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ANALYSIS ON REGIONAL GOVERNMENT BUDGET FINANCIAL PERFORMANCE IN ALL PROVINCES IN JAVA ISLAND IN 2012 - 2016

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ABSTRACT: The objective of this research is to know the government financial performance and to know whether there is a significant financial performance differences among the provinces in Java Island based on independence ratio, efectivity ratio, efficiency ratio, and Region Own Source Revenue (PAD) growth. This research used secondary data namely Regional Financial Report from fiscal year 2012 to 2016 in six provinces in Java island. Analysis technique of this research is regional financial independence analysis, regional financial effectiveness analysis, and regional financial efficiency analysis, Regional Own Sources Revenue growth analysis, and revenue growth analysis. The result of the analysis shows that regionals financial performance achieves independence procentage degree above 25%. All provinces in Java show that the effectiveness degree performance in each region is categorized very effective because the procentage above 100%. The efficiency ratio in six provinces in Java is categorized enough or 82%. On the region own source revenue growth all provinces grow well. The same thing also happen on growth analysis ration, revenue growth ratio analysis but only Province of DKI Jakarta that is significantly grow up to 71%.

Keywords: Financial Performance, Independence, Effectiveness, Efficiency, Revenue Growth and Regional Own Source Revenue (PAD)

INTRODUCTION

The government financial performance measurement is very important because it is functioned to evaluate how effective the regional government manages their regional financial. It's also to evaluate the regional government accountability in managing their regional financial. Accountability is not only to show the ability to spend the puclic money only but also covers the ability to

show how the public money is spent efficiently, effectively, and economically. Efficient means spend the public fund and it resulted maximum output, effective means spending the fund and the result must achieve the targets or goals for public interest, and economic related to the resources election and usage in particular number and quality with the lowest price (Mardiasmo, 2004).

Recently the regional government budget (APBD) budgeting often ignore the Financial Performance in APBD. Revenue funding is often smaller than the real revenue potential that actually ca be achieved. This is aimed to make, as if, the revenue realization is much bigger than the budgeting that has been planned, while expenditure relatively easy and potentially inefficient so that the budget is sometimes much bigger than its realization. But, among those six provinces there are differences in realizing their financial performance because the degree of budget efficiency and effectiness are also different. Sometimes budgeting is considered as a game because the budget is not used as it should be. So the consequency is, many governments in the planet only focusing on accountability report, and its agency transparency to correspond the public pressure. This is not only happen in Indonesia but also in many other countries. The finansial disclosure crisis of the last decade and subsequent investigations culminated in the Kroil Report, which identified failures in the City's internal control environment and made several recommendations for improvement, Edoardo (2015). However, poor law enforcement or tight penalty on law violation caused low efficiency, corruption, and many other problems (Saleh dan Nabiha 2011).

Based on above background, the researchers are interested to conduct a research by analizing the realization of Regional Government Budget (APBD) under title "**ANALYSIS ON REGIONAL GOVERNMENT BUDGET FINANCIAL PERFORMACE IN ALL PROVINCES IN JAVA ISLAND FISCAL YEAR 2012 – 2016"**

LITERATURE REVIEW

1. The Definition of Financial Performance

According to Mahsun (2012) Performance is the illustration on the degree of achievement of an activity/program/policy in realizing an organization targets, goals, vision, and mission written in its strategic planning. Analizing the financial performance is a common evaluation process on financial report to have a better understanding about the company position and its performance. By analyzing the financial performance it make investor and creditor evaluate the performance and financial position both in the past and recent days, and to predict the future performance. (Salini. K. T

Mphil Scholar : 2016)

The objective of Financial Performance Measurement

Perfomance system measurement plays a key role as an information source about financial and interoperation presented in financial report. This information is important for decision making process (planning, directing, and controlling). The performance measurement election depends on organization goal, clear

calculation method to compare, and this is chosen by those who involved in the organization. (Zuriekat Majdy:2011)

The Government Financial and Effectiveness Performance

The government financial performance is an indicator where it is gotten by reporting the effect to what they have done. The public expense efficiency expressed the relationship between economy effect and the effort to fund the program. The effectiveness is an indicator given by the result ratio to achieve the planned program. The relationship between efficiency and effectiveness is a parts of the whole, effectiveness is a main requirement required to achieve efficiency (Marieta, Alin, dan Pompiliu: 2010).

Regional Financial

The definition of regional financial according to the explanation of Indonesian Act number 32 year 2004 article 156 clause 1 about Regional Government is the whole rights and obligations that can be valued with money, and the whole things both money and goods, that can be considered as the regional treasure related to the whole rights and obligations.

RESEARCH METHOD

Research Design

This research is a quantitative descriptive research. According to Suharsimi (2008), quantitative research is a research where the researcher solves the current problem using number, starting from data collection, interpreting the data and the findings presentation.

Scope of the Research

The data of this research is secondary data where they can be read from book or other sources. The data collection of this research is documentation. Documentation method is done by collecting data from existing documents. The source of Data of this research is Regional Government Budget (APBD) and APBD realization accountability in six provinces in Java 2016.

Population and Sample

Population is generalization area consists of object/subject that has particular quality and characteristic determined by the researcher to be studied and then the researcher draw the conclusion (Sugiyono, 2012). The population of this research is Regional Government Financial Performance in all provinces in Java.

Sample is a part from the whole population characteristic. If the number of population is too big and it is impossible for the researcher to analyze all pupolation, then the researcher takes the sample taken from the population (Sugiyono,2012). Meanwhile the sample of this research is all provinces in Java namely Central Java, West Java, Banten, Jogjakarta (DI JOGJAKARTA), East Java, and DKI Jakarta. The object of this research is Regional Government Budget (APBD) realization accountability report in Java in fiscal year 2012-2016.

Data Collection Method

The data collection method of this research is documentation. The research is done by tracing the secondary data. Secondary data is data that is directly taken from notes aor orther documentations. The data of this research is collected through documentation stages.

Data Analysis Technique

Based on the existing problrms, this research uses data analysis technique as follows:

A. Regional Revenue Performance Analysis

Based on budgeting realization the researchers can make regional revenue performance analysis by:

Independence Ratio according to Halim and Kusufi (2012) the independence ratio shows the ability of regional government in self funding their activity, increasing development and public service for those who have pay the tax and other retributions as financial sources of the region.

1. Formula to calculate independence ratio according to Susantih and Saftiana (2009) is as follows:

$$\text{Independence Ratio} = \frac{\text{Regional Own Source Revenue (PAD)}}{\text{Region Revenue Total}} \times 100\%$$

2. Regional Own Source revenue Effectiveness Ratio according to Halim and Kusufi (2012) effectiveness ratio illustrate the regional government ability in realizing regional own source revenue that has been planned compare to the target that has been established based on the region real potential. It can be formulated as follows:

$$\text{Effectiveness Ratio} = \frac{\text{Realization of PAD}}{\text{Established PAD target based on region real potential}} \times 100\%$$

3. Efficiency ratio according to Kurniati (2012)efficiency ratio is ratio that illustrate the coparation between the output and input or expense realization and revenue realization, it can be formulated as follows (Hamzah, 2006 in Kurniati, 2012):

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

4. Growth ratio according to Halim and Kusufi (2012) growth ratio measures the ability of regional government to maintain and improve the success that recently has been achieved from period to period. The formula to calculate the growth ratio according to Wahyuni (2010) is:

$$\text{PAD growth ratio} = \frac{\text{Regional tax revenue realization}}{\text{Regional tax revenue target}} \times 100\%$$

$$\text{Growth revenue} \sum \text{revenue} = \frac{\text{Revenue realization} \sum \text{revenue } X_n - X_{n-1}}{\text{Revenue realization} \sum \text{revenue } X_{n-1}} \times 100\%$$

ANALYSIS RESULT

Independence Ratio in 6 Provinces in Java in 2012-2016

The objective of Independence ratio is to know the ability of regional government in self funding their activity, development, and public service. The Independence ratio calculation result of six provinces in Java can be seen in the following table:

Table 4.5 Independence Ratio

Region	2012	2013	2014	2015	2016	Average
East Java	18,39%	18,24%	15,73%	15,38%	15,70%	16,36%
DKI Jakarta	42,29%	42,30%	50,15%	46,91%	44,34%	45,67%
West Java	19,15%	19,47%	16,37%	18,59%	19.74%	18,61%
Banten	5,49%	5,13%	5,33%	5,60%	5,81%	5,51%
Central Java	12,72%	12,93%	10,80%	11,90%	12,80%	12,15%
DI Jogjakarta	1,92%	1,91%	2,59%	1,59%	1,58%	1,60%

Source: The data were processed by researchers, 2017

In above table the independence ratio during 2012-2016 from each provinces in Java has different independence degree. It can be seen that from year to year the independence degree tends to be fluctuative. The percentage of all region is only up to 50%. It shows that as a whole the degree of independence of 6 provinces in java from 2012 to 2016 are categorized low.

The result in figure 4.1 shows that DKI Jakarta independence degree is much better than the other 5 provinces, therefore it is still also categorized low. Meanwhile, from those six provinces DI Jogjakarya is the lowest or 5%.
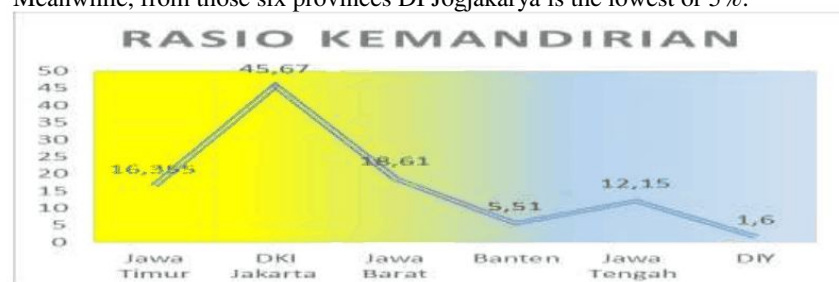

Figure 4.2 Graphic of independence ratio trend of 6 provinces in Java from 2012 to 2016

Effectiveness Ratio in 6 Provinces in Java from 2012 to 2016

The objective of effectiveness ratio is to illustrate the regional government in realizing Regional Own Sources Revenue (PAD) that has been planned compare

with the target that has been established based on region real potential. The result of effectiveness ratio in 6 provinces in java is presented in table 4.6 as follows:

Table 4.6 Effectiveness Ratio

Region	2012	2013	2014	2015	2016	TOTAL	AVERAGE
East Java	105,68%	121,58%	130,06%	103,79%	112,77%	573,88%	114,78%
DKI Jakarta	117,95%	82,63%	116,41%	118,20%	123,47%	558,66%	111,73%
West Java	122,08%	125,07%	115,34%	116,94%	133,57%	613,00%	122,60%
Banten	73,10%	76,84%	104,79%	108,91%	121,53%	485,17%	97,03%
Central Java	114,29%	123,95%	118,78%	101,50%	101,52%	560,04%	112,01%
DI Jogjakarta	125,48%	99,01%	118,71%	109,59%	111,50%	564,29%	112,86%

Source: The data were processed by researchers, 2017

Based on data in the table effectiveness ratio during 2012 to 2016 from each region with value percetage criteria more than 100%. It shows that as a whole the effectiveness of each region in Java during 2012 to 2016 is categorized very effective.

The figure 4.1 shows that a province effectiveness is lower than the rest namely Province of Banten. In 2012 – 2013 Province of Banten was not effective in running its government. Then DI Jogjakarta in 2012-2013 runs its government under the criteria of effective enough.

Figure 4.3 Graphic of effectiveness ratio trend of 6 provinces in Java from 2012 to 2016

Efficiency Ratio in 6 Provinces in Java During 2012 to 2016

The objective of Efficiency ratio is to illustrate the comparation between input and output or expenditure realization and revenue realization. The calculation result of efficiency ratio in 6 provinces in Java can be seen in table 8 as follows:

Region	2012	2013	2014	2015	2016	Total	Average
East Java	83%	81%	84%	85%	87%	420%	84%
DKI Jakarta	78%	69%	67%	84%	85%	383%	76,6%
West Java	75%	83%	81%	80%	82%	401%	80,2%
Banten	68%	76%	78%	78%	82%	382%	76,4%

| Central Java | 89% | 90% | 86% | 94% | 96% | 455% | 91% |
| DI JOGJAKARTA | 85% | 83% | 85% | 85% | 81% | 419% | 83,3% |

Source: The data were processed by researchers, 2017

 In the efficiency ratio table during fiscal year 2012-2016 the average is 82%, with value percentage criteria 80-90%. It shows that as a whole the degree of effectiveness of provinces in Java during 2012 – 2016 is categorized very efficient.

The result of Figure 4.1 shows that there is one province where the degree of its effiency is lower than other 5 provinces. It was Central Java. In 2015 and 2016 DKI Jakarta and Banten were less efficient in running their government.
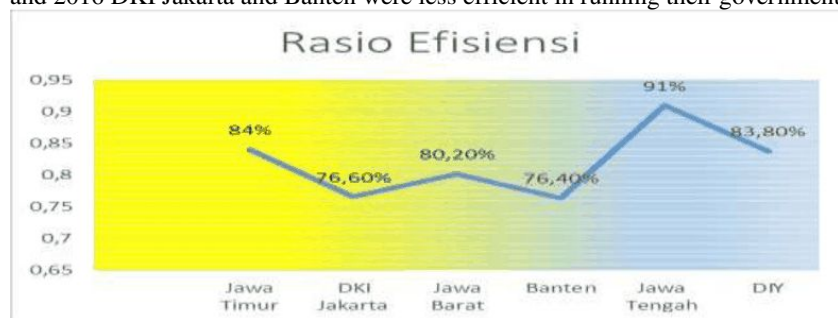

Figure 4.1 Graphic of efficiency ratio trend in 6 Provinces in Java in fiscal year 2012-2016

Growth Ratio in 6 Provinces in Java during Fiscal Year 2012-2016

1. Regional Own Sources Revenue (PAD) Ratio
The objective of growth ratio is to measure the ability of regional government in maintaining and improving their success that has been achieve in PAD from one period to the next period. The calculation result of PAD growth ratio in 6 provinces in Java can be seen on table 4.8:

4.8 Efficiency Ratio

Region	2012	2013	2014	2015	2016	Average
East Java	104%	119%	80%	151%	81%	107%
DKI Jakarta	113%	106%	81%	66%	95%	92%
West Java	121%	122%	88%	88%	90%	102%
Banten	94%	95%	96%	92%	86%	93%
Central Java	114%	122%	86%	89%	87%	100%
DI JOGJAKARTA	126%	120%	85%	87%	86%	101%

Source: The Data were processed by researchers, ,2017

In the table above the PAD growth ratio during fiscal year 2012-2016 the average is 99%, the result from Figure 9 shows that DKI Jakarta growth is lower than other 5 provinces. In 2015 the DKI Jakarta growth degree was up to 66%. Meanwhile East Java achieved high growth up to 151%.

Figure 4.5 Graphic of PAD growth trend in 6 Provinces in Java during 2012-2016

2. Revenue Growth Ratio

The objective of this growth ratio is to measure the ability of regional government in maintaining and improving their success that has been achieved from a period to the next period. The result of revenue growth ratio calculation in 6 provinces can be seen from table 4.8

Table 4.8

Region	2012	2013	2014	2015	2016	Jumlah	Average
East Java	18%	13%	19%	12%	-7%	55%	11%
DKI Jakarta	21%	11%	71%	4,80%	-2%	106%	21,16%
West Java	17%	13%	15%	10%	-3%	52%	10,4%
Banten	19%	8,70%	1,30%	15%	13%	57%	11,4%
Central Java	18%	14%	13%	0,08%	13%	58%	11,6%
DI JOGJAKARTA	13%	18%	21%	8%	22%	82%	16,4%

Sources: the Data were processed by researches, ,2017

From Dari table above it is clear that the revenue growth of provinces in Java tend to be fluctuative and slow growth. The highest growth was 71% and it happened in DKI Jakarta. But some regions did not increase their growth but unfortunately decreased especially in 2016. The growth percentage of East Java, DKI Jakarta, and West Java were -7%,-2%, and -3%.

Figure 4.6 Graphic of Revenue Growth Ratio trend in 6 Provinces in Java during fiscal year 2012-2016

DISCUSSION

A. Financial Performance Analysis Using Performance Ratio

Based on the research result, financial performance analysis in provinces in Java the degree of independence can be said very low. The degree of independence rate of all provinces is under 25% and the relationship pattern is Instructive. This is in line with the previous study, realization Regional Government Budget (APBD) 2012 Keerom, which shows that the regions' revenue still very low while balance of funds still dominate the regions' revenue compare to other regions' revenue, this indicate high dependency to local fiscal (Sarlota Ratang : 2016).

B. Financial Performance Analysis Using Effectiveness Ratio

This ratio illustrate the ability of regional government to realize regional government revenue (PAD) that has been plenned before compare to the target that has been established based on the regions' real potential. The regions' government is said able to accomplish their duty if they achieve at least 1 or 100 percent. The higher effectiveness ratio is the better ability of the regions. The research finding in all provinces in Java shows that the degree of effectiveness in each province is categorized very effective because the percentage more than 100%. But some provinces still fewer than 100%. This finding is in line winth the previous study which shows that the regional government revenue tends to be effective. Although in 2012 decrease 10% but it did not affect the effectiveness average because the averate still more than 90% because the effectiveness of region government effectiveness in 2009-2013 (Sarlota Ratang : 2013)

C. Financial Performance Analysis using Efficiency Ratio

Efficiency ratio illustrate the comparation between the the amount of expenses incurred (cost) and revenue realization. .

The reseach finding in all provinces in Java shows that the degree of efficiency in each province is categorized efficient enough and the efficien average up to 82% but it still needs to be increased, because the percentage of the highest degree of efficiency still below 60%. This is in line wiyh the previous study where the study used balance scorecard and found the coverage scope of revenue during three years was 0,1050. It indicates that LGA performance was not efficient (Sarah Ngomuo: 2015).

D. Financial Performance Analysis using Growth Ratio
a. Financial Performance using PAD growth ratio

Growth ratio measures the ability of regional government in maintaining and increasing its success that has been achieved for periods (Abdul Halim, 2012). If the growth of each revenue component has been discovered, then it can be used to evaluate which potential that need more attention.

Based on the research finding it can be explained that the PAD growth of 6 provinces in Java during fiscal year 2012-2016 PAD increased significantly or 99%. It is also can be seen that the PAD whole growth is above 75%. It shows the effort of each region to maintain and increased their PAD.

b. Financial Performance Analysis using Revenue Growth Ratio

Based on the research finding it can known that revenue (PAD) growth during fiscal year 2012 – 2016 in 6 provinces in Java tends to slow down and the growth was not more than 50%. But in 2012 DKI Jakarta was different because its revenue growth was up to 71%. But in 2016 some provinces' growth decreased especially in East Java, West Java dan DKI Jakarta.

That is why the regional government to improve the personal income by exploring the resources in each region to fulfill the local people main needs.

CLOSING

CONCLUSION

Based on the data analysis dan discussions that have been presented in the previous chapter then the researches conclude that:

The research finding on government financial performance in all provinces in Java, East Java, DKI Jakarta, West Java, Banten, DI JOGJAKARTA, dan Central Java, using independence ratio, effectiveness ratio, efficiency ratio, Revenue (PAD) growth ratio, and growth ratio can be conclude as follows:

Based on the research finding the financial performance analysis in 6 provinces in Java the degree of independence is categorized very low. Degree of effectiveness

is categorized effective because the percentage more than 100%. But there are some regions which achieve the percentage less than 100%. Effectiveness degree is each region is categorized efficient enough with the efficiency average was 82% but it needs to be increased because the highest efficiency still less than 60%. Regional Own Sources Revenue (PAD) in 6 Provinces in Java increased significantly because the growth was 99%. It can be seen as a whole that the PAD growth is more than 75%. It shows the effort of each regional government to maintain and increase their PAD. But Java revenue growth tends to slow down in each region growth is not more than 50%. Only DKI Jakarta whose growth increase up to 71% .

SUGGESTIONS

Based on the research findings and discussions that have been presented in previous chapter, the researcherssuggest that:

1. And All regional goverments in Java need to pay more attention, accommodate, explore and empower the PAD sources when arrange budgeting by exploring retribution sources, improving natural resources like mining and agriculture to achieve optimal region revenue and improve PAD to reduce their dependency to national government and provinces.
2. All regional government in Java should be able to imitate and apply performance based management principles to reduce regional expenditure cost that is categorized not efficient.
3. Budget allocation proportion for expenditure in regional government budget needs to be significantly improved to increase the accountability and maximum public service so the end goal is to improve the local people welfare.

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