



Financial Performance Analysis of Dumai City Regional Government Financial Reports

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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; Dube et al., 2021; Rijal, 2023). 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 & Syahuri, 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; Nababan & Budianto, 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 (Moşteanu, 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 (Augustine et al, 2023; Hidayat et al., 2024).

In carrying out Government Affairs that are the authority of the Region, regional heads andama with 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 (Ambarwati et al., 2022; Marikar, 2023). 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.

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 (Zahran et al., 2023). 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 (Dewi et al., 2019).

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 (Li et al., 2021). 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 (Kodiyat 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; Retnandari, 2022). 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.

According to Juliansyah (2018) Wa"sOne 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. 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 offinancial 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

Cecerally this research utilized quota sampling to study the financial performance of the Dumai City Regional Government in the fiscal year 2022. The quantitative descriptive approach was adopted so as to ensure that a confidential and credible position of the financial data where by the analytical performance of the region can be carried out with precision and different techniques. Being primarily based on the quantitative data obtained from official financial statements, the study seeks to provide accurate and detailed analysis of the efficiency and productivity of the regional financial management.

The subject of this research is the Regional Financial Performance of Dumai City relying on the Financial Statements of the Dumai City Regional Government for 2022. These are the main financial statements, through which all the data points and financial coefficients used in the analysis are obtained. A concentration on the outcome of Dumai City financial situation provides a directed study of how efficiently the area is controlling its financial resources and audited results of accounts in accordance with the annual budget plan and its obligations.

In data collection, the study employs what is known as the documentation method with the results forming a secondary data source. It consists of procedures for gathering, sorting, and evaluating the required information within the material of the Dumai City Regional Government's Financial Statements for the 2022 financial year. Among them, the documentation method is most suitable for this research because it will enable the researcher to access the official financial statements that can be used to analyze performance of the city. In particular, financial data extracted from these documents serve as the principal database for the study, since it contributes to the proper and detailed assessment of various financial coefficients.

With regard to the method of data analysis, the study makes uses three crucial analytical tools in determining Dumai City's financial performance. The first of them is called Comparative Analysis, which entails the comparison of the budgeted amounts with the actual figures in the financial statements of different time periods. It also involves using the financial statements to make comparisons thus gauging the performance with that of other regions or with some other standard. The second technique, also known as the Common Size Technique deals with the proportion that each financial item bears to the total in that class. It assists in evaluating the sizes and the importance of each of the element in the financial structure of the region.

The third and the last but equally important is the Ratio Analysis that include analyzing various financial ratios with the purpose of evaluating a range of financial performance. Other ratios are; PAD Effectiveness Ratio that reflects the ability of Dumai City to achieve its Regional Original Revenue; Regional Financial Efficiency Ratio (REKD) that compare costs with the revenue achieved; and Compatibility Ratio that compares the priority given to Routine Expenditure against the Development Expenditure. Also, the Ratio of Spending Pattern Indicators studies efficiency of financial management with the help of the relation between the spending on the employees' salaries and the total spending of the region. The Regional Financial Independence Ratio (RKKD) points to the city's capability to finance operations and development through its own resources without copying with the central government transfers, the Solvency Ratio informs about the city's ability to fulfil its long-term commitments using available assets. Last but not the least; the Liquidity Ratio calculates the ability of a city to fulfill its short-term liabilities with the help of its current assets.

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%.

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 IDR 226,332,093,315.36 has the largest portion, which is 48.78% of the total realization of Regional Original Revenue (PAD) of IDR 464,003,743,318.86 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 IDR 427,742,257,138.00, has the largest portion, which is 31.22% of the total Regional Revenue of IDR 1,370,198,448,465.86.

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 IDR 204,385,520,517.33, even though the realization value of other legitimate PAD has a large portion, namely 44.05% of the total Regional Original Revenue (PAD) of IDR 464,003,743,318.86, 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.

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 IDR 464,003,743,318.86, 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 the 2022 fiscal year 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).

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:

$$\text{Effectiveness Ratio PAD} = \frac{464.003.743.318,86}{452.558.659.244,67} \times 100\% = 102,53\%$$

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

Efficiency Criteria	Efficiency Percentage
100% Above	Inefficiency
100%	Balanced Efficiency
Less than 100%	Efficiency

Source: Mahsun (2006)

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:

$$\text{REKD} = \frac{1.507.041.615.158,67}{1.370.198.448.456,86} \times 100\%$$

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:

$$\text{Capital Expenditure Ratio} = \frac{1.246.579.389.430,03}{1.507.041.615.158,67}$$

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.

$$\text{Capital Expenditure Ratio} = \frac{260.201.936.711,64}{1.507.041.615.158,67} \times 100\% = 17,27\%$$

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:

$$\text{Ratio of Spending Pattern Indicators} = \frac{\text{Employee Salary Expenditure}}{\text{Total Regional Expenditure}} \times 100\%$$

Total Spend

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

$$\text{Ratio of Spending Pattern Indicators} = \frac{649.325.852.373}{1.507.041.615.158,67} \times 100\% = 43,09\%$$

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

Financial Capability	Independence (%)	Relationship Patterns
Very Low	0% - 25%	Instructive
Low	25% - 50%	Consultative
Moderate	50% - 75%	Participatory
High	75% - 100%	Delegative

Source: Sartika & Pratama (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:

$$\text{RKKD} = \frac{464.003.743.318,86}{906.194.705.147,00} \times 100\% = 51,20\%$$

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 Sharing Fund (DBH), General Alokasu Fund (DAU) and Special Allocation Fund (DAK). 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:

$$\text{Solvency Ratio} = \frac{119.078.674.818,75}{3.107.562.211.336,55} \times 100\% = 3,83\%$$

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.

$$\text{Quick Ratio} = \frac{(\text{Current Assets} - \text{Inventory})}{\text{Current Debt}} \times 100\%$$

Current Debt

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

$$\begin{aligned} \text{Current Ratio} &= \frac{241.211.681.784,30}{43.018.133.852,86} \times 100\% = 5,61\% \\ \text{Casio Ratio} &= \frac{107.739.391.822,84}{43.018.133.852,86} \times 100\% = 2,50\% \\ \text{Quick Ratio} &= \frac{207.752.251.551,74}{43.018.133.852,86} \times 100\% = 4,83\% \end{aligned}$$

Based on the liquidity ratio of the value of Dumai city as a whole it can be concluded that the management of current assets which in the form of cash and cash equivalent owned by the city of Dumai is still sufficient to meet the current liabilities or short term debts.

The synthesis of the financial analysis of Dumai City using comparative, common size and ratio techniques for fiscal year 2022 has put into evidence a simultaneous interaction between the strengths and weaknesses that need to be taken into account. This discussion examines the implications of these findings: It suggests that while the city shows a degree of competence in its revenue raising activities, therefore ensuring its short term fiscal stability, structural flaws and reliance on revenues in the longer term present the city with a serious problem.

Revenue Generation: Social Success, Self Defects

Thus, one might expect that such an increase in the PAD Effectiveness Ratio from 94 to 102 for Dumai City would already imply the achievement of the city's revenue targets. 53%, appears to be a measure of prudently managed finances at the local government level. This figure indicates that the city is well 'capturing' its economic interactions to bring in incomes, an important measure for the power to be fiscally self-sufficient. However, this makes Assumberland overlook certain weaknesses, such as the city's great reliance on the General Allocation Fund (DAU) that amounts to 31%. This investment accounts for 22% of total revenue (Lihua et al., 2020).

This dependency is symptomatic of a broader issue: an area where the city seems to struggle is to really leverage the very phenomenal economic capital that it has. The country has a GDP of IDR 36 trillion which comprises 0. 32 trillion, local taxes at this level comprise only 18. up to 87% to the over all revenue that cannot be proportionate to the economic potential of the area (Juliansyah, 2018). The role played by the central government grants has a severe implication since it not only consolidated Dumai's financial vulnerability but also make it fiscal risky as it has no control over the availability or form of the external resources. This dependency raises the risk that the city's financial strategy might be too conservative, in a way that hampers the exploration of new revenue sources that could improve the fiscal sustainability in the locality (Bardhan & Mookherjee, 2006; Pratt & Hutton, 2013).

Moreover, this reliance on DAU highlights a critical tension within Indonesia's decentralized governance framework: at the same time when regional governments are devolved, their sources of funding are central transfers, which considerably hampers their ability to govern actually (Nasir & Syahuri, 2023; Elicin, 2020). This situation raises the issue of whether Dumai may currently be stable and sustainable and whether the levels of revenue being achieved are more reliant on continued support from the centre than the capacity and efficiency of the city capacity to fund itself sustainably.

An Implementation of Bureaucratic Stagnation

A review of Dumai's expenditure flows will show degree of waste and poor investment decisions that affect the financial performance of the city. The REKD is 109 as a measure of the regional financial efficiency ratio. Such high figures are definitely worrisome, especially 99% that means that the expenses involved in earning the revenue are much larger than the earned amount. This implicates inefficiency in the operations of the city's financial system to the extent that resources are under optimally utilised (Mahsun, 2006; Mishi et al., 2022). Several sources of operating expenses: These costs as a proportion of the total costs amounted to 82%. Budget shares corresponding to 72% of the total expenditures and particularly high going to employee remuneration (43.09%) indicate more of a bureaucratic system in consuming a higher share of the budget than on more fruitful investment.

This inefficiency, however, is not simply a technical problem, but a manifestation of problems inherent in the system of the city's management. The high operating costs suggest that there is a tendency to carry official business as planned by the bureaucracy, and while this might be explainable with lack of political will or horses to pull the horse, it may also be explained by political capture (Bagg, 2021). This is even more so when considering the fact that Dumai has been fairly conservative when it comes to capital expenditure: it is only 17.27% of total expenditure. For a city with Dumai's economic prospect, this level of capital accumulation is still low to fund the infrastructure needed for realising sustainable economic growth (Moşteanu, 2020).

The Schlumberger company seems to have a relatively conservative policy in relation to capital expenditure this has a deeper dimension of its aversion to investing in long term projects that could kindle higher returns in the future. Such underinvestment pattern indicates that Dumai is choosing the path of short term fiscal prudence at the cost of strategic growth which is not a sound policy as far as the long term socio economic stability of the city's economy is concerned (Bibri et al., 2020; Krähmer, 2021). The problem in this approach is that many great opportunities are passed up to invest, build the type of infrastructure that is necessary for the city to generate sustainable revenues for its needs.

Sexual Self-Sufficiency: Sorcery and the Illusion of Isolation

The Regional Financial Independence Ratio is 51 for the Dumai city. It will therefore place the city on a very fragile 20%. Although this figure means that the financial independence of the city is moderate, it also states the fact that it still highly depends on the transfers from the central government, subsequently the DAU. This relationship throws important questions as to the real level of fiscal decentralisation in Dumai. On paper, regional autonomy is supposed to enable local governments to handle their own finances, but in actuality, Dumai's financial system is very much symbiotic on other sources of funding.

This reliance on central transfers not only constrains Dumai's revenue autonomy but also the city bears a lot of risks. If the central government policies change, or if there is a cut in investment to DAU, then the finance of Dumai could be significantly impacted. It also reemphasises the necessity to improve the status of the city in terms of financial autonomy, and develop other income sources in addition to the central subsidies (Ramírez et al., 2020; Kaufmann, 2020). The existing financial structure offered a consistent revenue exactly during the last 5-6 years but in future it is not sustainable and may obstruct the development of real autonomy of the city.

The following has been noted: In light of this, Dumai needs to seek fresh revenue sources that will fit its economic potential. Some of these were revenue diversification through such areas

as PPDs and diversification of sources of funding especially in more labour intensive sectors like infrastructure to reduce reliance on central transfers (Pambudi, 2023). Apart from improving the revenue generation capability, some key infrastructures could not be funded or developed without the involvement of the private players and in the process Dumai could have boosted its local economy to achieve self-sustenance and sustainable funding for the development of the city (Kutty et al., 2020).

Solvency and Liquidity of the Conservative Prudence or Lost Opportunities

Dumai City had a sustainable solvency ratio of 3. for instance, a Total Debt Ratio of 83% and high liquidity ratios, such as a Current Ratio of 561% recommend itself a rather conservative financial management that will not burden the company with hefty debts (Darmi, 2018). According to these measures, the city is capable of addressing its short term liabilities and keep a safety stock against risks and volatilities in the economy. However, such an approach, although offers relatively more stability in the short term, is also potentially a lost chance on better financial management (Dunz et al., 2021; Eggers, 2020).

The ratios have high values, which shows that Dumai has much availability of liquid resources, which can be invested more effectively in the major infrastructure projects (Papilo et al., 2021). Instead of keeping such assets conservatively, it becomes possible for the city to invest some of these assets in more likely to give higher returns and yield more benefits to the economy. The underlying concern of the strategy would not only promote economic growth but would also increase the fiscal independence of Dumai by creating new sources of revenues and comparing with the dependency on the grants received from the central government (Yuandina & Inayati, 2024).

It appears therefore that the concept of prudence and risk taking are both important in the course of its development towards better financial security for the people of Dumai. On the one hand, we need to note that maintaining rather conservative financial position is the best protection against certain losses in the short term on the other hand, the financial management cannot and should not avoid reasonable risks that would guarantee significant benefits in the future (Chenet et al., 2021). Through capital developments such as infrastructure development and others, Dumai will be capable of starting on the right path and develop economically in the right manner which will lead to long term and sustainable revenues in the city (Mulyani et al., 2024; Aniqoh, 2020).

Possible Paths for a Sustainable Fiscal Development

The information gathered in this research therefore goes a long way in supporting the proposal that Dumai City should strive to offer a more structured, and visionary approach towards the management of its financial affairs. One has seen that the city has achieved competence in revenue mobilization and fiscal balance, but simultaneously the expenditure side of the story is not very satisfactory and the dependency on transfers from the central government may put the sustainability of the city in a very critical condition (Wang et al., 2022).

To overcome these challenges, Dumai has to achieve its maximum revenue capacity and have to look for ways to create income generating opportunities compatible with the city's economic potential (Rohaendi & Herlinawati, 2024). While P2 has shown that PPPs, especially in infrastructure, are a realistic platform for expanding the revenue base on the one hand and at the same time, less dependent on central transfers. In the same way, a new dimension that needs a serious overhaul is the distribution of expenditure at Dumai, where more spending needs to be directed towards capital expenditure that brings about long-term economic gains. This may be done by moving away from the idea that financial maintenance of the city should be the

priority, with all expenses being incurred in the short term, but rather to invest in the long-term strategic orientation of the city (Moşteanu, 2020).

Furthermore, investment in personal and national financial enfranchisement must be named one of the priorities in Dumai's development. The city cannot continue to rely on its central government transfers as its major source of revenue hence it should develop its own internal sources of revenue (Porto & Puig, 2023). Possible ways of increasing local revenues include enhancing efficiency of tax collection, broadening of the tax net and increasing exploration for other sources of own sources revenues. This way Dumai can consolidate a stronger financial base to back up its development agenda and less prone to external financial fluctuations.

Conclusion

The financial report of Dumai City for the fiscal year of 2022 has strengths and weakness that the authorities should address. On the PAD, its effectiveness ratio to its budgeted target on provincial original revenue was recorded as 102, meaning that the budget of the city was effectively exceeded. Here, the company was generating an impressive 53% of its overall revenues. However, financial efficiency ratio is slightly high 109. The cost to revenue ratio of 99% pointed to inefficiency in spending which meant that the organization spending was higher than the optimum for creating the revenue. At the same the capital expenditure ratio of 17. 27% lies within standard values it is seen as a large portion is spent in operating expenses hence not much is spent on development. The degree of financial dependence of Dumai City is moderate and was 51. 20 percent, hence meaning they somewhat depended on central government grants. Although all solvency ratios calculated above are reasonably high, solvency ratio of 3 is relatively strong. At 83% there is evidence of the city's capacity to honour long term liabilities there is available room to improve the manner in which assets are used to support financial sustainability. The liquidity ratios suggest that it therefore has adequate ability to meet its near term obligations and perhaps needs to focus more attention in seeking to finance other more attractive profitable long-term investment opportunities. From the 2022 Ostcape financial situation of the city we can realize that on the one hand the Ostcape core city thereof is in a relatively good financial operation and on the other hand the expenditure efficiency should be improved and the relying of the central financial on a decreased amount should be improved. Building on local revenues and redirecting more resources to capital formation would push this process even further and make the City's finances more resilient in the long run.

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