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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ABSTRACT

This study aimed to analyze the effect the financial ability of Semarang City in order to support the implementation of regional autonomy, base on Semarang Budget Realization Reported the period of 2009-2013. A 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 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, effectiveness ratio and the ratio 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 in 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. 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.

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

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

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

| 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.
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**

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 2. Ratio calculation degree of decentralization of Semarang City in 2009 – 2013

| Year | PAD Total (Rp) | Growth (%) | Total Regional Income | Growth (%) | Degree Ratio 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

### 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 | Growth (%) | Total Transfers | Growth (%) | KKD Ratio (%) |
|------|-----------|------------|-----------------|------------|---------------|
| 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 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 it 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 ≥ 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. Ratio of original income effectivity of Semarang City Region 2009–2013

| Year | Realization of PAD | Revenue Target PAD | Effectiveness ratio (%) |
|------|-------------------|--------------------|------------------------|
|      | Total (Rp)        | Total (Rp)         |                        |
|      | Growth (%)        | Growth (%)         |                        |
| 2009 | 306,112,422,821   | 291,142,899,270    | 105.14                 |
| 2010 | 327,992,258,750   | 314,653,466,000    | 104.23                 |
| 2011 | 521,538,058,477   | 447,032,951,000    | 116,66                 |
| 2012 | 779,616,535,593   | 667,883,642,000    | 116,72                 |
| 2013 | 925,919,310,506   | 778,866,930,000    | 118,88                 |
|      | 2,861,178,586,147 | 2,499,579,918,870 | 561,63                 |
| Average | 572,235,717,229.40 | 499,915,983,774 | 112,326                |

Source: Primary data processed

**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. Ratio of Semarang City regional expenditure compatibility in 2009 – 2013

| Year | Development spending (Rp) | Growth (%) | Total regional spending (Rp) | 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. Ratio of Semarang City regional expenditure compatibility in 2009 – 2013

| Year | Regular expenditure (Rp) | Growth (%) | Total regional spending (Rp) | 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. 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 for 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 in expenditures directly related to the implementation of work programs and activities of the Semarang City Government.

4. Conclusion

From the results of the research and the results of data analysis, the following conclusions can be drawn: The Decentralization Ratio for the years 2009-2011 is still not good, because PAD is still low and the local government of Semarang City is still dependent on financial sources from the central government, but in 2012-2013 experienced a fairly high increase, namely at good intervals, because PAD posts, especially local taxes, experienced an increase. The average ratio of degrees of decentralization for 5 years from 2009 - to 2013 has a good ability to finance regional development. In this case, the contribution of PAD is quite high, the higher the ability of the government of Semarang City in implementing decentralization.

The ratio of regional financial independence in 2009 – 2012 is classified as having a consultative relationship, which means that central government intervention has begun to decrease because the regions are considered to be a little more capable of implementing autonomy, while in 2013 there was a fairly high increase, which is classified as a participatory, which means that the role of the central government is increasing, reduced, considering the level of independence close to being able to carry out autonomous affairs. This implies that the level of regional dependence on external assistance is getting smaller, and the level of community participation in regional development is quite high. The high level of community participation in paying local taxes and regional levies as the main component of local revenue illustrates that the level of community welfare is getting higher.

Effectiveness ratio can be concluded that the average ratio for 5 years from 2009 – 2013 is the PAD Effectiveness Ratio 100 %, meaning that the region’s ability to carry out tasks is categorized as very effective, it shows in mobilizing PAD revenue according to the target.

Compatibility ratio : the ratio of routine expenditures and development expenditures, it can
be concluded that some of the funds owed by the local government of Semarang City are prioritized for development expenditure needs so that the ratio of routine expenditures is relatively small, but although routine expenditures are relatively small for year to year, it means that the Semarang city government has begun to lean towards the people’s economy. Ratiodevelopment expenditures indicate that most regional expenditures have been allocated to expenditures directly related to the implementation of work programs and activities. The greater the development expenditure, the greater the benefits and will increase assets/wealth and in turn will increase the routine expenditure budget.

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