

A Review of Examining the Financial Performance of Makassar City through the Regional Financial and Asset Management Agency

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Abstract

This research delves into evaluating the Financial Performance of the Regional Budget (APBD) within the context of the Regional Financial and Asset Management Agency in Makassar City from 2019 to 2021. The study uses primary and secondary data sources using a quantitative descriptive approach. Primary data is garnered through meticulous on-site observations and comprehensive documentation, while secondary data is meticulously curated from diverse sources. The study's revelations bring to light an intriguing facet: the financial performance of Makassar City's local budget, assessed via the regional financial effectiveness ratio, registers below the 100 percent mark, thus underscoring a realm of suboptimal efficiency. A particularly compelling narrative unfolds in the Growth Ratio of the city's Local Own Source Revenue (PAD) from 2019 to 2021, with a notable ascent to 5.9433 percent. This substantial growth rate represents a remarkable stride forward when juxtaposed with the antecedent growth ratio, which had lingered at a mere 2.022 percent. Drilling down into the specifics, the Growth Ratio of Local Source Revenue (PAD) analysis delineates a modest 0.4 percent figure for 2019, catapulting to an impressive 6.08 percent in the pivotal year of 2021. Further enhancing the tapestry of insights, the breakdown of the Growth Ratio of Local Revenue Expenditure (PAD) paints a vivid picture: it stood at 9.94 percent in 2019, reflecting a substantial surge, and maintained a commendable trajectory at 7.89 percent in the subsequent year of 2021.

Keywords: Financial Performance, Regional Budget, APBD, Regional Financial and Asset Management Agency, Local Own Source Revenue (PAD).

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1. Introduction

The emergence of Law No. 32 of 2004 concerning Regional Government (Pemda) and Law No. 33 of 2004 concerning Financial Balance between the Central Government and Regions aligns with the beginning of the era of regional autonomy. This concept of regional autonomy involves granting authority for local decision-making, ultimately providing greater flexibility in managing resources according to the potential of each area. To support the implementation of regional autonomy, a framework of integrated, balanced, and fair authorities between the central government and regions is essential. These two laws represent a push to transfer broader authority from the central government to regional administrations, enabling them to oversee all aspects of local governance. From resource utilization planning to efforts in building, managing, controlling, and evaluating these resources, the aim is to empower local areas optimally. Meanwhile, successful local financial management requires skilled teams and preparedness to address the dynamics of existing finances. The capability of local governments to respond to local financial opportunities and challenges is reflected in the analysis of the region's financial performance, measured through various financial ratio indicators. Every local government bears a significant responsibility to enhance the well-being and services of its community, guided by principles of democracy, fairness, equity, and sustainability. When a local

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government effectively harnesses its inherent potential, such as natural resources, human capital, and financial resources, it is adeptly fulfilling its duties. Within this context, the financial performance of a local government can be measured by the extent to which these potentials are efficiently managed and utilized. In a broader sense, local finance encompasses all the rights and obligations inherent in the local government's role in fostering community governance. These financial aspects can be evaluated in monetary terms, encompassing all assets tied to the local government's rights and responsibilities.

In this study, (Darise, 2008) reveals that the essence of regional autonomy should manifest in managing local finances, encompassing a spectrum of phases—from planning, implementation, financial regulations, reporting, and accountability to overseeing financial aspects. The triumph in managing local finances directly affects the success of regional autonomy and offers a substantial contribution towards achieving the principles of good governance. To optimize the management of local finances and support future development, the Finance and Asset Management Agency of Makassar City has embarked on organizational restructuring that places transparency, effectiveness, efficiency, and harmonious communication with other government units at its core. This approach involves the realignment of authority in local financial management, encompassing policy evaluation for local revenue generation, macroeconomic framework formulation, planning and development of the Regional Budget (APBD), APBD execution and accountability, financial management, and administration and safeguarding of local assets.

This study utilizes an inclusive methodology, amalgamating financial statement comparison analysis, trend analysis, and ratio analysis, to serve as the fundamental framework for evaluating the financial performance of the local government within the Makassar City Finance and Asset Management Agency. Consequently, the suggested title for this research is: "A Review of Examining the Financial Performance of Makassar City through the Regional Financial and Asset Management Agency".

2. Theoretical

2.1. Financial Analysis

The analysis of financial statements holds significant importance for stakeholders as it forms the bedrock for making well-informed decisions. According to (Sinaga, 2014), financial statement analysis involves examining and studying relationships, trends, and tendencies to ascertain the respective company's financial position, operational outcomes, and progress. (Hery, 2015) defines *financial statement analysis* as deconstructing financial statements into their fundamental elements and scrutinizing them to comprehend the financial reports comprehensively.

(Sofyan, 2013) categorizes financial statement analysis into two parts: analysis and financial statements. "Analysis" entails the dissection of a unit into its minutest components, while "financial statements" encompass balance sheets, income statements, and cash flow statements. The fusion of these elements engenders financial statement analysis. This process dissects the constituents of financial statements into smaller units of information and scrutinizes their meaningful interrelations, encompassing quantitative and non-quantitative data. This undertaking is geared towards gaining a more profound insight into financial conditions, pivotal for making judicious decisions. In essence, financial statement analysis represents a comprehensive evaluation furnishes insights into a company's fiscal standing, historical accomplishments, present status, and future projections. The outcomes of this analysis serve as the bedrock for decision-making by pertinent stakeholders.

2.2. Financial Statement Analysis Methods and Techniques

Various methods and techniques can be employed when analyzing a company's financial statements. These methods serve as guides and valuable tools in measuring the relationships among the different line items within the financial statements. Through this approach, a deeper insight into the changes associated with each of these items can be gained. Referring to the perspective of (Munawir, 2010), it is elucidated that the essence of these various methods and techniques of analysis is to simplify data, making it more digestible and facilitating a better understanding for stakeholders. Moreover, the results of such analyses also form a robust basis for decision-making processes for parties with vested interests within the company.

Interestingly, there are three principal methods frequently employed by financial statement analysts. Each method brings its unique approach to the table while maintaining the common goal of unpacking the intricacies of financial statements to unveil the core of the presented information. We will delve into and discuss each of these methods more extensively within a holistic financial performance analysis context. Therefore, financial statement analysis goes beyond being a mere technical tool. It involves a profound comprehension of processes involving various variables and

intricate interactions. In this context, it is imperative to explore the various available methods and analysis techniques and apply them judiciously to gain valuable insights that drive informed decision-making based on facts.

2.3. Regional Revenues and Expenditures Budget (APBD)

The Regional Revenues and Expenditures Budget (APBD) serves as the financial blueprint for local governments, illustrating the projected expenses allocated to fund various regional activities and developmental projects over a designated one-year period. Simultaneously, it intricately outlines the anticipated sources of revenue that are earmarked to cover these planned expenditures (Kusufi, 2014). Elaborating further, according to (Abdul, 2005), the Budget of Revenue and Expenditure, also known as *Anggaran Pendapatan dan Belanja Daerah*, encapsulates a comprehensive financial work plan devised to span a specific timeframe. This strategic financial tool comes into play when the legislative arm of the local governance (DPRD) endows the executive body, represented by the local leader, with the authorization to finance the diverse needs of the region's domestic households. This financing is seamlessly aligned with the foundational budget framework, which acts as the bedrock upon establishing the budget. Notably, the budget not only reflects the visionary financial underpinning for the local government's operations but also encompasses the entirety of the anticipated income streams, each meticulously designed to offset the projected expenditures in a balanced manner harmoniously. This holistic approach ensures the prudent utilization of resources and contributes to the socio-economic growth and well-being of the community.

2.4. APBD Preparation Process

Basing its framework on the Regulation of the Minister of Home Affairs of the Republic of Indonesia Number 37 of 2014 concerning Guidelines for the Formulation of Regional Budgets for the Fiscal Year 2015, the process of crafting the Regional Budget (APBD) is delineated as follows: The Local Government conveys the overarching policy for the next fiscal year's APBD, aligned with the Regional Government Work Plan, thus laying the foundation for preparing the Draft Regional Budget (RAPBD) to be presented to the Regional People's Representative Council (DPRD); After the consensus on the overarching APBD policy with the DPRD, the Local Government, in collaboration with the Regional People's Representative Council, engages in discussions to define priorities and establish a tentative budget ceiling. This is a reference point for each Regional Work Unit (SKPD); In the context of RAPBD preparation, the Heads of the Regional Work Units, who serve as budget users, devise the Work Plan and Budget (RKA) for the forthcoming fiscal year. This RKA is meticulously crafted based on anticipated achievements and expenditure forecasts.

The Guidelines for the Formulation of Regional Budgets for the Fiscal Year 2015 put forth principles and policies for APBD formulation, including:

Principles of APBD Formulation:

- Aligned with the necessities of regional governance based on its respective responsibilities and authorities.
- Timely, adhering to stages and schedules as stipulated within the legal framework.
- Transparent, facilitating extensive public awareness and access to information about APBD.

The guidelines foster a meticulous and comprehensive process for crafting the APBD, ensuring it is well-aligned with the region's priorities and resources. Furthermore, they uphold the values of timeliness and transparency, enabling an informed and engaged community.

2.5. APBD Formulation Policies

The policies concerning the preparation of the Regional Budget (APBD) concerning Local Revenue, Local Expenditure, and Local Financing are outlined based on the following sources:

Local Revenue: The budgeted local revenue within the APBD represents well-reasoned and rational estimations with a degree of certainty and a legal foundation for their receipt. a) **Local Own Source Revenue (PAD)**, Budgeting for Local Revenue originating from PAD takes into account the following aspects, as noted in (Kusufi, 2014): Budgeting for Local Taxes and Local Levies; Budgeting for the Proceeds from Regional Asset Management; Budgeting for Other Legitimate PAD. b) **Inter-Governmental Transfers**, Budgeting for local revenue stemming from inter-governmental transfers is based on considerations such as budgeting for the Allocation of Revenue Sharing (DBH); Budgeting for the General Allocation Fund (DAU); Budgeting for the Special Allocation Fund (DAK). c) **Other Legitimate Local Revenue** Budgeting for local revenue from Other Legitimate Local Revenue involves considerations such as those mentioned in (Abdul, 2005); Budgeting for the School Operational Assistance Fund (BOS); Budgeting for the Teacher

Professional Allowance (TPG); Budgeting for Special Autonomy Funds; Budgeting for Regional Incentive Funds (DID).

Local Expenditure The Local Government establishes performance achievement targets for each expenditure, whether it pertains to the regional context, the regional work units, or specific programs and activities. This is aimed at enhancing the accountability of budget planning and clarifying the effectiveness and efficiency of budget utilization. a) **Direct Expenditure** Budgeting for direct expenditure, aimed at implementing the Local Government's programs and activities, considers the following aspects: **Personnel Expenditure**: Encompasses remuneration for services rendered in executing the Local Government's programs and activities; **Goods and Services Expenditure**: Encompasses the purchase/provision of goods with a utility span of less than 12 months and/or the use of services in implementing the Local Government's programs and activities. It includes expenditure on disposable goods, materials, office services, insurance premiums, vehicle maintenance, printing/duplication, rent for housing/buildings/warehouses/parking, rent for mobility facilities, heavy equipment rentals, equipment and attribute rentals, work attire, unique clothing for specific occasions, official travel, official travel during reassignment, and employee repatriation; **Capital Expenditure**: Encompasses expenditure on the purchase/provision or construction of tangible fixed assets with a utility span of more than 12 months for use in governmental activities. This includes land, equipment and machinery, buildings and structures, roads, irrigation and networks, and other fixed assets. b) **Indirect Expenditure** Budgeting for indirect expenditure considers the following aspects; **Personnel Expenditure**: Comprises compensation in the form of salaries, allowances, and other income provided to civil servants following legislative provisions; **Interest Expenditure**: Encompasses expenditure for the interest payment on debt calculated based on principal debt obligations stipulated in short-term, medium-term, and long-term loan agreements.

2.6. Regional Financial Ratios

Efficiently managing local finances requires careful consideration of their utilization. As expressed by Mohamad (Mahsun et al., 2011), Financial Statement Analysis serves as a tool for comprehending the challenges and opportunities embedded within financial reports. Despite this significance, the employment of ratio analysis in the public sector, particularly concerning the APBD, still needs to be improved. This has led to a need for more unanimous consensus regarding the nomenclature and framework for its measurement. Nevertheless, in pursuing transparent, honest, democratic, effective, efficient, and accountable regional financial management, implementing ratio analysis on the APBD becomes imperative. Notably, accounting principles in the APBD differ from those of private enterprises (Kusufi, 2014). In light of this, integrating ratio analysis into local financial oversight is a pivotal step toward fostering a comprehensive and responsible financial landscape.

Table 1. Effectiveness Rating

Percentage of Effectiveness	Percentage of Effectiveness
Above 100 %	highly effective
90 – 100 %	effective
80 – 90 %	quite effective
60 – 80 %	less effective
Below 60 %	ineffective

Source: Mahsun (2016:130)

2.7. Growth Ratio

(Kasmir, 2014) asserts that the growth ratio is a pivotal financial metric that intricately illustrates a company's prowess in maintaining its economic stance within the dynamic currents of economic expansion and its respective industry domain. This metric encapsulates a multifaceted evaluation, encapsulating the intricate interplay between a company's internal dynamics and the broader economic landscape. Elaborating on Kasmir's perspective, the growth ratio serves as a barometer of a company's ability to navigate the tumultuous waters of economic growth and its adaptability to the changing demands and competitive pressures within its sector. This metric does not exist in isolation but within the intricate framework of a company's financial landscape, acting as a mirror that reflects its internal strengths and aptitude to seize opportunities amidst external upheavals.

Furthermore, this financial yardstick goes beyond mere numbers; it encapsulates a strategic mindset that guides decision-making processes. A company's effective deployment of resources, its capacity to innovate, and strategic vision all come under scrutiny when scrutinizing the growth ratio. By quantifying a company's ability to grow and

endure simultaneously, the growth ratio emerges as a compass that points toward financial stability and guides the company toward sustainable progress. As industries grapple with an ever-evolving economic milieu, the growth ratio assumes a prominent role as a proactive tool. It aids companies in steering through market uncertainties and regulatory changes while sustaining their competitive edge. Moreover, it highlights the delicate balance between expansion and stability, underlining the importance of prudent financial management and strategic foresight.

3. Research Method and Materials

In this study, the researcher employs a descriptive quantitative approach. The descriptive quantitative research method can be comprehended as investigating specific populations and samples. Data collection is conducted through research instruments, while data analysis is quantitative or statistical. The primary aim is to test hypotheses formulated based on real-world observations (Sugiyono, 2017). This research takes on an associative (relational) nature to uncover connections between two or more variables. The study was conducted in Makassar, South Sulawesi, specifically at the Finance and Asset Management Agency (BPKAD) of Makassar.

According to (Sugiyono, 2017), a population is a generalization consisting of objects/subjects with qualities and characteristics the researcher delineates for study and subsequent inference. The subjects under study constitute the population, with financial report data from the Finance and Asset Management Agency (BPKAD) of Makassar forming the population for this research. The data utilized in this research is of the secondary type. Secondary data comprises raw and processed information presented in numerical or narrative form. This study draws secondary data from pertinent literature aligning with the research title. This encompasses books, articles, papers, technical directives, and other relevant sources that pertain to the research problem. The data sources employed in this research consist of secondary data, specifically focusing on the formation of previous years' local revenue and government capital expenditures, which can be extracted from the records of the BPKAD Office in Makassar.

Operational definition of Makassar City's finance and asset management agency and its measurement are as follows:

- a) **Effectiveness Ratio** As described by (Nurhayati, 2015), the effectiveness ratio of local own-source revenue is calculated by comparing the realized local own-source revenue with the projected local own-source revenue target. This effectiveness ratio is determined using the formula:

$$\text{Effectiveness Ratio} = \frac{\text{Realized Local Own Source Revenue}}{\text{Projected Local Own Source Revenue Target}} * 100\%$$

- b) **Growth Ratio** According to (Wonda, 2016), the growth ratio quantifies how much a local government can sustain and enhance its achievements from one period to the next. A higher growth ratio or the realization of local own-source revenue from the previous year indicates a favorable performance of the local government. This ratio is an evaluative metric, portraying the local government's ability to build upon its past successes and optimize its financial standing. The growth ratio, calculated by comparing revenue between different periods, elucidates the momentum and efficacy with which the government is advancing its financial objectives. By employing this operational definition, policymakers and stakeholders gain valuable insights into the dynamic evolution of the Finance and Asset Management Agency in Makassar City.
- c) **Financial Performance** Financial performance involves an analysis undertaken to gauge the extent to which the Local Government has executed its financial operations soundly and adequately, adhering to established financial regulations. The measurement of financial performance encompasses the scrutiny of outcomes derived from both effectiveness ratios and growth ratios. Effectiveness ratios and growth ratios serve as fundamental metrics in assessing financial performance. When considered together, these ratios offer a comprehensive overview of how the Local Government's financial activities align with its objectives and whether it is effectively managing its resources. Through this evaluative lens, the Financial and Asset Management Agency's accomplishments and areas of improvement are illustrated, contributing to a more transparent and efficient financial landscape in Makassar City.

As emphasized by (Sugiyono, 2017), the data collection technique is a pivotal step within research, for the paramount goal is data acquisition. Without a comprehensive understanding of data collection techniques, researchers may fail to acquire data aligned with the stipulated data standards. Furthermore, effective data collection techniques pave the way for conclusions applicable to the broader context or generalization (Sugiyono, 2017). The stages undertaken in analyzing data encompass the following: a) **Calculating Effectiveness and Growth Ratios:** These ratios are derived from the Financial Allocation for Village Fund (ADD) in the Village Revenue and Expenditure Budget (APBD).

Calculations are presented systematically in tabular form, offering a structured view of the ratios' implications. b) **Describing Data:** The effectiveness and growth ratio calculation results are succinctly described. This involves outlining the key insights derived from the ratios enhancing their interpretability. In addition to textual description, graphical representation is employed to illustrate trends and patterns, enhancing the accessibility of data insights. By skillfully applying these techniques, researchers endeavor to uncover meaningful insights from the financial data sourced from the APBD, promoting a more thorough understanding of the Financial and Asset Management Agency's performance in Makassar City.

4. Results and Discussion

4.1. Results

4.1.1. Financial Performance Analysis of Makassar City's Finance and Asset Management Agency

Within this research, the analysis of the financial performance of Makassar City's Finance and Asset Management Agency involves a comprehensive evaluation of the progress achieved in financial operations and activities. It encompasses assessing how effectively financial tasks and endeavors have been executed. The analytical approach adopted by the researcher employs two essential ratios: effectiveness ratio and growth ratio. These ratios serve as illuminating metrics, shedding light on the agency's efficacy in managing its financial domain. The dataset used in this study is derived from the Financial Allocation for Village Fund (ADD) within the Village Revenue and Expenditure Budget (APBD). Specifically, the study centers on the Local Own-Source Revenue (PAD) section of the APBD. This dataset unveils a comprehensive overview of the Finance and Asset Management Agency's financial performance in Makassar City over the past three years (2019-2021). The analysis aims to provide insights into the agency's financial accomplishments and how much it has harnessed its fiscal resources to drive growth and effectiveness. These insights are intended to facilitate informed decision-making, promote transparency, and contribute to the agency's pursuit of financial excellence in the dynamic landscape of Makassar City.

4.1.2. Effectiveness Ratios

The financial ratio instruments utilized herein provide insights into the capacity of the local government to materialize the projected local own-source revenue concerning the established targets, grounded in the genuine regional potential. In this context, effectiveness is a metric indicating the degree to which set targets (quantitative, qualitative, and temporal) have been achieved. The larger the percentage of attained targets, the higher the degree of effectiveness. The effectiveness indicator manifests in the ratio between realized expenditures and the designated regional expenditure targets. Effectiveness primarily emphasizes organizational success, in this instance, the local government's attainment of its prescribed objectives. It comprehensively evaluates how efficiently the government allocates its resources to achieve its financial goals. This analytical perspective not only underscores fiscal achievements but also delves into the quality and timeliness of these accomplishments.

The financial statements of Regional Original Revenue (PAD) at the Makassar City Regional Financial Management Agency are as follows:

Table 2. Realization Report of Regional Budget Revenue and Expenditure of Regional Financial Management Agency of Makassar City

Years	Original Local Government Revenue (PAD)	Original Local Government Revenue (PAD)
	Realization (Rupiah's)	Budget (Rupiah's)
2019	1,303,320,000,000	1,649,400,000,000
2020	1,078,330,000,000	1,749,400,000,000
2021	1,163,090,000,000	1,686,390,000,000

Source: Makassar City Regional Budget (Data processed, 2022)

Effectiveness Ratio Calculation for Makassar City's Regional Financial Management (2019-2021 Budget Years)

The computation of the effectiveness ratio is a pivotal step in evaluating the performance of Makassar City's Regional Financial Manager over the 2019-2021 budget years. The outcomes are as follows:

- **2019:** Effectiveness Ratio = x 100 % = 79.02%

- **2020:** Effectiveness Ratio = x 100 % = 61.64%
- **2021:** Effectiveness Ratio = x 100 % = 68.97%

The effectiveness ratio computations offer valuable insights into the Financial Manager's adeptness in realizing the planned revenue goals relative to the predetermined targets. In 2019, the effectiveness ratio stood at an impressive 79.02%, signifying a substantial achievement in meeting the revenue objectives. However, in 2020, the ratio declined to 61.64%, suggesting a lower level of target fulfillment, potentially indicating areas that require further attention. Interestingly, in 2021, there was a partial recovery as the effectiveness ratio increased to 68.97%. This resurgence points towards enhanced efforts in aligning realized revenue with targeted figures. The fluctuations across the three years underline the dynamism of financial management and underscore the necessity for consistent monitoring and strategic decision-making to bolster revenue realization and overall fiscal efficiency.

Table 3. Effectiveness Ratio of Makassar City Financial Management Agency

Years	Original Local Government Revenue (PAD) Realization (Rupiah's)	Original Local Government Revenue (PAD) Budget (Rupiah's)	Criteria Percentage of Effectiveness
2019	1,303,320,000,000	1,649,400,000,000	less effective
2020	1,078,330,000,000	1,749,400,000,000	less effective
2021	1,163,090,000,000	1,686,390,000,000	less effective

Source: Makassar City Regional Budget (APBD) and Data Processing (Researcher, 2022)

The presentation's findings demonstrate that the financial processing effectiveness of Makassar City's Finance and Asset Management Agency during 2019-2021 exhibits outcomes that fall short of effectiveness benchmarks. The derived values fall below 100%, indicating a degree of underperformance. This discrepancy unveils a shortfall in the city government's efficacy in realizing its envisaged regional revenue. This performance evaluation compares the actual revenue achievements and the targets established based on the genuine regional potential. The effectiveness analysis gauges how closely the revenue aligns with the stipulated targets within a defined timeframe. The outcomes highlight the imperative for strategic realignment to bolster financial performance and enhance efficiency. By meticulously targeting revenue realization, the city government aims to facilitate realizing high regional revenue results, thereby optimizing fiscal performance in alignment with preset goals.

4.1.3. Growth Ratio

As per (Wonda, 2016), the growth ratio gauges the extent to which a local government can sustain and augment its achievements from one period to the subsequent period. A higher growth ratio or the realization of local own-source revenue from the previous year indicates commendable local government performance. The growth ratio can be quantified using the following formula:

$$\text{Growth Ratio} = \frac{\text{Realized Local Own Source Revenue in Current Year} - \text{Realized Local Own Source Revenue in Previous Year}}{\text{Realized Local Own Source Revenue in Previous Year}} * 100$$

This formula encapsulates that a notable increase in the realized local own-source revenue over time portrays an effective local government capable of preserving and advancing its financial accomplishments. By calculating this ratio, local governments gain insights into their fiscal momentum and potential to capitalize on past successes. The formula serves as a dynamic tool for evaluating the trajectory of a government's financial endeavors and signifies its commitment to growth and development.

Calculation of Growth Ratio for Makassar City's Regional Financial Management (2019-2021 Budget Years)

The calculation of the growth ratio offers valuable insights into the financial trajectory of Makassar City's Regional Financial Management over the 2019-2021 budget years:

- **2019:** Growth Ratio = x100 = 9.94%
- **2020:** Growth Ratio = x100 = -17.2%

- **2021:** Growth Ratio = $\times 100 = 7.89\%$

The growth ratio calculations illustrate the year-on-year variations in the realization of local own-source revenue. These fluctuations provide a dynamic picture of the city's financial performance. In 2019, the positive growth ratio of 9.94% signifies an increment in realized revenue from the previous year, indicating an upward trajectory. However, the negative growth ratio of -17.2% in 2020 indicates a squeeze in realized revenue, pot.

In 2019, the Local Own-Source Revenue (PAD) exhibited a robust growth of 9.94%, reflecting a commendable expansion in financial inflows. However, the subsequent year, 2020, experienced a significant downturn, with the growth plunging to -17.2%. This negative growth rate underscores a challenging fiscal environment that impeded revenue progression. Nevertheless, the city's financial landscape exhibited resilience as it rebounded in 2021 with a growth rate of 7.89%, depicting a renewed upswing in revenue generation. This financial narrative encapsulates the oscillating nature of revenue generation, influenced by multifaceted factors. The divergent growth rates across the years epitomize the intricate interplay of economic dynamics, policy decisions, and external circumstances. By elucidating these revenue fluctuations, the financial reports illuminate the journey of Makassar City's Regional Financial Management and underscore its ability to navigate a spectrum of fiscal scenarios.

4.2. Discussion

4.2.1. Effectiveness Ratio

The financial efficacy of local governments is often depicted through the lens of the Local Revenue Effectiveness Ratio. This ratio serves as a window into the financial performance of regional administrations in realizing their projected Local Own-Source Revenue (PAD) against the budgeted targets. Specifically, this ratio calculates the percentage of PAD actualization compared to the target set. This insightful metric shows how local governments maximize their PAD potential through local taxes and fees. Analyzing the financial statements of Makassar City's Regional Financial Management, it is evident that the Local Own-Source Revenue (PAD) budget experienced fluctuations across the years. In 2019, the budget allocation for PAD stood at Rp. 1,303,320,000,000. However, this figure dipped to Rp—1,078,330,000,000 in 2020. Remarkably, in 2021, the PAD budget saw an upward trajectory, reaching Rp. 1,163,090,000,000. The realization of PAD also exhibited this trend, experiencing a decline from Rp. 3,549,120,000,000 in 2019 to Rp. 2,969,790,000,000 in 2020, followed by an increase to Rp. 3,150,500,000,000 in 2021. The analysis indicates that the financial processing effectiveness of Makassar City's Financial and Asset Management Agency from 2019 to 2021 reflects suboptimal outcomes due to values falling below the 100% benchmark. This suggests a relative inefficiency in realizing the anticipated local revenue, thereby highlighting a performance gap against planned targets based on the region's potential. The effectiveness analysis showcases how the local revenue realization aligns with predetermined targets over a specific timeframe. A concerted effort to meet local revenue realization targets will synergize with the regional government's endeavors to achieve elevated levels of revenue collection.

4.2.2. Growth Ratio

The financial statements of Makassar City's Regional Financial Management underscore a pattern of ups and downs in the Local Own-Source Revenue (PAD) budget, offering insights into the city's financial dynamics. The budget for Local Own-Source Revenue (PAD) experienced a decline in the years 2019-2020, followed by an upward trend in 2020-2021. In 2019, the allocation for PAD amounted to Rp. 1,303,320,000,000. However, it decreased to Rp—1,078,330,000,000 in 2020. Notably, in 2021, the budget for PAD rebounded, reaching Rp. 1,163,090,000,000. An analysis of the Growth Ratio reveals that the Growth Ratio of Local Own-Source Revenue (PAD) for Makassar City's Regional Financial Management was 9.94% in 2019, which witnessed a decline to -17.2% in 2020. Delving into actualization, realizing Local Own-Source Revenue (PAD) for Makassar City's Regional Financial Management presents a less positive growth trajectory. The Growth Ratio of Local Own-Source Revenue (PAD) was -17.2% in 2020 and subsequently rebounded to a growth of 7.89% in 2021. Similarly, the report on the growth of Local Own-Source Revenue (PAD) reveals an intriguing narrative. 2019, the realized expenditure for Local Own-Source Revenue (PAD) amounted to Rp. 3,549,120,000,000, but this figure witnessed a decline to Rp. 2,969,790,000,000, marking a decrease of -16.3% in 2020. The trend reversed again in 2021, with a renewed increase to Rp. 3,150,500,000,000. Computed through the Growth Ratio, it is apparent that the Growth Ratio of Expenditure for Local Own-Source Revenue (PAD) for Makassar City's Regional Financial Management displayed a growth of 7.78% in 2017 and saw a remarkable escalation to 216.47% in 2018. These fluctuations and growth trajectories in the financial journey of Makassar City's Regional Financial Management underscore the intricacies of financial management and the need for adept strategies to navigate economic changes effectively.

5. Conclusion

Based on the comprehensive exploration and discussion presented, a conclusive assessment can be made regarding the financial performance of Makassar City's Local Own-Source Revenue (PAD) Management for 2019-2021. The evaluation reveals a praiseworthy performance that deserves attention. This conclusion is substantiated through the calculated Efficiency and Growth Ratios, shedding light on the intricate financial landscape. The assessment of the Financial Performance of Local Own-Source Revenue (PAD) Management of Makassar City's Regional Financial Management reveals intriguing dimensions. Gauging this performance through the Efficiency Ratio, it becomes evident that it falls under the "Less Effective." The average efficiency from 2019 to 2021 hovers below 90%, at 69.85%. To delve further into specifics: in 2019, the Efficiency Ratio registered at 79.02%; in 2020, it was 61.64%; and in 2021, it reached 68.97%.

A slight perspective emerges when dissecting the financial performance from a Growth Ratio perspective. The Growth Ratio of Local Own-Source Revenue (PAD) for Makassar City's Regional Financial Management showcases positive and negative trends. The average Growth Ratio of Local Own-Source Revenue (PAD) throughout 2019-2021 is 5.9433%. This figure contrasts favorably with the Growth Ratio of Local Own-Source Revenue (PAD), which stood at a mere 2.022%. To dive into the specifics of this growth: in 2019, the Growth Ratio reached 0.4%, and in 2021, it marked an impressive 6.08%.

Furthermore, the Growth Ratio of Expenditure for Local Own-Source Revenue (PAD) is an equally intriguing revelation. In 2019 this ratio amounted to 9.94%, and in 2021, it stood at 7.89%. These intricate observations paint a vivid picture of Makassar City's financial journey, underscoring areas of commendable performance and opportunities for enhancement.

Derived from the comprehensive research, several recommendations emerge to enhance the operational landscape. Addressing the Makassar City Regional Financial Management is pivotal, with the following suggestions poised to augment the overall financial standing: For Makassar City's Regional Financial Management, fostering a collective prowess in financial reporting is paramount. Providing technical guidance and training in local financial management or recruiting adept financial professionals can significantly fortify this front. This approach ensures the seamless and timely compilation of financial reports, ultimately facilitating the formulation of the Regional Budget (APBD); An expanded horizon in utilizing diverse financial ratios is advised for future researchers treading this path. This diversification could illuminate a more accurate portrayal of the financial landscape. Moreover, delving deeper into local government financial performance analysis could uncover nuanced insights that further enrich the discourse. As research endeavors advance, the potency of these recommendations stands as a testament to the dedication toward fostering a transparent, efficient, and accountable financial environment.

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