

Financial Performance Analysis of Local Government: A Case Study on Karanganyar Regency

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ABSTRACT

The purpose of this study is to analyze the financial ratios of the Karanganyar Local Government Budget Realization Report for the 2017-2022 fiscal year, with a quantitative descriptive method at the Local Finance Agency (BKD) of Karanganyar Regency. Data were sourced from the budget realization reports, scientific articles, and interviews. Data were collected through document analysis and interviews. The components analyzed include the financial independence ratio, financial growth ratio, effectiveness ratio of original local government revenue (PAD), and local financial efficiency ratio. This study has found a low financial independence ratio of an average of 23.62%. The average PAD growth ratio was 5.14%, local income was 1.98%, operational expenditure was 1.80%, and capital expenditure was 3.72%. The PAD effectiveness ratio was classified as very effective with an average of 107.22%, and the financial efficiency ratio showed a moderate level with an average of 87.17%. This study concludes that the financial performance of the Local Government of Karanganyar Regency needs to be improved. The researchers recommend the government diversify sources of income, evaluate project management, and utilize information technology. Thus, this study provides guidance for the Local Government of Karanganyar Regency in improving the local financial performance.

Keywords: Financial Performance, Financial Ratios, Local Government

JEL Classification: D02, G10, G29

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INTRODUCTION

The Local Government of Karanganyar Regency through the Local Finance Board is responsible for managing local finances in Karanganyar Regency to ensure transparency and

accountability in the local financial management system. Because Indonesia implements a local autonomy system, local governments have independent authority in managing their finances. As revealed by [Bustani et al., \(2022\)](#), local

autonomy is a system of government in Indonesia that gives full authority to the regions to independently manage their government affairs, including financial management. This theory is also in accordance with Law Number 23 of 2014, which contains the rights, powers, and obligations of autonomous regions to regulate and manage their own government affairs and the interests of the local community. This is reinforced by Fauzi, (2019) statement that local autonomy is the most important aspect of decentralized governance, which means that a region has its conception of local autonomy, which involves two main aspects, namely *zelfwetgeving* (making local regulations) and *zelfbestuur* (self-government). Moreover, Sarundajang, (2007) argues that local government has two forms of existence. *First*, local governments as local self-governments have autonomous authority in managing their household affairs according to their discretion, both those determined by the central government and by local governments that manage their households. *Second*, the administrative local government as the local state government is formed to carry out government affairs, which the central government cannot accomplish alone because of the vast territory and the many governmental affairs. Administrative local government officials are appointed and dismissed by the central government, work following the rules of the central government, and are financed by the central government.

As a local financial board, the local government has an important task in managing the Local Revenue and Expenditure Budget (*Anggaran Pendapatan dan Belanja Daerah/APBD*), which is the main instrument for financing development programs in a region. Andriani et al., (2021) mentioned the division of government in Indonesia, which includes regency and city governments as parts of local government. Local governments play

a role as the instrument in administering government at an administrative level that is smaller than the state, with its territories divided into provinces. Local governments have the authority to manage their local finances to increase accountability and efficiency in financial management. According to Aituarauw, (2021), the Local Finance Board (*Badan Keuangan Daerah/BKD*) is a local government Board responsible for carrying out supporting functions for the implementation of government affairs in the finance sector. This function is regulated by Regulation of the Minister of Home Affairs of the Republic of Indonesia Number 5 of 2017. The regulation has set the Nomenclature Guidelines for Provincial and Regency/City Local Apparatuses that perform the supporting functions in the finance sector. Pamungkas, et al., (2020) also highlighted that a local financial institution is a unit or institution responsible for managing local government finances, including the collection, management, and allocation of financial resources obtained by the local government.

However, in practice, problems often occur in the management of APBD and the problems can have a negative impact on local financial performance. This case also occurred in the Karanganyar Regency government and was confirmed by Wahyu Setyo Utomo, A.Md., the Head of the Sub-Division (*KaSub*) for the Planning and Budgeting of Karanganyar Regency. He stated that in the management of APBD of the Local Government of Karanganyar Regency, there were several problems that could have a negative impact on local financial performance. One of them is the lack of efficiency in budget absorption and dependence of the local government on transfer funds from the central government that caused a low local financial independence ratio. Maximum efforts are needed to increase the efficiency of budget management and diversify local revenue

sources to achieve better financial performance. These are in line with research conducted by [Wijaya and Solikhi, \(2022\)](#), which examined the issues related to the negative impact on the financial performance of the local government due to problems with the management of APBD of Jambi Province, including the level of local wealth, the findings of Financial Audit Board (*Badan Pemeriksa Keuangan/BPK*), and government size. This research shows the significance of the problems to formulate solutions due to the impacts on the effectiveness of implementing development programs, as well as improving people's welfare and public services in general. If APBD management is ineffective, financial resources that should be used for development and public services can be wasted or used not optimally.

Evaluation of the local financial performance of Karanganyar Regency is carried out using the budget realization report document. The budget realization report is part of the LKPD (*Laporan Keuangan Pemerintah Daerah/Local Government Financial Statements*), which according to [Kawatu, \(2019\)](#) is a type of public sector financial reporting. Local government financial reporting includes budget realization reports, cash flow reports, and balance sheets. LKPD contains information such as income and fiscal spending, assets and liabilities, as well as other information related to local government finances. Through LKPD, we can understand how local governments manage financial resources to meet community needs and achieve development goals. However, these reports are not sufficient to provide a complete and in-depth picture of local financial performance. Therefore, a more comprehensive local financial performance assessment is needed. One evaluation instrument that can be used is financial ratios. In line with [Rusliana et al., \(2020\)](#), one of the instruments to analyze the performance of local governments in managing their local finances is to

examine the financial ratios of the APBD that have been determined and implemented. This opinion confirms that financial ratios have indicators that can provide an overview of local financial health, the level of local financial independence, financial growth that occurs, the effectiveness of original local government revenue (*Pendapatan Asli Daerah/PAD*), and the efficiency of the use of financial resources. Analysis of financial ratios helps local governments obtain more accurate information about local financial performance and identify potential improvements.

This research has two logics, namely why this topic is important to research and why this problem requires a solution. This is a significant perspective based on the opinion of Sari, et al. (2023: 64) that the research background must include two logics: why the research topic is important to study and why the problem is vital to solve. The logic of this study includes the following aspects. *First*, this research is significant because it provides more accurate information about the local financial performance of the Local Government of Karanganyar Regency. *Second*, this research is important to find a solution because it can help the Local Government of Karanganyar Regency in improving its local financial performance.

The study underscores the importance of understanding local financial conditions for improved APBD management in the Local Government of Karanganyar Regency. Financial ratio analysis helps identify weaknesses, influencing factors, and potential improvements. Integrating relevant sources, the research focuses on novelty and uses four key analyses for the 2017-2022 fiscal years to offer benchmarks and deeper insights. The anticipated outcomes include solutions for APBD management challenges, enhanced financial resource utilization, and the pursuit of sustainable development goals for the local community.

LITERATURE REVIEW

Local Government Financial Reports

Local government financial statement (LKPD) is an important document that reflects a figure of the condition and financial performance of local governments over a certain period of time. According to Kawatu, (2019) the local government financial statement is a type of public sector financial reporting. This report includes the budget realization report, cash flow report, and balance sheet. LKPD contains information such as income and fiscal expenditure, assets and liabilities, as well as other information related to local government finances. LKPD shows how local governments manage financial resources to meet community needs and achieve development goals. In this sub-chapter, we explore various types of LKPD or public sector financial reports and the importance of analyzing and interpreting local government financial reporting for effective and transparent decision-making. Government Accounting Standard Statement Number 1 concerning the Presentation of Financial Statements (Government Regulation of Republic of Indonesia Appendix III, 2005: 26) states that the central/local government financial reports consist of at least four components including: 1) budget realization report; 2) balance sheet; 3) statement of cash flows. 4) notes to financial statements (*catatan atas laporan keuangan/CALK*).

First, a balance sheet is part of the financial statements of a company or an entity that records the assets, liabilities, and shareholder equity (Ariesta & Nurhidayah, 2020). The balance sheet shows the financial condition of the reporting entity, including the assets, liabilities, and equity of the fund at a particular date. This sheet provides an overview of the current financial position of a company and helps in making business decisions. Based on Government Regulation of the Republic of Indonesia Appendix III (2005: 26), the balance sheet includes at least the following posts: 1) assets; 2) liability; and 3) equity or capital. Further, assets

consist of current assets and non-current assets, liabilities include short-term liabilities and long-term liabilities, while fund or capital equity covers current fund equity, investment fund equity, and reserve fund equity.

Second, the statement of cash flows is a public sector financial report that reports changes in cash position during the accounting period. According to Putriani et al., (2022) cash flow reports also provide information regarding the inflows and outflows of cash or cash equivalents in a particular period. This report also provides an overview of the sources and uses of cash in government entities.

Notes to financial statements (CALK) serve as an important part of financial statements. Key financial reports such as balance sheets, income statements, and cash flow statements provide a noteworthy picture of a company's financial condition and performance. The report presents policies based on the information presented in the balance sheet and income statement such as descriptive reports and other additional information. This theory is confirmed in laws and regulations (Government Regulation of the Republic of Indonesia Appendix III, 2005: 78) that the notes to financial statements are presented in at least five structures as follows: 1) information on fiscal/financial policies, macroeconomics, achievement of APBN/local government's law targets, as well as constraints and obstacles faced in achieving the target; 2) summary of financial performance achievements during the reporting year; 3) information regarding the basis for the preparation of financial statements and the accounting policies used; 4) disclosure of information required by the statement of governmental accounting standards that has not been presented in the main financial statements; and 5) disclosure of information regarding assets, liabilities, and reconciliation between accrual basis and cash basis.

Budget realization report (*Laporan Realisasi Anggaran/LRA*) is a financial report relating to the budget allocation from the State Budget (revision)

or Local Budget (revision and the realization of budget allocation) (Eriyana, 2019). The theory explains that the Budget realization report is a financial report on the budget allocations from the State Revenue and Expenditure Budget (APBN) or Local Revenue and Expenditure Budget (APBD). The LRA reflects the revised budget and actual realization of budget allocations. This report serves as a comprehensive document showing how the allocated funds have been used and the extent to which they conform to the planned budget. In line with this opinion, Darise, (2008) argues that LRA describes a comparison between the budget and its realization in one reporting period. LRA assists entities in monitoring and evaluating budget execution and identifying discrepancies between planned and actual budgets. With information from this report, entities can take action to address discrepancies between budget and realization, either through budget adjustments or more efficient expenditure planning. Based on the concepts, LRA is an important component in analyzing government performance. This report functions to provide information regarding the extent to which the planned budget has been realized and used in the implementation of government activities. Evaluating the LRA allows us to perceive the effectiveness of budget use and the extent to which the goals and results have been achieved by the government. Therefore, the LRA sub-chapter and the government performance sub-chapter are interrelated and can complement each other in comprehensively analyzing and measuring government performance.

Local Government's Financial Performance

Local government's financial performance has an important role in maintaining economic balance and sustainability at the local level. To measure the effectiveness of financial management and achieve sustainability goals, it is necessary to comprehend the performance and evaluation of local government's finances as indicators of effective financial management. According to Mahsun, (2013), the local

government's financial performance includes achievements in financial management, covering the implementation of activities, programs, and policies to achieve the goals, vision, and mission of the local government. Factors assessed in financial performance consist of local revenues and expenditures measured during a certain budget period.

This is in line with Zuhri and Soleh, (2016) who confirm that the assessment of the local government's financial performance is important to measure the effectiveness of the budget use specified in the APBD. Through analysis of financial performance, a relationship can be found between budget allocations, actual revenues and expenditures, and the results achieved. This assessment assists local governments in evaluating their financial performance, identifying strengths and weaknesses in budget management, and taking the necessary steps to increase the efficiency and effectiveness of budget use in achieving development goals.

The assessment of the local government's financial performance places financial ratios as an important means. Susanto, (2019) has also emphasized that financial ratios refer to comparisons between financial elements contained in local accountability reports, such as the APBD. Financial ratios used in performance appraisal can include local financial independence ratios, growth ratios, PAD effectiveness ratios, and local financial efficiency ratios. The use of financial ratios assists in identifying the financial health of local governments, measuring relative financial performance, and comparing performance with established standards or benchmarks.

Local governments are directed to follow the accounting standards set out in the Government Regulation of the Republic of Indonesia Number 71 of 2010 concerning Government Accounting Standards to carry out an effective assessment of the financial performance of the local governments. This standard provides clear guidelines for preparing financial reports that are accurate,

transparent, and understandable to interested parties. Thus, the integration between financial performance and financial assessment of local governments helps in measuring the effectiveness of financial management, evaluating the achievement of financial goals, and increasing accountability, transparency, and sustainability at the local level. Through an understanding of financial performance and comprehensive assessment, local governments can improve their financial policies and practices to achieve better development goals.

The application of government accounting standards that have been set is also vital in assessing the financial performance of local governments. This standard supports the preparation of financial reports that are accurate, consistent, and comparable. These standards are aligned and relevant to public sector accounting theory explained by [Radiansyah, \(2023\)](#) that public sector accounting theory emphasizes that the use of consistent and relevant accounting standards in the preparation of local government financial statements will improve the quality of the financial information presented. By adopting government accounting standards and adhering to public sector accounting principles, local governments can improve efficiency in their financial management.

Financial Ratios

Performance analysis and assessment of local government are performed by calculating financial ratios through the use of financial ratios, such as local financial independence ratios, growth ratios, PAD effectiveness ratios, and local financial efficiency ratios, as well as the ability to meet short-term and long-term financial obligations. Financial ratios are used to analyze the financial health of a company. This ratio provides insight into a company's liquidity, profitability, operating efficiency, and capital structure. This is in accordance with the opinion of [Septiana and Wahyujati \(2016\)](#) that financial ratios are a way of measuring a company's financial performance. The better the financial performance of a company is,

the better the profits obtained by a company will be. As suggested by [Indriyani, \(2015\)](#), financial ratios are a company's financial analysis tool for assessing a company's performance based on comparisons contained in financial statement posts (balance sheet, income statement, and cash flow statement). The theory explains that financial ratios help identify the strengths and weaknesses of a company's financial condition. Financial ratios are useful for measuring the effectiveness and efficiency of company activities to predict future profit growth. This opinion is reinforced that financial ratios are a method of financial analysis used to measure a company's financial performance by comparing the relationship between several figures obtained from financial reports such as balance sheets, income statements, and cash flow statements.

Based on some of the theoretical discussions above, it can be synthesized that financial ratios serve as an analytical method to measure a company's financial performance by comparing several figures contained in financial reports such as balance sheets, income statements, and cash flow statements. The main objective is to assess the extent to which the company achieves good financial performance.

The first thing to be analyzed in this study is the financial independence ratio, which is used as a measure of the extent to which local governments depend on the central government. The financial independence indicator also reflects the level of community participation in local development. The indicators of the relationship patterns and abilities are based on the Decree of the Minister of Home Affairs Number 690.900.327/1996, including four aspects, namely instructive, consultative, participatory, and delegative. A local government is said to be instructive if it has an independence ratio of 0-25% and financial capacity is said to be very low. A local government is considered consultative if it has an independence ratio of 25-50% or at a moderate level. It is categorized participatory if the independence ratio is 50-75% or moderate.

Meanwhile, a local government is said to be delegative if the independence ratio is 75-100% or high. Therefore, the researcher uses a formula based on documents from secondary data in the form of a budget realization report (LRA) for the

$$\text{Local financial independence ratio} = \frac{\text{Original local government revenue}}{\text{Transfer revenue}} \times 100\%$$

The second is the growth ratio, which is used to evaluate the performance of local governments from year to year for a certain period. In this study, the components measured using growth ratios are the original local government revenue, local income, capital expenditure, and operational expenditure. The growth ratio is calculated by subtracting the value of the local income component in the 0th year (PDo) from the value of

$$\text{Growth ratio} = \frac{P_n - P_o}{P_o}$$

The third is the efficiency ratio, which is used to assess the extent to which a company can effectively use the available resources. This ratio is calculated by comparing the total costs incurred by the company with the income successfully obtained. In other words, the efficiency ratio gives an idea of how well a company can manage and utilize its resources. Criteria for assessing local

$$\text{Local financial efficiency ratio} = \frac{\text{Local expenditure realization}}{\text{Local revenue realization}} \times 100\%$$

The last is the analysis of the effectiveness ratio used to evaluate the extent to which a company has succeeded in achieving its goals. This ratio is calculated by comparing the results achieved by the company with the goals that have been set. The effectiveness ratio is an important indicator in assessing the success and performance of a company in achieving predetermined targets. The effectiveness criteria for local original income are cited through the Decree of the Minister of Home Affairs Number 690,900,327 of 1996, including very effective (above 100%), effective (90-100%), quite effective (80-90%), less effective

2017 – 2022 fiscal year. Secondary data are those obtained from a second party, in line with the theory presented by Sugiyono, (2016). The financial independence ratio was calculated using the formula below:

the local income component in the nth year (PDn), then dividing it by the PDo value. The results of this calculation provide a percentage of the growth of the component of local income during the study period, which is useful in analyzing and understanding changes in local income growth from time to time. Below is the formulation of the growth ratio:

efficiency according to the Decree of the Minister of Home Affairs Number 690,900,327/1996 are inefficient (above 100%), less efficient (90-100%), quite efficient (80-90%), efficient (60-80%), and very efficient (approximately 60%). The following is the formula to calculate the local financial efficiency ratio.

(60-80%), and ineffective (approximately 60%). The following is the formula for analyzing the PAD effectiveness ratio.

$$\text{Effectiveness ratio} = \frac{\text{PAD realization}}{\text{PAD budget}} \times 100\%$$

Relevant Research

The researchers used at least 15 previous research articles relevant to the topic being studied to obtain the novelty of the research and build further knowledge in the field of financial ratio analysis and local government performance. Of the 15 previous studies reviewed, there were nine studies having the same topic as this present

research, namely public sector financial analysis, especially in the use of secondary data, namely the budget realization report. The nine studies include Sanga, et al., (2023); Ramadan, (2023); Aini, et al., (2023); Nusi et al., (2023); Rahmawati and Warsitasari, (2023); Azwandi et al., (2022); Bondinuba, (2022); Mulyaningsih (2022); Alimtiyana, (2022); Ramadhany, (2021); and Atmaja, (2020).

One of the relevant studies reviewed in this study was the study on the analysis of local financial independence in East Flores Regency by Sanga and Yulia, (2023) in Central Java Province. This study only used one ratio analysis, namely the ratio analysis of financial independence. Meanwhile, the present study analyzed the independence ratio, effectiveness growth of original local government revenue, and local financial efficiency. Furthermore, there was research on the analysis of the financial performance of the Government of Merangin Regency for 2018-2023 by Ramadhan, (2023). This research has differences, including the period of the year analyzed, as well as descriptive analysis techniques. Meanwhile, the current study employed a descriptive, qualitative analysis technique. Researchers also used other studies as references and comparisons in analyzing the research objects. We used the theory of financial ratios used by Halim, (2007) including the ratio of local financial independence, growth ratio, effectiveness ratio of original local government revenue, and local financial efficiency ratio.

Research Framework

The research framework begins with establishing the government budget realization report (LRA) of Karanganyar Regency as the object of research. According to Eriyana, (2019), LRA is a financial report relating to the budget allocation from the State Budget (revision) or Local Budget (revision and the realization of budget allocation). The theory explains that the report is a financial report relating to budget allocations from the State Revenue and Expenditure Budget (APBN) or Local

Revenue and Expenditure Budget (APBD). Further, Darise, (2008:) signifies that LRA is a comparison between the budget and its realization in one reporting period. Prasetya, (2010) also expressed that LRA is a report that describes a comparison between the revenue and expenditure budget and its realization that shows compliance with laws and regulations. Furthermore, this study uses the method of financial ratio analysis, by taking several financial ratios as performance indicators, such as effectiveness ratios, local financial efficiency ratios, growth ratios, and effectiveness ratios of original local government revenue. This approach was used to measure and evaluate the financial performance of the Government of Karanganyar Regency. Below is an overview of the framework that explains the flow of problem-solving for the object under study.

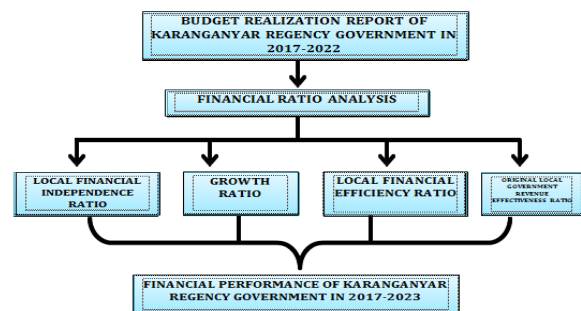


Figure 1.
Research Framework

METHODOLOGY

This research used a quantitative descriptive research method, based on the theory of Harahap, (2020) which suggests quantitative descriptive research is a systematic framework that aims to provide answers to a problem and/or use research stages with a quantitative approach. The subject is Local Financial Board of Karanganyar Regency. The research objects were the budget realization report documents for the period of 2017 – 2022, serving as the secondary data obtained from the Head of the Budget Sub-division, Wahyu Setyo Utomo, A.Md.

Data were analyzed using financial ratios as an evaluation tool for local financial performance in Karanganyar Regency. Some of the financial ratios analyzed include the local financial independence ratio, local financial growth ratio, effectiveness ratio of original local government revenue, and the local financial efficiency ratio. The results of the analysis are expected to provide an overview of the level of local financial independence, the financial growth that has occurred, the effectiveness of local own-source revenue, and the efficiency of the use of financial resources.

RESULT AND DISCUSSION

In this section, an analysis of financial ratios and an in-depth discussion of the data that has been collected and processed are presented. The purpose of the data analysis is to obtain more in-depth information about the condition of the local financial performance of the Karanganyar Regency Government. The discussion also includes data interpretation. This sub-chapter provides a comprehensive understanding of the local financial situation of Karanganyar Regency and becomes the basis for the formulation of the conclusions of this study. Data analysis was carried out using financial ratios as an evaluation tool for local financial performance in Karanganyar Regency. Some of the financial ratios analyzed include the local financial

independence ratio, the local financial growth ratio, the effectiveness ratio of original local government revenue (PAD), and the local financial efficiency ratio. This analysis provides an overview of the level of local financial independence, the financial growth that has occurred, the effectiveness of original local government revenue, and the efficiency of the use of financial resources.

The Financial Performance of the Local Government of Karanganyar Regency for the 2017-2022 Fiscal Year Measured using the Local Financial Independence Ratio

After the analysis has been carried out, the analysis data for the local financial independence ratio of the local government of Karanganyar Regency for 2017-2022 are presented as follows.

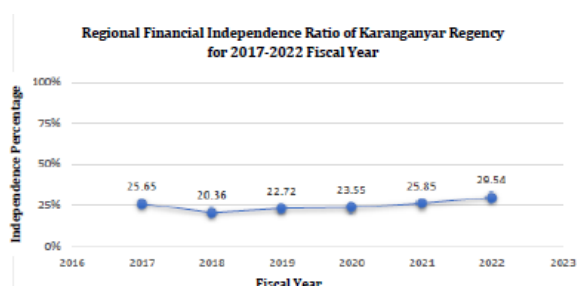
The local financial independence ratio shows the level of ability of a region to finance its own government activities, development, and services to the people who have paid taxes and fees as a source of income needed by the region (Sartika, 2019). Graph 1 presents the fluctuation pattern of the independence ratio of the Local Government of Karanganyar Regency 2017-2022 depicts that the ratio of local financial independence of Karanganyar Regency during the period was included in the instructive criteria of 24.61%. This signifies that the Karanganyar Regency Government remains highly dependent on transfer funds provided by the central government.

Table 1
Local Financial Independence Ratio

Year	Original Local Government Revenue (PAD)	Transfer Revenue	Percentage (%)	Relationship Pattern
2017	Rp415,142,563,370	Rp1,617,910,170,668	25.65%	Consultative
2018	Rp343,156,469,167	Rp1,684,924,722,496	20.36%	Instructive
2019	Rp387,763,013,239	Rp1,706,390,533,471	22.72%	Instructive
2020	Rp384,682,993,533	Rp1,632,940,401,703	23.55%	Instructive
2021	Rp426,649,591,411.95	Rp1,650,042,337,160	25.85%	Consultative
2022	Rp511,737,349,879.05	Rp1,731,961,804,975	29.54%	Consultative

Graph 1

Local Financial Independence Ratio



The dependence of the Local Government of Karanganyar Regency is also seen in Table 1 where the amount of the original local government revenue (PAD) component was smaller than the transfer revenue component. This made the percentage of the local financial independence ratio of Karanganyar Regency low.

The low component of original local government revenue in Karanganyar Regency is due to the lack of exploration of local resource potentials. However, the limitations caused by the central government in managing local resources are also one of the factors causing the low original local government revenue.

These findings are supported by primary data through interviews conducted with the informant from the Local Finance Board, Wahyu Setyo Utomo, A.Md, the Head of the Sub-division for Planning and Budgeting. He stated that the low local financial independence ratio of Karanganyar Regency indicated the need for strategic efforts to maximize

the potential or existing resources in each area in Karanganyar Regency. According to him, it is necessary to increase the original local government revenue through diversification of sources of income and optimization of information technology use in financial management.

This relationship pattern was also found in Merangin Regency, as identified in the research conducted by Ramadhan (2023). It was reported that the role of the central government dominates Merangin Local Government. This finding echoes what was found in the Karanganyar Local Government, which still depends on funds provided by the central government.

The Financial Performance of the Local Government of Karanganyar Regency for the 2017-2022 Fiscal Year Measured using the Growth Ratio

The results of the analysis of the local financial growth ratio for the Local Government of Karanganyar Regency for 2017-2022 are presented in Table 2 as follows.

Table 2

Local Financial Growth Ratio

Component	2017	2018	2019	2020	2021	2022
Original Local Government Revenue	Rp415.142.563.370	Rp343.156.469.167	Rp387.763.013.239	Rp384.682.993.53	Rp426.649.591.411.95	Rp511.734.454.173.05
Growth		-17.34%	12.99%	-0.79%	10.90%	19.94%
Local Government Revenue	Rp2.043.460.305.969	Rp2.113.929.231.663.00	Rp2.179.409.706.710.00	Rp2.121.386.179.225.00	Rp2.165.983.748.571.95	Rp2.251.540.154.854.05
Growth Of Local Government Revenue		3.44%	3.09%	-2.66%	2.10%	3.95%
Operational Expenditure	Rp1.460.079.328.298	Rp1.481.193.790.442.00	Rp1.616.390.077.673.00	Rp1.576.031.073.067.00	Rp1.598.110.006.734	Rp1.590.938.004.729.00
Growth Of Operational Expenditure		1.44%	9.12%	-2.49%	1.40%	-0.44%
Capital Expenditure	Rp271.970.439.801	Rp261.963.024.361.00	Rp 286.884.774.876.00	Rp148.559.342.370.00	Rp193.819.710.155	Rp253.014.014.897
Growth Of Capital Expenditure		-3.67%	9.51%	-48.21%	30.46%	30.54%

Graph 2
Local Financial Growth Ratio



Drastiana and Himmati, (2021) stated that the growth ratio is beneficial to identify whether, during the budget period, the financial management performance of the local government experiences income and expenditure development with positive or negative results. The graph above shows a pattern of fluctuations in the growth ratio of the Local Government of Karanganyar Regency in 2017-2022. These findings have been validated by the informant. He said that the significant decrease in the original local government revenue in 2017 was due to different regulations from the previous year, while the decrease in operating spending and capital spending in 2020 was a direct impact of the Covid-19 pandemic, with a growth of 5.14%. The Karanganyar Regency local revenue experienced a positive growth of 1.98%. The operational expenditures and capital expenditures also experienced positive growth of 1.80% and 3.72%. The four components of the growth ratio show that the Karanganyar Regency government has experienced positive growth over the last five years.

The four components as measured by the growth ratio above experienced the most decline in 2020 due to the Covid-19 pandemic, leading to new policies. However, the Karanganyar Regency Government has been successful in demonstrating economic recovery in 2021 and 2022. These efforts are the keys to ensuring sustainable financial growth in Karanganyar Regency.

These findings have been validated by the informant, who admitted that the significant decrease in the original local government revenue in 2017 was due to different regulations from the previous year, while the decrease in operating spending and capital spending in 2020 was a direct impact of the Covid-19 pandemic.

These are in line with the case that occurred in Azzrohma and Witono's research (2023) on "Analysis of Financial Performance Measurement in Pekalongan Regency Government". The financial performance of the Pekalongan Regency Government demonstrated negative growth in 2020 in the revenue of -5.54% and expenditure of -5.98%. This can be due to the low management of local revenues and expenditures. Therefore, as expressed by Purwanti and Noviyanti, (2022) by knowing the growth for each component of sources of income and expenditure, potentials that need attention can be evaluated.

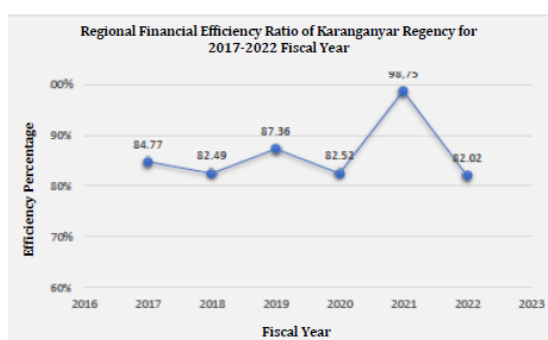
The Financial Performance of the Local Government of Karanganyar Regency for the 2017-2022 Fiscal Year Measured using the Local Financial Efficiency Ratio

The results of data analysis on the local financial efficiency ratio for the Local Government of Karanganyar Regency in 2017-2022 through secondary data, the LRA documents are detailed below.

Table 3
Local Financial Efficiency Ratio

Year	Regional Expenditure Realization	Regional Revenue Realization	Percentage (%)	Relationship Pattern
2017	Rp1,732,306,772,949	Rp2,043,460,305,969	84.77%	Quite efficient
2018	Rp1,743,713,707,303	Rp2,113,929,231,663	82.49%	Quite efficient
2019	Rp1,903,890,023,117	Rp2,179,409,706,710	87.36%	Quite efficient
2020	Rp1,750,519,736,124	Rp2,121,386,179,225	82.52%	Quite efficient
2021	Rp2,138,939,585,089	Rp2,165,983,748,572	98.75%	Less efficient
2022	Rp1,846,792,220,976	Rp2,251,540,154,854.05	82.02%	Quite efficient

Graph 3
Local Financial Efficiency Ratio



Several experts have expressed their points of view on the local financial efficiency ratio. [Onibala et al., \(2021\)](#) stated that the local financial efficiency ratio illustrates the comparison between the amount of costs incurred to obtain local expenditure realization and revenue realization. Graph 3 presents the pattern of fluctuations in the local financial efficiency ratio of Karanganyar Regency in 2017-2022, signifying that the ratio of local financial efficiency of the regency during the period was quite efficient with a percentage of 86.31%. This also shows that the local government has not implemented local financial efficiency at the maximum level. To obtain efficient results, the component of local expenditure realization must be greater than the realization of local revenue. However, Table 3 demonstrates that the local expenditure realization in 2017-2022 was lower than that of local revenue realization in the same period.

The less optimum expenditure efficiency of the Local Government of Karanganyar Regency was attributed to the fact that the bidding process was

not carried out earlier by the local government and this caused construction delay. Moreover, if the construction project started at the beginning of the second semester, it would be hindered by the weather. These two factors made budget absorption less than optimal.

These findings have been validated by primary data obtained from an informant, Yoga Praditya, SE., M.M., an administrative staff of the Local Finance Board for Karanganyar Regency. He said that the local financial efficiency ratio of Karanganyar Regency, which reached an average of 86.31%, showed a fairly good level of efficiency in budget absorption. However, there is an aspect that needs improvement. The validation by the informant from the Local Finance Board of Karanganyar Regency emphasized that even though local financial performance is quite efficient, maximum effort is still needed to optimize budget absorption. Therefore, the local government can be more effective in making use of financial resources and increasing the efficiency of implementing development programs and activities in the area.

The case that occurred in the local government of Karanganyar Regency was different from that found in Trenggalek Regency, which reached an average of 100.29%. This suggests that the Trenggalek Regency government has an inefficient pattern due to the Covid-19 pandemic that caused APBD to experience changes, especially in local spending, and the local government had to make adjustments (Rahmawati & Warsitasari, 2023).

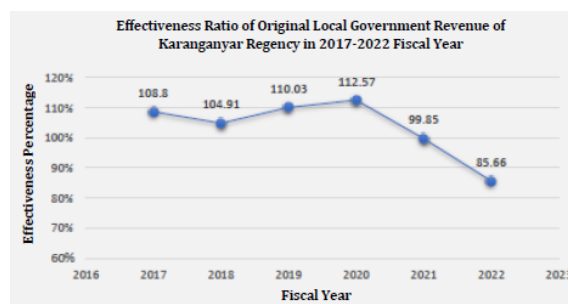
The Financial Performance of the Local Government of Karanganyar Regency for the 2017-2022 Fiscal Year Measured using the Effectiveness Ratio of Original local government revenue

The results of data analysis on the effectiveness ratio of original local government revenue for the Local Government of Karanganyar Regency in 2017-2022 are presented as follows.

Table 4
Effectiveness Ratio of Original local government revenue

Year	Realization of Original Local Government Revenue	Budget of Original Local Government Revenue	Percentage (%)	Relationship Pattern
2017	Rp415,142,563,370	Rp381,557,551,385	108.80%	Very effective
2018	Rp343,156,469,167	Rp327,100,643,000	104.91%	Very effective
2019	Rp387,763,013,239	Rp352,420,926,000	110.03%	Very effective
2020	Rp384,682,993,533	Rp341,722,577,000	112.57%	Very effective
2021	Rp426,649,591,411.95	Rp427,291,144,000	99.85%	Effective
2022	Rp511,737,349,879.05	Rp438,373,541,542	85.66%	Very effective

Graph 4
Effectiveness Ratio of Original Local Government Revenue



As stated by Suprantiningrum, (2015) the effectiveness ratio of original local government revenue reflects the ability of local governments to mobilize original local government revenue according to the targets set. Graph 4 shows a pattern of fluctuations in the ratio of effectiveness of the original local government revenue of Karanganyar Regency for the 2017-2022 period, which indicates that the ratio of local financial effectiveness of Karanganyar Regency in that period was classified as very effective with a percentage of 103.63%. This proves that the

Karanganyar Regency government has succeeded in implementing the effectiveness of the original local government revenue. Table 4 demonstrates that the size of the original local government revenue realization was greater than the budget. Therefore, the percentage of the effectiveness ratio of the original local government revenue of Karanganyar Regency was high.

The success of the local government in realizing original local government revenue was attributed to programs implemented by the local government, such as being proactive in picking up

the tax, providing an integrated service office (DPMPTSP), and using advertisements in mass media such as radio, billboards, to make taxpayers aware of carrying out their responsibilities.

These findings have been validated by an informant, namely Yoga Praditya, S.E., M.M., an administrative staff of the Karanganyar Regency Local Financial Board. He said the effectiveness ratio of the Karanganyar Regency's original local government revenue reached an average of 103.63%, indicating the success of several programs, such as picking up tax, DPMPTSP, and mass media advertisements in increasing taxpayer

awareness. The informant emphasized that these efforts were successful and encouraged local financial independence to better finance development programs.

This relationship pattern was also found in Semarang Regency, as reported in the research conducted by Alimtiyana (2022) that the average effectiveness ratio for Semarang Regency was 107.99% in the 2016-2020 period. This was also considered very effective, in line with that of the Local Government of Karanganyar Regency for the 2017-2022 fiscal year.

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