

Analysis of the Ratio of Effectiveness and Efficiency of Local Original Income of West Bandung Regency for the 2018-2022 Period

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ABSTRAK

This research focuses on effectiveness and efficiency analysis in managing local revenue in West Bandung Regency for the 2018-2022 period. Furthermore, this research adopts a quantitative descriptive method to analyze the variables used: the ratio of effectiveness and efficiency. Based on the findings and calculations, especially on the effectiveness ratio variable, the West Bandung Regency regional government is categorized as quite effective in managing its original regional income with an average gain of 90.98%. The efficiency ratio variable shows that the West Bandung Regency regional government is categorized as inefficient in managing regional original income, where the average acquisition was found at 103.4%. Thus, the effectiveness ratio aspect is reasonably practical. It needs to be improved in the future. The efficiency ratio of the West Bandung Regency regional government needs to adjust its original regional income properly in the future so that the budget used can be more efficient with management that is right on target.

Keywords: Effectiveness, Efficiency, Regional Original Income, Regional Financial Management.

INTRODUCTION

Financial reporting is a mechanism used to be responsible for the financial management of a country or region in a certain period of time. This involves the preparation of financial statements in accordance with applicable regulations, with the aim of assessing the extent to which local governments have been successful in managing their finances. In addition, financial statement analysis is a method used to analyze and evaluate the performance of local governments in terms of financial management. (Nanda & Digdowiseiso, 2023)

This is very important because the government has a key role in running the government system to ensure the proper functioning of the state. Therefore, financial problems become a core element in the framework of government whose results from its implementation, namely the financial element in government, are reflected in financial statements which are used annually as a tool of accountability for government implementation. Thus, regional financial statements can be analyzed to assess the extent to which regional financial management has run efficiently and optimally. (Damenta & Digdowiseiso, 2023) (Suryanti et al., 2023)

According to financial statement analysis, it is a careful process carried out to help assess the financial situation and performance of the company in the present and also in the past. The goal is to make the most accurate estimates and predictions about

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the condition and situation of the company. Financial statements involve analyzing relationships and trends to evaluate their financial position and development, which provides information about an entity's financial position, financial performance, and cash flow. Prastowo, Poland (2011) Munawir, (2010)

Based on previous research, the first study by Riswati & Bukhori (2023) evaluated the compatibility of capital and operational expenditures, as well as the effectiveness of Local Original Revenue (PAD) in the Bandung City Regional Government with findings of a decrease in the ratio of compatibility of operational expenditures. The second study by Tumija (2022) assessed the financial performance of the Cilacap Regency Regional Government, which received an Unqualified Fair opinion (WTP) from BPK, but revealed a low level of financial independence. The third study by Ramadhan & Digdowiseiso (2021) focuses on the implementation of Public Financial Management in Community Empowerment Programs in East Jakarta, with findings of suboptimal policy implementation and ending in program failure. The fourth study by Zulkarnain (2020) evaluates the financial performance of District/City Governments in West Java, with the conclusion that financial capabilities are still considered inadequate. Finally, the fifth study by Rosaliena & Zulkifli (2019) highlights the financial performance of Gunung Kidul Regency, showing the region's dependence on central government support and the dominance of resources from outside the region, despite being successful in optimizing local revenue management.

This information is useful for most interested parties in making decisions of an economical nature. In the context of government, financial statements act as an accountability tool used to achieve regional development goals. This is related to the use of effectiveness and efficiency ratios in regional financial management. Therefore, regional financial performance analysis involves the use of various ratios, such as efficiency ratios, regional financial independence ratios, operational levels, and growth rates, to measure the extent of the effectiveness of regional financial management. (Paramitha Seiviana et al., 2023) (Digdowiseiso & Saputra, 2022)

Overall, to assess the quality and reliability of local government financial reporting, an analysis that follows appropriate techniques and measures is required. This is important so that the results of the analysis can be understood by relevant stakeholders and can be used in the decision-making process, especially related to regional financial management. In this process, the government must ensure that accountability and transparency systems are well implemented, so that financial information is clearly available and accessible to the public. Based on this, the reality seen in recent years, namely the 2018-2022 period, the level of Regional Original Revenue Effectiveness of West Bandung Regency tends to increase gradually, where the average percentage trend is in the position of 90.98 shows that West Bandung Regency is categorized as quite effective in managing its local original income.

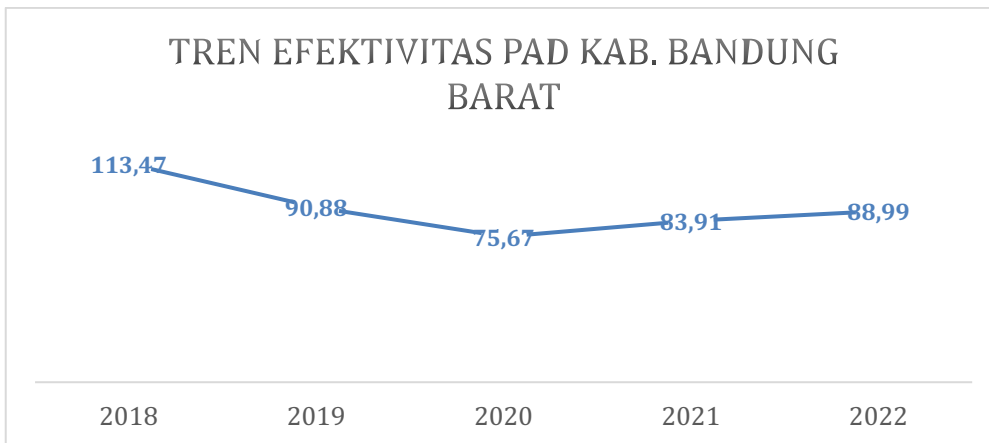


Figure 1. Trends in the Effectiveness of Local Original Revenue in West Regency for the 2018-2022 Period

Source: DGT Ministry of Finance, Data processed (2023)

Then a review of the aspect of Regional Original Revenue Efficiency, West Bandung Regency is in position 103.4, showing that in the West Bandung Regency category, it is inefficient in managing its regional finances.

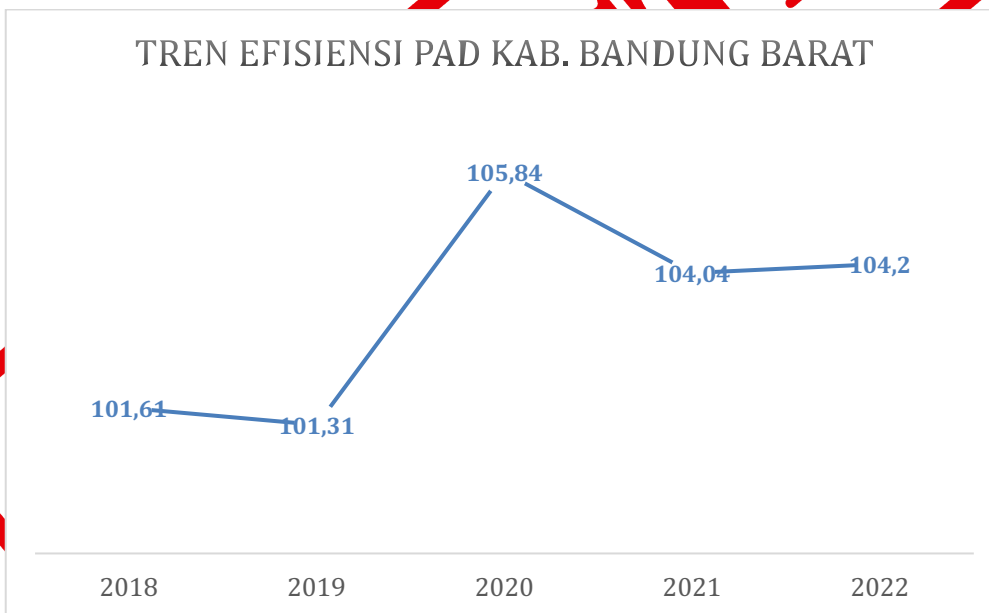


Figure 2. Trends in the Efficiency of Local Original Revenue in West Regency for the 2018-2022 Period

Source: DGT Ministry of Finance, Data processed (2023)

By looking at the results of the trend of effectiveness and efficiency in the management of the original revenue of the West Bandung Regency local government for the 2018-2022 period, concrete steps are needed from the local government to be able to pay attention to aspects of effectiveness and efficiency ratios so that the level of regional financial management is more evaluated so that in the future, especially effectiveness is increased or maintained and efficiency is immediately improved

periodically which is adjusted to the achievements to be obtained in accordance with the Budget objectives are set and have an impact on regional and community development.

RESEARCH METHODS

This research adopts quantitative descriptive method, which involves calculating financial data to reveal and solve relevant problems according to the research objectives. The main objective of the study was to evaluate the ratio of effectiveness and efficiency of local original income of West Bandung Regency during the 2018-2022 period. Secondary data was collected through data analysis and documents available at the Directorate General of Financial Balance, mainly through the APBD Data Portal and TKDD for the West Java Province, focusing on West Bandung Regency during the period. The data analysis technique used is quantitative descriptive, which involves calculating financial data to answer research questions, focusing on evaluating effectiveness and efficiency ratios as the main indicators:

$$\text{PAD Effectiveness Ratio} = \frac{\text{Realisasi PAD}}{\text{Target PAD}} \times 100\%$$

The classification according to (Mahmudi, 2019) is divided into 5 (five), namely:

1. If obtained >100 means very effective.
2. If obtained 100 means effective.
3. If obtained 90-99 means that it is quite effective.
4. If obtained 75-89 means less effective.
5. If obtained <75 means ineffective.

$$\text{PAD Efficiency Ratio} = \frac{\text{Realisasi Belanja Daerah}}{\text{Realisasi Pendapatan Daerah}} \times 100\%$$

The classification according to financial performance is divided as follows: (Mahsun, 2012)

1. If a value of >100 is obtained, it means that it is inefficient.
2. If a value of 100 is obtained, it means balanced efficiency.
3. If a value of <100 is obtained, it means efficient.

RESULTS AND DISCUSSION

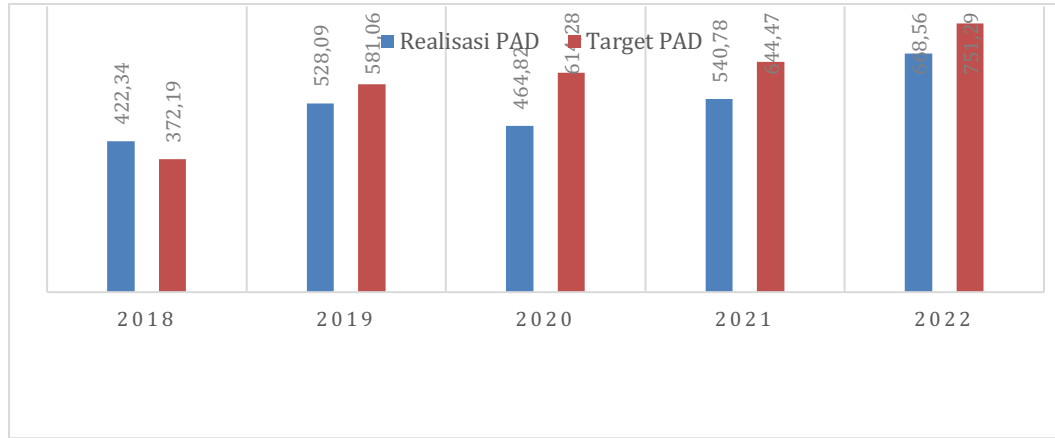
Description of the Object of Research

Geographically, West Bandung Regency is located between latitude 6°41'S to 7°7'S and longitude 107°11'E to 107°45'E, with an area of 1,305.77 square kilometers. The administrative area of West Bandung Regency is divided into 15 sub-districts and 165 villages or kelurahan, with the center of government located in Ngamprah. West Bandung Regency, also known as Bandung Kulon, is located in West Java Province, Indonesia. The capital of this district is located in Ngamprah sub-district. Although the district does not have coastal access, its area consists of hills and lowlands that are very fertile, so it has good agricultural potential. West Bandung Regency is bordered by Purwakarta Regency and Subang Regency to the west and north. The area is also famous for various popular tourist attractions, including Cikole Orchid Forest, Dago Dreamland, Curug Ngebul, and Begonia Flower Park.

Data Analysis

Regional Original Revenue Effectiveness Ratio (PAD)

Based on the results of data observations in this study in the form of secondary data obtained through the DGT portal which are published regularly, on that basis the results of the analysis will be described related to the variables of effectiveness and efficiency in managing local original income, the following explanation:



Graph 1. Effectiveness of Local Revenue of West Bandung Regency for the 2018-2022 Period (In rupiah)

Source: DGT Ministry of Finance, Data processed (2023)

Based on the results of the Effectiveness of Regional Original Revenue in graph 1, it shows that West Bandung Regency for the 2018-2022 period experienced fluctuating changes in aspects of PAD realization, starting from 2018 to 2019 amounting to Rp. 422.34 to Rp. 528.09 billion. Then in 2020 to 2021 it increased by Rp. 462.82 to Rp. 540.78 billion. Then at the end of the year, namely 2022, it experienced an increase of Rp. 668.56 billion. Furthermore, the PAD target aspect also experienced a drastic increase starting in 2018-2019 of Rp. 372.19 – Rp. 581.06. Then, in 2020-2021 it also increased by Rp. 614.28 – Rp. 644.47 billion and at the end of 2022 it was obtained by Rp. 751.29 billion.

Table 1. Calculation of the Effectiveness Ratio of West Bandung Regency PAD in 2018 – 2022

Year	Realization of PAD	Target PAD	RE PAD (%)	Criterion
2018	422,34	372,19	113,47	Highly Effective
2019	528,09	581,06	90,88	Quite Effective
2020	464,82	614,28	75,67	Less Effective
2021	540,78	644,47	83,91	Less Effective
2022	668,56	751,29	88,99	Less Effective
Average Effectiveness of PAD			90,98	Quite Effective

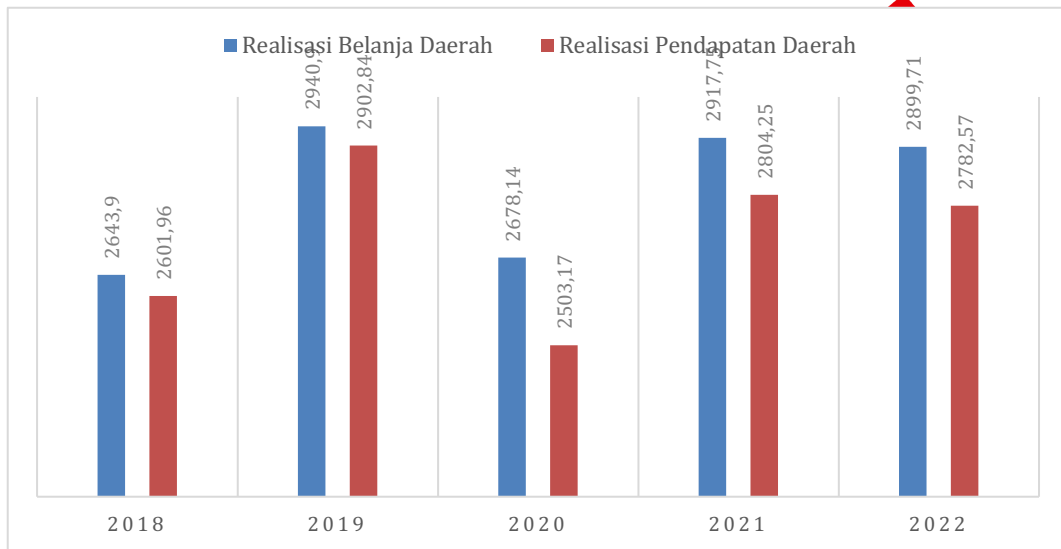
Data Source: DGT Ministry of Finance (data processed)

Based on calculations on the PAD Effectiveness Ratio, it shows that the West Bandung Regency PAD budget for the last 5 years from 2018 to 2022 has fluctuated from year to year. Based on calculations on the PAD Effectiveness Ratio, it shows that in 2018-2019 it decreased by 113.47% - 90.88%, while in 2020 it also decreased by 75.67% and rose slightly by 83.91% in 2021. At the end of 2022, it experienced a slight

increase with a gain of 88.99%. That way the overall average is obtained by 90.98% which is categorized as quite effective.

Regional Original Revenue Efficiency Ratio (PAD)

The regional financial efficiency ratio describes the comparison between the amount of costs incurred to obtain revenue with the realization of revenue received. So the following, the results of the calculation of the Regional Financial Efficiency Ratio can be seen in the table below:



Graph 2. Efficiency of Local Original Revenue of West Bandung Regency for the 2018-2022 Period (In rupiah)

Source: DGT Ministry of Finance, Data processed (2023)

Based on the results of Regional Original Revenue Efficiency in graph 2, it shows that West Bandung Regency for the 2018-2022 period experienced fluctuating changes in aspects of regional expenditure realization, starting from 2018 to 2019 amounting to Rp. 2,643.9 to Rp. 2,940.9 billion. Then in 2020 to 2021 it increased by Rp. 2,678.14 to Rp. 2,917.75 billion. Then at the end of the year, namely 2022, it experienced a slight decrease of Rp. 2,899.71 billion. Furthermore, in the aspect of regional revenue realization, it also looks fluctuating, namely in 2018-2019 of Rp. 2,601.96 to 2,902.84 billion, then in 2020 there was a decrease of Rp. 2,503.17 billion and increased again in 2021 of Rp. 2,804.25 billion, and at the end of 2022 there was a slight decrease of Rp. 2,782, 57 billion.

Table 2. Calculation of West Bandung Regency PAD Efficiency Ratio 2018-2022

Year	Realization of Regional Expenditure	Regional Revenue Realization	Presentase (%)	Criterion
2018	2.601,96	2.643,90	101,61	Inefficient
2019	2.940.99	2.902.84	101,31	Inefficient
2020	2.678.14	2.530.17	105,84	Inefficient
2021	2.917.75	2.804.25	104,04	Inefficient

2022	2.899.71	2.782.57	104,20	Inefficient
Average PAD Efficiency			103,4	Inefficient

Data Source: DGT Ministry of Finance (data processed)

Based on calculations on the PAD Efficiency Ratio, it shows that the PAD budget of West Bandung Regency for the last 5 years from 2018 to 2022 has fluctuated from year to year. Based on calculations on the PAD Efficiency Ratio, it shows that in 2018-2019 it decreased by 101.61-101.31%, while in 2020 it also rose slightly with a gain of 105.84% and a slight decrease of 104.04% in 2021. At the end of 2022, there was no change or stagnated with a gain of 104.20%. Thus, the overall average was obtained at 103.4% which was categorized as inefficient.

CONCLUSION

Analysis of the ratio of Regional Original Income of West Bandung Regency during the 2018-2022 period shows significant fluctuations. The effectiveness of Local Original Revenue, the calculation results show changes every year, and on average reaches 90.98%, which is classified as quite effective. This indicates that the West Bandung Regency government is able to manage its local revenue quite well. However, judging from the Efficiency of Local Original Revenue during the same period, fluctuations also occurred, with an average reaching 103.4%, and categorized as inefficient. These results highlight that the West Bandung Regency government needs to improve efficiency in local revenue management to ensure optimal resource utilization and achieve better efficiency.

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