Analysis of Financial Statements in Assessing the Financial Performance of the North Sumatra Provincial Government

Junita Hutagaol[1], Irawan*[2]
[1,2]Accounting Study Program, Faculty of Social Sciences, Universitas Pembangunan Panca Budi, Indonesia
Correspondence email: junitahutagaol1234@gmail.com, irawan@dosen.pancabudi.ac.id

ABSTRACT

Good regional financial management can affect the progress of a region. In addition, the competence of human resources and the potential of supporting natural resources can also affect it. Financial statements can also reflect how the region's finances are managed. This study aims to find out the financial performance of the North Sumatra Provincial Government from 2020 to 2023. The data analysis technique used is quantitative descriptive using the local government financial ratios, which can be seen from: (1) Regional Financial Independence Ratio, (2) Regional Financial Dependency Ratio, (3) Regional Financial Decentralization Degree Ratio, (4) PAD Effectiveness Ratio, (5) PAD Efficiency Ratio, (6) Compatibility Ratio, and (7) Growth Ratio. The data collection technique used is documentation. This study uses secondary data, namely financial statements that have been audited by the Financial Audit Agency obtained from the official website of the North Sumatra Provincial Government. The results of this study are the Financial Performance of the North Sumatra Provincial Government in 2020-2023: (1) The Regional Financial Independence Ratio is included in the delegative category, with an average percentage of 103.36%. (2) The Regional Financial Dependence Ratio is included in the high category with an average percentage of 48.87%. (3) The Degree of Decentralization Ratio is included in the outstanding category with an average percentage of 50.51%. (4) The PAD Effectiveness Ratio is included in the category of quite effective, with an average percentage of 95.32%. (5) The PAD Efficiency Ratio is included in the inefficient category with an average percentage of 90.81%. (6) The Compatibility Ratio is included in the excellent category with an average percentage of 61.60% for operating Expenditure and 12.99% for capital expenditure. (7) The Growth Ratio is included in the excellent/positive category with an average percentage of 5.87% PAD growth and 7.65% regional expenditure growth.

Keywords: Regional Government Financial Ratio, Regional Financial Independence Ratio, Regional Financial Dependency Ratio, Degree of Decentralization Ratio, PAD Effectiveness Ratio, PAD Efficiency Ratio, Harmony Ratio, Growth Ratio.

INTRODUCTION

The Regional Revenue and Expenditure Budget (APBD) reflects the capacity of local governments to finance various activities and implement development initiatives. According to Law Number 17 of 2003 concerning State Finance, regional heads are required to submit financial reports to the Regional People's Representative Council (DPRD) as a form of accountability for the implementation of the APBD. These reports take the form of Local Government Financial Statements (LKPD), which must adhere to Government Accounting Standards as stipulated in Government Regulation No. 71 of 2010. After being audited by the Supreme Audit Agency (BPK), these financial statements are submitted to the DPRD and subsequently made publicly available (Sari, 2019).

The measurement of local government financial performance provides an overview of the region's financial condition and its ability to optimize and manage available resources. This assessment aims to support local government performance, facilitate resource allocation and decision-making, enhance communication between institutions, and ensure public accountability (Mardiasmo, 2018; Zulkarnain, 2020).

International Journal of Business, Law, and Education
Publisher: IJBLE Scientific Publications Community Inc.
E-ISSN : 2747-134X

Volume 5, Number 2, 2024
https://ijble.com/index.php/journal/index

Financial statements serve as a vital tool for evaluating the financial performance of local governments.

North Sumatra Province comprises 25 districts and eight cities, encompassing 450 sub-districts, 5,417 villages, and 693 urban neighborhoods. It is one of the most populous provinces in Indonesia. The governance of North Sumatra Province is outlined in Provincial Regulation Number 8 of 2022 concerning the Establishment and Composition of Regional Apparatus, which defines the provincial administrative structure, including the Regional Secretariat, DPRD Secretariat, Inspectorate, 21 Regional Offices, and eight Regional Agencies. Each Regional Apparatus Work Unit (SKPD) is mandated to submit an accountability report in the form of SKPD Financial Statements, which are subsequently consolidated into the LKPD for North Sumatra Province. The SKPDs are categorized into four primary groups based on their responsibilities: Basic Service Obligations, Non-Basic Service Obligations, Optional Functions, and Supporting Government Functions. In total, including the bureaus under the Regional Secretariat, there are 42 SKPDs.

Based on the Governor of North Sumatra Regulation Number 23 of 2022 regarding Accrual-Based Accounting Policies, the provincial government adopts accrual-based accounting, prepared in accordance with Accrual-Based Government Accounting Standards. The LKPD of North Sumatra Province consists of the following components:

a. Budget Realization Report (LRA),
b. Report on Changes in Excess Budget Balance (LPSAL),
c. Balance Sheet,
d. Operational Report (LO),
e. Cash Flow Statement (LAK),
f. Equity Change Report (LPE), and
g. Notes to Financial Statements (CaLK).

Notably, the Cash Flow Statement (LAK) is prepared solely by the Regional Financial Management Officer (PPKD), while the Report on Changes in the Surplus Budget Balance (LPSAL) is consolidated by the PPKD.

The guidelines for regional financial management in North Sumatra are governed by Government Regulation Number 12 of 2019 concerning Regional Financial Management, the Ministry of Home Affairs Regulation Number 77 of 2020 concerning Technical Guidelines for Regional Financial Management, and Governor Regulation Number 23 of 2022 concerning Accrual-Based Accounting Policies. The management of receipts and expenditures adheres to the provisions outlined in Governor Regulation Number 16 of 2019 concerning Guidelines for the Implementation of Non-Cash Transactions.

Based on the Budget Realization Reports for 2020–2023, the revenue of the North Sumatra Provincial Government showed an increase in 2020 and 2021, followed by a decrease in 2022, and a slight recovery in 2023. Regional Original Revenue (PAD) continues to be the largest contributor to regional revenue, supported by balance funds and other legitimate income sourced from the central government. However, the proportion of transfer revenue was significant in 2020 and 2021 but declined in 2022, with only a marginal increase in 2023. This indicates a continued dependence on central government assistance, particularly in the form of Revenue Sharing Funds, General Allocation Funds, and Special Allocation Funds during 2020–2021. However, the influence of transfer revenue began to wane in 2022–2023.

International Journal of Business, Law, and Education
Publisher: IJBLE Scientific Publications Community Inc.

Volume 5, Number 2, 2024
https://ijble.com/index.php/journal/index

Detailed information on the realization of local and transfer revenues for the period 2020–2023 is presented in Table 1 below.

Table 1. Revenue Realization of the North Sumatra Provincial Government Period 2020-2023 (in Rupiah)

Information	Year			
	2020	**2021**	**2022**	**2023**
REVENUE - LRA	**12,916,359,750,491.00**	**14,034,036,626,478.57**	**12,594,412,688,861.51**	**12,757,833,199,492.51**
REGIONAL ORIGINAL INCOME – LRA	**5,531,237,378,774.99**	**6,402,714,086,506.57**	**7,258,018,251,932.51**	**7,225,688,105,702.51**
Regional Tax Revenue – LRA	5,071,597,922,390.00	5,730,574,818,536.00	6,646,504,121,057.00	6,667,891,089,707.94
Regional Levy Revenue – LRA	30,218,319,711.00	27,129,155,454.00	28,954,300,036.00	33,234,330,583.00
Revenue from Segregated Regional Wealth Management – LRA	242,309,156,856.78	384,479,882,887.00	302,399,281,274.21	299,801,727,761.00
Other Valid PAD – LRA	187,111,979,817.21	260,530,229,629.57	280,160,549,565.30	224,760,957,650.57
TRANSFER REVENUE	**7,347,748,112,410.00**	**7,518,180,471,987.00**	**5,250,014,270,033.00**	**5,443,196,241,831.00**
Central Government Transfer Revenue	7,347,748,112,410.00	7,518,180,471,987.00	5,250,014,270,033.00	5,443,196,241,831.00
Balance Fund			5,213,826,023,033.00	5,413,640,339,831.00
Profit Sharing Fund (DBH)	426,453,173,226.00	797,628,780,665.00	739,563,418,216.00	581,910,953,859.00
General Allocation Fund (DAU)	42,230,415,196.00	2,463,686,589,000.00	2,432,954,103,819.00	2,682,814,024,612.00
Physical Special Allocation Fund (DAK)	2,474,465,343,000.00	261,026,929,554.00	282,339,159,482.00	406,604,190,383.00
Non-Physical Special Allocation Fund (DAK)	4,404,599,180,988.00	3,995,838,172,768.00	1,758,969,341,516.00	1,742,311,170,977.00
Regional Incentive Fund (DID)			36,188,247,000.00	29,555,902,000.00
Regional Incentive Fund (DID)			36,188,247,000.00	29,555,902,000.00
OTHER LEGITIMATE REGIONAL REVENUES	**37,374,259,306.00**	**113,142,067,985.00**	**86,380,166,896.00**	**88,948,851,959.00**
Grant Income	27,501,580,306.00	70,624,665,645.00	73,032,471,483.00	80,249,646,343.00
Other Income in Accordance with the Provisions of Laws and Regulations	-	42,517,402,340.00	13,347,695,413.00	8,699,205,616.00
Regional Incentive Fund (DID)	9,872,679,000.00			

Source: North Sumatra Provincial Government LRA (data processed), 2024

The North Sumatra Provincial Government Budget Realization Report from 2020-2023 presents the realization of Expenditure which tends to decrease when viewed from the percentage of realization compared to the budget. This indicates that there is an inconsistency in budget planning and management and shows that the North Sumatra Provincial Government needs to optimize in its budget absorption. According to (Mardiasmo, 2018), assessing the financial performance of local governments is important to determine the efficiency and effectiveness of budget use, assess compliance with laws and regulations, and assess accountability and transparency of regional financial management. Information about the realization of North Sumatra Provincial Government expenditure from 2020-2023 can be seen in table 2 below:

Table 2. Expenditure Realization of the North Sumatra Provincial Government Period 2020-2023 (in Rupiah)

Year	Budget	Spending Realization	Percentage
2020	11,494,671,486,409.30	10,935,643,264,218.00	95.14
2021	13,953,318,293,830.00	13,225,393,166,670.30	94.78
2022	13,395,006,196,440.00	12,509,062,821,349.10	93.39
2023	15,391,837,409,257.00	13,748,313,016,644.90	89.32

Source: North Sumatra Provincial Government LRA (data processed), 2024

Based on these problems, the author is interested in conducting further research by formulating the problem "How is the Financial Performance of the North Sumatra Provincial Government in 2020-2023 Based on the Analysis of the Financial Independence Ratio, Regional Financial Dependency Ratio, Degree of Decentralization, PAD Effectiveness and Efficiency Ratio, Compatibility Ratio, and

Growth Ratio". The results can be used as material for evaluation, reference, and consideration in making decisions.

1. Financial Report

According to Government Regulation of the Republic of Indonesia No. 71 of 2010 concerning Government Accounting Standards, financial statements are prepared to provide relevant information related to the financial position and all transactions carried out by reporting entities in one period. These financial statements function mainly to determine the value of economic resources used in government operational activities, assess financial conditions, evaluate the effectiveness and efficiency of reporting entities, and help ensure compliance with laws and regulations.

In addition, financial statements also have a predictive and prospective function, namely providing useful information to estimate resource needs for sustainable operations, resources generated from those operations, and associated risks and uncertainties. Financial statements also provide information on how the reporting entity funds its various activities and meets its cash needs. In addition, this report shows changes in the financial position of reporting entities, whether they have increased or decreased, as a result of activities carried out during the reporting period (Pemprovsu, 2022).

2. Local Government Financial Statements

Local Government Financial Statements are prepared to provide relevant information about financial conditions during the reporting period. The main purpose of government financial statements is to present information that is useful to report users in assessing accountability and making decisions in economic, social, or political aspects, through:

a. Provide information on the receipt of an adequate current period to finance the entire production;

b. Providing information on how economic resources are obtained and allocated in accordance with the established budget and laws and regulations;

c. Provide information on the amount of economic resources used in local government activities and the results that have been achieved;

d. Provide information on how the local government finances all its activities and meets its cash needs.

e. Provide information on the financial position and condition of the local government in relation to sources of revenue, both short-term and long-term, including from taxes and loans;

f. Provide information on changes in the financial position of local governments, whether they have increased or decreased, as a result of activities carried out during the reporting period. (Government Regulation of the Republic of Indonesia Number 71 of 2010).

3. Local Government Financial Performance

Regional financial performance refers to the level of achievement of work results in the field of regional finance, which includes regional revenues and expenditures using financial indicators determined through policies or laws and regulations during a budget period. This performance is measured through financial ratios resulting from the elements of the Regional Head Accountability Report, including the calculation of the APBD (Agustina, 2013) in the study (Fathah, 2017).

The measurement of Local Government Financial Management Performance according to (Mardiasmo, 2002) in the study (Fathah, 2017) is to achieve three goals,

namely:
a. To improve government performance, performance measures are designed to help the government focus on the goals and objectives of work unit programs, which will ultimately increase effectiveness in the delivery of public services.
b. To distribute resources and make decisions.
c. To realize public accountability and improve communication between institutions.

4. Analysis of Local Government Financial Ratios

Local government financial ratio analysis is to compare the numbers in the financial statements that know the financial position of a region to assess financial performance in a certain period (Putra, 2018) in research (Sari, 2021). In general, financial ratios vary depending on their importance and use, as well as different types of analysis can also cause differences in ratios.

5. Regional Financial Independence Ratio

This ratio is an indicator used to assess the extent to which local governments are able to fund development, public services, and other government affairs independently. This ratio reflects the level of independence of a region; The higher the value of the ratio, the greater the regional financial independence (Mahmudi, 2019). The calculation for the regional financial independence ratio is:

Regional Financial Independence Ratio	=	$\dfrac{\text{Regional Original Income}}{\text{Central + Provincial Transfer + Loan}}$ X 100%

Source : Mahmudi (2019)

The level of regional financial independence can be assessed according to the following table:

Table 3. Relationship Patterns and Levels of Regional Financial Independence

Financial Capability	Interval Scale (%)	Relationship Patterns
Very Low	0 – 25	Instructive
Low	> 25 - 50	Consultative
Keep	> 50 - 75	Participatory
Tall	> 75 - 100	Delegative

Source: Fathah in research (2017)

a. Instructive relationship patterns, The dependence of local governments on the central government is so great that it can be said that the region is not able to implement regional autonomy.
b. The pattern of consultative relations, where the central government's intervention in the regions began to decrease slowly. Local governments are considered a little more capable of exercising regional autonomy.
c. The pattern of participatory relationships, the central government towards the regions is decreasing, the ability to carry out its autonomy is close to capable.
d. The pattern of delegative relations, namely the intervention of the central government, no longer exists because the regions have become independent and able to carry out regional autonomy affairs.

6. Regional Financial Dependency Ratio

This ratio is calculated by comparing the total transfer revenue received with the total provincial revenue (Mahmudi, 2019). The higher the percentage of this ratio, the greater the level of dependence of local governments on the central government. The calculation for the regional financial dependence ratio is:

Regional Financial Dependency Ratio	=	$\dfrac{\text{Transfer Revenue}}{\text{Total Regional Revenue}}$ X 100%

Source: Mahmudi (2019)

The level of regional financial dependence can be assessed according to the following table:

Table 4. Regional Dependence Categories

Category	Interval Scale (%)
Very Low	0,00 – 10,00
Low	10,00 – 20,00
Keep	20,01 – 30,00
Enough	30,01 – 40,00
Tall	40,01 – 50,00
Very High	> 50

Source: Banga (2017) in Sari research (2019)

7. Degree Ratio of Decentralization

This ratio indicates how much the Regional Original Revenue (PAD) contributes to the total regional revenue. The degree of decentralization is calculated by comparing the number of PAD with the total regional revenue (Mahmudi, 2019). The higher the contribution of PAD, the greater the ability of local governments to implement decentralization. The calculation for the degree of decentralization is:

Degree Ratio of Decentralization	=	$\dfrac{\text{Regional Original Income}}{\text{Total Regional Revenue}}$ X 100%

Source: Mahmudi (2019)

The degree of decentralization can be assessed according to the table presented below:

Table 5. Categories of Degree of Decentralization

Category	Interval Scale (%)
Very Less	00,00 – 10,00
Less	10,01 – 20,00
Enough	20,01 – 30,00
Keep	30,01 – 40,00
Good	40,01 – 50,00
Excellent	< 50

Source: Sari in research (2021)

8. PAD Effectiveness Ratio

The PAD Effectiveness Ratio describes the ability of local governments to achieve the PAD revenue target (Mahmudi, 2019). The greater the realization of PAD revenues compared to the set targets, the more effective the performance, and vice versa (Putra, 2018). The calculation for the PAD effectiveness ratio is:

PAD Effectiveness Ratio	=	$\dfrac{\text{Realization of PAD Receipts}}{\text{PAD Acceptance Target}}$ X 100%

Source: Mahmudi (2019)

The level of PAD Effectiveness can be assessed according to the table presented below:

Table 6. PAD Effectiveness Ratio

Effectiveness of Regional Original Revenue	Interval Scale (%)
Highly Effective	> 100
Effective	100

Quite Effective	90 - 99
Less Effective	75 - 89
Ineffective	< 75

Source: Mahmudi (2019)

9. PAD Efficiency Ratio

This ratio is calculated by comparing the costs incurred by local governments to obtain Regional Original Revenue with the realization of PAD revenue. The PAD Efficiency Ratio is important to measure how much the local government spends in carrying out activities to achieve revenue realization. The calculation for the PAD efficiency ratio is:

$$\text{PAD Efficiency Ratio} = \frac{\text{PAD acquisition fee}}{\text{Realization of Regional Original Revenue}} \times 100\%$$

Source: Mahmudi (2019)

The PAD Efficiency Level can be assessed according to the table presented below:

Table 7. PAD Efficiency Ratio

Regional Original Revenue Efficiency Level	Interval Scale (%)
Highly Efficient	< 10
Efficient	10 - 20
Quite Efficient	21 - 30
Less Efficient	31 - 40
Inefficient	> 40

Source: Mahmudi (2019)

10. Compatibility Ratio

The Expenditure Compatibility Level describes how a region prioritizes funds between Capital Expenditure and Operating Expenditure well. Generally, the proportion of operating Expenditure is greater than the total regional Expenditure, which is between 60-90 percent, while the proportion of capital expenditure to total regional Expenditure ranges from 5-20 percent (Mahmudi, 2019). The operating expenditure compatibility ratio is calculated by comparing total operating Expenditure with total regional Expenditure, while the capital expenditure compatibility ratio is calculated by comparing total capital expenditure with total regional Expenditure. To calculate the compatibility ratio of operating Expenditure and capital expenditure is as follows:

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

Source: Mahmudi (2019)

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

Source: Mahmudi (2019)

The level of shopping harmony can be assessed according to the table presented below:

Table 8. Compatibility Ratio Indicators

Category	Interval Scale (%)
Bad	> 100
Not Good	90 - 100
Pretty Good	80 - 90
Good	60 - 80
Excellent	< 60

Source: Sari (2019)

11. Growth Ratio

The growth ratio is used to measure how well local governments can maintain regional financial revenues and expenditures, as well as increase the results of financial revenues and expenditures that have been achieved from one period to the next (Putra, 2018) in research (Sari, 2021). The calculation for the growth ratio of Regional Original Revenue and expenditure growth is as follows:

Regional Original Income Growth Ratio	=	$\dfrac{\text{PAD year p} - \text{PAD year (p-1)}}{\text{PAD years (p-1)}}$ X 100%

Source: Mahmudi (2019)

Regional Expenditure Growth Ratio	=	$\dfrac{\text{Regional Expenditure in year p} - \text{Regional Expenditure in the year (p-1)}}{\text{Regional Expenditure in the year (p-1)}}$ X 100%

Source : Mahmudi (2019)

The growth rate of revenue and Expenditure can be assessed according to the following table:

Table 9. Growth Ratio Indicators

Category	Interval Scale (%)
Good/Positive	0 - 50
Poor / Negative	< 0

Source: Sari (2019)

METHOD

This study uses a quantitative descriptive method. The quantitative method presents data in the form of numbers as a result of research. Meanwhile, descriptive methods are used to describe or describe phenomena systematically, factually, and accurately. This quantitative descriptive research aims to describe the variables as they are, supported by numerical data that reflects the actual situation. This study aims to evaluate the financial performance of the North Sumatra Provincial Government using financial ratios. The data used in this study is secondary data obtained from the financial statements of the North Sumatra Provincial Government for 2020-2023.

The data collection technique uses literature study and documentation methods. The documentation method is a way to obtain data or information related to research by reviewing written sources, both in the form of numbers and descriptions. Furthermore, the ratio to the financial data obtained is calculated. The data is then analyzed according to existing theories and described to provide an explanation of the financial performance of the North Sumatra Provincial Government. The financial ratios used in this study include: Regional Financial Independence Ratio, Regional Financial Dependency Ratio, Regional Financial Decentralization Degree Ratio, PAD Effectiveness Ratio, PAD Efficiency Ratio, Compatibility Ratio, and Growth Ratio.

RESULTS AND DISCUSSION

1. Regional Financial Independence Ratio

The Regional Financial Independence Ratio is calculated through a comparison of PAD Realization and Transfer Income. The results of the calculation of the Regional Financial Independence Ratio are presented through the following table:

Table 10. Regional Financial Independence Ratio

Year	PAD Realization (Rp)	Transfer Revenue (Rp)	Ratio (%)	Information
2020	5.531.237.378.774,99	7.347.748.112.410,00	75,28	Delegative
2021	6.402.714.086.506,57	7.518.180.471.987,00	85,16	Delegative
2022	7.258.018.251.932,51	5.250.014.270.033,00	138,25	Delegative
2023	7.225.688.105.702,51	5.443.196.241.831,00	132,75	Delegative
Average	6.604.414.455.729,14	6.389.784.774.065,25	103,36	Delegative

Source: North Sumatra Provincial Government LRA (data processed), 2024

The data above shows that the value of the Financial Independence Ratio of the North Sumatra Provincial Government in 2020-2023 tends to increase. The lowest regional financial independence ratio value occurred in 2020 at 75.28% and the highest in 2022 at 138.25%. However, in 2022 there was a fairly high increase, from 85.16% to 138.25% or an increase of 53.09%. From the description above, it is known that the average value of the regional financial independence ratio is 103.36%, in this case the North Sumatra Provincial Government has been completely independent and able to finance and carry out regional autonomy affairs.

2. Regional Financial Dependence Ratio

The Regional Financial Dependency Ratio is calculated through a comparison of transfer income and total regional revenue. The results of the calculation of the Regional Financial Dependency Ratio are presented through the following table:

Table 11. Regional Financial Dependence Ratio

Year	Transfer Revenue (Rp)	Regional Revenue (Rp)	Ratio (%)	Information
2020	7.347.748.112.410,00	12.916.359.750.490,90	56,89	Very High
2021	7.518.180.471.987,00	14.034.036.626.478,50	53,57	Very High
2022	5.250.014.270.033,00	12.594.412.688.861,50	41,69	Tall
2023	5.443.196.241.831,00	12.757.833.199.492,50	42,67	Tall
Average	6.389.784.774.065,25	13.075.660.566.330,80	48,87	Tall

Source: North Sumatra Provincial Government LRA (data processed), 2024

The data above shows that the value of the Financial Dependency Ratio of the North Sumatra Provincial Government in 2020-2023 tends to decrease. The highest regional financial dependency ratio value occurred in 2020 at 56.89% and the lowest in 2022 at 41.69%. However, in 2022 the ratio value decreased quite high from 53.57% to 41.69% or down 11.88%. From the description above, it is known that the average value of the regional financial dependence ratio is 48.87% and we can conclude that the level of dependence of the North Sumatra Provincial Government on the central government is still high.

3. Degree Ratio of Decentralization

This ratio shows the degree of PAD contribution to the total regional revenue. The greater the contribution of PAD, the higher the ability of local governments to implement decentralization. The results of the calculation of the Degree of Decentralization Ratio are presented through the following table:

Table 12. Degree of Decentralization Ratio

Year	PAD Realization (Rp)	Regional Revenue (Rp)	Ratio (%)	Information
2020	5.531.237.378.774,99	12.916.359.750.490,90	42,82	Good
2021	6.402.714.086.506,57	14.034.036.626.478,50	45,62	Good
2022	7.258.018.251.932,51	12.594.412.688.861,50	57,63	Excellent
2023	7.225.688.105.702,51	12.757.833.199.492,50	56,64	Excellent
Average	**6.604.414.455.729,14**	**13.075.660.566.330,80**	**50,51**	**Excellent**

Source: North Sumatra Provincial Government LRA (data processed), 2024

From the data above, it can be seen that the value of the North Sumatra Provincial Government's Degree of Decentralization Ratio in 2020-2023 tends to increase. The highest degree of decentralization ratio occurred in 2022 at 57.63% and the lowest in 2020 at 42.82%. However, in 2022 the ratio value increased quite high from 45.62% to 57.63% or an increase of 12.01%. The average value of the degree of decentralization ratio is 50.51%, so we can conclude that the degree of decentralization of the North Sumatra Provincial Government is very good.

4. PAD Effectiveness Ratio

The PAD effectiveness ratio is calculated through a comparison of local original revenue and total regional revenue. The results of the calculation of PAD Effectiveness are presented through the following table:

Tabel 13. PAD Effectiveness Ratio

Year	PAD Realization (Rp)	PAD Target/Budget (Rp)	Ratio (%)	Information
2020	5.531.237.378.774,99	5.434.682.028.854,00	101,78	Highly Effective
2021	6.402.714.086.506,57	6.279.786.774.225,00	101,96	Highly Effective
2022	7.258.018.251.932,51	7.261.199.485.228,00	99,96	Effective
2023	7.225.688.105.702,51	8.738.713.169.367,00	82,69	Quite Effective
Average	**6.604.414.455.729,14**	**6.928.595.364.418,50**	**95,32**	**Quite Effective**

Source: North Sumatra Provincial Government LRA (data processed), 2024

From the data above, it can be seen that the value of the North Sumatra Provincial Government's PAD Effectiveness Ratio in 2020-2023 tends to decrease. The highest PAD effectiveness ratio value occurred in 2021 at 101.96% and the lowest in 2023 at 82.69%. However, in 2023 the ratio value decreased considerably from 99.96% to 82.69% or down 17.27%. Judging from the average value of the PAD effectiveness ratio of the North Sumatra Provincial Government of 95.32% in the category of being quite effective in realizing PAD, even though the PAD target has not been achieved optimally.

5. PAD Efficiency Ratio

The PAD efficiency ratio describes the comparison between the costs incurred to generate revenue and the realized revenue. The costs incurred to collect PAD include routine expenses to carry out government duties and functions, such as employee spending and goods spending. The results of the calculation of PAD Efficiency are presented through the following table:

International Journal of Business, Law, and Education
Publisher: IJBLE Scientific Publications Community Inc.
E-ISSN : 2747-134X

Volume 5, Number 2, 2024
https://ijble.com/index.php/journal/index

Table 14. PAD Efficiency Ratio

Year	Costs incurred to collect PAD		Amount (Rp)	PAD Realization (Rp)	Ratio (%)	Information
	Employee Expenditure (Rp)	Goods and Services Shopping (Rp)				
2020	3.257.129.216.426,00	1.963.117.052.165,98	5.220.246.268.591,98	5.531.237.378.774,99	94,38	Inefficient
2021	3.372.531.926.884,00	2.828.790.517.550,80	6.201.322.444.434,80	6.402.714.086.506,57	96,85	Inefficient
2022	3.392.784.207.610,00	2.964.824.567.292,63	6.357.608.774.902,63	7.258.018.251.932,51	87,59	Inefficient
2023	3.291.794.526.059,50	2.919.824.583.503,46	6.211.619.109.562,96	7.225.688.105.702,51	85,97	Inefficient
Average	3.328.559.969.244,87	2.669.139.180.128,22	5.997.699.149.373,09	6.604.414.455.729,14	90,81	**Inefficient**

Source: North Sumatra Provincial Government LRA (data processed), 2024

The data above shows that the North Sumatra Provincial Government's PAD efficiency ratio value in 2020-2023 has been relatively decreasing. The highest PAD efficiency ratio value occurred in 2021 at 96.85% and the lowest in 2023 at 85.97%. However, in 2022, the ratio value decreased relatively large from 96.85% to 87.59% or a decrease of 9.26%. Judging from the average value of the PAD efficiency ratio of the North Sumatra Provincial Government, which is 90.81% in the inefficient category where the costs incurred to collect PAD are almost the same amount as the realization of PAD revenue.

6. Compatibility Ratio

The compatibility ratio is a ratio that describes the government's activities in prioritizing the allocation of funds for routine Expenditure and capital expenditure optimally. The higher the percentage of funds allocated for routine spending, the lower the percentage of capital expenditure used for the construction of facilities and infrastructure of the community in the area. The results of the calculation of the compatibility ratio are presented through the following table:

Table 15. Compatibility Ratio

Year	APBD (Rp)	Operating Expenditure (Rp)	Ratio (%)	Category	Capital Expenditure (Rp)	Ratio (%)
2020	11,494,671,486,409.30	8,287,005,336,991.98	72.09	Good	1,497,944,969,133.07	13.03
2021	13,953,318,293,830.00	9,509,003,885,719.46	68.15	Good	1,141,203,699,701.86	8.18
2022	13,395,006,196,440.00	7,582,911,612,511.14	56.61	Excellent	1,775,917,392,367.02	13.26
2023	15,391,837,409,257.00	8,029,171,006,323.08	52.17	Excellent	2,629,552,763,164.36	17.08
Average	13,558,708,346,484.10	8,352,022,960,386.42	61.60	**Good**	1,761,154,706,091.58	12.99

Source: North Sumatra Provincial Government LRA (data processed), 2024

The data above shows that the value of the North Sumatra Provincial Government's compatibility ratio in 2020-2023 tends to decrease. The highest operating expenditure compatibility ratio value occurred in 2020 at 72.09% and the lowest in 2023 at 52.17%. However, in 2022 the ratio value decreased considerably from 68.15% to 56.61% or a decrease of 11.54%. Judging from the average value, the North Sumatra Provincial Government's operating expenditure compatibility ratio is 61.60% in the good category, while the average capital expenditure compatibility ratio is 12.99%. Based on this data, it is known that the North Sumatra Provincial Government still focuses most of its funds on operating expenditures, so that the capital expenditure ratio is relatively small. The high allocation of funds for operating expenses is due to the large amount of employee spending and other routine expenses.

International Journal of Business, Law, and Education
Publisher: IJBLE Scientific Publications Community Inc.

E-ISSN : 2747-134X

Volume 5, Number 2, 2024
https://ijble.com/index.php/journal/index

7. Growth Ratio

The ratio of PAD growth and regional Expenditure is calculated by comparing the growth of PAD and regional Expenditure in year p with PAD and regional Expenditure in year p-1. The results of the calculation of the PAD growth ratio and the regional expenditure growth ratio are presented through the following table:

Table 16. PAD Growth Ratio

Year	PAD year p (Rp)	PAD year p-1 (Rp)	PAD Growth Ratio (%)	Criterion
2019-2020	5,531,237,378,774.99	5,761,270,412,051.31	(3.99)	Poor / Negative
2020-2021	6,402,714,086,506.57	5,531,237,378,774.99	15.76	Good/Positive
2021-2022	7,258,018,251,932.51	6,402,714,086,506.57	13.36	Good/Positive
2022-2023	7,225,688,105,702.51	7,258,018,251,932.51	(0.45)	Poor / Negative
Average	**6,604,414,455,729.14**	**6,238,310,032,316.35**	**5.87**	**Good/Positive**

Source: North Sumatra Provincial Government LRA (data processed), 2024

The data above shows that the growth of the North Sumatra Provincial Government's PAD fluctuates. In 2020, PAD experienced a growth of -3.99% from the previous year and became the lowest growth. In 2021, PAD growth increased significantly to 15.76%. In 2022, PAD experienced a slight decline in growth to 13.36%. Meanwhile, in 2023, PAD growth decreased considerably from the previous year, which was -0.45%. On average, the growth of the North Sumatra Provincial Government's PAD is 5.87% which is included in the good/positive category.

Table 17. Regional Expenditure Growth Ratio

Year	Regional Expenditure in year p (Rp)	Regional Expenditure in the year p-1 (Rp)	Regional Expenditure Growth Ratio (%)	Criterion
2019-2020	10,935,643,264,218.05	10,163,516,832,105.30	7.60	Good/Positive
2020-2021	13,225,393,166,670.32	10,935,643,264,218.00	20.94	Good/Positive
2021-2022	12,509,062,821,349.16	13,225,393,166,670.32	(5.42)	Poor / Negative
2022-2023	13,748,313,016,644.99	12,509,062,821,349.16	9.91	Good/Positive
Average	**12,604,603,067,220.60**	**11,708,404,021,085.70**	**7.65**	**Good/Positive**

Source : North Sumatra Provincial Government LRA (data processed), 2024

The data above shows that the growth of regional spending by the North Sumatra Provincial Government fluctuates. In 2020, regional spending experienced a growth of 7.6% from the previous year. In 2021, regional spending growth increased rapidly to 20.94% and experienced a relatively large increase of 13.34%. In 2022, regional spending experienced a fairly high decline in growth to -5.42% and became the lowest growth. Meanwhile, in 2023, regional spending will experience an increase in growth to 9.91%. On average, the growth of regional Expenditure of the North Sumatra Provincial Government is 7.65% which is included in the good/positive category. From the results of the discussion above, we can make a recapitulation which is presented through the following table:

Table 18. Results of Analysis of Regional Financial Performance of the North Sumatra Provincial Government in 2020-2023

Regional Financial Performance Ratio	Year				Average (%)	Category
	2020 (%)	2021 (%)	2022 (%)	2023 (%)		
Regional Financial Independence Ratio	75.28	85.16	138.25	132.75	103.36	Delegative
Regional Financial Dependency Ratio	56.89	53.57	41.69	42.67	48.87	Tall
Degree Ratio of Decentralization	42.82	45.62	57.63	56.64	50.51	Excellent

PAD Effectiveness Ratio		101.78	101.96	99.96	82.69	95.32	Quite Effective
PAD Efficiency Ratio		94.38	96.85	87.59	85.97	90.81	Inefficient
Compatibility Ratio	Operating Expenditure on the APBD	72.09	68.15	56.61	52.17	61.60	Good
	Capital Expenditure on the APBD	13.03	8.18	13.26	17.08	12.99	
Growth Ratio	PAD	-3.99	15.76	13.36	-0.45	5.87	Good/Positive
	Regional Spending	7.60	20.94	-5.42	9.91	7.65	

CONCLUSION

Based on the analysis above, the following conclusions are drawn:

1. The financial performance of the North Sumatra Provincial Government, as measured by the Regional Financial Independence Ratio, demonstrates a tendency to increase, with an average percentage of 103.36%, which is categorized as "delegative." This indicates that the provincial government is independent and capable of financing and managing regional autonomy affairs.
2. The Regional Financial Dependence Ratio shows a declining trend, with an average percentage of 48.87%, categorized as "high." This reflects a significant dependency of the North Sumatra Provincial Government on the central government.
3. The Degree of Decentralization Ratio places the financial performance of the North Sumatra Provincial Government in the "very good" category, with an average percentage of 50.61%. This suggests that the provincial government has successfully implemented decentralization, as evidenced by the significant contribution of locally generated revenue (PAD).
4. The PAD Effectiveness Ratio indicates that the financial performance of the North Sumatra Provincial Government is "quite effective," with an average percentage of 95.32%. This suggests that the province is relatively effective in generating PAD.
5. The PAD Efficiency Ratio, however, classifies the financial performance as "inefficient," with an average percentage of 90.81%. This indicates that the costs incurred to generate PAD are not proportional to the revenue obtained.
6. Based on the Compatibility Ratio, the financial performance of the North Sumatra Provincial Government is categorized as "good," with an average percentage of 61.60% allocated to operating expenditures and 12.99% allocated to capital expenditures.
7. The Growth Ratio analysis places the financial performance of the North Sumatra Provincial Government in the "good/positive" category, with average growth rates of 5.87% for PAD and 7.65% for regional expenditures.

Suggestions

The North Sumatra Provincial Government must optimize its PAD revenue by fostering innovation and creativity to enhance revenue generation. Efforts should focus on improving the collection of regional taxes and levies by increasing taxpayer awareness and compliance. Furthermore, systematic and continuous monitoring and control should be implemented to prevent irregularities in PAD collection. Additionally, the government should aim to reduce the costs associated with PAD collection to improve overall efficiency.

Reference

Fathah, R. N. (2017). Analisis Rasio Keuangan Untuk Penilaian Kinerja Pada Pemerintah Daerah kabupaten Gunung Kidul. EBBANK, 8(1), 33–48.

Farida, A. S., & Nugraha, R. F. M. (2019). Analisis Laporan Keuangan Pemerintah Daerah Kabupaten Subang. Publica: Jurnal Pemikiran Administrasi Negara, 11(2), 107-124.

Halim, A., & Kusufi, M. S. (2007). Akuntansi Sektor Publik: Akuntansi Keuangan Daerah. Jakarta: Salemba Empat.

Handayani, N. S., Deviyanti, D. R., & Syakura, M. A. (2019). Analisis kinerja keuangan pemerintah daerah kabupaten dan kota di kalimantan timur. Jurnal Ilmu Akuntansi Mulawarman (JIAM), 4(1).

Irawan, I., Muda, I., & Irawan, A. (2023). Training to improve skill in managing and reporting regular BOS Fund in SMA/SMK. Journal of Community Service and Empowerment, 4(1), 122-129.

Irawan, I., & Irawan, A. (2022). Pembukuan Usaha Mewujudkan UMKM Naik Kelas (Kolaborasi UMKM Indonesia dan Malaysia). Jurnal Pengabdian Masyarakat Akademisi, 1(3), 14-22.

Irawan, I., & Arifin, K. H. K. (2023, October). Socialization and Assistance for Community Financial Literacy in Improving Family Welfare in Besilam Village. In Proceeding International Seminar and Conference on Islamic Studies (ISCIS) (Vol. 2, No. 1).

Mahmudi. (2019). Analisis Laporan Keuangan Pemerintah Daerah Edisi Empat. Yogyakarta : UPP STIM YKPN.

Mahsun, Mohammad (2012). Pengukuran Kinerja Sektor Publik. Yogyakarta : BPFE.

Mardiasmo. 2018. Akuntansi Sektor Publik. Yogyakarta. Andi Yogyakarta

Natalia, L., & Astuti, T. D. (2015). Analisis Laporan Keuangan Dalam Mengukur Kinerja Keuangan Pada Pemerintah Kabupaten Sleman. Jurnal SosioHumaniora, 6(1).

Pemprovsu. (2022). Catatan Atas Laporan Keuangan.

Peraturan Pemerintah Republik Indonesia No. 71 Tahun 2010 tentang Standar Akuntansi Pemerintahan.

Peraturan Pemerintah Republik Indonesia Nomor 12 Tahun 2019 tentang Pengelolaan Keuangan Daerah.

Peraturan Menteri Dalam Negeri Nomor 77 Tahun 2020 tentang Pedoman Teknis Pengelolaan Keuangan Daerah.

Peraturan Gubernur Sumatera Utara Nomor 23 Tahun 2022 Tentang Kebijakan Akuntansi Berbasis Akrual.

Pramono, J. (2014). Analisis rasio keuangan untuk menilai kinerja keuangan pemerintah daerah (Studi Kasus pada pemerintah Kota Surakarta). Among Makarti, 7(1).

Rinaldy, M. (2023). Analisis Laporan Keuangan Dalam Mengukur Kinerja Keuangan Pemerintah Daerah Kabupaten Bireun Provinsi Aceh, (Doctoral dissertation, IPDN).

Sari, I., Asaari, M., & Hidayah, I. S. N. (2021, December). Analisis Kinerja Keuangan Pemerintah Daerah Kota Tangerang Selatan Tahun 2010-2019. In Prosiding Seminar Nasional & Call For Paper Stie Aas (Vol. 4, No. 1, pp. 408-425).

Sari, I. I., & Yousida, I. (2019). Analisis Laporan Keuangan Daerah Terhadap Kinerja Keuangan Pada Pemerintah Daerah Kabupaten Tanah Bumbu. Jurnal Ilmiah Ekonomi Bisnis, 5(1).

Saragih, F., & Siregar, I. A. (2020). Analisis Rasio Keuangan Dalam Menilai Kinerja Keuangan Daerah Pemerintah Kota Tebing. In Seminar of Social Sciences Engineering & Humaniora (pp. 1-14).

Tumija, & Sinta, G. (2022). Analisis Rasio Keuangan Daerah dalam Mengukur Kinerja Keuangan Pemerintah Daerah Kabupaten Cilacap. JEKP (Jurnal Ekonomi Dan Keuangan Publik), 9(2), 61–78.

Zulkarnain, Z. (2020). Analisis Rasio Keuangan Daerah untuk Mengukur Kinerja Keuangan Pemerintah Kabupaten/Kota di Jawa Barat. Cakrawala Repositori IMWI, 3(1), 61-74.

Zuhri, M., & Soleh, A. (2016). Analisis Kinerja Keuangan Pemerintah Daerah Kabupaten Kaur. EKOMBIS REVIEW: Jurnal Ilmiah Ekonomi Dan Bisnis, 4(2).