

# Analysis of Financial Performance of Badung District Government

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**Abstract**— Regional governments have an important role in the economic and social development of a region. One indicator of regional government success in developing a region is regional financial performance. Regional financial performance includes a number of indicators, such as financial independence, effectiveness and efficiency in budget use, and success in achieving budget targets. This research aims to analyze the financial performance of the Badung Regency Regional Government in the 2021 budget year, so that it can be used as a basis for making decisions and planning activities in the future. This research is quantitative descriptive research, namely carrying out calculations on financial data obtained to solve existing problems in accordance with the research objectives. This research is intended to determine the financial performance of the Badung Regency Regional Government in terms of the Degree of Fiscal Decentralization Ratio, Regional Financial Independence Ratio, PAD Effectiveness Ratio, Regional Financial Efficiency Ratio, and Harmony Ratio. The subject of this research is the Badung Regency Regional Government and the object studied is the 2021 Budget Realization Report. The research results show that the Financial Performance of the Badung Regency Regional Government in 2021 when viewed from the Degree of Fiscal Decentralization Ratio can be categorized as Very Good with a ratio of 65%, the Independence Ratio is classified as high and the relationship pattern includes a Delegative relationship pattern, because it is classified in the interval above 100%, the PAD Effectiveness Ratio is known that the financial effectiveness of the Badung Regency Regional Government in 2021 is not effective because the value obtained is below 100%, the Regional Financial Efficiency Ratio is known to be on average The regional financial efficiency of the Badung Regency Regional Government is 104% or it could be said to be Inefficient. The Harmony Ratio is not yet stable as seen from the operational expenditure which is greater than capital expenditure.

**Keywords**— Regional Government, Regional Finance, Budget Realization.

## I. INTRODUCTION

Regional Government is the implementation of government tasks by regional governments and regional people's representative councils based on the principles of autonomy and assistance duties, with a focus on the Unitary State of the Republic of Indonesia. Regional autonomy has changed the paradigm of centralization to decentralization, giving local governments the authority to manage financial resources to improve the welfare of the population. The goals of regional autonomy include achieving efficiency, improving public services, and community participation in local financial management.

Regional financial performance is an important parameter in measuring the success of regional governments in advancing the economic and social sectors. Badung Regency in Bali is an important example in the development of the tourism sector. The financial performance of the Badung Regency Regional Government can be measured through indicators such as Regional Original Income (PAD), capital expenditure, dependence on debt, and expenditure efficiency.

This research aims to analyze the financial performance of the Badung Regency Government during the 2021 budget year, with a focus on efficiency, financial independence and achieving budget targets. The methodology of this research is a descriptive approach using data from regional income and expenditure budget realization reports issued by the Badung Regency Government.

This research also applies relevant theories, such as Public Sector Accounting Theory, Public Policy Theory, and Budgeting Theory. Data were analyzed using quantitative descriptive analysis, including financial ratios and regional financial performance indices.

Regional autonomy gives local governments the flexibility to manage resources in accordance with regional interests and development goals, so it is important to measure the extent to which the budget is realized in tourism development. With regional autonomy, local governments have the opportunity to participate in changes to the local financial management framework.

## II. LITERATURE REVIEW

### Goal Setting Theory

Goal Setting Theory, introduced by Locke in 1968, explains the relationship between goals and individual performance in a task context. It is a motivation theory that emphasizes the importance of set goals in influencing individual work behavior. The basic principle of this theory is that an individual's understanding of organizational goals influences their work behavior.

Goal Setting Theory emphasizes several key points:

1. Understanding Goals: Individuals who understand goals tend to be more committed to those goals.
2. Commitment to Goals: Commitment to goals motivates individuals to take actions consistent with achieving those goals. Commitment can emerge when goals are clearly announced, when individuals have control over goals, and when they are involved in setting goals.

3. Motivation and Performance: A strong intention to achieve goals plays a significant role in driving individual performance.
4. Specific, Challenging Goals: Individuals who are given specific, challenging, and achievable goals perform better than individuals who are given easy, unspecific, or no goals.
5. Match of Ability and Goal Difficulty: A match between an individual's ability and the level of goal difficulty is important for creating effective motivation.

Goals are things that individuals want to achieve with awareness. Goal setting allows individuals to evaluate their achievements, compare them with current results, and encourage motivation to improve performance. Apart from that, implementing goal setting also has an impact on the accuracy of the organization's budget.

In its conclusion, Goal Setting Theory emphasizes that clear goals and commitment to achieving them are key factors in motivating individuals and achieving good performance. The match between goals and individual abilities is also important to create effective motivation.

#### *Regional Government Financial Performance*

Regional Government Financial Performance is the result of activities and programs that have been achieved or will be achieved using the regional budget. This includes the quantity and quality of measurable outcomes. Regional capacity can be evaluated by assessing efficiency in services provided to the community. The aim of regional government financial performance is to enable regions to manage original regional financial resources to support government, community services and regional development, without being completely dependent on the central government and with flexibility in accordance with statutory regulations.

Regional government financial performance involves measuring the level of achievement of work results in the area of regional finance, including budgets and budget realization, using financial indicators that have been determined in the budget period.

Measuring local government financial performance has several objectives, including improving local government performance, assisting resource allocation and decision making, and improving public accountability and institutional communication. In addition, measuring regional government financial performance is used as a benchmark to assess regional financial independence in supporting regional autonomy, measure the effectiveness and efficiency of regional income, see the contribution of income sources in forming regional income, and monitor the growth of income and expenditure over a certain period of time.

#### *Regional Government Financial Reports*

Regional government financial reports play a crucial role in measuring financial performance and encouraging transparency in the management of funds at the local level. This document provides a comprehensive picture of the financial position, operational results, and changes in the financial situation of a local government in a certain period. The main function of local government financial reports is to provide accurate, relevant and timely information to various

stakeholders, including the public, members of the legislature and the central government. This report has the main objective of assisting in assessing financial performance, monitoring budget use, and increasing transparency in fund management at the regional level. The information contained in financial reports allows stakeholders to evaluate the extent to which local governments are successful in managing funds provided by the community and other sources. This report also helps in identifying trends, patterns and potential areas that require further attention. By providing honest and open information about financial conditions and operational performance, local government financial reports also promote accountability. This enables stakeholders to understand the use of public funds and ensure that these funds are directed effectively to meet community needs and expectations. Overall, local government financial reports have a vital role in measuring financial performance, encouraging transparency, and facilitating objective evaluation of the use of funds at the regional level. The information generated from this report helps create an environment that is more accountable and responsive to the needs of the community and other stakeholders.

Regional Government Financial Reports are a significant form of public responsibility in ensuring transparency and accountability in financial management at the local level. Research conducted by Mahardhika and Mulyadi (2020) in the context of regional government financial reports shows that the quality of regional financial reports in Indonesia is still relatively low. Several factors that influence the quality of regional financial reports include non-integration of regional financial information systems, limited human and technological resources, and lack of support from regional leaders and the legislature. The results of other research carried out by Handayani, Setiawati, and Alimudin (2020) regarding regional financial performance based on regional government financial reports show that regional financial performance can be measured through indicators such as financial independence, efficiency and effectiveness. The findings of this research illustrate that regional financial performance in Indonesia is still not optimal and there are variations in performance between various regions.

### III. RESEARCH METHODS

Based on existing problems, this research is quantitative descriptive research, namely carrying out calculations on the financial data obtained to solve existing problems in accordance with the research objectives. This research is intended to determine the financial performance of the Badung Regency Regional Government in terms of the Degree of Fiscal Decentralization Ratio, Regional Financial Independence Ratio, PAD Effectiveness Ratio, Regional Financial Efficiency Ratio, and Harmony Ratio.

### IV. RESULTS AND DISCUSSION

In the context of this research, analysis of the financial performance of the Badung Regency Regional Government refers to an evaluation of the extent to which the work/activities of the Badung Regency Regional Government in the financial sector in 2021 have been successfully

achieved. The ratios used in this research are the Degree of Fiscal Decentralization Ratio, Regional Financial Independence Ratio, PAD Effectiveness Ratio, Regional Financial Efficiency Ratio, and Harmony Ratio. The data used in conducting this research is the Audit Results Report on the 2021 Badung Regency Government Financial Report. From this information, an overview of the Badung Regency Regional Government's Financial Performance in 2021 will be obtained. The following are the results of the ratio evaluation carried out:

### 1. Fiscal Decentralization Degree Ratio

Based on the calculation results, it can be seen that the Financial Performance of the Badung Regency Regional Government in 2021, seen from the Degree of Fiscal Decentralization Ratio, can be categorized as Very Good with a ratio of 65% and this means that PAD has a very good ability to finance the regional development of Badung Regency.

### 2. Fiscal Decentralization Degree Ratio

Based on the calculation results, the financial capacity of the Badung Regency Regional Government in 2021 is classified as High and the relationship pattern includes a Delegative relationship pattern where the role of the Regional Government is able to delegate authority granted by the Central Government (Regional Government is already able to implement regional autonomy).

### 3. PAD Effectiveness Ratio

Based on calculations, it can be seen that the Financial Effectiveness of the Badung Regency Regional Government in 2021 is not effective, because the value obtained is still below 100%.

### 4. Regional Financial Efficiency Ratio

Based on calculations, it is known that the Regional Financial Efficiency of the Badung Regency Regional Government in 2021 is classified as inefficient because the efficiency interval exceeds 100%. This happens because actual expenditure exceeds regional income.

### 5. Compatibility Ratio

Based on the calculation results, it is known that the average Harmony Ratio of Regional Government Operational Expenditures in Badung Regency in 2021 is 77%

Based on the calculation results, it is known that the average Harmony Ratio for Capital Expenditures for the Regional Government of Badung Regency in 2021 is 5%.

## V. CONCLUSIONS AND SUGGESTIONS

Based on the results of the data analysis that has been described, the following conclusions can be drawn:

1. The Financial Performance of the Badung Regency Regional Government in 2021, when viewed from the Degree of Fiscal Decentralization Ratio, can be categorized as Very Good with a ratio of 65%
2. The Financial Performance of the Badung Regency Regional Government in 2021, when viewed from the Independence Ratio, is relatively high and the relationship pattern includes a Delegative relationship pattern, because it is classified in the interval above 100%
3. Financial Performance of the Badung Regency Regional Government in 2021, if seen from the PAD Effectiveness Ratio, it is known that the financial effectiveness of the Badung Regency Regional Government in 2021 is not effective because the value obtained is below 100%
4. Financial Performance of the Badung Regency Regional Government in 2021, if seen from the Regional Financial Efficiency Ratio, it is known that the average regional financial efficiency of the Badung Regency Regional Government is 104% or can be said to be Inefficient.
5. The Financial Performance of the Badung Regency Regional Government in 2021, when viewed from the Harmony Ratio, is not yet stable, as seen from the fact that operating expenditure is greater than capital expenditure.

For future researchers, they can compare the intervals of regional/central government financial reports with a time span of 3 or 5 years to measure performance developments that occur each year. Apart from that, you can also use more ratios so that the research results can be more reliable and accurate.

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