The Evaluation Of Jayapura City Government Financial Performance

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Abstract

This study aimed to determine the results of measuring financial performance to evaluate financial performance in order to improve financial performance which can improve the financial performance of the Jayapura City Government. This type of research was descriptive quantitative. The object of this research was the financial statements of Jayapura City in 2011 - 2017. The results showed that: 1) Local Revenue of Jayapura City in 2011 - 2017 had increased, 2) The dependence of the Jayapura City Government on the Central Government was decreasing, 3) the self-reliance ratio was still very low, 4) the effectiveness ratio> 100% or very effective, 5) the efficiency ratio was included in the very efficient <5% category, 6) the contribution of BUMDs to regional income was still low. Therefore, it was recommended to improve the Financial Performance of the Jayapura City Government by: 1) Increasing Regional Original Income by exploring the existing regional potential, 2) Reducing dependence on the central government by increasing regional revenue, 3) Achieving the realization of Local Own Revenue above the target, 4) The cost of obtaining taxes must be less than the actual regional revenue and 5) Encouraging regional-owned enterprises to contribute to regional revenues.
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A. INTRODUCTION

One of the things that is important and needs to be done by local governments is the role of the government in increasing the progress of their regions through evaluation of existing regional development. Such as the provision of infrastructure, public facilities needed by the community, both educational, health and welfare facilities, have been fulfilled properly. So that the evaluation carried out by the government is not only on existing physical development such as infrastructure and facilities needed by the community, but also the utilization of state revenues and expenditures used in the provision of regional infrastructure and facilities needed by the community. Community. All of this cannot be separated from the financial performance of the regional governments themselves in managing their budgets. For this reason, the financial performance of local governments from year to year needs to be evaluated properly so that it becomes a means of control for local governments to continue to improve their performance. To support the role of the government, it is strongly supported in obtaining regional revenue, so that local governments are required to play a role not only from the use of the budget but need to increase the revenue side (Tanan & Duri, 2018).

One of the evaluations that need to be done is financial performance evaluation. So that the government is more efficient, efficient and effective in using its budget and actually has an impact on the welfare of the community. Bastian (2017) stated that the level of success of public organizations had to be measured not only by input (input) from public organization programs, but success was more emphasized on the outputs, processes, benefits, and impacts of these public organization programs for the welfare of society.

For example, research conducted by Arni (2016) on the constraints of the Jakarta Provincial Government's financial performance, namely: budget irregularities practices, weak budget control from the council and strong political influence, the way the government overcomes obstacles to regional financial performance through: regional budget monitoring movements , strengthening and maximizing council budget functions, as well as improving and structuring regional financial management.

Likewise, research conducted by Abdallah & Maryanto (2018) in Kerinci Regency showed that the level of efficiency of regional finances was not yet efficient. This was because the capacity of the regions in Kerinci Regency in carrying out their duties is not stable because they were still experiencing fluctuating or fluctuating ratios, the government's wasteful performance in financing development was not yet optimal. The formulation of the problem raised in this study was how the financial performance of Jayapura City. The difference with previous studies was that this study describes financial performance evaluation and shows what steps need to be taken to overcome this problem.

B. LITERATURE REVIEW

Public sector performance measurement is carried out to fulfill three purposes. First, public sector performance measurement is intended to help improve government performance. Second, public sector performance measures are used for resource allocation and decision making. The three measures of public sector performance are intended to realize public accountability and improve institutional communication (Mardiasmo, 2009)

Public sector financial reports are a representation of the financial position of transactions conducted by a public sector entity. The general purpose of financial reporting is to provide information about the financial position, performance and cash flow of an entity that is useful for a large number of users (wide range users) to make and evaluate decisions regarding the allocation of resources used by an entity in its activities to achieve objectives (Bastian, 2010)

Financial ratio analysis is a comparison between two numbers whose data is taken from the elements of financial statements. Several financial ratios to measure performance include: degree of decentralization, regional dependency ratio, regional independence ratio, effectiveness ratio of Regional Original Income, efficiency ratio of Regional Original Income, tax effectiveness ratio, tax efficiency ratio and degree of contribution of Village-Owned Enterprises (Mahmudi, 2016).

Research on the evaluation of government financial performance is important in order to find solutions to improve the financial performance of local governments. The Regional Revenue and Expenditure Budget can experience a deficit if there is an increase in regional spending but it is not balanced by regional revenue (Fitriana, Affan, & Diyanti, 2019). If this happens, it will be difficult to achieve efficiency. In order to achieve efficiency, several ways can be done, including how to increase the amount of regional income so that it can match or be balanced with the realization of regional expenditure or expenditure that occurs in a certain time period (Rahmawati & Putra, 2016)

The level of fiscal dependence in Jayapura City has so far been very high (Kreuta, Hafizrianda, & Saranggrangbano, 2016). The high level of dependence of the City of Jayapura on Balancing Funds when viewed from the regional revenue of Jayapura City from the balance funds is higher than the Regional Original Income. In addition, the self-reliance ratio is still very

low and efforts should be made by the Jayapura City Government to increase its independence towards central transfer receipts (Tanan & Duri, 2018).

C. METHOD

This research is a descriptive quantitative type. The object of his research is the Jayapura city government's financial reports from 2011 to 2017, so it can be concluded that the data is secondary data. In this study, the authors measure the financial performance of the government using financial ratio analysis which includes: 1) Degree of Decentralization, 2) Regional Dependency Ratio, 3) Regional Independence Ratio, 4) Original Regional Income Effectiveness Ratio, 5) Original Local Income Efficiency Ratio, 5) Tax Efficiency Ratio, 6) Degree of Contribution of Regional Owned Enterprises. From the results of the measurement of financial performance, an evaluation of financial performance is then carried out which can improve the financial performance of the city of Jayapura.

1. Based on the financial Independence capability, the level of regional capacity can be grouped as:

   Very Low   :   0% -25%
   Low   :   25% -50%
   Medium   :   50% -75%
   High   :   75% - 100% (*Halim, 2004)*

2. Based on the income effectiveness ratio, the income effectiveness value can be grouped as:

   Very effective   :   > 100%
   Effective   :   100%
   Moderately effective: 90% -99%
   Less effective   :   75% -89%
   Ineffective   :   <75%   *(Mahmudi, 2016)*

3. Based on the Income Efficiency Ratio, the efficiency values can be grouped as follows:

   Very efficient   :   <5%
   Efficiency   :   5% -10%
   Fairly efficient :   11% -20%
   Less efficient   :   21% -30%
   Inefficient   :   >30%   *(Mahmudi, 2016)*

D. RESULTS AND DISCUSSION
1. Measurement Of Financial Performance Of Jayapura City Government

Based on the results of measuring the performance of Jayapura City in 2011 to 2017 were:

   a. The average degree of decentralization is 11.56 percent, so it could be concluded that the regional capacity was included in the very low category, as shown in the following table:

Table 1. Degree of Decentralization

Ratio	year 2011 (%)	year 2012 (%)	year 2013 (%)	year 2014 (%)	year 2015 (%)	year 2016 (%)	year 2017 (%)	avg (%)
Degree of decentralization	8.84	9.22	10.29	12.89	12.51	12.89	14.26	11.56

b. The average dependency ratio is 81.46%

Table 2. Regional Dependency Ratio

Ratio	year 2011 (%)	year 2012 (%)	year 2013 (%)	year 2014 (%)	year 2015 (%)	year 2016 (%)	year 2017 (%)	avg (%)
Regional dependence	79.57	82.89	79.97	79.03	77.42	87.11	84.43	81.46

c. The average regional independence ratio is 14.18 percent so it was included in the very low category as shown in the following table:

Table 3. Independence Ratio

Ratio	year 2011 (%)	year 2012 (%)	year 2013 (%)	year 2014 (%)	year 2015 (%)	year 2016 (%)	year 2017 (%)	avg (%)
Regional independence	11.11	11.16	12.86	16.31	16.15	14.80	16.89	14.18

d. The average effective local revenue ratio was 112 percent and it was included in the very effective category above the target set, as shown in the following table:

Table 4. Regional Original Income Effectiveness Ratios

Ratio	year 2011 (%)	year 2012 (%)	year 2013 (%)	year 2014 (%)	year 2015 (%)	year 2016 (%)	year 2017 (%)	avg (%)
Effectiveness	107.18	117.28	114.92	127.92	107.72	104.32	103.77	112

e. The average efficiency ratio was 3.21 percent and it was included in the very efficient category as shown in the following table:

Table 5. Regional Original Income Effectiveness Ratios

Ratio	year 2011 (%)	year 2012 (%)	year 2013 (%)	year 2014 (%)	year 2015 (%)	year 2016 (%)	year 2017 (%)	avg (%)
Efficiency	3.15	2.69	4.42	3.11	3.27	3.03	2.82	3.21

f. The average degree of contribution was 0.29 percent of revenue from Regional-Owned Enterprises (ROE) and it was still relatively small as shown in the following table:

Table 6. Degree of Contribution of Regional Owned Enterprises

Ratio	year 2011 (%)	year 2012 (%)	year 2013 (%)	year 2014 (%)	year 2015 (%)	year 2016 (%)	year 2017 (%)	avg (%)
Degree of Contribution of ROE	0.22	0.25	0.37	0.42	0.16	0.63	0.01	0.29

2. Financial Performance Evaluation On The Improvement Of Financial Performance Of Jayapura City Government

The results of financial performance measurement for performance evaluation as an improvement in the financial performance of the Jayapura City Government can be shown in the table below:

Table 7: Results of Financial Performance Measurement and Financial Performance Evaluation 2011 – 2017

No	Financial Performance Measurement	Financial Performance Evaluation	Improvement Of Financial Performance
1	The average degree of decentralization was 11.56 percent	Original Regional Revenue has increased in 2011-2017 but regional financial capacity is still lacking	Increase Regional Original Income by exploring the potential of existing areas
2	The average regional dependency ratio was 81.46 percent	The dependence of the Jayapura City Government on the Central Government is decreasing but the ratio is still large.	Reducing dependence on the central government by increasing local revenues
3	The average regional autonomy ratio was 14.18 percent	the ratio of independence is still very low	Increase Regional Original Income
4	Average Effective Ratio 112 percent	An effectiveness ratio> 100% is very effective	The achievement of the original regional income realization above the target must be continued
5	The average efficiency ratio was 3.21 percent	The efficiency ratio is in the very efficient category <5%	The cost of obtaining tax must be less than the realization of the original regional income
6	Contribution Degree Average 0.29 percent	The low contribution of Regional-Owned Enterprises to regional revenues	Encourage Regional Owned Enterprises to contribute to regional revenues

From the results of the above research it is known that the degree of decentralization of the Contribution of Original Regional Revenue in 2011 - 2017 had an average increase of 11.56 percent. The increase in the average degree of contribution of Regional Original Income was due to an increase in Regional Original Income in Jayapura City, but if viewed from the regional financial capacity it was in the very low category. This condition still shows that regional financial capacity is still lacking when compared to revenues from central funds. To increase regional revenue, the Jayapura

city government needs to continue to increase Regional Original Revenue by looking at the potential in the region that can be a source of regional revenue.

Regional Dependency Ratio The development of balance funds in 2011-2017 was increasing, but the proportion of balance funds to regional income tends to decrease, but the ratio was still large. It needs efforts to be made by the Jayapura City government to reduce dependence on the central government by continuing to increase regional revenues, especially increasing Regional Original Income, so it is necessary to explore potential sources of Regional Original Income in Jayapura City. The average dependency ratio of the Jayapura City Government in 2011 - 2017 was 81.46. These results indicate that the dependence of the Jayapura City Government on the Central Government is decreasing but still in the high category because of the dominance of central transfer revenues in regional revenues.

Independence Ratio The average self-reliance ratio in 2011 -2017 was 14.18 percent. This showed that the self-reliance ratio was still very low and efforts should be made by the Jayapura City Government to increase its independence in receiving transfers. The independence of the Jayapura city government was still low because the regional revenue sources obtained from central transfers were still donating regional revenues, meaning that the funds from central transfers are greater when viewed from other revenues such as Regional Original Revenue

The Average Regional Original Income Effectiveness Ratio was 112 percent in the very effective category> 100%. To increase the effectiveness of Regional Original Revenue, the achievement of Original Regional Income not only exceeds the target but obtaining Regional Original Income must be able to encourage increased effectiveness. To continue to increase Regional Original Income beyond the target of the City of Jayapura, it is necessary to continue to increase the achievement of Regional Original Income.

The Efficiency Ratio of Local Own Revenue of the City of Jayapura was included in the Very Efficient criteria, this was shown by the ratio between the cost of collecting taxes and the realization of local tax revenues the value is around <5% which is in the Very Efficient category. The average local revenue efficiency ratio in 2011-2017 was 3.21 percent because the results of tax collection or tax collection were greater than the costs incurred in obtaining local taxes. The cost of collecting regional original income must be small or below the realization of local taxes, it is important to continue to strive so that the collection of local taxes is more efficient from year to year.

The degree of Contribution of Regional Owned Enterprises was still relatively small compared to the total regional revenue, namely the average contribution of Regional Owned Enterprises was 0.29 percent. The acceptance of Regional Owned Enterprises was still low in terms of regional revenues. There needs to be an effort made by the Jayapura City government to encourage Regional Owned Enterprises in Jayapura City.

E. CONCLUSION

Based on the results of the research conducted, it can be concluded that: 1) Regional Original Income has increased in 2011-2017 but the regional financial capacity is still lacking, 2) the dependence of the Jayapura City Government on the Central Government has decreased but the ratio is still large, 3) The independence ratio is still low once, 4) The effectiveness ratio is very effective, 5) The efficiency ratio is in the very efficient category, 6) The contribution of BUMD to regional revenues is still very low.

Based on the results above, it is suggested to the Jayapura city government to: 1) Increase Local Own Revenue by exploring the potential of the existing area, 2) Reduce dependence on the central government by increasing regional revenue, 3) Achieving the realization of Regional Original Revenue above the target of Regional Original Income must continue to be done, 4) The cost of obtaining tax must be less than the realization of the original regional revenue and 5) Encouraging Regional Owned Enterprises to contribute more to regional revenues.

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