

FINANCIAL PERFORMANCE ANALYSIS GOVERNMENT OF JEMBER REGENCY

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ABSTRACT

This study aims to analyze the financial performance of Jember Regency Government in terms of the Regional Financial Self-Sufficiency Ratio, the Effectiveness Ratio of Local Own Revenue and Efficiency Ratio of Local Own Income and the Debt Service Coverage Ratio (DSCR) during 2014-2018. This type of research was quantitative descriptive of the Regional Government Financial Statements (LKPD) of the Jember Regency Government. The data collection techniques used were documentation, interviews, and literature study. Quantitative data analysis was used to calculate the amount of Self-Sufficiency Ratio, Effectiveness and Efficiency Ratio, and Debt Service Coverage Ratio. The results showed that: (1) the Ratio of Self-Sufficiency of the Jember Regency Government as measured by Local Own Income (PAD) reached an average of 23% for each year. This condition shows that the Self-Sufficiency of the Jember Regency Government was not as expected. (2) The effectiveness ratio of PAD collection by the Government of Kabupaten Jember reaches an average of 94%. This condition indicates that the PAD collection has been effective. Meanwhile, the efficiency ratio of PAD collection reaches an average of 38% per year. This condition shows that the cost of collecting local revenue tends to be efficient because the efficiency ratio was less than 100%. (3) Debt Service Coverage Ratio (DSCR) in 2014 to 2018 shows that local governments were not eligible to make loans because the DSCR value was less than 2.5.

Keywords: Debt Service Coverage Ratio, Effectiveness Ratio, Self-Sufficiency Ratio

INTRODUCTION

Accounting can be defined as an art, science or engineering (technology), but can also be interpreted as a process. According to various sizes and forms of organizations that use accounting information, the field of accounting can be classified into two main areas, namely private sector accounting and public sector accounting. Private sector accounting is an accounting process to record the economic

activities of a profit-oriented company or another term is a private company. Meanwhile, public sector accounting is intended for non-profit organizations, such as foundations, NGOs and governments.

According to Law No. 32 of 2004 concerning Regional Government in lieu of Law no. 22 of 1999 concerning Regional Government, which stipulates that regional government is implemented based on the principle of decentralization, the principle

of deconcentration, and the principle of assistance tasks. So in the framework of decentralization, provincial and city governments were formed and formulated, which were given the authority to regulate and manage their households as a manifestation of regional autonomy. In addition, Law No. 23/2014 on Regional Government was also issued in lieu of Law No. 32 of 2004 concerning Regional Government, the handover of regional financial resources in the form of regional taxes and levies as well as in the form of balance funds is a consequence of the handover of Government Affairs to Regions which is held based on the Principle of Autonomy.

Various studies on regional financial performance have been carried out, among others by Rahmayati (2014) which states that the performance of the Sukoharjo Regency Regional Government has been effective in managing its Regional Original Income, because the value of the Effectiveness Ratio shows a figure of more than 100%. The ability to repay loans from the Sukoharjo Regency Government in 2011, 2012 and 2013 was also very good due to its DSCR ratio above 2.5, namely 397.05 in 2011; 58.17 in 2012; and 1513.14 in 2013. However, the financial capacity of Sukoharjo Regency is still very low and the relationship pattern is instructive where the role of the central government is more dominant than the Self-Sufficiency of the Regional Government. Muto'i, et.al. (2018) also conducted research on regional financial performance and the results showed that the Regional Financial Self-Sufficiency Ratio of Kediri Regency showed an average figure of 23.04% or low. The effectiveness level of Regional Original Revenue in Kediri Regency is very effective. Meanwhile, Susanto (2019) obtained results over a period of four years, the financial Self-Sufficiency ratio of Mataram City is at an average level of 17.71%, so it is said to be in the low category. The effectiveness ratio of Mataram City for the 2013-2015 fiscal year

is categorized as effective because the percentage is above 100%, which is 101.85%.

This study will analyze the financial performance of the Jember Regency Government. The use of ratio analysis in the public sector, especially to the APBD, has been widely used, although there is no unanimous agreement regarding the name and measurement rules. However, in the context of transparent, honest, democratic, effective, efficient and accountable regional financial management, it is necessary to carry out a ratio analysis against the APBD even though the accounting rules in the APBD are different from those of financial reports owned by private companies. According to Halim (2007: 4) several ratios that can be developed based on financial data sourced from the APBD include the Self-Sufficiency Ratio (fiscal autonomy), the Effectiveness and Efficiency Ratio, and the Debt Service Coverage Ratio. In the framework of transparent, honest, democratic, effective, efficient and flexible regional financial management, the ratio analysis to the APBD needs to be carried out even though the accounting principles in the APBD are different from the financial statements owned by private companies (Halim and Kusufi, 2012: 127). The purpose of this study is to analyze the financial performance of the Jember Regency Government's APBD in 2014-2018 in terms of the Regional Financial Self-Sufficiency Ratio, Regional Original Revenue Effectiveness Ratio and Efficiency Ratio of Local Own Income, and Debt Service Coverage Ratio (DSCR).

RESEARCH METHODS

This research was conducted at the Regional Government of Jember Regency to assess its performance based on certain ratios. The variables used in this study are used to calculate the Self-Sufficiency Ratio, the Effectiveness Ratio of Local Own Income and the Efficiency Ratio of Local Own Income, and the Debt Service Coverage Ratio (DSCR). Self-Sufficiency

ratio is a ratio that shows the ability of government, development and services to people who have paid taxes and levies as a source of revenue needed by the region (Halim, 2007: 232).

Meanwhile, the Regional Original Income Effectiveness Ratio (PAD) is this ratio which describes the ability of the regional government to realize the planned Regional Original Income compared to the target set based on the real potential of the region (Halim, 2012). Local Own Revenue Efficiency Ratio (PAD) is a ratio that describes the ratio between the amount of costs incurred to obtain income and the realization of the income received (Halim and Kusufi, 2012).

Debt Service Coverage Ratio (DSCR) is a comparison between the sum of regional revenue from the land and building tax, fees for acquisition of rights to

land and buildings, natural resources revenue and other regional shares as well as general allocation funds after deducting mandatory expenditures and the sum of principal installments, Interest, and Other Loan Costs that are due (Halim and Kusufi, 2012).

Data collection techniques used in this research are observation and literature study. The data analysis tools used are as follows:

1) Self-Sufficiency Ratio

The Self-Sufficiency ratio is a ratio that shows the ability of government, development and services to people who have paid taxes and levies as a source of revenue needed by the region (Halim and Kusufi, 2012). The Self-Sufficiency Ratio can be calculated using the following formula:

$$\text{Independence Ratio} = \frac{\text{Original Regional Income}}{\text{Central / Provincial Government Assistance} + \text{Loans}}$$

To assess the level of the autonomy ratio of local governments, refer to the Minister of Home Affairs Decree Number 13 of 2006 Determination of Regional Revenue Guidelines for Financial Performance Assessment, as follows:

Table 1. Level of Self-Sufficiency and Regional Financial Capability

No	Financial Capability	Self-Sufficiency (%)
1	Very low	0% - 25%
2	Low	25% - 50%
3	Moderate	50% - 75%
4	High	75% - 100%

Source: Kepmendagri Number 13 of 2006

2) PAD Effectiveness Ratio and PAD Efficiency Ratio

PAD Effectiveness Ratio is the ratio that describes the ability of the regional government to realize the planned local revenue compared to the target set based on the real potential of the region. Local

governments are said to be capable of carrying out their duties if the ratio achieved is at least 1 or 100 percent.

The PAD Effectiveness Ratio can be calculated using the following formula:

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

The government has prepared guidelines for assessing the level of effectiveness of Local Government Financial Statement, through the Decree of the Minister of Home Affairs Number 13 of 2006 Determining Regional Revenue Guidelines for the following Financial Performance Assessment:

Table 2. Criteria for Regional Financial Effectiveness

No	Effectiveness Criteria	Effectiveness Percentage (%)
1	Very Effective	> 100
2	Effective	> 90 – 100
3	Moderately	> 80 – 90
4	Less Effective	> 60 – 80
5	Ineffective	≤ 60

Source: Kepmendagri Number 13 of 2006

PAD Efficiency Ratio describes the comparison between the cost to earn the income and the income realization.

The PAD Efficiency Ratio can be calculated using the following formula:

$$\text{PAD Efficiency Ratio} = \frac{\text{Cost to Earn the Local Own Income}}{\text{Local Own Income Realization}}$$

The government has prepared guidelines for assessing the level of the Efficiency Ratio of Local Government Financial Statement through the Decree of the Minister of Home Affairs Number 13 of 2006 Determining Regional Revenue Guidelines for the following Financial Performance Assessment. The criteria is as follow:
Table 3. Criteria for Regional Financial Efficiency

No	Efficiency Criteria	Efficiency Percentage
1	100% keatas	Inefficient
2	90% -100%	Less Efficient
3	80% - 90%	Moderate Efficient
4	60% - 80%	Efficient
5	< 60%	Very Efficient

Source: Kepmendagri Number 13 of 2006.

3) Debt Service Coverage Ratio.

The Loan Repayment Ability Ratio can be calculated using the following formula:

$$\text{DSCR} = \frac{(\text{PAD} + \text{BD} + \text{DAU}) - \text{BW}}{\text{Total (Principal Installment} + \text{Interest} + \text{Loan Fee)}}$$

According to PP. 24 of 2005 concerning Regional Loans, the DSCR Ratio is a comparison between local revenue, the regional share of land and building taxes, natural resource revenues and other regional shares and general allocation funds after deducting mandatory expenditure, with the sum of principal installments, interest and loan costs. others that are due. The minimum size of the DSCR is 2.5, it is said to be developing, if the DSCR value is more than 2.5 and the DSCR is increasing compared to the previous year.

Based on the results of the calculations in Table 4 above, the regional financial capacity of the Jember Regency Government is classified as low and the relationship pattern includes an instructive relationship pattern where the role of the central government is more dominant than the autonomy of regional governments (regions that are unable to implement regional autonomy).

Result and Discussion

1) Self-Sufficiency Ratio

The results of the calculation of the Self-Sufficiency Ratio can be seen in Table 4 below:

Table 4. Calculation of the Regional Financial Self-Sufficiency Ratio

No	Year	Ratio	Information
1	2014	0,24	Low
2	2015	0,22	Low
3	2016	0,19	Very Low
4	2017	0,31	Low
5	2018	0,21	Low

Source: Processed Data, 2020

2) PAD Effectiveness Ratio and PAD Efficiency Ratio

The results of the calculation of the PAD Effectiveness Ratio can be seen in Table 5. below:

Table 5. Calculation of the Regional Financial PAD Effectiveness Ratio

No	Year	Ratio	Information
1	2014	0,87	Moderately Effective
2	2015	0,91	Effective
3	2016	0,94	Effective
4	2017	0,98	Effective
5	2018	0,98	Effective

Source: Processed Data, 2020

Based on the calculations in Table 5. above, it can be seen that the Regional Financial Effectiveness of the Jember Regency Government in 2014 was quite

effective, because the value obtained was still below 90%, namely 87%. For 2015, 2016, 2017 and 2018 experienced an upward trend and with effective information because the value obtained was more than 90%, namely 91%, 94%, 98% and 98%.

The results of the calculation of the Regional Financial Efficiency Ratio can be seen in Table 6 below:

Table 6. Calculation of the Regional Financial PAD Efficiency Ratio

No	Year	Ratio	Information
1	2014	0,05	Very Efficient
2	2015	0,09	Very Efficient
3	2016	0,52	Very Efficient
4	2017	0,26	Very Efficient
5	2018	0,97	Less Efficient

Source: Data Processed 2020

Based on the calculations in Table 6 above, the Regional Financial Efficiency of the Jember Regency Government in 2014, 2015, 2016 and 2017 was classified as very efficient because the efficiency interval was less than 60%. This happened because the revenue realization was greater than the realization of regional expenditure. 2018 is classified as less efficient because the ratio is in the range of 90% to 100% or more precisely 97%, the total expenditure exceeds the total regional income and there is a large difference between income and expenditure.

3) Debt Service Coverage Ratio

The results of the calculation of the Loan Repayment Ability Ratio can be seen in Table 7. below:

Table 7. Calculation of the Ratio of the Regional Financial Loan Repayment Capacity

No	Year	Ratio	Information
1	2014	(217,20)	Poor
2	2015	(374,97)	Poor
3	2016	(218,96)	Poor
4	2017	(1.333,63)	Poor
5	2018	(1.011,92)	Poor

Source: Data Processed 2020

Based on the table above, it can be concluded that the ability to repay loans from the Jember Regency Government in 2014 to 2018 is poor, because the DSCR ratio is below 2.5. The results of this calculation show that the DSCR value is less than 2.5 because the value of the DSCR ratio from 2014 to 2018 is negative, which means that the local government, seen from its financial capacity, is not feasible to make loans because the DSCR value is less than 2.5. Then this identifies the occurrence of negative cash flow, which means that the income is not sufficient to cover all debt expenses in the form of installments of principal and interest and other costs.

INTERPRETATION

Based on the data analysis previously described, the results of the study can be interpreted as follows:

1) Self-Sufficiency Ratio

From Table 4 it can be seen that during 2014 to 2018, the amount of the Self-Sufficiency Ratio ranged from 19% to 31%. In 2014, the Jember Regency Government's Self-Sufficiency Ratio was 24%. This year, the regional financial capacity of the Jember Regency Government is still very low, which means that it is unable to carry out autonomy.

In 2015, the Self-Sufficiency Ratio of the Jember Regency Government has decreased to 22%. In addition to the low level of regional financial capacity this year, the Ratio of Self-Sufficiency this year has also decreased by 2% from the previous year. In 2016, the Self-Sufficiency Ratio of the Jember Regency Government has decreased compared to the previous two years to 19%. In 2017, the Ratio of the Self-Sufficiency of the Jember Regency Government increased compared to the previous year to 31%. Regional financial capacity this year is still low with an increase of 12% compared to the previous year.

In 2018, the Ratio of the Self-Sufficiency of the Jember Regency Government this year has decreased when compared to the previous year to 21%. This year's regional financial capacity is low, with a decrease of 10% compared to the previous year. From the description above, it can be seen that the Ratio of the Self-Sufficiency of the Jember Regency Government fluctuates, ranging from 19% to 31%. From the above calculations, it is known that the average level of Self-Sufficiency for the Jember Regency Government for each year is 23%.

2) PAD Effectiveness Ratio and PAD Efficiency Ratio.

From Table 5 it can be seen that 2014 to 2018 has increased and in 2014 the Effectiveness Ratio is the lowest ratio compared to the year after. In 2014 the effectiveness ratio reached 87%, which means that in that year the collection of PAD was quite effective because the contribution made that year was between 80% and 90%, namely 87%. In 2015, the effectiveness ratio increased from the previous year to 4%, but this year the collection of PAD was effective because the contribution made that year was between 90% and 100%, namely 91%.

In 2016 the Effectiveness Ratio reached 94% which means an increase of 3% from the previous year. In 2017 the Effectiveness Ratio reached 98% which means an increase of 4% from the previous year. In 2018 the Effectiveness Ratio reached 94%, which means the ratio this year is the same as the previous year. Thus in 2018 the government has been effective in carrying out its duties because the magnitude of the PAD realization achieved has increased but the target amount for PAD revenue has been lowered from the previous year. From the description above, it can be seen that the PAD collection in the Jember Regency Government tends to be effective because the contribution made to the annual average target is 94%. The performance of the Jember Regency

government tends to get better as seen from the increase in the Effectiveness Ratio for each year.

For the Efficiency Ratio of PAD, seen from Table 4.3, it can be seen that during 2014 to 2018 the amount of Efficiency Ratio achieved was below 100% which indicates that the government's performance has been efficient. In 2014 the Efficiency Ratio was 5%, this shows that the performance of local governments in collecting PAD is efficient. In 2015 the efficiency value increased by 4% from the previous year, namely to 9%. This increase in the value of efficiency shows that the collection of PAD in 2015 is less efficient when compared to the collection of PAD in 2014.

In 2016, the efficiency value increased by 43% from the previous year, namely to 52%, which means that the collection of PAD in that year was less efficient than the previous year. In 2017, the efficiency value decreased by 26% from the previous year, which was 26%. This decrease in the value of efficiency shows that the collection of PAD in 2017 is more efficient when compared to the collection of PAD in 2016.

In 2018 the efficiency value increased by 71% from the previous year, namely to be 97%. This increase in the efficiency value shows that the 2018 PAD collection is less efficient when compared to the PAD collection in 2017. From the description above, it can be seen that the cost of collecting PAD tends to be efficient because the Efficiency Ratio is less than 100%, which is an average of 38% annually. The collection of PAD every year is efficient, but in 2018 the ratio has increased, which means that efficiency has decreased in the last year of observation which is marked by an increase in the percentage value of the efficiency of PAD collection by 97%.

3) Loan Repayment Ability Ratio (Debt Service Coverage Ratio)

In the DSCR calculation from 2014, based on the calculation results obtained a DSCR value of -217.20 which means that the local government, seen from its financial capacity, is not feasible to make a loan because the DSCR value is less than 2.5, which is equal to -217.20. Then this identifies the occurrence of negative cash flow, which means that the income is not sufficient to cover all debt expenses in the form of installments of principal and interest and other costs.

In 2015, based on the calculation results obtained a DSCR value of -374.97, which means that local governments, seen from their financial capacity, are not feasible to make loans because the DSCR value is less than 2.5, namely -374.97. Then this identifies the occurrence of negative cash flow, which means that the income is not sufficient to cover all debt expenses in the form of installments of principal and interest and other costs. In 2016, based on the calculation results obtained a DSCR value of -218.96, which means that local governments, seen from their financial capacity, are not eligible to make loans because the DSCR value is less than 2.5, which is -218.96. Then this identifies the occurrence of negative cash flow, which means that the income is not sufficient to cover all debt expenses in the form of installments of principal and interest and other costs.

In 2017, based on the calculation results obtained a DSCR value of -1,333.63, which means that local governments, seen from their financial capacity, are not eligible to make loans because the DSCR value is less than 2.5, which is -1,333.63. Then this identifies the occurrence of negative cash flow, which means that the income is not sufficient to cover all debt expenses in the form of installments of principal and interest and other costs. In 2018, based on the calculation results obtained a DSCR value of -1,011.92, which means that the

regional government, seen from its financial capacity, is not feasible to make loans because the DSCR value is less than 2.5, which is equal to -1,011.92. Then this identifies the occurrence of negative cash flow, which means that the income is not sufficient to cover all debt expenses in the form of installments of principal and interest and other costs.

CONCLUSION

Based on the data analysis and discussion that has been described, conclusions can be drawn, namely: (1) The Self-Sufficiency Ratio of the Jember Regency Government as measured by Regional Original Income reaches an average of 23% for each year. (2) The Effectiveness Ratio of the collection of Regional Original Revenue from the Jember Regency Government from 2014 to 2018 reached an average of 94% per year. This condition shows that the collection of Local Own Revenue in the Jember Regency Government has been effective because the contribution given has exceeded the target. While the Efficiency Ratio of the Original Local Government Revenue collection of the Jember Regency Government from 2014 to 2018 reached an average of 38%. This condition shows that the cost of collecting local revenue tends to be efficient because the efficiency ratio is less than 100%. (3) The DSCR Ratio of the Jember Regency Government from 2014 to 2018 states that the Local Government is not eligible to make loans because the DSCR value is less than 2.5.

IMPLICATION

The conclusion of the research shows that the Self-Sufficiency Ratio is very low, the Effectiveness Ratio is effective and the Efficiency Ratio is efficient, and the DSCR ratio is not feasible, therefore the implications that can be put forward in this study are increasing PAD by optimizing resource management and expanding sectors that have the potential to increase PAD, so that the

dependence on revenue from the Central Government can be reduced. Allocating expenditure in a more proportionate manner, namely reducing operational expenditures and increasing capital expenditures.

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