



ANALYSIS OF EFFICIENCY AND EFFECTIVENESS OF REGIONAL FINANCIAL MANAGEMENT IN NORTH KONAWE DISTRICT

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ABSTRACT

This study aims to determine and analyze (1) the efficiency level of regional financial management in North Konawe Regency during 2016 – 2020; and (2) the level of effectiveness of regional financial management in North Konawe Regency during 2016 – 2020. Primary data, in the form of data obtained from the Regional Financial Management report in North Konawe Regency for the 2015-2020 period and the results of interviews with three research informants. The data analysis technique method uses a descriptive quantitative approach.

Based on the results of the study, it can be concluded that (1) The efficiency level of Regional Financial Management in North Konawe Regency is in the efficient category. This shows that the performance of the regional income of North Konawe Regency has increased. This is because the local government of North Konawe Regency can increase regional income to finance routine expenses. The regional compatibility ratio of North Konawe Regency is still above 20 percent, meaning that the priority allocation of routine and development expenditure funds has not run optimally, and (2) The results of the analysis of the effectiveness of North Konawe Regency's Financial Management show that the overall effectiveness level of the North Konawe Regency is included in the effective category. This means that the total income obtained can meet the expected target. The effectiveness in the North Konawe Regency area has two derivative ratios, namely the independence ratio of the North Konawe Regency if the independence value from 2016 to 2020 is in the very low category with an instructive relationship pattern. While the growth ratio of the North Konawe Regency from 2016 to 2020 has changed but the overall growth is positive.

Keywords: *Efficiency, Effectiveness, Compatibility Ratio, and Regional Finance*

INTRODUCTION

Regional economic development is a process where local governments and communities manage existing resources and form a new field and stimulate the development of economic activity or economic growth in the region. The main problem in regional development lies in the emphasis on development policies based on the characteristics of the region concerned by using the potential of human resources, institutions, and physical resources locally (regionally).

To public accountability, local governments must optimize budgets that are carried out economically, efficiently, and effectively (value for money) to improve people's welfare. Economy relates to the selection and use of resources in a certain quantity and quality at the cheapest price. Efficiency means that the use of public funds (public money) can produce maximum (efficient) output. Effectiveness means that the use of the budget must achieve the targets or objectives of the public interest. Experience so far has shown that regional financial management is still a concern.

Regional budgets, especially regional expenditures, have not been able to act as incentives in driving the pace of development in the regions. On the other hand, many budget allocations not under the needs and priorities and do not reflect the economic, efficiency, and effectiveness aspects, because the quality of regional budget planning is relatively weak. Weak budget planning is also followed by the inability of local governments to increase local revenues on an ongoing basis. Meanwhile, regional spending continues to increase, thus increasing the fiscal gap. This situation will eventually lead to underfinancing or overfinancing which in turn will affect the economic level, efficiency, and effectiveness of the work units of the Regional Government. (Mahmudi: 2009:9)

The regional income and expenditure budget is the regional government's annual financial plan which is discussed and agreed upon jointly by the regional government and the Regional People's Representative Council and is stipulated by Regional Regulation.

Aside from being the annual regional government financial plan, the APBD is an instrument in the context of realizing services and improving people's welfare to achieve state goals. Since the enactment of Law Number 22 of 1999 and Law Number 32 of 2004 concerning Regional Government, there has been a wider delegation of authority to regional governments. To increase the effectiveness and efficiency of the implementation of government functions, it is necessary to be supported by adequate sources of financing.

As an effort to public accountability, local governments carry out budget optimization which is carried out efficiently and effectively to improve people's welfare. Experience so far has shown that regional financial management is still ineffective. Regional budgets, especially regional expenditures, have not been able to play a role as a contributor in driving the pace of development in the regions.

Efficiency and effectiveness can be shown in the financial condition of an area in using or utilizing existing resources economically, sparingly (efficiently) and is carried out appropriately and meets the target (effectively) and the results achieved have rationality towards the use of these resources. Existing (productivity).

Effective and efficient regional financial management must be carried out optimally because often the realization does not match the target. One of them is in Southeast Sulawesi Province, especially North Konawe Regency which is a regency in the province of Southeast Sulawesi, Indonesia. The capital city is Wanggudu. This district was formed based on Law Number 13 of 2007 on July 22. North Konawe Regency is 1 of the 16 proposed district/city divisions approved by the House of Representatives on December 8th 2006. One area that has a lot of regional potential can be optimized as a source of revenue. The development of targets and realization of the Regional Original Revenue (PAD) of North Konawe Regency can be seen in Table 1. the following:

Table 1. Targets and Realization of North Konawe Regency for the 2016-2020 Fiscal Year (in rupiah).

No.	Year	Revenue Target	Revenue Realization	Difference
1	2016	816,648,196,768.00	795,062,782,297.23	(21,585,414,471)
2	2017	755,138,272,712.00	745,847,438,032.00	(9,290,834,680)
3	2018	773,741,082,952.00	778,087,318,332.00	4,346,235,380
4	2019	910,133,175,092.00	904,601,385,384.00	(5,531,789,708)
5	2020	856,169,900,135.01	883,421,957,166.00	27,252,057,031

Source: North Konawe Regency, 2021

Table 1 shows that the biggest budget difference occurred in 2016, reaching Rp. -21,585,414,471. Then the next big budget difference occurred in 2017 reaching Rp. -9,290,834,680, in 2018 it reached Rp. 4,346,235,380, then in 2019 the budget difference reached Rp. -5,531,789,708. Then the next thing happened in 2020 the realization of income was higher than the revenue target so the difference in the budget reached Rp. 27,252,057,031. This is due to the existence of a government program regarding income transfers from the central government.

Therefore, the effectiveness and efficiency of regional financial management play a very important role in supporting the increase in the provision of public services or regional development interests through North Konawe Regency which is reflected in the increase in regional public service spending and leads to increased economic growth.

As a reference to support the theory and prepositions in this study, an empirical study of the author is needed, so some of the research results are adopted, which can be seen in Table 2.

Table 2. Research Gap research

Research Gaps	Researcher	Results
Efficiency and effectiveness of regional financial management	Fathiyah (2020)	Very effective
	Federicky Manimbaga, et al, (2021)	Effective
	Lidya J. F Posuma, et al (2020)	
	Nelsalonica Tria Pavecta (2018)	
	Federicky Manimbaga, et al, (2021)	Effective enough
	Johannes Paulus Koromath (2020)	
	Federicky Manimbaga, et al, (2021)	Not efficient
	Johannes Paulus Koromath (2020)	Less efficient
	Fathiyah (2020)	
	Nelsalonica Tria Pavecta (2018)	Low efficiency
	Lidya J. F Posuma, et al (2020)	

Source: National Journal

Several studies on the efficiency and effectiveness of regional financial management have been carried out by Nelsalonica Tria Pavecta (2018) showing that for the level of effectiveness during 2015 to 2017 as a whole, the average is on effective criteria. This shows that the management of regional finances in the People's Welfare Administration Section is quite good. Meanwhile, for the level of efficiency in 2015 to 2017 as a whole the average is in the less efficient criteria. This is because the People's Welfare Administration Section is a non-producing organization, meaning that the organization only conducts expenditure transactions.

Based on the background of the problems above, regional financial management in the framework of accountability to the public which is a stakeholder in North Konawe Regency needs to be considered so that the existing funds are used on the target. This is directly related to financial policy, local governments must optimize the budget efficiently and effectively. Based on this phenomenon, the researcher is interested in conducting a research entitled "Analysis of the Efficiency and Effectiveness of Regional Financial Management in North Konawe Regency". The objectives to be achieved in this research are: (1) To find out and analyze the efficiency level of regional financial management in North Konawe Regency during 2016 – 2020.

LITERATURE REVIEW

Regional Financial Management

The central government and regional governments are inseparable units in the administration of government and public services. The main mission of Law No. 22 of 1999 and Law No. 25 of 1999 as amended by Law No. 32 of 2004 which was later changed to Law No. 23 of 2015 concerning Regional Government and Law No. 33 of 2004 concerning Financial Balance between the Central Government and Regional Governments, is not just a desire to delegate authority and financing from the Central Government to regional Governments, but more importantly, is the desire to increase the efficiency and effectiveness of the management of regional financial resources to improve welfare and services to society.

The spirit of decentralization, democratization, transparency, and accountability must be used as a reference in the process of administering government in general and the process of managing regional government finances in particular. As an elaboration of Law no. 33 of 2004 concerning the Financial Balance between the Central Government and Regional Governments, in implementing regional financial management the Government issued PP. No. 58 of 2005 concerning Regional Financial Management, then Permendagri No. 13 of 2006 concerning Guidelines for Regional Financial Management as amended by Permendagri No. 21 of 2011 concerning the second amendment to Permendagri No. 13 of 2006 concerning Guidelines for Regional Financial Management which among other things explains:

1. Regional finances are all regional rights and obligations in the context of administering regional government which can be valued in money including all forms of wealth related to the rights and obligations of the region.
2. Regional Financial Management is the whole activity that includes planning, implementation, administration, reporting, accountability, and supervision of regional finances.
3. Regional Income and Expenditure Budget, hereinafter abbreviated as APBD, is the regional government's annual financial plan that is discussed and agreed upon jointly by the regional government and the DPRD, and stipulated by regional regulations. Furthermore, regional income is the right of the regional government which is recognized as an addition to net worth.

Thus the notion of regional finance is always attached to the notion of APBD, namely an annual regional financial plan determined by regulation. In addition, the APBD is one of the tools to improve public services and community welfare under the objectives of broad, real, and responsible regional autonomy. The regional financial linkage that is attached to the APBD is a statement that there is a relationship between regional funds and central funds or known as the balance of central and regional finances. These funds consist of deconcentration funds (PP No. 55 of 2005 concerning Balancing Funds) and Decentralization funds. Deconcentration funds take the form of profit-sharing funds, general allocation funds, and special allocation funds. Meanwhile, what is meant by decentralization funds are those originating from local revenue (PAD).

Regional Financial Performance Analysis

According to Mulyadi (2007), performance is the success of personnel, teams, or organizational units in realizing predetermined strategic goals with the expected behavior. The term performance is often used to refer to the achievement or level of success of the individual or group of individuals and has defined success criteria. These criteria are in the form of specific goals or targets to be achieved. Without goals or targets, it is impossible to know the performance of a person or organization because there are no benchmarks.

Regional financial management needs to pay attention to its use. According to Mohamad Mahsun (2011: 135), Financial Statement Analysis is a tool used in understanding the problems and opportunities contained in financial statements. The use of ratio analysis in the public sector, especially for APBD, has not been widely carried out so theoretically there is no unanimous agreement regarding the name and principles of measurement.

Nevertheless, in the context of transparent, honest, democratic, effective, efficient, and accountable regional financial management, a ratio analysis of the APBD needs to be carried out even though the

accounting rules in the APBD are different from the financial reports owned by private companies (Abdul Halim 2012:4).

APBD financial ratio analysis is carried out by comparing the results achieved from one period compared to the previous period so that trends can be identified. Apart from that, this can also be done by comparing the financial ratios of a certain regional government with the financial ratios of other regions that are closest or have relatively the same regional potential to see how the position of the financial ratios of the regional government is compared to other regional governments.

There are several ways to measure Regional Financial Performance, one of which is by using Regional Financial Performance Ratios. Some of the ratios that can be used are PAD Effectiveness Ratio, Regional Financial Efficiency Ratio, Harmony Ratio, Growth Ratio, and Regional Financial Independence Ratio.

Regional Financial Independence Ratio

Halim (2012) states that the Independence Ratio describes regional dependence on external funding sources. The higher Independence Ratio means that the level of regional dependence on external assistance (especially the central and provincial governments) is lower.

And vice versa, the lower the Independence Ratio, the lower the level of community participation in paying regional taxes and levies which are the main components of Local Own Revenue (PAD). The higher the community pays regional taxes and fees, the higher the level of community welfare will be.

The formula used to calculate the Independence Ratio is:

$$\text{Independence Ratio} = \frac{\text{Locally-generated revenue}}{\text{Total income}} \times 100\%$$

Table 3. Patterns of Relations and Levels of Regional Independence

Financial Capability	Independence (percent)	Relationship Patterns
Very Low	0 % - 25%	Instructive
Low	25% - 50%	Consultative
Currently	50 % - 75 %	participatory
Tall	75 % - 100 %	Delegative

Source: Aulia Zhufinsa Nur Rahmatina, 2011

1. In the Instructive Relationship Pattern, the role of the central government is more dominant than the independence of the Regional Government (regions that are unable to carry out regional autonomy).
2. The Consultative Relationship Pattern, where the central government's intervention has begun to decrease, because the regions are considered to be slightly more capable, of implementing autonomy.
3. In the Participatory Relations Pattern, the role of the central government is decreasing, considering that the regions concerned have a level of independence that is close to being able to carry out autonomous affairs.
4. In the Delegative Relationship Pattern, the central government's interference is no longer there because the regions are truly capable and independent in carrying out regional autonomy affairs.

Compatibility Ratio

The Harmony Ratio illustrates how regional governments prioritize the optimal allocation of their funds for Routine Expenditures and Development Expenditures. According to Halim (2012 p. 236) the higher the percentage of funds allocated for Routine Expenditures, the smaller the percentage of investment expenditure (Development Expenditures) used to provide community economic facilities and infrastructure. There are 2

calculations in this Harmony Ratio, namely: the Operational Expenditure Ratio and Capital Expenditure Ratio.

1. The Operational Expenditure Ratio is a comparison between the total Operational Expenditure and the Total Regional Expenditure.

This ratio informs the reader of the report about the portion of regional expenditure allocated to Operational Expenditures. Operational Expenditures are expenditures whose benefits are consumed within one fiscal year, so they are short-term in nature and certain cases are routine or recurring. In general, the proportion of Operational Expenditure dominates the total regional expenditure, which is between 60-90 percent.

According to Mahmudi (2010 p.164), local governments with high-income levels tend to have a higher portion of operational spending than local governments with low-income levels. The operating expenditure ratio is formulated as follows:

$$\text{Operating Expenditure Ratio} = \frac{\text{Total Operating Expenditures}}{\text{Total Regional Expenditures}} \times 100\%$$

2. The Capital Expenditure Ratio is a comparison between the total realized capital expenditure and the total regional expenditure.

Based on this ratio, report readers can find out the portion of regional expenditure allocated for investment in the form of capital expenditure in the relevant fiscal year. Capital expenditure provides medium and long-term benefits and is also routine. According to Mahmudi (2010 p. 164) in general, the proportion of capital expenditures to regional expenditures is between 5-20 percent. This capital expenditure ratio is formulated as follows:

$$\text{Capital Expenditure Ratio} = \frac{\text{Total Capital Expenditures}}{\text{Total Regional Expenditures}} \times 100\%$$

There is no definite benchmark for how big the ratio of Operational and Capital Expenditures to the APBD is ideal because it is heavily influenced by the dynamics of development activities and the amount of investment needed to achieve the targeted growth. However, as a region in a developing country, the role of local government in spurring the implementation of development is still relatively large. Therefore, the ratio of capital expenditure (development) which is still relatively small needs to be increased according to development needs in the region.

Growth Ratio

The Growth Ratio is useful for knowing whether the local government is in the relevant fiscal year or during the budget period. The financial performance of the APBD has grown positively or negatively. Of course, it is expected that revenue growth will be positive and the trend will increase. Conversely, if there is negative growth, it will indicate a decrease in Regional Revenue Financial Performance.

The growth ratio is useful for seeing the ability to manage in the past. According to Mahmudi (2010 p.138), the growth ratio is useful for knowing whether local governments in the relevant fiscal year or during several budget periods, their budget performance has experienced positive or negative growth in income or spending. The formula for calculating the Growth Ratio is as follows:

$$r = \frac{\text{Annual Revenue } t - \text{Annual Revenue } (t - 1)}{\text{Year Revenue } (t - 1)}$$

The Growth Ratio serves to evaluate potential areas that need attention. According to Halim (2008 p. 241) for the growth ratio the higher the value of Total Regional Income, PAD, and Capital Expenditures followed by lower Expenditures Operation, the more growth is positive. It means that the area concerned has been able to maintain and improve growth from one period to the next.

Efficiency Concept

An efficiency is an act of maximizing results by using minimal capital (labor, materials, and tools) (Stoner, 2010). Efficiency is the ratio between input and output, and the ratio between input and output. What is meant by input and how the comparison figures are obtained, will depend on the purpose of using these benchmarks. In simple terms, according to Nopirin (2014), efficiency can mean no waste.

Efficiency is defined as the ratio between output and input, or the amount produced from one input used. A company can be said to be efficient if it uses a smaller number of units when compared to the number of input units used by other companies to produce the same output, or if using the same input units, can produce a larger amount of output (Permono and Darmawan, 2000 in Priyonggo Suseno, 2008).

The definition of efficiency according to Halim (2001:72) is the comparison between output and input. Efficient measures can be developed by linking actual costs to predetermined standard costs (eg budget). From this definition, efficiency is the ratio between output and input. Efficiency is a comparison between output and input or in other terms output/input unit (Mahmudi: 2007). Efficiency also contains several meanings, among others.

1. Efficiency in the private sector (private sector efficiency). Efficiency in the private business sector is explained by the concept of input-output, namely the ratio of output and input;
2. Efficiency in the public service sector is an activity carried out with minimum sacrifice, or in other words, an activity has been carried out efficiently if the implementation of the work has reached the target at the lowest cost or at the minimum cost the desired results are obtained;
3. The efficiency of regional government administration can be achieved by paying attention to aspects of relations and work procedures between local government agencies by utilizing the potential and diversity of an area. An activity is said to have been carried out efficiently if the implementation of the work has reached the target (output) at the lowest (input) cost or the minimum (input) cost at the desired result (output) is obtained. The determinants of efficiency are:
 - a. Technological factors of work execution.
 - b. The organizational structure factor is a stable arrangement of positions, both structural, and functional.
 - c. Human resource factors such as labor, work ability, and physical resources such as work equipment, workplaces, and financial funds.
 - d. The factor of support for the apparatus and its implementation, both the leadership and the community.
 - e. Leadership factor in the sense of the ability to combine these four factors into an efficient and effective business to achieve the intended target.

Efficiency is the ratio between the costs incurred for the activities of the Bombana Regency Government which include personnel expenditures, routine expenditures in the form of goods expenditures, maintenance expenditures, travel expenditures, and operational expenditures. Thus efficiency or usability is the ratio between output and input. Output is the realization of costs to obtain regional income in this case is expenditure and input is the realization of regional income in this case is income. To analyze the level of efficiency in financial management by looking at the comparison between the realization of the expenditure budget and the realization of the revenue budget as follows:

$$\text{Efficiency} = \frac{\text{Routine expenses}}{\text{Income}} \times 100\%$$

Income The criteria for measuring the efficiency of regional financial management are under Kepmendagri Number 690,900,327 of 1996, namely:

1. More than 100% means inefficient;
2. Between 90% - less than 100% means less efficient;
3. Between 70% - less than 80% means efficient;

4. Below 60% means very efficient.

Effectiveness Concept

Organizational effectiveness is the concept of effectiveness with which an organization aims to produce. Organizational effectiveness can be carried out by paying attention to customer satisfaction, achieving the organizational vision, fulfilling aspirations, generating profits for the organization, developing organizational human resources and aspirations, and having a positive impact on people outside the organization.

Effectiveness in a general sense shows the level of achievement of results, in simple language, it can be explained that the effectiveness of local government is when the goals of the local government can be achieved under the planned needs. In accordance with Permendagri Number 13 of 2006 article 4 paragraph 4, effectiveness is the achievement of program results with predetermined targets, namely by comparing outputs with results.

The definition of effectiveness according to Prasetyo Budi Saksono (1984) is: "Effectiveness is how much the level of the stickiness of the output achieved with the expected output of several inputs".

From this understanding, it can be concluded that effectiveness is a comparison between output and objectives to determine the effectiveness of financial management, namely by comparing the realization of spending with spending targets.

$$\text{Effectiveness} = \frac{\text{Revenue Realization}}{\text{Revenue Target}} \times 100\%$$

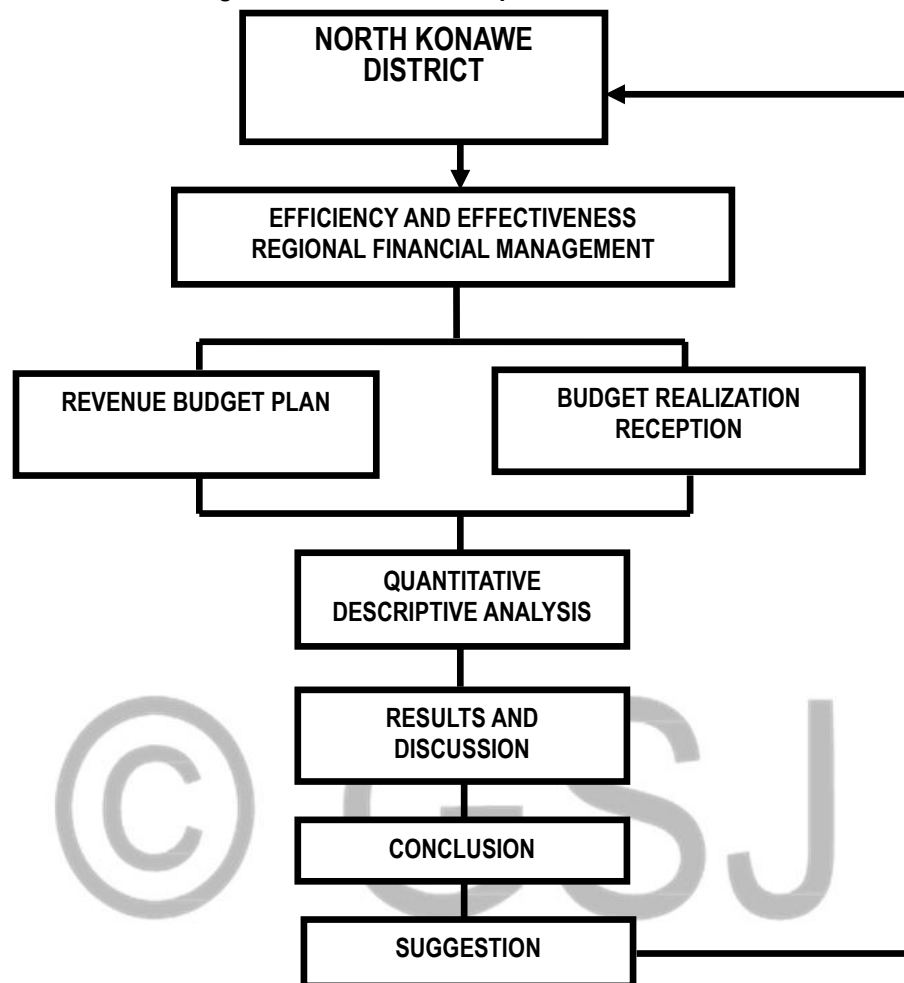
The standard of effectiveness according to the Decree of the Minister of Home Affairs No. 690,900-327 of 1996 concerning criteria for valuation and financial performance can be known to be effective or not by fulfilling the following criteria:

- | | |
|--|----------------------|
| 1. Comparison results or achievement levels above 100% | mean very effective |
| 2. Comparison result between 90% - 100 % | mean effective |
| 3. Yield comparison 80%-90% | mean quite effective |
| 4. Yield comparison 60% - 80% | mean less effective |
| 5. Comparison results below 60% | mean ineffective. |

Conceptual Framework

Regional financial management is the whole activity that includes planning, implementation, administration, reporting, accountability, and supervision of regional finances (PP 58/2005, article 1). The principles of regional financial management include (a) Accountability; (b) Value For Money ; (c) Honesty; (d) Transparency; (e) Control. This study focuses more on discussing one of the regional financial principles, namely value for money. Value for money, namely optimizing the budget economically, efficiently, and effectively to improve people's welfare. Economy relates to the selection and use of resources in a certain quantity and quality at the cheapest price. Efficiency means that the use of public funds (public money) can produce maximum (efficient) output. Effectiveness means that the use of the budget must achieve the targets or objectives of the public interest. Efficient and effective management will have an impact on better and optimal budget management. The application form of this conceptual framework can be described as follows:

Figure 1. Research Conceptual Framework



RESEARCH METHODS

Object of Research

The place of research taken in this study is the Regional Financial and Asset Agency of North Konawe Regency. The capital city is Wanggudu. The unit of analysis in this study is Regional Financial Management in North Konawe Regency from 2016 to 2020.

Types of Research

The type of research used is descriptive research where this research aims to describe systematically, factually, and accurately a situation, condition, or field of study that is the object of research. Descriptive results can be quantitative (using numbers or qualitative/verbal sentences or both). Amir (2013).

Data Types and Sources

The types of data used in this research are: (a) Quantitative data and (b) Qualitative data. Sources of data in this study consisted of (a) secondary data and (b) primary data.

Method of Collecting Data

The type of data used in this research is secondary data that is quantitative for five years from 2016 to 2020, obtained from North Konawe Regency in the form of the relevant annual report and the results of interviews with three research informants. The data used in this study are regional revenue and expenditure budgets used in North Konawe Regency, Tax and Non-Tax Revenue Sharing, Assistance, Subsidized Contributions, General Allocation Funds, and Regional Revenue and Expenditure Budgets (APBD), and others. Data collection was carried out by compiling documents related to research issues and various institutions through time series data. Secondary data collection was obtained from various sources. The procedures in this study:

1. Obtain an overview and existing problems regarding the level of efficiency and effectiveness of regional financial management in North Konawe Regency.
2. Obtain data on the Revenue and Expenditure Budget of the North Konawe Regency.
3. Calculating the Efficiency of Regional Financial Management in North Konawe Regency.
4. Calculating the effectiveness of Regional Financial Management in North Konawe Regency.
5. Adjust the results of efficiency and effectiveness calculations with the results of the interviews then conclude.

Data Analysis Technique

The method of data analysis technique uses a descriptive quantitative approach which is a method used to formulate attention to the problems encountered, where data is collected, compiled, and analyzed so that it can provide information on existing problems.

RESEARCH RESULT AND DISCUSSION

Data Analysis

Analysis of the Regional Financial Management of the Bombana District Health Office in this study is a process of assessing the level of progress in achieving the implementation of Government work/activities at the Health Service for the 2013-2017 period. The ratio used by researchers in analyzing the regional financial management of the Bombana District Health Office in this study is an analysis of efficiency and effectiveness analysis.

Efficiency

Efficiency measurement is done by using a comparison between the resulting output to the input used. The process of operational activities can be said to be efficient if a certain product or work results can be achieved with the use of resources and funds that are as minimum as possible.

Local government performance in North Konawe Regency is said to be efficient if the ratio produced or achieved is < 1 or not more than 100 percent. The smaller the value of the efficiency ratio, the better the local government's performance North Konawe Regency.

In this study, the measurement of efficiency is carried out with the following calculations:

$$\text{Efficiency} = \frac{\text{Routine expenses}}{\text{Income}} \times 100\%$$

Table 4. Financial Efficiency Ratio North Konawe Regency (in rupiah)

Year	Routine expenses	Total income	Efficiency Ratio	Information
2016	517,642,767,133.00	795,062,782,297.23	65.11%	Efficient
2017	588,450,151,203.00	745,847,438,032.00	78.90%	Efficient
2018	624,499,732,363.00	778,087,318,332.00	80.26%	Efficient Enough
2019	685,475,929,122.00	904,601,385,384.00	75.78%	Efficient
2020	503,916,538,212.00	883,421,957,166.00	57.04%	Very Efficient
Average			71.42%	Efficient

Source: Data processed, 2021

In Table 4. for the efficiency ratio of regional financial management of North Konawe Regency from 2016 to 2020 the efficiency ratio is 71.42percent, this shows that the efficiency ratio of regional financial management in North Konawe Regency is included in the efficient category because it is located 60 percent to less than 80 percent. This shows that the performance of the regional income of North Konawe Regency has increased. This is due to the local government of North Konawe Regency being able to increase regional income to finance routine expenses.

The data used in conducting this research is the Budget Realization Report of the Regional Government of North Konawe Regency. From this data, it is processed to determine the efficiency of the regional budget of North Konawe Regency. Budget efficiency has a derivative ratio, namely the compatibility ratio.

Compatibility Ratio

The capital expenditure ratio is a comparison between the total capital expenditure realization and the total regional expenditure. Capital expenditure provides medium and long-term benefits and is also routine. In general, the proportion of capital expenditures to regional expenditures is between 5-20 percent. This capital expenditure ratio is formulated as follows:

$$\text{Capital Expenditure Ratio} = \frac{\text{Total Capital Expenditures}}{\text{Total Regional Expenditures}} \times 100\%$$

Table 5. Conformity Ratio North Konawe Regency (in rupiah)

Year	Capital Expenditures	Total Spend	Compatibility Ratio	Information
2016	183,722,108,496.00	751,902,379,620.00	24.43%	Not good
2017	225,164,393,096.00	588,450,151,203.00	38.26%	Not good
2018	165,920,510,866.00	790,683,806,109.00	20.98%	Not good
2019	146,886,999,088.00	832,857,928,210.00	17.64%	Good
2020	131,209,540,279.00	666,352,170,416.00	19.69%	Good
Average			24.20%	Not good

Source: Data processed, 2021

Table 5 shows that capital expenditure issued by the regional government of North Konawe Regency from 2016 to 2020 is 24.20 percent. This shows that the condition of capital expenditure issued by North Konawe Regency is not good because the proportion is greater than 20 percent. While it can be said to be good if the proportion is still between 5-20 percent. This is due to the priority allocation of funds for routine spending and development spending that has not run optimally. Although in general, adequate human resources in North Konawe Regency have good work ability and adequate physical resources, for example, complete work equipment, a comfortable workplace, and sufficient financial funds as well as support from the apparatus and good implementation from the leadership. Area of North Konawe Regency and society in

general.

This cannot guarantee that the regional financial management of North Konawe Regency can run well because all financial activities depend on capital expenditure and total spending used if the capital expenditure is small, the regional compatibility ratio for North Konawe Regency will be in good condition.

Effectiveness

Effectiveness is a ratio that describes the impact (outcome) of program output in achieving program objectives. The greater the contribution of the resulting output to the achievement of the specified goals or objectives, the more effective the work process of an organizational unit.

The performance of the Regional Government at the Bombana District Health Office is said to be effective if the ratio produced or achieved is more than 100 percent. The higher the value of the effectiveness ratio, the better the performance of the Regional Government at the Bombana District Health Office. In this study, the measurement of effectiveness is carried out by the following calculations:

$$\text{effectiveness} = \frac{\text{Revenue Realization}}{\text{Target}} \times 100 \%$$

Table 6. Financial Effectiveness RatioAreaNorth Konawe Regency (in rupiah)

Year	Total income	Target	Effectiveness Ratio	Information
2016	795,062,782,297.23	816,648,196,768.00	97.36%	Effective
2017	745,847,438,032.00	755,138,272,712.00	98.77%	Effective
2018	778,087,318,332.00	773,741,082,952.00	100.56%	Very effective
2019	904,601,385,384.00	910,133,175,092.00	99.39%	Effective
2020	883,421,957,166.00	856,169,900,135.01	103.18%	Very effective
Average			99.85%	Effective

Source: Data processed, 2021

In Table 6. the ratio of the effectiveness of regional incomeNorth Konawe Regencyfrom 2016 to 2020 of 99.85 percent, it is included in the effective category because it is in the criteria for a 90-100 percent comparison. This means that the total income earned fully meets the expected target. Although the factors that cause effectiveness have been fulfilled including the existence of clear goals under the regional vision and mission North Konawe Regency and the organizational structure goes according to the coordination flow in the organizational structure chart. But this condition depends on the determination of revenue targets.

Through effectiveness analysis, it can be seen how much the realization of regional income is against the target that should be achieved in a certain period. Targeting the realization of regional income, it is intended to encourage local government performance in achieving high regional income.

Regional revenue targets North Konawe Regency every year it experiences instability, sometimes it decreases, sometimes it increases, but there is a difference in the number of targets and income. This is evidenced by the level of effectiveness ratio over regional income which is classified as effective.

The data used in conducting this research is the Government Budget Realization Report area of North Konawe Regency. The data is processed to determine the effectiveness of the budget area of North Konawe Regency. Budget effectiveness has two derivative ratios, namely the independence ratio and the growth ratio.

Independence Ratio

Independence Ratioarea of North Konawe Regency shows the level of ability of a region to self-finance government activities, development, and services to the community and levies as a source of income needed by the region.

Regional Financial Independence Ratio North Konawe Regency can be calculated using the following formula:

$$\text{Independence Ratio} = \frac{\text{Locally-generated revenue}}{\text{Total income}} \times 100\%$$

Table 7. Financial Independence Ratio North Konawe Regency Area (in Rupiah)

Year	Locally-generated revenue	Total income	Independence Ratio	Relationship Patterns
2016	11,575,504,080.23	795,062,782,297.23	1.46%	Instructive
2017	25,002,200,734.00	745,847,438,032.00	3.35%	Instructive
2018	15,614,196,958.00	778,087,318,332.00	2.01%	Instructive
2019	18,294,312,882.00	904,601,385,384.00	2.02%	Instructive
2020	29,907,922,318.00	883,421,957,166.00	3.39%	Instructive
Average			2.44%	Instructive

Source: Data processed, 2021

In Table 7, for the regional independence ratio of North Konawe Regency as measured in 5 years from 2016 to 2020, the independence ratio is 2.44 percent, which is included in the very low category because it is at a level of independence of 0 percent to 25 percent with an instructive relationship pattern. The pattern of instructive relations is that the role of the central government is more dominant than the independence of local governments (regions that are unable to implement regional autonomy). This happens because Regional Original Income is still low which consists of regional tax revenues, results of regional levies, results of separated regional wealth management, and other legitimate regional original income so that the financing of regional development does not run optimally. Even in the North Konawe Regency, there is always motivation from the leadership and the leadership always directs them to carry out their duties and responsibilities under the duties and functions of each of the leaders. However, it is still not running optimally.

Growth Ratio

The Growth Ratio is useful for knowing whether the local government in the relevant fiscal year or during the budget period, Financial Performance experiences positive or negative growth. Of course, it is expected that revenue growth will be positive and the trend will increase. Conversely, if there is negative growth, it will indicate a decrease in Regional Revenue Financial Performance.

The formula for calculating the Revenue Growth Ratio is as follows:

$$r = \frac{\text{Annual Revenue} - \text{Annual Revenue (t - 1)}}{\text{Annual Revenue (t - 1)}}$$

Table 8. Regional Revenue Growth Ratio of North Konawe Regency (in rupiah)

Year	Initial Income	Final Income	Growth Ratio	Information
2016	680,708,867,792.00	795,062,782,297.23	16.80%	Positive
2017	795,062,782,297.23	745,847,438,032.00	-6.19%	Negative
2018	745,847,438,032.00	778,087,318,332.00	4.32%	Positive
2019	778,087,318,332.00	904,601,385,384.00	16.26%	Positive
2020	904,601,385,384.00	883,421,957,166.00	-2.34%	Negative
Average			5.77%	Positive

Source: Data processed, 2021

Based on Table 8. above it can be seen the growth ratio of North Konawe Regency for 2016 to 2020 the regional income growth rate is at 5.77 percent. The growth ratio is useful to find out whether the local government in the relevant fiscal year or during several budget periods, the performance of the budget experienced positive or negative revenue growth.

It can be concluded that regional income occurs in the government of North Konawe Regency for

2016 the growth was very good, in 2017 it experienced a negative growth decline, in 2018 to 2019, the growth was very good with a positive value while in 2020 this growth North Konawe Regency experienced a very drastic decline because this negative growth occurred due to the less than the optimal amount of revenue received by the Government North Konawe Regency.

Research Limitations

The results of this study have provided several findings, but there are still some things that need to be studied further. This condition is strongly influenced by several things which indirectly become limitations of the research, namely:

1. This study does not consider other variables that may be able to measure regional financial performance, only measuring efficiency, effectiveness, compatibility ratio, independence ratio, and growth ratio which have potential possibilities related to employee performance have not been included in this study.
2. The data used in this study is still limited, namely the 2016-2020 financial reports with three key informants, therefore further researchers can add data, the number of informants, and different analytical approaches.

CONCLUSIONS AND SUGGESTION

Conclusion

Based on the results of the analysis of the Regional Financial Management of North Konawe Regency, the conclusions are as follows:

1. The level of efficiency in the Regional Financial Management of North Konawe Regency is included in the efficient category. This shows that the performance of the regional income of North Konawe Regency has increased. This is due to the local government of North Konawe Regency being able to increase regional income to finance routine expenses. The regional compatibility ratio for North Konawe Regency is still above 20 percent, meaning that the priority allocation of funds for routine spending and development spending has not run optimally.
2. The results of the analysis of the effectiveness of the Regional Financial Management of North Konawe Regency show that overall the level of effectiveness of the North Konawe Regency is included in the effective category. This means that the total income earned can meet the expected target. There are two ratio derivatives for effectiveness in the North Konawe Regency Region, namely the ratio of the independence of the North Konawe Regency if the independence value from 2016 to 2020 is in the very low category with a pattern instructive relationship. While the regional growth ratio of North Konawe Regency from 2016 to 2020 has changed but overall growth has been positive.

Suggestion

Based on the results of the research conducted, the suggestions that can be given are as follows:

1. It is hoped that the Regional Government of North Konawe Regency in setting targets will pay attention to budgeting for this agency. Determining budget targets is not just an estimate but adjusted to regional income, before management sets a budget target, it is necessary to make estimates of both income and expenditure so that the targets set in the budget are realistic and rational.
2. The Regional Government of North Konawe Regency is expected to be able to increase regional income to finance routine expenditures, or reduce routine expenditures and increase regional income so that it can be very effective.
3. For further research should be able to add the variables of supervision and inspection of the APBD and the research location preferably one district or city.

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