

Analysis of Financial Performance of the Regional Government of Majalengka District, Year 2015 – 2019

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ABSTRACT

This study aims to determine the Financial Performance of the Regional Government of Majalengka Regency in 2015-2019 in terms of the ratio of the degree of fiscal decentralization, the ratio of regional financial independence, the ratio of effectiveness of local revenue (PAD), the ratio of revenue growth, the ratio of expenditure growth, analysis of expenditure harmony, efficiency ratio, expenditure, and the ratio of regional expenditure to GRDP. This study is part of a quantitative descriptive study. This study was conducted at the Regional Financial and Asset Management Agency of Majalengka Regency. Based on the results of the analysis of audited financial report data, it shows that the financial performance of the Regional Government of Majalengka Regency in terms of the ratio of the degree of fiscal decentralization is categorized as lacking because the average ratio is still in the interval 10.01% - 20.00%. The ratio of regional financial independence is very low because it is in the 0% - 25% interval. The effectiveness ratio of PAD is categorized as effective because the effectiveness value of PAD is at intervals of more than 90% - 100%. The Revenue Growth Ratio has positive growth, as is the expenditure growth ratio. The Analysis of Consequence in Expenditures is quite balanced between functions and types of expenditure and has met the mandate of the statutory provisions, whereas based on the harmonization ratio of operating expenditure and capital expenditure it is found that most of the funds held are prioritized for operating expenditure needs so that the capital expenditure ratio is smaller. The regional expenditure efficiency ratio is quite efficient because it is in the interval 90.21 - 93.78. Meanwhile, the ratio of regional expenditure to GDP is in the interval 9.75 - 11.35.

Keywords

Fiscal decentralization degree ratio; regional financial independence ratio; PAD effectiveness ratio; revenue growth ratio, expenditure growth ratio, expenditure consistency analysis, expenditure efficiency ratio, regional expenditure ratio to GRDP

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Introduction

Law of the Republic of Indonesia Number 23 of 2014 concerning Regional Government mandates that Regional Governments have the right and authority to regulate and manage their own government affairs and interests of the local community in accordance with statutory regulations, therefore with the enactment of Regional Autonomy, Regional Governments are given discretion to manage the resources owned according to the interests, priorities and potential of the region itself. As a consequence of this, local governments are required to carry out their duties and functions properly and transparently.

The accountability of local government to the public is a demand that must be met to prove that local governments have performed their duties and functions properly, where one of the tools used to measure public accountability and provide information used in evaluating managerial and

organizational performance is financial statements. The Regional Government Financial Report is used to compare accurate financial performance with its budget, assess operational conditions and results, and help determine the level of compliance with laws and regulations related to financial matters and other provisions and help evaluate the level of efficiency and effectiveness (Zuhri & Soleh, 2015; Saudi, 2018). Tools that can be used to measure the performance of local governments in managing the Regional Revenue and Expenditure Budget (APBD) include using independence ratios, effectiveness ratios, efficiency ratios, activity ratios, expenditure ratios, growth ratios, physical decentralization degree ratios, needs ratios, fiscal and fiscal capacity ratios. An overview of the realization of revenue and expenditure of the Majalengka Regency Government from 2015 to 2019, can be seen in Figure 1.

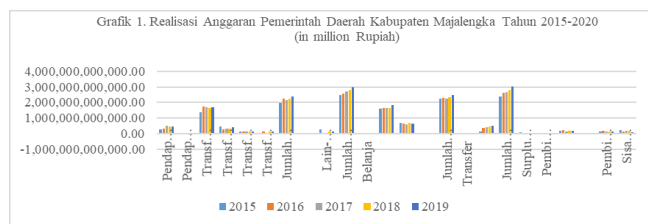


Figure 1 illustrates that the realization of the Majalengka Regency APBD from 2015 to 2019 continues to increase, namely Rp2,493,539.22 million in 2015, increasing to Rp2,576,052.10 million in 2016 then to Rp2,685,374.28 in 2017 then to Rp2,817,970.77 million in 2018 and to Rp2,964,575.59 million in 2019, but in its implementation there are phenomena regarding the financial performance of the Majalengka Regency Government including:

1. Management of parking tax revenue at the Transportation Agency is inadequate;
2. The management of land and building tax revenues in rural and urban areas (PBB-P2) is not sufficient;
3. Management of fees for the acquisition of rights to land and / or buildings (BPHTB) is not yet orderly;
4. Payment of health service expenditures on contributions for recipients of premium assistance (PBI) for health insurance in Majalengka Regency has not been based on valid membership data;
5. Management of fixed assets in the government of Majalengka Regency is inadequate.

Another phenomenon found from the results of the evaluation of regional revenues is the realization of regional revenue that does not reach the target, among others The realization of regional tax revenue was Rp123,654,331,397.00 which was 83.15% of the budget of Rp148,715,963,000.00. The realization of tax revenue sharing was Rp34,968,493,343.00 which was only 73.23% of the budget of Rp47,750,304,000.00. Meanwhile, in the management of regional expenditures, phenomena were also found, including the realization of goods expenditures amounting to Rp567,090,560,168.93 which is 86.42% of the budget of Rp656,201,949,991.44 which means that there is a budget that has been provided of Rp89,111,389,822.51 which was not absorbed. The actual capital expenditure for land was

Rp13,031,650,596.00 which was 32.09% of the budget of Rp40,605,468,403.17 which also means that there is an unused budget of Rp27,573,817,807.17. Based on the phenomena described above, we are interested in conducting research with the title "analysis of the financial performance of the Majalengka Regency Government in 2015 to 2019". The purpose of this study is to determine the financial performance of the Majalengka Regency Government based on the financial ratios of the 2015 to 2019 APBD realization.

Theoretical Basis

Regional Government Financial Reports

Article 1 paragraph 1 of Government Regulation Number 8 of 2006 concerning Financial Reporting and Performance of Government Agencies states that Financial Statements are a form of accountability for the management of state / regional finances during a period. Local government financial reports contain significant information and are the essence of summarized, classified and grouped financial data. Therefore, to find out the financial condition of the local government is healthy or sick, it can be seen from the financial statements presented. Whereas Government Accounting Standards (SAP) Conceptual Framework, Par. 26 states that the purpose of government financial reports is to provide information about the sources, allocation and use of financial resources, provide information on the adequacy of current period revenues to finance all expenditures, provide information on the amount of economic resources used in the reporting entity's activities and the results that have been achieved, provides information about how the reporting entity finances all its activities and meets its cash needs, provides information on the financial position and condition of the reporting entity in relation to its sources of revenue, both short and long term, including those from tax and loan collections and provides information regarding changes in the reporting entity's financial position, whether increased or decreased, as a result of activities carried out during the reporting period.

Regional Financial Performance

Performance is an achievement that can be achieved on the implementation of activities / programs / policies to realize the goals, objectives, mission and vision of the organization, Bastian (2005), while in the government sector according to article 1 paragraph 2 of Government Regulation Number 8 of 2006 concerning Financial Reporting and Institutional Performance The government states that performance is the output / result of activities / programs that are to be or have been achieved in connection with the use of the budget with measured quantity and quality.

Regional Government Financial Performance Measurement

Public sector performance measurement is intended to help public managers evaluate the achievement of implementing a strategy using financial and non-financial measurement instruments with the aim of improving government performance, allocating resources and making decisions as well as realizing public accountability and improving institutional communication. Mardiasmo (2002) states the information used for performance measurement:

1. Financial Information

Evaluation of the financial performance report is carried out by taking into account the difference between budget and realization, then analyzing the causes of this difference in detail.

2. Non-Financial Information

The evaluation of non-financial information is intended to increase confidence in the quality of the management control process.

One of the most widely used techniques for analyzing financial statements is financial ratio analysis, a method that can be used to evaluate and interpret local government financial reports.

Financial Ratio Analysis Based on Regional Budget

The following is an analysis of financial ratios that is widely used in evaluating and interpreting local government financial reports, including:

Degree of Decentralization

According to Mahmudi (2007), the degree of decentralization is calculated based on a comparison between the total regional revenue (PAD) and the total regional revenue. The higher the PAD contribution, the higher the ability of local governments to implement decentralization. This ratio is calculated using the formula:

$$\text{degree of decentralization} = \frac{\text{PAD}}{\text{Total Regional Income}}$$

Table 1. Criteria for degree of fiscal decentralization

Percentage of PAD against TPD (%)	Fiscal Degree Criteria
0.00 – 10,00	Very less
10,01 – 20,00	Less
20.01 – 30.00	Moderate
30.01 – 40.00	Enough
40.01 – 50,00	Good
>50,00	Very good

Source: Ministry of Home Affairs Research and Development Team - Fisipol UGM, 1991

Regional Financial Independence Ratio

According to Mahmudi (2007), the ratio of regional financial independence is calculated by comparing the amount of PAD revenue divided by the amount of transfer revenue from the central government, provincial governments and regional loans. The higher the ratio, the higher the regional financial independence.

$$RKKD = \frac{\text{PAD}}{\text{Transfer Center} + \text{Province} + \text{Loan}}$$

Table 2. Level of independence and regional financial capability

Independence (%)	Financial Capability
Very low	0% - 25%
Low	25% - 50%
Moderate	50% - 75%
High	75% - 100%

Source: Kepmendagri No.690,900,327, 1996

Regional Original Income Effectiveness Ratio

The PAD effectiveness ratio is calculated by comparing the realization of PAD revenue with the PAD budget of Mahmudi (2007).

$$RKKD = \frac{\text{Realization of Acceptance PAD}}{\text{Target Acceptance PAD}}$$

The ratio of PAD effectiveness shows the ability of local governments to mobilize PAD revenue as targeted. The ability to obtain PAD is categorized as effective if this ratio reaches a minimum of 1 or 100%.

Table 3. The effectiveness level of local own revenue

Effectiveness Criteria	Percentage of Effectiveness (%)
Very effective	> 100
Effective	> 90 - 100
Effective enough	>80 - 90
Less effective	>60 - 80
Ineffective	≤60

Source: Kepmendagri No.690,900,327, 1996

Income Growth Ratio

The benefit of Revenue Growth Analysis is to find out whether the performance of local government revenue during several budget periods is positive or negative. The Income Growth Ratio is calculated using the formula:

$$\text{Income Growth Years}.n = \frac{\text{Income Growth Years } n - \text{Income Growth Years}.n - 1}{\text{Income Growth Years}.n - 1}$$

Expenditure Growth Ratio

Expenditure Growth Analysis is useful for knowing the development of spending from year to year. According to Mahmudi (2007), Expenditure growth can be calculated by the following formula:

$$\text{Expenditure Growth Year } .n = \frac{\text{Expenditure Year } n - \text{Expenditure Year } n - 1}{\text{Expenditure Year } n - 1}$$

Expenditure Suitability Analysis

The budget serves as a means of distribution, allocation, and stabilization, analysis of

expenditure harmony is useful for knowing the balance between these expenditures. According to Mahmudi (2007), the analysis of the harmony of spending includes:

- Expenditure Analysis per Function to Total Expenditure

Expenditure Analysis per Function to Total Expenditure is calculated by:

$$\text{Spending per Function Ratio} = \frac{\text{Realization of Function Expenditures ...}}{\text{Total Regional Expenditure}}$$

- Analysis of Operational Expenditures on Total Expenditures

The ratio of Operational Expenditure to Total Expenditure is calculated by:

$$\text{The ratio of Operational Expenditure to Total Expenditure} = \frac{\text{Realization of Operational Expenditures}}{\text{Total Regional Expenditure}}$$

- Analysis of Capital Expenditures on Total Expenditures

This ratio is calculated by:

$$\text{Ratio of Capital Expenditure to Total Expenditure} = \frac{\text{Realization of Capital Expenditures}}{\text{Total Regional Expenditure}}$$

- Analysis of Direct and Indirect Expenditures

The ratio of direct and indirect spending is calculated by:

$$\begin{aligned} \text{Total Direct Spending Ratio} &= \frac{\text{Total Direct Expenditures}}{\text{Total Regional Expenditure}} \\ \text{Total Indirect Expenditure Ratio} &= \frac{\text{Total Indirect Expenditure}}{\text{Total Regional Expenditure}} \end{aligned}$$

Expenditure Efficiency Ratio

According to Mahmudi (2019), the spending efficiency ratio is formulated as follows:

$$\text{Expenditure Efficiency Ratio} = \frac{\text{Expenditure Realization}}{\text{Expenditure Budget}} \times 100\%$$

Ratio of Regional Expenditures to GRDP

According to Mahmudi (2007), this ratio is formulated as follows:

$$\text{Ratio of Regional Expenditures to GRDP} = \frac{\text{Total Regional Expenditure Realization}}{\text{Total GRDP}}$$

Research Framework

In this study, the performance to be analyzed is the financial performance of local governments, therefore the indicators used are financial indicators. Performance measurement or appraisal is the process of recording and measuring the achievement of the implementation of activities in the direction of achieving the mission through the results displayed in the form of a product, service or a process (Larry D Stout in Bastian, 2005). The degree of decentralization is a measure that shows the level of authority and responsibility given by the central government to local governments to carry out development. The ratio of regional financial independence shows the level of ability of local governments to self-finance government activities.

The PAD effectiveness ratio is calculated by comparing the realization of PAD revenues with the PAD budget (Mahmudi, 2007). The Revenue Growth Ratio is used to determine whether the performance of local government revenue during several budget periods is positive or negative, likewise the expenditure growth ratio is used to determine whether the performance of local government revenue during several budget periods is positive or negative. The balance of expenditure analysis is used in the sense that the budget functions as a means of distribution, allocation, and stabilization, the analysis of the harmony of expenditures is useful to determine the balance between these expenditures. According to Mahmudi (2007), the analysis of expenditure harmony includes, among others, the analysis of expenditure per function of total expenditure, analysis of operational expenditure on total expenditure, analysis of capital expenditure on total expenditure, analysis of direct and indirect spending.

The expenditure efficiency ratio is used to measure the level of budget savings made by the

government, there is no standard that is considered good for this ratio. Efficiency assessment is carried out by comparing the efficiency obtained by local governments in a year compared to the previous year. The ratio of regional expenditure to GRDP is the ratio between total regional expenditure and regional GDP. According to Mahmudi (2007), this ratio can be calculated by comparing the total realized regional expenditure with the total GRDP.

Methodology

This research is a quantitative descriptive study prepared in order to provide a systematic description of scientific information derived from the object of research by processing field data obtained directly from the Regional Finance and Asset Agency of Majalengka Regency for the 2015-2019 Fiscal Year as well as the results of the examination by BPK RI representatives of Java. West that has been published. According to Sugiono (2013), quantitative research can be interpreted as a research method based on the philosophy of positivism, used for researching specific populations or samples, sampling techniques are generally carried out randomly, data collection using research instruments, quantitative / statistical data analysis, with purpose to test the hypothesis that has been set. Descriptive is a method that serves to describe or give an overview of the object under study through data or samples that have been collected as is without analyzing and making generally accepted conclusions. The object of this research is financial performance while the research subject is the Regional Government of Majalengka Regency. This research is intended to determine the Financial Performance of the Regional Government of Majalengka Regency when viewed from the Ratio of the Degree of Fiscal Decentralization, Regional Financial Independence Ratio, PAD Effectiveness Ratio, Income Growth Ratio, Expenditure Growth Ratio, Expenditure Harmony Analysis, Expenditure Efficiency Ratio, Regional Expenditure Ratio to GRDP.

Operationalization of Variables

Table 4. Operationalization of variables

Dimensional	Variables	Concept	Indicator	Scale
Financial performance	Fiscal Decentralization Degree Ratio	Shows the level of authority and responsibility given by the central government to local governments to carry out development	The degree of decentralization is calculated based on the ratio between the total regional revenue (PAD) and the total regional revenue.	Ratio
	Regional Financial Independence Ratio	Shows the level of capacity of the Regional Government in self-financing Government activities	Regional Financial Independence Ratio is calculated by comparing the amount of PAD revenue divided by the amount of transfer revenue from the central, provincial and regional government loans.	Ratio
	PAD Effectiveness Ratio	Demonstrate the ability of local governments to mobilize PAD revenue as targeted.	The PAD effectiveness ratio is calculated by comparing the realization of PAD revenue with the PAD budget	Ratio
	Income Growth Ratio	This is to find out whether the performance of local government revenues during several budget periods is positive or negative	The Revenue Growth Ratio is calculated by dividing the difference between year n and year n-1 income by year n-1 revenue	Ratio
	Expenditure Growth Ratio	To find out the development of spending from year to year	The Expenditure Growth Ratio is calculated by dividing the difference between year n and year n-1 expenditure by year n-1 expenditure	Ratio
	Expenditure Suitability Analysis	To find out the balance between Expenditure.	a. The ratio of expenditure per function to total expenditure is calculated by dividing the expenditure realization for each function by the total regional expenditure. b. The ratio of Operational Expenditure to Total Expenditure is calculated by dividing realized operating expenditure by total regional expenditure. c. The ratio of capital	Ratio

Dimensional Variables	Concept	Indicator	Scale
		expenditure to total expenditure is calculated by dividing realized capital expenditure against total regional expenditure.	
		d. The ratio of direct and indirect spending is calculated by dividing total direct expenditure / indirect expenditure to total expenditure.	
expenditure Efficiency Ratio	To measure the level of budget savings by the government	The expenditure efficiency ratio is calculated by dividing the expenditure realization by the expenditure budget multiplied by 100%.	Ratio
Ratio of Regional Expenditures to GRDP	Is a comparison between the total regional expenditure and the GRDP produced by the region	The Ratio of Regional Expenditure to GRDP is calculated by dividing the Total Realized Regional Expenditure by the Total GRDP.	Ratio

Results and Discussion

Discussion on the measurement of the degree or ratio of the health of local government financial

management is calculated using the data from the results of the examination for the last 5 years, as can be seen in the budget realization report in Table 5.

Table 5. Realization of regional government budget in Majalengka Regency 2015-2019 (in million rupiah)

No.	Description	2015	2016	2017	2018	2019
I	Income					
	Locally-generated revenue	283.735,79	331.527,58	513.783,82	449.974,12	439.843,26
	Transfer income					
	Central Government Transfer Fund Balance.	1.367.195,04	1.723.845,57	1.689.901,15	1.668.010,12	1.672.256,63
	Other Central Government Transfers	462.606,68	250.451,32	320.040,53	312.485,89	414.881,24
	Provincial Government Transfers	118.829,28	122.521,10	129.817,73	143.368,55	151.238,49
	Other Provincial Government Transfers	-	145.352,90	31.831,04	120.104,78	153.284,60

	Total Transfer Income	1.948.631,02	2.242.170,90	2.171.590,46	2.243.969,36	2.391.660,97
	Other Legal Income	261.172,41	2.353,61	0,00	124.027,28	133.071,36
II	Total Income	2.493.539,22	2.576.052,10	2.685.374,28	2.817.970,77	2.964.575,59
	Expenditures Operations	1.716.573,94	1.661.034,23	1.632.952,63	1.667.344,85	1.853.346,17
	Expenditures Capital	672.132,60	631.758,02	605.772,19	681.604,69	643.663,69
	Expenditures Unexpected	0,00	-	787,90	-	-
	Expenditures					
III	Total Expenditures	2.388.706,55	2.292.792,25	2.239.512,73	2.348.949,55	2.497.009,87
	Transfer					
	Transfer expenditures./	264,25	340.784,45	399.313,20	442.967,93	516.032,04
	Profit sharing					
	Total Expenditure and Transfers	2.388.970,81	2.633.576,71	2.638.825,94	2.791.917,48	3.013.041,91
	Surplus / deficit	104.568,41	-57.524,60	46.548,34	26.053,28	-48.466,31
IV	Financing					
	Receipt of	165.142,24	239.716,15	137.414,09	164.062,90	178.345,29
	Financing					
	Financing	30.000,00	62.853,61	20.000,00	31.000,00	28.456,75
	Expenditures					
	Net Financing	135.142,24	176.862,54	117.414,09	133.062,90	149.888,54
	Remaining Budget	239.710,65	119.337,93	163.962,43	159.116,19	101.422,22
	Financing					

Source: LHP BPK RI Years 2015-2019

Degree of Decentralization

Table 6. Calculation of the decentralization degree ratio in Majalengka Regency years 2015-2019

No.	Year	PAD	Total Regional Revenue	Ratio %	Criteria
1	2015	283.735.793.231,00	2.493.539.229.256,00	11,38	less
2	2016	331.527.582.021,00	2.576.052.108.544,00	12,87	less
3	2017	513.783.824.021,55	2.685.374.288.724,55	19,13	less
4	2018	449.974.129.888,60	2.817.970.771.089,60	15,97	less
5	2019	439.843.264.594,55	2.964.575.597.974,55	14,84	less

Based on the calculation of Table 6, the financial performance of the Majalengka Regency government for 5 years, namely 2015 s.d. 2019 is classified as less because it is in the interval 10.01 - 20.00. Of the four subaccounts forming PAD, the regional tax revenue and regional levy income

have the potential to be systematically increased because the policy is entirely with the Regional Government.

Regional Financial Independence Ratio (RFIR)

Table 7. Calculation of the regional financial independence ratio of Majalengka Regency years 2015 – 2019 (in Rp)

No.	Year	PAD	Income Transfer	Ratio %	Criteria
1	2015	283.735.793.231,00	1.948.631.022.749,00	14,56	low once

2	2016	331.527.582.021,00	2.242.170.907.550,00	14,79	low once
3	2017	513.783.824.021,55	2.171.590.464.703,00	23,66	low once
4	2018	449.974.129.888,60	2.243.969.361.201,00	20,05	low once
5	2019	439.843.264.594,55	2.391.660.973.380,00	18,39	low once

The highest achievement that can be achieved by the Majalengka Regency Government is in 2017 with a percentage of 23.66%. Achievements in the very low category mean that the Majalengka Regency Government has a high dependence on transfer income from the central government, therefore the Majalengka Regency Government for the last 5 years has a low ability to finance

government operations, development and community services by itself. To increase regional financial independence, the Government of Majalengka Regency can develop a regional tax revenue policy and regional retribution income.

Regional Original Income Effectiveness Ratio

Table 8. Calculation of the revenue effectiveness ratio of Majalengka Regency year 2015-2019 (in Rp)

No.	Year	Realization of PAD Revenue	PAD Revenue Target	Ratio	Criteria
1	2015	283.735.793.231,00	262.935.285.016,81	107,91	Very effective
2	2016	331.527.582.021,00	358.711.291.654,30	92,42	effective
3	2017	513.783.824.021,55	566.985.599.363,94	90,62	effective
4	2018	449.974.129.888,60	447.461.013.153,00	100,56	Very effective
5	2019	439.843.264.594,55	480.737.673.476,07	91,49	effective

The table above shows that 2017 was the lowest achievement and when viewed from the notes on the financial statements, in 2017 only 90.62% of PAD was realized because local tax revenues could only reach the target of 94.71% of the target of IDR 123,456,526,633. 11, local retribution was realized 82.39% of the target of Rp.

20,463,764,269.23, and other legitimate PAD was realized only 89.64% of the target of Rp. 415,931,234,918.08. Based on this description, it is necessary to make improvements to the policy in order to meet the expected targets.

Income Growth Ratio

Table 9. Calculation of the revenue growth ratio of Majalengka Regency year 2015 – 2019

No.	Year	Income	Ratio %	Criteria
1	2014	2.057.001.723.549,00	-	-
2	2015	2.493.539.229.256,00	21,22	Positive
3	2016	2.576.052.108.544,00	3,31	Positive
4	2017	2.685.374.288.724,55	4,24	Positive
5	2018	2.817.970.771.089,60	4,94	Positive
6	2019	2.964.575.597.974,55	5,20	Positive

Table 9 shows that 2015 had a very large growth ratio compared to 2016 to 2019, namely 21.22%, this happened because of an increase in local revenue (PAD) of Rp60,614,902,610.00 or 27.17 % of PAD in 2014, the increase also occurred in central government transfer revenue of Rp94,498,231,922.00 or 7.43% from 2014, besides that the increase was also in other central government transfer revenues of

Rp182,648,020,000.00 or 65.24% from 2014, the increase in provincial government transfer revenue was Rp21,371,493,929.00 or 21.93% from 2014 and the increase in other revenue - other legal PAD was Rp77,404,857,246.00 or 42.12 % from 2014.

Expenditure Growth Ratio

Table 10. Calculation of the expenditure growth ratio of Majalengka Regency year 2015 – 2019 (in Rp)

No.	Year	Expenditure	Ratio %	Criteria
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1	2014	2.009.725.115.455,00		
2	2015	2.388.970.814.976,00	10,07	Positive
3	2016	2.633.576.715.220,00	10,24	Positive
4	2017	2.638.825.946.023,00	0,20	Positive
5	2018	2.791.917.486.735,00	5,80	Positive
6	2019	3.013.041.916.154,95	7,92	Positive

The table above shows that the increase in the ratio in 2017 has the lowest ratio increase of 0.20%. Based on the description in the 2017 income and expenditure budget realization report, it is still found that the expenditure account has not been optimally realized, namely land expenditure only 73.73%, equipment and

machinery expenditure 83.25%, building and building expenditure 62.64% and fixed asset expenditure others only realized 84.22%.

Expenditure Analysis per Function to Total Expenditure

Table 11. Calculation of the ratio of expenditures per function of Majalengka Regency year 2015 – 2019 (in Rp)

Function	2019 (%)	2018 (%)	2017 (%)	2016 (%)	2015 (%)
Government Public Services	35,39	50,68	52,27	22,17	14,36
Order and Peace	0,37	0,31	0,39	0,54	0,60
Economy	20,85	1,95	2,51	4,17	4,04
Environment	0,43	0,23	0,33	0,45	0,51
Housing and Public Facilities	11,47	16,44	16,38	21,33	25,19
Health	12,24	13,59	10,68	15,59	14,53
Tourism and Culture	0,35	0,15	0,17	0	0
Education	18,12	15,64	16,49	34,96	38,65
Social Protection	0,78	1,00	0,79	0,78	2,13

Table 11 shows the largest percentage in three functions, namely education, health, and public government services which are the application of laws and regulations, including Government Regulation Number 12 of 2019 concerning Regional Financial Management, ordering at least

20% of APBD expenditure to be allocated for Educational Affairs and at least 10% lack for Health Affairs.

Analysis of Operational Expenditures on Total Expenditures

Table 12. Calculation of the ratio of operational expenditures to expenditures of Majalengka Regency year 2015 – 2019 (in Rp)

No.	Year	Operating Expenditure	Total Expenditure	Ratio %
1	2015	1.580.250.236.772,00	2.388.970.814.976,00	66,15
2	2016	1.661.034.232.036,00	2.633.576.715.220,00	63,07
3	2017	1.632.952.635.163,00	2.638.825.946.023,00	61,88
4	2018	1.667.344.855.909,00	2.791.917.486.735,00	59,72
5	2019	1.853.346.176.044,95	3.013.041.916.154,95	61,51

Data on the realization of operational expenditures as shown in Table 12, for 5 consecutive years dominated government expenditure of Majalengka Regency in one year. Operational expenditure is expenditure that is routine or recurring in nature and the benefits are felt in one fiscal year, thus even though operational expenditure is dominant,

in general it does not increase capacity but aims only to maintain existing capacity so that it can continue to function.

Analysis of Capital Expenditures on Total Expenditures

Table 13. Calculation of the ratio of capital expenditure to total expenditure of Majalengka Regency year 2015 – 2019 (in Rp)

No.	Year	Capital Expenditures	Total Expenditure	Ratio %
1	2015	672.132.609.304,00	2.252.382.846.076,00	28,13
2	2016	631.758.023.788,00	2.292.792.255.824,00	23,99
3	2017	605.772.199.991,00	2.239.512.739.991,00	22,96
4	2018	681.604.696.830,00	2.348.949.552.739,00	24,41
5	2019	643.663.697.855,00	2.497.009.873.899,95	21,36

In the 2015 regional budget of Majalengka Regency up to. In 2019, the ratio of the capital expenditure budget to total expenditure fluctuates. Although the ratio fluctuates, the value of capital expenditure increases every year compared to the previous year, this is due to the characteristics of

capital expenditures that are more difficult to realize compared to other expenditures, especially for land capital and building and building capital expenditures.

Analysis of Direct and Indirect Expenditures

Table 14. Calculation of the ratio of direct expenditures to total expenditure of Majalengka Regency 2015 – 2019 (in Rp)

No.	Year	Direct Expenditures	Total Expenditure	Ratio %
1	2015	1.130.378.212.859,00	2.388.970.814.976,00	47,32
2	2016	1.095.164.135.608,00	2.633.576.715.220,00	41,58
3	2017	1.129.886.895.842,00	2.638.825.946.023,00	42,82
4	2018	1.240.870.106.855,00	2.791.917.486.735,00	44,45
5	2019	1.285.516.258.588,95	3.013.041.916.154,95	42,67

During the 5 fiscal years, direct expenditure is always at a ratio of less than 50% of the total expenditure. The lower proportion of direct expenditure compared to indirect expenditure

indicates that the majority of district government expenditure is not intended for implementing programs and activities at SKPD but among others for helping the community.

Table 15. Calculation of the ratio of indirect expenditures to total expenditures of Magalengka Regency 2015 – 2019 (in Rp)

No.	Year	Indirect Expenditures	Total Expenditure	Ratio %
1	2015	1.258.592.602.117,00	2.388.970.814.976,00	52,68
2	2016	1.538.412.579.612,00	2.633.576.715.220,00	58,42
3	2017	1.508.939.050.181,00	2.638.825.946.023,00	57,18
4	2018	1.551.047.379.880,00	2.791.917.486.735,00	55,55
5	2019	1.727.525.657.566,00	3.013.041.916.154,95	57,33

The ratio of indirect expenditure of the Majalengka Regency Government for the period 2015 to 2019 exceeds 50% of the total expenditure, as it is known that in the element of indirect expenditure there are also Interest

Expenditures, Grant Expenditures, Social Assistance Spending, Financial Assistance Expenditures and Unexpected Expenditures.

Expenditures Efficiency Ratio

Table 16. Majalengka Regency spending efficiency ratio calculation year 2015 – 2019 (in Rp)

No.	Year	Expenditure Realization	Budget Expenditures	Ratio %
1	2015	2.388.970.814.976,00	2.648.098.766.557,81	90,21
2	2016	2.633.576.715.220,00	2.911.656.644.973,50	90,45
3	2017	2.638.825.946.023,00	2.896.217.431.779,94	91,11

4	2018	2.791.917.486.735,00	2.991.979.376.190,55	93,31
5	2019	3.013.041.916.154,95	3.212.916.766.996,22	93,78

The calculation of the expenditure efficiency ratio as shown in Table 16 shows an increase in the spending efficiency of the Majalengka Regency Government from 2015 to 2019.

Ratio of Regional Expenditure to GRDP

Table 17. Calculation of the ratio of regional expenditure to GRDP of Majalengka Regency year 2015 – 2019 (in Rp)

No.	Year	Expenditure Realization	GRDP	Ratio %
1	2015	2.388.970.814.976,00	21.292.618.500.000,00	11,22
2	2016	2.633.576.715.220,00	23.207.739.900.000,00	11,35
3	2017	2.638.825.946.023,00	25.405.614.600.000,00	10,39
4	2018	2.791.917.486.735,00	28.051.620.960.000,00	9,95
5	2019	3.013.041.916.154,95	30.912.095.050.000,00	9,75

Table 17 provides an overview of the Ratio of Regional Expenditure to GRDP of Majalengka Regency during the analyzed period. During the five fiscal years, the contribution of productivity and effectiveness of regional spending to GRDP of Majalengka Regency is between 11.22% and 9.75%. The fluctuation of the Regional Expenditure Ratio to the GRDP of Majalengka Regency is influenced by the fluctuation of the budget allocation for activities that directly affect the economy of Majalengka Regency, including capital expenditures for education, health and infrastructure.

Conclusion

First, the Fiscal Decentralization Degree Ratio during the 5-year period is categorized as insufficient. so it is necessary to increase local revenue in order to finance development and implement decentralization properly.

Second, the Ratio of Independence of Majalengka Regency for five years is very low, so that dependence on the Central Government is very high.

Third, the effectiveness ratio of the original regional income during the period under study shows that if it exceeds the target revenue set, the effectiveness level of the original regional income in Majalengka Regency is very effective.

Fourth, for the last 5 years the revenue growth of Majalengka Regency has shown positive.

Fifth, the ratio of expenditure per function in the government of Majalengka Regency during the analyzed period shows that spending on education, health, and public government services is in the top three, this is in accordance with the mandate of legislation.

Sixth, the Expenditure Efficiency Ratio of Majalengka Regency during the analyzed period was above 90%, this shows that the Majalengka Regency Government is efficient in the implementation of its spending and the contribution of productivity and effectiveness of regional spending to the GRDP of Majalengka Regency is always above 9%.

Suggestions

Based on the analysis of the financial management ratio of Majalengka Regency and the conclusions as described above, the suggestions for improving the financial performance of Majalengka Regency are proposed as follows:

1. The Government of Majalengka Regency needs to increase the validity of data on local taxpayers to encourage an increase in local tax revenues.
2. The government of Majalengka Regency also needs to increase the efficiency and effectiveness of the district technical service

units in providing services to the community and increasing local retribution revenues.

3. Optimizing the management and utilization of regional property which can be a source of district income.
4. The Government of Majalengka Regency needs to increase medium-term or long-term investment through the addition of facilities and infrastructure by increasing capital expenditures, especially facilities and infrastructure that can be a source of regional income.
5. Implement a budgeting system that is more pro-public in order to improve the welfare of the people of Majalengka Regency which can increase tax and retribution revenues to increase PAD.

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