An Analysis of Financial Performance of the Puncak Jaya Regency Government

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Abstract
This research aimed to figure out the financial performance of the Puncak Jaya Regency Government in the period of 2014–2018. This research is both quantitative and qualitative. Primary data were collected from interviews, while secondary data were from literature and the 2014–2018 budget realization reports of the Puncak Jaya Regency Government. The data analysis techniques used consisted of analyses of the decentralization ratio, local financial self-sufficiency ratio, locally generated revenue effectiveness ratio, and local financial efficiency ratio. The research results show that the fiscal decentralization ratio was meager and that the locally generated revenue had a deficient ability to fund local development. The self-sufficiency ratio was still below the local financial standard due to the Puncak Jaya Regency Government's inability to improve its locally-generated revenue. According to the effectiveness ratio, the overall targeted and realized locally generated revenues were declared ineffective. Nevertheless, the locally generated revenue was found efficient, in which case the Puncak Jaya Regency Government managed its expenditure according to the revenue available.

I. Introduction

The local governance in Indonesia currently applies the principle of local autonomy (Bell, 2001). According to Law No. 2 of 2015 and Law No. 9 of 2015, local autonomy is a fundamental principle of local governance that assigns local governments authority to regulate and manage their respective regions. Local governments have better notions and understanding of the potentials and aspirations of their local people than does the central government (Haris, 2005). Given local autonomy, local governments are expected to be better able to improve their communities' prosperity (Badrudin & Siregar, 2015).

To provide their communities with services in the form of improved education and public health facilities, maintained security stability, law enforcement, and public transport and infrastructure provision, local governments should allocate funds from the local budget (APBD) (Kuntari et al., 2019). Being autonomous, local governments must also fund their regions through the financing sources at their disposal (Nasution, 2017). Local governments should not only depend on fiscal balance funds but also start to explore and develop regional potentials as sources of local revenue (Ndadari & Adi, 2008). Locally generated revenue (PAD) is the local revenue sourced from local taxes, local retributions, and the proceeds from managing separated local wealth, among other sources (Prana, 2019).
The management of revenues and expenditures is the most critical part of local financial management since the funds managed by local governments are minimal, yet the performance expected is high (Oktora & Pontoh, 2013). The broader implementation of local autonomy leads to a more robust communication expectation about the realization of good governance. Good governance has transformed into a new paradigm the community extremely yearns for (Achdiat, 2019).

Three main interlinked pillars mark good governance. The three fundamental elements are participation, transparency, and accountability (Prajogo, 2001). Other than excellent and correct governance, policymakers' accountability, and activity executors to superiors or those who gave the orders is also needed (Ansori, 2017). Thus, despite the local autonomy, local governments must implement a financial management system that ensures the three essential elements of good governance are applicable. The forms of financing and revenue applied in a region can be seen from its financial statements.

The primary function of a financial statement is to present financial information to its users as a basis for economic, social, and political decisions (Cascino et al., 2014). However, not all parties can read and discern financial statements properly due to differences in academic backgrounds and lack of understanding of accounting science. Therefore, analysis of financial statements helps examine financial statements with various methods (Fridson & Alvarez, 2011), one of which is financial ratio analysis (Orniati, 2009).

Local government financial performance refers to the financial sector's work outcome, including local revenue and expenditure (Kusuma & Handayani, 2017). Local revenue and expenditure are regulated through policies and laws applicable throughout a budgeting period (Junarwati et al., 2013). Measurement of financial government financial performance through the use of financial ratios from the local accountability reporting system is in the form of the local budget (APBD) calculation (Hasrina et al., 2019).

According to Widodo in Halim (2002), financial ratio analysis is intended to (1) assess the financial self-sufficiency of a region in financing its local autonomy implementation, (2) measure effectiveness and efficiency in realizing local revenue, (3) measure the extent of government activities in spending the local revenue, (4) measure the contribution of each source of revenue to the local revenue, and (5) see the growth/development of revenue and expenditure over a certain period.

Indonesia, as a developing country, is intensive in proliferating new administrative regions to improve the community's prosperity and to equalize development (Tarmizi, 2019). The proliferation of administrative regions has been ongoing for the last five years, but many doubt it has run well. In the current political situation, the proliferation of administrative regions is inevitable. Nevertheless, efforts to build a new, more objective assessment method will help determine the direction of the following policies on the proliferation of administrative regions.

The proliferation of administrative regions is a perfect competition economic model (Utami & Afriliana, 2018). Local governments have the power to maintain local tax ratios low, provide services efficiently, and allow every community member to express his/her preferences for services at varying government levels (Santoso, 2012). The National Development Planning Agency (Bappenas) (2008), in its study, has specifically investigated issues related to the development of new autonomous regions. This study revealed that in the financial aspect, there had been increases in locally generated revenue, although dependency on the general allocation fund (DAU) generally remained high. Besides, there were also increases in the proportion of development expenditure, although the proportion of routine expenditure stood at a low level.

Zuhro (2009), in her research, states that proliferation of administrative regions comes with several detrimental impacts: (1) it creates structural expansion, which leads to heavy financial burden; (2) shared sociocultural and historical characteristics of a community are the
commitment of most citizens, but the political aspect puts too much emphasis on them; (3) the low level of fiscal capacity drives local governments' efforts to increase their revenues in any way which instead harms the community and brings about a gap; and (4) the simultaneous increase of the number of local governments will increase the amount of expenditure in the national budget (APBN), and this will become burdensome to the central government. Thus, comparing local performance will help inform the development of a region after the administrative region proliferation.

Puncak Jaya Regency is one of several regencies perched in the mountain range in Papua Province, Indonesia (Ananta et al., 2016). Its capital lies in Kota Mulia District. Puncak Jaya Regency was established based on Governmental Regulation No. 52 of 1996 on the Establishment of Puncak Jaya, Paniai, and Mimika Regencies and the Name Change and Capital Relocation the Paniai Level II Region in the Irian Jaya Level I Region. The enactment of the Law then strengthened it No. 45 of 1999 on the Establishment of Central and West Irian Jaya Provinces, Paniai, Mimika, and Puncak Jaya Regencies, and Sorong City.

The financial conditions of the Puncak Jaya Regency fluctuated from year to year. The realized locally generated revenue of Puncak Jaya Regency in 2014 amounted to Rp15,193,433,996.00, in 2015 it went down to Rp14,802,617,320.00, in 2016 it went up instead to Rp24,744,152,962.00, in 2017 it dropped again to Rp10,790,311,949.00, and in 2018 it sprung back to Rp15,420,765,897.00.

In the locally generated revenues but in the local budgets (APBD), too did Puncak Jaya Regency experience fluctuations yearly. In 2014, the local budget of Puncak Jaya Regency amounted to Rp1,003,020,127,977.00, and in the next two years it increased to Rp1,265,331,724,690.00 and Rp1,423,942,875,240.00, respectively. While this figure dropped to Rp1,259,626,254,346.00 in 2017, it rose back in 2018 to Rp1,439,832,827,433.00.

With the proliferation of administrative regions in the Puncak Jaya Regency, it is expected that the community's quality of life can be improved, starting from the increase in the financial performance of the newly created administrative regions. From the description above, the researchers took an interest in analyzing the financial performance of the Puncak Jaya Regency Government. This research aimed to figure out the financial performance of the Puncak Jaya Regency Government in 2014–2018 based on the decentralization ratio, self-sufficiency ratio, locally generated revenue effectiveness ratio, and local financial efficiency ratio.

II. Review of Literatures

2.1 Local Financial Performance

According to Sumarjo (2010), local financial performance is the outcome of a planned or realized activity or program concerning the local budget spending with measurable quantity and quality assessed through the community's efficiency. Meanwhile, according to Syamsi (1981), local financial performance is the ability of a region to explore and manage its local financial source to meet its needs for supporting the running of the governmental system, services provision for the community, and local development. This funding is without full dependency on the central government but with flexibility in using funds for the local community's interest within limits set by regulations and laws (Magdalena & Suhatman, 2019).

According to the definitions above, it can be concluded that local government financial performance is the work outcome in the local financial sector, which encompasses the budget and the budget realization measured based on the financial indicators specified in a policy, regulation, or Law in a budgeting period.
2.2 Local Financial Decentralization Ratio

The decentralization ratio reflects the extent to which the central government assigns authority and responsibility to a local government to conduct development (Oki et al., 2020). This ratio is calculated by comparing the amount of locally generated revenue against the total local revenue (Poyoh et al., 2017; Pratomo & Warokka, 2013). This ratio shows the degree of locally-generated revenue contribution to the total local revenue. The more significant the contribution is, the better the local government is in implementing decentralization (Kusumadewi & Ilat, 2016).

The local fiscal decentralization ratio can be calculated using the formula below:

\[
DDF = \frac{PAD_t}{TPD_t} \times 100\%
\]

Where:
- \(DDF\) = Fiscal Decentralization Ratio,
- \(PAD_t\) = Total Locally Generated Revenue in Year \(t\), and
- \(TPD_t\) = Total Local Revenue in Year \(t\).

The relational pattern and the level of local capacity can be seen in Table 1.

| Fiscal Decentralization Ratio Interval (%) | Financial Ability   |
|------------------------------------------|---------------------|
| 00.00–10.00                             | Very Low            |
| 10.01–20.00                             | Low                 |
| 20.01–30.00                             | Slightly Low        |
| 30.01–40.00                             | Slightly High       |
| 40.01–50.00                             | High                |
| >50.00                                  | Very High           |

Source: Halim, 2007

2.3 Local Financial Self-Sufficiency Ratio

Local financial self-sufficiency ratio (RKKD) shows the level to which a region can finance itself in governmental, developmental, and service delivery activities for the community members who have paid taxes and retributions as sources of revenue needed by the region (Halim, 2007; Martapina & Warokka, 2018). This ratio is derived by comparing locally generated revenue against local revenue from other sources (transfer revenue), including tax and non-tax revenue sharing, natural resources, general and special allocation funds, emergency funds, and loans (Widodo, 2001; Dewi et al., 2018). The greater the self-sufficiency ratio is, the lower the region's dependency on aids from external parties and vice versa.

The self-sufficiency ratio can be calculated using the formula below:

\[
RKKD = \frac{PAD}{Transfer\ Revenue} \times 100\%
\]

Where:
- \(RKKD\) = Local Financial Self-Sufficiency Ratio and
- \(PAD\) = Total Locally Generated Revenue.

The relational pattern and the capacity of the region are presented in Table 2.
Table 2. Relationship Pattern and Capacity of the Region

| Financial ability | Self-Sufficiency (%) | Relationship Pattern |
|-------------------|----------------------|----------------------|
| Very Low          | 0%–25%               | Instructive          |
| Low               | 25%–50%              | Consultative         |
| Moderate          | 50%–75%              | Participative        |
| High              | 75%–100%             | Delegative           |

Source: Halim, 2007

The explanation for Table 2 is as follows:

1. Instructive relational pattern: The central government has a dominant role over the local government's self-sufficiency (i.e., the region cannot exercise local autonomy).
2. Consultative relational pattern: The central government's intervention is reduced as the region is considered slightly more able to exercise local autonomy.
3. Participative relational pattern: The central government's role is considerably reduced, given that the region in question is close to fully able to exercise local autonomy.
4. Delegative relational pattern: The central government's intervention is non-existent as the region has entirely been capable of and been self-sufficient in exercising local autonomy.

2.4 Local Financial Management Effectiveness Ratio

The locally generated revenue effectiveness ratio indicates the ability of a local government to realize the planned locally generated revenue (PAD) in comparison to the target that has been set based on the region's real potentials (Abdiyanto & Warokka, 2015; Anshori, 2019; Pattiasina et al., 2019). This ratio illustrates the government's ability to collect revenue from all locally generated revenue sources in an amount that meets the locally generated revenue (PAD) target. A local government can perform its task if the ratio achieved is at least 1 or 100%, but the more significant the effectiveness ratio is, the better the local government's performance.

Locally generated revenue effectiveness ratio can be calculated using the formula below:

\[
PAD \ \text{Effectiveness Ratio} = \frac{\text{Realized} \ PAD}{\text{Targeted} \ PAD} \times 100\% ,
\]

Where:

- \( PAD \) = Total Locally Generated Revenue.

The local financial management effectiveness ratio can be explained under the guide provided in Table 3.

Table 3. Locally Generated Revenue Effectiveness Criteria

| Effectiveness Criteria   | Effectiveness Percentages |
|--------------------------|---------------------------|
| Very Effective           | > 100                     |
| Effective                | > 90–100                  |
| Fairly Effective         | > 80–90                   |
| Insufficiently Effective | > 60–80                   |
| Ineffective              | ≤ 60                      |

Source: Halim, 2007
2.5 Local Financial Efficiency Ratio

The local financial efficiency ratio is the ratio of the cost incurred to generate revenue to the realized revenue (Halim, 2007). The financial performance of a local government in collecting revenue will be categorized as efficient if the ratio is less than 1 (one) or below 100%—the lower the local financial efficiency ratio is, the better the local financial government is.

The local financial efficiency ratio can be calculated using the formula below:

$$REKD = \frac{Realized \ Local \ Expenditure}{Realized \ Local \ Revenue} \times 100\%$$

Where:

REKD = Local Financial Efficiency Ratio.

The criteria for assessing local financial efficiency can be seen in Table 4.

| Efficiency Criteria          | Efficiency Presentation |
|------------------------------|-------------------------|
| 100% and above               | Inefficient             |
| 90%–100%                     | Insufficiently efficient|
| 80%–90%                      | Fairly efficient        |
| 60%–80%                      | Efficient               |
| Below 60%                    | Very efficient          |

Source: Halim, 2007

This research's framework is summarized in Figure 1.

![Figure 1. Research Framework](image-url)
III. Research Methods

This research is both quantitative and qualitative, and it used both primary and secondary data. Primary data were derived from interviews with members of the apparatus or division of the organizations engaged in the revenue sector and from the financial reports of Puncak Jaya Regency. Meanwhile, secondary data were collected from literature and the budget realization reports (LRA) of the Puncak Jaya Regency Government in 2014–2018. The data collection techniques used were field research and literature study techniques.

The data analysis technique was the ratio analysis technique. Financial ratio analysis was used to analyze the financial performance of regency and city governments. It was conducted by calculating financial ratios according to the local budget (APBD) and local budget realization reports for 2014–2018. This analysis consisted of the decentralization ratio analyses, local financial self-sufficiency ratio, locally generated revenue effectiveness ratio, and local financial efficiency ratio.

IV. Results and Discussion

The sample used in this research was the Puncak Jaya Regency government, whose targeted and realized locally generated revenue (PAD) and local budgets (APBD) for 2014–2018 are detailed in Table 5.

Table 5. Targeted and Realized Locally Generated Revenues (PAD) and Local Budgets (APBD) of Puncak Jaya Regency per Year

| Year | Targeted PAD | Realized PAD | Transfer Revenue | Total Local Revenue | Realized Local Expenditure |
|------|--------------|--------------|------------------|---------------------|---------------------------|
| 2014 | 20,354,233,435 | 15,193,433,996 | 952,826,693,981 | 1,003,020,127,977 | 979,504,390,315 |
| 2015 | 20,354,233,435 | 14,802,617,320 | 1,040,649,124,555 | 1,265,331,724,690 | 1,079,109,432,146 |
| 2016 | 30,763,942,320 | 24,744,152,962 | 1,171,660,907,278 | 1,423,942,875,240 | 1,230,357,839,393 |
| 2017 | 20,880,361,852 | 10,790,311,949 | 1,248,835,942,397 | 1,259,626,254,346 | 932,848,022,807 |
| 2018 | 20,722,161,825 | 15,420,765,897 | 1,422,601,896,773 | 1,439,832,827,433 | 1,080,072,125,864 |

Source: Budget Realization Reports of Puncak Jaya Regency of 2014–2018

The data used in the analysis in Table 5 are explained as follows:

1. Realized locally generated revenue (PAD) is the real (as opposed to fictional) sum of tax revenue received or achieved within a given period. The Puncak Jaya Regency's realized local-own revenues fluctuated from 2014 to 2018, with a consecutive increase by 2.5% in 2015, 67.16% in the following year, respectively. In 2017, it decreased by 56.39% and ended with yet another increase by 42.91% in 2018.

2. Transfer revenue is the revenue from other reporting entities such as the central government or other autonomous regions for fiscal balance funding. The transfer revenues of Puncak Jaya Regency throughout the period 2014–2018 continuously increased. In 2015 the transfer revenue increased by 9.22%, in 2016 12.59%, in 2017 6.5%, and in 2018 14.91%.

3. Local revenue is composed of central and local fiscal balance funds and the revenue derived from the region and other legal sources. The local revenues of Puncak Jaya Regency fluctuated from 2014–2018. The local revenue increased in 2015 and 2016 in a row by 26.15% and 12.54%, respectively, but it decreased by 11.54% in 2017. In the following year, it rose back by 14.31%.
4. Realized local expenditure is all the local cash spending within a given budgeting year that becomes a local burden. The realized local expenditures of Puncak Jaya Regency, too, fluctuated from 2014 through 2018. In 2015 and 2016, it increased by 10.17% and 14.02%, respectively. These consecutive increases were followed by a drop in 2017 by 20.18% and another rise in 2018 by 15.78%.

4.1 Fiscal Decentralization Ratio Analysis

Table 6. Fiscal Decentralization Ratio

| Year | Locally Generated Revenue (Rp) | Total Local Revenue (Rp.) | DDF Ratio (%) | Financial Ability |
|------|-----------------------------|---------------------------|---------------|------------------|
| 2014 | 15,193,433,966              | 1,003,020,127,977         | 1.51          | Very Low         |
| 2015 | 14,802,617,320              | 1,265,331,724,690         | 1.17          | Very Low         |
| 2016 | 24,744,152,962              | 1,423,942,875,240         | 1.74          | Very Low         |
| 2017 | 10,790,311,949              | 1,259,626,254,346         | 0.86          | Very Low         |
| 2018 | 17,230,930,660              | 1,439,832,827,433         | 1.20          | Very Low         |
| Mean | 16,552,289,371              | 1,278,350,761,937         | 1.30          | Very Low         |

Source: Budget Realization Reports of Puncak Jaya Regency of 2014–2018

The fiscal decentralization ratios of the Puncak Jaya Regency government measured within five years were categorized as very low. This finding shows that the locally generated revenue had a deficient ability to finance local development. Besides, the locally generated revenue of Puncak Jaya Regency was smaller than the realized local expenditure (≥ 100 %). This similar finding is as reported by Suharyanto (2020), who stated that the eastern part of Indonesia recorded very low fiscal decentralization ratios, especially West Papua and Papua Provinces. This fact could be influenced by several factors: the local government's inability to optimize revenue from the existing revenue source potentials such as local tax revenue, local retribution revenue, and the proceeds from the management of separated local wealth (Leonandri et al., 2018).

Another powerfully influential factor was the lack of community awareness of the obligation of paying taxes such as the land and building tax. The people still believed that the pieces of land in their possession were community- or personally owned. Hence, when a tax authority came to collect the tax, the people would reject him/her. Besides, the fact that Puncak Jaya Regency is situated in a geographically hard-to-reach location also sets an impediment to tax collection. This regency houses 27 districts, which can only be reached by chartered airplane and by foot. Chartering an airplane would cost prohibitively high since regular or subsidized flights connecting the districts have yet to be available.

4.2 Local Financial Self-Sufficiency Ratio Analysis

Table 7. Local Financial Self-Sufficiency Ratio

| Year | Locally Generated Revenue | Transfer Revenue | DDF Ratio | Financial Ability | Relational Pattern |
|------|---------------------------|------------------|-----------|-------------------|--------------------|
| 2014 | 15,193,433,966.00         | 952,826,693,981.00 | 1.59      | Very Low          | Instructive        |
| 2015 | 14,802,617,320.00         | 1,040,649,124,555.00 | 1.42      | Very Low          | Instructive        |
| 2016 | 24,744,152,962.67         | 1,171,660,907,278.00 | 2.11      | Very Low          | Instructive        |
| 2017 | 10,790,311,949.00         | 1,248,835,942,397.00 | 0.86      | Very Low          | Instructive        |
| 2018 | 17,230,930,660.00         | 1,422,601,896,773.00 | 1.21      | Very Low          | Instructive        |
| Mean | 16,552,289,371.53         | 1,167,314,912,996.80 | 1.44      | Very Low          | Instructive        |

Source: Budget Realization Reports of 2014–2018
The self-sufficiency ratios of the Puncak Jaya Regency Government measured in five years from 2014–2018 were categorized as very low, indicating that the relational pattern established was the instructive one. The meaning is that the central government held a dominant role in the region's self-sufficiency (i.e., the region could not exercise its local autonomy). This finding describes that the region's level of dependency on external funding sources remained to vary high. According to Prakoso et al. (2019), high financial self-sufficiency ratios would increase economic growth.

The region was still unable to optimize its locally generated revenue to finance its local development. The local revenue was predominantly derived from transfer revenue from special allocation fund, special autonomy fund, and allocated village fund to develop the community in Puncak Jaya Regency. Therefore, it is a must for the government to build an ability to optimize revenue from the existing revenue source potentials (Rante & Warokka, 2016). As pointed out by Khairudin et al. (2018), the local government must immediately perform the following: (1) increase the locally generated revenue from tax intensification and extensification; (2) orient the budget use more for capital expenditure; and (3) firmly enact rules in order to focus the budget used on the desired outcomes. The local government's initiative and willingness are vital to increasing its locally generated revenue, for example, through local-owned enterprises establishment in potential sectors.

The findings are quite similar to the research by Dora (2017), which studied the financial performance of the Yogyakarta City Government in using the local budget in 2010–2014 was generally considered acceptable. Even though the decentralization and financial self-sufficiency levels were still low, the Yogyakarta government's dependency on the central/provincial government was high. The findings lend some explanations that most Indonesia regions are still reliant on the central government and are still unable to perform their tasks independently. This fact is shown by the ratios that indicate the low financial performance of the regency governments to manage their fund sources. This finding also proved that the Puncak Jaya Regency, which is one of the remote regions in Indonesia, still has a high dependency on the central government due to their low level of financial self-sufficiency.

Being a significant region does not necessarily guarantee that the region is self-sufficient in managing its local finance. A region will only be categorized as genuinely self-sufficient if it has an excellent ability to manage its local finance in increasing its locally generated revenue. The locally generated revenue of a region will be able to cover all realized local expenditure. To maintain the unity and integrity of the Republic of Indonesia, the central government's attention is deemed necessary, and it can be done through transfer revenue. This fact is essential to prevent disunity, giving regions the sense that they are integral to the central government.

### 4.3 Locally Generated Revenue Effectiveness Ratio Analysis

| Year | Targeted Locally Generated Revenue | Locally Generated Revenue Realization | Locally Generated Revenue Effectiveness Ratio | Financial Ability       |
|------|----------------------------------|--------------------------------------|---------------------------------------------|-------------------------|
| 2014 | 20,354,233,435                   | 15,193,433,966                       | 74.65                                       | Very Effective          |
| 2015 | 20,354,233,435                   | 14,802,617,320                       | 72.73                                       | Insufficiently Effective|
| 2016 | 30,763,942,320                   | 24,744,152,962                       | 80.43                                       | Fairly Effective        |
| 2017 | 20,880,361,852                   | 10,790,311,949                       | 51.68                                       | Ineffective             |
| 2018 | 20,722,161,852                   | 17,230,930,660                       | 83.15                                       | Fairly Effective        |
| Mean | 22,614,986,578                   | 16,552,289,371                       | 72.53                                       | Insufficiently Effective|

Source: Budget Realization Reports of Puncak Jaya Regency
The results of the effectiveness ratio calculation show that the overall targeted and realized locally generated revenue effectiveness from 2014 through 2018 stood at 72.53%, which was declared as insufficiently effective. The finding shows that the government's performance in realizing the locally generated revenue based on the region's real potentials in the budget years 2014–2018 was less than satisfactory. Besides being one of the regions which were still dependent on the central government, the Puncak Jaya Regency was also insufficiently effective in realizing the locally generated revenue based on its real potentials.

4.4 Locally Generated Revenue Efficiency Ratio

| Year | Local Revenue | Realized Local Expenditure | Local Financial Efficiency Ratio | Financial Ability       |
|------|---------------|----------------------------|----------------------------------|-------------------------|
| 2014 | 1,003,020,127,977 | 979,504,390,315.00       | 97.66                            | Insufficiently Efficient|
| 2015 | 1,265,331,724,690 | 1,079,109,432,146.00     | 85.28                            | Fairly Efficient        |
| 2016 | 1,171,660,907,278 | 1,230,357,839,393.00     | 105.01                           | Inefficient             |
| 2017 | 1,248,835,942,397 | 932,848,022,807.00       | 74.70                            | Efficient               |
| 2018 | 1,422,601,898,773 | 1,080,072,125,864.00     | 75.92                            | Efficient               |
| Mean | 1,222,290,120,223 | 1,060,378,362,105.00     | 68.18                            | Efficient               |

Source: Budget Realization Report of Puncak Jaya Regency, 2018

The results of the locally generated revenue efficiency ratio calculation show that the Puncak Jaya Regency Government's mean efficiency level for the budgeting years 2014–2018 stood at 68.18%, which could be categorized as efficient. The increasing locally generated revenue efficiency ratio reflects that the local government could minimize the local expenditure incurred.

However, in general, expenditure tends to rise continuously. This trend is attributed to adjustment to inflation, Rupiah currency changes, adjustment to macroeconomic factors, and security situation. Especially in Puncak Jaya Regency, where conflicts are commonplace, and all community problems are referred to the government, the abovementioned are highly influential to the local expenditure. For instance, at the time of a conflict or war, the government has no other option but to deal with the problem and maintain security stability. This finding definitely will considerably influence the local expenditure.

The empirical findings show that despite being reliant on the central government, being situated in a geographically challenging location, and being a conflict-prone region, the Puncak Jaya Regency was reasonably efficient in handling the budget. Despite the necessity to take on a loan to run its financial management.

V. Conclusion

This research analyzed the financial performance of the Puncak Jaya Regency Government using the decentralization ratio, local financial self-sufficiency ratio, locally generated revenue effectiveness ratio, and local financial efficiency ratio. Based on the results of the analysis conducted, the following conclusions were drawn: (1) the fiscal decentralization of the Puncak Jaya Regency Government was very low, showing that the locally generated revenue had a deficient ability to finance the local development; (2) the self-sufficiency ratio was still below the local financial standard due to the Puncak Jaya
Regency Government's low ability to increase its locally generated revenue, causing Puncak Jaya Regency to be dependent on the government; (3) the effectiveness ratio shows that the overall targeted and realized locally generated revenue was insufficiently effective, showing that the government was still sub-optimal in realizing the locally generated revenue based on the region's real potentials; and (4) the locally generated revenue efficiency ratio shows that on average the Puncak Jaya Regency Government was considered efficient in that it was able to manage its spending based on the revenue available.

Based on the analysis results, the researchers offer the following suggestions to the Puncak Jaya Regency Government: (1) optimize locally generated revenue collection through intensification and extensification; (2) optimize locally generated revenue realization and explore locally generated revenue potentials by allocating local spending to sectors that are able to contribute income to the Puncak Jaya Regency Government, especially the agricultural sector; (3) improve the performance in order to maintain the already right level of effectiveness or even increase it and work on the financial management efficiency in the coming years; (4) pay a close attention to every spending budget specifically for effective and efficient government apparatus expenditure and develop a priority scale in determining the spending budget; and (5) prioritize capital expenditure for community interests into facility and infrastructure development because the locally generated revenue was mainly sourced from the community through payments of local taxes and retributions, raising the community's motivation to participate in development.

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