

Analysis of Financial Performance and Financial Capability of the Kepulauan Aru District

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ABSTRACT

The research objectives are to measure and analyze regional financial performance in the Aru Islands Regency during 2018 to 2023 which is proxied by the calculation of the Independence Ratio, the Fiscal Decentralization Degree Ratio, the Effectiveness Ratio, the Activity Ratio, and the Spending Compatibility Ratio. Assess and analyze the regional financial capacity of the Aru Islands Regency from 2018 to 2023 which is proxied by the calculation of Share and Growth of the Regional Revenue and Expenditure Budget, calculation of the Regional Financial Capability Map, and calculation of the Financial Capability Index.

The method of analysis used is quantitative descriptive method, with the sample used, namely the Aru Islands Regency Regional Revenue and Expenditure Budget 2018-2023. With the analysis technique, namely the regional financial performance ratio. The regional financial performance of the Aru Islands Regency from 2018 to 2023 is low because it is still included in the Instructive pattern, or has not been able to self-finance government activities, development, and community services. The degree of Fiscal Decentralization of the Aru Islands Regency Regional Budget for the 2018-2023 Fiscal Year is still very lacking.

Keywords: Regional Financial Performance, Regional Financial Capability

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I. INTRODUCTION

The delegation of authority to each region from the central government, called regional autonomy, has a performance context with two different sides. On the first side, the government has so much authority over its region. Regional financial performance is an important aspect assessed by the public regarding organizational and management accountability to produce much better community services.

Local financial performance is an important aspect assessed by the public regarding organizational and management accountability to produce much better community services. This is because the implementation policy of local governments that already have the authority to regulate their own regions is still under the management of the central government. One of the relationships that exist between local governments and the central government is the financial sector relationship between the central government and local governments.

II. THEORY

According to Sumarjo (2010), local government financial performance is the output or result of activities or programs that will or have been achieved in connection with the use of regional budgets with measurable quantity and quality. Financial performance analysis is an attempt to identify financial characteristics based on available financial reports. Local government financial performance can be determined using financial ratio analysis. The independence ratio is obtained from local revenue compared to the balance fund, the higher the resulting ratio number indicates the higher the financial independence of the region. The independence ratio can be calculated using the following formula (Halim, 2014).

The ratio of the degree of fiscal decentralization is a measure that shows the level of authority and responsibility given by the central government to local governments to carry out development. The effectiveness ratio of Regional Original Revenue (PAD) shows the ability of local governments to mobilize revenue from Regional Original Revenue (PAD) in accordance with the target (Mahmudi, 2010). The higher the effectiveness ratio, the better the local government performance.

The financial capability of a region is the conformity of the achievement of financial performance results with the planned targets. This regional capability shows the ability of the region to finance its household affairs, especially those derived from Regional Original Revenue. Share and Growth illustrates Local Revenue (PAD) in taking the role of total expenditure, can also measure how much the ability of local governments to maintain and improve the success that has been achieved from one period to the next. The regional financial capability map illustrates the region's ability to develop local potential, which is classified from the results of the calculation of share and growth using the mapping of regional financial capability based on the Quadrant Method (Muhibtari, 2014).

III. METHODOLOGY

The type of research used in this research is descriptive which is studied quantitatively. Quantitative descriptive research is a type of research used to analyze data by describing or describing the data that has been collected as it is. This research is also included in descriptive verification, which is research that refers to previous research by confirming with the object of research (Sugiyono, 2016). The location of this research is the Regency Government and the time used in the research is December 2023 to February 2024. The sample used in this study is the Regional Revenue and Expenditure Budget Realization Report data for the 2018 to 2023 fiscal years. Data analysis techniques using analysis with regional financial performance ratios.

IV. RESULT

The results of the study are as follows: The trend of the independence ratio shows fluctuations but tends to decrease. The highest self-reliance ratio was in 2020 at 36.53 but was still in the instructive relationship pattern. The lowest independence ratio was seen at the end of the study year of 25.66 and is still in the instructive relationship pattern.

Instructive Relationship Pattern, where the role of the central government is more dominant than the independence of local governments or regions that are unable to implement regional autonomy. Based on the calculation results, the value of the Fiscal decentralization ratio is included in the criteria very less, because it can be less than 10% in 2018-2023. From the trend, there is only a very small increase, namely from 5.93% in 2018 to 6.54% in 2020 after which there was a decline until the end of the study period. This is due to the very small contribution of PAD to total regional income. the effectiveness ratio of the Aru Islands regency is still included in the ineffective criteria in 2018 to 2023 because it is still less than 75%. The trend also shows fluctuations but tends to increase. The highest effectiveness value at the end of the study period was 45.81% in 2023, and the lowest effectiveness ratio was in 2018 at 5.52%

From the results of the calculation of the Aru Islands Regency Public expenditure ratio for the 2018 to 2023 fiscal years, it can be seen that the minimum value of 10.47% is in 2020, and the maximum value of 25.73% is at the beginning of the study year. So that the trend shows that the ratio of public expenditure fluctuates but tends to decrease. The average public expenditure ratio of the Aru Islands Regency in the 2018 to 2023 budget year was 17.41%. This shows that the dominance of regional government spending in the Aru Islands Regency still dominates direct and indirect spending. But it can finance the government activities of the Aru Islands Regency.

Share and Growth describes the Regional Original Revenue (PAD) in taking the role of total expenditure, it can also measure how much the local government's ability to maintain and improve the success that has been achieved from one period to the next. From the results of the Aru Islands Regency calculation, it can be seen that the minimum share value is 4.32% in 2023, and the maximum value is 8.48 in 2020, and has an average value of 6.29%.

Measurement of the regional financial capacity of the Aru Islands Regency during 2018 to 2023 which is proxied by the calculation of Growth. Where the average share value is -11.21% and is still included in the low criteria, and the average growth of -2.14% is also in the low category, so it is included in quadrant IV. This condition is the worst. The financial capability index describes the level of regional financial capability by compiling three components, namely the average count of the growth index, the elasticity index, and the share index. The value of 0.83 if seen in the Regional Financial Capability Level Criteria 83% is included in the High classification.

V. CONCLUSION

Based on the results and discussion presented in the previous chapter, it can be concluded that:

- 1). The regional financial performance of the Aru Islands Regency from 2018 to 2023 is low because it is still included in the Instructive pattern, or has not been able to self-finance government activities, development, and community services.
- 2). The degree of fiscal decentralization of the regional income and expenditure budget of the Aru Islands Regency for the 2018-2023 fiscal year is still very lacking.

- 3). The regional financial performance of the Aru Islands Regency during 2018 to 2023 is also ineffective.
- 4). Regional financial performance in the Aru Islands Regency from 2018 to 2023 which is proxied by the calculation of the Activity Ratio. The higher the percentage of funds allocated for regional apparatus expenditure or operations means that the percentage of public or capital expenditure used to provide community economic infrastructure tends to be smaller.
- 5). Regional financial performance in the Aru Islands Regency from 2019 to 2022 which is proxied by the calculation of the Spending Compatibility Ratio is quite optimal.
- 6). The Aru Islands Regency regional financial capability map is included in the low quadrant
- 7). The Aru Islands Regency Regional Financial Capability Index during the research period was included in the High classification

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