Financial Performance Analysis of Dumai City Regional Government

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Abstract

This research is intended to determine the financial performance of the Dumai City Region using analytical techniques in the form of comparative techniques, common size techniques and ratio techniques. The ratio technique uses descriptive formulas including: PAD Effectiveness Ratio, Regional Financial Efficiency Ratio, Harmony Ratio, Spending Pattern Indicator Ratio, Regional Financial Independence Ratio, Solvency Ratio, and Liquidity Ratio. This research is quantitative descriptive in nature by calculating financial data obtained from the Dumai City Regional Government Financial Report for the 2022 fiscal year. The results of research using comparative techniques show that the financial performance of Dumai City in 2022 is quite optimal, at with a percentage of realized income that exceeds the target of 102.53% and actual expenditure reached 93.55% of the budgeted target. Meanwhile, financial performance using the Common Size Technique shows that the largest income from total Regional Revenue comes from the General Allocation Fund (DAU). Financial Performance on the PAD Effectiveness Ratio indicator is classified as effective, at 102.53%, the Regional Financial Efficiency Ratio (REKD) is inefficient, at 109.99%, the Harmony Ratio is included in the standard category, at 17.27% for capital expenditure, Indicator Ratio Shopping patterns are classified as less efficient, at 43.09%, the Regional Independence Ratio is included in the participatory criteria, at 51.20%, the Solvency Ratio is considered very effective, at 3.83%, and the Liquidity Ratio is classified as very effective, at 2.5–5.61%.

Introduction

Based on Law (UU) Number 23 of 2014 concerning Regional Government which has been updated with Law (UU) Number 9 of 2015 concerning the Second Amendment to Law (UU) Number 23 of 2014 concerning Regional Government, Article 1 states that "Regional Government is the implementation of government affairs by local governments and regional people's representative councils according to the principle of autonomy and assistance duties with the principle of autonomy as widely as possible in the system and principles Unitary State of the Republic of Indonesia as referred to in the 1945 Constitution of the Republic of Indonesia." The implementation of regional autonomy provides broader authority and responsibility to the regions in proportion. The granting of this authority is realized by regulating the distribution and utilization of national resources as well as the financial balance between the central government and local governments, in accordance with the principles of democracy and community participation (Lihua et al., 2020).

The implementation of regional autonomy is regulated and synchronized with Law (UU) Number 33 of 2004 concerning Financial Balance between the Central Government and Regional Governments which is revised into Law (UU) Number 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments, the scope of
which includes (Nasir et al., 2023): 1) providing sources of regional revenue in the form of taxes and levies; 2) management of Transfers to Regions (TKD); 3) regional expenditure management; 4) granting authority to carry out regional financing; and 5) the implementation of national fiscal policy synergy. In addition, the government gives authority to the Regions to collect Taxes and Levies with several efforts to optimize regional revenue revenues, including through restructuring tax types, providing new sources of regional taxation, simplifying the types of Levies, and harmonizing with Law Number 11 of 2022 concerning Copyright. This is done by the Government in order to allocate national resources more efficiently. Each region has different priorities in an effort to improve the welfare of the community, so that although each region is equally given the widest possible autonomy, government affairs between regions can differ according to the character of the region and the needs of the community. To carry out Government Affairs that are the authority of each Region, the Region must have financial resources so that the Region is able to provide services and welfare to the people in its Region (Ramírez et al., 2020). Regional financial resources, both in the form of regional taxes and regional levies and in the form of balance funds, are a consequence of the handover of Government Affairs to the Regions which is held based on the Principle of Autonomy.

The provision of financial resources to the Regions must be balanced with the burden or Government Affairs handed over to the Regions (Moșteanu, 2020). This is a guarantee for the implementation of Government Affairs that is handed over to the Regions. When the Regions have insufficient financial capacity to finance Government Affairs and especially Compulsory Government Affairs related to Basic Services, then what the Central Government does is use the DAK instrument (Special Allocation Fund) to help the Regions in accordance with the national priorities they want to achieve. In carrying out Government Affairs that are the authority of the Region, regional heads and DPRD make a mutual agreement in the formation of Regional Regulations (Perda) as a legal basis for Regions in implementing Regional Autonomy in accordance with the conditions and aspirations of the community as well as the peculiarities of the Region. Regional regulations stipulated by the Regions must not contradict the provisions of laws and regulations of a higher level in accordance with the hierarchy of laws and regulations. In addition, the Regional Regulation as part of the system of laws and regulations must not conflict with the public interest as stipulated in the rules for the preparation of the Regional Regulation (Darmawan & Widodo, 2023).

Regional government is implemented based on the principle of regional autonomy and the regulation of national resources, providing opportunities for improving community welfare towards a civil society free of corruption and nepotism. The implementation of local government as a subsystem of state government is intended to increase the effectiveness and efficiency of the administration of government and community services. In other words, optimizing the quality-of-service coverage and people's welfare (Nahmiati 2008).

To realize the capabilities of the region, the Regional Government is expected to be able or independent in financing the operational activities of its local government with a smaller level of dependence on the Central Government. That way, Regional Original Revenue (PAD) must be the largest part in mobilizing operational funds for the implementation of local governments (Darmi, 2018). In addition to PAD, local governments can be given Regional Transfer (TKD) funds from the central government in order to support local governments that are not yet independent enough to meet their operational needs. In accordance with Law Number 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments, it is stated that "Transfers to the Regions, hereinafter abbreviated as TKD, are funds sourced from the State Budget and are part of state expenditure allocated and channeled to the Regions to be managed by the Regions in order to fund the implementation of..."
Government Affairs that are the authority of the Regions (Kodiayat et al., 2020)." The TKD consists of the Revenue Sharing Fund (DBH), the General Allocation Fund (DAU), and the Special Allocation Fund (DAK). In addition, another source of regional revenue is income derived from financing in the form of Regional Loans.

The granting of regional autonomy is very influential on the economic growth of a region because it gives the freedom for local governments to make their own financial plans and make new policies that have an impact on the progress of their regions (Bardhan & Mookherjee, 2006). However, this freedom depends on how creative and innovative the local government is to be able to generate and optimize regional revenue in the form of PAD. Good regional financial management is not only an effort to optimize PAD but also optimization in budgeting efficient regional expenditures and producing targeted outputs and outcomes, because the financial needs of each region are different. Local government financial management can be an indicator of the level of health, optimization as well as assessment of the region's financial performance with the main goal of providing maximum service to the community (Murray & Frenk, 2000). Measurement of financial performance for the public interest can be used as an evaluation and restore performance by comparing schemes and their implementation. In addition, it can also be used as a benchmark for improving performance, especially local government finance in the next period (Adhiyantoko, 2019).

According to Juliansyah (2018) "One indicator of the PAD level can be seen from the level of GDP of a region. The level of GDP of one region is different from other regions. This is due to the different economic potential and experts owned by the area. If an area has a lot of natural resources and the area can manage it well, the value of the region's GDP will be high". The higher the GDP, the more direct regional taxes have increased, so that PAD revenues have also increased (Prasedyawati & Nugroho, 2013). The same thing was also stated by the Central Statistics Agency (BPS), which stated that "Prevailing (nominal) price GDP indicates the ability of economic resources produced by a region. A large GDP value indicates the ability of large economic resources, and vice versa".

Dumai City is known as one of the cities in Indonesia with a high level of GDP and is included in the five largest oil-producing cities in Indonesia. The Central Statistics Agency (BPS) of Dumai City recorded the GDP of Dumai City in 2022 of IDR 36.32 trillion. As one of the cities that has a high level of GDP, it is hoped that the Dumai city government can manage its regional finances well. This study wants to test the ability of Dumai city regional financial management in the implementation of regional autonomy. The financial performance of a region can be measured using a number of financial analysis techniques, namely comparative techniques, common size techniques, and ratio-to-value techniques presented in the Dumai City Regional Government Financial Statements for the 2022 fiscal year.

This is done as a form of interpretation of financial performance which leads to its main benefit, namely for the sake of improving services to the people of Dumai city. Based on the background study above, the researcher wants to conduct a financial performance analysis based on the Dumai City Regional Government Financial Statements for the 2022 fiscal year.

**Methods**

**Research Design**

This study uses a quantitative descriptive method, namely by calculating financial data obtained from the Dumai City Regional Government Financial Statements to answer research questions related to how well the Dumai City Regional Government performs in 2022. This
research is intended to determine the financial performance of the Dumai City Region when viewed from Comparative techniques, Common size, and Ratio technique.

Research Object

The object of this study is the Regional Financial Performance of Dumai City and the Financial Statements of the Dumai City Regional Government for the 2022 fiscal year.

Data Collection Techniques

This research uses secondary data by collecting data and studying records and documents using the documentation method. The documentation method is carried out by obtaining data on the Dumai City Regional Government Financial Statements for the 2022 fiscal year.

Data Analysis Techniques

The data analysis technique used in this study is to use the financial value presented in the Financial Statements of the Dumai City Regional Government. The benchmarks that will be used in this analysis technique are:

Comparative Techniques/ Comparison

In this technique, the analysis carried out is by comparing the budget and realization, between periods for an entity's financial statements or a comparison of a financial statement between entities.

Common size technique

In this technique, the analysis carried out is by looking at the value of a post/account in the financial statements against the total value of the post/account group.

Ratio Analysis Techniques

In this technique, the analysis carried out is by comparing the value between posts/accounts in financial statements, both in one financial report and between financial statements, so that a value is obtained in the form of a percentage or ratio with the results being in the good or bad category. The Ratio Analysis techniques used include: (1) PAD Effectiveness Ratio; (2) Regional Financial Efficiency Ratio; (3) Compatibility Ratio; (4) Ratio of Spending Pattern Indicators; (5) Regional Financial Independence Ratio; (6) Solvency Ratio; (7) Liquidity Ratio.

Result and Discussion

Data Analysis

Comparative Techniques/ Comparison

The Dumai City Budget Realization Report presents the value of revenue, expenditure and financing compared between the budget and the realization of the 2022 Fiscal Year. Here are the explanations and analyses that can be taken: (1) Dumai City Regional Original Revenue for Fiscal Year 2022 is budgeted at IDR 452,558,659,244.67 with a realization of IDR 464,003,743,318.86 or 102.53%. This means that the Dumai City Government is performing well in terms of efforts to boost regional revenue in the form of PAD, as can be seen from the value of PAD realization in 2022 has reached the budgeted target; (2) Dumai City Transfer Revenue for the 2022 Fiscal Year is budgeted at IDR 939,777,284,241.33 with a realization of IDR 906,194,705,147.00 or 96.43%. The largest transfer revenue came from the General Allocation Fund (DAU), which amounted to 56.40% of the total transfer revenue. This shows
that the Dumai city government is considered to still need an injection of funds from the Central Government; (3) Other Legitimate Regional Revenue of Dumai City for the 2022 Fiscal Year is budgeted at IDR 0 with a realization of IDR 0 or 0%. Salah one k other legitimate Regional Revenue components, namely Grants. With the budget value and the realization of Other Legitimate Regional Revenue of zero, it can be said that in 2022 the Dumai City Government will not interfere with grants sourced from outside the city government; (4) Dumai City Operating Expenditure for Fiscal Year 2022 is budgeted at IDR 1,332,589,032,114.00 with a realization of IDR 1,246,579,389,430.03 or 93.55%. It can be seen from this value that the absorption of Operating expenditure consisting of Employee Expenditure, Goods and Services Expenditure, Grant Expenditure and Social Assistance Expenditure is relatively high. However, further study is needed regarding the high level of realization, whether it indicates that the Dumai City Government has been optimal in realizing Operating Expenditure or in fact Operating Expenditure is too high when compared to the output produced, in other words it is inefficient in realizing its Operating Expenditure; (5) Dumai City Capital Expenditure for Fiscal Year 2022 is budgeted at IDR 306,331,988,807.00 with a realization of IDR 260,201,936,711.64 or 84.94%. It can be seen from this value that the absorption of Capital Expenditure is quite high from the budgeted target. This means that the Dumai City Government is quite effective. However, further study needs to be carried out regarding the value of absorption of the realization, whether it indicates that the Dumai City Government has been optimal in realizing its capital expenditure, or that the Capital Expenditure is too high when compared to the output produced, in other words it is inefficient in realizing its Capital Expenditure; (6) Dumai City's Unexpected Expenditure for Fiscal Year 2022 is budgeted at IDR 292,485,131.00 with a realization of IDR 260,289,017.00 or 88.99%; (7) Dumai City Financing Receipts for Fiscal Year 2022 are budgeted at IDR 275,730,748,879.25 with a realization of IDR 262,260,776,307.14 or 95.11%.

*Common size technique*

Explanations and analyses that can be taken from the Dumai City Financial Statements for Fiscal Year 2022:

**Income**

The realization of regional tax revenue of Rp226,332,093,315.36 has the largest portion, which is 48.78% of the total realization of Regional Original Revenue (PAD) of Rp464,003,743,318.86 and all of it is intended to finance APBD expenditures. Meanwhile, the realization value of Regional Taxes and Levies in 2022 reached IDR 258,538,461,610 or 18.87% of the total Regional Revenue.

One of the components of transfer revenue from the central government, namely the General Allocation Fund (DAU) of Rp427,742,257,138.00, has the largest portion, which is 31.22% of the total Regional Revenue of Rp1,370,198,448,465.86.

Revenue from transfers from the central government (Balance Fund) of IDR 758,360,104,729.00 is the largest portion, which is 83.69% of the total transfer income of IDR 906,194,705,147.00.

Other valid PAD amounted to Rp204,385,520,517.33, even though the realization value of other legitimate PAD has a large portion, namely 44.05% of the total Regional Original Revenue (PAD) of Rp464,003,743,318.86, but of the value of Other PAD, 94.17% is BLUD revenue whose use is intended to finance BLUD operational expenditures, not to finance expenditures on the APBD.
Analysis

PAD in the form of Regional Taxes and Levies is a type of revenue obtained based on the independent efforts of a local government in optimizing its regional revenue. In contrast to Transfer Revenue in the form of DAU, quoting from the Ministry of Finance website, it is explained that "DAU is a fund sourced from state budget revenues which is allocated with the aim of equalizing financial capabilities between regions to fund regional needs in the context of implementing Decentralization". The realization of Transfer Revenue in the form of DAU in 2022 is 31.22% of the total Regional Revenue. Meanwhile, the Realization of Regional Taxes and Levies in 2022 is 18.87% of the total Regional Revenue. From this value, it can be said that the Dumai City Government has not been fully independent in financing its government operations

Although the realization value of Other PAD that is valid has a large portion, namely 44.05% of the total Regional Original Revenue (PAD) of Rp464,003,743,318.86, of the 94.17% of the value of Other PAD is BLUD revenue whose use is intended to finance BLUD operational expenditures, not to finance expenditures on the APBD.

Shop

Operating expenditure of IDR 1,246,579,389,430.03 is the largest portion of expenditure, which is 82.72% of the total regional expenditure of IDR 1,507,041,615,158.67, where the largest component of operating expenditure is employee expenditure of IDR 649,325,852,373.00 or 52.09%.

Employee expenditure of IDR 649,325,852,373.00 is the largest proportion of expenditure for the 2022 fiscal year, which is 43.09% of the total Regional Expenditure of IDR 1,507,041,615,158.67. The allocation of the Infrastructure Expenditure Fund in 2022 is IDR 205,833,844,805 or 12.56% of the total Regional Expenditure allocation of IDR 1,639,213,506,052. Equipment and machinery expenditure in 2022 is the largest capital expenditure of the total capital expenditure, which is IDR 91,334,440,997.63 or 35.10% of the total capital expenditure of IDR 260,201,936,711.64

Fixed Assets of IDR 2,769,498,572,429.53 have the largest portion, which is 89.12% of the total Assets of IDR 3,107,562,211,336.55, of which the largest component of Fixed Assets is Roads, Irrigation and Networks of IDR 2,457,323,337,875.90 or 88.73%. Short-term liabilities of IDR 43,018,133,852.86 have a portion of 36.13% of the total liabilities of IDR 119,078,674,818.75, while 63.87% or IDR 76,060,540,965.89 are long-term debts to Bank Financial Institutions (LKB).

Analysis

Based on Law Number 1 of 2022 concerning Financial Relations between the Central and Regional Governments, article 146 paragraph (1) stipulates that "local governments are obliged to allocate employee expenditures outside of teacher allowances allocated through TKD a maximum of 30% of the APBD". Dumai City Government Employee Expenditure in 2022 is 43.09% of the total Regional Expenditure (APBD). Thus, the Dumai City Government is said to be not optimal in regulating employee spending budgets according to applicable regulations.

Based on Law Number 1 of 2022 concerning Financial Relations between the Central and Regional Governments, article 147 paragraph (1) of the HKPD Law regulates the amount of public service infrastructure at least 40% of the APBD outside transfers to subordinate regions and villages. The allocation of public service infrastructure expenditure in 2022 is 12.56% of the total Regional Expenditure. In addition, equipment and machinery expenditure is the largest
portion of Capital Expenditure, which is 35.10% of total Capital Expenditure. So it can be said that the Dumai City Government in 2022 is said to have not been optimal enough to allocate spending in the infrastructure sector according to applicable regulations.

**Ratio Analysis Techniques**

**PAD Effectiveness Ratio**

The PAD Effectiveness Ratio shows the ability of the Dumai city government to mobilize PAD revenues as targeted. The higher the effectiveness ratio, the better the performance of local governments. The criteria for the PAD Effectiveness Ratio are as follows: (1) If a score of less than 100% (x < 100%) is obtained, it means that it is ineffective; (2) If a value is obtained equal to 100% (x = 100%), it means that the effectiveness is balanced; (3) If a value of more than 100% (x >100%) is obtained, it means that it is effective.

The PAD Effectiveness Ratio can be calculated by the following formula:

\[
\text{Effectiveness Ratio PAD} = \frac{\text{Regulation PAD}}{\text{Fund PAD}} \times 100\%
\]

The calculation of the Effectiveness Ratio of Dumai City PAD is as follows:

\[
\text{Effectiveness Ratio PAD} = \frac{464,003,743.318,86}{452,558,659.244,67} \times 100\% = 102.53\%
\]

**Analysis**

The effectiveness ratio of Dumai City's PAD is at 102.53% which means that Dumai City is effective in realizing Regional Original Revenue compared to the PAD budget that has been set so that it can be said that Dumai City has a good performance in terms of realizing the planned PAD.

**Regional Financial Efficiency Ratio**

The Regional Financial Efficiency Ratio (REKD) describes the comparison between the amount of costs incurred to obtain revenue. The smaller the Regional Financial Efficiency Ratio, the better the financial performance of the Regional Government.

**Table 1. Financial Performance Efficiency Criteria**

<table>
<thead>
<tr>
<th>Efficiency Criteria</th>
<th>Efficiency Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>100% Above</td>
<td>Inefficiency</td>
</tr>
<tr>
<td>100%</td>
<td>Balanced Efficiency</td>
</tr>
<tr>
<td>Less than 100%</td>
<td>Efficiency</td>
</tr>
</tbody>
</table>

Source: Mahsun (2012)

REKD can be calculated by the following formula:

\[
\text{REKD} = \frac{\text{Realization of Regional Expenditure}}{\text{Regional Revenue Realization}} \times 100\%
\]

The calculation of the Dumai City REKD is as follows:

\[
\text{REKD} = \frac{1,507,041,615,158,67}{1,370,198,448,456,86} \times 100\% = 102.53\%
\]
Analysis

The Regional Financial Efficiency Ratio of the Dumai City REKD is at 109.99%, which means that it is included in the inefficient category, meaning that the cost of achieving revenue in order to exceed the specified target is greater than the revenue received. It can be said that the performance of Dumai City in this case is not good because it has not been able to reduce the amount of regional spending.

Compatibility Ratio

The Compatibility Ratio describes how local governments prioritize the allocation of their funds to their Routine Expenditure and Development Expenditure optimally. The higher the percentage of funds allocated for Routine Expenditure, the percentage of Capital Expenditure (Development Expenditure) used to provide economic facilities and infrastructure for the community tends to be smaller. There are two calculations in this Compatibility Ratio, namely:

\[
\text{Operating Expense Ratio} = \frac{\text{Total Operating Expenditure}}{\text{Total Regional Expenditure}} \times 100\%
\]

\[
\text{Capital Expenditure Ratio} = \frac{\text{Total Capital Expenditure}}{\text{Total Regional Expenditure}} \times 100\%
\]

The calculation of the Compatibility Ratio of the city of Dumai is as follows:

Capital Expenditure Ratio

\[\frac{1.246.579.389.430,03}{1.507.041.615.158,67} \times 100\% = 260.201.936.711,64
\]

Analysis

The portion of Dumai City's Operating Expenditure is still quite effective, namely at a ratio of 82.72%, where in general the proportion of operating expenditure dominates, which is 60-90% of the total regional expenditure.

Capital Expenditure Ratio

\[\frac{260.201.936.711,64}{1.507.041.615.158,67} \times 100\% = 17,27\%
\]

Analysis

The portion of Capital Expenditure in Dumai City is still included in the standard ratio value, which is at the ratio of 17.27%, where in general the proportion of capital expenditure is 5-20% of the total regional expenditure. It can be seen that Dumai City still spends more routine expenses to fulfill Government activities than expenditures that are for regional development.

Ratio of Spending Pattern Indicators

The ratio of the Regional Expenditure Pattern Indicator shows the level of productivity, where the ratio of employee salary expenditure to total regional expenditure. A high ratio value indicates that the organization's operations are less efficient. The ratio of the shopping pattern indicator can be calculated by the following formula:

\[
\text{Ratio of Spending Pattern Indicators} = \frac{\text{Employee Salary Expenditure}}{\text{Total Spend}} \times 100\%
\]

The calculation of the Dumai City Shopping Pattern Indicator Ratio is as follows:

\[\frac{100\%}{x} = 17,27\%
\]
Ratio of Spending Pattern Indicators \[= \frac{649,325,852,373}{1,507,041,615,158} \times 100\% = 43,09\%\]

**Analysis**

Dumai City has a proportion of employee expenditure of 43.09% of the total regional expenditure. So, it can be said that Dumai City is less efficient in managing its local government operations.

**Regional Financial Independence Ratio**

The Regional Financial Independence Ratio (RKKD) shows that regions can finance their own government activities, development, and services to the community who have paid taxes and levies as a necessary source of regional revenue. The higher the Regional Financial Independence Ratio, the higher the participation of the community in paying taxes and levies as an effort to improve regional development.

Table 2. Criteria for Regional Financial Independence

<table>
<thead>
<tr>
<th>Financial Capability</th>
<th>Independence (%)</th>
<th>Relationship Patterns</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Low</td>
<td>0% - 25%</td>
<td>Instructive</td>
</tr>
<tr>
<td>Low</td>
<td>25% - 50%</td>
<td>Consultative</td>
</tr>
<tr>
<td>Moderate</td>
<td>50% - 75%</td>
<td>Participatory</td>
</tr>
<tr>
<td>High</td>
<td>75% - 100%</td>
<td>Delegative</td>
</tr>
</tbody>
</table>

Source: Oppier (2013)

The pattern of instructive relationships, where the role of the central government is more dominant than the independence of local governments (regions that are unable to implement regional autonomy).

The pattern of consultative relations, namely the intervention of the central government, has begun to decrease because the regions are considered a little more capable of implementing regional autonomy.

The pattern of participatory relationships, the role of the central government has begun to decrease, considering that the region concerned has a level of independence that is close to being able to carry out regional autonomy affairs.

The pattern of delegative relations, namely the intervention of the central government, no longer exists because the regions have been truly capable and independent in carrying out regional autonomy affairs.

The Regional Financial Independence Ratio can be calculated by the following formula:

\[\text{RKKD} = \frac{\text{Total PAD}}{\text{Income Transfer}} \times 100\%\]

The calculation of the Regional Financial Independence Ratio of Dumai city is as follows:

\[\text{RKKD} = \frac{464,003,743,318.86}{906,194,705,147.00} \times 100\% = 51.20\%\]

**Analysis**

The Regional Independence Ratio of Dumai City is 51.20%, meaning that the total Regional Original Revenue (PAD) of Dumai City is smaller than other revenues such as the Revenue
Dumai City still has a dependence on the Central Government or has a low regional financial independence ratio. With a ratio value of 51.20%, it means that the pattern of Dumai City's relationship with the central government is participatory, namely the role of the central government has begun to decrease, because the level of independence of Dumai City is close to being able to carry out regional autonomy affairs.

**Solvency Ratio**

This ratio provides information on the ability of local governments to use their assets (wealth) to meet all of their obligations (debts), both short-term and long-term obligations. The portion of liabilities to assets must be smaller, the smaller the ratio, the safer (solvable). The calculation of the solvency ratio is as follows:

\[
\text{Solvency Ratio} = \frac{\text{Total Debt}}{\text{Total Assets}} \times 100\%
\]

The calculation of the Solvency Ratio of Dumai city is as follows:

\[
\text{Solvency Ratio} = \frac{119,078,674,818.75}{3,107,562,211,336.55} \times 100\% = 3.83\%
\]

**Analysis**

Dumai City is very effective in calculating the debt that is its obligation so as not to disturb its regional financial balance and is still very sufficient to be paid using the assets it owns. Measuring the extent to which debt can be covered by assets, the debt-to-equity ratio (capital) owned by the city of Dumai is relatively small. But on the other hand, it seems that the city of Dumai can further explore its financial ability to utilize its assets to make loans that bring in regional revenue.

**Liquidity Ratio**

This ratio is used to take into account the liquidity ability of local governments in fulfilling financial obligations that must be completed immediately at the time of billing, how many resources they have to be able to be immediately converted into cash if needed. The calculation of the liquidity ratio is as follows:

The Current Ratio, used to see how much current assets owned by a local government is enough to cover or pay its current liabilities.

\[
\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Debt}} \times 100\%
\]

Cash Ratio, reflecting the position of cash and regional cash equivalents in covering current liabilities or short-term debt.

\[
\text{Cash Ratio} = \frac{\text{Cash and cash equivalents}}{\text{Current Debt}} \times 100\%
\]

Quick Ratio reflects liquid assets in covering current liabilities or short-term debt.

\[
\text{Quick Ratio} = \frac{(\text{Current Assets} – \text{Inventory})}{\text{Current Debt}} \times 100\%
\]

The calculation of the Liquidity Ratio of Dumai city is as follows:
Current Ratio  = \frac{241.211.681.784.30}{43.018.133.852.86} \times 100\% = 5.61\%

Casio Ratio  = \frac{107.739.391.822.84}{43.018.133.852.86} \times 100\% = 2.50\%

Quick Ratio  = \frac{207.752.251.551.74}{43.018.133.852.86} \times 100\% = 4.83\%

Analysis

Judging from the value of the liquidity ratio of the city of Dumai as a whole, it can be interpreted that the management of current assets, both in the form of cash and cash equivalents, owned by the city of Dumai is still very sufficient to cover its current liabilities or short-term debts.

Conclusion

Based on the analysis of financial data that has been calculated previously, the following conclusions can be drawn:

The analysis related to the realization of absorption compared with the budget set in the 2022 fiscal year is optimal. This can be seen from the realization value of PAD exceeding the budgeted target of 102.53%, the absorption of expenditure realization is very optimal, namely at 93.55% for operating expenditure and 84.94% for capital expenditure. Likewise, financing receipts were realized at 95.11%.

Analysis related to the comparison between accounts (Common Size) in the Financial Statements of the Dumai City Regional Government for the 2022 fiscal year includes:

a) Regional tax revenue is the largest portion, which is 48.78% of the total PAD; b) Transfer Revenue in the form of DAU is the largest portion of the total Regional Revenue, which is 31.22%; c) Revenue from transfers from the central government (Balance Fund) accounted for the largest portion, which was 83.69% of the total transfer income; d) The largest transfer income comes from DAU, which is 31.22% of the total Regional Revenue; e) Other valid PAD has a large portion, namely 44.05% of the total PAD, but of the value of Other PAD, 94.17% is BLUD revenue whose use is intended to finance BLUD operational expenditures, not to finance expenditures on the APBD; f) Employee spending is the largest proportion of expenditure, which is 43.09% of the total Regional Expenditure; g) Equipment and machinery expenditure is the largest capital expenditure of the total capital expenditure, which is 35.10% of the total capital expenditure.

Dumai City's Financial Performance for the 2022 fiscal year in the PAD effectiveness ratio is relatively effective in realizing Regional Original Revenue compared to the PAD budget that has been set, as seen from its value which is at 102.53%. Dumai City's Financial Performance for the 2022 fiscal year in the Regional Financial Efficiency Ratio (REKD) is classified as inefficient because it is considered to have not been able to reduce the amount of expenditure used to realize revenue, as seen from its value which is at 109.99%. Dumai City's Financial Performance for the 2022 fiscal year in the Compatibility Ratio is included in the standard value, which is 17.27%, for the proportion of capital expenditure and 82.72% for the proportion of operating expenditure. Dumai City's Financial Performance for the 2022 fiscal year in the Expenditure Pattern Indicator Ratio is classified as inefficient in managing its government operations, as can be seen from its value which is at 43.09%.
Dumai City's financial performance for the 2022 fiscal year in the Regional Independence Ratio is included in the participatory criteria, which indicates that the level of independence of Dumai City is close to being able to carry out regional autonomy affairs, as seen from its value of 51.20%. Dumai City's Financial Performance for the 2022 fiscal year in the Solvency Ratio is very effective in measuring the adequacy of debt repayment with assets owned, as seen from its value which is at 3.83%. Dumai City's Financial Performance for the 2022 fiscal year in the Liquidity Ratio is classified as very effective in managing lancer assets to cover its current liabilities, as seen from its value which is at 2.5-5.61%

The Dumai City Government must continue to strive to optimize its revenue potential, for example by looking for new sources of financing both through financing cooperation programs with the private sector and also programs to increase PAD, for example the establishment of potential BUMDs or optimizing the performance of BUMDs, especially in the port sector. In addition, considering that Dumai City is known to have great potential for port development in Indonesia, where adequate infrastructure is needed to support this, it is better that the capital expenditure ratio indicator (2022 of 17.27%) can be further improved to support the development of ports in the city of Dumai. In addition, as a city with a high level of GDP, Dumai City can further maximize funding through investment schemes.

References


