - 25%; when viewed from the PAD Effectiveness Ratio, it is known that the financial effectiveness of BPKAD Aru Islands Regency in 2019 and 2023 is less effective because its effectiveness is still below 100%; when viewed from the Regional Financial Efficiency Ratio, it is known that the average regional financial efficiency of the Aru Islands

Regency from 2019 to 2023 is 90.05% where 2019, 2020 and 2022 with an average ratio value of 83.72 have fairly efficient criteria because they are in the range of 80-90%, while in 2021 and 2023 they have less efficient criteria with an average ratio value of 99.53 and are in the range of 90-100%; when viewed from the Compatibility Ratio is not stable from year to year. Operating expenditure is greater than capital expenditure. The amount of operating expenditure is in the range of 68.54% - 94.48%, averaging 79.49%, this is due to the amount of personnel expenditure. Capital expenditure is in the range of 9.83%-19.42%, an average of 14.50% so it can be said that the Aru Islands Regency Government still pays less attention to development in the region.

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