

## Financial performance analysis of Sungai Penuh City

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### Abstract

This study aims to analyze the regional financial performance of Sungai Penuh City based on 1) the ratio of regional financial independence, 2) the ratio of the degree of fiscal decentralization, 3) the ratio of the effectiveness of Regional Original Income (PAD), 4) the efficiency ratio, 5) the harmony ratio and 6) the growth ratio. The data in this study are sourced from the Regional Revenue and Expenditure Budget (APBD) of Sungai Penuh City from 2018 - 2023 which consists of PAD data, transfer income, PAD budget, operating expenditure, capital expenditure, and total expenditure. The results of the study show that the regional financial performance of Sungai Penuh City based on 1) the ratio of regional financial independence on average from 2018 - 2023 is 5%. This figure is included in the very low category with an instructive relationship pattern because it is included in the interval 0% - 25%, 2) the ratio of the degree of fiscal decentralization on average from 2018 - 2023 is 5%. This figure is included in the very lacking category because it is in the interval of 0% - 10%, 3) the average PAD effectiveness ratio from 2018 - 2023 with a value of 91%. The figure is included in the fairly effective category because it is in the interval of 90% - 99%, 4) the average efficiency ratio from 2018 - 2023 with a value of 101%. This figure is included in the inefficient category because it is in the interval above 40%, 5) the average harmony ratio from 2018 - 2023 is included in the ineffective category because the operating expenditure ratio value is greater than the capital expenditure ratio (65% > 25%), 6) the average growth ratio from 2018 - 2023 with a value of -4.00%. This figure is included in the Very Bad category because it has a negative value.

**Keywords:** Regional Financial Performance; PAD; Transfer Revenue; Operating Expenditure; Capital Expenditure

### 1. Introduction

The active role of local governments in managing their own regions is a challenge that must be accepted by the government in order to build and manage their respective regions well. In accordance with Law Number 23 of 2014 concerning Regional Government, regional autonomy is the right, authority, and obligation of autonomous regions to regulate their own government affairs and the interests of local communities in the Unitary State of the Republic of Indonesia.

The delegation of development authority from the central government to regional governments, aims to improve the efficiency and effectiveness of financial resources, in this case Regional Government is the implementation of government affairs by the regional government and the Regional People's Representative Council (DPRD) according to the principles of autonomy and assistance tasks with the principle of the broadest possible autonomy in the system and principles of the Unitary State of the Republic of Indonesia (NKRI) as referred to in the 1945 Constitution of the Republic of Indonesia. With the granting of authority to the Regional Government to manage all the interests of their respective regions, the Regional Government is required to be able to improve the performance and accountability of the Regional Apparatus. Thus, it is necessary to measure the performance of the regional government.

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The analysis of the APBD financial ratio is carried out by comparing the results achieved from one period compared to the previous period so that the tendencies that occur can be known. With this analysis, the government can assess the independence of regional finances in financing the implementation of regional autonomy, measure the effectiveness and efficiency in realizing regional income, measure the extent of government activity in spending its regional income, and can measure the contribution of each source of income in the formation of regional income.

Sungai Penuh City is the second largest city in Jambi Province, Indonesia. This city was formed based on the Law of the Republic of Indonesia Number 25 of 2008 which is a division of Kerinci Regency and its ratification was carried out by the Minister of Home Affairs on October 8, 2009. The population of Sungai Penuh City in 2023 is 101,220 people.

From the initial observations of researchers conducted in Sungai Penuh City, it can be seen that the Regional Original Income (PAD), Regional Expenditure for five years (2018-2023) in the Sungai Penuh City government is shown by figures that are still categorized as low and dependent on the central government. This condition can be seen from the low PAD of Sungai Penuh City from Regional Expenditure. This makes transfer income from the center always increase. In other words, Sungai Penuh City is suspected of still having a dependence on the center from regional financial milk. This condition can be seen in Table 1.

**Table 1** Regional Financial Performance Indicators Sungai Penuh City 2018 – 2023

Year	PAD (Rupiah)	Regional Shopping (Rupiah)	Transfer Income (Rupiah)
2018	36,246,931,834	657.545.906.237	572.296.754.197
2019	36,632,476,994	742,446,518,615	664.002.158.523
2020	31,420,979,313	687,401,695,737	654,380,386,862
2021	34,184,049,670	740,864,563,093	681,513,702,388
2022	34,900,741,628	809.310.850.515	767.200.634.230
2023	29,050,525,939	711.305.687.923	709.338.141.025
Average	33,739,284,230	724,812,537,020	674,788,629,537

Source: Regional Finance Agency of Sungai Penuh City

This high dependency is a major challenge in realizing fiscal independence, especially since central transfers are highly dependent on national fiscal policies that can change at any time. This dependency also raises concerns about long-term fiscal sustainability, especially if there are no significant efforts to increase PAD capacity. This condition risks slowing down economic and social development in Sungai Penuh City, especially in facing the dynamics of the community's ever-growing needs.

In addition, analysis of financial data shows that regional spending in Sungai Penuh City has experienced a significant upward trend, from IDR 657.54 billion in 2018 to IDR 809.31 billion in 2022. This increase in spending reflects the increasing need for development, but is not accompanied by an adequate increase in PAD. In fact, PAD in 2023 actually experienced a significant decline to IDR 29.05 billion, which is an indicator that the source of local revenue has not been fully managed optimally.

In terms of spending management, the high ratio of spending to PAD indicates that most regional spending is used to meet routine and consumptive needs, while capital spending for infrastructure development and development of regional economic potential is still limited. This condition indicates inefficiency in budget allocation that requires in-depth evaluation for future improvements.

These challenges encourage the importance of studying the financial performance of Sungai Penuh City as an effort to provide a comprehensive picture of the financial condition of the region, the potential of local resources that can be optimized, and strategies to increase efficiency and fiscal independence. This study also serves as a basis for formulating more integrated development policies, so that Sungai Penuh City can optimally utilize regional autonomy to achieve sustainable and inclusive development goals.

There are several studies that have conducted research related to the financial capacity of this region. Anita, (2020) concluded in her research that in the implementation of regional autonomy, Jambi Province is faced with the obstacle of low regional financial capacity, which can be seen from the low contribution of Regional Original Income. Widodo,

(2021) found that the independence of the Boyolali regional government in meeting funding needs for carrying out government tasks, development and social services is still relatively low and tends to decline. Royani, (2012) showed in her research that financial development in Ponorogo and Madiun Regencies in the financial sector is still lacking. For this reason, efforts are needed to increase PAD both through extensification and intensification. Shiddiqy, (2022) in his research results showed that the development of financial capacity in the Bantul Regency Government in supporting the implementation of regional autonomy is still lacking. And Dewi, (2021) showed that in general the financial capacity of regions in regencies/cities in North Sumatra is still lacking and most regencies/cities in North Sumatra are not yet capable of regional autonomy.

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## 2. Research methods

This research was conducted at the Sungai Penuh City Regional Government, by taking data from the Regional Planning and Development Agency and the Regional Finance Agency. The research was conducted in August - September 2024. The subject of this study was the Financial Performance of the Sungai Penuh City Regional Government, and the object of this study was the Sungai Penuh City APBD Realization Report for 2018 - 2023.

The type of data in this study is qualitative data in the form of a general description of the Regional Government of Sungai Penuh City, and quantitative data in the form of the results of financial performance calculations. The data sources that will be used in this study are secondary data obtained indirectly in the form of existing evidence, or archives, both published and unpublished.

The data collection technique used in this study is documentation. According to Sugiyono, (2021), documentation is secondary data stored in the form of documents or files (conventional or electronic records), books, writings, reports, meeting minutes, magazines, newspapers, and so on. This data was obtained from the Sungai Penuh City Regional Finance Agency office in the form of the Sungai Penuh City Government Budget Realization Report for the 2018-2023 fiscal years.

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## 3. Results and discussion

### 3.1. Regional Financial Independence Ratio

The Regional Financial Independence Ratio describes the region's dependence on Transfer Income (external data source). The higher the Regional Financial Independence Ratio means that the level of regional dependence on external assistance is lower and vice versa. The Regional Financial Independence Ratio also describes the level of community participation in regional development. The higher the Regional Financial Independence Ratio, the higher the community participation in regional development. The higher the Regional Financial Independence Ratio, the higher the community participation in paying regional taxes and levies which are the main components of Regional Original Income. The higher the community paying regional taxes and levies illustrates that the level of community welfare is higher. The financial capacity of autonomous regions can be categorized as very low, low, medium, and high depending on the level of financial independence. The Regional Financial Independence Ratio of the Regional Government of Sungai Penuh City for the 2018-2023 period is shown in table 2.

From table 2, it can be seen that the ratio of regional financial independence of Sungai Penuh City continues to decline from 2018 to 2023. In 2018, the ratio of regional financial independence reached a value of 6%. However, it decreased in 2017 to 5%. This condition continued until 2019 with a value of 5%. In 2020, the ratio of regional financial independence of Sungai Penuh City continued to decline to 4%. From 2018 to 2023, the ratio of regional financial independence of Sungai Penuh City was categorized as very low each year with an instructive relationship pattern. Thus, on average from 2018 to 2023, the ratio of regional financial independence of Sungai Penuh City was 5%, including a very low category with an instructive relationship pattern.

**Table 2** Regional Financial Independence Ratio Full River City

Year	PAD (Billion Rupiah)	Transfer Income (Billion Rupiah)	Independence (%)	Financial Capability	Relationship Patterns
2018	36,246,931,834	572.296.754.197	6	Very Low	Instructive
2019	36,632,476,994	664.002.158.523	6	Very Low	Instructive
2020	31,420,979,313	654,380,386,862	5	Very Low	Instructive
2021	34,184,049,670	681,513,702,388	5	Very Low	Instructive
2022	34,900,741,628	767.200.634.230	5	Very Low	Instructive
2023	29,050,525,939	709.338.141.025	4	Very Low	Instructive
Average	33,739,284,230	674,788,629,537	5	Very Low	Instructive

Source: Regional Budget of Sungai Penuh City

Based on the calculation results in table 2, the financial capacity of the Sungai Penuh City Regional Government is still very low and the relationship pattern is an Instructive relationship pattern where the role of the central government is more dominant than the independence of the regional government (regions that are unable to implement regional autonomy). There has always been a decline from 2018 to 2023. Starting in 2018, the Independence Ratio was 6%, then dropped to 4% in 2023.

According to the description above, it can be concluded that the ratio of regional financial independence for six years in the Sungai Penuh City government has an average independence that is still very low and in the category of less financial capability with an Instructive relationship pattern, namely the role of the central government is still very dominant compared to the regional government, this can be seen from the ratio of regional financial independence which is still included in the 0% interval.

- 25%. The low Independence Ratio results in the financial capacity of the Sungai Penuh City region in financing the implementation of government and regional development still being very dependent on assistance from the central government. So the Financial Independence of the Sungai Penuh City Regional Government as a whole can be said to be very low, this illustrates that the level of regional dependence on external funding sources is still very high.

### 3.2. Fiscal Decentralization Degree Ratio

The Fiscal Decentralization Degree Ratio is a measure of the financial capacity of regional governments to finance regional spending. Based on this measure, the amount of fundraising capacity originating from the region itself can be determined.

According to Mahmudi (2015), the Degree of Decentralization shows the degree of PAD contribution to total regional revenue. The higher the PAD contribution, the higher the ability of the regional government in implementing decentralization.

**Table 3** Fiscal Decentralization Degree Ratio of Sungai Penuh City

Year	PAD (Billion Rupiah)	Total Revenue (Billion Rupiah)	Percentage (%)	Information
2018	36,246,931,834	626.260.069.031	6	Very less
2019	36,632,476,994	707.134.635.517	5	Very less
2020	31,420,979,313	686.197.366.176	5	Very less
2021	34,184,049,670	727.122.042.033	5	Very less
2022	34,900,741,628	823.157.323.136	4	Very less
2023	29,050,525,939	749,342,006,963	4	Very less
Average	33,739,284,230	719.868.907.143	5	Very less

Source: Regional Budget of Sungai Penuh City

From table 3, it can be seen that the ratio of the degree of fiscal decentralization of Sungai Penuh City from the comparison of PAD with total revenue in 2018 reached 6% with the category Very Less. In 2019 this condition decreased to 5% and remained until 2020. In 2022 and 2023 this condition continued to decrease to 4%. On average from 2018 - 2023 the ratio of the degree of fiscal decentralization of Sungai Penuh City had a value of 5% with the category Very Less. This means that in the last 6 years the contribution or contribution of Sungai Penuh City PAD to the total income of Sungai Penuh City was only 5%. It is clear that the contribution of PAD to the total income of Sungai Penuh City is still very lacking. In fact, as a good region, the PAD contribution should be above 50%. This means that the region is very financially independent.

### 3.3. PAD Effectiveness Ratio

The PAD Effectiveness Ratio shows the ability of local governments to mobilize PAD revenues according to targets (Mahmudi, 2010). The PAD Effectiveness Ratio is calculated by comparing the realization of PAD revenues with the PAD revenue target or previously budgeted. The higher the effectiveness ratio, the better or more effective the regional financial condition is because the PAD realization is greater than the target or budget. While the smaller this ratio, the worse or less effective the effectiveness is because the PAD realization is smaller than the target or budget.

From table 4.3 it can be seen that the comparison of PAD realization with the PAD budget or the PAD effectiveness ratio of Sungai Penuh City on average from 2018– 2023 reached 91%. This figure is categorized as quite effective because it is in the interval of 90% - 99%. In 2018, this effectiveness ratio reached 114% so it can be said to be Very Effective. Then it moved down and up until 2022 reaching 74%. However, in 2023, even though the economy was impacted by a recession, the effectiveness ratio of Sungai Penuh City's PAD actually increased to 104%. This means that this figure shows that the realization of PAD is greater than the budget that has been set. The good performance of the Sungai Penuh City government, in the midst of the nation's economic conditions and society experiencing a downturn, Sungai Penuh City's PAD managed to exceed the predetermined target. This condition should continue to be maintained and improved in the future.

**Table 4** PAD Effectiveness Ratio of Sungai Penuh City

Year	PAD Realization (Billion Rupiah)	PAD Budget (Billion Rupiah)	Percentage (%)	Information
2018	36,246,931,834	31,784,555,290	114	Very Effective
2019	36,632,476,994	35,161,697,628	104	Very Effective
2020	31,420,979,313	42,626,159,749	74	Ineffective
2021	34,184,049,670	44,450,686,693	77	Less Effective
2022	34,900,741,628	47,073,181,316	74	Ineffective
2023	29,050,525,939	27,855,371,496	104	Very Effective
Average	33,739,284,230	38,158,608,695	91	Quite Effective

Source: Regional Budget of Sungai Penuh City

### 3.4. Efficiency Ratio

The Regional Financial Efficiency Ratio (REKD) describes the comparison between the amount of costs incurred to obtain income with the realization of income received. The Financial Performance of the Regional Government in collecting income with the realization of income received. The Financial Performance of the Regional Government in collecting income is categorized as efficient if the ratio achieved is less than 1 (one) or below 100%. The smaller the Regional Financial Efficiency Ratio means the Financial Performance of the Regional Government is better. For this reason, the regional government needs to carefully calculate how much it costs to realize all the income it receives so that it is known whether its income collection activities are efficient or not.

**Table 5** PAD Efficiency Ratio of Sungai Penuh City

Year	Realization of Regional Expenditure (Billion Rupiah)	Realization of Regional Revenue (Billion Rupiah)	Percentage (%)	Information
2018	657.545.906.237	626.260.069.031	105	Not efficient
2019	742,446,518,615	707.134.635.517	105	Not efficient
2020	687,401,695,737	686.197.366.176	100	Not efficient
2021	740,864,563,093	727.122.042.033	102	Not efficient
2022	809.310.850.515	823.157.323.136	98	Not efficient
2023	711.305.687.923	749,342,006,963	95	Not efficient
Average	724,812,537,020	719.868.907.143	101	Not efficient

Source: Regional Budget of Sungai Penuh City

From table 5 it can be seen that the PAD efficiency ratio of Sungai Penuh City in 2018 reached 105%. This figure is categorized as Inefficient because it is in the interval above > 40%. The figure of 105% means that the realization of regional spending is greater than the realization of regional income. In other words, Sungai Penuh City is experiencing a condition of "Bigger Pegs Than Income". Of course, this condition is not healthy for the regional finances of Sungai Penuh City.

From 2018 to 2023, the condition of the PAD efficiency ratio of Sungai Penuh City continues to decline. In 2023, the value reached 95% with the category still Inefficient. Even though the economy is in recession, the efficiency ratio of Sungai Penuh City has managed to decline. This condition shows that the comparison between regional spending and regional income is getting smaller so that if this is maintained, it will certainly be better for the regional financial condition.

On average, the PAD efficiency ratio of Sungai Penuh City reaches 101% with the category still Inefficient. Although the PAD efficiency ratio of Sungai Penuh City has continued to decline over the past 6 years, this ratio is still high at above 40% with the category Inefficient. This means that Sungai Penuh City must improve itself to optimize its income by minimizing its spending so that the regional financial condition becomes healthier.

### 3.5. Harmony Ratio

The Harmony Ratio describes how local governments prioritize their fund allocations on Routine Expenditures and Development Expenditures optimally. The higher the percentage of funds allocated for Routine Expenditures, the smaller the percentage of Investment Expenditures (Development Expenditures) used to provide economic facilities and infrastructure for the community.

There are two calculations in this Harmony Ratio, namely: Operating Expenditure Ratio and Capital Expenditure Ratio. Operating Expenditure Ratio is a comparison between total Operating Expenditure and Total Regional Expenditure. This ratio informs the report reader about the portion of regional expenditure allocated for Operating Expenditure. Operating Expenditure is expenditure whose benefits are consumed in one budget year, so it is short-term in nature and in certain cases routine and recurring in nature. In general, the proportion of Operating Expenditure dominates total regional expenditure, which is between 60-90%. Regional governments with high income levels tend to have a higher portion of operating expenditure compared to regional governments with low income levels (Mahmudi (2010).

According to the description and calculations above, most of the funds owned by the Regional Government are still prioritized for operational expenditure needs so that the capital expenditure ratio is relatively small. This can be proven from the average operating expenditure ratio which is still large compared to the average capital expenditure ratio. The large allocation of funds for operational expenditure is mainly due to the large number of autonomous agencies and employee expenditure for civil servant salaries. This can show that the Sungai Penuh City Government is more inclined to routine expenditures to fulfill government activities and has not paid attention to regional development. This is because there is no definite benchmark for capital expenditure, so the Regional Government is still concentrating on fulfilling operational expenditures which results in capital expenditures for the Sungai Penuh City Government being small or not yet fulfilled.

Capital Expenditure Ratio is a comparison between total realization of capital expenditure with total regional expenditure. Based on this ratio, readers of the report can find out the portion of regional expenditure allocated for investment in the form of capital expenditure in the relevant budget year. Capital expenditure provides medium and long-term benefits and is also routine. In general, the proportion of capital expenditure with regional expenditure is between 5-20% (Mahmudi, 2010).

**Table 6** Operational Expenditure Ratio of Sungai Penuh City

Year	Total Operating Expenditure (Billion Rupiah)	Total Regional Expenditure (Billion Rupiah)	Percentage (%)
2018	452.219.292.896	657.545.906.237	69
2019	477,436,998,248	742,446,518,615	64
2020	430,961,590,677	687,401,695,737	63
2021	455.919.258.525	740,864,563,093	62
2022	531,450,668,686	809.310.850.515	66
2023	450.235.040.378	711.305.687.923	63
Average	466.370.474.902	724,812,537,020	65

Source: Regional Budget of Sungai Penuh City

If you look at table 7, the operating expenditure ratio of Sungai Penuh City has generally decreased. In 2022, the operating expenditure ratio reached 69%. This figure means that 69% of the total regional expenditure of Sungai Penuh City is allocated for operational expenditure. This operational expenditure is like employee expenditure, goods expenditure, interest, subsidies, grants, and social assistance. Until 2021, this operational expenditure ratio continued to decline to 62%. In 2022, it increased slightly to 66%. However, it fell again in 2023 to 63%. On average from 2018 - 2023, the value of the regional operational expenditure ratio of Sungai Penuh City reached 65%. This means that over the past 6 years, the proportion of operational expenditure to regional expenditure of Sungai Penuh City has reached 64%. This value is more than half of the total regional expenditure.

Meanwhile, the average capital expenditure ratio of Sungai Penuh City from 2018 to 2023 is only 26%. This means that the proportion of capital expenditure by the Sungai Penuh City area is only 25%. The rest is used for operating expenses which reach 64%. When viewed per year, this figure tends to experience fluctuating or up and down developments. In 2018, this capital expenditure ratio reached 27%, increasing in 2019 to 28%. Then it fell in 2020 to 25% and rose again to 26% in 2021. However, in 2022 and 2023 it continued to fall to 22% and 19%. Of course, this condition is less encouraging because capital expenditure is a productive expenditure that can improve regional economic performance.

**Table 7** Capital Expenditure Ratio of Sungai Penuh City

Year	Total Capital Expenditure (Billion Rupiah)	Total Regional Expenditure (Billion Rupiah)	Percentage (%)
2018	177,939,732,342	657.545.906.237	27
2019	212,004,597,663	742,446,518,615	29
2020	173.331.166.028	687,401,695,737	25
2021	194.683.207.114	740,864,563,093	26
2022	176,535,574,209	809.310.850.515	22
2023	134,644,309,515	711.305.687.923	19
Average	178.189.764.478	724,812,537,020	25

Source: Regional Budget of Sungai Penuh City

Based on the results of the operating expenditure ratio and capital expenditure ratio, the harmony ratio can be known. Table 8 shows the results of the calculation of the harmony ratio of Sungai Penuh City. The table shows that on average

the Sungai Penuh City area is in the Not Yet Effective category from the calculation of the harmony ratio. This is indicated by the value of the operating expenditure ratio which is greater than the capital expenditure ratio. On average, over the past 6 years, the value of the operating expenditure ratio has reached 65%, greater than the capital expenditure ratio of 25%. Of course, this condition shows something that is not good in terms of regional spending in Sungai Penuh City. Because the Sungai Penuh City area spends a lot of its budget on consumptive spending rather than productive spending. If this condition continues to be allowed, it will have an impact on the quality of regional spending so that it does not have a significant influence on the rate of the economy of Sungai Penuh City.

**Table 8** Harmony Ratio of Sungai Penuh City

Year	Operating Expenditure Ratio(%)	Capital Expenditure Ratio(%)	Information
2018	69	27	Not yet effective
2019	64	29	Not yet effective
2020	63	25	Not yet effective
2021	62	26	Not yet effective
2022	66	22	Not yet effective
2023	63	19	Not yet effective
Average	65	25	Not yet effective

Source: Regional Budget of Sungai Penuh City

### 3.6. Growth Ratio

The growth ratio is useful to find out whether the local government in the relevant budget year or during several budget periods, budget performance experiences positive or negative growth in revenue or expenditure (Mahmudi, 2010). This ratio measures how much the local government is able to maintain and improve its success that has been achieved from one period to the next. By knowing the growth for each component of the source of income and expenditure, it can be used to evaluate which potentials need attention (Abdul Halim, 2007).

The Growth Ratio serves to evaluate the potential of regions that need attention. The higher the value of Total Regional Income (TPD), PAD, and Capital Expenditure followed by lower Operating Expenditure, the growth is positive. This means that the region concerned has been able to maintain and increase its growth from one period to the next. If the higher the value of TPD, PAD, and Operating Expenditure followed by lower Capital Expenditure, the growth is negative. This means that the region has not been able to increase its regional growth.

Based on table 4.8, it can be seen that the PAD growth ratio of Sungai Penuh City is very fluctuating or moving up and down sharply. In 2019, the PAD growth ratio of Sungai Penuh City reached 1.06% with a Very Good category because it has a positive value. However, it immediately dropped sharply to -14.23% in 2021 with a Very Poor category because it has a negative value. In 2019, it increased again to 8.79% but fell in 2022 but not to a negative value. In 2023, this growth value finally had a negative value of -16.76%. On average, the PAD growth ratio of Sungai Penuh City has a value of -4.00%, which means that the PAD of Sungai Penuh City from 2018 - 2023 has decreased by 4%. This condition is certainly not good for the sustainability of the regional finances of Sungai Penuh City because PAD as an inflow of money for regional needs has actually decreased over the past 6 years. Efforts and synergy from various parties are needed to improve this situation by increasing the PAD of Sungai Penuh City.



**Table 9** Growth Ratio of Sungai Penuh City

Year	PAD (Billion Rp)	Growth (%)	Information
2018	36,246,931,834	-	-
2019	36,632,476,994	1.06	Very good
2020	31,420,979,313	-14.23	Very Bad
2021	34,184,049,670	8.79	Very good
2022	34,900,741,628	2.10	Very good
2023	29,050,525,939	-16.76	Very Bad
Average	33,739,284,230	-4.00	Very Bad

Source: Regional Budget of Sungai Penuh City

#### 4. Conclusion

Based on the research results and discussion in the previous chapter, this study concludes:

- The regional financial performance of Sungai Penuh City based on the average regional financial independence ratio from 2018 - 2023 is 5%. This figure is included in the very low category with an instructive relationship pattern because it is included in the interval 0% - 25%.
- The regional financial performance of Sungai Penuh City based on the average fiscal decentralization degree ratio from 2018 - 2023 is 5%. This figure is included in the very low category because it is in the 0% interval.10%.
- The regional financial performance of Sungai Penuh City based on the average PAD effectiveness ratio from 2018 - 2023 with a value of 91%. The figure is included in the fairly effective category because it is in the interval of 90% - 99%.
- The regional financial performance of Sungai Penuh City based on the average efficiency ratio from 2018 - 2023 with a value of 101%. This figure is included in the inefficient category because it is in the interval above 40%
- The regional financial performance of Sungai Penuh City based on the average harmony ratio from 2018 - 2023 is included in the ineffective category because the operating expenditure ratio is greater than the capital expenditure ratio (65% > 25%).
- Regional financial performance of Sungai Penuh City based on the average growth ratio from 2018 - 2023 with a value of -4.00%. This figure is included in the Very Poor category because it has a negative value.

The suggestions that can be put forward in this research as a solution to the financial performance problems of Sungai Penuh City in order to improve in the future are:

- The Regional Government must be able to optimize revenue from existing revenue potential. The initiative and willingness of the Regional Government are very much needed in efforts to increase PAD. The increase in PAD can be carried out by the Regional Government by optimally implementing the collection of regional taxes and levies and conducting systematic and continuous supervision and control to anticipate irregularities in the collection of PAD by regional officials. In addition, the Regional Government must seek possible alternatives to overcome the lack of financing, and this requires creativity from the regional financial implementation apparatus to seek new sources of financing, both through financing cooperation programs with the private sector and also PAD increase programs, for example the establishment of potential sector BUMDs. In addition, the Regional Government is expected to be able to reduce its dependence on assistance from the central government.
- If this is successfully done, then the problems with the financial performance of the Sungai Penuh City area will be resolved properly. For this reason, the seriousness of the Sungai Penuh City government is needed to implement these suggestions.
- The local government of Sungai Penuh City should minimize regional spending so that regional financial health becomes better. Thus, regional financial performance indicators such as efficiency ratios become smaller.
- The local government of Sungai Penuh City should make operational spending more efficient than capital spending because operational spending is a consumptive spending that has little impact on the regional

economy. It is better to optimize capital spending because capital spending is a productive spending that has a good impact as a supporter of the economy.

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## Compliance with ethical standards

### *Disclosure of conflict of interest*

No conflict of interest to be disclosed.

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