

Research Article

Financial Performance Analysis of The Regional Government of Merangin District in The Fiscal Year 2017-2023

Sabina Dewanda Putri ¹, Iskandar Sam ², and Rahayu ^{3,*}¹ Jambi University, Indonesia, Email; sabinaputri578@gmail.com² Jambi University, Indonesia³ Jambi University, Indonesia

* Corresponding Author : Sabina Dewanda Putri

Abstract: This study aims to analyze the financial performance of the Merangin Regency Government in the 2017-2023 budget year using the financial ratio analysis method. The ratios used include the regional financial independence ratio, the effectiveness and efficiency ratio of Regional Original Income (PAD), the activity ratio (spending harmony), the growth ratio, and the budget solvency ratio. The data used in this study are secondary data obtained from the realization report of the Regional Revenue and Expenditure Budget (APBD) of Merangin Regency during the study period. The results of the analysis show that the financial performance of Merangin Regency fluctuates from year to year. The PAD effectiveness and efficiency ratio shows a fairly good level of effectiveness, although its efficiency still needs to be improved. The regional financial independence ratio is still relatively low, indicating a fairly high dependence on transfer funds from the central government. The activity ratio shows that the allocation of spending is still used more for operational spending than capital spending, which has an impact on the region's ability to build long-term infrastructure. This study provides recommendations for the Merangin Regency Government to improve its strategy in optimizing PAD and managing the budget more efficiently and oriented towards sustainable development.

Keywords: financial performance, APBD, financial ratio.

1. Introduction

The Regional Revenue and Expenditure Budget (APBD) is the main instrument in supporting the implementation of regional government programs, development, and public services. The quality of APBD management reflects the ability of the regional government to carry out its duties and functions effectively and efficiently. Therefore, analysis of regional financial performance is important, one of which is through the financial ratio approach. Since the enactment of Law Number 23 of 2014 concerning Regional Government, there have been significant changes in regional financial governance that emphasizes accountability and transparency. In this context, measuring regional financial performance is not only important for the government, but also for the community as the main stakeholders. Merangin Regency, as the largest regency in Jambi Province, faces its own challenges in financial management, especially related to the limitations of Regional Original Income (PAD). Many assumptions have developed that Merangin's fiscal capacity is still low. This encourages the need for an in-depth study to determine the real condition of the region's financial performance through financial ratio analysis. This study aims to analyze the financial performance of the Merangin Regency Regional Government during the 2017–2023 budget years, in order to provide an overview of the effectiveness, efficiency, and fiscal independence of the region in managing the APBD.

Received: March, 22th 2025Revised: March, 29th 2025Accepted: April, 20th 2025Online Available: April, 22th 2025Curr. Ver.: April, 22th 2025

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2. Preliminaries or Related Work or Literature

Regional (government) financial accounting in Indonesia is one of the areas in public sector accounting that has received great attention from various parties since the reformation in 1998.

Regional Finance

Based on PP Number 12 of 2019, "Regional Finance is all rights and obligations of the Region in the context of organizing Regional Government that can be valued in money and all forms of wealth that can be owned by the Region in connection with the rights and obligations of the Region". Regional Financial Management is all activities that include planning, budgeting, implementation, administration, reporting, accountability and supervision of regional finances

Regional Financial Performance

Financial performance is a measure of an organization's financial management linked to the center of responsibility. According to the Regulation of the Minister of Home Affairs Number 77 of 2020 concerning Technical Guidelines for Regional Financial Management, it is stated that performance is the output or result of activities or programs that will or have been achieved in connection with the use of the budget with measurable quantity and quality. The financial performance of the regional government is "a description of the level of achievement of financial management for the implementation of a program policy activity in realizing the targets, objectives, vision and mission of the regional government". Financial performance can be concluded as a description of the financial condition of a company or an agency's finances that can be measured in a certain way which can be in the form of the realization of income and expenditure which is compiled on an accrual basis which produces a conclusion about the success of the company or agency in managing finances (Mahsun, 2013).

3. Proposed Method

Regional Financial Independence Ratio (RKKD)

The regional financial independence ratio states how capable a region is of financing its own government, development, and community empowerment activities. The independence ratio can also be used to show how dependent a region is on external funds, such as the Central and Provincial Governments.

$$\text{Independence Ratio} = \frac{\text{Local Original Income}}{\text{Total Regional Income}} \times 100\%$$

Effectiveness and Efficiency Ratio of Local Original Income (PAD)

The Effectiveness Ratio describes the ability of the regional government to realize the planned APBD and compare it with the target set based on the real potential of the region. The Efficiency Ratio is a ratio that describes the comparison between output and input or the realization of expenditure with the realization of regional revenue.

$$\text{Effectiveness Ratio} = \frac{\text{Realized PAD}}{\text{Realized PAD Budget}} \times 100\%$$

$$\text{Efficiency Ratio} = \frac{\text{Realized Expenditure}}{\text{Realized PAD Revenue}} \times 100\%$$

Activity Ratio (Regional Spending Harmony)

Activity ratio (Regional Expenditure Harmony) is a regional financial ratio that describes how the Regional Government prioritizes the allocation of its funds on routine expenditure and development expenditure optimally. The higher the percentage of funds allocated for operational expenditure means the percentage of capital expenditure used to provide economic infrastructure for the community tends to be smaller.

$$\text{Routine Expenditure Ratio} = \frac{\text{Total Expenditure}}{\text{Total APBD}} \times 100\%$$

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

Growth Ratio

Growth Ratio Measures the extent to which the local government is able to maintain and improve its success achieved from one period to the next.

$$\text{Growth Ratio} = \frac{\text{RpXn} - \text{Rpxn} - 1}{\text{RpXn} - 1} \times 100\%$$

Budget Solvency Ratio

The budget solvency ratio measures the ability of a local government to generate revenue to cover government spending during the budget period.

$$\text{Budget Solvency Ratio} = \frac{\text{Total Revenue LRA} - \text{DAK LRA}}{\text{Total Expenditure} - \text{Capital Expenditure}} \times 100\%$$

4. Results and Discussion

In this section, the researcher presents the results of the financial performance analysis of the Merangin Regency local government, namely by looking at the assessment process regarding the level of financial achievement in Merangin Regency for the period 2017-2023. The data used in this study is the Budget Realization Report (LRA), where the results of the discussion test are carried out through financial performance variables. The following are the results of the financial performance ratio analysis.

Regional Financial Independence Ratio (RKKD)

Table 1. Realization of PAD and Revenue of Merangin Regency 2017-2023.

tahun	rasio kemandirian keuangan daerah				hasil	kriteria
	Anggaran PAD	Realisasi PAD	Anggaran Pendapatan	Realisasi Pendapatan		
2017	93.046.424.049,90	86.702.264.468,71	1.377.586.644.255,73	1.337.425.392.083,42	6,48%	rendah
2018	98.456.989.013,43	89.304.559.027,72	1.365.277.317.535,58	1.334.262.666.035,62	6,69%	rendah
2019	102.684.921.504,97	106.160.970.249,67	1.531.257.422.330,53	1.508.597.828.736,42	7,04%	rendah
2020	100.411.729.724,43	100.322.387.750,97	1.358.014.402.327,23	1.370.620.154.058,01	7,32%	rendah
2021	111.262.174.504,00	107.879.827.143,34	1.390.884.149.440,00	1.375.629.216.071,34	7,84%	rendah
2022	140.670.249.862,00	116.712.554.237,02	1.319.533.844.169,00	1.327.975.530.896,02	8,79%	rendah
2023	113.514.136.051,00	107.976.482.974,79	1.419.203.266.130,00	1.401.344.105.918,79	7,71%	rendah
	rata-rata				7,41%	

Based on the calculation results obtained in table.1 above, it can be seen that the Regional Financial Independence Ratio of Merangin Regency is in the low or very low criteria, namely 6.48% in 2017, 6.69% in 2018, and in 2019-2021 it only reached 7%, then 8.79% in 2022 and 7.71% in 2023. This indicates that the participation of the Merangin Regency community in paying regional taxes and levies which are the main components of Regional Original Income (PAD) is very low and is very dependent on external parties such as transfer income and assistance from the center

Effectiveness and Efficiency Ratio of Local Original Income (PAD)

Table 2. Realization of PAD Merangin Regency for the 2017-2023 Budget Year

tahun	Pendapatan Asli Daerah		Hasil	Kriteria
	Rencana/target	Realisasi		
2017	93.046.424.049,90	86.702.264.468,71	107,32%	sangat efektif
2018	98.456.989.013,43	89.304.559.027,72	110,25%	sangat efektif
2019	102.684.921.504,97	106.160.970.249,67	96,73%	sangat efektif
2020	100.411.729.724,43	100.322.387.750,97	100,09%	sangat efektif
2021	111.262.174.504,00	107.879.827.143,34	103,14%	sangat efektif
2022	140.670.249.862,00	116.712.554.237,02	120,53%	sangat efektif
2023	113.514.136.051,00	107.976.482.974,79	105,13%	sangat efektif
	rata-rata		106,17%	sangat efektif

From the calculation results above, it can be seen that the PAD Effectiveness Ratio of the Merangin Regency local government in the 2017 budget year was 107.73%, in 2018 it was 110.25%, in 2019 it was 96.73%, in 2020 it was 100.09%, then in 2021 it reached 103.14% 120.53% in 2022 and 105.13% in 2023. This shows an increase and decrease from 2017-2023 which is in the very effective category.

Table 3. Merangin Regency PAD Expenditure for 2017-2023 Fiscal Year

tahun	pengeluaran PAD		Hasil	Kriteria
	Realisasi pengeluaran	Realisasi PAD		
2017	1.500.000.000,00	86.702.264.468,71	1,73%	sangat efisien
2018	3.500.000.000,00	89.304.559.027,72	3,92%	sangat efisien
2019	4.000.000.000,00	106.160.970.249,67	3,77%	sangat efisien
2020	-	100.322.387.750,97	0,00%	sangat efisien
2021	4.000.000.000,00	107.879.827.143,34	3,71%	sangat efisien
2022	2.000.000.000,00	116.712.554.237,02	1,71%	sangat efisien
2023	5.500.000.000,00	107.976.482.974,79	5,09%	sangat efisien
	rata-rata		2,85%	sangat efisien

From the calculation above, it can be seen that the PAD Efficiency Ratio of the Merangin Regency local government in the 2017 budget year was 1.73% and in 2018 it was 3.92%, then in 2019 and 2020 the efficiency was 3.77% and 0.00%, and in 2021 it was 3.71%, in 2022 it reached 1.71% and in 2023 it was 5.09%. This shows that based on the criteria, the efficiency ratio is very efficient.

Activity Ratio (Regional Spending Harmony)**Table 4. Realization of Development Expenditure of Merangin Regency for the 2017-2023 Fiscal Year**

tahun	belanja pembangunan setelah direalisasi		hasil	kritria
	belanja daerah	belanja modal (langsung)		
2017	1.123.665.823.696,25	301.758.120.676,00	26,85%	cukup
2018	1.074.487.159.040,06	207.241.385.868,00	19,29%	kurang
2019	1.181.562.403.899,54	226.728.661.842,69	19,19%	kurang
2020	1.153.986.647.650,63	274.675.116.400,83	23,80%	cukup
2021	1.235.619.382.747,28	342.885.337.718,86	27,75%	cukup
2022	1.223.921.027.554,40	73.706.411.814,00	6,02%	sangat kurang
2023	1.338.008.661.903,93	176.724.837.147,30	13,21%	kurang
	rata-rata		19,44%	kurang

Table 5. Realization of Routine Expenditure of Merangin Regency for the 2017-2023 Fiscal Year

tahun	belanja rutin setelah direalisasi		hasil	kriteria
	belanja daerah	belanja operasi (tak langsung)		
2017	1.123.665.823.696,25	821.617.314.423,25	73,12%	sangat baik
2018	1.074.487.159.040,06	864.396.238.672,06	80,45%	sangat baik
2019	1.181.562.403.899,54	951.596.597.211,85	80,54%	sangat baik
2020	1.153.986.647.650,63	858.046.249.225,80	74,35%	sangat baik
2021	1.235.619.382.747,28	878.733.677.513,42	71,12%	sangat baik
2022	1.223.921.027.554,40	888.230.487.697,40	72,57%	sangat baik
2023	1.338.008.661.903,93	888.240.891.846,63	66,39%	sangat baik
	rata-rata		74,08%	sangat baik

From the calculation results above, it can be seen that the Development Expenditure Ratio of the Merangin Regency local government in 2017-2023 experienced an increase and decrease, which based on the measurement criteria, the Development Expenditure Ratio is in the sufficient, lacking and very lacking categories. While the results of the calculation of Routine Expenditure of Merangin Regency for the 2017-2023 Fiscal Year based on the measurement criteria are in the very good category.

Growth Ratio

Table 6. Growth Ratio Calculation

tahun	Rasio Pertumbuhan							
	Realisasi PAD		realisasi pendapatan		Belanja Pembangunan		belanja Rutin	
2017	86.702.264.468,71	-	1.337.425.392.083,42	0%	301.758.120.676,00	0%	821.617.314.423,25	0%
2018	89.304.559.027,72	3%	1.334.262.666.035,62	-24%	207.241.385.868,00	-31%	864.396.238.672,06	5%
2019	106.160.970.249,67	19%	1.508.597.828.736,42	13%	226.728.661.842,69	9%	951.596.597.211,85	10%
2020	100.322.387.750,97	-5%	1.370.620.154.058,01	-9%	274.675.116.400,83	21%	858.046.249.225,80	-9%
2021	107.879.827.143,34	8%	1.375.629.216.071,34	37%	342.885.337.718,86	24%	878.733.677.513,42	2%
2022	116.712.554.237,02	8%	1.327.975.530.896,02	-3%	73.706.411.814,00	-78%	888.230.487.697,40	1%
2023	107.976.482.974,79	-7%	1.401.344.105.918,79	6%	176.724.837.147,30	139%	888.240.891.846,63	0%
		4,33%		3%		12,07%		1,34%

Analysis of the financial growth ratio of the Merangin Regency Regional Government for the 2017–2023 budget year shows quite significant fluctuations from year to year. In terms of Regional Original Income (PAD), although it had increased in 2019, in general its growth was not stable with an average of only 4.33%, indicating a high dependence on external income. Total regional income also experienced inconsistency, mainly influenced by the Covid-19 pandemic and a decrease in transfer income, with an average growth of only 3% during that period. For development spending, although it had experienced a sharp decline, in 2023 it showed a very significant increase of up to 139%. On average, development spending growth was at 12.07%, indicating efforts to recover and improve fiscal policy. Meanwhile, routine spending tended to stagnate with an average growth of 1.34%, and even experienced a decline due to budget diversion during the pandemic. Overall, the growth in the four main indicators reflects that despite improvement efforts, the financial performance of the Merangin Regency Government still needs to be improved, both in terms of revenue and expenditure management.

Budget Solvency Ratio

Table 7. Calculation of Budget Solvency Ratio

tahun	Rasio Solvabilitas Anggaran						hasil 1-2 / 3-4 x 100%
	Pendapatan LRA	DAK LRA	hasil 1-2	Total Belanja	belanja modal	hasil 3-4	
	1	2		3	4		
2017	1.337.425.392.083,42	82.373.963.750,00	1.255.051.428.333,42	1.123.665.823.696,25	301.758.120.676,00	821.907.703.020,25	153%
2018	1.334.262.666.035,62	83.866.415.139,00	1.250.396.250.896,62	1.074.487.159.040,06	207.241.385.868,00	867.245.773.172,06	144%
2019	1.508.597.828.736,42	118.771.264.000,00	1.389.826.564.736,42	1.181.562.403.899,54	226.728.661.842,69	954.833.742.056,85	146%
2020	1.370.620.154.058,01	111.061.526.269,00	1.259.558.627.789,01	1.153.986.647.650,63	274.675.116.400,83	879.311.531.249,80	143%
2021	1.375.629.216.071,34	98.619.345.287,00	1.277.009.870.784,34	1.235.619.382.747,28	342.885.337.718,86	892.734.045.028,42	143%
2022	1.327.975.530.896,02	49.737.155.202,00	1.278.238.375.694,02	1.223.921.027.554,40	73.706.411.814,00	1.150.214.615.740,40	111%
2023	1.401.344.105.918,79	71.494.357.522,00	1.329.849.748.396,79	1.338.008.661.903,93	176.724.837.147,30	1.161.283.824.756,63	115%
	rata-rata		1.291.418.695.232,95	rata-rata		961.075.890.717,77	136%

From the calculation of the Budget Solvency Ratio above, it shows that the Merangin Regency local government is able to cover the shortfall that occurred during the budget period with an average scale of 136%, which is in the very good category. This figure reflects the ability of the Merangin Regency local government to manage financial resources and shows that they have sufficient reserves to meet their financial obligations.

Comparison with state-of-the-art is an important part. This section can provide a more measurable illustration of your research contribution. This section can also be added to a brief discussion. If you feel that this section is insufficient and unsuitable to be a separate section, the author(s) can integrate this section with section four (Results and Discussion).

5. Conclusions

Based on the results of the analysis of the Financial Performance of the Merangin Regency Government for the 2017-2023 fiscal year, the researcher formulated the following:

1. The Financial Performance of the Merangin Regency Government for the 2017-2023 Fiscal Year based on the Financial Independence Ratio criteria is included in the low category with an average value of 7.41%.
2. The Financial Performance of the Merangin Regency Government for the 2017-2023 Fiscal Year based on the Effectiveness and Efficiency Ratio criteria for Regional Original Revenue (PAD) is included in the very effective and very efficient categories, where the Effectiveness Ratio has an average value of 106.17% and an average Efficiency of 2.85%.
3. The Financial Performance of the Merangin Regency Government for the 2017-2023 Fiscal Year based on the Activity Ratio (Spending Harmony) criteria is in the poor category for Development Spending with an average value of 19.44%, and is in the very good category for Routine Spending with an average of 74.08%.
4. The Financial Performance of the Merangin Regency Government for the 2017-2023 Fiscal Year based on the Growth Ratio criteria is included in the low category but has increased every year.
5. The Financial Performance of the Merangin Regency Government for the 2017-2023 Fiscal Year based on the Budget Solvency Ratio criteria is included in the very good category.

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