

Analysis of Financial Performance of Tegal Regency Local Government

Eka Nova¹, Supriyadi², Kumba Digdowiseiso^{3*}

^{1,2,3*} Faculty of Social and Political Sciences, Universitas Nasional, Indonesia

Email: ¹eka.nova@gmail.com, ²supriyadi@gmail.com

^{3*}kumba.digdo@civitas.unas.ac.id

ABSTRACT

The management and accountability in the activities of regional autonomy and local finance are regulated by Government Regulation Number 1 of 2022, which states that financial management at the regional level starts from the initial planning to the supervision of the regional finances. The success of performance improvement is deemed effective when it aligns with government regulations. Kabupaten Tegal is one of the regions whose capacity to self-finance governance, development, and public services is still reliant on transfers from the central and provincial governments. This is evident in the low Regional Financial Independence Ratio, which stands at 22.10%. Kabupaten Tegal has yet to fully implement fiscal decentralization, as indicated by the fluctuating fiscal decentralization ratio, which falls into the low category. To provide better public services, Kabupaten Tegal must optimize its Local Own-Source Revenue (PAD) potential.

Keywords: Local Own-Source Revenue (PAD), Regional Financial Independence Ratio, decentralization ratio.

INTRODUCTION

The public sector is often understood as something related to the public interest and the provision of goods or services to the public that are paid for through taxes or other state revenues regulated by law. The public sector is an organization whose activities are related to efforts to produce public goods and services to meet the needs and rights of the public sector. Public sector funding comes from the community, such as local levies and taxes. Regional finance cannot be separated from administrative procedures and other revenues that are valid and bound by applicable laws and regulations in the regions. Because regional decentralization is a manifestation of regional freedom or regional autonomy, the duties and authorities of regional heads to regulate and regulate regional governments must pay attention to regional possibilities and all community needs are the responsibility of local governments.

The management and accountability of regional autonomy and regional financial activities are regulated in Law No. 1 of 2022, this Law regulates the scope of financial relations between the central government and regional governments which includes: 1) providing sources of regional revenue in the form of taxes and levies; 2) management

How to cite: Eka Nova, Supriyadi, Kumba Digdowiseiso (2024) Analysis of Financial Performance of Tegal Regency Local Government, (5) 2. Doi:

E-ISSN: [2721-5202](https://doi.org/10.27209/2721-5202)

Published by: CV. Syntax Corporation Indonesia

of Transfer to Regions/TKD; 3) management of regional expenditures; 4) granting authority to conduct regional financing; and 5) implementation of national fiscal policy synergy. Performance improvement is considered successful if it is consistent with government regulations (Setianingrum et al., 2020; Saebah et al., 2023). A system of fiscal decentralization or regional autonomy can improve the fiscal performance of local

governments for the benefit of local communities. It is used as a process of recovery and performance evaluation through comparison of work plans and their implementation, as well as providing period-by-period benchmarks for the implementation of regional development and performance improvement.

As part of the trust given to the Regional Government of Tegal Regency in measuring financial performance for the public interest, the regional financial performance as a liaison for the implementation of development and community services should be included as an assessment in the accountability report. Local governments communicate this to the community as a form of information transparency and budget effectiveness that is well utilized by local governments.

There are various forms of budget diversion in the regional budget (APBD), and the performance of the Tegal Regency Government attracts public attention. The continuation of the previous government's power triggered public anger and caused a crisis of confidence in the performance of the Tegal Regency government. Government development has two main elements: the theme and objectives of local governments to achieve budget transparency and improve budget effectiveness (Christia et al., 2019).

Fiscal decentralization began in 2001 and was marked by the introduction of a system of fiscal decentralization or regional autonomy to improve the fiscal performance of local governments for the benefit of local communities. This condition can be used as an evaluation material for the recovery process and performance by comparing work plans and their implementation, and can be a benchmark in implementing development and improving regional performance.

The level of regional financial independence refers to the ability of local governments to finance government activities, development, and services to the community, paying taxes and levies as resources needed by the region. A local government has an independent assessment of its good and effective financial performance, has sustainable growth in Local Original Revenue (PAD), and has an appropriate capital and operational expenditure ratio. Therefore, local governments need to pay special attention in managing their financial performance in order to optimize regional resources. Previous research conducted by Yulinchton et al., (2022) on regional financial performance in Tegal Regency for the 2016-2019 period showed that the independence of the Tegal Regency Government has an instructive pattern, in other words, the role of the central government is more dominant than the level of local government independence. Also by Deidrayanti et al., (2022) using financial ratios such as regional fiscal independence, regional capacity, and effectiveness ratios in the Tegal City Government FY 2020-2022; Sex Ratio, Growth Rate, Effectiveness Ratio and Conformity Rate using data from the Tegal District Budget Realization Report FY 2019-2023.

The implementation of PAD relative to the objectives of PAD is greater than 100% or is said to be effective. PAD tariff reductions occurred in 2021, 2022, and 2023. In 2019, the PAD of Tegal Regency was 98.64%, while in 2020 the realization reached 92.23%. If the level of realization of PAD against the PAD target is less than 100%, then PAD is considered ineffective, so the comparison between the realization of the Tegal

Regency Regional Budget in 2019 and 2020 with the PAD target can be said to be ineffective. This is due to two changes in the 2019 Tegal Regency Regional Election.

RESEARCH METHODS

This study uses a descriptive quantitative approach that aims to explain a situation to be studied with the support of literature studies so as to further strengthen the researcher's analysis in making a conclusion. This study uses secondary data obtained from the recapitulation of regional financial data of the Directorate General of Financial Balance of the Ministry of Finance of the Republic of Indonesia by accessing the www.djpk.kemenkeu.go.id page.

Financial Ratio Measurement

The Compatibility Ratio aims to see how the Government optimizes its funds in operational expenditures or capital expenditures both are very related, if in a region the government spends more of its budget on Operating Expenditures, it is unlikely that the regional government spends its funds on the capital expenditure sector, this will affect the non-increase in assets to improve public service facilities and infrastructure. The measurement of variables in this study is shown in Table 1.

Ratio	Indicator	Calculation and Reference Formulas
Regional Financial Independence Ratio	<ol style="list-style-type: none"> 0%-25%, classified as very low with an instructive pattern. 25%-50%, classified as low with a consutative pattern. 50%-75%, classified as medium with participatory patterns. 75%-100%, belong to the high delegative pattern. 	Formula: $RKKDn = \frac{PADn}{Transfer\ Income} \times 100\%$ Information: PAD = Local Original Revenue n = year (Christia & Ispriyarso, 2019)

Table 1. Financial Ratio Measurement

Effectiveness Ratio	<ol style="list-style-type: none"> If the value obtained is less than 100% ($x < 100\%$) it means ineffective. If the value is equal to 100% ($x = 100\%$) it means that effectiveness is balanced. 	Formula: $\frac{Rasio\ Efektivitas\ PADn}{Realization\ of\ PADn} = \frac{PADn}{PADn\ Budget} \times 100\%$ Information: PAD = Local Original Revenue n = year (Smith &; Desilasari, 2015)
---------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Growth Ratio	<ol style="list-style-type: none"> If r is negative (-) then it can be said that growth has decreased. If r is positive (+) then it can be said that from the growth of a PAD increased from the previous year. 	Formula: $r = \frac{Pn - Po}{Po}$ Information: r = Growth Ratio Pn = Growth in the nth year
--------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------

Po= Growth at the beginning of the year r

(Smith & Desilasari, 2015)

Compatibility Ratio	<p>1. If the Operating Expenditure Ratio is greater than the capital expenditure ratio, the ratio of Capital Expenditure Ratio to</p>	<p>Formula: $\frac{\text{Operating Expenditure Ratio}}{\text{Total Operating Expenditure } n} = \dots \times 100\%$</p>
	<p>total regional expenditure</p>	<p>capital expenditure ratio, then the ratio of compatibility of capital expenditure to total regional</p>
	<p>compatibility is low. 2. If the Operating Expenditure Ratio is smaller than the</p>	<p>$\frac{\text{Total Capital Expenditure } n}{\text{Total Capital Expenditure } n} \times 100\%$ Information: n = year (Smith & Desilasari, 2015)</p>
Fiscal Decentralization Ratio	<p>1. 0% - 10% : Very Low 2. 10.01%-20% : Low 3. 20.01-30% : Medium 4. 30.01-40% : Sufficient 5. 40.01-50% : High 6. >50% Very High</p>	<p>Formula: $\frac{\text{Fiscal Decentralization Ratio Realization}}{\text{Totap Income}} \times 100\%$ (Christia & Ispriyarso, 2019)</p>

Source: Related references.

RESULTS AND DISCUSSION

Research Object Description

Tegal Regency is one of the administrative regions of Central Java Province with its capital in Slawi Province and consists of 18 administrative regions. The Tegal Regency area is very strategically located, connecting the areas of Semarang, Tegal, Purwokerto, Cilacap with the areas of Semarang, Tegal, Cirebon. Tegal Regency has port facilities. Tegal Regency is bordered by Tegal City and the Java Sea to the north, Pemalang Regency to the east, Brebes Regency to the west, and Brebes Regency and Banyumas Regency to the south (BPS Tegal Regency, 2023).

The data used in this study is the Tegal Regency Regional Budget Realization Report for 2019-2023. The total revenue of the 2019 regional budget is estimated at Rp 2,793.76 billion. However, the amount of realization is IDR 2,755.68 billion and the target has not reached maximum revenue because the size of the APBD budget is still greater than the actual amount. The total revenue of Tegal Regency is calculated from local

original revenue (PAD) and transfer revenue of the central and state governments. In 2019, the PAD value of Tegal Regency was IDR 416.87 billion and revenue was IDR 436 billion. Meanwhile, the transfer revenue of Tegal Regency in 2019 is estimated at Rp 2,015.35 billion. His income amounted to Rp 1,972.2 million. Regional expenditure data for the Tegal Regency Regional Budget in 2019 amounted to Rp2,866.76 billion, consisting of operational expenditures of Rp2,384.98 billion and capital expenditures of Rp481.78 billion, as well as the total realization of regional expenditures of Rp2,717.43 billion. to 10,000 rupiah. Operating costs amounted to Rp 2,284.03 billion. Investment amounted to 434.39 million rupiah. From 2019 data, the Tegal Regency Regional Budget shows that regional spending is still unequal, rational expenditure dominates compared to capital expenditure

Regional Financial Independence Ratio (RKKD)

A region's fiscal independence ratio shows the level of a region's ability to fund its own governmental, development, and non-profit activities. A summary of the calculation of the RKKD of Tegal Regency from 2019 to 2023 is presented in Table 2. The results of the RKKD calculation in Table 2 compare the realization of Tegal Regency PAD and transfer funds. Based on the indicator criteria in Table 1, the RKKD of the Tegal Regency Government for the 2019-2023 fiscal year shows an average of 26.66%, which can be interpreted as consultative financial status.

Table 2. Regional Financial Independence Ratio of Tegal Regency

Fiscal Year	Realization of PAD	Transfer Revenue	Regional Financial Independence Ratio	Information
2019	436 M	1,972.20 M	22,10%	Instructive
2020	439.93 M	1,900.44 M	23,12%	Instructive
2021	591M	1,911.80 M	30,91%	Consultative
2022	531.15 M	1,984.51 M	26,76%	Consultative
2023	405,10 M	1.331,35 M	30,42%	Consultative
Average			26,66	Consultative

Source: djpk.kemenkeu.go.id.

Effectiveness Ratio

The effectiveness ratio of PAD of Tegal Regency specifically shows the ability of local governments to achieve PAD and is compared with targets according to the actual potential of the region. The higher the level of effectiveness, the better the performance of local governments. A summary of the calculation of the effectiveness ratio of the Tegal Regency Government from 2019 to 2023 is presented in Table 3. The results shown in Table 3 show that the fiscal efficiency of the Tegal Regency Government in 2019 to 2023 averaged 97.158%. These results show that the ability of the Tegal district government to realize PAD according to its goals has not achieved satisfactory results. The efficacy value of this 4-year period is 105.06 more than 100%. Referring to the indicators in Table 1, the performance of the Tegal Regency Government is said to be effective if the average effectiveness is above 100%.

Table 3. Tegal Regency Regional Financial Performance Effectiveness Ratio

Fiscal Year	Realization Target Receipt PAD (Rp)	Ratio	Effectiveness Information of
2019	436 M	416,87 M	104,58%Effective
2020	439,93 M	450,74 M	97,60%Ineffective
2021	591M	433,82 M	136,23%Effective
2022	531,15 M	458,04 M	115,96%Effective
2023	405,10 M	570,99 M	70,946%Ineffective
Rata – Rata			105,06%Effective

Source: djpk.kemenkeu.go.id.

Growth Ratio

The growth ratio is an indicator used to measure the extent to which local governments are able to maintain and increase PAD growth from one period to the next (Rahayu et al., 2020). A summary of the growth rate of PAD operational expenditure and capital expenditure in Tegal Regency in FY 2019-2023 is presented in Table 6. The calculation in Table 6 shows that all ratios show a change from the 2016 financial year to 2019. The growth ratio assesses the improvement of regional financial quality through the calculation of PAD ratio, business expenditure, and capital expenditure, as well as being used as material for evaluating regional financial management by regional public bodies and providing incentives to improve performance. It is planned to be implemented next year.

The PAD growth ratio of 4,444 recorded negative growth in 2019. This indicates that Tegal Regency has not managed PAD's revenue stream optimally. This is supported by fiscal theory which states that the government must implement and manage resource allocation and revenue distribution well. The ability of a region to obtain an optimal source of PAD income allows the area to become independent so that it does not always have to rely on transfer income from the center.

Table 4. Recapitulation of Growth Ratio in PAD, Operating Expenditure, and Capital Expenditure of Tegal Regency for Fiscal Year 2019-2023

Information	Year				
	2019	2020	2021	2022	2023
<u>PAD</u>	<u>436.00 M</u>	<u>439,93 M</u>	<u>591 M</u>	<u>531,15 M</u>	<u>405,10 M</u>
<u>Growth of PAD</u>	<u>104,59%</u>	<u>97,6%</u>	<u>136,23%</u>	<u>115,96 %</u>	<u>70,95%</u>
Shop Operational	2.284,03 M	1317,53 M	4218,13 M	2408,38 M	1739,74 M
Operating Expenditure Growth	287,54%	143,37%	266,99%	293,78%	205,19%
<u>Belanja Modal</u>	<u>434,39 M</u>	<u>571,12 M</u>	<u>763,65 M</u>	<u>801,84 M</u>	<u>522,97 M</u>
Growth Modal	90,16%	85,13%	113,06%	110,95%	63,78%

Source: djpk.kemenkeu.go.id.

Compatibility Ratio

This ratio is used to see how local governments allocate their funds to optimally fund operating expenditures and capital expenditures. This ratio means that if the portion of financing in business spending is high enough, then the portion of financing for economic equipment and infrastructure through investment will tend to be low. A summary of harmonization of the ratio of operating expenditure and capital expenditure in regional finances of Tegal Regency from 2019 to 2023 is presented in Tables 5 and 6. Based on the results shown in the two tables, the harmonic ratio calculation is carried out. The capital expenditure ratio and investment expenditure ratio show that more funds are allocated for business expenditure or investment by the Tegal City government. The overall regional expenditure compatibility ratio is still relatively low in the 2019-2023 period.

Table 5. Tegal Regency Operational Expenditure Compatibility Ratio for Fiscal Year 2019-2023

Fiscal Year	Operating Expenses (Rp)	Total Regional Operating Expenditure (Rp)	Expenditure Ratio
2019	2.283,03 M	2.721,43 M	83,89%
2020	1.317,53 M	0.00 M	-
2021	4.218,13 M	184,64 M	-
2022	2.408,38 M	2.722,06 M	88,46%
2023	1.739,74 M	2951,35 M	58,94%

Source: djpk.kemenkeu.go.id

Table 6. Compatibility Ratio in Capital Expenditure of Tegal Regency for Fiscal Year 2019-2023

Fiscal Year	Total Capital Expenditure (Rp)	Total Regional Capital Expenditure (Rp)	Expenditure Ratio
2019	434,39 M	2.721,43 M	15,96%
2020	571,12 M	0.00 M	-%
2021	573,65 M	184,64 M	3%
2022	801,84 M	2.722,06 M	29,45%
2023	522,97 M	1.887,60 M	27,705

Source: djpk.kemenkeu.go.id

Fiscal Decentralization Ratio

A summary of the fiscal decentralization ratio of Tegal District FY 2019-2023 is presented in Table 7. The fiscal decentralization ratio can represent the ability of regional leaders to exercise regional autonomy, especially in terms of regional finance. The higher the amount of PAD realization compared to the total APBD, the area is classified as an independent area. An independent region can manage its PAD resources. The total APBD figure includes all regional revenues obtained legally. Financial data from 2019 to 2023 shows that the fiscal decentralization ratio of the Tegal Regency government is at a low level.

Table 7. Recapitulation of Tegal District's Fiscal Decentralization Ratio for Fiscal Year 2019-2023

Information	Realization of PAD	APBD	Race Fiscal Decentralization	Information
2019	436 M	2.755,68 M	15.82%	Low
2020	439,93 M	2.651,77 M	16,59%	Low
2021	591M	2.862,56 M	20,56%	Keep
2022	531.15 M	2,743.70 M	19,35%	Low
2023	405.10 M	1,885.56 M	21,48%	Keep
Average			18,76%	Low

Source: djpk.kemenkeu.go.id.

The variety of APBD implementation and PAD realization as well as the increasing fiscal decentralization ratio of the Tegal Regency government do not necessarily make the Tegal Regency government able to implement fiscal decentralization. This is evidenced by the low average ratio of fiscal decentralization in the Tegal Regency Government. This means that the Tegal Regency Government has failed to implement fiscal decentralization by further optimizing the potential of PAD and public services. The Tegal Regency Government is expected to be able to maximize PAD both from taxes, levies and other revenues through good and continuous supervision and management. The Tegal district government must be able to reduce the allocation of expenditures proportionally. In other words, operating expenditure must be reduced and capital expenditure can be increased. Although the indicators in calculating the growth rate are still inadequate, the Tegal Regency Government can pay more attention to all aspects, especially the aspect of investment growth which is still very low.

CONCLUSION

The independence of the Tegal Regency Government in meeting financial needs for government activities, development, and community service delivery is still relatively low. This condition places Tegal Regency has an instructive pattern, namely the role of the central government is more dominant than the level of independence of the local government the effectiveness of the Tegal district government in handling PAD is considered very good and effective. The Tegal Regency Government experiences financial inequality because most of the regional budget is used for operational expenditures even though the capital expenditure ratio is still low.

The growth of Tegal Regency has fluctuated which is reflected in the calculation of the growth rate of PAD. This situation arises because Tegal Regency does not obtain an optimal level of income every year. Meanwhile, regional operating expenses have increased compared to investment growth. The level of fiscal decentralization of the Tegal district government varies and falls into the low category. This means that local governments have not been able to implement fiscal decentralization by optimizing the potential of PAD to provide better public services. Further research is expected to provide a more detailed analysis of the financial performance of local governments. The study period may also be extended further.

REFERENCES

- BPS Kabupaten Tegal (2023). Data Sensus Kabupaten Tegal.
- Christia, A. M., & Ispriyarso, B. (2019). Desentralisasi Fiskal dan Otonomi Daerah di Indonesia. *Law Reform*, 15 (1), 149–163.
- Deidrayanti P Anhesa., Sefitriya Ratna., W.B. Risma (2022). Analisa Kinerja keuangan Pemerintah Daerah (studi kasus pada Pemerintahan kabupaten Tegal Periode 2020-2022. *Jurnal Mutiara Ilmu Akutansi* 1(3) (2023)
- Digdowiseiso K, at al (2015), *Sistem Keuangan Publik* (E. Sugiyanto, Ed). Lembaga Penerbit Universitas (LPU-UNAS)
- Digdowiseiso K & Bahtiar S M (2022). Pengaruh rasio Kemandirian Keuangan Daerah dan Rasio Ketergantungan Fiskal terhadap Indeks Pembangunan Manusia Pada kabupaten dan Kota Provinsi kalimanta Selatan Tahun 2014-2020. *Jurnal Ilmiah Akutansi dan keuangan*,4(3)
- Digdowiseiso K. Kaliwattu D (2023), Analisis Kemandirian Fiskal Ketergantungan Fiskal& Efektivitas Fiskal Provinsi D.I Yogyakarta 2018-2022, *Jurnal Ilmiah Global Education* 4 (1) (2023)
- Digdowiseiso K. & R Agung D (2023). Analisis Kinerja Keuangan Pemerintah Kota bandar Lampung Tahun Anggaran 2018-2022. *Managemen Studies and entrepreneurship Journal*, 4(5).
- Digdowiseiso K. & Satrio D.F. (2023). Analisa Rasio Keuangan Daerah di Kabupaten/Kota Provinsi Sulawesi Tenggara. *Jurnal Ilmiah Manajemen Bisnis dan inovasi Universitas Samratulangi*.
- Digdowiseiso K., Latief M.N., Wijaya H., W Iis (2023). Analisa Kinerja Keuangan Pemerintahan Daerah di wilayah propinsi D.I. Yogyakarta Tahun 2019-2021. *Journal of Economic, Business and Accounting* 6(2).
- Digdowiseiso K., Petrus N, Andriani F, Analisis Kemandirian Fiskal, Ketergantungan Fiskal, Dan Efektivitas Fiskal Provinsi Kalimantan Utara Periode 2017-2022, *Jurnal Ilmiah Global Education* 4 (1) (2023)
- Li, J., Wu, Y., & Xiao, J. J. (2020). The Impact of Digital Finance on Household Consumption: Evidence from China. *Economic Modelling*, 86, 317–326.
- Miharja, E. S., Handajani, L., & Furkan, L. M. (2020). Faktor-faktor yang Mempengaruhi Keandalan dan Ketepatan Waktu Pelaporan Keuangan pada Organisasi Perangkat Daerah Sumbawa Barat, Indonesia *Accounting Journal*, 2(2), 148–161. <https://doi.org/10.32400/iaj.28818>.
- Peraturan Pemerintah Nomor 12 Tahun 2019 tentang Pengelolaan Keuangan Daerah
- Rahayu, Y. K. F., Sarwono, A. E., & Sunarti, S. (2020). Analisis Kinerja Keuangan Pemerintah Daerah Kabupaten Ngawi Tahun Anggaran 2014-2018. *Jurnal Akutansi dan Sistem Teknologi Informasi*, 15(khusus), 443–450.
- Saebah, N., Merthayasa, A., Azzahra, A., & Rahayu, R. (2023). Exploration of Dynamics of Corporate Performance and Corporate Governance. *International Journal of Social Service and Research*, 3(9), 3334-3340.
- Setianingrum, R. D., & Haryanto, H. (2020). Analisis Kinerja Keuangan Pemerintah Daerah Kabupaten dan Kota Provinsi Jawa Tengah. *Diponegoro Journal of Accounting*, 9(2), 1–15.
- Undang-Undang Nomor 1 tahun 2022 tentang Hubungan Keuangan antar Pemerintah Pusat dan pemerintahan daerah. www.djpk.kemenkeu.go.id.

Copyright holder:

Eka Nova, Supriyadi, Kumba Digdowiseiso (2024)

First publication right:
Journal of Social Science

This article is licensed under:



RETRACTED