



Causality of Efficiency, Effectiveness and Independence to Financial Performance (Tidore City Case Study)

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ARTICLE INFO

ABSTRACT

Keywords:

Financial Ratio, Financial Performance, Tidore City Government

The purpose of this study is: 1) To find out If Independence affects the financial performance of the government of Tidore Islands City. 2) To find out If Harmony affects the financial performance of the government of Tidore Islands City. 3). To find out if Efficiency affects the financial performance of the government of Tidore Islands City. 4) To find out If Effectiveness affects the financial performance of the government in Tidore Islands City? with analysis methods using financial ratio analysis tools. The results of this study suggest that: 1) The ratio of regional independence has not been able to optimize pad to finance regional development. Public awareness and participation in the payment of taxes and levies is also one of the things that causes pad produced by the Tidore City Government to be few and unreliable to finance development. In addition, there are also differences in the implementation of government and loans as well as assistance from the center and total revenue in each region and the realization of spending in each region. To overcome this, local governments must be able to optimize revenues from their existing revenue potential, initiatives and willingness to regional government is needed in an effort to improve PAD, such as the service of potential sector BOM. 2) Judging from the results of the analysis of the ratio of effectiveness of good performance in terms of realizing the planned PAD. Investigation in Tidore City, its financial management has also been effective. 3). Judging from the results of the analysis of the Efficiency Ratio that the Financial Performance of the Tidore City Government has not been efficient. 4). The ratio of harmony is the allocation of Operating Expenditures greater than the Capital Expenditure.

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1. INTRODUCTION

Indonesia is a developing country that is currently in a transition period from the era of global competition to the era of information competition. One of the benchmarks of a country's success is how to create good governance in a government environment. The active role of local governments in managing their own areas is a challenge that must be accepted by the government in order to build and manage their respective regions properly. The delegation of development authority from the Central Government to the Local Government aims to improve the efficiency and effectiveness of financial resources. With the granting of authority to the Local Government is required to be able to improve the performance and accountability of the regional devices. So it is necessary to performance measurement of the local government. In the current era of globalization, Indonesia has an obligation to continuously participate in realizing good governance. Good governance is characterized by at least three elements namely transparency, participation and accountability. In order to realize Good Governance, a fundamental paradigm change of government is required from the old system that is all centralized, where the central government is very strong in determining policy. The new paradigm demands a system that is able to reduce dependence and even eliminate the dependence of local governments to the central government, as well as to cultivate the region in order to be able to compete both regionally, nationally and internationally.

Since the enactment of regional autonomy on January 1, 2001, there has been a wider delegation of authority to the local government in order to improve the effectiveness and efficiency of the implementation of local government functions. Decentralization of authority in the implementation of regional autonomy is necessary with the consideration that: (1). The closer to the needs of local communities, the more effective the function of government organizations, (2). Regions will experience a significant empowerment process, because their initiative and creativity capabilities will be boosted, so that their capabilities in addressing various domestic problems will be stronger, and (3). Because the more diverse the needs of today's society, as well as the limited ability of the central government in dealing with various problems and demands of the community, the need for broad and tangible decentralization is increasingly needed.

In terms of economy, decentralization of authority in the field of government puts a strong



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pressure on the financial aspects of the region in various routine activities of government and development in order to provide services to the community for which it is responsible. Due to the limited financial capabilities of the region, it is very difficult for the local government to implement all the authority in the field of government bestowed on it. Based on such considerations, the central government handed over some authority in the financial sector to the local government in the form of implementation of fiscal decentralization policy.

The implementation of regional autonomy as well as government and regional development can be realized only when accompanied by effective financial autonomy. This means that, the local government must be financially independent of the central government by digging up as many sources of local native income (PAD) as possible such as local taxes, levy levies, and so on. The independence of local government financially, will shape the degree of regional fiscal autonomy in a higher direction. The granting of regional autonomy is expected to improve the efficiency, effectiveness, and accountability of the public sector in Indonesia. With autonomy, regions are required to find alternative sources of development financing without reducing the expectation of still the existence of assistance and part (sharing) from the central government and using public funds in accordance with the priorities and aspirations of the community.

In general, regional economic conditions in the City of Tidore Islands as measured by the development of GDP riel showed positive growth of an average of 5.97% per year for the period 2014-2019. From a macroeconomic perspective, such a rate of economic growth provides an idea that economic development implemented by local governments, has been able to improve economic performance in various sectors and move its condition towards high and dynamic growth. Judging from its partial structure, the annual rate of economic growth in the City of Tidore Islands shows an increasing pattern and structure with an increasing trend of growth. In fact, the rate of economic growth produced by the local government in the city is relatively higher at 0.27% per year compared to the economic growth of North Maluku Province, which in the same period only reached 6.14% per year.

Tidore Islands City is an autonomous region that is divided from Central Halmahera Regency based on Law No. 1 of 2003, 2003 on the expansion of the territory that was inaugurated on May 31, 2003. Geographically, the area of the City of Tidore Islands is at an astronomical boundary of 0.00-200 North Latitude and at positions 127-127.45 the Eastern Part. Tidore Islands city has a total area of 1,550.37 Km² with a land area of 9,116.36 Km² and the following boundaries: North bordered by Ternate Island District, Ternate City and South Jailolo District of west Halmahera Regency. East Bordered by South Wasile District, East Halmahera Regency and Weda District of Central Halmahera Regency. South.Bordered by West Gane South Halmahera Regency and Moti Island District Ternate City.West Bordered by Maluku Sea. Administratively, the city of Tidore Islands consists of 8 (eight) sub-districts and 72 villages / villages where Oba Tengah subdistrict with the capital Akelamo is the largest area (424.00 Km²) with a population of 7,659 people and the population density in this sub-district is 18. While East Tidore Subdistrict with the capital Tosa as the smallest area of 34.00 Km² with a population of 7,657 people with a population density of 225.

The birth of Law No. 32 of 2004, 2004 on Local Government (Local Government) and Law No. 33 of 2004 on Financial Balance between the Central and Regional Governments was the beginning of regional autonomy. Regional autonomy is the granting of authority in regional decision making more freely to manage resources in accordance with the potential of the region owned. To support the implementation of regional autonomy requires broad authority, real and responsible in a balanced manner between the central government's finances and local governments.

The Law is a form of granting broader authority from the central government to the district / city government to organize all local government affairs ranging from planning potential resources owned in order to build, manage, control and evaluate all resources in order to encourage local governments to further empower all regions.

Regional financial management not only requires reliable human resources but also needs the support of adequate financial capabilities. The ability of local governments in exploring 2 regional financial capabilities can be seen from the regional financial performance as measured using analysis of regional financial ratios. The realization of transparency and financial accountability of the state is realized through the preparation of financial statements.

The purpose of local government reporting to present useful information in the decision



making of local government accountability as a party in charge of managing resources entrusted in carrying out government activities, development and community services must submit a report of regional financial accountability to be assessed whether it successfully performs its duties properly or not. Improving budget performance and regional financial management occupy an important position in the Regional Government empowerment strategy for the implementation of regional autonomy and realize a broad, real and responsible decentralization. Performance-oriented spending planning will improve regional budget performance.

Looking at the problematic situation faced by the City Government of Tidore Islands in the face of regional autonomy due to the small financial capabilities of the region as well as dependence on the central assistance is very large. This study aims to find out and analyze the financial condition of the Tidore Islands City area reviewed from the component of Regional Native Income (PAD) namely local tax receipts, regional levies, and other legitimate regional revenues as well as to know the policies of the Tidore Islands City Government in order to optimize pad in Tidore Islands City.

In the implementation of regional autonomy, local governments play a very vital role in planning development, allocating and managing existing resources in the region for service to the community with the ultimate goal being the welfare of the community itself. Tidore Islands city as one of the city districts in Indonesia has the same obligations and challenges as other regions. For the Regional Government in carrying out its autonomy must be supported by adequate financial resources to finance its autonomy. Lack of financial resources will cause the Local Government to reduce the standard of service provided and if left unchecked will create externalities that will harm the national and local interests, both related to the practice of organizing routine government activities and implementation of various development activities, then every region in Indonesia must have potential sources of income. This is so that the region has a great ability to finance the routine activities of government and development that it implements and can gradually reduce its dependence on the central government's finances. To find out how the opinion and spending of the City Government of Tidore Islands is explained in the table below.

Table 1.

Government Revenue and Expenditure Of Tidore Islands City Period 2014 - 2019 (Rp)

Tahun	APBD
2014	15,555,500,000,00
2015	33,200,750,000,00
2016	33,736,743,410,000
2017	45,525,211,410,00
2018	57,892,911,660,00
2019	58,232,311,660,00

Source :Bappeda, 2020

As seen in table 1.1 above for the number of PAD in Tidore Islands City from 2014-2019 the highest in 2019 with the amount of PAD of Rp. 58,232,311,660.00 and the lowest pad in 2014 with the amount of PAD amounting to Rp. 15,555,500,000.00.

The basis that can be used in the measurement of financial performance of the Tidore Kepulauan City Government used in this study is by combining comparison analysis of financial statements, trend analysis or tendency and ratio analysis. The problems, that are the focus of this study are does Efficiency, Independence and Effectiveness affect the financial performance of the government of Tidore City.

2. Literature Review

2.1 The Foundation of Theory

Performance is the result of work achieved by a person or employee who produces output, efficient, effectiveness related to productivity in quality and quantity as accounted for. (Mangkunegara., 2002). It can also be interpreted that performance is the result of the success of an individual or group in conducting an activity or work that can produce output or behavior in a period in achieving the goals of an individual or group in an agency or organization. Conducted by all segments, ranks and positions in an agency or organization.



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Performance is also an assessment by superiors in assessing the ability of subordinates in carrying out the task given. Performance can also be used in the assessment of an individual's behavior in the performance of his or her duties or the conduct of the responsibilities of the assigned duties.

Darise (2008) Financial Performance is the result of the realization of revenues and expenditures that are compiled and measured on an accrual basis. Financial performance can be concluded is an overview of the financial condition of a company or finance of an institution that can be measured in a certain way that can be in the form of realization of revenue and expenditure that is arranged on an accrual basis that produces a conclusion on the success of the company or agency in managing finance.

Financial Performance is an overview of the achievement of the company's success can be interpreted as the results that have been achieved for various activities that have been carried out. It can be explained that financial performance is an analysis conducted to see the extent to which a company has carried out using the rules of financial implementation properly and correctly (Fahmi, 2012). Furthermore, in relation to local government, local government financial performance is the output or result of activities or programs that will or have been achieved in connection with the use of local budgets with measurable quality and quantity, regional capabilities can be measured by assessing the efficiency of services given to the community (Sumarjo, 2010).

Financial performance analysis aims to measure and evaluate the Government's performance, measure potential economic resources, know the financial condition, know the Government's ability to meet its obligations, and believe that the Government has implemented the budget in accordance with the laws and regulations. One of the tools to analyze financial performance is by financial ratio (Wonda, 2016). The results of the financial ratio analysis are used for benchmarks to assess the financial independence of the Region in financing the implementation of Regional autonomy, measure effectiveness in realizing the region's original income, measure efficiency in making expenditures spent in accordance with its provisions and meet what measuring the extent of the Government's activities in spending its Regional revenues for capital expenditures, and knowing how much the contribution of component revenues in the Region's original income from Local taxes and Regional levy (Tarmizi, 2014).

Financial analysis according to Halim (2007) "is an attempt to identify financial characteristics based on available financial statements." In article 4 of Government Regulation No. 58 of 2005 concerning Regional Financial Management, it confirms that regional finances are managed in an orderly manner, complying with efficient, economical, effective, transparent, and responsible laws and regulations by paying attention to the principles of fairness, compliance, and benefits for the community.

Based on the explanation of Article 4 of Government Regulation No. 58 of 2005 referred to from efficient is the achievement of maximum output with certain inputs or the use of the lowest input to achieve a certain output economically is the acquisition of inputs with certain qualities at low price levels; effective is achieving the results of the program with the target that has been set, namely by comparing the output with the results; transparent is a principle of openness that allows the public to know and gain access to the widest possible information about regional finances; while responsible is the embodiment of a person's or work unit's obligation to responsible for the management and management of resources and the implementation of established policies. The ability of local governments in managing finances is set forth in the local budget (APBD) which directly reflects the ability of local governments in financing the implementation of government tasks, development and social services of the community, which can be analyzed using analysis of the ratio of finance to APBD.

According to Halim (2007) the use of financial ratio analysis has been widely applied to corporate institutions that are commercial, while in public institutions, especially local governments are still very limited, it is because:

- a. Limitations of the presentation of financial statements to local government institutions whose nature and scope are different from the presentation of financial statements by commercial corporate institutions.
- b. So far, the preparation of apbd is still partly still carried out based on incremental budget balance, namely the size of each component of income and expenditure is calculated by



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increasing a certain percentage of income (usually based on the inflation rate). Because it is arranged with an incremental approach, it often ignores how the financial ratio in APBD. For example, there is an important principle that income rises even if to pay it it requires inefficient costs".

- c. Assessment of the success of APBD as an assessment of regional financial management accountability, more emphasized on the achievement of targets, so that less attention to how changes occur in the composition or on the structure of APBD.

Parameters of The Local Government Financial Ratio The use of ratio analysis in the public sector, especially to APBD has not been done much, so in theory there has been no unanimous agreement on the name and rules of measurement. However, in order to manage regional finances that are transparent, honest, democratic, effective, efficient, and accountable, the analysis of the ratio to APBD needs to be carried out even though the rules of accounting in APBD are different from the financial statements owned by private companies. Analysis of financial ratios in financial APBD is conducted by comparing the results achieved from one period compared to the previous period so that it can be known how the astonishment that ensued. In addition, it can also be done by comparing with the financial ratio owned by a particular local government with other nearby regions and the potential of the region is relatively the same to see how the ratio of the local government's finances to other local governments. According to Munir (2004) some ratios that can be developed based on financial data sourced from APBD are as follows:

- a. Ratio of Regional Financial Independence Regional financial independence (fiscal autonomy) shows the ability of local governments in self-financing government activities, development and services to the community who have paid taxes and levies as a source of income required by the region. Regional financial independence is demonstrated by the small amount of local revenue compared to regional revenues derived from other sources, such as central government assistance or from loans. The ratio of self-reliance describes the dependence of the region on external sources of funds. A high level of self-reliance means that the level of regional dependence on external party assistance (especially central and provincial governments) is low, and vice versa. The self-reliance ratio also describes the level of community participation in taxpayers and regional levy which is a major component of the region's original income. A high level of community paying taxes and local retribution will describe the high level of community health.
- b. Fiscal Decentralization Degree Ratio This measure shows the authority and responsibility that the central government gives to local governments to explore and manage revenues. This ratio is intended to measure the contribution rate of Regional Native Income as a self-managed source of income by the region to the total regional revenue. Regional Native Income (PAD) is revenues derived from local tax proceeds, regional levies, regionally owned companies and management of regional property and other legitimate income. Total Regional Revenue (TPD) represents the sum of all of all receipts in a budget year. Non-Tax Revenue Sharing (BHPBP) is a tax allocated by the Central Government to be then distributed between the centre and the autonomous region. This ratio is intended to measure the level of fairness of regional resource distribution in the form of revenue sharing in accordance with regional potential to total regional revenues. The higher the result, the more able the region is to finance its own expenditures without assistance from the central government. The degree of fiscal decentralization, especially the PAD component compared to TPD, according to the findings of the UGM Fisipol Team in (Munir, 2004) uses the interval scale as seen in the following table.

Table 2.

Fiscal Decentralization Degree Interval Scale

PAD/TPD(%)	Ability Regional Finance		
<10.00	Very Less		
10.01-20.00	Less		
20.01-30.00	Enough		
30.01-40.00	Are	40.01-50.00	Good
>50.00	Excellent		

Source: Munir, 2004



2.2 Local Government Financial Performance

In relation to local government is the performance of regional finance is the level of achievement of a work or management in the field of finance which includes budget and budget realization using financial indicators that have been determined by policies or legislation measured during the budget period. It can be concluded from the two definitions above is the financial performance of the local government is the result of the achievement of the performance of the local government in managing the resources owned used for regional development that is included in the budget report and realiasi in the form of nominal and development realization. The measurement of public sector or local government performance aims to determine good service to the public. (Mardiasmo, 2009).

According to Sucipto (2003) the definition of financial performance is the determination of certain measures that can measure the success of an organization or company in generating profit. Meanwhile, according to IAI (2007) financial performance is the company's ability to manage and control its resources.

Mahsun (2009) defines Performance (Performance) is an overview of the level of achievement of the implementation of an activity / program / policy in realizing the goals, objectives, mission and vision of the organization contained in the strategic planning of an organization. Meanwhile, Hawkins in Mahsun (2009) expressed the following definition of performance: "Performance is: (1) the process or manner of performing, (2) a notable action or achievement, (3) the performing of a play or other entertainment". Palmer (1995) mentioned that performance indicators include: (1) Cost Indicators; (2) Productivity indicators; (3) Level of use; (4) Target time; (5) service volume; (6) Customer needs; (7) Service quality indicators; (8) Customer quality indicators and (9) Goal achievement indicators.

2.3 APBD (Regional Budget)

Apbd is a local government financial plan that describes the estimated expenditures to finance regional activities and projects over a one-year period and describes the estimates and sources of regional revenues to cover expenditures. (Halim., 2014).

Apbd in local government is useful as a plan to estimate the high cost of inclusion and expenditure of budgets in activities and projects in the budget period of one year. Where in apbd as regional budget has the following elements:

- a. Plans, types, and forms of projects in the form of numbers and descriptions in one period.
- b. Minimum target limit and maximum limit of funding target and activity expenditure.

2.4 APBD Financial Performance

In relation to local government is the financial performance of the region is the level of achievement of a work or management in the field of finance which includes budget and budget realization using financial indicators that have been determined by policies or legislation measured during the budget period. Which is where the measurement in the study combines comparative analysis of financial statements, trend or tendency analysis and ratio analysis. Which is the measurement by assessing the financial performance of APBD.

In principle the budget or what we commonly call the Regional Budget (APBD) is an overview of local government policies stated in the size of money, which includes the policy of local government revenue as well as the realization of the budget years ago. In Regulation (Permendagri) No. 13 of 2006 Regional Budget, hereinafter abbreviated as APBD is an annual financial plan of local government that is discussed and approved jointly by the local government and dprd, and stipulated by local regulations.

2.5 Regional Spending Growth Analysis

Regional Spending Growth Analysis is useful in evaluating or knowing the growth of spending from year to year whether it increases (tends to be positive) or even decreases (tends to be negative). In general, spending increases in each period. The reason for the increase in spending is usually associated with adjustments to inflation, changes in rupiah exchange rates, changes in the amount of service coverage, and adjustments to macroeconomic coverage. With the growth of spending must be balanced with adequate or balanced income.



2.6 Regional Expenditure Financial Performance Analysis

Analysis of Regional Expenditure Financial Performance is important in evaluating the financial performance of local governments whether local governments have used their apbd economically, efficiently, and effectively. Whether the local government in its budgeting has made budget efficiency, avoiding unnecessary expenditures and expenditures that are not on target. The performance of Regional Expenditure Finance can be said to be good if the realisation is lower than the budgeted amount, which indicates budget efficiency. In regional expenditures, the analysis of spending harmony is required because it is related to the function of the budget as a means of distribution, allocation, and stabilization of.

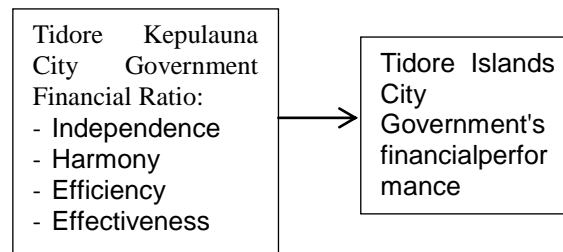


Fig 1. Framework of Mind

3. Method

3.1 Research Location and Time

In this study, the location taken was in the City of Tidore Islands on Financial Performance Analysis in the City Government of Tidore Year 2014-2019. The period in this study was five months. The reason researchers took the research in the City of Tidore Islands is because researchers are interested in researching about the financial performance of the local government in the City of Tidore Islands. Researchers also looked at the financial performance of local governments in the City of Tidore Islands fluctuating every year.

3.2 Population and Research samples

Population is an area consisting of certain objects or subjects that have certain characteristics and quality set by researchers. The object of this study is data or financial reports on the Central Bureau of Statistics Tidore Islands. The sample is part of a number of characteristics possessed by the population used for research. The sample in this study is the Budget Realization Report consisting of the regional revenue and expenditure budget at BPKAD Kota Tidore Kepulauan.

3.3 Types and Data Sources

In this study the type of data used is secondary data. Secondary data is data that has been available in various forms. Usually, this data is more as statistical data or data that has been processed in such a way that it is ready to be used and statistics are usually available in government offices, data service bureaus, private companies or other agencies related to data usage (Moehar, 2002). The data in this study was obtained from the Central Statistics Agency (BPS) of Tidore Islands City, namely the government's financial performance data for the period 2014-2019 and the Agency for Financial Management and Regional Assets (BPKAD) of Tidore Islands City, namely the budget data of Regional Revenue and Expenditure for the period 2014-2019, and other data related to this study.

3.4 Analysis Model

The analysis model used in this study is multiple linear regressions and quantitative methods are used to determine how much influence changes from an independent variable have on dependent variables.

$$Y = a + b_1X_1 + b_2 X_2 + b_3 X_3 + X_4 +$$

Description:

Y = Regional revenues

a = Intersep

b1 = Koefisien regeresi X1

b2 = Koefisien regeresi X2



b_3 = Koefisien regresi X_3

X_1 = Evesiensi

X_2 = Independence

X_3 = Effectiveness

X_4 = Harmony

e = Error

3.5 Data Analysis Techniques

Data analysis method to find out the financial performance of Tidore Islands City using descriptive analysis. To know the factors that affect the financial performance of variables to be analyzed grouped into 2 parts, namely independent variables and dependent variables, are as follows. Non-free/bound variable (Y), i.e. revenue. Free variable (X), i.e.:

X_1 = Evesiensi

X_2 = Independence

X_3 = Effectiveness

X_4 = Harmony

4. Results and Discussion

The study was conducted in the Tidore Islands City by focusing on the Financial Services of the Tidore Islands City Government, with the Analysis of Regional Financial Performance of Tidore City Government in this research is an assessment process on the level of progress in achieving the implementation of work / activities of the Tidore City Government in the field of finance for the period 2014-2019 The ratio used by researchers in analyzing the regional financial performance of the Tidore City Government in this study is: Ratio of Regional Financial Independence, Effectiveness Ratio, Ratio of Regional Financial Efficiency, Harmony Ratio.

The data used in conducting this research is the Budget Realization Report of the Tidore Islands City Government obtained from the Office of Revenue management of Finance and Regional Assets (DPPKAD) of the Tidore Islands City Government. From the data can later be known the Financial Performance of the Government in Tidore City.

4.1 Regional Financial Independence Ratio

Based on the calculations on the Regional Financial Independence Ratio This indicates an increase in the ratio of independence from year to year, but the Tidore City Government must continue to increase the mobilization of PAD revenues so that the regional independence ratio can continue to increase. The dependence of Tidore city government on transfers from the Central and Provincial Governments is still quite high, this is reflected in the results of 4.1. analysis of regional financial independence on transfers from the central government in 2014-2019 shows a figure of 0.%. This shows the efforts of the local government to start reducing dependence on transfers from the Central Government. Based on calculations on the Ratio of Regional Financial Independence shows that income or funds from the exten in this case the balance fund from the provincial government and from the central government always increases from year to year, namely to increase revenues from external parties is increased due to an increase in the balancing fund posts of the central government such as: Tax Revenue Sharing Fund, Non-Tax Revenue Sharing Fund, the General Allocation Fund (DAU), and DAK (Special Allocation Fund) are very high.

The region has not been able to optimize pad to finance its regional development. Public awareness and participation in the payment of taxes and levies is also one of the things that causes pad produced by the Tidore City Government to be few and unreliable to finance development. In addition, there are also differences in the implementation of government and loans as well as assistance from the center and total revenue in each region and the realization of spending in each region. To overcome this, the local government must be able to optimize the revenue from its existing revenue potential, initiatives and the willingness of the government is indispensable in an effort to improve PAD, for example the establishment of potential sector BOM. In the research conducted by Agustin (2007) Financial Performance of Blitar District when viewed from the Ratio of Independence is classified as an Instructive relationship pattern.

4.2 Effectiveness Ratio

PAD Based on the calculation on the Effectiveness Ratio of PAD shows that the budget of PAD



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Tidorerata always fluctuates from year to year, in the ratio of AUTHORITY PAD can be known that the Effectiveness of PAD Tidore City Finance in 2014 amounted to 4.20%, in 2015 by 4.25%, in 2016 by 7.09%, in 2017 by 5.89%, in 2018 by 5.59%, and in 2019 by 367%. The effectiveness of the financial performance of Tidore City District for 2014, 2015, 2016, and 2015 is less effective because it has a strength that is still below 100%. For 2019 it has been effective because the value of *vang* obtained is more than 100%. This research is in line with research conducted by Agustin (2007) who conducted research in Blitar District researching that the financial performance of Blitar District Pemenintan when viewed from the Effectiveness Ratio of PAD has been Effective. Investigation in Tidore City, its financial management has also been effective. Both of these areas can be said to have a good performance in terms of realizing the planned PAD. However, each region is expected not to always be fixated with the target they set beforehand and always maximize the potentials of PAD in the area so that it can exceed the predetermined target.

4.3 Efficiency Ratio

Based on the Calculation on Regional Financial Efficient Ratio, it is known that the realization of total revenue of Tidore City from 2014 to 2019 averaged a decrease from based on calculations on the Regional Financial Efficiency Ratio is also known that the average Financial Efficiency of Tidore City in 2014 to 2019 can be said to be Less Efficient. In 2014 the Efficiency Ratio was 90.41%, then in 2014 it was 0.98%, in 2015 it was 1.01%, in 2016 it was 1.03%, in 2017 it was 0.77%, in 2019 it was 0.99%.

Research conducted by Jusmawati (2011) applies *banwa* Financial Performance of *soppeng* district government seen from the Ratio *enaiana* Regional Finance is efficient. This is not the same as the results of the study, where the regional finances of Tidore City are also not efficient.

4.4 Harmony Ratio

From the calculation of the Harmony Ratio, it can be seen that the Ratio of Operating Expenditure and Capital Expenditure Ratio are not stable from year to year. started in 2014 Its Operating Expenditure Ratio of 0.06% in 2015 increased to 1.10%, in 2016 again decreased to 0.98%, and continued to decline in 2017 again decreased by 0.93%, and continued to decline again in 2018 to 0.98 %, in 2019 by 0.99%.

Therefore, in the future the Tidore City Government is expected to pay more attention to services to the community that can be enjoyed directly by the public. Because in reality the funds in the local budget are public funds so that the funds are used for the public benefit. In the research conducted by Assiddiqi (2014) in Klaten Regency, the allocation of Operating Expenditure is greater than the Capital Expenditure. Similar to the research, the allocation of City Operating Expenditure tidore is also higher compared to its Capital Expenditure. It is almost the same as what happens in most districts in Indonesia.

5. Conclusion

Based on the results of the study, it can be concluded that:

- a. The financial condition of Tidore Islands city is reviewed from pad component, namely local tax receipts, regional levy, and other legitimate regional revenues are good enough. In general, the growth of PAD Kota Tidore Kepulauan during the period 2014-2029, it is seen that over the last two years the performance of local governments in boosting PAD has not been optimal. This is evidenced by the non-realization of PAD as planned in 2017 and 2018. The revenue obtained in 2016 was dominated by regional levy that exceeded the budgeted target (7.09%). While other PAD components do not meet as budgeted. The results of this study showed that the average increase in the contribution of PAD Tidore Island from the local tax sector fluctuates greatly even in 2017 decreased when compared to 2016 and decreased in 2018. The revenue plan of the regional levy component is always fulfilled and increases every year, but the biggest contribution to the receipt of PAD Tidore Islands city is local tax. The role of local tax and regional levy as a component of PAD in supporting total regional revenue is greater when compared to other legitimate regional income.
- b. With the enactment of Law No. 22 of 1999 and Law No. 25 of 1999, various authorities have been owned by the Local Government in general and the City Government of Tidore Islands in particular, but in its implementation there are still many authorities that have not been



implemented optimally, either intensification or by extension. This is because the Local Regulation or The Mayor's Decree does not exist yet. As a result, the Original Revenue of Tidore Islands City is still small percentage compared to the central revenue, although there have been additional results derived from the operationalization of the authority.

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