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FINANCIAL RATIO OF APBD TO ASSESS PERFORMANCE OF BIMA CITY GOVERNMENT FINANCIAL MANAGEMENT IN 2018-2021

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ABSTRACT

Regional financial performance is measured with the aim of assessing how accountability and effectiveness of management is consistent with public service activities. The accountability assessment basically aims to determine the suitability of budget allocations with predetermined plans in accordance with the principles of effective, efficient and economical budget allocation. The research method used in this study is a descriptive quantitative method, the aim is to explain the financial performance that has been achieved by the Municipal Government of Bima based on the analysis of Financial Performance Ratios.

Keywords: Financial Ratios, APBD, Financial Performance

INTRODUCTION

The balancing fund policy between central and regional government finances has brought about very fundamental and significant changes in various aspects of governance in various regions, in terms of financial affairs, accountability, the regulatory system, the supervisory system, especially in regional financial matters. A regulation has been stipulated by the government regarding guidelines on how to manage the finances of an area in Number 58 of 2005, while things that are strengthened by the creation of the Pemdagri regarding guidelines on how to manage the finances of an area in Number 13 of 2006. With the creation of this regulation it is hoped that every regions or regencies can carry out their main functions and tasks in improving a prosperous society.

An achievement or measure of work results in the area of regional finance which includes the expenditure and revenue of a region using financial regulations indicators that have been set through a policy or law in one budget for this period is an understanding of the financial performance of the regional government. This performance is usually measured with the aim of seeing how the effectiveness of a budget is related to the activities of a public service. Meanwhile, this accountability assessment basically aims to determine the suitability of budget allocations in a way that has been previously determined in accordance with the principles of a principle and the allocation of implementation that is effective, efficient and easy / economical.

As a person in charge of carrying out governmental tasks, the local government is given trust, namely for service and development in submitting reports and regional financial responsibilities which are then assessed whether the local government is successful in carrying out its duties properly or not. Financial ratio analysis is one of the tools used to assess local government performance, to analyze how the performance of a region's financial management in the APBD has been implemented and set. Based on the summary of the background above, the author is interested in conducting research on how the performance of Bima City is, when viewed from the level of effectiveness, activity and economic independence.

1. Problem Formulation
   a) What are the results of the activity ratio analysis for the City of Bima in assessing the financial management performance of the City of Bima for the 2018-2021 fiscal year?

b) What are the results of the independence ratio analysis for the City of Bima in assessing the financial management performance of the City of Bima for the 2018-2021 fiscal year?
c) What are the results of the activity ratio analysis for the City of Bima in assessing the financial management performance of the City of Bima for the 2018-2021 fiscal year?
d) What are the results of the growth ratio analysis for the City of Bima in assessing the financial management performance of the City of Bima for the 2018-2021 fiscal year?

2. Research Objectives

The purpose of conducting this research is to assess and find out to what extent and how much the potential and participation in financial management performance has been achieved by the Bima City government over the last 4 years, namely the 2018-2021 fiscal year if calculated based on 4 types of financial ratios, namely the ratio of effectiveness, independence , activity, and growth. If later the results of the calculation of all these ratios have been obtained, then it can be seen where the position of Bima City's financial performance is so that strategies can be developed to improve the financial performance of Bima City in the following years..

LITERATURE REVIEW

1. Regional Revenue and Expenditure Budget (APBD)

APBD is a component in the financial management of a region which is composed by two important components, namely the revenue component and the expenditure component. Reports on the realization of the APBD of a region are intended for one fiscal year, starting from January 1 to December 31 in a certain fiscal year. Based on the Regulation of the Ministry of Home Affairs Number 13 of 2006, the APBD is formed by 3 important structures, namely regional income, regional expenditure and regional financing.

Regional revenues in the APBD are all components of revenue received by the regions and these revenues do not need to be repaid or have become the property of the region which are free to manage and are earmarked for the development of the region.

Regional expenditures in the APBD are all expenditures issued by regional governments in meeting their regional needs, whether those allocated to expenditures for regional needs directly or those allocated to regions indirectly.
Regional financing in the APBD structure is the last component in the APBD structure. In regional financing, the revenue received must be paid back or there is an obligation for the region to return the budget it has obtained. In addition, in the regional financing component there are also expenditures that will be received back by the regions.

2. Local Own Revenue (PAD)

PAD is a source of local revenue itself. In PAD all revenues are received from the results of collecting several components in PAD in their own area, namely regional taxes, levies, results of separated regional wealth management, and other legally recognized regional revenues. PAD obtained by the regional government has become the right of the regional government to be used in carrying out activities and economic development as well as other developments in its autonomous region. This means that the PAD received by the regional government must be managed to be played again so that it can receive income in the future. The composition of PAD in each region varies depending on the performance of each region. Therefore PAD is often used as a benchmark for comparison in assessing the financial position of a region with other regions.

3. Balancing Funds/Transfers from the Central Government

The balancing fund is a budget provided by the government from the center. This balancing fund will later be transferred to each region. The amount of the balancing fund is sometimes not the same in every region depending on the scope of the area itself. Balancing funds consist of several components such as profit-sharing funds, general allocation funds, and special allocation funds.

4. Financial Performance Ratios

According to Irwan and Inge in the Economics Journal (2003), finance is a science and an art in managing finances that can have an impact on the life of every organization. Finance is closely related to market processes, instruments and institutions or groups that are involved in transferring money between individuals, between businesses and or between governments.

Regional government financial performance is the achievement of the results of a region's work in areas where regional spending revenues use laws that have been set for one budget period, namely financial indicators that have been set through policies. Financial ratio analysis is a tool that is used to assess the performance of local governments, to analyze how the performance of a region's financial management against the APBD has been implemented and determined according to (Halim, 2002: 126).

There are several types of financial ratios that we can use to calculate the accountability of a local government according to (Halim, 2002: 126) in the form of a region's financial independence ratio, an area's financial efficiency and effectiveness ratio, activity ratio and growth ratio.

a. Effectiveness Ratio

The effectiveness ratio describes the ability of local governments to realize planned revenues which are then compared with the PAD targets set based on the real potential of the region. The ability of an area is said to be effective, if the ratio of effectiveness achieved is at least 100% the higher, the better. in general the effectiveness of PAD can be categorized as follows;

Table 1: Regional Financial Management Performance Criteria

Financial Performance Presentation	**Criteria**
More than 100 %	Very effective
90%-100%	Effective
80%-90%	Effective enough
60%-80%	Less effective
Less than 60 %	Ineffective

b. Regional Independence Ratio

Regional financial independence shows the ability of the regional government to finance government activities, development and services to the people who have paid taxes and fees as a source of revenue needed by the region independently. Regional financial independence is demonstrated by the size of regional original income (PAD) which is then compared to regional income from other sources, such as assistance from the central or provincial governments or from regional loans. so that the formula for calculating the regional independence ratio is by comparing the amount of regional own-source revenue received with the amount of transfer income from the central and provincial governments as well as regional loans. the higher the ratio, this will show the higher the level of independence of the government of a region.

Table 2: Criteria for Assessment of Regional Financial Independence

Percentage of PAD	**Regional Financial Independence**
0,00-10,00	Very less
10,00-20,00	Less
20,01-30,00	Currently
30,01-40,00	Enough
40,01-50,00	Good
>50,00	Very good

Source: Research and Development Team of Depdagri Fisipol UGM in Susanto (2014)

c. Activity Ratio

The Activity Ratio provides an overview of how local governments prioritize the allocation of funds to routine expenditure (operation expenditure) and development expenditure optimally. the higher the percentage of funds allocated for routine spending means that the percentage of investment spending (development spending) that is used to provide infrastructure for the community's economy tends to get smaller.

d. Growth Ratio

The Growth Ratio provides a measure of how much the local government's ability to maintain and increase the success that has been achieved from the previous period to the next period. The measurement of this ratio is intended to measure the magnitude between the revenue and expenditure components so that it can be used to assess which potential is prioritized to get attention.

RESEARCH METHOD

1. Type of Research

The type of research used in this study is a descriptive quantitative data analysis method, meaning that the analysis uses the calculation of numbers and later the numbers obtained will be interpreted or their meaning will be translated. The aim is to explain how much financial performance has been achieved by the Municipal Government of Bima if it is calculated and analyzed using financial performance ratio calculations.

2. Time and Place of Research

This research took place in the city of Bima. Bima City is one of the regencies/cities in NTB Province. The budget period that we use is data for the last 4 years, namely from 2018-2021.

3. Data Source

The data we use in this research is secondary data that we obtain from the official website of the Ministry of Finance of the Republic of Indonesia. The data we use is the target data and realization of the Bima City APBD during the 2018-2021 fiscal year.

4. Data Collection Techniques

The data collection technique that we use is documentation. We retrieve data from the official website of the Ministry of Finance and also look for references through the latest journals which we collect by means of documentation.

5. Data Analysis Techniques

a. Effectiveness Ratio

The effectiveness ratio value is obtained from the results of dividing PAD revenue realization with the PAD revenue planning target. Then the result is multiplied by one hundred percent, so that the results obtained from the effectiveness ratio analysis are obtained. Below is the formula for calculating the effectiveness ratio:

$$\text{Effectiveness ratio} = \frac{\text{Realized PAD Revenue} \times 100\%}{\text{PAD Revenue Target}}$$

b. Independence Ratio

The value of the independence ratio is obtained from the results of the distribution of realized PAD with assistance obtained from the central or provincial government or transfers obtained from the center or also known as balancing funds. The result of the division is then multiplied by one hundred percent. Below is the formula for calculating the independence ratio:

$$\text{Independence Ratio} = \frac{\text{Realized PAD Revenue} \times 100\%}{\text{Central Government Assistance (TKDD)}}$$

c. Activity Ratio

The value of the activity ratio is obtained from the results of dividing the total routine expenditure by the total APBD. Then the results of the division are multiplied by one hundred percent to see the percentage value. Below is the formula for calculating the activity ratio:

$$\text{Ratio of Routine Expenditure to APBD} = \frac{\text{Total Routine Expenditure} \times 100\%}{\text{APBD totals}}$$

$$\text{Ratio of Development Expenditure} = \frac{\text{Total Development Expenditure} \times 100\%}{\text{APBD totals}}$$

d. Growth Ratio

The value of the growth ratio is obtained from the reduction of the previous year's PAD Realization with the calculated year's PAD Realization, then divided by the previous year's PAD realization and the result is multiplied by one hundred percent. Below is the formula for calculating the growth ratio:

$$\text{PAD Growth Percentage} = \frac{\text{current year's PAD} - \text{previous year's PAD} \times 100\%}{\text{PAD of the previous year}}$$

$$\text{Total Revenue Growth Percentage} = \frac{\text{Current income} - \text{Previous income} \times 100\%}{\text{Previous Year's Revenue}}$$

RESULT AND DISCUSSION

From the data from the Realization Report of the Regional Revenue and Expenditure Budget (APBD) for the City of Bima that we have obtained from 2018-2021. Next, we will discuss the research results from these data related to the financial performance that has been carried out during 2018-2021 by the Bima City Government using several financial ratio calculations.

1. Effectiveness Ratio

The Effectiveness Ratio is an approach used to measure the ability of local governments, in this case the Bima City government, to realize and target PAD. In calculating this ratio will be compared between the actual budget and the budget target that has been set before. If the calculation results are obtained one hundred percent, it means that the Bima City Government has been able to carry out its duties effectively. The calculation of the effectiveness ratio of the Bima City government can be seen in the table below.

Table 3: The Effectiveness of Regional Financial Management for the City of Bima in 2018-2021

Year	Realization of PAD	Revenue Target PAD	Revenue Effectiveness Ratio (%)	Category
2018	46,12 M	33,35 M	138,29	Very effective
2019	50,42 M	50,01 M	100,81	Very effective
2020	47,28 M	62,01 M	76,24	Less effective
2021	46,99 M	58,14 M	80,82	Effective enough
Rata-Rata	47,70 M	50,87 M	99,04	Effective

Source: processed data (2022)

The table above shows the results of calculating the effectiveness ratio for the City of Bima from 2018-2021. From these data it can be concluded that the development of PAD revenues in Bima City in 2018-2021 is still classified as fluctuating or fluctuating. This can be seen from the percentage. In 2018, the revenue realization was greater than the revenue target, which was 138.29%. In 2019 revenue realization was still greater than the revenue target even though the percentage decreased by 100.81%. Then in 2020 the revenue realization was smaller than the revenue target or decreased, the percentage was 76.24%. And finally, in 2021 the revenue realization was also lower than the revenue target, which was 99.04%, but compared to the previous year, the percentage was higher. So in conclusion the average yield of the effectiveness ratio obtained is 99.04% and shows the effective category.

2. Independence Ratio

The independence ratio is an approach used to measure the level of community participation in development in their area. If the independence ratio shows high results, this means that the participation of the community to contribute components to local original income is also high. The results of calculating a high independence ratio also indicate that the region is already self-sufficient in meeting its own regional needs because its dependence on central government assistance will be lower and smaller. Below is the calculation of the Regional Financial

Independence Ratio of the Bima City Government:

Table 4: The independence of regional financial management for the City of Bima in 2018-2021

Year	Locally-generated revenue	Provincial/Central Government Assistance	Independence ratio (%)	Category
2018	46,12 M	668,44 M	6,69	Very less
2019	50,42 M	656,96 M	7,67	Very less
2020	47,28 M	607,03 M	7,78	Very less
2021	46,99 M	624,04 M	7,52	Very less
Rata-Rata	47,70 M	644,11 M	7,41	Very less

Source: processed data (2022)

If seen from the results of the calculation of the independence ratio above, the financial independence of the City of Bima is still classified as very lacking in its contribution to the regional budget level. The average percentage is 7.41%. This shows that the City of Bima is still very much dependent on the assistance provided by the central government, rather than what it can produce on its own. Therefore, the Bima City Government must maximize its contribution in collecting both taxes and fees so that dependence on the center decreases. In conclusion, the average calculation results using the independence ratio in the City of Bima obtained very low results.

3. Activity Ratio

The Activity Ratio is an approach used to find out the policies that will be taken by the local government in setting priorities in making decisions on routine spending and development spending. If the percentage to be allocated for routine spending is getting bigger, it means that the allocation to be set for investment spending will also be getting lower. Investment spending itself is an allocation of spending intended for public goods that can be consumed by all people. The following is the calculation of the activity ratio of the Bima City Government:

Table 5: Regional Financial Management Activities for the City of Bima in 2018-2021

Tahun	APBD	Expenditure		Expenditure Activity Ratio (%)	
		Cooperative	Capital	Cooperative	Capital
2018	852,96 M	618,33 M	234,62 M	72,56	27,50
2019	796,26 M	604,61 M	191,65 M	75,93	24
2020	796,65 M	630,93M	165,72 M	79,19	20,80
2021	716,70 M	578,32 M	138,38 M	80,69	19,30
Mean	790,64 M	608 M	182,59 M	77	22,9

Data source: processed data (2022)

The table above shows the results of calculating the expenditure ratio of the Bima City Government where it is obtained that an average of 77% is spent on operational expenditure and an average of 22.9% is spent on capital expenditure. From this percentage it can be concluded that spending spent on operational needs is much higher than spending spent on capital goods needs. This means that the Bima City government is still focusing on development through operations while capital goods are still relatively low. This of course will result in less provision for facilities and infrastructure intended for the public or the community.

4. Growth Ratio

The growth ratio is an approach used to determine the ability of a region to maintain its APBD growth in the following years or in the years to come. By knowing its growth, local governments can choose to prioritize development in areas that have the potential to be developed. Below is the calculation result of the growth ratio of the City of Bima:

Table 6: Growth Ratio of APBD Kota Bima 2018-2021 (in percentage)

Year	PAD Growth Ratio (%)	Revenue Growth Rati (%)	Indirect Spending Growth Ratio (%)	Direct Spending Growth Ratio (%)
2018	-1,87	-21,11	11,63	88,36
2019	9,32	0,82	9,08	90,91
2020	-6,22	-7,62	15,45	84,54
2021	-0,61	2	2,88	97,11

Source: processed data (2022)

From the table above it can be explained that spending on indirect goods such

as interest spending, subsidy spending, grant spending, aid spending, unexpected spending, and other indirect spending has fluctuated from 2018-2021. In 2018 the percentage of indirect spending was 11.63%. In 2019 it fell to 9.08%, then in 2020 it rose again to 15.45%, and in 2021 it dropped dramatically to 2.88%. Likewise, growth in indirect spending also experienced fluctuations. Included in the components of spending on direct goods are personnel spending, goods and services spending, and capital spending. In 2018 direct expenditure was 88.36%, in 2019 it increased by 90.91%, in 2020 it decreased by 84.54%, and in 2021 it increased again to 97.11%. So in conclusion, when viewed from this percentage, the allocation of spending in Bima City is more allocated to direct spending than indirect spending during the 2018-2021 fiscal year.

5. Financial Performance Ratios

Table 7: Results of the calculation of the Financial Performance Ratio for the City of Bima for 2018-2021 (in percentage)

Keterangan	**Tahun Anggaran**				**Rata-Rata (%)**
	2018	**2019**	**2020**	**2021**	
Rasio Efektifitas	138,29	100,81	76,24	80,82	99,04
Rasio Kemandirian	6,69	7,67	7,78	7,52	7,41
Rasio Aktifitas					
-Belanja Operasi	72,56	75,93	79,19	80,69	77
-Belanja Modal	27,50	24	20,80	19,30	22,9
Rasio Pertumbuhan					
-PAD	-1,87	9,32	-6,22	-0,61	2,3
-Pendapatan Daerah	-21,11	0,82	-7,62	2	0,70
-Belanja Operasi	11,63	9,08	15,45	2,88	9,76
-Belanja Modal	88,36	90,91	84,54	97,11	90,23

The results of the analysis of the financial performance of the Bima City Government for the 2018-2021 fiscal year when viewed from the growth ratio are still very low and

even minus when compared to previous years, namely the average growth is 2.3% for PAD and 0.70% for Regional Revenue. This indicates that there is no growth in the collection of taxes, fees and other income instruments in Bima City. Then for the average growth ratio of operational expenditure of 9.76% and capital expenditure of 90.23%. This shows that when viewed from the growth ratio, spending on capital goods is greater than operational spending.

CONCLUSION AND SUGGESTION

Based on the results of calculating financial ratios to measure the financial performance of the regional government of the city of Bima during the 2018-2021 period, the following results are obtained:

1. The results of the analysis of the average effectiveness ratio in Bima City for the 2018-2021 fiscal year are 99.04% which are categorized as effective categories. The percentage of 99.04% indicates that the financial performance of the Bima City government based on the realization of PAD revenue against the target PAD revenue that has been set is effective.
2. The results of the analysis of the average independence ratio in Bima City for the 2018-2021 fiscal year are categorized as very low, namely 7.41%. This shows that community participation in development in the Bima City area is still very low. This means that the city of Bima is still very dependent on the balancing funds provided by the central government.
3. The results of the analysis of the average activity ratio in Bima City for the 2018-2021 fiscal year are 77% for operational expenditure and 22.9% for capital expenditure. This shows that the allocation of funds made by the Bima City government is still focused on operational spending rather than capital spending. This is why the procurement of public facilities and infrastructure in Bima City is still low because more of the budget is diverted to operational spending.

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