

FINANCIAL RATIO ANALYSIS TO MEASURE THE FINANCIAL PERFORMANCE OF THE REGIONAL GOVERNMENT OF GORONTALO DISTRICT FISCAL YEAR 2020-2023

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ABSTRACT

This study aims to assess the financial performance of Gorontalo Regency in the last four years (2020-2023) through a financial ratio analysis approach including the regional financial efficiency ratio, the effectiveness ratio of regional original income, the ratio of regional financial independence, and the ratio of regional financial efficiency. This study is expected to be an effort to improve the Performance of the Gorontalo Regency Government by knowing the financial condition of the Gorontalo Regency Government. This study applies a quantitative descriptive approach that aims to describe in detail and facts, symptoms and phenomena of an event. Data collection uses secondary data, namely the Gorontalo Regency Government APBD Financial Realization Report. The results of this study show the performance of Gorontalo Regency, regional financial independence is at a very low level and is included in the category of instructive relationship patterns. Then according to the regional financial management efficiency ratio, the assessment is inefficient, then the regional original income effectiveness ratio shows ineffective results and performance based on the regional original income growth ratio has not shown positive developments.

Keywords: *Ratio Analysis, Financial Reports, Financial Performance*

1. INTRODUCTION

Government Regulation number 105 of 2000 concerning the management and accountability of regional finances, emphasizes that regional financial management must be carried out in an orderly manner, in accordance with applicable laws and regulations, efficiently, effectively, transparently, and responsibly by paying attention to the principles of justice and propriety. The ability of the Regional Government (Pemda) in managing finances can be seen from the Regional Revenue and Expenditure Budget, which reflects the ability of the Regional Government to finance the implementation of government tasks, development, and services to the community (Pramono Joko, 2014).

Based on Law No. 23 of 2004, regional autonomy has the rights, authority, and obligations to manage and regulate government activities and public interests themselves in accordance with applicable legal provisions. Regional autonomy has influenced regional financial performance where all regional government activities have effective planning to support the regional economy. Regional autonomy is related to financial management, as a region that has the right to regulate and manage government activities independently, to meet the needs of the community in the region, the regional government must manage it well (Risma et al, 2023).

The Gorontalo Regency Government is one of the 7 regions with the largest area in Gorontalo Province. Supported by various tourist attractions in the form of Pakaya Tower, Traditional Houses (Banthayo Pobo'ide), Religious Tourism Villages, Limboto Lake, Pentadio Resort Tourism Area, and East Biluhu Marine Park, it illustrates that Gorontalo Regency has great potential to increase income from local revenue (PAD). A large area with extensive land availability can attract immigrants who can support the development of industry and tourism. However, the large potential of Gorontalo Regency has not been able to create financial independence for the local government in organizing government. Regional revenues from transfer funds dominate the Regional Revenue and Expenditure Budget (APBD) more than regional revenues from PAD.

Table 1. Comparison of local revenue with transfer revenue

Year	Locally-generated revenue	Transfer Income	Percentage
a	b	c	d = b:c x 100%
2020	128.156.477.764,68	1.204.215.458.723,00	10,64%
2021	122.467.826.370,92	1.172.271.662.111,00	10,45%
2022	128.463.335.556,04	1.121.438.574.934,60	11,46%
2023	151.401.740.666,62	1.191.954.114.249,60	12,70%

Based on Table 1 above, transfer income from 2020 to 2023 still dominates in covering regional spending compared to PAD. PAD received by Gorontalo Regency is still relatively low compared to transfer income to finance government administration. In addition, there are problems that occur in Gorontalo Regency in the period 2020 to 2024, including the 50 percent Additional Teacher Professional Allowance on the 13th salary of Teachers in 2023 has not been paid by the Gorontalo regional government (kontras.id, 2024). Use of Earmarked Funds that are not in accordance with their use (gosulut.id, 2024). Use of Earmarked Funds of IDR 74.37 billion to finance spending in several SKPDs budgeted with funding sources from DAU block grants and PAD (kinigorontalo.com, 2024). Other problems include the lack of Capitation Fund Cash at FKTP, Cash Management and BOSP Fund Expenditures, and Disbursement of Other Cash Funds Without an Expenditure Approval Mechanism (kinigorontalo.com, 2024).

Previous research on financial ratio analysis in measuring regional financial performance, namely research conducted by Tumija, Ghina Shinta (2022) related to Regional Financial Ratio Analysis in Measuring the Financial Performance of the Cilacap Regency Government. Then research by (Usman et al, 2023) related to the Financial Performance of the Gorontalo Provincial Government Before and During the Covid-19 Pandemic. Then research conducted by Yahya & Felmi (2023) related to the Analysis of the Financial Performance of the Gorontalo Regency Government.

Based on this, this research was conducted with the title Financial Ratio Analysis to Measure the Financial Performance of the Regional Government of Gorontalo Regency for the 2020-2023 Fiscal Year. This research refers to previous research conducted by Tumija, Ghina Shinta (2022) regarding the Analysis of Regional Financial Ratios in Measuring the Financial Performance of the Regional Government of Cilacap Regency. The study stated that the level of independence of Cilacap Regency is still very low and still depends on transfer funds. The level of effectiveness and efficiency of PAD, Cilacap Regency is already very effective and efficient.

Regional government financial report

In accordance with Government Regulation No. 71 of 2010 concerning Government Accounting Standards, it is explained that the results of the implementation of Accrual-Based SAP are intended to provide better benefits for stakeholders, both users and examiners of government financial reports, compared to the costs incurred. This is in line with one of the accounting principles, namely that the costs incurred are proportional to the benefits obtained. The elements of the financial report in accordance with PP No. 71 of 2010 are the Budget Realization Report which presents an overview of the sources, allocations, and use of economic resources managed by the central/regional government, which illustrates the comparison between the budget and its realization in one reporting period.

In addition, other elements are the Budget Balance Change Report which presents more information on the increase or decrease in the Budget Balance in the reporting year compared to the previous year. The balance sheet presents comparatively with the previous period the items of cash and cash equivalents, short-term investments, tax and non-tax receivables, inventory, long-term investments, fixed assets, short-term liabilities, long-term liabilities, and equity. The Operational Report presents an overview of economic resources that increase equity and their use managed by the central/regional government for government administration activities in one reporting period. The Cash Flow Report presents information on cash receipts and expenditures during a certain period classified based on operating activities, non-financial asset investments, financing, and non-budget.

Statement of Changes in Equity that presents the Surplus/Shortfall of Budget Financing, each revenue and expenditure item and its total as required in other standards, which are recognized directly in equity, The cumulative effect of changes in accounting policies and corrections of fundamental errors are regulated in a separate standard. Notes to the Financial Statements present including detailed explanations or lists or analysis of the value of an item presented in the Budget Realization Report, Balance Sheet, and Cash Flow Statement. Also included in the Notes to the Financial Statements is the presentation of information required and recommended by Government Accounting Standards and other disclosures necessary for a fair presentation of the financial statements, such as contingent liabilities and other commitments.

Locally-generated revenue

In accordance with Law Number 1 of 2022 concerning Financial Relations Between the Central Government and Regional Governments, Regional Original Income is Regional Income obtained from Regional Taxes, Regional Levies, Results of Management of Separated Regional Assets, and Other Legitimate Regional Original Income in accordance with laws and regulations. Regional Original Income includes Regional Taxes and Regional Levies. Regional Taxes, hereinafter referred to as Taxes, are mandatory contributions to the Region owed by individuals or entities that are mandatory based on the Law, without receiving direct compensation and are used for Regional needs for the greatest prosperity of the people. Regional Levies, hereinafter referred to as Levies, are Regional levies as payment for services or granting of certain permits that are specifically provided and/or granted by the Regional Government for the benefit of individuals or entities.

Analysis of local government financial performance

Performance is the act of carrying out, implementing, achieving, and fulfilling assigned tasks that need to be measured against the set of precision, money, fulfillment, and time required. Financial performance assessment is crucial so that all resources owned by the company can

be used optimally (Daryatno, 2022). The Regional Government as the party given the task of running the government, development and community services is required to report financial accountability for resources collected from the community as a basis for assessing its financial performance. Financial performance analysis is one way to analyze the financial performance of the Regional Government in managing its regional finances against the APBD that has been set and realized. Measurement of Regional Financial Performance using the Regional Financial Performance Ratio (Fathah, 2017). Some of the ratios used are: PAD Effectiveness Ratio, Regional Financial Efficiency Ratio, Harmony Ratio, Growth Ratio and Regional Financial Independence Ratio.

Regional Financial Independence Ratio

Regional financial independence is the ability of local governments to manage government activities, development, and community assistance through PAD sources such as from regional taxes and levies. This capacity is measured by comparing PAD with other sources of income, such as regional loans and central or provincial government assistance. To calculate the Independence Ratio, (Risma et al, 2023) you can use the following formula.

$$\text{Regional financial independence ratio} = (\text{Locally-generated revenue} / \text{Transfer income}) \times 100\%$$

The level of regional dependence on external aid can be seen from the ratio value, the higher the value, the smaller the dependence of the region and vice versa. The higher the ratio of regional financial independence, the higher the payment of levies and taxes which are the main source of PAD. The pattern of the relationship between regional financial capabilities is explained in the table:

Table 2. Pattern of Relationship between Regional Independence Levels
 Source: (Mahmudi, 2019:140)

Financial Capability	Independence (%)	Relationship Patterns
Low Once	0% - 25%	Instructive
Low	25% - 50%	Consultative
Currently	50% - 75%	Participatory
High	75% - 100%	Delegatif

Regional financial efficiency ratio

The efficiency ratio is a comparison between regional spending and regional income. If the ratio is lower, the financial performance is better. Regional governments need to calculate spending in accordance with the limitations and provisions of the law, in addition, regional government spending also needs to take into account PAD collection so that the APBD does not exceed the maximum deficit that has been determined. Calculating the efficiency ratio can be done with the following formula:

$$\text{Regional financial efficiency ratio} = (\text{Realization of regional spending} / \text{Realization of regional income}) \times 100\%$$

Table 3. Financial Performance Efficiency Criteria
 Source: (Mahsun, 2012)

Percentage (%)	Criteria
>100	Not efficient
100	Balanced Efficiency
<100	Efficient

Growth ratio

The growth ratio is used to measure the growth rate of regional income and expenditure from one year to another. This growth ratio is also useful for collecting information related to the growth of regional income and expenditure, whether it has increased or decreased. The purpose of measuring the growth ratio is to determine the comparison of income and expenditure so that it can evaluate which ones need further priority (Risma et al, 2023). The following is the formula for calculating the Growth Ratio:

1) PAD Growth Ratio

$$\text{PAD growth ratio} = ((\text{PAD year } p - \text{PAD year } p-1) / \text{PAD year } p-1) \times 100\%$$

2) Revenue Growth Ratio

$$\text{Income} = ((\text{income year } p - \text{income year } p-1) / \text{income year } p-1) \times 100\%$$

3) Spending Growth Ratio

$$\text{Expenditure} = ((\text{expenditure year } p - \text{expenditure year } p-1) / \text{expenditure year } p-1) \times 100\%$$

Information:

p : The year calculated

p-1 : Previous Year

PAD effectiveness ratio

The effectiveness ratio of regional financial management can be used to measure regional governments in implementing the realization of PAD revenues in accordance with the budget set in the APBD. The effectiveness ratio is calculated by comparing the PAD that has been received with the previously set target. To calculate the effectiveness ratio, use the following formula:

$$\text{PAD effectiveness ratio} = (\text{realization of PAD revenue} / \text{PAD revenue budget}) \times 100\%$$

Table 4. Financial Performance Effectiveness Criteria
 Source: (Mahmudi, 2019:141)

Percentage (%)	Criteria
>100	Very effective
100	Effective
90-99	Quite effective
75-89	Less effective
<75	Ineffective

Previous research

This study refers to several previous studies, namely research conducted by Tumija, Ghina Shinta (2022) related to the Analysis of Regional Financial Ratios in Measuring the Financial Performance of the Cilacap Regency Regional Government. The results of the study show that the level of independence of Cilacap Regency is still very low and still depends on transfer funds. The level of effectiveness and efficiency of Cilacap Regency PAD is very effective and efficient. The growth ratio based on Regional Original Income, Transfer Income, and Regional Expenditure has experienced fluctuating growth.

Research by (Usman et al, 2023) regarding the Financial Performance of the Regional Government of Gorontalo Province Before and During the Pandemic Covid-19 provides the conclusion that the independence ratio is in a consultative relationship pattern, the DD ratio is

still classified as moderate, the growth ratio in 2018 experienced positive growth while in 2019-2021 it experienced negative growth, the effectiveness ratio is very effective, the efficiency ratio is categorized as inefficient and the activity ratio shows that spending is still dominated by Operating Expenditures.

Research conducted by Yahya & Felmi (2023) regarding the Analysis of the Financial Performance of the Gorontalo Regency Government shows that all financial ratios have decreased from 2017 to 2020. Then in 2021, improvements began to occur in terms of increasing financial performance when viewed from various financial ratios.

Thinking framework

To clarify the concept and direction of the research, the researcher created the following framework of thought:

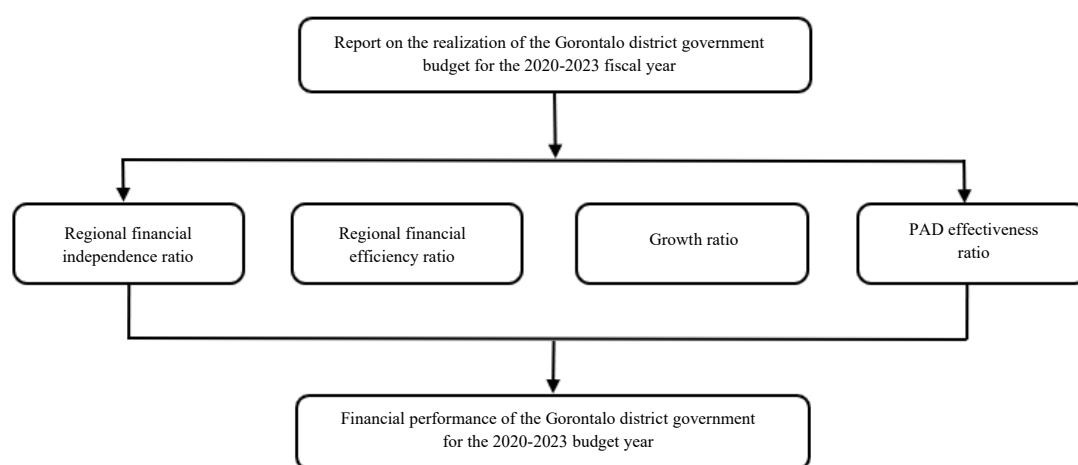


Figure 1. Research Framework

2. RESEARCH METHOD

This study applies a quantitative descriptive method. As explained by Suharsimi Arikunto (2016: 3), "Descriptive research is a type of research that aims to analyze certain conditions, situations, or aspects that have been previously determined, with the results presented in the form of a research report." This descriptive research focuses on presenting data in a structured manner. Quantitative descriptive research aims to describe carefully and systematically facts, symptoms, phenomena, opinions or opinions, attitudes, describing an event. This study investigates the Financial Performance of the Gorontalo Regency Government. The subject of the study is defined as an object, event, or individual where data for the research variables are collected and become the focus of discussion. In this study, the subject discussed is the Financial Performance of the Gorontalo Regency Government, Arikunto (2016: 26)

According to Sugiyono (2014: 38), the object of research is an attribute of an object, individual or activity that has certain variations selected by the author to be studied and then conclusions drawn. The object of the study is the 2020-2023 Gorontalo Regency Budget Realization Report. The data collection method used by the author in this study comes from secondary data, namely the financial realization report of the Gorontalo Regency Government APBD. To solve the problems that occur in this study, the approach used is quantitative

descriptive data analysis used to calculate financial data with Regional Financial Efficiency, Regional Financial Independence ratio, Growth Ratio, and PAD Effectiveness Ratio.

3. RESULTS AND DISCUSSIONS

Gorontalo Regency was established by Law Number 29 of 1959 concerning the Establishment of Level II Regions in Sulawesi with the capital in Isimu. In 1978 the regional capital was moved to Limboto. Based on the signing of the family bond agreement *u'dulowo limo lo pohalaa* (Gorontalo Kingdom, Limboto Kingdom, Suwawa Kingdom, Boalemo Kingdom, and Atinggola Kingdom), the birthday of Gorontalo Regency was set on November 26, 1673. The vision of Gorontalo Regency from 2021 to 2024 is "Glorious Gorontalo, Independent, towards a Civil Society". Based on Gorontalo Regency in Figures 2024, Gorontalo Regency has an area of 2,189.08 km².

Gorontalo Regency is a regency located in the center of Gorontalo Province with an astronomical location between 0 ° 19' 00" - 1 ° 57' 00" North Latitude and 121 ° 23' 00" - 125 ° 14' 00" East Longitude. This position directly places the region's geostrategy as a melting pot because it is located right in the epicenter of Gorontalo Province and its edges directly border four regencies/cities. The area is also a transit area between provinces in the northern region of Sulawesi, namely between North Sulawesi Province and Central Sulawesi Province, West Sulawesi, and South Sulawesi. Gorontalo Regency has great potential that can be developed in the form of agriculture, forestry and fisheries. Tourist attractions also have potential such as Pentadio resort, Limboto Cultural Park, Pakaya Tower limboto, Traditional houses, and religious tourism.

Regional financial independence ratio

The ability of the regional government to finance its government is described through the ratio of Regional Financial Independence. The regional government in knowing whether the realization of the Regional Original Revenue (PAD) budget is at the level of regional independence in the Gorontalo Regency government is optimal in the sense that it is in accordance with needs, the researcher uses the regional financial independence ratio analysis method. The regional independence ratio of Gorontalo Regency in the 2020-2023 FY period is calculated as follows:

$$\begin{aligned}\text{Regional Financial Independence Ratio FY 2020} &= \text{Rp}128.156.477.765 \times 100\% \\ &= \text{Rp}1.204.215.458.723 \\ &= 10,64\%\end{aligned}$$

The ratio of regional financial independence in FY 2020 was 10.64%. This ratio was obtained through a comparison between the realization of PAD in the relevant year and the transfer income in the relevant year. The percentage of PAD realization was still 70.19% of the PAD budget that was set. PAD realization in FY 2020 decreased compared to the previous year. The decrease was due to a significant decrease in Other Legitimate PAD.

$$\begin{aligned}\text{Regional Financial Independence Ratio FY 2021} &= \text{Rp}122.467.826.371 \times 100\% \\ &= \text{Rp}1.172.271.662.111 \\ &= 10,45\%\end{aligned}$$

The ratio of regional financial independence in FY 2021 was 10.45%. This ratio was obtained through a comparison between the realization of PAD in the relevant year and the transfer

income in the relevant year. The percentage of PAD realization was 84.26% of the PAD budget set, an increase compared to the percentage of PAD realization in the previous year. However, the realization of PAD in FY 2021 decreased compared to the previous year. This decrease was due to a significant decrease in regional taxes and other legitimate PAD.

$$\begin{aligned}\text{Regional Financial Independence Ratio for 2022 Fiscal Year} &= \text{Rp}128.463.335.556 \times 100\% \\ &= \text{Rp}1.121.438.574.938 \\ &= 11,46\%\end{aligned}$$

The regional financial independence ratio in FY 2022 was 11.46%. This ratio was obtained through a comparison between the realization of PAD in the relevant year and the transfer income in the relevant year. The percentage of PAD realization was 67.47% of the PAD budget set, down compared to the percentage of PAD realization in the previous year. PAD realization in FY 2022 increased compared to the previous year. The increase was due to a significant increase in regional taxes and other legitimate PAD.

$$\begin{aligned}\text{Regional Financial Independence Ratio for FY 2023} &= \text{Rp}151,401,740,667 \times 100\% \\ &= \text{Rp}1.191.954.114.250 \\ &= 12,70\%\end{aligned}$$

The regional financial independence ratio in FY 2023 was 12.70%. This ratio was obtained through a comparison between the realization of PAD in the relevant year and the transfer income in the relevant year. The percentage of PAD realization was 65.21% of the PAD budget set, down compared to the percentage of PAD realization in the previous year. PAD realization in FY 2023 increased compared to the previous year. The increase was due to a significant increase in regional taxes and regional levies. Based on the ratio calculations that have been carried out, the ratios for each budget year are as follows:

Table 5. Regional Financial Independence Ratio

Year	Percentage ration	Criteria
2020	10,64%	Instructive
2021	10,45%	Instructive
2022	11,46%	Instructive
2023	12,70%	Instructive

From the table, the ratio of regional financial independence of Gorontalo Regency in the 2020-2023 fiscal year period is relatively low and the relationship pattern is included in the instructive relationship pattern. Based on the calculation of the regional financial independence ratio, it shows that transfer income from the provincial government and from the central government is still the dominant source of income for the regional government and the relationship pattern is included in the instructive relationship pattern where the central government has a more dominant role than the regional government. In 2020, the regional financial independence ratio was 10.64% then decreased to 10.45% in 2021.

In 2022, the Independence Ratio was 11.46%, up 1.01% compared to the previous year. Then in 2023 it rose again to 12.70%. Although it has increased from year to year, the financial independence pattern is still classified as an Instructive relationship pattern because it is still included in the 0%-25% interval where the role of the central government is more dominant than the regional government itself. This is certainly because the original regional income has not been able to cover at least 25% of the total regional income. Based on the description

above, it can be concluded that the regional financial independence ratio for four years in the Gorontalo Regency government has an average independence that is still very low and in the category of an instructive relationship pattern, namely the role of the central government is still very dominant compared to the regional government.

Regional financial efficiency ratio

The regional financial efficiency ratio is used to measure how efficient the regional government is in using the budget to achieve the goals that have been set. This ratio shows the comparison between the expenditure used and the income obtained by the region. Researchers use the regional financial efficiency ratio analysis method to determine how much regional financial efficiency is in Gorontalo Regency. The regional financial efficiency ratio of Gorontalo Regency in the 2020-2023 fiscal year period is calculated as follows.

$$\begin{aligned}\text{Regional Financial Efficiency Ratio FY 2020} &= \text{Rp}1.392.206.507.241 \times 100\% \\ &= \text{Rp}1.408.590.213.912 \\ &= 98,84\%\end{aligned}$$

The regional financial efficiency ratio in FY 2020 was 98.84%. This ratio was obtained through a comparison between the realization of spending in the relevant year and the income in the relevant year. The percentage of spending realization was 90.46% of the set budget. The percentage of income realization was 94.64% of the set budget. The efficiency ratio is less than 100% so it is effective even though most of the spending is financed by transfer income not from PAD in addition to that because there is a transfer of financial assistance to the village and financing expenditures.

$$\begin{aligned}\text{Regional Financial Efficiency Ratio FY 2021} &= \text{Rp}1.541.309.144.840 \times 100\% \\ &= \text{Rp}1.351.193.921.845 \\ &= 114,07\%\end{aligned}$$

The regional financial efficiency ratio in FY 2021 was 114.07%. This ratio was obtained by comparing the realization of spending in the relevant year with the income in the relevant year. The percentage of spending realization was 85.05% of the set budget. The percentage of income realization was 95.77% of the set budget. The efficiency ratio is more than 100% so it is not effective. The expenditure can be realized more than the income received because the expenditure is mostly financed by transfer income, not from PAD, besides the expenditure is also financed from regional loan receipts and SILPA in the previous year.

$$\begin{aligned}\text{Regional Financial Efficiency Ratio FY 2022} &= \text{Rp}1.475.435.901.270 \times 100\% \\ &= \text{Rp}1.255.100.044.663 \\ &= 117,56\%\end{aligned}$$

The regional financial efficiency ratio in FY 2022 was 114.07%. This ratio was obtained by comparing the realization of spending in the relevant year with the income in the relevant year. The percentage of spending realization was 98.11% of the set budget. The percentage of income realization was 90.58% of the set budget. The efficiency ratio is more than 100% so it is not effective. The expenditure can be realized more than the income received because the expenditure is mostly financed by transfer income, not from PAD, besides the expenditure is also financed from regional loan receipts and SILPA in the previous year.

$$\begin{aligned}\text{Regional Financial Efficiency Ratio FY 2023} &= \text{Rp}1.343.406.170.962 \times 100\% \\ &= \text{Rp}1.352.281.735.989 \\ &= 99,34\%\end{aligned}$$

The regional financial efficiency ratio in FY 2023 was 99.34%. This ratio was obtained through a comparison between the realization of spending in the relevant year and the income in the relevant year. The percentage of spending realization was 90.43% of the set budget. The percentage of income realization was 91.78% of the set budget. The efficiency ratio is less than 100% so it is effective. This spending can be realized even though most of the spending is financed by transfer income, not from PAD, in addition to financing expenses to pay the principal of debt installments.

Based on the ratio calculations that have been carried out, the ratios obtained for each budget year are as follows:

Table 6. Regional Financial Efficiency Ratio

Year	Percentage ratio	Criteria
2020	98,84%	Efficient
2021	114,07%	Not efficient
2022	117,56%	Not efficient
2023	99,34%	Efficient

From the table, the regional financial efficiency ratio of Gorontalo Regency in the 2020-2023 fiscal year period is quite diverse. Based on the calculation of the regional financial efficiency ratio, it shows that in 2020 the regional financial efficiency ratio was 98.84%, indicating that it was quite efficient in that year. In 2021 it became 114.07%, indicating that it was inefficient in that year. In 2022 it became 117.56%, indicating that it was inefficient in that year. In 2023 it became 99.34%, indicating that it was quite efficient in that year. If averaged, the regional financial efficiency ratio is 107.45%, indicating that the district government is inefficient. Based on the description above, it can be concluded that the regional financial efficiency ratio for four years in the Gorontalo Regency government has an inefficient average, spending can be realized even though most of the spending is financed by transfer income, not from PAD, besides that there are financing receipts and SILPA from the previous year.

Growth ratio

The growth ratio aims to measure the level of local government's ability to maintain and improve its achievements from period to period. The growth ratio can be said to be good if every year there is positive growth and increase. Researchers use the growth ratio analysis method to determine how big the growth ratio of Gorontalo Regency is. The PAD growth ratio of Gorontalo Regency in the 2020-2023 fiscal year period is calculated as follows.

PAD Growth Ratio

$$\begin{aligned}\text{TA 2020} &= (\text{Rp}128.156.477.765 - \text{Rp}155.465.564.155) \times 100\% \\ &= \text{Rp}155.465.564.155 \\ &= -17,57\%\end{aligned}$$

The PAD growth ratio in FY 2020 was -17.57%. This ratio was obtained by comparing the PAD realization in the relevant year minus the PAD in the previous year and compared to the PAD realization in the previous year. This percentage illustrates that PAD in FY 2020 decreased. The decrease was caused by a significant decrease in Other Legitimate PAD.

$$\begin{aligned}\text{PAD Growth Ratio for 2021} &= (\text{Rp}122.467.826.371 - \text{Rp}128.156.477.765) \times 100\% \\ &= \text{Rp}128.156.477.765 \\ &= -4,44\%\end{aligned}$$

The PAD growth ratio in FY 2021 was -4.44%. This ratio was obtained by comparing the PAD realization in the relevant year minus the PAD in the previous year and compared to the PAD realization in the previous year. This percentage illustrates that PAD in FY 2021 decreased. The decrease was caused by a significant decrease in regional taxes and other legitimate PAD.

PAD Growth Ratio

$$\begin{aligned}\text{TA 2022} &= (\text{Rp}128.463.335.556 - \text{Rp}122.467.826.371) \times 100\% \\ &= \text{Rp}122.467.826.371 \\ &= 4,90\%\end{aligned}$$

The PAD growth ratio in FY 2022 is 4.90%. This ratio is obtained by comparing the PAD realization in the relevant year minus the PAD in the previous year and compared to the PAD realization in the previous year. This percentage illustrates the increase in PAD realization in FY 2022. The increase was due to a significant increase in regional taxes and other legitimate PAD.

PAD Growth Ratio

$$\begin{aligned}\text{TA 2023} &= (\text{Rp}151.401.740.667 - \text{Rp}128.463.335.556) \times 100\% \\ &= \text{Rp}128.463.335.556 \\ &= 17,86\%\end{aligned}$$

The PAD growth ratio in FY 2023 was 17.86%. This ratio was obtained by comparing the PAD realization in the relevant year minus the PAD in the previous year and compared to the PAD realization in the previous year. This percentage illustrates the increase in PAD realization in FY 2023. The increase was due to a significant increase in regional taxes and regional levies.

Based on the ratio calculations that have been carried out, the ratios obtained for each budget year are as follows:

Table 7. PAD Growth Ratio

Year	PAD Realization (Rp)	Percentage Ratio
2019	155.465.564.155	
2020	128.156.477.765	-17,57%
2021	122.467.826.371	-4,44%
2022	128.463.335.556	4,90%
2023	151.401.740.667	17,86%

The income growth ratio of Gorontalo Regency in the 2020-2023 fiscal year period is calculated as follows.

$$\begin{aligned}\text{Revenue Growth Ratio FY 2020} &= (\text{Rp}1.408.590.213.912 - \text{Rp}1.499.154.604.216) \times 100\% \\ &= \text{Rp}1.499.154.604.216 \\ &= -6,04\%\end{aligned}$$

The revenue growth ratio in FY 2020 was -6.04%. This ratio was obtained by comparing the realization of revenue in the relevant year minus the previous year's revenue and compared to the realization of revenue in the previous year. This percentage shows a decrease in the realization of revenue in FY 2020. The decrease was caused by a significant decrease in Other Legitimate PAD. This income is also dominated by transfer income.

$$\begin{aligned}\text{Revenue Growth Ratio FY 2021} &= (\text{Rp}1.351.193.921.845 - \text{Rp}1.408.590.213.912) \times 100\% \\ &= \text{Rp}1.408.590.213.912 \\ &= -4,07\%\end{aligned}$$

The revenue growth ratio in FY 2021 was -4.07%. This ratio is obtained by comparing the realization of revenue in the relevant year minus the previous year's revenue and compared to the realization of revenue in the previous year. This percentage illustrates a decline in revenue realization in FY 2021. The decline was caused by a significant decline in regional taxes and other legitimate PAD. This revenue is also dominated by transfer revenue.

$$\begin{aligned}\text{Revenue Growth Ratio FY 2022} &= (\text{Rp}1.255.100.044.663 - \text{Rp}1.351.193.921.845) \times 100\% \\ &= \text{Rp}1.351.193.921.845 \\ &= -7,11\%\end{aligned}$$

The revenue growth ratio in FY 2022 was -7.11%. This ratio was obtained by comparing the realization of revenue in the relevant year minus the previous year's revenue and compared to the realization of revenue in the previous year. This percentage illustrates a decrease in the realization of revenue in FY 2022. Although PAD increased, total revenue was dominated by transfer revenue.

$$\begin{aligned}\text{Revenue Growth Ratio FY 2023} &= (\text{Rp}1.352.281.735.989 - \text{Rp}1.255.100.044.663) \times 100\% \\ &= \text{Rp}1.255.100.044.663 \\ &= 7,74\%\end{aligned}$$

The revenue growth ratio in FY 2023 was 7.74%. This ratio was obtained by comparing the realization of revenue in the relevant year minus the previous year's revenue and compared to the realization of revenue in the previous year. This percentage illustrates an increase in revenue realization in FY 2023. This increase was not only due to a significant increase in regional taxes and regional levies but also because total revenue was dominated by transfer revenue.

Based on the ratio calculations that have been carried out, the ratios obtained for each budget year are as follows:

Table 8. Revenue Growth Ratio

Year	Income	Percentage ratio
2019	1.499.154.604.216	
2020	1.408.590.213.912	-6,04%
2021	1.351.193.921.845	-4,07%
2022	1.255.100.044.663	-7,11%
2023	1.352.281.735.989	7,74%

The expenditure growth ratio of Gorontalo Regency in the 2020-2023 fiscal year period is calculated as follows:

$$\begin{aligned}\text{Expenditure Growth Ratio FY 2020} &= (\text{Rp}1.392.206.507.241 - \text{Rp}1.253.148.698.025) \times 100\% \\ &= \text{Rp}1.253.148.698.025 \\ &= 11,10\%\end{aligned}$$

The expenditure growth ratio in FY 2020 was 11.10%. The ratio was obtained by comparing the realization of expenditure in the current year minus the previous year's expenditure and compared to the realization of expenditure in the previous year. This percentage illustrates the increase in the realization of expenditure in FY 2020. The increase came from grant expenditure and unexpected expenditure which increased significantly.

$$\begin{aligned}\text{Expenditure Growth Ratio FY 2021} &= (\text{Rp}1.541.309.144.840 - \text{Rp}1.392.206.507.241) \times 100\% \\ &= \text{Rp}1.392.206.507.241 \\ &= 10,71\%\end{aligned}$$

The spending growth ratio in FY 2021 was 11.10%. The ratio was obtained by comparing the realization of spending in the current year minus the spending in the previous year and compared to the realization of spending in the previous year. This percentage illustrates the increase in the realization of spending in FY 2021. The increase came from capital spending and financial assistance transfer spending which increased significantly.

$$\begin{aligned}\text{Expenditure Growth Ratio FY 2022} &= (\text{Rp}1.475.435.901.270 - \text{Rp}1.541.309.144.840) \times 100\% \\ &= \text{Rp}1.541.309.144.840 \\ &= -4,27\%\end{aligned}$$

The spending growth ratio in FY 2022 is -4.27%. This ratio is obtained by comparing the realization of spending in the current year minus the spending in the previous year and compared to the realization of spending in the previous year. This percentage illustrates a decrease in the realization of spending in FY 2022. The decrease is from capital spending and financial assistance transfer spending which have fallen significantly.

$$\begin{aligned}\text{Expenditure Growth Ratio FY 2023} &= (\text{Rp}1.343.406.170.962 - \text{Rp}1.475.435.901.270) \times 100\% \\ &= \text{Rp}1.475.435.901.270 \\ &= -8,95\%\end{aligned}$$

The spending growth ratio in FY 2023 is -8.95%. This ratio is obtained by comparing the realization of spending in the current year minus the spending in the previous year and compared to the realization of spending in the previous year. This percentage illustrates a decrease in the realization of spending in FY 2023. The decrease is from capital spending and financial assistance transfer spending which have fallen significantly.

Table 9. Expenditure Growth Ratio

Year	Shopping Realization	Percentage Ratio
2019	1.253.148.698.025	
2020	1.392.206.507.241	11,10%
2021	1.541.309.144.840	10,71%
2022	1.475.435.901.270	-4,27%
2023	1.343.406.170.962	-8,95%

Based on the calculation of the Growth ratio, it can be seen that in PAD growth there was a decrease and increase in PAD from the 2020-2023 FY in Gorontalo Regency. In 2020, Gorontalo Regency PAD was IDR 128,156,477,765.00, down from the previous year of IDR

155,465,564,155.00. In 2021, Gorontalo Regency PAD was IDR 122,467,826,371.00, down from the previous year of IDR 128,156,477,765.00. In 2022, Gorontalo Regency PAD was IDR 128,463,335,556.00, up from the previous year of IDR 122,467,826,371.00.

In 2023, the PAD of Gorontalo Regency was IDR 128,463,335,556.00, up from the previous year of IDR 151,401,740,667.00. The PAD growth from the 2020-2023 fiscal year is still fluctuating so that PAD growth cannot be said to be positive. It is hoped that Gorontalo Regency will increase PAD by optimizing various potentials owned by the region, such as through the tourism sector or from regional taxes. This is very important so as not to be too dependent on central government assistance so that it can be independent in managing its region.

The calculation of the revenue growth ratio showed a decrease and increase from the 2020-2023 fiscal year in Gorontalo Regency. In 2020, Gorontalo Regency's revenue was IDR1,408,590,213,912.00, down from the previous year of IDR1,499,154,604,216. In 2021, Gorontalo Regency's revenue was IDR1,351,193,921,845.00, down from the previous year of IDR1,408,590,213,912.00. In 2022, Gorontalo Regency's PAD was IDR1,255,100,044,663.00, down from the previous year of IDR1,351,193,921,845.00. In 2023, Gorontalo Regency's PAD was IDR1,352,281,735,989.00, up from the previous year of IDR1,255,100,044,663.00. The revenue growth from the 2020-2023 fiscal year is still fluctuating and has a downward trend, as evidenced by the decline in the 2020-2022 fiscal year and the increase only occurred in the 2023 fiscal year, so that revenue growth cannot be said to be positive.

The calculation of the expenditure growth ratio shows a decrease and increase from the 2020-2023 fiscal year in Gorontalo Regency. In 2020, Gorontalo Regency's expenditure was IDR1,392,206,507,241.00, up from the previous year of IDR1,253,148,698,025.00. In 2021, Gorontalo Regency's expenditure was IDR1,541,309,144,840.00, up from the previous year of IDR1,392,206,507,241.00. In 2022, Gorontalo Regency's expenditure was IDR1,475,435,901,270.00, down from the previous year of IDR1,541,309,144,840.00. In 2023, Gorontalo Regency's spending amounted to Rp1,343,406,170,962.00, down from the previous year of Rp1,475,435,901,270.00. The spending growth from the 2020-2023 fiscal year is still fluctuating.

PAD effectiveness ratio

The effectiveness ratio of regional financial management can be used to measure the regional government in implementing the realization of PAD revenues in accordance with the budget set in the APBD. The effectiveness ratio is calculated by comparing the PAD that has been received with the previously set target. The PAD effectiveness ratio of Gorontalo Regency in the 2020-2023 fiscal year period is calculated as follows.

PAD Effectiveness Ratio

$$\begin{aligned} \text{TA 2020} &= \text{Rp}128.156.477.765 \times 100\% \\ &= \text{Rp}182.581.218.392 \\ &= 70,19\% \end{aligned}$$

The PAD effectiveness ratio in FY 2020 was 70.19%. This ratio was obtained through a comparison between the PAD that had been received and the previously set target. The PAD effectiveness ratio illustrates that the region was only able to realize the PAD that had been previously budgeted at 70.19%. The smallest percentage of PAD realization in FY 2020 was in regional taxes and regional levies.

PAD Effectiveness Ratio

$$\begin{aligned}\text{TA 2021} &= \text{Rp}122.467.826.371 \times 100\% \\ &= \text{Rp}145.350.952.728 \\ &= 84,26\%\end{aligned}$$

The PAD effectiveness ratio in FY 2021 was 84.26%. This ratio was obtained by comparing the PAD that had been received with the previously set target. The PAD effectiveness ratio illustrates that the region was only able to realize the PAD that had been previously budgeted at 84.26%. When compared to the previous year's budget, the PAD budget for FY 2021 decreased significantly, which caused the ratio in FY 2021 to increase. The percentage of PAD realization in FY 2021 that was the smallest was in regional taxes and regional levies.

PAD Effectiveness Ratio

$$\begin{aligned}\text{TA 2022} &= \text{Rp}128.463.335.556 \times 100\% \\ &= \text{Rp}190.413.109.724 \\ &= 67,47\%\end{aligned}$$

The PAD effectiveness ratio in FY 2021 was 84.26%. This ratio was obtained by comparing the PAD that had been received with the previously set target. The PAD effectiveness ratio illustrates that the region was only able to realize the PAD that had been previously budgeted at 84.26%. When compared to the previous year's budget, the PAD budget for FY 2021 decreased significantly, which caused the ratio in FY 2021 to increase. The percentage of PAD realization in FY 2021 that was the smallest was in regional taxes and regional levies.

PAD Effectiveness Ratio

$$\begin{aligned}\text{TA 2023} &= \text{Rp}151,401,740,667 \times 100\% \\ &= \text{Rp}232.158.861.415 \\ &= 65,21\%\end{aligned}$$

Table 10. PAD Effectiveness Ratio

Year	Percentage ratio	Criteria
2020	70,19%	Ineffective
2021	84,26%	Ineffective
2022	67,21%	Ineffective
2023	65,21%	Ineffective

Based on the calculation of the PAD Effectiveness Ratio, it shows that the PAD budget of Gorontalo Regency during the 2020-2023 fiscal year has increased on average. Based on the calculation of the PAD Effectiveness Ratio, it can be seen that the PAD Effectiveness of Gorontalo Regency in 2020 was 70.19%, in 2021 it was 84.26%, in 2022 it decreased by 9% to 67.47%. In 2023 it increased by 4% to 65.21%. In accordance with the description and calculation results of the PAD Effectiveness Ratio, Gorontalo Regency is not effective because the average effectiveness is below 100%, which is 71.78%. This is because revenue from the regional tax and retribution sector is less than budgeted. The Gorontalo Regency Government can be said to have poor performance in terms of realizing the planned PAD.

The Gorontalo Regency Government needs to optimize existing revenue and optimize revenue from existing revenue potential. The Regional Government is expected not to always be fixated on the targets they have previously determined and always maximize the PAD potentials in the region so that they can achieve the previously determined targets.

4. CONCLUSIONS AND SUGGESTIONS

Based on the data analysis that has been carried out through several ratio calculations, the following conclusions can be drawn:

- 1) The Regional Financial Performance of Gorontalo Regency, seen from the Regional Financial Independence Ratio, is classified as very low and in the Instructive relationship pattern category. In 2020, the Independence Ratio of 10.64% is classified as very low and in the Instructive relationship pattern category. In 2021, the Independence Ratio of 10.45% is classified as very low and in the Instructive relationship pattern category. In 2022, the Independence Ratio increased by 11.46% and is still in the very low category and in the Instructive relationship pattern category. In 2023, the Independence Ratio increased by 12.70% and is still in the very low category and in the Instructive relationship pattern category.
- 2) The Regional Financial Performance of Gorontalo Regency as seen from the Regional Financial Efficiency Ratio is inefficient, because in the 2020-2023 FY it had an average of more than 100%, which was 107.45%. In 2020 the efficiency ratio was 98.84%. In 2021 it increased to 114.07%. In 2022 it increased again by 117.56%. In 2023 it decreased by 99.34%.
- 3) The Regional Financial Performance of Gorontalo Regency as seen from the PAD Effectiveness Ratio is classified as Ineffective, because in the 2020-2023 FY it had an average of less than 75%, which was 71.78%. In 2020 the PAD effectiveness ratio was 70.19%. In 2021 it increased to 84.26%. In 2022 it decreased to 67.47%. In 2023 it decreased again to 65.21%.
- 4) The Regional Financial Performance of Gorontalo Regency as seen from the PAD Growth Ratio has not grown positively because it tends to fluctuate when averaged during the 2020-2023 FY, it has a very small growth of 0.19%. The average revenue growth when averaged during the 2020-2023 FY has a negative growth of minus 2.37%. The average spending growth when averaged during the 2020-2023 FY has a growth of 2.15%.

For the Gorontalo Regency Government, it is expected to increase and maximize PAD. Increasing PAD as one of the efforts to increase regional independence and reduce dependence on the central government. The increase can be through intensification and extensification of PAD revenue sources. The Gorontalo Regency Government is also expected to increase supervision and control to avoid misuse of funds. For Further Researchers, Further researchers are expected to be able to use comparisons between equivalent regional governments and expand the research period.

This study has several limitations. The financial performance analysis conducted only covers data for four years, namely from 2020-2023. The relatively short time span may not be able to provide a fully comprehensive picture of the trends and dynamics of regional financial performance. This study focuses on one local government, namely Gorontalo Regency, without making comparisons with other regions that have similar and equivalent characteristics. This study is limited to the analysis of certain financial performance ratios and has not included external factors that have the potential to influence the results of the analysis, such as national development policies and regional macroeconomic conditions.

This study provides insight into weaknesses in regional financial management, especially in the aspects of financial independence, efficiency, effectiveness, and PAD growth. This study can be used to design strategic policies aimed at improving financial management and

optimizing PAD. This effort can be done through innovation, development, and potential studies in PAD management and planning.

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