



A Review of the Effectiveness and Efficiency of the Regional Financial Management in Makassar City

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ABSTRACT

Effective and efficient regional financial management is a very important aspect of regional development. Effective, efficient, transparent and accountable regional management is needed to realize broad, real and accountable regional autonomy and decentralization. So that this study aims to determine the level of effectiveness and efficiency in regional financial management of the Makassar City government. Data analysis used a quantitative descriptive approach. By using secondary data, namely the realization of revenues and expenditures/expenditures of the Makassar City government. The results of this study illustrate the ratio of the performance effectiveness of the regional government's financial management in Makassar City to be effective. While the efficiency has not been able to maximally achieved.

Keywords: *Regional Financial Management; effectiveness; Efficiency.*

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I. INTRODUCTION

An area that is said to be successful cannot be separated from the aspect of regional financial management. Where the success of an area is seen from the Provincial Capital, especially Makassar City, South Sulawesi Province, which has great potential for inflowing state treasury. The regional government has determined the state budget and spending in the Regional Development sector in order to promote welfare, equity and empowerment. So that if this is realized effectively on target it will have a positive impact on economic development.

Makassar City is an area that has great potential to be developed with good regional financial management so that it influences regional progress and covers areas that have small potential. Regional financial management must run according to laws and regulations and be well organized so that it can run effectively, efficiently, transparently, economically and responsibly and has firm principles of fairness, decency and usefulness of a program for the regional economy. Planning, implementation, administration, reporting, accountability, and regional financial supervision are all included in what is known as regional financial management.

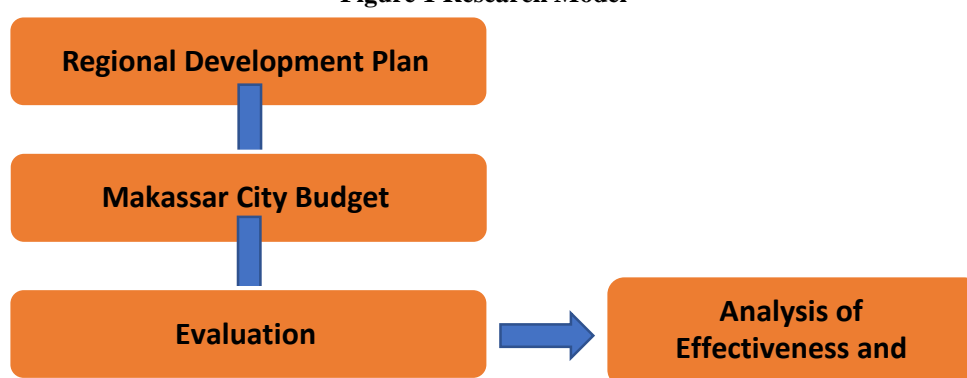
The planning and preparation of the regional income and expenditure budget (APBD) marks the start of the regional financial management process. As stipulated in the Minister of Home Affairs Regulation Number 77 of 2020 concerning technical guidelines for regional financial management. The Mayor of Makassar has the power to manage regional finances by submitting the Annual APBD draft to the DPRD for joint discussion and approval with the output set by a Regional Regulation on APBD. Technically, regional secretaries are appointed as coordinators in regional financial management to assist the mayor's role in making policies and coordinating with SKPD heads.

To find out the development of the area is going well and developing, it can be seen from the design and realization of income, expenditure and spending every year. So to see and know these things, it can be calculated the level of effectiveness and efficiency to achieve targets in the economic development program that has been set every year.

HYPOTHESIS

The performance approach is used to prepare the APBD budget by prioritizing the output or results of work from the realization of the budget from the previous year. In determining the amount of revenue budget is a realistic estimate that can be met or exceeded the target given. However, it is different when activities in the form of expenses or spending must be in accordance with the budget that has been provided according to their respective types and cannot exceed their respective portions. A government that exceeds high targets in terms of output, productivity, performance rather than labor, materials, money and time used. As well as managing regional finances makes it possible to plan and implement programs to achieve government program targets at the lowest cost in the shortest possible time. However, usually in a budgeting thing that is sometimes unavoidable is the comparison of the set budget with the actual budget. So that if this happens to the realization of the Makassar City government budget resulting in losses for the interests of the community, then the Mayor of Makassar must take an effective policy so that it serves as a warning that the planned work program will not be implemented or terminated.

Figure 1 Research Model



II. RESEARCH METHODS

The research design used in this study is a mixed approach. The form of this research is descriptive quantitative research, namely research that reveals the conditions that occur in the field as they are based on facts found during field research which then performs calculations based on formulas or ratio formulas and is processed in graphical form and table presentation. The type of data used in this study is secondary data originating from the 2018-2022 Makassar City Government budget and realization reports compiled by the Makassar City Regional Financial and Asset Management Agency. To obtain data and materials related to this research, the researcher collected data by observing directly involved and observing the object under study. Then, the researcher also conducted interviews using an interview guide as a research tool. Also, documentary studies to study laws and regulations, reports and documents, as well as data relevant to this research. So the research was conducted for two months.

Definition and Measurement of Variables

a. Effectiveness

Effectiveness is the level of achievement of program results with the stated goals. Simply put, effectiveness is the comparison of results to outputs. The relationship between output and goals is what determines effectiveness. The effectiveness of the organization, program or activity will increase with the output contribution to the achievement of goals. Effectiveness is focused on results (results), while efficiency is focused on outputs and processes. An organization, program or activity is considered effective if the finished product meets the desired goals. According to Devas, et al., (1989) in Anugrahwaty, et al.,

The Effectiveness Ratio describes the ability of the local government to realize the planned local revenue compared to the target set based on the actual regional potential. Based on the Decree of the Minister of Home Affairs Number 690,900,327 of 1996 concerning guidelines for assessing financial performance for measuring effectiveness ratios as shown in table 1. The higher the ratio, the more effective the regional financial management (Fathiyah, 2020)

Table 1. Measurement of the effectiveness ratio

Effectiveness Ratio	Financial performance appraisal: <ul style="list-style-type: none"> • (x<60%) means ineffective. • (60%-80%) means less effective. • (80%<90%) means quite effective. • (90%-100%) means effective • (x>100%) means very effective 	Effectiveness Ratio = $\text{Budget realization/budget target} \times 100\%$ (Smith & Desilasari, 2015)
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b. Efficiency

Efficiency describes the comparison or ratio between the costs incurred and the output produced. Rondonuwu., et al (2015) In contrast to the analysis used in regional financial management for routine spending which uses a measurement of the level of efficiency, the ratio between output and input can be used to measure efficiency. This comparison is made between the realization of routine budget expenditure and regional income. Based on the Decree of the Minister of Home Affairs Number 690,900,327 of 1996 concerning guidelines for assessing financial performance for efficiency levels as shown in table 2. The smaller the ratio, the more efficient the regional financial management (Fathiyah, 2020)

Table 2. Measurement of the efficiency ratio

Efficiency Ratio	Financial performance appraisal: <ul style="list-style-type: none"> • (x<60%) means very efficient • (60%-80%) means efficient. • (80%-90%) means quite efficient. • (90-100%) means less efficient. • (x> 100%) means inefficient. 	Efficiency Ratio = $\text{Expenditure realization/revenue realization} \times 100\%$ (Mardiasmo, 2004)
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III. RESULTS AND DISCUSSION

Effectiveness Analysis

To see the effectiveness of the performance of regional financial management, it can be calculated by calculating the ratio of realized income to the revenue target in one year and then multiplied by one hundred percent. The higher the results of calculating the ratio, the higher the regional financial management performance, in this case Makassar City. The following table presents the level of effectiveness of financial management in Makassar City in 2017-2021.

Table 3. The Effectiveness of Makassar City Government Regional Financial Management

Year	Revenue Realization	Acceptance Targets	Effectiveness Ratio	Information
2017	IDR 3,416,355,218,701	IDR 3,393,899,898,000	101%	Very effective
2018	IDR 3,428,479,729,163	IDR 3,892,235,958,000	88.09%	Effective enough
2019	IDR 3,666,359,990,155	IDR 4,055,576,463,716	90.40%	Effective
2020	IDR 3,323,662,286,602	IDR 3,469,163,140,080	95.81%	Effective
2021	IDR 3,286,048,497,394	IDR 3,924,511,169,000	83.73%	Effective enough

Source: APBD Summary and Revenue Budget Realization for 2017-2021. Processed Data, 2023

From the table above, it can be concluded that the level of effectiveness in regional financial management for the Makassar City government in 5 years has fluctuated and tended to decrease, where in 2017 the effectiveness ratio showed a very effective level of 101%, but decreased in 2018 by 88.09%. In 2019-2020 the effectiveness ratio has increased to around 90% - 95% with effective criteria. However, in 2021 the effectiveness ratio actually decreased to 83.73% with the criteria being quite effective, this was based on the economic situation which had not fully improved after the Covid-19 pandemic. The overall average level of effectiveness in Makassar City government regional financial management is 92% with effective criteria. Based on the results of these criteria,

Efficiency Analysis

To measure the level of efficiency, it can be seen from the side between income and expenses (Mardiasmo, 2004). In this case, the financial management performance of the City of Makassar is considered to be better and more efficient the lower the ratio. The following table presents the efficiency level of financial management in the City of Makassar for 2017-2021.

Table 4. Regional Financial Management Efficiency of Makassar City Government

Year	Revenue Realization	Expenditure Realization	Efficiency Ratio	Information
2017	IDR 3,416,355,218,701	IDR 3,312,532,290,887	97%	Less efficient
2018	IDR 3,428,479,729,163	IDR 3,522,986,464,897	103%	Not efficient
2019	IDR 3,666,359,990,155	IDR 3,548,006,636,749	97%	Less efficient
2020	IDR 3,323,662,286,602	IDR 2,968,616,107,773	89%	Pretty efficient
2021	IDR 3,286,048,497,394	IDR 3,150,496,728,994	96%	Less efficient

Source: APBD Summary and Revenue Budget Realization for 2017-2021. Processed Data, 2023

From the table above it can be concluded that the level of efficiency in regional financial management for the Makassar City government for 5 years from 2017 to 2021 has fluctuated. The average level of efficiency ratio from the calculation of income realization to expenditure realization is 96% which is included in the less efficient criteria. When viewed based on the year of observation, the highest efficiency ratio criterion is only in 2020 with 89%. In 2020 a phenomenon occurred that shocked the world of health. All activities are abolished to prevent transmission, this is called a lock down and has an impact on the regional, national and world economies. So that several programs that have been budgeted to be canceled will also reduce spending from the predetermined budget. While the lowest efficiency in 2018 was 103%, has even entered the criteria of inefficiency. This shows that regional financial management in that year was not optimal. The rest, in 2017 and 2019 the efficiency rate ratio is 97, while in 2021 it is 96%.

IV. CONCLUSION

The results of the ratio analysis of the level of effectiveness of regional financial management performance in Makassar City show an average effective ratio, so that the effectiveness of regional financial management can be said to be good. This is in line with developments that have been carried out in the City of Makassar for the past 5 years, continuous observation towards a better direction coupled with the existence of a diverse economic structure. In addition, this is also in line with human development which continues to experience quality improvement. Meanwhile, in terms of efficiency, based on the results of these criteria, it shows that the performance of the Makassar City regional government in managing regional finances is still low and has not been optimal for the last five years, so that the inefficient and inefficient criteria indicate that the output of the input that has been set is not optimally achieved.

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