Analysis of The Efficiency and Effectiveness of Regional Financial Management in the Regional Revenue Management Agency of Asahan Regency

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Abstract: One of the important in regional autonomy and decentralisastion is a problem regional financial management and budget, for that efficiencyand effectiveness of financial management required to finance the government work, development, and social service community. This research to analyze do income and regional spending in Badan Pengelola Pendapatan Daerah Kabupaten Asahan has been implemented efficiency and effectively. The method of analysis that used is descriptive analysis. The results of the study based on guidelines assessment and financial performance in Badan Pengelola Pendapatan Daerah Kabupaten Asahan as whole, the average level of the effectiveness of regional financial management in Badan Pengelola Pedapatan Daerah Kabupaten Asahan during fiscal year 2017 up to 2021 expressed effective. It showed government pervormance in realizing local revenue based on potential real religion in 2017until 2021 is good. While overall, the average level of efficiency in the management of their financing ini Badan Pengelola Pendapatan Daerah Kabupaten Asahan during fiscal year 2017 up to 2021 it will be said inefficient because regional spending remained high if in comparison to the total regional income. Should Badan Pengelola Pendapatan Daerah Kabupaten Asahan optimize to collect local revenue and for local governments have a priority scale in the determination of budget spending.

Keywords: Efficiency; Effectiveness; Financial management; Region

Introduction

In the last two decades decentralization has been central to the policy testing phase of economic development and transition in Latin America, Africa and Asia (Rudy et al., 2017). The World Bank as an example implements government reform as its agenda. Another example is the implementation of decentralization in China and India (Tuozzo, 2004). In China, decentralization has become the main institutional framework for phenomenal industrial growth, which has occurred widely in the non-private sector (Tuozzo, 2004). India carried out constitutional reforms related to decentralization in conjunction with the implementation of major economic program reforms, in the early 1990s (Rothermund, 1962). An important aspect in the implementation of regional autonomy and decentralization is the issue of regional financial management and Regional Revenue and Expenditure Budgets,

The government budget has several main functions, namely planning tools for controlling fiscal policy tools, political tools, coordination and communication tools, performance appraisal tools, motivation tools, and tools for creating public space. Regional financial management is all activities that include planning, implementation, administration, reporting, accountability, and supervision of regional finances (Huda, 2019). Regional financial management must be carried out in an orderly manner, complying with applicable regulations, efficient, effective, transparent and responsible with due observance of the principles of

justice and compliance (Kaunang, 2020). The ability of local governments to manage finances is stated in the APBD directly or indirectly reflecting the ability of local governments to finance the implementation of development government tasks.

Asahan Regency through the Asahan Regency Regional Revenue Management Agency is an interesting research object, because this region continues to improve its regional apparatus, as can be seen from the Revenue and Expenditure Budget Realization Report for the 2017 to 2021 fiscal year, as well as the contribution of PAD which tends to increase. The agriculture, forestry, electricity, development and other sectors as well as the results from local tax retribution obtained from the community are expected to reduce dependence on financing from the center so as to increase regional autonomy and flexibility.

Based on the background of the problem above, regional financial management in the context of accountability to the public who are stakeholders needs to be a concern so that the existing funds are used on target to improve the welfare of the community, directly related to financial policy, local governments must optimize the budget efficiently and effectively, the problem is how the level of efficiency and effectiveness of regional financial management at the Regional Revenue Management Agency of Asahan Regency. Based on the problems that have been formulated above, the purpose of this study is to determine the level of efficiency and effectiveness of regional financial management at the Regional Revenue Management Agency of Asahan Regency.

Method

Types of research

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

Place and time of research

The place of research taken in this study is the Regional Revenue Management Agency of Asahan Regency. The Asahan Regency Regional Revenue Management Agency is a government organization under the Asahan Regency government which aims to collect regional income and the implementation time starts from January 17 to February 17, 2022.

Research procedure

The following is the research procedure in writing this thesis:

1. Obtain an overview and existing problems regarding the level of efficiency and effectiveness of regional financial management at the Regional Revenue Management Agency of Asahan Regency.
2. Obtain data on the Revenue and Expenditure Budget of the Asahan Regency Regional Revenue Management Agency.
3. Calculating the Efficiency of Regional Financial Management of the Regional Revenue Management Agency of Asahan Regency.
4. Calculating the effectiveness of Regional Financial Management of the Regional Revenue Management Agency of Asahan Regency.

Analysis Method

The analytical method used to analyze the results of this study is descriptive analysis, with comparison ratios, efficiency and effectiveness of regional financial management at the Regional Revenue Management Agency of Asahan Regency. The calculation formulation is as follows.

Efficiency

Efficiency can be measured by the ratios between outputs/outputs and secondary inputs/inputs, while the analysis used for regional financial management with routine expenditures uses a measure of efficiency level, namely the comparison between the realization of routine budget expenditures and regional income/receipts multiplied by one hundred in the form of a percentage. .

$$Efficiency = \frac{Routine\ Expenses}{Reception} x100\% \qquad (1)$$

Effectiveness

The Effectiveness Ratio describes the local government's ability to realize revenue the original planned area is compared with the target set based on the real potential of the area. The higher the effectiveness ratio, the better the regional capability.

$$Effectiveness = \frac{Realization\ Receipts}{Target} x100\% \qquad (2)$$

Result and Discussion

The Asahan Regency Regional Revenue Management Agency is a Regional Government Agency regulated in Regional Regulation Number 11 of 2011 (Regional Taxes) of 2011 and Regional Regulation Number 4 of 2019 (Amendment to Regional Regulation Number 11 of 2011 concerning Regional Taxes) of 2019.

In discussing the results of the study, it will discuss how the management of regional finances at the Regional Revenue Management Agency of Asahan Regency for the 2017 to 2021 fiscal year.

Effectiveness

Effectiveness calculation describes the ability of local governments to realize the planned Regional Original Income compared to the targets set based on the real potential of the region. The higher the Effectiveness Ratio, the better the regional capability.

Table 1. The Level of Financial Effectiveness of the Budget Region 2017 to 2021 at the Regional Revenue Management Agency of Asahan Regency.

Fiscal year	Target (Rp)	Realization (Rp)	Effectiveness Ratio	Information
2017	40,304,737,319.00	37,930,651,824,.80	94.11%	effective
2018	48,809,641,016.00	42,852,881,287.00	87.80 %	effective enough
2019	71,990,000,000.00	55,100,685,137.80	76.94%	effective enough
2020	96,500,000,0000.00	59,944,433,840.60	62.19%	effective enough
2021	125,755,000,000.00	69,628,893,550.40	55.37%	effective enough

Table 1 summarizes the calculation results to determine the Effectiveness Ratio. In the first column include the budget year, namely 2017 to 2021 and in the second and third columns are Targets and Realizations which are PAD Revenue Targets and PAD Revenue Realizations. Overall, the average level of effectiveness of regional financial management at the Regional Revenue Management Agency of Asahan Regency during the 2017 to 2021 fiscal year is 94.11% and is declared effective. This shows that the government's performance in realizing local revenue based on the real potential of the region for the 2017-2021 fiscal year is good.

Efficiency

Efficiency is a measurement of the comparison between the realization of routine expenditures and the realization of income in carrying out a job. The smaller the efficient ratio, the better, and vice versa.

Table 2. Level of Regional Financial Efficiency for Fiscal Year 2017 to 2021 at the Regional Revenue Management Agency of Asahan Regency

Fiscal year	Routine Expenses (Shopping)	Reception	Efficiency Ratio	Information
2017	188,180,0000.00	225,498,395.00	83.45%	less efficient
2018	161,060,000.00	194,829,062.00	82.67%	less efficient
2019	174,600,0000.00	207,000,0000.00	84.35%	less efficient
2020	172,775,000.00	335,000,000.00	51.57%	efficient
2021	142,025,000.00	340,000,0000.00	41.77%	efficient

In Table 2 explains the results of the calculation of the Efficiency Ratio in the five fiscal years listed in the fourth column, while the first column lists the fiscal year, namely 2017 to 2022, the second column is routine expenditure divided by revenues in the third column. Overall, the average level of efficiency of regional financial management at the Minahasa Regency Regional Revenue Service during the 2017 to 2021 fiscal year is 84.35% and is said to be less efficient. This is due to the lack of regional revenues when compared to expenditures.

The results of the study found that the level of effectiveness of regional financial management at the Dinas Minahasa Regency Regional Revenue from 2017 to 2021 is running well or effectively. This happens because of the high effectiveness ratio determined from the comparison between the realization and the target of Regional Original Income. The results of this study suggest that the efficiency level of regional financial management at the Regional Revenue Management Agency of Asahan Regency in 2017 to 2021 is less efficient. This is due to the high regional expenditure compared to its revenue, meaning that the region's ability to finance each program and activity still needs to be improved.

Conclusion

Based on the results of the study it can be concluded that: (1) Efficiency is a measurement of the comparison between the realization of routine expenditures and the realization of income in carrying out a job. The smaller the efficient ratio, the better, and vice versa; (2) The ability of local governments to realize the planned Regional Original Revenue compared to the targets set based on the real potential of the region has been running well, as shown by the high average effectiveness ratio during 2017 to 2021; (3) The ability of local governments to finance each program and activity still needs to be improved, considering that in terms of the stability of the level of effectiveness and efficiency within a period of five years, it was found that the level of effectiveness which was categorized as very effective was found to be unstable or inconsistent in the level of effectiveness in each year. Meanwhile, in terms of the level of efficiency that is categorized as less efficient, it is found to be almost stable and consistent.

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