



FINANCIAL PERFORMANCE OF CITY GOVERNMENT IN WEST KALIMANTAN

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ABSTRACT

This study aims to determine the performance of city governments in West Kalimantan province viewed from the financial aspects during the years 2009-2016. This study uses descriptive quantitative methods. The data used are financial ratios which include independence ratio, effectiveness ratio, and efficiency ratio. The results of this study indicate that the financial performance of the municipal governments of Pontianak and Singkawang have not been effective because their effectiveness is still below 100%. While the efficiency level of the Pontianak city government is more efficient compared to the Singkawang City government. And the level of independence of the city government in West Kalimantan province towards the central government is still instructive, indicating that the level of regional financial capacity is still very low.

KEYWORDS : Local Government, Financial Performance, Efficiency

A. INTRODUCTION

Local government financial reports are a means of controlling and evaluating performance for the regional government as a whole as well as the work units in it (Mahmudi, 2010). The main function of local government financial statements is to provide financial information to parties interested in the report that will be used as a basis for economic, social, and political decision making. However, there are still many parties who do not understand or can read financial statements properly. This is reasonable, because various interested parties come from different backgrounds and do not understand accounting. Even though they really need the financial information for decision making, therefore financial analysis is needed to help them. In analyzing a financial report can use methods and one of the most widely used is financial ratio analysis. Regional autonomy imposed by regional governments should be more courageous and able to maximize the various potentials of each region. Most small cities throughout Indonesia still cannot be independent in terms of managing their performance. Many regional officials actually acted improperly by committing various irregularities, which could have a negative impact on the people of the area concerned. For this reason, the role of the community as the subject and object of development is needed to always monitor and supervise the performance of the local government.

Analysis of the performance of financial management and regional independence in the City Government of West Kalimantan Province is a process of assessing the level of progress towards the implementation of the work / activities of City Governments in West Kalimantan Province in the financial sector for a certain period of time. So to find out the financial performance of the City Government of West Kalimantan Province, it is necessary to do an analysis in order to find out the performance conditions of the City Government of West Kalimantan Province viewed from the financial aspect.

B. LITERATURE

According to Mahsun (2012: 25), Performance is a description of the level of achievement of an activity / program / policy in realizing the goals, objectives, mission and vision of the organization contained in the strategic planning of an organization. In relation to Financial Performance in the regions, according to research conducted by Agustina (2013: 3) in his journal, Regional Financial Performance is the level of achievement of a work in regional finance which includes regional revenues and expenditures using financial indicators determined through a statutory policies or provisions for a budget period.

Regional financial management that is transparent, honest, democratic, effective, efficient, and accountable, ratio analysis of the APBD needs to be implemented even though the rules of

accounting in the APBD are different from the financial statements held by private companies (Halim 2007: 4).

Research conducted by Agustin (2007) in Blitar District shows that based on the APBD Financial Ratio Local Government Financial Performance is good when viewed from the DSCR Growth and Ratio. But it can be said to be less good when viewed from the Independence Ratio, Activity Ratio and Effectiveness Ratio and PAD Efficiency Ratio. Local governments have not been able to carry out their duties effectively and efficiently because there are still many ratios that show a lack of Financial Performance of the Blitar District Government in managing the sources of funds they have.

Meanwhile, a study conducted by Jasmawati (2011) in Soppeng District shows that the regional financial performance of the Soppeng Regency Government in the past eight years has proven good. This can be seen through the calculation of the independence ratio, effectiveness ratio, and growth ratio from 2003-2010. Then the efficiency of the Soppeng Regency PAD in the past eight years has proven to be efficient. Partially, the independence ratio of the Soppeng Regency Government has a significant effect on the efficiency of PAD in the last eight years (2003-2010). Partially, the effectiveness ratio of Soppeng Regency Government has no significant effect on PAD efficiency in the last eight years (2003-2010). Partially, the growth ratio of the Soppeng Regency Government has no significant effect on the efficiency of PAD in the last eight years (2003-2010). Simultaneously, the independence ratio, effectiveness ratio, and growth ratio significantly influence the efficiency of PAD in the last eight years (2003-2010).

Research conducted by Assidiqi (2014) in Klaten Regency shows that the financial performance of Klaten Regency in 2008-2012 in general can be said to be good, although the level of dependence on the central government is getting higher and local tax collection is still not efficient. Regional Financial Performance Results in general can be said to be good, but in the harmony of expenditure there has not been a balance between Operational Expenditures and Capital Expenditures.

C. RESEARCH METHODS

This research is a quantitative description. The object of this research is the Pontianak and Singkawang City Government Budget Realization Report for 2009-2016, which will be used to look at the financial performance of the city government. The government's financial performance is seen from the following ratios (Halim, 2007):

1. Effectiveness Ratio

The higher the Effectiveness Ratio, the better the performance of

the local government. This ratio formula is as follows:

$$\text{Effectiveness Ratio} = \frac{\text{Realization of PAD Revenue}}{\text{Target of PAD Revenue}}$$

Criteria for Effectiveness Ratio according to Mahsun (2012: 187), are:

- 1) If a value of less than 100% ($x < 100\%$) is obtained it means it is not effective
- 2) If a value equal to 100% ($x = 100\%$) means balanced effectiveness.
- 3) If more than 100% ($x > 100\%$) is obtained, it means effective.

2. Efficiency Ratio

The smaller the efficiency ratio means the better the Regional Government Financial Performance. The formula used to calculate this ratio is as follows:

$$\text{Efficiency Ratio} = \frac{\text{Total Regional Expenditure Realization}}{\text{Total Realization of Regional Revenue}}$$

Criteria for Efficiency Ratio according to Mahsun (2012: 187), are:

- 1) If a value above 100% is obtained it indicates inefficient
- 2) If a value of 100% is obtained it shows efficient balance
- 3) If a value below 100% is obtained it shows efficiency

3. Independence Ratio

The independence ratio shows the level of ability of a region in self-financing government activities, development and service to the community who have paid taxes and levies as a source of income needed by the region. The formula used to calculate the Independence Ratio is:

$$\text{Independence Ratio} = \frac{\text{Locally-generated revenue}}{\text{Total Regional Revenue}}$$

The independence ratio shows a pattern of relations with the central government. The criteria that show each pattern of government relations are as follows (Reksohadiprojo and Thoha in Hermi Oppier, 2013: 82):

- 1) The pattern of instructive relations, where the role of the central government is more dominant than the independence of local governments (regions that are unable to carry out regional autonomy), if the value of the independence ratio is 0% - 25%.
- 2) The pattern of consultative relations, namely the intervention of the central government has begun to decrease because the regions are considered to be slightly more capable of carrying out regional autonomy, if the value of the independence ratio is 25% - 50%.
- 3) The pattern of participatory relations, the role of the central government has begun to diminish, considering that the area concerned is close to being able to carry out the affairs of regional autonomy, if the value of the independence ratio is 50% - 75%.
- 4) The pattern of delegative relations, namely the intervention of the central government does not exist because the region has been truly capable and independent in carrying out the affairs of regional autonomy, if the value of the independence ratio is 75% - 100%.

D. Results

One of the measurements used to show the success of the performance of the city government is to look at the comparison of Regional Original Income with the total income earned, then it can also compare the realization of revenue with the target and more. Seeing it all, it is very important to know the contents of the government budget realization report in order to know and measure the performance of the results of government implementation through budgeting and the use of government funds effectively and efficiently.

Regional Financial Performance of the City Government of West Kalimantan Province Based on Effectiveness Ratio
The ability of local governments to globalize local revenues with

regional revenue targets can be used as one of the benchmarks or achievements that have been made by local governments in obtaining local revenue from the local government. Table 1 below shows the ability of Pontianak City Government and Singkawang City to realize Regional Original Revenue with the target of realization of regional revenues owned by the government based on the real potential of the region.

Table 1. Level of Effectiveness of Pontianak City and Singkawang City in 2009 - 2016

| No | Year | Pontianak City | | Singkawang City | |
|----|------|---------------------|----------------|---------------------|----------------|
| | | Effectiveness ratio | Classification | Effectiveness ratio | Classification |
| 1 | 2009 | 73.06% | ineffective | 95.39% | ineffective |
| 2 | 2010 | 99.16% | ineffective | 68.84% | ineffective |
| 3 | 2011 | 90.45% | ineffective | 83.10% | ineffective |
| 4 | 2012 | 96.22% | ineffective | 76.30% | ineffective |
| 5 | 2013 | 96.64% | ineffective | 98.06% | ineffective |
| 6 | 2014 | 96.99% | ineffective | 87.33% | ineffective |
| 7 | 2015 | 93.41% | ineffective | 83.84% | ineffective |
| 8 | 2016 | 94.72% | ineffective | 88.09% | ineffective |

Source: Processed Data, 2018

Table 1 shows that the city government, both Pontianak and Singkawang, still has not been able to manage the local revenue budget and realize regional original revenues that have been previously budgeted. This is evidenced by the percentage level of the effectiveness ratio from 2009 to 2016 no one has reached values above 100%. The average efficiency level of managing the PAD budget with the realization of PAD in each city government is 92.58% for Pontianak city and 85.21% for Singkawang city.

The level of effectiveness for the city of Pontianak from 2009 to 2016 continues to increase, where the level of effectiveness in 2009 amounted to 73.06% is the lowest level of effectiveness from 2009 to 2016 while in 2016 the effectiveness level of 94.72% is indeed not the highest value and can not be said to be able to manage the budget with the realization of PAD, but the value has increased from the previous year 2015 which amounted to 93.41%. This can be an indicator that the Pontianak city government continues to improve and improve the management of the budget and the realization of local revenue that has real potential for the city government, in order to be better able to manage the budget and realization of PAD in the coming years.

Unlike the Singkawang city government where the level of effectiveness has fluctuating values. The lowest effectiveness value was in 2010 amounting to 68.84% while in 2009 the value of its effectiveness was 95.39% even though the value was not the highest value of the value of effectiveness in the city of Singkawang. The highest effectiveness value occurred in 2013 which was 98.06%. This proves that the city government of Singkawang has not been able to realize the local revenue budget consistently.

Regional Financial Performance of the City Government of West Kalimantan Province Based on the Efficiency Ratio

The ability to manage regional expenditure by utilizing the income received shows the management of an efficient government. The following will show the results of the calculation of the efficiency ratios of the Pontianak and Singkawang city governments from 2009 to 2016.

Table 2. The Efficiency Level of Pontianak City and Singkawang City in 2009 - 2016

| No | Year | Pontianak City | | Singkawang City | |
|----|------|------------------|----------------|------------------|----------------|
| | | Efficiency Ratio | Classification | Efficiency Ratio | Classification |
| 1 | 2009 | 98.89% | efficient | 110.15% | inefficient |
| 2 | 2010 | 98.36% | efficient | 102.13% | inefficient |
| 3 | 2011 | 98.35% | efficient | 116.16% | inefficient |

| | | | | | |
|---|------|---------|-------------|---------|-------------|
| 4 | 2012 | 93.51% | efficient | 95.11% | efficient |
| 5 | 2013 | 104.98% | inefficient | 103.87% | inefficient |
| 6 | 2014 | 99.73% | efficient | 93.04% | efficient |
| 7 | 2015 | 98.57% | efficient | 99.04% | efficient |
| 8 | 2016 | 100.56% | inefficient | 104.96% | inefficient |

Source: Processed Data, 2018

The average efficiency level of each Pontianak city government and Singkawang shows different results. The average efficiency level of Pontianak city is 99.12% which indicates that Pontianak city government can be said to be able to manage existing regional expenditure with received revenues, so that Pontianak city can be classified as an efficient government in using regional revenues to be used in regional expenditure. Unlike the case with the city government of Singkawang, where the average level of efficiency is above 100%, which is 103.06%, the figure shows that the city government of Singkawang still cannot manage regional

expenditure efficiently from the regional revenues received. In 2012 the Pontianak city government was the most efficient in using regional revenues for regional expenditure, from 2009 to 2016 (8 years) the 6-year-old Pontianak city government had an efficiency level below 100% even though it did not occur in a row ie 2009 to 2012 and 2014 to 2015, while the level of efficiency above 100% occurred in 2013 and 2016. However, on average, the Pontianak city government can still be classified as classified as efficient in managing regional expenditure from income received.

Regional Financial Performance of the City Government of West Kalimantan Province Based on the Independence Ratio

The ability of a region to self-finance government activities, development and service to the people who have paid taxes and levies as a source of income needed by the region can be seen by the independence ratio. The following are the results of the calculation of the independence ratio in the Pontianak city government and the city of Singkawang.

Table 3. Level of Independence of Pontianak City and Singkawang City in 2009 - 2016

| No | Year | Pontianak City | | | Singkawang City | | |
|----|------|--------------------|-------------------|----------------------|--------------------|-------------------|----------------------|
| | | Independence Ratio | Financial ability | Relationship Pattern | Independence Ratio | Financial ability | Relationship Pattern |
| 1 | 2009 | 10.43% | Very low | Instructive | 5.54% | Very low | Instructive |
| 2 | 2010 | 11.41% | Very low | Instructive | 5.45% | Very low | Instructive |
| 3 | 2011 | 11.41% | Very low | Instructive | 8.75% | Very low | Instructive |
| 4 | 2012 | 19.38% | Very low | Instructive | 6.88% | Very low | Instructive |
| 5 | 2013 | 21.27% | Very low | Instructive | 7.82% | Very low | Instructive |
| 6 | 2014 | 22.46% | Very low | Instructive | 12.23% | Very low | Instructive |
| 7 | 2015 | 23.25% | Very low | Instructive | 12.66% | Very low | Instructive |
| 8 | 2016 | 25.77% | Low | Consultative | 13.07% | Very low | Instructive |

Source: Processed Data, 2018

The financial capacity of Pontianak and Singkawang municipal governments in financing government activities with their own regional income is very low where the average level of independence of Pontianak and Singkawang City governments for 2009 to 2016 is 18.17% for Pontianak city and 9.05% respectively. % for the city of Singkawang. This figure shows that the pattern of relations is instructive, which means that the central government is still very dominant and has a very important role in financing the activities of the city government, seeing this shows the level of independence of the city government is still very low. The very low level of independence possessed by the government can also show that the city government is still not ready or able to carry out regional autonomy.

have not been able to optimally escape from central government (Agustin (2007), Talamati (2008), Punu (2008), Zahrawani (2013), Assidiqi (2014), Mokodompit et al (2014), Pramita (2015) and Korompot and Warongan (2017)). However, different from the research conducted by Nufus et al. (2017) who found Tanggerang city government had a good performance measured from the level of effectiveness, efficiency and independence.

The results of this study found that in general the financial performance of the municipal government of Pontianak and Singkawang had shown a fairly good performance direction, especially in the Pontianak city government. Even though the results of the calculation of the effectiveness, efficiency and independence ratios which are indicators of the success of regional performance have not reached the best figures, the development continues to increase from year to year, both in the city of Pontianak and in the city of Singkawang.

Even though the level of ability of two municipal governments in West Kalimantan province still has very low capacity, from year to year the level of independence of the city government both in Pontianak and Singkawang shows an increase. The city government of Pontianak in 2016 has a level of independence of 25.77% indicating that the Pontianak city government has a pattern of consultative relations with the central government. That is, the intervention of the central government has begun to diminish because the regions are considered a little more able to carry out regional autonomy. This is different from the city government of Singkawang, but the level of independence of the Singkawang city government continues to experience this increase can be seen with the level of independence obtained in 2016 amounted to 13.07% greater than in 2015 and 2014 which were 12.66% and 12.23%.

However, if the Pontianak city government financial performance is compared with Singkawang city from the calculation of the effectiveness, efficiency and independence ratio, the Pontianak city government results will be better than Singkawang, this can be proven by the average effectiveness of Pontianak city than Singkawang city. so that this shows the Pontianak city government has a better ability to mobilize local revenue with the regional revenue targets owned. Likewise with efficiency ratios and independence ratios, Pontianak city government is better able to manage regional expenditures with the receipts it receives and slowly trying not to rely too much on the central government as evidenced in 2016 the city of Pontianak reaches a level of 25.77% it can show that the Pontianak city government has been slightly more able to finance city government activities independently.

E. DISCUSSION

Improvement of services, empowerment and participation of the community can realize community welfare and this can be done quickly through regional autonomy. But not all of the regional governments already have the ability to carry out regional autonomy as a whole. This can be proven by the results of this study and several studies that have been carried out related to the performance of local governments showing that local governments

F. CONCLUSION

The level of effectiveness of the city and Singkawang municipalities measured by the effectiveness ratio shows that the average level of effectiveness is still below 100%, which is 92.58% for Pontianak city and 85.12% for Singkawang city. Efficiently, Pontianak city government is more efficient in managing regional expenditure

with received regional income compared to the city government of Singkawang. The average efficiency level of Pontianak city is still below 100% which is equal to 99.12% so that it falls into the efficient category. Unlike the city of Singkawang, the average level of efficiency is above 100%, which is 103.06% in the inefficient category. While the level of independence of the Pontianak city government and the city of Singkawang is still very low. The city government is still very dependent on the central government so that the activities of the city government can go according to plan. The average level of independence of the city of Pontianak and the city of Singkawang is still below 25% which is equal to 18.17% and 9.05% which shows the pattern of city government relations with the central government is instructive.

Pontianak and Singkawang city governments should increase Regional Original Revenue (PAD) through increasing regional tax and retribution revenues. so that the city government does not depend on the central and provincial governments in managing regional finance. In addition, it is also needed to design a budget for income and expenditure by paying attention to the mechanism of disbursing funds and the time spent on activities so that an increase in the budget is expected to be realized.

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