Analysis of the Financial Performance of the Kupang City Regional Government

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ABSTRACT

Purpose: The implementation of regional government is based on the principle of regional autonomy. The implementation of local government is also marked by the change in the system from centralization to decentralization which is directed at accelerating the realization of the welfare of the Indonesian people. Therefore, each region is required to be more independent in managing and managing its government affairs, including in managing regional finances. One of the vital cycles in regional financial management is reporting carried out at the end of each accounting period, in the form of local government financial reports (LKPD). LKPD can be used as a means of conducting performance analysis so that it can increase the role of financial reports themselves. Therefore, the author will conduct more in-depth research to determine the performance of the Kupang City Regional Government over the last 5 years.

Design/methodology/approach: This research uses a quantitative descriptive approach. The data collection method will be carried out with documentation. The data is a Budget Realization Report contained in the BPK Audit Results Report for 2018-2022.

Findings: The data is then analyzed using financial ratio analysis in the form of regional financial independence ratios, regional financial dependence ratios, degree of decentralization ratios, ratios of effectiveness of regional original income, ratios of regional financial efficiency, harmony ratios and growth ratios. The results of the study stated that the role of the central government was more dominant in financing the administration of the Kupang City regional government, the financial dependence of the local government on the center in the form of transfer income during the last 5 years was very high, the percentage of local original income was less when compared to the total income, the effectiveness of regional original income during the last 5 years have been quite effective. local governments need quite large funds and even increase yearly as long as they finance government operations, but capital expenditures are decreasing yearly. On the other hand, revenue growth from 2018 to 2022 tends to decrease, while the growth in operating expenditures and capital expenditures has fluctuated over the past 5 years. Therefore, the Regional Government of Kupang City is expected to maximize the revenue potential in the region. This is to reduce the dominance of the central government in financing the implementation of the Kupang City Regional Government.

Paper type: Research Paper

I. INTRODUCTION

The implementation of regional government is based on the principle of regional autonomy. Law of the Republic of Indonesia Number 23 of 2014 states that regional autonomy is the right, authority and obligation of an autonomous region to regulate and manage its own government affairs and the interests of the local community within the system of the Unitary State of the Republic of Indonesia. The implementation of local government is also marked by a change in the system from centralization to decentralization which is directed at accelerating the realization of the welfare of the Indonesian people. The law also states that decentralization is the transfer of governmental affairs by the central government to autonomous regions based on the principle of autonomy.

Therefore, each region is required to be more independent in managing and managing its government affairs, including in managing regional finances.

Regional financial management is all activities which include planning, budgeting, implementation, administration, reporting, accountability and supervision of regional finances. Regional financial management is carried out in an orderly, efficient, economical, effective, transparent and responsible manner by paying attention to the sense of justice, propriety, benefits for the community, and complying with the provisions of laws and regulations (Government Regulation of the Republic of Indonesia Number 12 of 2019).

One of the vital cycles in regional financial management is reporting carried out at the end of each accounting period, in the form of local government financial reports (LKPD). LKPD at least includes budget realization reports, reports on changes in excess budget balances, balance sheets, operational reports, cash flow reports, changes in equity reports, and notes on financial statements. The 2021 Government Accounting Standards of the Republic of Indonesia state that financial reports are prepared to provide relevant information regarding financial position and all transactions carried out by a reporting entity during one reporting period, primarily used to determine the value of economic resources used to carry out government operations, assess financial condition, evaluate the effectiveness and efficiency of a reporting entity, and help determine compliance with laws and regulations. On the other hand, financial reports are also used as a means of conducting performance analysis so as to enhance the role of the financial statements themselves..

Analysis of the performance of financial reports is an activity carried out to interpret financial report figures in order to determine financial performance. Based on the data presented in the APBD Realization Report, an analysis of financial ratios can be carried out including, the ratio of regional financial independence, the ratio of regional financial dependence, the ratio of the degree of decentralization, the ratio of the effectiveness of regional original income, the harmony ratio and the growth ratio (Mahmudi, 2016). Therefore users of financial reports will more easily understand the financial performance of local government.

Based on the method of analysis of the financial reports of the Regional Government of Sleman Regency for 2016-2020 it can be stated that in general the financial performance of the Regional Government of Sleman Regency is quite good, effective and efficient (Siswanto & Maylani, 2022). Semarang City's financial performance still has obstacles in managing regional finances (Kurniawati, 2022). Based on the results of ratio calculations, the financial performance of the Regional Government of Sumatra Island tends to increase and fluctuate (Abdullah & Mardatillah, 2017). What about Kupang City, is its financial performance the same as other regional governments or is it much different? Kupang City is the capital of East Nusa Tenggara Province which is divided into 6 sub-districts and 51 sub-districts. In reality, the Budget Realization Report does not yet describe regional financial performance. Therefore, a more in-depth analysis is needed to determine the financial performance of the Kupang City Regional Government.

In the end, it is hoped that the results of this research can serve as a guide in making decisions for the Kupang City Regional Government in the future. On the other hand, this research can be used as a reference for further research related to regional financial performance analysis.

II. METHODS

This research uses a quantitative descriptive approach. The data processed is in the form of a Budget Realization Report contained in the 2018-2022 BPK Audit Results Report. The data is then analyzed using financial ratio analysis. Analysis is the process of systematically searching and compiling data obtained from interviews, field notes and documentation, by organizing data into categories, describing it into units, synthesizing it, arranging it into patterns, choosing what is important and what is important. will be studied, and make conclusions so that they are easily understood by oneself and others (Sugiyono, 2013). This analysis includes analysis of regional financial independence ratios, regional financial dependency ratios, decentralization degree ratios, regional original income effectiveness ratios, harmony ratios and growth ratios.

III. RESULTS AND DISCUSSION

A. Regional Financial Independence Ratio (RKKD)

The results of calculating the regional financial independence ratio are in table 6.1. The table shows that the ratio of regional financial independence in Kupang City fluctuates and even tends to increase. In 2018 the regional financial independence ratio was 17.91%, in 2019 it rose to 19.77%, in 2020 it fell slightly to 18.67%, in 2021 it rose to 19.07%, and in 2022 it further rose to 22.69 %. Regional financial independence for the last 5 years is

below 25%. These results illustrate an instructive relationship pattern, meaning that the role of the central government is more dominant in financing the implementation of the Kupang City Regional Government.

Tahun	Total PAD	Pendapatan (transfer)	Rasio (%)	Keterangan
2018	171,490,709,097	957,520,348,772	17.91%	Instruktif
2019	185,051,575,343	936,049,930,114	19.77%	Instruktif
2020	167,530,108,045	897,168,016,772	18.67%	Instruktif
2021	166,266,172,886	871,871,184,415	19.07%	Instruktif
2022	186,122,187,494	820,114,453,556	22.69%	Instruktif
Rata-rata			19.62%	Instruktif

Figure 1- Regional Financial Independence Ratio and Relationship Patterns

B. Regional Financial Dependency Ratio

Tahun	Pendapatan Transfer	Total Pendapatan	Rasio (%)	Kriteria
2018	957,520,348,772	1,169,535,197,601	81.87%	Sangat Tinggi
2019	936,049,930,114	1,164,514,406,238	80.38%	Sangat Tinggi
2020	897,168,016,772	1,128,428,149,265	79.51%	Sangat Tinggi
2021	871,871,184,415	1,081,199,704,148	80.64%	Sangat Tinggi
2022	820,114,453,556	1,066,614,346,569	76.89%	Sangat Tinggi
Rata-rata			79.86%	Sangat Tinggi

Figure 2- Regional Financial Dependency Ratio

The results of calculating the regional financial dependency ratio are in table 6.2. The calculation table shows that the regional financial dependency ratio of Kupang City in 2018 was 81.87, in 2019 it was 80.38%, in 2020 it was 79.51%, in 2021 it was 80.64%, and in 2022 it was 76.89%. These results illustrate that the Kupang City Government's dependence on the center in the form of transfer income over the last 5 years has been very high.

C. Decentralized Degree Ratio
The results of calculating the degree of decentralization ratio are in table 6.3. The calculation table shows that the degree of decentralization of Kupang City in 2018 was 14.66%, 2019 was 15.89%, 2020 was 14.85%, in 2021 was 15.38%, and 2022 was 17.45%. . This calculation illustrates that for the last 5 years the percentage of local revenue for the City of Kupang has been less when compared to the total revenue.

Tahun	Total PAD	Total Pendapatan	Rasio (%)	Kriteria
2018	171,490,709,097	1,169,535,197,601	14.66%	Kurang
2019	185,051,575,343	1,164,514,406,238	15.89%	Kurang
2020	167,530,108,045	1,128,428,149,265	14.85%	Kurang
2021	166,266,172,886	1,081,199,704,148	15.38%	Kurang
2022	186,122,187,494	1,066,614,346,569	17.45%	Kurang
Rata-rata			15.65%	Kurang

Figure 3- Decentralization degree ratio

D. Regional Own Revenue Effectiveness Ratio
The results of calculating the effectiveness of regional original revenues are in table 6.4

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Tahun	Total PAD	Target PAD	Rasio (%)	Kriteria
2018	171,490,709,097	177,648,571,543	96.53%	Cukup
2019	185,051,575,343	195,336,408,043	94.73%	Cukup
2020	167,530,108,045	163,030,592,170	102.76%	Sangat Efektif
2021	166,266,172,886	190,782,982,758	87.15%	Kurang
2022	186,122,187,494	197,560,982,755	94.21%	Cukup
Rata-rata			95.08%	Cukup

Figure 4- Effectiveness of Regional Original Revenue

The calculation table shows that the effectiveness of Kupang City's own-source revenue has fluctuated over the last 5 years. In 2018 the effectiveness ratio was 96.53% with sufficient criteria, in 2019 it was 94.73% with sufficient criteria, in 2020 it was 102.76% very effective, in 2021 it was 87.15% with less criteria, and in 2022 it was 94 .21% with sufficient criteria. The calculation table also shows that the effectiveness of local original revenues for the last 5 years with an average ratio of 95.08% with sufficient criteria. Therefore, the effectiveness of the Kupang City government's local revenue for the last 5 years has been quite effective.

E. Compatibility Ratio
1. Operations Expenditure
The results of calculating the operational expenditure harmony ratio for Kupang City are shown in table 6.5. The calculation table shows that the ratio of operating expenditure to regional expenditure in Kupang City over the last 5 years has increased every year. In 2018 it was 75.07%, in 2019 it increased to 78.94%, in 2020 it increased by 80.36%, in 2021 it also increased to 81.49%, and the peak in 2022 rose to 86 .69%. These calculations illustrate that the Kupang City regional government requires quite large funds for government operations.

Tahun	Belanja Operasi	Belanja Daerah	Rasio (%)
2018	876,510,848,949	1,167,614,842,067	75.07%
2019	922,688,920,523	1,168,795,353,637	78.94%
2020	913,409,582,038	1,136,643,267,010	80.36%
2021	896,520,484,058	1,100,199,348,375	81.49%
2022	904,606,329,834	1,043,492,271,157	86.69%

Figure 5- Harmony of Operational Expenditures

2. Capital Expenditures
The results of calculating the capital expenditure suitability ratio are shown in table 6.6. The calculation table shows that the capital expenditure ratio percentage in the last 5 years has decreased. In 2018 the capital expenditure ratio was 24.93%, in 2019 it fell to 21.06%, in 2020 it was 19.31%, in 2021 it decreased to 13.31%, and in 2022 it was 13.04%.

Tahun	Belanja Modal	Belanja Daerah	Rasio (%)
2018	291,103,993,118	1,167,614,842,067	24.93%
2019	246,106,433,114	1,168,795,353,637	21.06%
2020	219,502,147,472	1,136,643,267,010	19.31%
2021	146,418,623,804	1,100,199,348,375	13.31%
2022	136,100,324,224	1,043,492,271,157	13.04%

Figure 6- Harmony of Capital Expenditures

F. Growth Ratio

1. Income

The results of calculating the income growth ratio are shown in table 6.7. The calculation table shows that the ratio of revenue growth for the City of Kupang over the last 5 years has fluctuated and even tended to be minus from year to year. In 2018 the revenue growth ratio was 1.16%, in 2019 it decreased to -0.43%, in 2020 it was -3.10%, in 2021 it decreased to -4.19%, while in 2022 it experienced a slight increase but it is still in minus condition of -1.35%. This ratio illustrates that income growth from 2018 to 2022 tends to decline.

Tahun	Thn t	Thn 1	Th t- Th 1	Rasio (%)
2018	1,169,535,197,601	1,156,105,794,119	13,429,403,482	1.16%
2019	1,164,514,406,238	1,169,535,197,601	(5,020,791,363)	-0.43%
2020	1,128,428,149,265	1,164,514,406,238	(36,086,256,973)	-3.10%
2021	1,081,199,704,148	1,128,428,149,265	(47,228,445,117)	-4.19%
2022	1,066,614,346,569	1,081,199,704,148	(14,585,357,579)	-1.35%

Figure 7- Revenue Growth Ratio

G. Operational spending

The results of calculating the income growth ratio are shown in table 6.8. The calculation table shows that the growth ratio of Kupang City's operating expenditure over the last 5 years has fluctuated from year to year. In 2018 the operating expenditure growth ratio was 4.22%, in 2019 it increased to 5.27%, in 2020 it decreased to -1.01%, in 2021 it further decreased to -1.85%, while in 2022 it experienced a slight increase but amounting to 0.90%. This ratio illustrates that the growth in operational costs of the Kupang City regional government has fluctuated over the last 5 years.

Tahun	Thn t	Thn 1	Th t- Th 1	Rasio (%)
2018	876,510,848,949	841,041,801,732	35,469,047,217	4.22%
2019	922,688,920,523	876,510,848,949	46,178,071,574	5.27%
2020	913,409,582,038	922,688,920,523	(9,279,338,485)	-1.01%
2021	896,520,484,058	913,409,582,038	(16,889,097,980)	-1.85%
2022	904,606,329,834	896,520,484,058	8,085,845,776	0.90%

Figure 8- Operating Expenditure Growth Ratio

H. Capital Expenditures

The results of calculating the income growth ratio are shown in table 6.9. The calculation table shows that the growth ratio of the capital expenditure of the Regional Government of the City of Kupang over the last 5 years has fluctuated from year to year. In 2018 the growth ratio for capital expenditure in the City of Kupang was -4.96%, in 2019 it fell to -15.46%, in 2020 it has increased even though it tends to be minus to -10.81%, in 2021 it has decreased to -33, 30%, while in 2022 there will be quite a large increase although it still tends to be minus at -7.05%. This ratio illustrates that the local government of Kupang City has fluctuated the cost of capital over the last 5 years.

Tahun	Thn t	Thn 1	Th t- Th 1	Rasio (%)
2018	291,103,993,118	306,295,066,371	(15,191,073,253)	-4.96%
2019	246,106,433,114	291,103,993,118	(44,997,560,004)	-15.46%
2020	219,502,147,472	246,106,433,114	(26,604,285,642)	-10.81%
2021	146,418,623,804	219,502,147,472	(73,083,523,668)	-33.30%
2022	136,100,324,224	146,418,623,804	(10,318,299,580)	-7.05%

Figure 9- Capital Expenditure Growth Ratio

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V. CONCLUSION

The regional financial independence of the Municipal Government during 2018-2022 Kupang illustrates a pattern of instructive relationships. This illustrates that the role of the central government is more dominant in financing the implementation of the Regional Government of Kupang City. The financial dependence of the Regional Government of Kupang City on the center in the form of transfer income over the last 5 years has been very high. The percentage of regional original income is less when compared to the total revenue. On the other hand, the effectiveness of regional original revenues for the Regional Government of the City of Kupang over the last 5 years has been quite effective. In carrying out operational activities the Regional Government of Kupang City requires quite large funds and even increases every year during 2028-2022. In terms of financing, the Kupang City Regional Government's capital expenditure has decreased every year for the last 5 years. Kupang City Regional Government income growth from 2018 to 2022 tends to decline. The growth of operating expenditures and capital expenditures has fluctuated over the last 5 years. Therefore, the Regional Government of Kupang City is expected to maximize the revenue potential that exists in the region. This is to reduce the dominance of the central government in financing the implementation of the Kupang City Regional Government.

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