



Open Access Indonesia Journal of Social Sciences

Journal Homepage: <https://journalsocialsciences.com/index.php/OAIJSS>

Analysis of Regional Financial Management Performance and Level of Regional Independence in the Era of Regional Autonomy: Case Study of Semarang City in 2009-2013

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ARTICLE INFO

Keywords:

Region financial management performance
Degree of region decentralization

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All authors have reviewed and approved the final version of the manuscript.

<https://doi.org/10.37275/oaijss.v5i2.112>

ABSTRACT

This study aimed to analyze the effect of the financial ability of Semarang City in order to support the implementation of regional autonomy, based on Semarang Budget Realization Reported the period of 2009-2013. Descriptive comparative analysis used to measure the performance of regional financial management and the independence level of Semarang, consist of Regional Financial Independence Ratio, Degree of Decentralization Ratio, Local Native Income (PAD), effectiveness Ratio, and the Harmony Expenditure Ratio. Based on the analysis that has been obtained, the following results: from the analysis of the ratio of the degree of decentralization can be explained that the average ratio of the degree of decentralization is 25,87% of which is in the internal level of level 25%-50%, means already have a good ability to finance region development. Average Regional Financial Capabilities (KKD) ratio is 37.79% which is in the interval 25 % -50 % means that central government intervention has begun to decrease, because the region is considered a little more able to implement region autonomy. From the analysis of PAD effectiveness is more than 100%, it can be concluded that the overall performance of local financial management and the degree of independence of the Semarang area continued to improve. It can be seen from some of the financial performance ratio is the ratio of the area of financial independence, the ratio of degrees decentralization, the effectiveness ratio and the ratio that continues to increase harmony and good effect on the autonomy of the region.

1. Introduction

Through decentralization policies (political and fiscal), with the issuance of Law No. 32 of 2004 on regional government and Law No. 33 of 2004 on the financial balance between the regional center, has brought significant changes to the relationship between the center and the regions. The policies that have been implemented are expected to revive the reform process at the local level and provide room for movement in politics, regional financial management, and the use of regional resources for the benefit of local communities, thereby creating a new pattern of development in the regions.

The main objective of the 2004 decentralization policy was, on the one hand, to free the central government from unnecessary burdens in dealing with domestic affairs, so that it has the opportunity to study, understand and respond to global trends and take advantage of them. At the same time, the central government is expected to be able to concentrate on the formulation of strategic international macro policies. On the other hand, with the decentralization of government authority to the regions, the regions will experience a significant empowerment process (Bahtiar Arif, 2006).



The regional government as the party entrusted with the task of carrying out the wheels of government, development, and service to the community is required to submit a regional financial accountability report to assess whether the regional government has succeeded in carrying out its duties properly or not. One of the tools to analyze the performance of local governments in managing their regional finances is to analyze the financial ratios to the APBD that have been determined and implemented (Widodo, 2001).

2. Methods

Variable operational

Decentralization degrees show the comparison between the amount of the original income of the

region and the total revenue of the region. This ratio indicates the degree of contribution of Regional Native Income to total regional revenues. The ratio of regional financial independence indicates the ability of local governments to self-financing of government activities, development, and services to communities that have paid taxes and levies as a source of revenue needed by the region. The pad Effectiveness Ratio demonstrates the ability of local governments in mobilizing PAD receipts in accordance with the targeted. This Regional Spending Compatibility Ratio illustrates how the local government prioritizes the allocation of its funds on routine spending and development spending optimally.

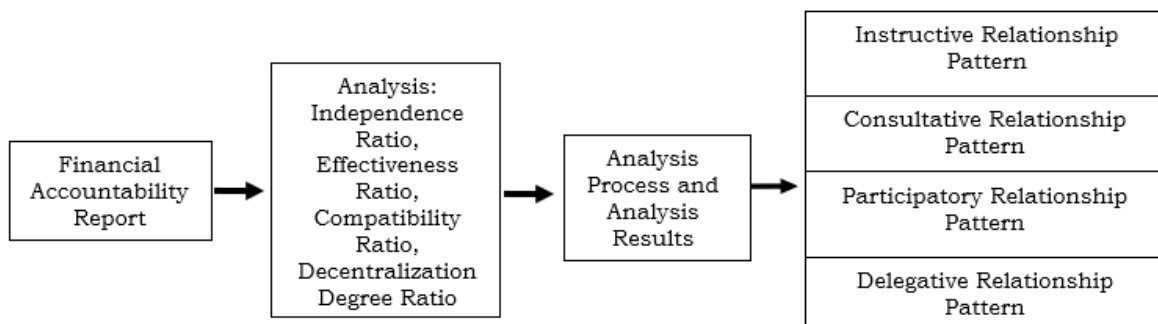


Figure 1. The frame of mind flow

Population and sample

The population of this study is the Financial Report of the Semarang City Region and the sample from this study is the Semarang City Budget Realization report of 2009 - 2013, used to calculate the Ratio of Degrees of Decentralization, Independence Ratio, Effectiveness Ratio, and Compatibility Ratio.

Method of collecting data

Data collection in the study was carried out in the following way (Nazir .2003): documentation method, namely recording, collecting, and grouping data related to research problems from secondary data

sources. The analytical method to discuss the problems in this research, then an analysis of regional financial ratios is carried out with the following steps collecting data relating to the financial capacity of the Semarang City area in supporting the implementation of regional autonomy, classifying the data and information obtained as a basis for operationalization. variables measured will be presented in this study, and conclude the analysis of the data and information presented so that it can be seen how the regional financial capacity of Semarang City is in supporting the implementation of regional autonomy.



Analytical techniques

The analytical technique used in this research is a quantitative method in the form of ratio analysis. The analysis of this ratio implemented is

decentralization degree, regional financial independence ratio, effectiveness ratio and regional spending compatibility ratio (Halim, 2007).

Degree of decentralization ratio

$$\text{Degree of decentralization} = \frac{\text{Local native income}}{\text{Total regional revenue}} \times 100\%$$

Regional financial independence ratio

$$\text{Independence ratio} = \frac{\text{Local native income}}{\text{Central or provincial government assistance and loans}} \times 100\%$$

Regional native income effectiveness ratio

$$\text{Effectiveness ratio} = \frac{\text{Realization of native income receipts}}{\text{PAD acceptance target set based on real potential of the region}} \times 100\%$$

Compatibility ratio

$$\text{Ratio of routine expenditure to total regional spending} = \frac{\text{Total regular shopping}}{\text{Total regional spending}} \times 100\%$$

$$\text{Ratio of development spending to total regional spending} = \frac{\text{Total Development Spending}}{\text{Total Regional Spending}} \times 100\%$$

Table 1. Criteria for degree ratio of regional decentralization

Ability decentralization	Degree ratio decentralization (%)
Very Good	>50
Good	25 – 50
Poor	10 – 25
Not Good	<10

Source: (Halim, 2007)

The calculation of the decentralization of Semarang City during 2009–2013 is included in Table 2.

Results the ratio analysis of the degree of decentralization of Semarang City in 2009 was categorized as poor in implementing decentralization, because it was only 19.89%, as well as in 2010 and 2011 the ratio of fiscal decentralization was only 20.20% and 20.95%, both of which were still in the poor category. good,

this is due to the low contribution of PAD followed by high regional revenues. For 2012 and 2013 there was an increase to 30.77% and 33.10%, meaning that the ratio of the degree of decentralization was good, the Semarang City government was quite capable of carrying out decentralization and the dependence on financial sources from the central government began to decrease.



Table 2. The ratio calculation degree of decentralization of Semarang City in 2009 – 2013

Year	PAD	Total Regional Income			Degree Ratio
	Total (Rp)	Growth (%)	Total (Rp)	Growth (%)	Decentralization (%)
2009	306,112,422,821	-	1,538,490,537,516	-	19,89
2010	327,992,258,750	6,67	1,623,567,254,798	5,24	20,20
2011	521,538,058,477	37,11	2,053,919,562,042	20,95	25,39
2012	779,616,535,593	33,10	2,533,676,148,799	18,93	30,77
2013	925,919,310,506	15,80	2,796,570,726,860	9,40	33,10
Total	2,861,178,586,147	92,80	10,546,224,230,015	54,52	129 ,35
Average	572,235,717,229.40	23,2	2,109,244,846,003	13,63	25,87

Source: Processed Primary Data

The results of the ratio analysis of the degree of decentralization can be explained that for 5 years, the average degree of decentralization ratio is 25, 87% which is in the 25-50 interval or has good ability to finance regional development. Between 2009-2013, the highest increase was obtained in 2013 which was 33.10% and the lowest was in 2009 which was 19.89%.

Ratio analysis of regional financial

Independence Regional financial independence is showing the ability of regional finances in self-financing government activities, development and services to people who have paid taxes, user fees as a source of income needed by the region. Regional independence is shown by the size of the original regional income compared to regional income originating from other sources, such as central government assistance or loans (Halim, 2007).

Based on the calculation of the financial

independence ratio in Tables 3 & 4, it is known that the ability of the Semarang city government to finance government activities, development, and services to the community in 2009 – 2012 is categorized as Consultative, meaning that central government intervention has begun to decrease because the regions are considered to be slightly more capable of implementing autonomy. regions, namely in 2009 it was 25.05%, in 2010 it was 29.29%, in 2011 it was 36.11% and in 2012 it was 46.74%. The increase in the ratio of financial independence in 2013 amounted to 51.78% which is categorized as participatory, the role of the central government has begun to decrease slightly considering the level of independence close to being able to carry out regional autonomy, this is due to high PAD such as local tax revenues, income regional levies, revenue from the management of separated regional assets and other legitimate PAD.

Table 3. Regional financial independence interval scale

Financial ability	Regional financial independence ratio (%)	Relationship patterns
Very low	0-25	Instructive
Low	25-50	Consultative
Moderate	50-75	Participatory
High	75-100	Delegative

Source: (Halim, 2007)



Table 4. Semarang City regional financial independence ratio 2009-2013

Year	PAD	Total Transfers		KKD Ratio (%)	
	Total	Growth (%)	Total		Growth (%)
2009	306,112,422,821	-	1,221,630,253,695	-	25,05
2010	327,992,258,750	6,67	1,119,589,688,648	-9,11	29,29
2011	521,538,058,477	37,11	1,444,057,828,565	22,46	36,11
2012	779,616,535,593	33,10	1,667,822,677,206	13,41	46,74
2013	925,919,310,506	15,80	1,787,969,405,733	6,71	51,78
Total	2,861,178,586,147	92,80	7,241,069,853,847	33,47	188,97
Average	572,235,717,229.40	23,2	2,413,689,951,282	8,36	37,79

Source: Primary Data Processed

From the Analysis of Regional Financial Independence Ratio (KKD) in Semarang City in 2009 – 2013 Table 4, it can be explained that the KKD ratio was obtained for 5 years with an average KKD ratio of 37.79%. The results of the highest KKD ratio were obtained in 2013 and the lowest was obtained in 2009.

Effectiveness ratio of regional original income

Ratio Effectiveness describes the ability of local governments to realize the planned regional original income compared to the target set based on the real potential of the region (Halim, 2007).

The criteria for Effectiveness Regional Revenues are as shown in Table 5. While the results of the calculation of the Effectiveness of the Regional Original Income of the City of Semarang during 2009 – 2013 can be included in Table 6.

The ability of the region to carry out tasks is categorized as effective if the ratio achieved is at least

1 or 100 percent. However, the higher the effectiveness ratio, the better the regional capability will be.

Table 6 shows that the PAD Effectiveness Ratio obtained by the Regional Government during 2009 – 2013 tends to increase, in 2009 it was 105.14%, in 2010 it was 104.23%, in 2011 was 116.66%, in 2012 it was 116.72% and 118.88% in 2013 were all categorized as very effective because the PAD realization was higher than the PAD target, except in 2010 it decreased due to decrease realization of several PAD posts such as local taxes and user charges. The increase every year is due to the realization of all regional original income posts above 100%.

The average PAD Effectiveness Ratio $\geq 100\%$, means that the ability of regions in carrying out categorized tasks is very effective, it shows that in mobilizing the receipt of Regional Original Income in accordance with the targeted.

Table 5. Regional financial effectiveness interval scale

Financial ability	PAD effectiveness ratio
Very effective	>100
Effective	90 -100
Effective enough	80 – 90
Less effective	60 -80
Ineffective	≤ 60

Source: (Halim, 2007)



Table 6. The ratio of original income effectivity of Semarang City Region 2009-2013

Year	Realization of PAD		Revenue Target PAD		Effectiveness ratio (%)
	Total	Growth (%)	Total (Rp)	Growth (%)	
2009	306.112,422.821	-	291, 142,899,270	-	105,14
2010	327,992,258,750	6,67	314,653,496,600	7,47	104,23
2011	521,538,058,477	37,11	447,032,951,000	29,61	116,66
2012	779,616,535,593	33,10	667,883,642,000	33,06	116,72
2013	925,919,310,506	15,80	778,866,930,000	14,24	118,88
Total	2,861,178,586,147	92,80	2,499,579,918,870	84,38	561,63
Average	572,235,717,229.40	23.2	499,915,983,774	21,095	112,326

Compatibility ratio

This ratio describes how local governments prioritize their allocation of funds for routine spending and development spending optimally. The higher the percentage of funds allocated for routine spending means the percentage of investment spending (development spending) used to provide community economic infrastructure tends to be small (Halim, 2007).

There is no definite benchmark for the ideal ratio of indirect and direct expenditures to regional expenditures, as it is strongly influenced by the dynamics of development activities and the amount of investment required to achieve the targeted growth.

The results of the calculation of the Semarang City Regional Expenditure Harmony Ratio during 2009 – 2013 can be included in Tables 7 and 8.

Table 7. The ratio of Semarang City regional expenditure compatibility in 2009 – 2013

Year	Development spending	Growth (%)	Total regional spending	Growth (%)	Development spending ratio
2009	1,288,608,684,328	-	1,505,502,296,136	-	85,59
2010	1,516,173,060,279	15,00	1,732,662,151,376	13,11	87,50
2011	1,701,481,014,976	12,40	2,036,582,638,750	14,92	83,54
2012	1,701,481,014,976	-0,17	2,053,334,797,225	0,81	82,86
2013	1,882,479,197,175	9,61	2,473,490,609,437	16,98	76,10
Total	6,388,741,956,758	36,84	9,801,572,492,924	45,19	415,59
Average	1,562,420,313,927	9,21	1,960,314,498,585	11,29	83,118

Source: Primary data processed

Table 8. The ratio of Semarang City regional expenditure compatibility in 2009 – 2013

Year	Regular expenditure	Growth (%)	Total regional spending	Growth (%)	Regular expenditure ratio
2009	216,893,611,808	-	1,505,502,296,136	-	14,40
2010	216,489,091,097	-0,81	1,732,662,151,376	13,11	12,49
2011	305,708,572,973	29,18	2,036,582,638,750	14,92	15,01
2012	351,853,782,249	13,11	2,053,334,797,225	0,81	17,13
2013	591,011,412,262	40,46	2,473,490,609,437	16,98	23,89
Total	1,681,956,470,389	82,57	9,801,572,492,924	45,19	82,92
Average	336,391,294,078	20,64	1,960,314,498,585	11,29	16,584

Source: Processed primary data



As previously described, there is no definite benchmark for the ratio of Routine and Development expenditures to ideal regional expenditures, because it is strongly influenced by the dynamics of development activities and the amount of investment required to achieve growth. targeted. From the results of Table 7 in 2009, the ratio of development expenditures was 85.59%, an increase, then in 2011 to 2013, it decreased to 83.54%, 82.86%, and 76.10%, respectively. As for the ratio of routine spending as seen in Table 8, the ratio of routine spending in 2009 was 14.49%, it increased to 12.49% in 2010 and for the following years, it increased in 2013 respectively. to 15.01%, 17.89% and 23.89%.

As described earlier, there is no definite benchmark for the ratio of Routine and Development expenditures to ideal regional expenditures, as it is strongly influenced by the dynamics of development activities and the large investment needs needed to achieve the targeted growth. From the results of Table 7 in 2009, the ratio of development expenditures was 85.59%, an increase, then in 2011 to 2013, it decreased to 83.54%, 82.86%, and 76.10%, respectively.

From Table 7 and Table 8, the ratio of development spending has decreased from year to year, while routine spending it has increased from year to year. According to the description and calculations above, most of the funds owed by the Semarang City government are prioritized for development spending, so routine expenditures are still relatively small. However, even though the routine expenditure is relatively small, year by year, the increase means that the Semarang city government has started to lean towards the economy. This large ratio of development expenditures indicates that most of the regional expenditures are allocated to expenditures directly related to the implementation of work programs and activities of the Semarang City Government.

3. Conclusion

The conclusion of this study was the overall

performance of local financial management and the degree of independence of the Semarang area continued to improve. Can be seen from some of the financial performance ratios are the ratio of the area of financial independence, the ratio of degrees of decentralization, the effectiveness ratio, and the ratio that continues to increase harmony and good effect on the autonomy of the region.

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