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FINANCIAL PERFORMANCE ANALYSIS OF YOGYAKARTA SPECIAL REGION (DIY) GOVERNMENT YEAR 2015 – 2019

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Abstract

This study analyzes financial performance by assessing the Regional Revenue and Expenditure Budget in the Special Region of Yogyakarta (DIY). This research used the data from the Central Statistics Agency (BPS) of DIY Province. The quantitative method uses several financial ratios: autonomy ratio, effectiveness ratio, efficiency ratio, share, and growth. Based on the calculation carried out from 2015 to 2019, the Yogyakarta region government's financial performance in terms of autonomy is classified as moderate with a consultative relationship pattern and an average ratio level of 37,52%. While in terms of effectiveness, it is considered very useful because it has an average of 110,33%. It has an average of 106,22% in efficiency, which shows that it is still inefficient. Furthermore, the share has an average of 35,99%, and growth was 112,48%.

Keywords: financial performance, autonomy ratio, effectiveness ratio, efficiency ratio, share and growth

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INTRODUCTION

The regional financial system's future perspective is to realize a financial balance system between the Central and Regional Governments. The system reflects the transparant division of authority and responsibility tasks between the central and regional governments that is transparent and can be accounted for by the community. Therefore, this study aims to analyze the performance of the regional government of DIY by looking at the Regional Budget's financial performance (APBD). As a form of accountability to the community and material consideration for the next period of work steps. The regional financial system is expected to reduce disparities between regions in financing their responsibilities as autonomous regions and providing regional financial certainty from the regions concerned. (Bastian, 2001).

Regional autonomy is the right, authority, and obligation of the autonomous region in regulating and managing government and local communities' affairs. The purpose of this authority is to bring government and society closer together and make it easier for the public to supervise and control the use of funds sourced from the Regional Revenue and Expenditure Budget. The regional government must carry out an orderly, transparent, and accountable regional financial management to achieve good governance and transparant government.

It is essential to measure financial performance to assess regional financial management accountability. Accountability here means being able to show that public money has been spent effectively and efficiently. Assessing the financial performance of local governments can be done by looking at the Budget Realization Report. The report illustrates the comparison between the budget and the realization in a period.

One way to analyze regional financial performance is by analyzing financial ratios against the predetermined regional budget. Financial ratio analysis including the autonomy ratio, effectiveness ratio, efficiency ratio, share ratio, and growth ratio (Halim, 2012).

Local governments need to support the achievement of national development's main goals and priorities to suit the region's potential and conditions. The success of achieving the main targets and national development priorities depends on policy adjustments between the central and regional governments as set out in the Regional Government Work Plans (Suryaningsum & dkk, 2015)

The Special Region of Yogyakarta (DIY) is one of the regions that has held regional autonomy. With the potential and developments that occur in the local government of DIY from year to year, many assess the autonomy and performance of the DIY government. Therefore this article was made to assess the financial performance of the provincial government of DIY by analyzing the financial ratios based on the Regional Budget (APBD).

LITERATURE REVIEW

Regional Revenue and Expenditure Budget (APBD)

APBD is prepared as a guideline for revenue and expenditure in carrying out local government activities. APBD is the regional government's annual financial plan which is discussed and agreed with the Regional House of Representatives (DPRD) and determined by regional regulations (Habiburrahman & Imani, 2016). The government has a transparent picture of revenue and expenditure for five years. APBD can show a variety of errors, excessive expenditure, and fraud. All regional revenues and expenditures must

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be recorded and managed in the APBD to implement decentralization tasks.

Regional Revenue Budget

Regional income is all money received through the Regional General Cash, which adds to the fund's equity. Regional income is the right of the Regional Government which is recognized as an addition to the net worth in the year concerned and is divided into three categories, namely Regional Original Revenue (Locally-Generated Revenue), balancing funds, and other valid regional income (Sartika, Kirmizi, & Indrawati, 2017)

Regional Budget

Regional expenditure decreases economic benefits during the accounting period in the form of outflows or depletions of assets. In other words, the occurrence of debt results in reduced equity of funds other than those related to distribution to participants in equity funds (Halim, 2002)

Regional expenditures are all regional cash disbursements that reduce funds' equity within a certain year period and will not be reclaimed by the local government (Darise, 2008). Regional expenditure consists of regional apparatus expenditure, public service expenditure, profit sharing expenditure and financial assistance.

Regional Financial Performance

Performance is the achievement of what is planned, both personal and organizational. An achievement that is following the plan, it is said that the performance is implemented well. If the achievement is not following the plan, then performance is said to be wrong.

Financial performance is a performance measure that uses financial indicators. Measurement of local government financial performance is carried out to meet three objectives according to (Mardiasmo, 2004):

1. Improve local government performance

2. Help allocate resources and make decisions

3. Achieve public accountability and improve institutional communication.

One way to measure local governments' financial performance is to look at the local government's efficiency. Performance measurement can be a policy in managing government finances. Good government financial management will create a conducive atmosphere in increasing the human development index (Suryaningsum & dkk, 2015)

Measurement of efficiency in the public sector is essential because of the lack of net income to illustrate local governments' financial performance. An activity is said to be efficient if the implementation achieves maximum output with minimal input of costs (Hamzah, 2008). Efficient financial management will improve the quality of decision making so that the decisions that are taken are of high quality.

RESEARCH METHODS

The method in this study is to use the autonomy ratio, effectiveness ratio, efficiency ratio, share, and growth. This research was conducted to determine the level of autonomy, effectiveness, efficiency, and financial performance of the region from the share and growth in the DIY Government.

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The analysis used in this study as follows:

1. Calculating the autonomy ratio based on the budget

$$Autonomy\ Ratio = \frac{Locally-generated\ revenue}{Aid\ from\ the\ Central\ or\ Regional\ Government} \; x\; 100\%$$

2. Calculating the effectiveness ratio based on the budget

$$Effectiveness\ Ratio = \frac{Realization\ of\ Locally-Generated\ Revenue}{Target\ of\ Receiving\ Locally-Generated\ Revenue\ based\ on\ Real\ Regional\ Potential} \; x\; 100\%$$

3. Calculate the efficiency ratio by budget

$$Efficiancy\ Ratio = \frac{Costs\ incurred\ to\ collect\ the\ Locally-Generated\ Revenue}{Income\ Realization\ of\ Locally-Generated\ Revenue} \; x\; 100\%$$

4. Calculating share based on the budget

$$Share = \frac{Locally-Generated\ Revenue}{Total\ Expenditure} \; X\; 100\%$$

5. Calculating growth based on the budget

$$Growth = \frac{PAD_t}{PAD_{t-1}} \; x\; 100\%$$

$$PAD = Locally-Generated\ Revenue$$

DISCUSSION

1. Autonomy ratio

The regional Financial Autonomy ratio shows the level of ability of a region to self-finance government activities, development, and services to the community. Taxes and user fees issued by the community as a source of income for a region. The Regional Financial Autonomy ratio is calculated by comparing the amount of regional own-source revenue divided by transfer revenue from the central and provincial governments and regional loans. The higher the ratio number shows, the higher the regional financial autonomy of the region.

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Table 1. Autonomy Ratio of DIY

Year	Realization Locally-Generated Revenue	Total Regional Income	Autonomy Ratio	Relationship Pattermd
2015	1.518.860.030.656,77	3.352.007.536.230,77	45,31%	Consultative
2016	1.577.467.434.715,80	3.839.634.779.011,80	41,08%	Consultative
2017	1.711.618.168.817,33	5.010.903.056.499,33	34,16%	Consultative
2018	1.883.360.097.908,71	5.286.226.855.847,71	35,63%	Consultative
2019	2.015.621.583.744,71	5.713.924.265.502,71	35,27%	Consultative
Average			37,52%	Consultative

Based on the above table, the autonomy ratio of DIY Province from 2015 to 2019 tends to experience a fluctuating pattern. It can be seen a decrease in 2016 and 2017, then the figure shows an increase in 2018 and then a decline again in 2019. The autonomy ratio obtained from the realization of Locally-Generated Revenue of Rp. 8,706,927,315,843.32 divided by total revenue of Rp. 23,202,696,493,092,30. Shows the average results of the province of DIY's autonomy ratio for five years by 37.52%.

According to the relationship pattern of regional autonomy, the DIY Province is included in the consultative relationship pattern category. This means that the level of autonomy of DIY Province is moderate, which means the central government's role has diminished. The DIY Province has been considered a little capable of implementing regional autonomy.

2. Effectiveness ratio

The effectiveness ratio illustrates local governments' ability to realise planned Locally-Generated Revenue compared to the specified Locally-Generated Revenue targets.

Table 2. Effectiveness Ratio of DIY

Year	Realization Locally-Generated Revenue	Target Locally-Generated Revenue	Effectiveness Ratio	Criteria of Effectiveness Ratio
2015	1.518.860.030.656,77	1.200.000.000	126,57%	Very Effective
2016	1.577.467.434.715,80	1.400.000.000	112,68%	Very Effective
2017	1.711.618.168.817,33	1.600.000.000	106,98%	Very Effective
2018	1.883.360.097.908,71	1.800.000.000	104,63%	Very Effective
2019	2.015.621.583.744,71	2.000.000.000	100,78%	Very Effective
Average			110,33%	Very Effective

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The table above shows the effectiveness ratio of DIY Province from 2015 to 2019. The results of the calculation of the realization of Locally-Generated Revenue revenue against the Locally-Generated Revenue revenue target show that in 2015 the effectiveness ratio produced a figure of 126.57%. In 2016 the effectiveness ratio produced a figure of 112.68%. In 2017 the effectiveness ratio was 106.98%. In 2018 the effectiveness ratio was 104.63%. In 2019 the effectiveness ratio was 100.78%.

If we look at the calculation table and overall graph of the effectiveness ratio of DIY Province for five years, it can be concluded that the five-year effectiveness ratio is said to be very useful. The average ratio of the effectiveness of the Province of DIY for five years is 110.33%. With this amount, the criteria for the province of DIY's effectiveness ratio fall into a very useful category. This shows that the comparison between the target and the realization of Locally-Generated Revenue has a good ability in mobilizing revenue as targeted.

3. Efficiency ratio

The efficiency ratio illustrates the comparison between the realization of expenditure (regional expenditure) with the realization of regional income.

Table 3. Efficiency Ratio of DIY

Year	Realization Regional Expenditure	Realization of Revenue	Efficiency Ratio	Criteria of Efficiency Ratio
2015	3.800.338.274.463,02	3.352.007.536.230,77	113,37%	Not Efficient
2016	3.973.817.207.029,60	3.839.634.779.011,80	103,49%	Not Efficient
2017	5.187.792.763.958,92	5.010.903.056.499,33	103,53%	Not Efficient
2018	5.608.293.291.985,89	5.286.226.855.847,71	106,09%	Not Efficient
2019	5.978.131.574.404,65	5.713.924.265.502,71	104,62%	Not Efficient
Average			106,22%	Not Efficient

Based on the above table, the Province of DIY's efficiency ratio was inefficient from 2019 until inefficient. In 2015 the efficiency ratio produced a figure of 113.37%. In 2016 the efficiency ratio produced a figure of 103.49%. In 2017 the efficiency ratio produced a figure of 103.53%. In 2018 the efficiency ratio produced a figure of 106.09%. In 2019 the efficiency ratio produced a figure of 104.62%.

With this amount, the average efficiency ratio of DIY Province is 106.22%. According to the efficiency criteria of DIY Province, it could be understood that the government entered into inefficient criteria. The smaller the value of the efficiency ratio, the better the government's performance in spending its income to contribute to increasing regional income. DIY Province still has to allocate spending that contributes significantly to regional income. As well as supervising the possibility of irregularities and waste in the regional budget, the efficiency ratio of DIY Province can be even better.

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4. Share

Share is the ratio of PAS to routine expenditure and regional development expenditure. This ratio measures the ability of the region to finance routine activities and development activities. Share can be used to see regional financial capacity.

Table 4. Share

Year	Locally-Generated Revenue	Regional Expenditure	Percentage
2015	1.518.860.030.656,77	3.800.338.274.463,02	39,96%
2016	1.577.467.434.715,80	3.973.817.207.029,60	39,69%
2017	1.711.618.168.817,33	5.187.792.763.958,92	32,99%
2018	1.883.360.097.908,71	5.608.293.291.985,89	33,58%
2019	2.015.621.583.744,71	5.978.131.574.404,65	33,71%
Average			35,99%

Based on the table's data, the Share of DIY Province in 2015 to 2019 fiscal year, DIY Province decreased in 2017-2019. Share in 2015 Share generated a figure of 39.96%. In 2016 Share produced a figure of 39.69%. In 2017 Share generated a figure of 32.99%. In 2018 Share produced a figure of 33.58%. 2019 Share produced a figure of 33.71%.

From the calculation of share for five years, an average share of 35.99% was obtained. This shows that the contribution of Locally-Generated Revenue to total expenditure in the area is still low. It means that the local government must explore it is potentially more optimally so it could increase Locally-Generated Revenue, which plays a large role in the APBD.

5. Growth

The growth measurement is the Locally-Generated Revenue growth rate from the previous year. The ratio of growth is said to be good, if every year experiences positive growth or has increased

Table 5. Growth of DIY

Year	Realization of Revenue year n	Realization of Revenue year n-1	Growth
2015	3.352.007.536.230,77	3.139.871.880.417,16	106,76%
2016	3.839.634.779.011,80	3.352.007.536.230,77	114,54%
2017	5.010.903.056.499,33	3.839.634.779.011,80	130,50%
2018	5.286.226.855.847,71	5.010.903.056.499,33	105,49%
2019	5.713.924.265.502,71	5.286.226.855.847,71	108,09%
Average			112,48%

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Based on the data in the table, the Growth of the Province of DIY from 2015 to 2019 experienced fluctuations in which there was an increase and decrease. In 2015 Growth produced a figure of 106,76%. In 2016 Growth produced a figure of 114,54%. In 2017 Growth produced a figure of 130,50%. In 2018 Growth produced a figure of 105,49%. Furthermore, in 2019, growth produced a figure of 108,09%.

From the Share and Growth calculation on the Revenue and Expenditure Budget based on the DIY Province between 2015 to 2019, an average share of 35.98% was obtained and growth of 112,48.

Regional Capability Map

QUADRANT II 2017 Share : 32,99% Growth : 130,50%	QUADRANT I 2016 Share : 39,69% Growth : 114,54%
QUADRANT IV 2018 Share : 33,58% Growth : 105,49%	QUADRANT III 2015 Share : 39,96% Growth : 106,76%

SHARE AND GROWTH RESULTS ACCORDING TO THE QUADRANT

1. Quadrant I: This means that DIY Province in 2016 is the only ideal area with the highest share and growth value among all other years. Even though in 2016, the consultative autonomy ratio and the efficiency ratio were not efficient in terms of the effectiveness ratio, this year was beneficial.
2. Quadrant II: In 2017, DIY Province shows the position in quadrant II. Thus 2017 is considered to have sufficient autonomy but has excellent growth potential. The low aspect of financial autonomy in 2017 is due to managing large regional expenditures, which has made this year inefficient. Nevertheless, in planning, the effectiveness of Locally-Generated Revenue is still beneficial.
3. Quadrant III: in this quadrant is 2015. With the category of Quadrant III, 2015 has a high share, but the growth is small or is interpreted as a relatively independent year but has little potential.
4. Quadrant IV: in this category is the performance of the government in 2018. This quadrant IV is honestly the least ideal year of the other years because the lowest share and growth value defines it. Although not significant.

CONCLUSION AND SUGGESTION

1. The DIY provincial government's financial performance in terms of autonomy ratio is classified as moderate with a consultative relationship pattern and an average ratio of 37.52%. In comparison, it is considered very useful in terms of effectiveness because it has an average ratio of 110.33%. It has an average of 106.22% in efficiency, which shows that it is still inefficient. Furthermore, to calculate the Share and Growth of the regional revenue and expenditure budget of the Province of DIY from 2015 to 2019, an average share of 35.99% was obtained, and growth was 112.48%.
2. DIY Province needs to increase the Regional Revenue of DIY Province by increasing the Locally-Generated Revenue DIY Province's efficiency. Regional Tax Revenues and Regional Retribution Revenues. Need to supervise and control continuously and adequately to avoid irregularities in acquiring Locally-Generated Revenue by those concerned.

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3. The high dependency rate is also a problem in the Government of DIY Province. Therefore, the government needs to explore the community's economic potentials and nature to increase Locally-Generated Revenue and as an additional source of funds for the Government of DIY Province.

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