



Research Paper

Analysis of Financial Performance of the Taliabu Island District Government after Expansion

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Abstract

The provincial, district/city, regency, or village governments can be expanded to one or more additional areas, and Pulau Taliabu Regency is one of the pioneering areas that was legalized in 2013. The purpose of this study was to determine the financial performance of Pulau Taliabu Regency after the division by looking at the 2016-2020 observation year. The analysis of the data used is the ratio of regional financial performance. The results of this study indicate that the efficiency ratio of PAD, the ratio of Decentralization, the ratio of regional financial dependency, and the ratio on the financial performance of the government of Pulau Taliabu Regency is still very low.

Keywords: financial performance, efficiency, decentralization, independence, and dependency

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I. INTRODUCTION

Background

Taliabu Island Regency is one of the nine regencies that are members of North Maluku Province. The majority of people in Taliabu Island Regency live along the coast because it is an archipelago. Taliabu Island was split on December 14, 2012, resulting in the formation of a new district with Taliabu Island as the center of government in 2013. Regional expansion is regulated in Article 33 Paragraph 1 of Law Number 23 of 2014 stipulating that regional expansion takes place in the form of division of a province or regency/city area into two or more new regions, or merging of parts of regions from neighboring regions in one province into one new region.

According to Article 1 Number 8 of Law Number 17 of 2003 concerning State Finances, the Regional Revenue and Expenditure Budget (APBD) is the regional government's annual financial plan which is approved by the Regional People's Representative Council. Apart from that, Article 1 Number 7 of Government Regulation Number 58 of 2005 concerning Regional Financial Management and Minister of Home Affairs Regulation Number 13 of 2006 concerning Guidelines for Regional Financial Management.

As a result of division, Pulau Taliabu Regency is now an autonomous region that must be able to manage its own area. To see how well Pulau Taliabu Regency manages its area, it can be measured by looking at the regional financial performance. Zafra-Gomez. et al. (2008) In Asri (2016) budget data, economic data, and financial data can all be used to assess local government financial performance. The effectiveness of local government management can be well measured using financial performance. Furthermore, Mahmudi (2016: 89) states that balance sheet financial reports, budget realization reports, and cash flow reports all reflect financial performance. To be able to provide a summary of financial performance, financial reports must be analyzed. Therefore, the author draws conclusions to research with the title "Analysis of the Financial Performance of the Taliabu Island Government After the Expansion of 2016-2020". The year to be studied is an ideal observation year because it is three years after the division, besides that the data is accurate because the region has been able to demonstrate good governance as a new autonomous region.

Research purposes

Reviewing the background described above, the purpose of this research is to determine the financial performance of Pulau Taliabu Regency in 2016-2020.

II. LITERATURE REVIEW

Regional Revenue Expenditure Budget (APBD)

The Regional Revenue and Expenditure Budget, also known as the APBD, is the regional government's annual financial plan that has been approved by the Regional People's Representative Council, in accordance with Law Number 17 of 2003 Article 1 Number 8 concerning State Finances.

Financial Performance Analysis

a. Efficiency Ratio

Looking at the level of efficiency of a region by measuring its efficient ratio which shows that the smaller the value of this ratio, the more efficient the performance of the local government. Here the efficiency ratio can be formulated as follows (Mardiasmo, 2004)

efficiency	$\frac{\text{Efficiency of Regional Original Income (PAD) = Expenditure realization (shopping)}}{\text{Realization of total revenue}} \times 100\%$
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The ratio level measured by the formula above will then be classified based on the following financial criteria;

<p style="text-align: center;">Financial performance appraisal:</p> <ul style="list-style-type: none"> ➤ X < 60% → very efficient ➤ 60% - 80% → efficient. ➤ 80% - 90% → pretty efficient ➤ 90 - 100% → less efficient ➤ X > 100% → not efficient

b. Degrees of Decentralization

The level of decentralization serves as an illustration by illustrating how much regional financial capacity is by comparing the amount of Local Own Revenue (PAD) to Total Regional Revenue (TPD), in which case it reveals how effectively the region finances its operations. The degree of decentralization can be formulated as follows:

Degrees of Decentralization	$\frac{\text{Ratio of Degrees of Decentralization = Local Own Revenue (PAD)}}{\text{Realization of total revenue}} \times 100\%$
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The ratio level measured by the formula above will then be classified based on the following financial criteria;

<p style="text-align: center;">Assessment Degree of Decentralization (%):</p> <ul style="list-style-type: none"> ➤ 0.00 - 10.00 → very less ➤ 10.00 – 20.00 → not enough ➤ 20.01 – 30.00 → currently ➤ 30.01 – 40.00 → Enough ➤ 40.01 – 50.00 → Good ➤ X > 50.00 → Very good

Source: Hanafi, et al (2005) in Zukhri. N (2020)

c. Regional Financial Dependency Ratio

The level of dependency shows the comparison between the total regional income and the amount of transfer income that has been received by the local government. According to Mahmudi (2016), the higher the dependency ratio, the greater the level of dependence of the local government on the central and provincial governments. This ratio is formulated as follows:

Regional Financial Dependence	$\frac{\text{Dependency Ratio} = \text{Transfer Income}}{\text{Realization of total revenue}} \times 100\%$
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Criteria for Financial Dependency Assessment Dependency Region (%) Category (0.00 – 10.00) Very Low, (10.01 – 20.00) Low, (20.01 – 30.00) Moderate, (30.01 – 40 ,00) Fairly High, (40,01 – 50,00) High, (X>50,00) Very High, Source: Proud. W, (2017) in Zukhri. N (2020)

d. Regional Financial Independence Ratio

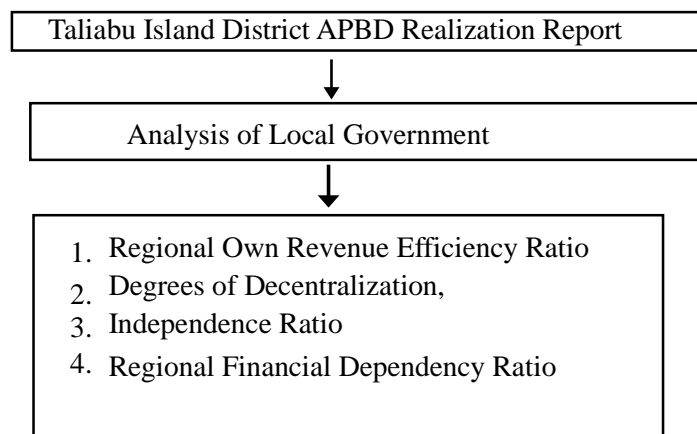
Compared to funds originating from loans and assistance from the central government, the level of independence shows how much the regional financial capacity is in financing its own activities with funds from regional original revenues. One of the regional priorities is increasing regional independence (Yulianti, 2018). According to Mahmudi (2016), the higher the ratio, the higher the independence of the local government. This ratio is formulated as follows (Soamole, et al, 2018):

Regional Independence	$\frac{\text{Independence Ratio} = \text{Local Own Revenue (PAD)}}{\text{Central Transfer + Province + Loan}} \times 100\%$
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Level of Financial Independence (%): Very Low (0 – 25) Instructive, Low (25 – 50) Consultative, Moderate (50 – 75) Participatory, High (75 – 100) Delegation, Sumber Halim (2013) in Zukhri. N (2020)

CONCEPTUAL

Figure 1. Conceptual Framework



III. RESEARCH METHODS

Research Approach

In this study using a type of quantitative descriptive research. Sugiyono, (2012) The descriptive method uses collected data or samples to describe or provide an overview of the subject under study without conducting analysis or drawing generalizations.

Data and Data Sources

In this research, the data used is secondary data in the form of Regional Revenue and Expenditure Budget Reports (APBD) for Taliabu Island Regency and Regional Macro Indicators for Taliabu Island Regency. The source of the data in this study was obtained through the website/official website by the Central Bureau of Statistics or (BPS) of Pulau Taliabu Regency.

Data collection technique

Research II is a research using library and documentation methods of data collection in the form of general data and specific data, such as Macroeconomic Indicators of Taliabu Island Regency, General description of Taliabu Island Regency, Taliabu Island in figures, Report on Budget Realization of the Government of Taliabu Island Regency from 2016 to 2020.

Analysis Techniques

The analysis technique used is calculating and analyzing financial ratios such as the PAD efficiency ratio, the degree of decentralization, the regional financial dependency ratio, and the independence ratio.

IV. RESEARCH RESULTS AND DISCUSSION

The following is a summary of the Financial Ratios of the Regional Government of Pulau Taliabu Regency which can be seen that the value of the PAD efficiency ratio, the degree of decentralization, the regional financial dependency ratio, and the independence ratio.

Discussion

a. PAD Efficiency Ratio

Table 1. Financial Efficiency Ratio of the Taliabu Island Government (in thousands)

Year	Shopping Realization	Revenue Realization	Efficiency Level	Information
2016	569,740.00	559,700.00	101.79%	Not efficient
2017	576,700.00	594,835.45	96.95%	less efficient
2018	604,220.00	555,950.44	108.68%	Not efficient
2019	631,810.00	662,090.00	95.43%	less efficient
2020	510,210.00	598,740.00	85.21%	Efficient enough

Source: BPS Kab. Taliabu, LRPD Kab. Taliabu Island. Data will be processed in 2023

Based on calculations in Table 1 regarding the efficiency ratio of Local Own Revenue, Billion (thousand rupiahs) The Regional Financial Efficiency of Pulau Taliabu Regency fluctuated with an average of 97.61% in 2016-2020. This shows the level of efficiency at a less efficient level. Where in 2016 the efficiency level was 101.79% with an ineffective efficient rate, this is marked because the ratio value is above 100%. This is because the realization of spending is greater than the realization of income. In 2017 the realization of spending was actually lower than the realization of income, but with a ratio of 96.95% this was still categorized as less efficient.

In 2018, it became a year of inefficient government finances with a ratio of 108.68%. But the ratio decreased in 2019 and 2020 at the levels of 96.43% and 85.21%. This is marked because the government's planning is more mature so that it is able to increase regional income. However, in 2020, regional revenues have decreased due to the impact of the Covid-19 Pandemic which has resulted in the economic sector having to experience a halt in order to avoid the spread of the virus. But the decline was also accompanied by a decrease in spending.

b. Degrees of Decentralization

Table 2. Degree of Financial Decentralization of the Taliabu Island Government (in thousands)

Year	Locally-generated revenue	Total income	Decentralization Level	Information
2016	10,222.71	559,700.00	1.83%	Very less
2017	36,394.44	594,830.00	6.12%	Very less
2018	8,848.03	556,780.00	1.59%	Very less
2019	7,134.69	662,090.00	1.08%	Very less
2020	24,019.58	598,740.00	4.01%	Very less

Source: BPS Kab. Taliabu, LRPD Kab. Taliabu Island. Data will be processed in 2023

Based on table 2 Degrees of Decentralization, Billion (thousand rupiahs), it can be said that the Degree of Decentralization of Pulau Taliabu Regency in 2016-2020 averaged at the level of 2.92%, which means very less. The highest degree of decentralization occurred in 2017, but it is still categorized as very poor because it is below 10%, and overall it is still very lacking. The results of this analysis indicate that the capacity of the

Taliabu Island government in carrying out decentralization is below 10% and is still very lacking in managing regional finances.

c. Regional Financial Dependence

Table 3. Financial Dependency Ratio of the Taliabu Island Government (in thousands)

Year	Transfer Income	Total income	Dependency Ratio	Information
2016	549,150.73	559,700.00	98.12%	Very high
2017	546,914.99	594,830.00	91.94%	Very high
2018	534,464.41	556,780.00	95.99%	Very high
2019	592,132.69	662,090.00	89.43%	Very high
2020	560,684.14	598,740.00	93.64%	Very high

Source: BPS Kab. Taliabu, LRPD Kab. Taliabu Island. Data will be processed in 2023

Based on table 3. Regional financial dependency ratio, billions (thousand rupiahs) it can be said that the dependency level of Pulau Taliabu Regency in 2016-2020 averaged 93.83%. The results show a very high level of dependency. Only in 2019 the dependency ratio was 89.43%, this was because the regional income of Pulau Taliabu Regency had also increased. However, overall the regional finances of Pulau Taliabu Regency are still very dependent on central and provincial funds.

d. Independence Ratio

Table 4. Financial Independence Ratio of the Taliabu Island Government (in thousands)

Year	Locally-generated revenue	Central and Provincial Transfers	Independence Ratio	Information
2016	10,222.71	549,889.47	1.86	Very Low
2017	36,394.44	546,914.99	6.65	Very Low
2018	8,848.03	541,007.83	1.64	Very Low
2019	7,134.69	600,802.96	1.19	Very Low
2020	24,019.58	571,130.19	4.21	Very Low

Source: BPS Kab. Taliabu, LRPD Kab. Taliabu Island. Data will be processed in 2023

In Table 4, in Pulau Taliabu Regency, the level of independence ratio shows that the ability of local governments to finance their own governance, community development, and services during the 2016–2020 fiscal year can be categorized as very low. In addition, the relationship pattern is educative, with the role of the central government being more dominant than independence. local government (regions that cannot implement regional autonomy). Mahmudi (2016: 140) states that the greater this ratio, the more financially independent the regional government is. However, based on the results of calculations with an average ratio of Pulau Taliabu Regency in 2016-2020 of 3.11%.

V. CLOSING

Conclusion

Conclusions that can be drawn from data analysis and discussion that has been written in the previous discussion, so that it can be concluded that in financial ratios such as the regional financial dependence ratio, the independence ratio, and the degree of decentralization indicate that regional financial performance is still very low. This is indicated by the level of decentralization with an average of 2.92% in the very poor category, then the dependency ratio is considered very high at an average of 93.83%, and a very low independence ratio with an average of 3.11%. Even though the efficiency ratio, Pulau Taliabu Regency is categorized as less efficient with an average of 97.61%. However, overall the regional finances of Pulau Taliabu Regency have not been able to manage regional finances properly, several sectors have not been on target in their management,

Suggestion

It is hoped that the Pulau Taliabu Regency government will continue to strive to improve and improve financial performance by maximizing the potential of human and natural resources to increase PAD and sectors with faster returns on capital to improve the regional economy from one period to the next.

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