ANALYSIS OF REGIONAL FINANCIAL RATIOS IN ASSESSING FINANCIAL PERFORMANCE AT THE OFFICE OF THE REGIONAL FINANCIAL AND ASSET MANAGEMENT REVENUE AGENCY (BPPKAD) IN BANDUNG

Putry Handayani Nadeak¹, Andika Syuhada Arumboko², Silviana³
¹,²,³University of Widyatama, Indonesia
¹Corresponding Email: putry.handayani@widyatama.ac.id

ABSTRACT

Indonesia is a country that has a populist economic policy. Financial performance as seen from the self-reliance ratio with an average of 42.71% is included in a low relationship pattern, meaning that the Central Government's interference is still there because the area of Bandung City is not yet capable and independent. This is due to the income received by the Regional Government of Bandung City which comes from the Balancing Fund which is getting bigger and is offset by the contribution of revenue from Regional Original Income. Financial performance as seen from the effectiveness ratio with an average of 87.25% from 2017-2019 is classified as less effective with the criteria of this ratio being less than 100% (<100%) which means that the realization of Regional Original Income (PAD) not yet in accordance with or less than the target of Regional Original Revenue (PAD). Financial performance seen from the efficiency ratio with an average of 27.00% on the basis of the trend over the past 3 years, the efficiency ratio of Bandung City's Original Revenue has fluctuated which is less than (<60%) which means it is declared very efficient. Financial performance is seen from an average growth ratio of 6.7% from 2017-2019, meaning that Bandung City's growth is still low because from 2017, 19.7% experienced a significant decline in growth in 2018 to 0.27% and experienced another decline in 2019 to 0.13%.

Keywords: Accounting, Financial Performance, Regional Income Efficacy, Regional Financial Independence, Regional Income Efficiency

I. INTRODUCTION

The issuance of Law No. 23 of 2014 on Local Government (in lieu of Law No. 32 of 2004 on Local Governments) and Law No. 33 of 2004 on Financial Balance between the Central and Regional Governments (in lieu of Law No. 25 of 1999) is the starting point for regional autonomy. The two foundations are an inseparable unity with the central government in an effort to improve the usefulness and results for implementation of government and public services and has paved the way for the implementations of public sector reforms in Indonesia. The policy on regional autonomy in the territory of the Unitary State of the Republic of Indonesia (NKRI), which is confirmed by law has brought its own consequences for the region to be able to carry out development in all fields, in the hope that it can be implemented independently by the region (Sumarmi, 2010).

The purpose of regional autonomy is to improve the area concerned with regulating and managing their own households. This is in order to create improved efficiency and effectiveness about government implementation in the framework of service to the community and the implementation of development (Siregar, 2004:291). Regional autonomy is applied to every local government of both cities and districts including in West Java Province, which was originally a fiscal centrasilasi into fiscal decentralization. In this case the local government is given the authority in regulating local government affairs such as those related to the regional budget (APBD).

Law No. 23 of 2014 on Local Government (in lieu of Law No. 32 of 2004 on Local Governments) states that the source of financing in financing regional expenditures is regional revenues consisting of local native income, central government transfers, and other legitimate regional income. In this study only examined two sources of income, namely local native income and general allocation funds sourced from central government transfers.
With the Regional Autonomy program, of course, the Local Government needs a good financial system to process APBD that is efficient and accountable. By conducting regional financial management, regional financial management is one of the keys in the development and administration of the government. This is related to the analysis of financial performance in the Regional Financial Revenue and Asset Management Agency (BPPKAD) Bandung City becomes an important source of information to make all policies related to regional financial management.

Several previous studies that have conducted research related to the analysis of regional keungan ratio have been conducted, such as research conducted by Liantino (2018) which examines the Analysis of Regional Financial Ratios in Assessing Financial Performance at Office. Financial performance as seen from the effectiveness ratio in accordance with the criteria of less than 100% (<100%) which means that PAD receipts > have not been in accordance with PAD revenue targets, meaning declared inefficient. Financial Performance is seen from the average spending ratio of 36.79%. Financial performance is seen from the growth ratio which is still low growth ratio of Bandung City. In addition, research conducted by Fazlurahman, et al (2020) which examined the Financial Performance Analysis of the Bandung City Government Before and After Obtaining WTP Opinion from BPK. Hasil his research shows that on the basis of the results of research on the Local Government of Bandung, it can be concluded that; First, the Financial Independence of the Bandung Regional Governments during 2014 to 2018 has increased but is in the category that is not optimal. Second, the effectiveness of PAD in realizing PAD during 2014 to 2018 has increased and decreased, meaning that there is no stability in terms of improving the effectiveness of PAD. Third, the level of efficiency of PAD Bandung falls into the category of highly efficient. Fourth, the growth rate of PAD growth of Bandung City Government stagnated from 2014 to 2017.

With the above background, the researchers tried to find out the ratio of regional finance in assessing financial performance in local government institutions and were interested to raise the title "Analysis of Regional Financial Ratios in Assessing Financial Performance at the Office of the Regional Financial And Asset Management Revenue Agency (BPPKAD) in Bandung City".

II. LITERATURE REVIEW

Harahap, (2006:190), stated in Kesuma&Riswan research (2014) analysis financial statements is a process to study financial data so that it can be understood easily to know the financial position, results of operations and development of a company by studying the relationship of financial data and the tendency contained in financial statements can be used as a basis in decision making for interested parties and also in conducting analysis will not be separated from the role of financial statement ratios, by conducting an analysis of financial ratios will be able to determine a decision to be taken.

Financial Performance

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, regional capabilities can be measured by assessing the efficiency of services provided to the community (HendroSumarjo, 2010).

The purpose of Measuring The Performance of Local Government. Financial Management according to Mardiasmo (2002) is to fulfill three purposes, namely:

1. To improve government performance, the performance measure is intended to help the government focus on the objectives and objectives of the work unit program, so that it will ultimately increase the effectiveness in providing public services.

2. To allocate resources and decision making.

3. To realize public accountability and improve institutional communication.

Regional Native Income (PAD)

Based on Law Number 33 of 2004 concerning about Financial Balance between Central and Regional Government Article 1 paragraph 18, it is explained that Regional Original Revenue, hereinafter referred to as
PAD, is revenue obtained by regions which is collected based on Regional Regulations in accordance with statutory regulations. And there are PAD sources consisting of:

1) The results of regional taxes are levies imposed by the regional government on all tax objects, such as persons / entities, movable / immovable objects.

2) The results of local fees, namely levies made in connection with a service / facility that is applicable by the regional government directly and in real.

3) Proceeds from regional-owned companies and proceeds from regional asset management, which are separated, among others, dividend profits, sales of regional-owned shares.

4) Other legal PAD includes, among others, proceed of sale about fixed asset.

III. METHODOLOGY

Data and Data Sources

On this study authors chose secondary data sources. Secondary data were used by researchers to collect data by studying existing records and documents at the Bandung City BPPKAD Office, using documentation and interview methods. This documentation method collects data from the Bandung City BPPKAD office in the form of specific data and general data. General data in the form of:

1. Overview of the city of Bandung
2. Overview of Bandung City BPPKAD office

Sampling Design

Technique used in this study was purposive sampling, as it has been argued that purposive sampling is a technique of sampling data sources with certain considerations. This particular consideration, for example the person is considered to know best about something we expect or maybe he is the ruler so that it will make it easier for researchers to explore the object / social situation under study (Sugiyono, 2015: 144).

Data Analysis Method

Regional government financial independence ratio

The ratio of regional financial independence is shown by the size of the region's own revenue compared to regional income from other sources. The Regional Government's Financial Independence Ratio can be calculated using the formula:

\[
\text{Independence Ratio} = \frac{\text{Regional Original Revenue}}{\text{Total Regional Revenue}}
\]

<table>
<thead>
<tr>
<th>Financial Capability</th>
<th>Independence (%)</th>
<th>Relationship Pattern</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very low</td>
<td>0%-25%</td>
<td>Instructive</td>
</tr>
<tr>
<td>Low</td>
<td>25%-50%</td>
<td>Consultative</td>
</tr>
<tr>
<td>Moderate</td>
<td>50%-75%</td>
<td>Participative</td>
</tr>
<tr>
<td>High</td>
<td>75%-100%</td>
<td>Delegative</td>
</tr>
</tbody>
</table>

Source: Abdul Halim (2007)

The Ratio of Independence describes the dependence of a region on funds obtained from outside. The higher the level of the independence ratio, the lower the dependence of the regional government on external assistance, in this case the central government and the provincial government, and vice versa. The level of self-reliance ratio can be described by the participation of the community in contributing to the development of the area. The higher the level of the self-reliance ratio, the higher the community's participation in paying their tax obligations, which
are the mainstay of receiving their income. The higher the community in paying their tax obligations, it can show that the welfare of the community increases.

**Regional original income effectiveness ratio**

The PAD Effectiveness Ratio shows the ability of local governments to mobilize PAD revenues as targeted (Mahmudi, 2010). The PAD effectiveness ratio is calculated by comparing the realization of PAD revenue with the PAD revenue target or previously budgeted. The ratio formula is as follows:

\[
\text{Effectiveness Ratio} = \frac{\text{PAD budget}}{\text{Realization of PAD}}
\]

**Local own revenue efficiency ratio**

Efficiency Ratio is a ratio that describes the comparison between the amount of costs incurred to obtain income with the realization of the income received. It can be calculated using the following formula:

\[
\text{Efficiency Ratio} = \frac{\text{Realization of Original Regional Revenue}}{\text{Costs incurred to collect PAD}}
\]

<table>
<thead>
<tr>
<th>Efficiency Criteria</th>
<th>Efficiency Presentation</th>
</tr>
</thead>
<tbody>
<tr>
<td>100% and above</td>
<td>Not efficient</td>
</tr>
<tr>
<td>90% -100%</td>
<td>Less Efficient</td>
</tr>
<tr>
<td>80% -90%</td>
<td>Simply Efficient</td>
</tr>
<tr>
<td>60% -80%</td>
<td>Efficient</td>
</tr>
<tr>
<td>Less than 60%</td>
<td>Very Efficient</td>
</tr>
</tbody>
</table>

Source: Abdul Halim (2007)

The efficiency ratio analysis tool is a ratio that can show the comparison of the amount of costs incurred to obtain income with the realization of income received (Ulum, 2009). In this efficiency, it is closely related to output in the form of goods or with services produced with a resource that has been used to produce an output. The revenue collection carried out by the government is said to be efficient if the ratio is below 100 percent. If the lower the efficiency ratio, it indicates that the government's performance is getting better. It is very important for local governments to calculate exactly how much the costs will be. Because if the performance of the government is to be better, the efficiency ratio must be smaller.

**Local own revenue growth ratio**

Growth Ratio is a ratio that measures how much the ability of the Regional Government to maintain and increase its success that has been achieved from period to period. The knowledge of growth is to evaluate the potentials that need attention. Because the greater the ratio of growth in local revenue, it shows that the original regional revenue that has been received by the local government has increased. The growth ratio can be calculated using the following formula:

\[
\text{PAD Growth Ratio} = \frac{\text{Realized PAD Xn}}{\text{Realized PAD Xn-1}} - \frac{\text{Realized PAD Xn-1}}{\text{Realized PAD Xn-1}}
\]

**IV. RESULTS AND DISCUSSION**

**Regional Government Financial Independence Ratio**

<table>
<thead>
<tr>
<th>Year</th>
<th>Regional Original Revenue (PAD)(in rupiah)</th>
<th>Central or Provincial Government Assistance and Loans (in rupiah)</th>
<th>Independence Ratio(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>2,578,457,420.885,00</td>
<td>5,735,006,649.088,00</td>
<td>44.96%</td>
</tr>
</tbody>
</table>
Source: Financial reports for the City of Bandung 2017-2019 (processed)

Financial Independence Ratio

\[
2017 = \frac{\text{Rp. 2.578.457.420.885,00}}{\text{Rp. 5.735.006.649.088,00}} \times 100\% = 44.96\% \\
2018 = \frac{\text{Rp. 2.578.457.420.885,00}}{\text{Rp. 5.939.997.423.418,00}} \times 100\% = 43.29\% \\
2019 = \frac{\text{Rp. 2.574.882.752.310,00}}{\text{Rp. 6.455.976.223.624,00}} \times 100\% = 39.88\%
\]

Based on Table 3, the average self-reliance ratio is 42.71% from 2017-2019 according to the level of regional capacity on average considered low, which is between 25% - 50%, which means that the pattern of the relationship that occurs is a Consultative pattern.

On the basis of Table 3, the researcher can conclude that the level of independence of the city of Bandung is still low. The lowest self-reliance ratio occurred in 2019, with a percentage of 39.88%, while the highest independence ratio occurred in 2017, which was 44.96%. This is due to the income received by the Regional Government of Bandung City which comes from the Balancing Fund which is getting bigger and is offset by the contribution of revenue from Regional Original Income.

Regional Original Income Effectiveness Ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>Realization of PAD Revenue(in rupiah)</th>
<th>PAD Revenue Target (Budget)(in rupiah)</th>
<th>Effectiveness Ratio(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>2.578.457.420.885,00</td>
<td>3.015.836.590.302,00</td>
<td>85.49%</td>
</tr>
<tr>
<td>2018</td>
<td>2.571.591.786.199,00</td>
<td>3.397.309.517.811,00</td>
<td>75.69%</td>
</tr>
<tr>
<td>2019</td>
<td>2.574.882.752.310,00</td>
<td>2.560.000.000.000,00</td>
<td>100.58%</td>
</tr>
</tbody>
</table>

Source: Financial reports for the City of Bandung 2017-2019 (processed)

Income Effectiveness Ratio

\[
2017 = \frac{\text{Rp. 2.578.457.420.885,00}}{\text{Rp. 3.015.836.590.302,00}} \times 100\% = 85.49\% \\
2018 = \frac{\text{Rp. 2.578.457.420.885,00}}{\text{Rp. 3.397.309.517.811,00}} \times 100\% = 75.69\% \\
2019 = \frac{\text{Rp. 2.574.882.752.310,00}}{\text{Rp 2.560.000.000.000,00}} \times 100\% = 100.58\%
\]
Based on Table 4, the average effectiveness ratio of 87.25% from 2017-2019 according to the criteria this ratio lies at less than 100% (<100%), which means that the realization of Regional Original Revenue (PAD) is not suitable or less than the target of receiving Regional Original Revenue (PAD).

The effectiveness ratio about regional original revenue in 2017 to 2019 is classified as less effective because the contribution set on the target set is less than 100%. This ineffective regional original revenue budget can be caused by the regional original revenue budget that has been set at a height and has passed the actual regional original revenue in that year.

Local Own Revenue Efficiency Ratio

Table 5. Results of the Bandung City Government Efficiency Ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>Cost of Collection PAD (in rupiah)</th>
<th>Regional Original Revenue (PAD) (in rupiah)</th>
<th>Ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>437,379,169,417,00</td>
<td>2,578,457,420,885,00</td>
<td>16.96%</td>
</tr>
<tr>
<td>2018</td>
<td>825,717,731,612,00</td>
<td>2,571,591,786,199,00</td>
<td>32.11%</td>
</tr>
<tr>
<td>2019</td>
<td>822,426,765,500,00</td>
<td>2,574,882,752,311,00</td>
<td>31.94%</td>
</tr>
</tbody>
</table>

Source: Financial reports for the City of Bandung 2017-2019 (processed)

Efficiency Ratio

\[2017 = \text{Rp. 437,379,169,417,00} \times 100\% = 16.96\%
\]

\[\text{Rp. 2,578,457,420,885,00} \]

\[2018 = \text{Rp. 825,717,731,612,00} \times 100\% = 32.11\%
\]

\[\text{Rp. 2,571,591,786,199,00} \]

\[2019 = \text{Rp. 822,426,765,500,00} \times 100\% = 31.94\%
\]

\[\text{Rp. 2,574,882,752,311,00} \]

On the basis of Table 5, financial performance is seen from an average efficiency ratio of 27.00% from 2017-2019, it is concluded that the efficiency level of Bandung City's PAD in the 2017-2019 fiscal year is described in the following discussion:

1. In 2017, the efficiency ratio of Bandung City's PAD was 16.96%. This shows that in 2017 the efficiency level of Bandung City's PAD reached a very efficient level. This efficiency shows that the city of Bandung in obtaining PAD has succeeded in reducing the costs incurred. The cost of collecting PAD in 2017 was IDR 437,379,169,417 or 16.96% of the total realized PAD, which was IDR 2,578,457,420,885.

2. In 2018, the efficiency ratio of Bandung City's PAD was 32.11% or an increase of 15.15% from 2017. Even though it has increased, for that year the efficiency ratio of Bandung City's PAD is still classified as very efficient because it is in the range below 60%. The cost of collecting PAD in 2018 was IDR 825,717,731,612 or an increase of 15.15% from the PAD collection costs issued in 2017. This is also directly proportional to the Original Regional Revenue, where in 2018 the realization was IDR 2,571,591,786,199.

3. In 2019, Bandung City's PAD efficiency ratio was 31.94% or decreased by 0.17% from 2018. On the basis of the large PAD efficiency ratio, it illustrates that Bandung City's financial performance is very efficient in achieving the realization of PAD in 2019. disbursed was only IDR 822,426,765,500 and realized PAD was IDR 2,574,882,752,311.

On the basis of the trend over the past 3 years, the efficiency ratio of Bandung City's Local Own Revenue has fluctuated, however, overall the efficiency ratio of Bandung City's PAD is classified as very efficient because it is
<60%. This shows that the program of activities that have been designed by the Bandung City Government to produce PAD can be said to be successful.

**Local Own Revenue Growth Ratio**

Table 6. Bandung City Government Growth Ratio Results

<table>
<thead>
<tr>
<th>Year</th>
<th>Regional Original Revenue (PAD XN)</th>
<th>Regional Original Revenue (PAD XN-1)</th>
<th>Ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>2,152,755,704,962,00</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2017</td>
<td>2,578,457,420,885,00</td>
<td>2,152,755,704,962,00</td>
<td>19.7%</td>
</tr>
<tr>
<td>2018</td>
<td>2,571,591,786,199,00</td>
<td>2,578,457,420,885,00</td>
<td>0.27%</td>
</tr>
<tr>
<td>2019</td>
<td>2,574,882,752,310,00</td>
<td>2,571,591,786,199,00</td>
<td>0.13%</td>
</tr>
</tbody>
</table>

Source: Financial reports for the City of Bandung 2017-2019 (processed)

**Growth Ratio**

\[
\begin{align*}
2017 & = \frac{Rp. \ 2,578,457,420,885,00 - 2,152,755,704,962,00}{2,152,755,704,962,00} \times 100\% = 19.7\% \\
& = Rp. \ 2,152,755,704,962,00 \\

2018 & = \frac{Rp. \ 2,571,591,786,199,00 - 2,578,457,420,885,00}{2,578,457,420,885,00} \times 100\% = 0.27\% \\
& = Rp. \ 2,578,457,420,885,00 \\

2019 & = \frac{Rp. \ 2,574,882,752,310,00 - 2,571,591,786,199,00}{2,571,591,786,199,00} \times 100\% = 0.13\% \\
& = Rp. \ 2,571,591,786,199,00
\end{align*}
\]

Based on Table 6, financial performance is seen from an average growth ratio of 6.7% from 2017-2019, it can be concluded that the growth ratio generated by the City of Bandung in 2017-2019 has a value in 2017 of 19.7%, year 2018 amounted to 0.27% and in 2019 amounted to 0.13%. The growth ratio can be said to be quite low because from 2017, 19.7% experienced a significant decline in growth in 2018 to 0.27% and decreased again in 2019 to 0.13%.

Based on the calculation of the PAD Growth Ratio, on average from 2017 to 2019, the largest growth occurred in 2017 with a percentage of 19.7% and decreased in 2018 to 0.27% and in 2019 to 0.13%, it is expected that the City Bandung always increases its PAD by optimizing its various potentials and trying not to be too dependent on central government assistance so that it can independently manage its region.

**V. CONCLUSION**

Financial performance as seen from the self-reliance ratio with an average of 42.71% is included in a low relationship pattern, meaning that the Central Government's interference is still there because the area of Bandung City is not yet capable and independent. This is due to the income received by the Regional Government of Bandung City which comes from the Balancing Fund which is getting bigger and is offset by the contribution of revenue from Regional Original Income.

Financial performance as seen from the effectiveness ratio with an average of 87.25% from 2017-2019 is classified as ineffective with the criteria of this ratio being less than 100% (<100%) which means the realization of Regional Original Income (PAD) not yet in accordance with or less than the target of Regional Original Revenue (PAD).
Financial performance seen from the efficiency ratio with an average of 27.00% on the basis of the trend over the past 3 years, the efficiency ratio of Bandung City’s Original Revenue has fluctuated which is less than (<60%) which means it is declared very efficient.

Financial performance is seen from an average growth ratio of 6.7% from 2017-2019, meaning that Bandung City’s growth is still low because from 2017, 19.7% experienced a significant decline in growth in 2018 to 0.27% and experienced another decline in 2019 to 0.13%.

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