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Analysis Of Financial Performance Of District / City Governments After Regional Autonomy In North Sumatera Province

Dewi Safariani

Faculty of Economy and Business, Universitas Sumatera Utara, Indonesia

Abstract – The implementation of regional autonomy as a form of government policy is expected to be able to solve the financial crisis of the central government. Prior to the enactment of regional autonomy, the financial resources of local or regional governments depended on the central financial capacity to be allocated in the form of allowances and financial assistance for regions to finance development and positions in regional government. With regional autonomy, it is hoped that regional governments should be freer in managing their own finances and more efficient in managing their own financial resources. A significant difference in the achievement of regional government financial performance after autonomy is enacted / implemented. This study uses a research sample in the local government in North Sumatra Province, using the Paired T-Test statistical method.

Keywords – Financial Performance, Autonomy.

I. Introduction

The economic crisis that hit Indonesia in early 1996 and reached its peak in 1997 prompted a strong desire from the central government to relinquish some of the financial management authority to the regions and it was hoped that the regions could finance development activities and community services on the basis of their own financial capabilities. In other words, the decline in overall state revenue has prompted the emergence of initiatives to grant economic status to autonomous regions as stipulated in Law Number 5 of 1974 as the designation for Provincial / City District Governments in the pre-regional autonomy era.

To realize the desire for decentralization in order to reduce regional dependence on the Central Government, then through Law Number 23 of 2014 concerning Regional Government (revision of Law Number 32 of 2004) and Law Number 33 of 2004 concerning Financial Balance between the Central Government and Regional Governments up to with Law no. 71/2010, the Government of the Republic of Indonesia officially imposed regional autonomy status on autonomous regions and revoked Law No. 5/1974 on the Principles of Regional Government. It is hoped that the decentralization policy regarding regional governance will provide more opportunities for changes in the life of democratic local government which in turn will improve the welfare of the people as a whole (Law Number 23 of 2014).

The objectives of regional autonomy development are community empowerment, independence in development financing, and increasing community participation and improving services to the community. In addition, the presence of regional autonomy is inseparable from the existence of several weaknesses in the system of centralization of authority regulated in Law Number 5 of 1974. These significant weaknesses include not achieving a fair and equitable financing system for regions, there are high differences in conditions and conditions. financial capacity among regions and reduce regional initiatives in developing their natural resource potential.

Examining the problem of decentralization cannot be separated from the problem of centralization in government administration, development and public services. According to Djohermansyah (2019) centralization and decentralization are a continuum (series), they cannot only echo decentralization and do not involve centralization. "Centralization and decentralization must go hand in hand, neither can prioritize centralization nor give priority to decentralization".

The roll-out of regional autonomy which began with the issuance of Law Number 22 Year 1999, of course, had consequences for regional financing. With the implementation of regional autonomy, there are two aspects of financial performance that are required to be better than the era before regional autonomy. The first aspect is that the regions are given the authority to manage regional financing with the main strength in the ability of own-source revenue (fiscal decentralization). The second aspect is that the regional expenditure management side must be more accountable and transparent, of course, requires regions to be more efficient and effective in regional expenditure.

II. Research Objectives And Methods

The purpose of this study is to determine whether there is a difference between the financial performance of regional governments in the form of fiscal decentralization from 2015 to 2017, to find out whether there is a difference between the financial performance of regional governments in the form of fiscal efforts between the 2015 to 2017 period, to find out whether there is a difference between the financial performance of local governments in the form of financing capacity between the 2015 to 2017 period and to find out whether there is a difference between the financial performance of local governments in the form of expenditure performance (efficiency of budget use) between the 2015 to 2017 period.

This research was conducted by conducting a comparative test of the district / municipal financial reports obtained from the budget realization reports. The reports that are being compared are the reports from the 2015 fiscal year to 2017 fiscal year from the District / City financial reports a number of ratios are taken which are considered sufficient in assessing the financial performance of the Regency / City. This ratio is used as a measuring tool for financial performance and is compared to get the results whether there is a difference in performance from 2015 to 2017.

The population of this study is the Regency / City Government in North Sumatra Province using the purposive sampling method of data collection, namely to obtain samples that meet certain criteria required sampling characteristics where a certain character is required, namely districts / cities in North Sumatra, only 8 regions that meet the requirements. to do a different test from 33 districts / cities.

The variable of this research is the financial performance of local governments which includes several parameters in the form of a ratio according to Halim (2007), namely:

1. Fiscal Decentralization; A measure that shows the level of authority and responsibility given by the central government to local governments in collecting and managing revenue.
2. Fiscal Effort; A measure that shows the level of a region's ability to achieve the target of own-source revenue
3. Independent Financing Level; A measure that shows how far the revenue originating from the region in meeting the needs of the region
4. Budget Usage Efficiency Ratio; A measure that shows the level of efficiency of each use of regional money in developing the region.

No	Research Variable	Operational Definition	Measurement
1	Fiscal Decentralization	A measure that shows the level of authority and responsibility given by the central government to local governments in collecting and managing revenue.	• $\frac{PAD}{TPD}$ • $\frac{BHPBP}{TPD}$ • $\frac{SUM}{TPD}$
2	Fiscal Effort	A measure that shows the level of a region's ability to achieve the target of own-source revenue	• $\frac{PAD}{TAPAD}$
3	Independent Financing Level	A measure that shows how far the revenue originating from the region in meeting the needs of the region	• $\frac{PAD}{TKD}$ • PAD

			• KR • PAD + BHPBP / TKD
4	Budget Usage Efficiency Ratio	A measure that shows the level of efficiency of each use of regional money in developing the region.	• TSA / TBD • TPL / TBD

Information :

- PAD :Total Local Own Revenue
- TPD :Total Regional Revenue
- BHPBP :Tax / Non-Tax Profit Sharing
- SUM :Contribution from the Central Government
- TAPAD :Total Regional Original Revenue Budget
- TKD :Total Regional Expenditure
- KR :Routine Expenses
- TSA :Total Remaining Budget
- TBD :Total Regional Expenditure
- TPL :Total other expenses

This study uses secondary data in the form of Regional Financial Statements or by another name the Calculation of the Provincial Budget of North Sumatra. The financial data and information were obtained from the results of the City District Financial reports in Sumatra Province at the Regional Financial and Asset Management Agency of North Sumatra Province for 2015 to 2017.

Analysis of the research data is to determine whether the research data has a normal distribution or not. The results of the data normality test resulted in a normal distribution of financial ratios so the Paired Sample T Test was used against these ratios

III. Results And Discussion

The results of data collection from the population, found that there are obstacles, namely, the existence of several districts / cities resulting from the expansion, so that they are deemed unfit to be sampled. City.

The research data has been separated between the 2015 to 2017 period, so the next step is to only calculate the ratios for each sample for each research period that is used as the research scope.

Result of Calculation of Average Ratio - Average / Period

Type of Performance	No	Ratio formula	2015	2017
Fiscal Decentralization	1	PAD/TPD	0.0690	0.1318
	2	BHPBP/TPD	0.1214	0.5715
	3	SUM/TPD	0.6223	0.7632
Fiscal Effort	4	PAD/TAPAD	0.6410	0.7295
Independence	5	PAD/TKD	0.0808	0.1307
Financing	6	PAD/KR	0.1334	0.2088
	7	(PAD+BHPBP)/ TKD	0.2116	0.6137
Efficiency of Use	8	TSA/TBD	0.0820	0.2715
Budget	9	TPL/TBD	0.7296	6.8061

Based on the data obtained, it can be concluded that there are differences in performance, these differences are significant. This performance on average can also be concluded to be better than the previous period. This can be seen from the average value of each ratio, where the nine ratios indicate the direction of performance improvement.

a. There are differences in financial performance in district / city governments in the form of fiscal decentralization in 2015 to 2017. This difference in performance leads to a better direction, this can be seen from the three calculated ratios that have increased. The PAD / TPD ratio has increased from 0.0690 to 0.1318. The SUM / TPD ratio has increased from 0.6223 to 0.7632, and the BHPBP / TPD ratio from 0.1214 to 0.5715.

b. There are differences in the financial performance of district / city governments in the form of fiscal efforts in 2015 to 2017. The difference in performance leads to a better direction can be seen from the PAD / TAPAD ratio, which has increased from 0.6410 to 0.7295.

c. There are differences in the financial performance of district / city governments in the form of financing capacity in 2015 to 2017. Differences in the financial performance of district / city governments in the form of financing capabilities in 2015 to 2017. This difference in financial performance can be seen where the three ratios have increased. The PAD / TKD ratio has increased from 0.0808 to 0.1307

d. There are differences in the financial performance of district / city governments in the form of efficient use of the budget from 2015 to 2017

In 2017, awards were given to Deli Serdang Regency, Humbang Hasundutan Regency, Asahan Regency, Samosir Regency, Medan City, Tebing Tinggi City, Pematang Siantar City and Binjai City which were considered to be outstanding based on the Report on the Implementation of Regional Government by the Governor of North Sumatra with the Regional Autonomy is to improve the quality of Indonesia's human resources better through the implementation of Creative and Innovative Regional Autonomy ".

IV. Conclusion

The conclusions of this study are:

a. There are differences in the financial performance of local governments in the form of fiscal decentralization from 2015 to 2017

b. There are differences in the financial performance of local governments in the form of fiscal efforts from 2015 to 2017

c. There are differences in the financial performance of local governments in the form of financing capacity from 2015 to 2017

d. There are differences in the financial performance of local governments in the form of efficient use of the budget from 2015 to 2017

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