

Analysis of Financial Performance of Regional Governments in Indonesia: A Case Study in Bekasi City, 2015-2017

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Abstract-This study aims to analyze the performance of financial management in the regional revenue management of Bekasi City for the period 2015-2017 based on financial ratios. The financial ratios used include the ratio of independence, the degree of decentralization, the effectiveness of PAD, the ratio of operating expenditures to total expenditures, the ratio of capital expenditures to total expenditures and the efficiency of spending ratios. The data required in this study are secondary data, so the data collection techniques used are library research in the form of documentation and interviews. The results showed that the performance of financial management in managing regional income was generally considered quite good. This is evidenced by the independence ratio with participatory criteria and the degree of decentralization reaching 90%. The performance of financial management in managing regional expenditure in Bekasi City is generally said to be good. This is evidenced by the regional expenditure compatibility ratio, it can be said that the Bekasi City government allocates a large part of its spending budget for operating expenditures an average of 70.13% compared to an average capital expenditure of 29.81%, the efficiency of regional spending shows an average of below 100% namely 92.91%.

Keywords: Financial Performance, Regional Original Income, Realization of Regional Financial Statements.

Introduction

Evidence of the ongoing process of reforming state and regional finances in Indonesia that began in 2003 was marked by the birth of a package of legislation in the field of state finance and regional finance, namely: Law no. 17 of 2003 concerning State Finance, Law no. 1 of 2004 concerning State Treasury, and Law no. 15 of 2004 concerning Audit of the Management and Accountability of State Finances. These three packages underlie the management of state finances that refer to international best practices.

After the issuance of this law, several regulations emerged aimed at realizing good governance, especially those related to financial management issues. Financial management reforms resulted in fundamental changes in the management of state and regional finances. The new regulation becomes the basis for state institutions to change the pattern of financial administration (financial administration) into state financial management (financial management) and regions (Province and Regency/City).

Regional (government) financial accounting is one of the areas in public sector accounting that has received great attention from various parties since financial reform. This is based on government policies that reform various things, including financial management in the regions. The policies have become a clearer and more detailed guideline for the implementation of regional autonomy, particularly in the management of regional finances and their accountability.

Based on Law No. 23 of 2014, regarding Regional Government, by providing a definition of regional autonomy, the rights, powers and obligations of an autonomous region to regulate and manage government affairs and the interests of local communities in accordance with statutory regulations. The purpose of this authority is to get closer to government services. to the community, making it easier for the community to monitor and control the use of funds originating from the regional revenue and expenditure budget (APBD) and to create healthy competition between regions, as well as to encourage innovation. Local governments are required to carry out an orderly, effective, and transparent and accountable regional financial management.

One of the important aspects of local government that must be carefully regulated is the problem of financial management and regional budgets (Mardiasmo, 2002:11). Good regional financial management will affect the progress of an area. Bastian (2001:6) states that a reliable and trustworthy financial report is needed in order to

describe regional financial resources along with an analysis of the achievements of regional financial resource management itself. The achievement analysis referred to is the financial performance of the regional government itself which can be based on its independence and ability to acquire, own, maintain and take advantage of the limited regional economic resources to fulfil the widest possible needs of the community in the region. UU no. 17 of 2003 stipulates that the APBD is compiled with a work performance approach to be achieved. To support this policy, a performance approach was developed.

The enactment of PP No. 71 of 2010 concerning accrual-based SAP brought about major changes in the financial reporting system in Indonesia, namely a change from a cash basis to an accrual basis to a full accrual basis in recognition of government financial transactions. Apart from being mandated by the package of state finance laws, this change in basis is also expected to be able to provide a complete picture of the financial position, present real information regarding rights and obligations, and be useful in evaluating performance.

Performance measurement is a form of accountability, where a higher assessment is a guide that must be fulfilled, performance measurement data can be a further program improvement. In line with the implementation of Accrual-Based SAP at the Central and Regional Governments, it has brought several changes in the standards and mechanisms for presenting financial statements, and is supported by the enactment of Permendagri No. 64 of 2013 concerning the Application of Accrual-Based Government Accounting Standards in Regional Governments (Article 10 paragraph 2): the application of accrual-based SAP in local governments no later than the 2015 fiscal year. Researchers analyzed the performance of local government financial reports through the application of accrual-based SAP in the presentation of financial statements. During this period, it is hoped that all elements of government will improve to prepare for this, starting from preparing human resources (HR), infrastructure, information systems, and the government to have high commitment and integrity to implement accrual SAP.

Performance measurement is very important to assess accountability in public services, which is not just the ability to show that public money has been spent, but is spent efficiently and effectively (Mardiasmo, 2002:121). Bekasi City is a city located in West Java Province which implements regional autonomy and is successful in regional development. Regional development is one of the parts of national development which is carried out based on the principles of regional autonomy and human resource regulation which provide opportunities for enhancing democracy and regional performance for the realization of people's welfare. However, reality shows that local governments have not been able to completely separate from the central government in regulating regional households. This is seen not only in the context of the framework of political relations and regional authority but also in the financial relationship between the centre and the regions.

Local governments are required to prepare financial reports based on applicable government accounting standards (SAP). The suitability of the presentation of financial statements with SAP is the basis for providing opinions on local government financial reports. The local government itself, until now, still applies the cash basis to accruals. Regarding the application of the accrual basis itself, local governments must make various preparations, such as the preparation of an accrual-based government accounting system, human resource training, and provision of facilities and infrastructure to support the accrual basis application. Preparations are made by local governments so that they are ready and able to overcome various obstacles in the application of the accrual basis in preparing financial reports.

Thus, projections on regional expenditure to be carried out in the next 5 (five) years are made. According to Regulation of the Minister of Home Affairs of the Republic of Indonesia (Permendagri) No. 86 of 2017 that the indicative ceiling is the number of funds available to fund annual programs and activities whose calculation is based on the standard unit price (SSH) determined in accordance with statutory provisions. The method of making projections for regional expenditure is the same as the method used for revenue projections (Bekasi City in Figures, 2017). To improve the performance of the financial statements of the Bekasi City government, it is necessary to improve the supporting factors and commitments that can affect the success of the implementation. For this reason, it is necessary to conduct a study that analyzes these factors to determine how much increase in the expected performance of the financial statements.

Based on the description above, it is important to know the performance in the financial management of the regional government in managing the regional expenditure budget and in the management of the Bekasi City government revenue budget during the 2015-2017 period. This can also be seen from the readiness from the

perspective of human resources, infrastructure, and information systems, as well as the commitment of public officials to obtain a better opinion on financial statements.

Literature Review

Regional Financial Management

The success of regional financial management can be demonstrated by improving the performance of financial reports and is an important key in improving public services. In its implementation, it must stick to the principles of good regional financial management (budget). Mardiasmo (2002:27) states that there are 5 (five) principles of regional financial management needed to control regional financial policies, namely: accountability, value for money, honesty, transparency and control.

Based on the Government Regulation of the Republic of Indonesia (PP) No. 58 of 2005 and Regulation of the Minister of Home Affairs of the Republic of Indonesia No. 13 of 2006, there are important principles in managing regional finances including obeying laws and regulations, effective, efficient, economical, transparent, responsible, fairness. The implementation of financial management and responsibility policies in the administration of autonomy is included in the regional financial management process. Regional financial management is all activities that include: planning, implementation, administration, reporting, accountability and supervision of regional finances (PP 58 of 2005, article 1).

Regional financial management is none other than manifested in the formulation and stipulation and implementation of Regional Revenue and Expenditure Budget or what is called APBD. APBD is prepared in accordance with the needs of government administration and regional financial capacity. The preparation of the APBD is guided by the Local Government Work Plan or what is called RKPD in the context of realizing public services to achieve the goals of the nation and state. In principle, the APBD has functions of authorization, planning, supervision, allocation, distribution and stabilization. APBD, APBD growth, and accountability for APBD implementation each year are stipulated by regional regulations that do not conflict with higher regulations.

Financial Management Principles

In a performance-based budget, preventive control is carried out by making policies that include Analysis of Expenditure Standards (ASB) and Standard Unit Prices (SSH), taking into account: comprehensive and disciplined; predictable (Halim & Iqbal, 2012: 30).

Furthermore, Sanjay Pradhan (1996) in Halim & Iqbal (2012: 30) mentions 6 basic principles in Public Expenditure Management (PEM), namely:

1. The main criterion in selecting a program to provide and spend is there is no market failure.
2. The total aggregate expenditure and the total deficit of all work units must be aligned with the macroeconomic policy framework.
3. The direction of budget allocation between work units and various types of expenditures within a work unit is to improve social welfare.
4. The implications of key programs for the poor should be well analyzed.
5. The allocation of funds for routine and development expenditures in each program and sector must be analyzed in an integrated manner.
6. Institutions involved in planning and budget execution must continue to be evaluated so that the existing incentive structure remains relevant to improve fiscal discipline, the level of efficiency and equity from the list of priority scales proposed by each unit and technical efficiency in the use of budgeted funds.

Regional Government Financial Reports

Financial statements are prepared to provide relevant and accurate information about the financial position and all other transactions carried out by a reporting entity during one reporting period. Financial reports are mainly used to compare the realization of revenue, expenditure, transfers, and financing with a predetermined budget. Furthermore, it assesses the financial condition, evaluates the effectiveness and efficiency of a reporting entity, and helps determine its compliance with laws and regulations. Information in government financial

reports is a means of communication for the government to all stakeholders regarding whether the government's financial and operational performance is reported in accordance with the will of the people, which is described in the vision, mission, strategy, programs and activities of the government concerned.

The financial reports of local governments and/or institutions/agencies in the regions consist of Budget Realization Report (LRA), Balance Sheet Report, Operational Report (LO), Change in Equity Report (LPE), Cash Flow Report (LaK), Over-Budget Balance Report (LP-SAL), and Notes to Financial Statements (CaLK) (Sinurat, 2018: 160). The general objective of presenting financial statements in outline (Mardiasmo, 2009: 162) is to provide information used in making economic, social and political decisions as well as evidence of accountability and stewardship; and to provide information used to evaluate managerial and organizational performance.

Sinurat (2014:12), explains specifically, the purpose of local government financial reporting is to present information that is useful for making decisions and to show the accountability of reporting entities for managed resources by providing information on:

1. Position of local government economic resources, liabilities and equity;
2. Changes in the position of economic resources, liabilities and local government equity;
3. Sources, allocation and use of economic resources;
4. Realization compliance with the stipulated budget;
5. How the reporting entity finances its activities and meets its cash needs;
6. The potential of local governments to finance the implementation of government activities; and
7. The provision of information that is useful for evaluating the ability of a reporting entity to finance its activities.

Based on the above definitions, it can be seen that the financial statements provide information about the financial condition and financial transactions of a reporting entity in a particular reporting period which then has benefits for users of financial statements to find out how resource management has been carried out by certain reporting entities. These financial conditions and transactions will then provide the best direction for decision-makers in determining the financial policy of an organization. Information in financial statements is also intended to meet the information needs of all users of financial statements. The main groups of users of financial reports are the public, people's representatives, supervisors, auditing institutions, the private sector, and the government itself. So, financial statements are lists that systematically present information about financial conditions and financial transactions that have occurred in an organization with the aim of meeting the information needs of users of financial statements and used as a basis for decision making to determine financial policies by stakeholders.

Regional Government Financial Performance Indicators

According to Mardiasmo (2002: 121), the public sector performance measurement system is a system that aims to help public managers assess the achievement of a strategy through financial and non-financial measurement tools. In this study, what is meant as Regional Government Financial Report Performance is Regional Government Financial Performance, namely the level of achievement of a financial performance result which includes the budget and the realization of PAD using financial indicators that are determined through a policy or statutory provisions during one budget period? The form of performance measurement is in the form of regional financial ratios.

Meanwhile, according to Jumingan (2006: 239), financial performance is a description of the financial condition of a company (institution) in a certain period, both regarding the aspects of raising funds and channelling funds, which are usually measured by indicators of capital adequacy, liquidity, and profitability. Within the scope of government, this can be stated in the performance of the implementation of programs and activities in the implementation of regional government tasks which can be measured to encourage the achievement of work performance of each regional apparatus. Performance measurement that is carried out on an ongoing basis provides feedback for continuous improvement efforts and achievement of goals in the future. One of the tools to analyze the performance of local governments in managing their regional finances is to analyze the financial ratios against the APBD that has been determined and implemented.

According to Widodo (in Halim, 2002: 126), the results of financial ratio analysis aim to:

1. Assessing regional financial independence in financing the implementation of regional autonomy.
2. Measuring effectiveness and efficiency in realizing local revenue.
3. Measuring the extent to which local government activities spend their regional revenues.
4. Measure the contribution of each source of income in the formation of regional income.
5. Viewing the growth/development of income and expenditure acquisition made during a certain period.

Basically there are 2 (two) things that can be used as performance indicators, namely: budget performance and performance budget. Budget performance is an instrument used by the DPRD to evaluate the performance of regional heads, while the performance budget is an instrument used by regional heads to evaluate work units or regional apparatuses under regional control as the executive manager. Furthermore, Fahmi (2014: 47), states that the benefits of financial ratio analysis include:

1. Financial ratio analysis is useful as a tool for assessing the performance and achievement of an organization or a company;
2. Financial ratio analysis is very useful and useful for management as a reference for planning for the next period;
3. Financial ratio analysis can be used as a tool to evaluate the condition or condition of an organization or company from a financial perspective;
4. Financial ratio analysis is useful for creditors which can be used to be able to assume the potential risks that will be faced in connection with the guarantee of continuity of interest payments and loan principal repayments;
5. Financial ratio analysis can also be used as an indicator of assessment for organizational stakeholders.

Furthermore, to measure the financial performance of local governments or financial companies can be done by using financial ratio analysis. Every financial ratio analysis has specific objectives and functions where each result of the measured financial ratios will be interpreted as benchmarks in making decisions. In the implementation of regional autonomy, local governments must have a greater level of regional financial independence. If a region that has a high level of financial independence is the same as the region, it will no longer be very dependent on assistance from the central government and the provincial government through the balance fund.

In terms of appearance, of course, it does not rule out the possibility that if regional financial independence is high then the regions do not need to get the balance funds. Balancing funds provided by the central government to provinces or to local governments are still needed in order to accelerate development in these areas. The higher the level of financial independence of a region, the region will be able to provide the best and better quality services to the community, as well as make long-term and other development investments. Therefore, to manage an income and analyze local revenue is very important for local governments.

According to Mahmudi (2007: 122), through the Budget Realization Report, regional income analysis can be carried out by calculating financial ratios, including independence ratio, effectiveness ratio, efficiency ratio, degree of decentralization ratio, expenditure harmony ratio, and independence ratio. The ratio of regional financial irregularities is calculated by comparing the amount of PAD revenue divided by the total revenue or transfer receipts from the central and provincial governments and regional loans. If this independence ratio is getting higher, it can be said that the level of regional financial independence is increasing.

Calculating the Ratio of Independence (Mahmudi, 2010: 128) using the equation:

$$\text{Independence Ratio} = \frac{\text{Locally – Generated Revenue (PAD)}}{\text{central transfer} + \text{provincial transfer} + \text{loan}} \times 100\%$$

1. Regional Original Income Effectiveness Ratio

The ratio of the effectiveness of PAD can be calculated by using a comparison between the realization of PAD revenue and the target for PAD revenue (budgeted). The effectiveness ratio (Mahmudi: 129) can be formulated as follows:

$$\text{PAD Effectiveness Ratio} = \frac{\text{Realization of PAD Revenue}}{\text{PAD Revenue Target}} \times 100\%$$

The ratio of PAD effectiveness shows that the ability of local governments to regulate and mobilize PAD revenues is in accordance with what has been previously targeted. The ability of local governments to obtain PAD Bekasi Regency can be categorized as effective if this effectiveness ratio reaches at least 100%.

2. Regional Original Income Efficiency Ratio

To measure the performance of local governments in regulating and mobilizing revenue from PAD, the ratio of independence and effectiveness of PAD alone is not sufficient, because if seen from the ratio of effectiveness it has reached the word good, it will still cost a lot to achieve mutually agreed targets, then the PAD collection is not so efficient. So it is necessary to calculate the efficiency ratio of PAD. This efficiency ratio can be calculated by comparing the costs incurred by the regional government to obtain PAD and the realization of PAD revenues.

The effectiveness ratio (Mahmudi, 2010: 129) can be formulated as follows:

$$\text{Efficiency Ratio} = \frac{\text{Costs incurred to collect PAD}}{\text{Realization of PAD Revenue}} \times 100\%$$

The criteria for local government in implementing PAD collection can be categorized as efficient if the efficient ratio achieved by the local government is less than 100% (the smaller the efficiency ratio the better). In order to be able to calculate the efficiency ratio of PAD, additional data is required that are not available in the Budget Realization Report, namely data on costs incurred in collecting PAD. The costs incurred in collecting PAD also greatly affect the results of the efficiency ratio implemented by local governments.

3. Decentralization Degree Ratio

The degree of decentralization can be calculated by making a comparison between the amount of PAD and total regional revenue. The ratio of the degree of decentralization shows the degree of PAD contribution to total regional revenue. If the contribution of local revenue is high, the capacity of local governments in implementing decentralization will be even higher.

The decentralization ratio can be formulated as follows (Mahmudi, 2007: 128):

$$\text{Degree of Decentralization} = \frac{\text{Locally – Generated Revenue}}{\text{Regional Income}} \times 100\%$$

4. Shopping Match Ratio

According to Mahmudi (2007: 153), regional expenditure is defined as all expenditures from the regional general treasury account that can reduce the equity of current funds in the period of the fiscal year concerned for which the payment is not recovered by the regional government.

Direct expenditure should be greater than indirect expenditure because direct spending has a large influence on the quality of activity output. The expenditure compatibility ratio (Mahmudi, 2007: 151) can be formulated as follows:

$$\text{Direct Spending Ratio} = \frac{\text{Total Direct Expenditures}}{\text{Total Regional Expenditures}} \times 100\%$$
$$\text{Indirect Spending Ratio} = \frac{\text{Total Indirect Expenditures}}{\text{Total Regional Expenditures}} \times 100\%$$

In general, the compatibility ratio does not have a clear standard of ideal size, a harmonious ratio of the ratio of direct expenditure and indirect expenditure to the APBD. This is because government activities are heavily influenced by development activities and the large investments needed to achieve the targeted growth rates. However, as one of the regions in a developing country, the role of local government to improve and spur the development process in the regions is very much needed. Therefore, the matching spending ratio needs to be improved.

So, the performance of the financial statements of the Bekasi City government is the level of achievement of a work result in the area of regional financial management which includes: regional revenues and expenditures using a financial system that is determined through a policy or statutory provision during one budget period. The form of measuring the performance of the financial statements is in the form of financial ratios that are formed from the regional accountability report system based on the APBD calculation report in the financial reports of the Bekasi City regional government for 2015-2017. This performance uses Mahmudi's theory (2007: 122) as an analytical tool in analyzing the Bekasi City Budget, including the ratio of independence, effectiveness ratio, efficiency ratio, degree of decentralization ratio, and expenditure compatibility ratio.

Methods

This study uses a qualitative method, where data is divided into 2 (two) types, namely primary data and secondary data (Patton, 1990; Maxwell, 2008, Taylor et al., 2015). The data were collected by means of

observation, interview, and documentation study techniques. Analysis of local government financial performance is carried out through the management of Bekasi City's regional income in 2015-2017 by analyzing regional income variance, and analyzing financial ratios (ratio of the degree of decentralization, regional self-reliance ratio, and growth ratio of regional income). Meanwhile, the report performance analysis is carried out based on the regional expenditure budget by analyzing the variance of regional expenditures and the analysis of the harmony of regional expenditures with the operating shopping ratio and the capital expenditure ratio, as well as an analysis of the efficiency of regional government spending in 2015-2017 (Ezzy, 2013).

Results and Discussion

Independence Ratio

The ratio of independence obtained by local governments will describe the level of participation or participation of local communities in the regional development process. If the independent ratio of financial statements increases, the higher the public participation expressed through the community in paying local taxes and levies, which indicates that the level of community welfare in the area is high.

The ratio of independence of Bekasi City Regional Government financial reports can be seen in Table 1 below:

Table 1 Ratio of Independence of Bekasi City in 2015-2017

Year	Locally-Generated Revenue (PAD) (Rp)	Central Government Assistance, Provincial Government Assistance and Loans (Rp)	Independence Ratio	Criteria
2015	1,506,449,186,678.03	2,447,940,459,385.00	61,54%	Participative
2016	1,607,389,410,491.40	2,615,852,005,917.00	61,45%	Participative
2017	1,988,356,922,192.95	2,765,387,704,014.00	71,90%	Participative

Based on the ratio analysis above, the financial independence ratio of the Bekasi City government is classified as high so that it is included in the participatory criteria approaching the delegative criteria, which means that the role of the central government is still more dominant than the financial independence of the Bekasi City local government.

Based on the ratio of financial independence, it can be concluded that the financial condition of Bekasi City, from the level of independence, is still lacking because the financial independence ratio of Bekasi City government is included in participatory criteria, which means that the role of the provincial and central governments is almost equal to the role of the regional government.

Effectiveness Ratio

The ratio of the effectiveness of financial statements confirms that the ability of the Bekasi City government to regulate PAD revenues is in accordance with the previous target. Regional financial capacity to obtain PAD can be categorized as effective if the effectiveness ratio reaches 100%. If the effectiveness ratio is higher, then the regional financial capacity in regulating PAD revenue will be even higher.

The performance effectiveness ratio for the financial statements of the Bekasi City Regional Government can be seen in Table 2 below:

Table 2 Effectiveness Ratio of Bekasi City in 2015-2017

Year	Realization of PAD (Rp)	Target of PAD (Rp)	Effectiveness Ratio	Criteria
2015	1,490,389,410,491.40	1,506,449,186,678.03	98.93%	Effective
2016	1,607,389,410,491.40	1,686,660,486,524.00	95.30%	Effective
2017	1,988,356,922,192.95	2,352,843,540,287.02	84.51%	Effective

Based on the data contained in table 2 above, it is clear that the financial capacity of the Bekasi City government in realizing local revenue requires optimization efforts because the realization of Bekasi City's PAD has always not reached the target of the amount that has been previously set. This effectiveness illustrates the ability of the Bekasi City government to show a lack of success that must be improved in the future.

Based on the overall data above, it is stated that the local government of Bekasi City has made great efforts in increasing PAD but has not yet achieved the targets or objectives that have been determined even though in its implementation every year the effectiveness ratio has decreased.

Efficiency Ratio

The financial performance of local governments in collecting revenues (taxes and levies) is categorized as efficient if the ratio achieved is less than 1 (one) or below 100 (one hundred) per cent. The smaller the efficiency ratio, the better the local government's financial performance. For this reason, the regional government needs to calculate carefully and care how much it costs to be able to realize all the revenues or regional revenues received so that it can be seen whether the revenue collection activities are efficient or not.

The financial efficiency ratio of the Bekasi City Regional Government can be seen in Table 3 below:

Table 3 Bekasi City Financial Efficiency Ratio 2015-2017

Year	Costs Used To Collect Taxes (Rp)	Realization of Local Tax Revenue (Rp)	Efficiency Ratio	Criteria
2015	55,998,986,758.00	1,506,449,186,678.03	3.72%	Efficient
2016	56,068,475,988.00	1,607,389,410,491.40	3.49%	Efficient
2017	62,292,717,779.00	1,988,356,922,192.95	3.13%	Efficient

Based on the increase in the efficiency ratio of Bekasi City in the last 3 years, the amount of realized regional tax revenue has decreased every year and the overall efficiency ratio of Bekasi City is classified as very efficient, which is less than 60%. With this figure, it illustrates that the local government of Bekasi City manages regional finances by maximizing the potential and resources it has to achieve optimal results.

Decentralization Degree Ratio

The degree of financial decentralization can be said to be good if the percentage of PAD to regional income reaches 40%. It is hoped that all local governments can continue to maximize the potential sources of revenue or revenue they have.

Based on the results of the calculation of PAD Revenue Realization data to total Regional Revenue in the Bekasi City LRA for the 2015-2017 Fiscal Year, the ratio of the degree of financial decentralization of the Bekasi City Regional Government for 2015-2017 can be seen in Table 4 as follows:

Table 4 Ratio of Degree of Financial Decentralization in Bekasi City, 2015-2017

Year	Locally-Generated Revenue (PAD) (Rp)	Total Income (Rp)	Degree of Decentralization	Criteria
2015	1,506,449,186,678.03	3,958,246,646,063.03	38.06%	Pretty Good
2016	1,607,389,410,491.40	4,225,314,416,408.40	38.04%	Pretty Good
2017	1,988,356,922,192.95	4,756,703,208,558.95	41.80%	Good

Financial Performance Analysis in Managing Regional Expenditure Budgets

The classification of expenditures into direct and indirect expenditures is a classification based on their activities, while the classification of expenditures into operating expenditures or capital expenditures is a classification based on the period of benefits that can be used for the expenditure (according to conversion). In simple terms, the ratio of direct spending and indirect spending can be seen in Table 5 below:

Table 5 Harmony Ratio for Bekasi City in 2015-2017

Year	Direct Shopping	Total Shopping	Ratio
2015	1,249,954,669,378.00	3,881,179,278,034.00	32.21%
2016	1,428,034,524,406.00	4,403,530,694,024.82	32.43%
2017	1,236,086,622,628.00	4,981,203,594,624.00	24.82%
Year	Indirect Shopping	Total Shopping	Ratio
2015	2,630,294,085,620.00	3,881,179,278,034.00	67.77%
2016	2,970,470,203,283.82	4,403,530,694,024.82	67.46%
2017	3,744,881,355,434.00	4,981,203,594,624.00	75.18%

Based on various descriptions and analyzes, as well as the explanation above, it is stated that indirect expenditure used by local governments is still greater than direct spending. This implies that the local government of Bekasi City is still not able to encourage or make expenditures related to matters that are not directly related to the implementation of activities, which shows that the local government of Bekasi City still does not pay attention to development in its area more in favour of public services.

Conclusion

Financial performance using financial ratios in Bekasi City Regional Revenue is not optimal where: the financial condition of Bekasi City from the level of independence is still lacking because the local government independence ratio is included in the participatory criteria, meaning: the role of the central government and province is more dominant than the independence of local governments. This figure shows that the degree of decentralization is still categorized as quite effective because the degree of decentralization is close to the maximum reaching more than 90.00%, the degree of decentralization can be categorized as quite effective (reaching 90.00%).

Financial performance using regional expenditure financial ratios is not optimal. In the proportionate ratio of expenditures, indirect spending is used more than direct spending, and the degree of decentralization continues to increase from year to year. Figures show that the degree of decentralization is still categorized as quite close to good, the maximum has reached 41.80%, which is categorized as good if it reaches 40%. In the expenditure balance ratio, the indirect expenditure used by the government is still greater than the direct expenditure used by the regional government.

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