Financial Ratio Analysis in Assessing Financial Performance of Denpasar City Government for the Year 2018 – 2021

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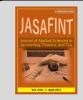Jalan Bukit Jimbaran, Kuta Selatan, Badung, Bali – 80364

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Abstract: *The execution of the standard of decentralization with regards to understanding the local independence of city in the Province of Bali has not been completely ready to investigate provincial pay sources which will uphold the outcome of carrying out territorial independence. Monetary information written in the Regional Government Budget isn't adequate to give sufficient data with respect to monetary administration execution in a specific locale. This exploration looked to evaluate the presentation of territorial monetary administration in Denpasar City during 2018-2021, as estimated by the local monetary reliance proportion, adequacy proportion, productivity proportion, the provincial consumption similarity proportion, the level of financial decentralization proportion and development proportion. Monetary Ratio Analysis utilizing the Budget Realization Report can be an estimating instrument for evaluating the monetary exhibition of nearby government. The exploration results uncovered that the monetary administration execution of Denpasar City during 2018-2021 still generally low in a few proportions explicitly the territorial monetary reliance proportion, productivity proportion, the level of monetary decentralization proportion and development proportion, while viability pro- portion and the local consumption similarity proportion show great monetary execution. It tends to be seen from its low territorial independence and its high reliance on the focal government. Furthermore, the territorial government has not had the option to smooth out the local funds in which provincial consumptions were more prominent than provincial incomes. The development pace of provincial monetary administration can be sorted as bad, since there is a lessening in pay consistently during the estimation time of the financial year.*

Keywords: *financial ratio; budget realization report; regional financial performance*

1. Introduction
The local government as the party authorized to carry out government activities, development, and services to the community is required to be able to build good performance measures. The performance of regional financial management reflects the results of achieving work in the regional finance department which includes activities in realizing the APBD. APBD is a unit consisting of three components, namely regional in- come, regional expenditure, and regional financing. Sources of Regional Income, namely Regional Original Income (PAD), Part of balancing funds and other legitimate income.

Denpasar City is one of the cities in Indonesia, precisely the capital city of Bali Province. The city of Denpasar is actively carrying out regional development to support regional development, it is hoped that this development can go straight with good financial performance. The structure of the Denpasar City Budget during the 2018 to 2021 fiscal year in terms of Regional Expenditures and Regional Revenues shows a significant increase and decrease. However, in terms of regional income, Denpasar City is still dominated by the Balancing Fund compared to PAD. In addition, in 2019 the realization of regional expenditures was greater than the realization of regional revenues, this shows that the level of use of PAD to finance regional expenditures is still low. Then from 2019 to 2020 there was a decline in Regional Expenditures and Regional Revenues, this happened due to the impact of the Covid-19 pandemic. Data from the realization of regional expenditure and the realization of regional income from Denpasar City can be seen in table 1.1

Table 1.1
Regional Expenditure Realization and Revenue Realization
Denpasar City 2018 – 2021

Year	Expenditure Realization	Revenue Realization
2018	Rp 2.098.037.222.612,33	Rp 2.121.040.458.231,59
2019	Rp 2.255.312.785.830,37	Rp 2.193.530.987.449,51
2020	Rp 1.722.827.837.846,61	Rp 1.964.054.093.227,60
2021	Rp 1.925.696.066.384,40	Rp 1.996.441.141.259,54

Table 1.2 shows the elaboration of the realization of regional income. It can be seen that the realization of Denpasar City's regional income in 2018-2021 is more dominated by the Balancing Fund or assistance funds from the central government than PAD (Regional Original Income) especially for 2020 and 2021.

Table 1. 2
The description of Regional Revenue Realization Denpasar City 2018 - 2021

Year	PAD	Transfer Funds	Other Legitimate Regional Income
2018	Rp 940.110.334.564,11	Rp 879.456.756.672,00	Rp 301.473.366.995,48
2019	Rp 1.010.779.481.697,88	Rp 869.958.857.558,00	Rp 312.792.648.193,63
2020	Rp 731.261.280.905,53	Rp 1.120.461.025.768,16	Rp 112.331.786.553,91
2021	Rp 792.362.413.752,87	Rp 1.115.074.616.004,87	Rp 89.004.111.501,80

Based on the data shown in table 1.1 which shows the realization of regional spending which is higher than the realization of regional income and table 1.2 which shows regional income which is dominated by the Balancing Fund, so the research is aimed at finding out about the financial performance of the Denpasar City government.

This study aims to find out about the financial performance of the Denpasar City government. The purpose of this study is to assess the performance of Denpasar City's regional financial management in 2018-2021 as measured by the calculation of the regional financial dependence ratio, effectiveness ratio, efficiency ratio, regional expenditure compatibility ratio, degree of fiscal decentralization ratio and

growth ratio. Financial Ra- tio Analysis using the Budget Realization Report can be a measuring tool to assess the financial performance of local governments.

Regional Revenue and Expenditure Budget (APBD) is a list containing details of regional revenues and regional expenditures/expenditures for one year [1]. APBD consists of locally-generated revenue (PAD), Balance fund section, Other Legitimate Regional Income, Expenditure Budget, Financing. Budget Realization Report is a report that contains information regarding the realization of income, expenditure and financing of an entity compared to the budget of the three posts [2]. It is stated that regional financial performance is an achievement obtained from the results of work in the regional finance department which includes activities of receiving funds and spending or regional expenditures [3]. The Budget Realization Report, an analysis of regional income can be carried out using Financial Ratios [4]. The financial ratios used in assessing the performance of local governments are as follows: Regional Financial Dependency Ratio, Effectiveness Ratio, Efficiency Ratio, Harmony Ratio of Regional Revenue and Expenditure Budgets, Fiscal Decentralization Degree Ratio, Growth Ratio.

2. Method
2.1 Types of research
This study uses a qualitative approach with data analysis methods using descriptive analysis. Research with this method has the aim of describing, summarizing a condition, a situation or a phenomenon of social reality that exists in people's lives as the object of research.

2.2. Place and time of research
The place that is the object of this research is the Denpasar City Regional Secretariat Office which is located at Gajah Mada Street No. 1, Denpasar. This research was conducted for 6 months starting from February to July 2022.

2.3. Data source
The data used in this study is secondary data in the form of the Denpasar City Government Budget Realization Report for 2018-2021

2.4. Data Collection Techniques and Instruments
This study uses data collection techniques with Documentation Techniques. Documentation is information or data that comes from important records from an institution or organization or from individuals.

2.5. Data Validity
This study uses the credibility of the data by testing the triangulation technique. This study uses moderate participation observation techniques, by participating directly in several activities to collect data.

2.6. Data analysis
The data analysis technique used in this study is financial ratio analysis, with the following steps:
1). Regional Financial Dependency Ratio
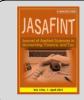The steps in analyzing the Regional Financial Dependency Ratio are:
a. Create a Transfer Revenue Table and Total Regional Revenue
b. Calculating the Regional Financial Dependency Ratio using the formula:

$$\frac{Transfer\ Revenue}{Regional\ Revenue} \times 100\%$$

2). Effectiveness Ratio
The steps in analyzing the Effectiveness Ratio are:
a. Create a Table of Realization of PAD Revenue and PAD Targets

b. Calculating the Effectiveness Ratio using the formula:

$$\frac{Realization\ of\ PAD\ Revenue}{PAD\ Targets}\ x\ 100\%$$

3) Efficiency Ratio

The steps in analyzing the Efficiency Ratio are:

a. Create a Table of Total Regional Expenditure Realization and Revenue Realization
b. Calculating the Efficiency Ratio using the formula:

$$\frac{Total\ Regional\ Expenditure\ Realization}{Revenue\ Realization}\ x\ 100\%$$

4) Harmony Ratio of Regional Revenue and Expenditure Budgets

The steps in analyzing the Shopping Harmony Ratio include:

a. Make a table of Total Operations, Total Capital Expenditures and Total Regional Expenditures.
b. Calculating the Operating Expenditure Ratio and Capital Expenditure Ratio with the formula

$$Operating = \frac{Total\ Operations}{Total\ Regional\ Expenditures}\ x\ 100\%$$
$$Capital = \frac{Total\ Capital\ Expenditures}{Total\ Regional\ Expenditures}\ x\ 100\%$$

5) Fiscal Decentralization Degree Ratio

The steps in analyzing the Fiscal Decentralization Degree Ratio are:

a. Create a table of PAD and Total Regional Income.
b. Calculating the Fiscal Decentralization Degree Ratio using the formula:

$$\frac{Realization\ of\ PAD}{Total\ Regional\ Income}\ x\ 100\%$$

6) Growth Ratio

The steps in analyzing the Growth Ratio are:

a. Creating a Table of Regional Income, PAD
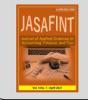b. Calculating Growth Ratio using the formula:

$$R = \frac{Pn}{Pn - P0}$$

R = Growth Ratio

Pn = Total Regional Income/PAD calculated in the (n) year

Po = Total Regional Income/PAD calculated in the (0) year (year before n)

3. Result and Discussion

The ratios used in analyzing the financial performance of Denpasar City in this study are: Regional Financial Dependency Ratio, Effectiveness Ratio, Efficiency Ratio, Regional Expenditure Harmony Ratio, Fiscal Decentralization Degree Ratio and Growth Ratio. The data used in conducting this research is the Denpasar City Government Budget Realization Report obtained from the Denpasar City BPKAD. From this data, it will be known the Financial Performance of Denpasar City. The results of the ratio analysis are:

Financial Ratio Analysis Calculation Results

Descriptiom	Financial Year				Aver-age
	2018	2019	2020	2021	
Regional Financial Performance :					
Regional Financial Dependency Ratio	41%	39%	57%	55%	48%
Effectiveness Ratio	109%	106%	111%	118%	111%
Efficiency Ratio	98%	102%	87%	96%	96%
Harmony Ratio of Regional Revenue and Expenditure Budgets :					
- Operations	51%	49%	92%	85%	69%
- Capital	49%	51%	8%	15%	31%
Fiscal Decentralization Degree Ratio	44%	46%	37%	39%	41%
Growth Ratio					
- Income	-	342%	-104%	165%	-
- PAD	-	752%	-276%	836%	-

From the results of the study in terms of the benchmarks presented [4] it can be seen that the average level of regional financial performance of the Denpasar City Government during the last 4 years is still low in several ratios, namely the Regional Financial Dependence Ratio, Efficiency Ratio , Degree Ratio of Fiscal Decentralization and Growth Ratio, while several other ratios namely Effectiveness Ratio, Operational Expenditure Harmony Ratio and Capital Expenditure Harmony Ratio show good financial performance.
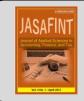
The performance of Denpasar City Government Financial Management as measured using financial ratio analysis in the period 2018 to 2021 is in an unfavorable condition. This happens because the Central Government provides large donations in the financial management of the Denpasar City area, thus causing the level of independence from the Denpasar City area to be included in the low category.

The calculation of the Regional Financial Dependency Ratio shows the size of the contribution of funds from the Central Government. Until now, every year the level of regional financial dependence in Denpasar City is still very high, this condition illustrates the dependence of the region on external funding sources from the Central/Provincial Government is still very high.

The Efficiency Ratio also describes a condition that is quite worrying. The large amount of regional expenditure compared to the income received by the region also causes the regional financial efficiency ratio to show a poor condition. Inefficient conditions due to the fact that the realization of regional expenditures is greater than the realization of regional revenues, especially for 2019.

The results of the research on the Ratio of Degrees of Fiscal Decentralization which show the contribution of PAD (Regional Original Income) to regional income, the results are quite low. This is due to the Covid-19 pandemic situation which began to spread in 2020 and caused a decrease in the number of tourists coming to Bali and had an impact on tourism which is an income asset for local revenue.

The results of the Growth Ratio research for 2019 to 2021 experienced a very drastic decline for that year and the following year, this was due to the income received by the Denpasar City Government was less than optimal. This income growth can be categorized as good if the income growth is positive and

has a tendency to increase, if the growth is negative, it indicates a declining income performance, especially in 2020 where the percentage value is negative.

4. Conclusion
4.1 Conclusion
Based on the research results obtained in line with the theory and previous research that has been described in previous chapters, it can be found benchmarks of government financial performance so that conclusions can be drawn. The following conclusions can be drawn from the results of data analysis in Chapter IV, namely, when viewed from the Effectiveness Ratio, Operational Expenditure Harmony Ratio and Capital Expenditure Harmony Ratio, the financial management and financial performance of Denpasar City in 2018-2021 shows a good percentage value. However, when viewed from the Regional Financial Dependency Ratio, Efficiency Ratio, Degree Ratio of Fiscal Decentralization and Growth Ratio, the financial management and financial performance of Denpasar City in 2018-2021 is in poor condition. This can be seen from the high level of regional dependence caused by Regional Original Income which cannot be maximized by the regional government so that the level of regional independence is still lacking. In addition, local governments are still less efficient in their regional finances so that regional expenditures are greater than regional revenues.

4.2. Implication
1). Practical Implications
This research is expected to provide consideration for the government in making decisions related to improving the financial performance of local governments. Based on the results of the study, it was found that PAD and balancing funds can affect the financial performance of local governments and conclude that this research is expected to provide consideration so that local governments are able to increase their own regional revenues and reduce balancing funds in their regions, in order to maximize the income received by local governments. so that local governments are able to maintain and improve the success that has been achieved from the previous period to the next period.

2). Theoretical Implications
This research is expected to provide theoretical contributions related to the analysis of local government financial performance. In this study, the local government's financial performance may not be in accordance with the regional financial capabilities, so that local governments need to conduct an analysis every year in order to find out the weak points of their regional financial performance.

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