

## **ANALYSIS OF THE PERFORMANCE OF REGIONAL FINANCIAL MANAGEMENT AND THE EFFECT ON POVERTY LEVELS IN MAGELANG REGENCY**

**Fauziah Aulia Hafan<sup>1</sup>**

<sup>1</sup>Faculty of Economics and Business, Tidar University  
email: aulia.al341@gmail.com

### **ABSTRACT**

*This article aims to analyze the performance of regional financial management and its influence on poverty levels in Magelang Regency in the period 2015-2018. The research methodology used is quantitative descriptive analysis and linear regression analysis related to the ratio of regional finances and the percentage of poverty using secondary data from BPPKAD Magelang Regency and BPS Magelang Regency. The results showed that the performance appraisal of Magelang Regency is 1) low independence ratio, 2) poor capability ratio, 3) the harmony of expenditures ratio is still not compatible, 4) effective financial effectiveness ratio, 5) inefficient financial efficiency ratio, 6) low financial growth ratio. And the performance of regional financial management in Magelang Regency by calculation using financial ratios has no significant effect on poverty levels in Magelang Regency.*

**Keywords:** Ratio, Performance, Government, Poverty

### **1. INTRODUCTION**

Regional autonomy can be defined as an obligation given to autonomous regions to manage their own government affairs and interests of local communities in accordance with statutory regulations. Regional autonomy is regulated in Law no. 32 of 2004 concerning Regional Government. In managing the administration, the area requires an assessment to see whether the financial management has been carried out efficiently and effectively by way of assessing the performance of financial management.

According to PP. 12 Year 2019 concerning Regional Financial Management, financial management is the case e luruhan activities that include planning, administration, reporting, accountability and financial control area. Regional financial management that is carried out economic, efficient, and effective or fulfilling value for money as well as participation, transparency, accountability and justice will encourage economic growth which will later reduce the poverty level of a community in the area. For regional management, not only human resources are needed, but also economic resources in the form of finance as outlined in a regional government budget or APBD. One of the tools for analyzing the performance of regional financial management is to analyze the financial ratios against the implemented budget.

Magelang Regency is one of the areas in Central Java Province with a total population of 1,340,937 people according to data as of April 2020. With the large number of residents, of course the local government needs the funds needed for regional development in order to achieve goals for the welfare of the society in Magelang regency. That is done by striving to increase local revenue (PAD). In addition, it will reduce poverty levels in Magelang Regency. Based on this background, researchers interested in conducting research on the area of financial management performance by calculating the financial ratios that exist with the effect on the level of poverty in Magelang.

### **2. RESEARCH METHOD**

Indrianto and Supomo (2009: 249) state that data is a collection of facts or phenomena that are recorded through direct observation and surveys. The availability of data is something that is absolutely fulfilled in a study. The data used are se c under data obtained from the Office of the Regional Financial and Asset Management Revenue Agency (BPPKAD) of Magelang Regency and the Central Statistics Agency (BPS) of Magelang Regency. This type of research in this study is quantitative descriptive, to describe and analyze the performance of financial management and the effect on poverty levels in Magelang Regency.

This research took place at the Office of the Regional Financial and Asset Management Revenue Agency (BPPKAD), Magelang Regency. The research was carried out in January-February 2020. This research was conducted using quantitative descriptive analysis method and linear regression analysis using SPSS, recapitulating the figures sourced from the Budget Report Data and the Realization of Budget and Government Expenditures in Magelang Regency 2015-2018. And the figures are sourced from the data on the percentage of poverty levels in the Magelang Regency, 2015-2018.

### 3. RESULTS AND DISCUSSION

#### 3.1. Regional Financial Analysis Ratio Calculation Results

##### 3.1.1. Independence Ratio

The level of regional financial independence according to Halim (2008: 232), which states that the ratio of regional financial independence shows the level of local government capacity to self-finance government activities, development, and local community services. The independence ratio is calculated using the following formula (Halim, 2004: 150):

$$\text{Rasio Kemandirian} = \frac{\text{PAD}}{\text{Bantuan Pusat, Provinsi dan Pinjaman}} \times 100\%$$

To see the relationship between the level of regional financial independence, it can be described in Table 1 below:

**Table 1. The Relationship Pattern of the Level of Regional Financial Independence**

Independence Ratio	Relationship Pattern
0-25	Instructive
> 25-50	Consultative
> 50-75	Participative
> 75-100	Delegative

Source: Halim (2001)

Meanwhile, to see the criteria in determining regional financial independence can be categorized in Table 2 below:

**Table 2. Criteria for Assessment of Regional Financial Independence**

Regional Financial Independence Ratio (%)	Level of Independence
0.00-10.00	Very less
10.01-20.00	Less
20.01-30.00	Enough
30.01-40.00	Moderate
40.01-50.00	Well
> 50.00	Very good

Source: Bisma and Susanto (2010)

Based on the description above, the researcher will calculate the ratio of regional financial independence in Magelang Regency in 2015-2019, which results are as follows:

Year	Regional Original Income (PAD)	Help Center and Loans	Independence Ratio (%)	Relationship Pattern
2015	Rp261,569,091,783	Rp1,080,097,852,660	24.22	Instructive
2016	Rp288,485,678,128	Rp1,362,306,913,419	21.18	Instructive
2017	Rp403,561,238,310	Rp1,407,243,138,226	28.68	Consultative
2018	Rp325,089,093,092	Rp1,398,132,841,570	23.25	Instructive
<b>Average</b>			24.33 %	

Source: Processed Data.

Based on the results of the above calculations, it can be seen that in 2015 the level of the ability of local governments to self-finance government activities, development, and local community services was 24.22% and decreased in 2016 to 21.18%. Then in 2017 there was an increase of 28.68% which was so significant. However, in 2018 the level of the local government's ability has decreased drastically by 23.24%.

So it can be concluded that the level of capacity of the regional government in Magelang Regency in self-financing of government activities, development, and local community services in 2015-2018 can be seen from the calculation of the independence ratio is still lacking and instructive pattern. Which means that local governments are not yet fully able to finance their own activities or they still need a role from the central government.

### 3.1.2. Ability Ratio

The ratio of regional financial capacity shows the ratio between the amount of Regional Original Income (PAD) that can be obtained compared to the amount of all regional income obtained from various sources. This ratio can be calculated using the following formula:

$$\text{Rasio Kemampuan Keuangan Daerah} = \frac{\text{PADt}}{\text{TPDt}} \times 100\%$$

The relationship pattern of the level of regional financial capacity can be seen in Table 3 below:

**Table 3. Criteria for the Level of Regional Financial Capability**

Capability Ratio (%)	Ability Level
0.00-10.00	Very less
10.01-20.00	Less
20.01-30.00	Enough
30.01-40.00	Moderate
40.01-50.00	Well
> 50.00	Very good

Source: Munir, et al (2004)

Based on the description above, the researcher has calculated the following results:

Year	Regional Original Income (PAD)	Regional Income	Ability Ratio (%)	Ability Level
2015	Rp261,569,091,783	Rp1,945,955,251,171	13.44	Less
2016	Rp288,485,678,128	Rp2,036,310,089,428	14.17	Less
2017	Rp403,561,238,310	Rp2,271,336,015,858	17.77	Less
2018	Rp325,089,093,092	Rp2,302,190,543,616	14.12	Less
<b>Average</b>			14.87 %	

Source: Processed Data.

From the results above, it can be concluded that the regional government of Magelang Regency in 2015-2018 is still lacking in capacity level. So that local governments must further increase their Original Regional Income (PAD).

### 3.1.3. Effectives Ratio

The effectiveness ratio according to Halim (2004) is a ratio that describes the ability of local governments to realize planned PAD compared to targets set based on the real potential of the region. The effectiveness ratio can be formulated:

$$\text{Rasio Efektifitas} = \frac{\text{Realisasi Penerimaan PAD}}{\text{Target Penerimaan PAD}} \times 100\%$$

To determine how the measure of the effectiveness of regional financial management can be seen in Table 4 below:

**Table 4. Criteria for the Effectiveness of Regional Financial Management**

Percentage of Financial Performance	Criteria
> 100%	Very effective
90% -100%	Effective
80% -90%	Effective enough
60% -80%	Less effective
<60%	Ineffective

Source: Bisma & Susanto (2010)

Based on the description above, the researcher has calculated the following results:

Year	Regional Original Income (PAD)	PAD budget	Effectiveness Rate (%)	Criteria
2015	Rp261,569,091,783	Rp232,532,835,584	112.49	Effective
2016	Rp288,485,678,128	Rp276,334,438,862	104.40	Effective
2017	Rp403,561,238,310	Rp399,425,826,000	101.04	Effective
2018	Rp325,089,093,092	Rp363,038,862,200	96.98	Ineffective
<b>Average</b>			103.73%	

Source: Processed Data.

Based on the description and calculation results above, it can be seen that in 2015 the effectiveness level was 112.49%, in 2016 it was 104.40%. Then in 2017 the effectiveness level was 101.04% and in 2018 it was 96.98%. The effectiveness of financial performance in 2015-2017 in Magelang Regency is classified as effective because the results show above 100%. Whereas in 2018 the effectiveness of financial performance was not effective because the results showed less than 100%. It can be concluded that the financial performance of the Magelang Regency government for 2015-2018 has been effective. This means that the Magelang Regency government is able to realize and seek PAD from the target set on the budget.

### 3.1.4. Efficiency Ratio

The efficiency ratio according to Halim (2004) illustrates the comparison between the amount of expenditure issued by the regional government compared to the actual revenue (revenue) received. This ratio can be formulated with the following formula:

$$Rasio\ Efisiensi = \frac{Total\ Realisasi\ Belanja\ Daerah}{Total\ Realisasi\ Penerimaan\ Daerah} \times 100\%$$

The criteria for determining the efficiency of regional financial management can be seen in Table 5.

**Table 5. Criteria for the Efficiency of Regional Financial Management**

Percentage of Financial Performance	Criteria
> 100%	Not efficient
90% -100%	Less Efficient
80% -90%	Efficient
60% -80%	Simply Efficient
<60%	Very Efficient

Source: Bisma & Susanto (2010)

Based on the description above, the researcher has calculated the following results:

Year	Expenditure Realization	Revenue Realization	Efficiency Level (%)	Criteria
2015	Rp1,744,730,814,575	Rp1,945,955,251,171	89.66	Simply Efficient
2016	Rp2,073,797,409,332	Rp2,036,310,089,428	101.84	Not efficient
2017	Rp2,451,441,154,742	Rp2,271,336,015,858	107.93	Not efficient
2018	Rp2,486,540,561,169	Rp2,302,190,543,616	108.01	Not efficient
<b>Average</b>			101.86	

Source: Processed Data.

Based on existing results, it can be seen that in 2015 it was below 100%, which was 89.66%. And in 2016-2018 there was an increase of 101, 84 %, 107.93%, and in 2018 it was 108.01%. It can be concluded that in 2015 the financial performance was quite efficient because it showed the percentage was less than 100%. Meanwhile, in 2016-2018 the financial performance was classified as inefficient because the percentage figures showed more than 100% which is in accordance with the provisions of the criteria above. This means that the government of Magelang Regency has not been able to reduce spending that is so large and less proportional to the income it receives.

### 3.1.5. Expenditure Match Ratio

This harmony ratio illustrates how regional governments prioritize their optimal allocation of funds for routine expenditure and development expenditure. The higher the percentage of funds allocated for routine expenditures means that the investment spending percentage used tends to be smaller. The compatibility ratio can be formulated or formulated with the following formula:

1. Ratio of Indirect Expenditures to Total Expenditures

$$\frac{\text{Total Belanja Tidak Langsung}}{\text{Total Belanja Daerah}} \times 100\%$$

2. Ratio of Direct Expenditures to Total Expenditures

$$\frac{\text{Total Belanja Langsung}}{\text{Total Belanja Daerah}} \times 100\%$$

With this formula, the researcher performs calculations and gets the results which can be seen in the table below:

1. Analysis of Indirect Expenditures Ratio

Year	Total Indirect Expenditure	Realization of Regional Expenditure	Indirect Spend ing Ratio (%)
2015	Rp1,197,532,083,049	Rp1,744,730,814,575	68.64
2016	Rp1,375,873,412,336	Rp2,073,797,409,332	66.35
2017	Rp1,440,436,939,257	Rp2,451,441,154,742	58.76
2018	Rp1,469,755,920,226	Rp2,486,540,561,169	59.11
<b>Average</b>			63.21

Source: Processed Data.

Based on the above results, it can be seen that in 2015 the ratio of indirect spending was 68.64% in 2016, which decreased by 66.35%. Then this indirect expenditure ratio decreased again in 2017 by 58.76 %. However, in 2018 it has increased again to 59.11%.

## 2. Analysis of Direct Expenditures Ratio

Year	Total Direct Expenditures	Realization of Regional Expenditure	Direct Spending Ratio (%)
2015	Rp547,198,731,526	Rp1,744,730,814,575	31.36
2016	IDR 697,923,996,996	Rp2,073,797,409,332	33.65
2017	Rp1,011,004,215,485	Rp2,451,441,154,742	41.24
2018	Rp1,016,784,640,943	Rp2,486,540,561,169	40.89
<b>Average</b>			36.79

Source: Processed Data.

Based on the calculation results above, in 2015 the ratio of direct expenditure in Magelang Regency was 31.36 %. Then in 2016 and 2017 it continued to increase by 33.65% and 41.42% respectively. Then in 2018 it decreased by 40.89 %.

The conclusion from the two calculation results above shows that between indirect spending and direct spending is not balanced. It is evident from the calculation of the ratio of indirect spending with an average of 63.21 % and the ratio of direct spending with an average of 36.79%. Local governments use more funds for expenditures that are not related to the implementation of direct activities than expenditures that are directly related to activities.

### 3.1.6. Growth Ratio

The growth ratio, according to Halim (2004: 128), is useful for measuring how much local government is capable of maintaining and increasing the success achieved from the next period eke. The growth ratio is said to be good, if every year there is positive growth or an increase. The growth ratio can be broken down by the following formula:

$$\text{Rasio Pertumbuhan} = \frac{\text{PADt}_1 - \text{PADt}_0}{\text{PADt}_0}$$

Based on the description above, the results of the calculation for the growth ratio in 2015-2018 in Magelang Regency are as follows:

Year	Foundation Year	PADt0	PADt1	Growth Ratio (%)
2015	2014	Rp242,448,677,267	Rp261,569,091,783	7.88
2016	2015	Rp261,569,091,783	Rp288,485,678,128	10.29
2017	2016	Rp288,485,678,128	Rp403,561,238,310	39.88
2018	2017	Rp403,561,238,310	Rp352,089,093,092	-12.75
<b>Average</b>			14.87 %	

Source: Processed Data.

From the results of the above calculations, it shows that from 2015-2017 the growth ratio experienced a significant increase, namely 7.88 %, 10.29%, and 39.88%. But in 2018 a very drastic decline in the amount of 12.75%.

## 3.2. Results of Regression Analysis

Based on the results of the regression analysis calculations, it can be seen that:

1. Based on the significance value, the Coefficients table of “Independence Level” obtained a significance value of  $0.897 > 0.05$ . So  $H_a$  was rejected. This means that the self-reliance ratio has no significant effect on the poverty level.
2. Based on the significance value, the Coefficients table of “Ability Level” obtained a significance value of  $0.966 > 0.05$ . So  $H_a$  was rejected. This means that the ability ratio does not have a significant effect on the poverty level.

3. Based on the significance value, the Coefficients table of “Acitivity Level” obtained a significance value of  $0.281 > 0.05$ . So  $H_a$  was rejected. This means that the activity ratio has no significant effect on the poverty level.
4. Based on the significance value, the Coefficients table of “Effectiveness Level” obtained a significance value of  $0.155 > 0.05$ . So  $H_a$  was rejected. This means that the effectiveness ratio has no significant effect on the poverty level.
5. Based on the significance value, the Coefficients table of “Efficiency Level” obtained a significance value of  $0.318 > 0.05$ . So  $H_a$  was rejected. This means that the efficiency ratio has no significant effect on the poverty level.
6. Based on the significance value, the Coefficients table of “Growth Rate” obtained a significance value of  $0.424 > 0.05$ . So  $H_a$  was rejected. This means that the growth ratio has no significant effect on the poverty level.

From the description described above, the researcher concludes the results of the regional financial analysis with a summary in the following table.

<b>Ratio Type</b>	<b>Average Ratio%</b>	<b>Information</b>
Independence Ratio	24.33%	Low
Ability Ratio	14.87%	less
Effectiveness Ratio	103.73%	Effective
Efficiency Ratio	101.86%	Not efficient
Expenditure Match Ratio		Less compatible
Indirect Expenditure Ratio	63.21%	
Direct Expenditure Ratio	36.79%	
Growth Ratio	11.33%	Low

Based on the calculation of regional financial ratio analysis on 2015-2018 in Magelang Regency, which is to determine the level of regional financial management performance, it can be concluded that the Magelang Regency government is not fully independent or able to finance its own government activities, development, and local community services. This means that the central government still plays an important role in financing these activities. However, the management has been effective, but in terms of efficiency, it is not efficient and expenditure is less compatible when it is seen that local governments use more of their funds for expenditures that are not related to the implementation of direct activities than those that are directly related to activities. In addition with the low level of PAD growth.

In addition, from the above description, the results of the regression analysis to analyze the performance of regional financial management with their effect on poverty levels can be seen in the summary in the table below:

<b>Model.</b>	<b>Sig.</b>
Tkr (independence)	0.897
TKp (ability)	0.966
A (activity)	0.281
Efk (effectiveness)	0.155
Efs (efficiency)	0.318
TP (growth)	0.424

From the table above it can be concluded that there is no influence between the performance of the regional financial management of the Magelang Regency government (the ratio of independence, ability, activity, effectiveness, efficiency, and regional financial growth) to the poverty level in Magelang Regency on 2015-2018. This is because based on the significance value of these ratios, the value is more than ( $>$ ) 0.05.

#### 4. CONCLUSIONS

The level of independence is still in the “low” criteria with a relationship pattern that is “instructive”, which meaning that local governments still need the role of the central government. level of proficiency in the criteria of "less". Financial activity or the harmony between direct and indirect expenditure is not yet compatible. Financial effectiveness is included in the effective criteria. Financial efficiency in the Magelang regency government is in the criteria of "inefficient". In addition with financial growth that is still in the "low" criteria.

The results of analysis show that the performance of financial management in Magelang with per r count of using ratios finance not significantly affect the level of poverty in Magelang.

Based on the results of the research that has been done, the things below are suggested: (a) There is a need to increase the potential for PAD in Magelang Regency to further increase the amount of PAD in Magelang Regency; and (b) With regional autonomy which gives local governments the opportunity to manage their own financial resources, the poverty rate in Magelang Regency should have decreased significantly. This means that financial management by the Government of Magelang Regency must improve the quality of social life in Magelang Regency so as to reduce poverty.

#### 5. REFERENCES

- Ani, N. L. N. P., & Dwirandra, A. A. N. B. (2014). Pengaruh Kinerja Keuangan Daerah Pada Pertumbuhan Ekonomi, Pengangguran, dan Kemiskinan Kabupaten dan Kota. *E-Jurnal Akuntansi Universitas Udayana*, 481-497.
- Astutia, W. (2015). Analisis Pengaruh Kinerja Keuangan Terhadap Pertumbuhan Ekonomi dan Dampaknya Terhadap Pengangguran dan Kemiskinan (Studi Pada Kabupaten dan Kota di Pulau Jawa Periode 2007-2011). *Jurnal EBBANK*, 1-18.
- Mizkan, K. R. H. (2015). Analisis Kinerja Pengelolaan Keuangan Daerah dan Pengaruhnya Terhadap Tingkat Kemiskinan di Kota Pekanbaru. *Jurnal SOROT*, 1-142.
- Peraturan Pemerintah No 12 Tahun 2019 tentang Pengelolaan Keuangan Daerah.*
- Syamsudin, Cahya, B. T., Dewim S. N. (2015). Pengaruh Kinerja Keuangan Terhadap Pertumbuhan Ekonomi, Pengangguran dan Kemiskinan. *Jurnal Manajemen Daya Saing*, 15-27.
- Undang-Undang Republik Indonesia No 32 Tahun 2004 tentang Pemerintah Daerah.*