



ANALYSIS OF PERFORMANCE EVALUATION OF THE SOUTH NIAS REGENCY GOVERNMENT REVIEWED FROM FINANCIAL STATEMENT INFORMATION

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Abstract

The objective is to examine the financial performance of local governments from various aspects, including the Regional Financial Independence Index, Regional Financial Dependence Index, Fiscal Decentralization Degree Index, Regional Original Revenue Effectiveness Index, PAD Efficiency Index, Regional Tax Effectiveness Index, Regional Tax Efficiency Index, and Regional Owned Enterprises Contribution Degree Index. This study is a quantitative descriptive study involving the Research Subject of the Financial statements of the Regional Government of South Nias Regency for the period 2013-2022. The results of the index research on regional financial independence have an average value of 2.06%, and can be categorized as still relatively low. The average regional financial dependence is 85.96%, and it can be said that it is still high. The average decentralized ratio is 12.06%, and can be categorized as low. The average effectiveness rate of PAD is 68.02% which is quite high. The average efficiency rate of PAD is 46% which is quite high. The average local tax efficiency rate of 1% is included in the ineffective category. The average local tax efficiency rate of 2% is included in the very good / efficient category. The ratio of BUMD contribution rate shows an average value of 1%, and the contribution received by BUMD is still low.

Keywords: financial report analysis; financial performance; south nias regency government.

Abstrak

Tujuan untuk mengkaji performa keuangan Pemerintah Daerah dari berbagai aspek, yang meliputi Indeks Kemandirian Keuangan Daerah, Indeks Ketergantungan Keuangan Daerah, Indeks Derajat Desentralisasi Fiskal, Indeks Efektivitas Pendapatan Asli Daerah, Indeks Efisiensi PAD, Indeks Efektivitas Pajak Daerah, Indeks Efisiensi Pajak Daerah, dan Indeks Derajat Kontribusi Badan Usaha Milik Daerah. Studi ini merupakan studi deskriptif kuantitatif yang melibatkan Subjek Penelitian laporan Keuangan pemerintah Daerah Kabupaten Nias Selatan untuk periode Tahun 2013-2022. Hasil penelitian indeks terhadap kemandirian keuangan daerah memiliki nilai rata-rata yakni 2,06%, dan dapat dikategorikan masih tergolong rendah sekali. Rata-rata ketergantungan keuangan daerah sebesar 85,96%, dan dapat dikatakan masih tinggi. Rata-rata rasio desentralisasi sebesar 12,06%, dan dapat dikategorikan rendah. Rata-rata tingkat efektivitas PAD yakni 68,02% yang tergolong cukup tinggi. Rata-rata tingkat efisiensi PAD sebesar 46% yang tergolong cukup tinggi. Rata-rata tingkat efisiensi pajak daerah sebesar 1% termasuk dalam kategori tidak efektif. Rata-rata tingkat efisiensi pajak daerah sebesar 2% termasuk dalam kategori sangat baik/efisien. Rasio tingkat kontribusi BUMD menunjukkan nilai rata-rata sebesar 1%, dan kontribusi yang diterima BUMD masih rendah.

Katakunci: analisis laporan keuangan; kinerja keuangan; pemerintah kabupaten nias selatan

INTRODUCTION

South Nias (Nisel) is a regency on Nias Island, North Sumatra, Indonesia. Based on data from the Central Statistics Agency of South Nias in 2023, the population of this district is 360,531 people (2020), with a population density of 145 people/km², and in mid-2023 it will be 368,484 people. The capital city of South Nias is in Teluk Dalam sub-district. South Nias was previously part of Nias Regency. Autonomous status was obtained on February 25, 2003 and inaugurated on July 28, 2003.

Taking into account historical factors and the desire for faster development with services closer to the community, the establishment of the South Nias Regency Formation Committee was proposed. After Law No. 22 of 1999 concerning Regional Government, plus Government Regulation No. 129 of 2000 concerning Requirements for Formation and Criteria for Regional Expansion, Abolition, and Consolidation, there was a discussion about the need to submit an application for expansion to form a new district.

Local governments play an important role in the daily lives of communities, providing essential services that directly impact the well-being and quality of life of their residents. As the level of government closest to the community, local governments are uniquely positioned to understand and address the specific needs and preferences of their constituents. Through a range of services ranging from infrastructure development to public and social safety programs, local governments aim to foster a thriving, inclusive, and resilient society. This introduction will explore the important role of local governments in providing services to the community, highlighting the importance of this in improving people's lives and improving collective welfare.

Good regional financial management greatly affects the capacity of local governments to provide important services to their communities. By carefully managing finances at the local level, local governments can strategically allocate resources, ensuring that essential services such as education, healthcare, public transportation, and infrastructure development receive adequate funding. In addition, good financial management practices encourage transparency and accountability, as well as foster trust between the government and its constituents. This allows local governments to respond quickly to emerging needs, invest in long-term projects, and better address economic uncertainty. In the end, the influence of regional financial management does not only include budget balancing; This underpins the ability of local governments to meet their obligations and deliver impactful services that improve the well-being of the community as a whole.

For the management of a region, not only human labor is needed, but also economic resources in the form of finance prepared in the form of local government budgets. Regional finance is a public document that deserves to be known by the public. Local governments are required to announce every regional financial report to the public. The four financial statements that must be uploaded are budget realization reports, balance sheets, cash flow statements, and notes on financial statements. However, to measure the efficiency and effectiveness of local governments in using the budget according to their value, we can review their performance through the budget realization report.

Performance measurement is carried out to achieve three goals that have been set. As a first step, it aims to support the improvement of government performance. Second, to allocate resources and the decision-making process. Third, in order to carry out its duties transparently and improve institutional communication (Mardiasmo, 2002).

The financial performance of local governments is an achievement and the ability of the region to manage the Regional Original Revenue (PAD) to support the proper and equitable running of the government system. The higher the PAD of an area, the higher the The region is increasingly able to be independent and reduce dependence on the central government. PAD is one of the basic capital of local governments in obtaining development funds and meeting regional spending. Rendahnya penerimaan PAD can be an indication of the region's dependence on the central government for development financing (Christianingrum & Aida, 2021).

Table 1. Comparison of PAD with regional dependence

Year	PAD	Regional dependence
2018	19,605,734,782	93,18%
2019	25,664,883,761	93,06%
2020	16,698,894,145	93,12%
2021	32,822,654,372	92,46%
2022	39,084,921,881	97,12%

Source: (Badan Pemeriksa Keuangan Sumatera Utara (BPK), 2024)

Based on the table above, the Regional Original Revenue (PAD) of Nias Regency in 2018-2022 tends to increase. This shows that the ability of blood to generate income is getting bigger and able to reduce regional dependence. However, the level of regional dependence in Nias Regency increased in 2022 with a percentage of 97.12% when PAD increased.

Table 2. Comparison of APBD with the number of Poor People

Year	APBD	Poor Population (thousands)
2018	Rp 1,228,961,604,859	52,70
2019	Rp 1,395,972,683,504	52,51
2020	Rp 1,483,534,952,584	53,88
2021	Rp 1,461,332,092,084	55,16
2022	Rp 1,393,155,009,075	54,16

Source: (Badan Pemeriksa Keuangan Sumatera Utara (BPK), 2024)

The APBD is an important instrument in managing local government finances. The larger the allocation of direct expenditure in the APBD, the more able it will be able to meet and finance the needs expected by the community, so that it can spur the improvement of community welfare in the region through increased economic growth. The main goal of economic development is to eliminate and reduce poverty rates, income inequality and unemployment rates (Ratnadi et al., 2016). Based on the table above, the South Nias Regency Budget for 2018-2022 has fluctuated. The highest increase in the APBD in 2020 was 1,483,534,952,584 and the poverty rate also fluctuated. The lowest number of poor people in 2019 was 52.51 thousand.

Table 3. Number of unemployment in South Nias Regency

2018	2019	2020	2021	2022
5.851	3.23	6.865	6.145	6.314

Source : (Badan Pusat Statistik Kabupaten Nias Selatan, 2024)

Unemployment is a term used to describe someone who doesn't work at all, is looking for work, works less than two days a week, or is trying to get a decent job. Table 3. shows the number of unemployment comparisons in South Nias Regency. It can be seen that the number of unemployed in South Nias Regency in 2018-2021 has fluctuated, where in 2019 it decreased from 2018 by 2,621 people, then in 2020 it increased by 3,635 soul from the previous year. And in 2021 it decreased by 720 people and increased again in 2022 by 169 people.

Table 4. Number of Poor People in South Nias Regency (thousand)

2018	2019	2020	2021	2022
52,70	52,51	53,88	55,16	54,16

Source : (Badan Pusat Statistik Kabupaten Nias Selatan, 2024)

Poverty is a state in which a person or household faces difficulties in meeting their basic needs and well-being. Table 4 shows that the number of poor people in South Nias Regency tends to increase. The lowest number of poor people was in 2019 at 52.52 thousand people. And the highest number of poor people was in 2021 at 55.16 people.

To evaluate the performance of the Regional Government in its regional financial management by analyzing the financial ratio to the financial statements of the local government. One of the financial ratios used is the financial independence of a region. The independence of a dominant region is low in funding its regional activities, which means that local governments still depend on transfer income from the central government. Local governments that have a low level of independence mean that the local government has not been able to optimize its regional taxes and regional levies from the community. This research on financial performance has been researched by (Aman Aston Sofian Fau, 2023) with the results of the study that the level of regional financial independence studied is still relatively low, but in contrast to the research conducted by (Melmambessy, 2022) that the level of regional financial independence studied is already moderate.

The financial dependence of a region is generally still very high, which means that the local government still has a dependence on the central and provincial governments. When viewed from the poverty level, South Nias Regency is quite poor because it still urgently needs transfer funds for regional development activities. This is due to the low level of regional original revenue (PAD) revenue, making the government highly dependent on transfer funds allocated by the central government. This is in line with research by (Ratu et al., 2023) that the dependency studied is still high, but it is different from the research conducted by (Sibua & Pribadi, 2019) that the level of government dependence studied is low.

THEORETICAL FOUNDATIONS

Regional Financial Independence Index

The regional financial independence index is an important indicator to assess the financial ability of local governments to support progress, provide services to the community, and manage various government affairs. The Regional Financial Independence Ratio (RKKD) is calculated by comparing PAD and regional revenue from other sources or transfer income. The level of regional financial independence has increased along with regional financial independence.

$$Independence Ratio = \frac{Regional\ dependence}{Transfer\ Revenue} \times 100\%$$

Benchmark		
Levels	Transfer Revenue	Relationship patterns
0-25%	very low	Instructive
25-50%	very low	Constructive
50-75%	keep	Parsifative
75-100%	Tall	Delegative

Source : (Halim, 2012)

The index of dependence on local income.

To determine the proportion of dependence on local revenue, it can be done by comparing the total amount of transfer income received by a region with the total regional revenue of the province. A larger number shows how much local governments are dependent on the central government (Mahmudi, 2016).

$$Dependency Ratio = \frac{Transfer\ revenue}{Total\ Regional\ Revenue} \times 100\%$$

Dependency Ratio	
Dependency	Monetary Capacity
0-25%	Very low
25-50%	Low
50-75%	Keep
75-100%	Tall

Source: (Mahmudi, 2016)

Fiscal Decentralization Rate Index

The Fiscal Decentralization Degree Ratio is a parameter used to evaluate the level of authority and accountability given by the central government to local governments related to the management and increase of revenue. The greater the contribution of Regional Original Revenue, the greater the capacity of local governments in carrying out decentralization (Bisma & Santoso, 2010).

$$\text{Fiscal Decentralization Degree Ratio} = \frac{\text{Regional Original Income}}{\text{Total Regional Revenue}} \times 100\%$$

Benchmark	
Levels	Information
0-10%	Very low
10-30%	Low
31-40%	Enough
40-50%	Tall
>50%	Very High

Source: (Bisma & Santoso, 2010)

Regional Original Revenue Effectiveness Index (PAD)

A parameter known as the effectiveness ratio is used to assess the performance of local governments in achieving the planned regional original revenue in accordance with the targets that have been set by considering the actual potential of the area. The Regional Original Revenue Effectiveness Index (PAD) reflects the ability of local governments to achieve the PAD revenue targets that have been set (Mahmudi, 2016).

$$\text{Rasio Efektifitas PAD} = \frac{\text{Total Realisasi PAD}}{\text{Total PAD Budget}} \times 100\%$$

Benchmark	
Level of Effectiveness	Monetary Capacity
>100%	Highly Effective
100%	Effective
90-99%	Quite Effective
75-89%	Less Effective
<75%	Ineffective

Source: (Mahmudi, 2016)

Regional Original Revenue Efficiency Index (PAD)

The calculation of the Regional Original Revenue Efficiency Ratio (PAD) is needed to evaluate the extent of the efficiency of cost expenditure carried out by local governments in the implementation of programs that aim to obtain optimal income. The lower this ratio figure, the better the government's performance in collecting local revenue (Halim, 2012).

$$\text{PAD Efficiency Ratio} = \frac{\text{PAD Acquisition Fee}}{\text{Realization of Regional Revenue}} \times 100\%$$

Benchmark	
Efficiency Level	Monetary Capacity
<10%	Highly Efficient
10-20%	Efficient
21-30%	Quite Efficient
31-40%	Less efficient
>40%	Inefficient

Source: (Halim, 2012)

Regional Tax Effectiveness Index

The progress of an institution in achieving the goals that have been set can be assessed through its level of goodness. The impact arising from community planning or activities is referred to as an outcome, while the outcome obtained from a program, activity, and policy is known as an output (Mahsun, 2014). The assessment of the merits of regional tax collections is a study that describes the potential of local governments to collect tax collections in accordance with what has been planned, compared to targets or budgets that have been set based on the economic capabilities of the region.

$$\text{Regional Tax Effectiveness Ratio} = \frac{\text{Regional Tax Realization}}{\text{Regional Tax Budget}} \times 100\%$$

Benchmark	
Level of Effectiveness	Monetary Capacity
>100%	Highly Effective
100%	Effective
90-99%	Quite effective
75-89%	Less Effective
<75%	Ineffective

Source: (Mahmudi, 2016)

Regional tax efficiency index

Efficiency is related to the way an operation is carried out, an activity is considered efficient if resources and capital are used to make the product as efficiently as possible. According to (Mahsun, 2014), Output includes expenditure needed to obtain regional revenue, while input is the income obtained by the region. The achievement of regional tax collection by the government is considered efficient if the percentage is less than 10% or lower, indicating a better level of efficiency.

$$\text{Regional Tax Efficiency Ratio} = \frac{\text{Regional Tax Collection Fees}}{\text{Regional Tax Realization}} \times 100\%$$

Benchmark	
Regional Tax Efficiency Ratio	Monetary Capacity
<10%	Highly Efficient
10-20%	Efficient
21-30%	Quite Efficient
31-40%	Less efficient
>40%	Inefficient

Source: (Mahsun, 2019)

BUMD Ratio Contribution Index

Regionally Owned Enterprises (BUMD) in accordance with the provisions of Article 1 number 40 of Law Number 23 of 2014 and Article 1 in 2017, where this business entity is wholly or mostly owned by the local government. This ratio can be calculated by comparing the amount received by the region from the management of isolated regional resources with the amount of Regional Original Revenue (Mahmudi, 2016).

$$BUMD \text{ Contribution Degree Ratio} = \frac{BUMD \text{ Profit}}{PAD \text{ Realization}} \times 100\%$$

Benchmark	
Propose	Information
<0%	Not contributing
0-10%	Contribute very low
10-30%	Low contribution
31-40%	Simply contribute
41-50%	Contribute high
>50%	Contribute very high

Source: (Bisma & Santoso, 2010)

RESEARCH METHODS

The type of research used is quantitative descriptive research which is a descriptive approach. The location of the research conducted by the researcher is in South Nias Regency. The source of data in this study is secondary data which is the Revenue and Expenditure Budget Realization Report of South Nias Regency from 2013 to 2022. In this study, the following metrics were used: regional fiscal independence index; regional fiscal dependency index; fiscal decentralization index; the effectiveness index of Regional Original Revenue (PAD); PAD effectiveness index; PAD efficiency index; regional tax effectiveness index; and the contribution level index of Regionally Owned Enterprises (BUMD). The Report on the Implementation of the Government Budget of South Nias Regency from 2013 to 2022 is used as a source of data in this study.

RESULTS AND DISCUSSION

Regional Financial Independence Index

This study reveals that the percentage of financial independence index of the local government of South Nias Regency has decreased significantly for 2013–2022. With the lowest regional financial sustainability index value occurring in 2020 at 1.22% and the highest index occurring in 2022 at 2.96%. This indicates that the independence ratio continues to increase over time, and the condition of this index is still very low.

Table 5. Independence Index

Year	Total PAD Realization	Transfer Revenue	Race (%)	Financial ability
2013	15,592,080,806.00	594,489,620,891.00	2.62	Very low
2014	12,828,005,886.00	630,321,402,889.00	2.04	Very low
2015	15,037,043,953.00	798,874,089,261.00	1.88	Very low
2016	16,263,067,492.00	991,905,342,169.00	1.64	Very low
2017	18,450,266,700.00	1,107,567,816,464.00	1.67	Very low
2018	19,605,734,782.00	1,077,589,447,956.00	1.82	Very low
2019	25,664,883,761.00	1,220,220,680,167.00	2.10	Very low
2020	16,598,894,145.00	1,359,300,377,018.00	1.22	Very low
2021	32,822,654,372.00	1,255,512,732,105.00	2.61	Very low
2022	39,084,921,881.00	1,318,254,923,939.00	2.96	Very low
Average	21,194,755,377.80	1,035,403,643,285.90	2.06	Very low

Source: (Badan Pemeriksa Keuangan Sumatera Utara (BPK), 2024)

Regional Financial Dependency Index

To determine the proportion of regional financial dependence, the transfer income received by the region is compared to the total regional revenue. The level of dependence of local governments on the central and/or provincial governments is positively influenced by this ratio. The results of the study show that the value of the financial dependence ratio of South Nias Regency has fluctuated during the period 2013–2022. The highest rate of the ratio was recorded in 2021 with a percentage of 138.41%, while the lowest figure was recorded in 2016 with a percentage of 92.46%. It can be seen that the regional financial dependency index shows that the level of dependence of local governments on the central and provincial governments is increasing.

Table 6. Dependency Index

Year	Transfer Revenue	Regional revenue	Race (%)	dependency
2013	594,489,620,891.00	626,577,308,941.00	94.88	Tall
2014	630,321,402,889.00	643,149,408,775.00	98.01	Tall
2015	798,863,089,261.00	814,895,233,564.00	98.03	Tall
2016	991,905,342,169.00	716,606,956,323.00	138.41	Tall
2017	1,107,567,816,464.00	1,126,563,468,536.00	98.31	Tall
2018	1,085,568,153,655.00	1,165,060,955,793.00	93.18	Tall
2019	1,220,220,680,167.00	1,311,187,399,569.00	93.06	Tall
2020	1,359,300,377,218.00	1,459,778,561,444.00	93.12	Tall
2021	1,295,553,732,105.00	1,401,145,247,615.00	92.46	Tall
2022	1,318,254,923,939.00	1,357,339,845,820.00	97.12	Tall
Avarage	1,040,204,513,875.80	1,062,230,438,638.00	85.96	Tall

Source: (Badan Pemeriksa Keuangan Sumatera Utara (BPK), 2024)

Fiscal Decentralization Degree Index

The figures obtained from this comparison illustrate the extent of the contribution of Regional Original Revenue to the overall regional revenue. The greater the contribution of Regional Original Revenue, the stronger the local government will be in implementing the principle of decentralization (Mahmudi, 2016). The findings from the study show that the ratio of the level of fiscal decentralization in South Nias Regency in 2013-2022 shows a downward trend every year. The highest figure of the ratio was 100.00% which was achieved in 2016, while the lowest figure was 1.14% in 2020.

Table 7. Fiscal Decentralization Degree Ratio

Year	Regional Original Income	Regional Revenue	Race (%)	Financial ability
2013	32,087,688,050.00	626,577,308,941.00	5.12	Very low
2014	12,828,005,886.00	643,149,408,775.00	1.99	Very low
2015	15,037,043,953.00	814,895,233,564.00	1.85	Very low
2016	16,263,067,492.00	16,263,067,492.00	100.00	Very low
2017	18,450,266,700.00	1,126,563,468,536.00	1.64	Very low
2018	19,605,734,782.00	1,165,060,955,793.00	1.68	Very low
2019	25,664,883,761.00	1,311,187,399,569.00	1.96	Very low
2020	16,698,894,145.00	1,459,778,561,444.00	1.14	Very low
2021	32,822,654,372.00	1,401,145,247,615.00	2.34	Very low
2022	39,084,921,881.00	1,357,339,845,820.00	2.88	Very low
Avarage	22,854,316,102.20	992,196,049,754.90	12.06	Low

Source: (Badan Pemeriksa Keuangan Sumatera Utara (BPK), 2024)

PAD Effectiveness Index

The PAD effectiveness index shows the capacity of local governments to produce PAD in accordance with the set targets, while the PAD efficiency index shows the capacity of local governments to manage and improve PAD in accordance with the set targets (Mahmudi, 2016). The results of this study show that the value of the PAD effectiveness ratio of South Nias Regency for the period 2013-2022 has fluctuated significantly. The highest figure for the effectiveness ratio was 115.25% in 2016, while the lowest value was 1.64% in 2015.

Table 8. PAD Effectiveness Index

Year	Realization of PAD Receipts	PAD Budget	Race (%)	Financial ability
2013	32,087,688,050.00	131,778,768,734.00	24.35	ineffective
2014	12,828,005,886.00	49,439,039,849.00	25.95	ineffective
2015	15,037,043,953.00	915,678,113,205.00	1.64	ineffective
2016	16,263,067,492.00	14,110,806,474.00	115.25	Highly effective
2017	18,450,266,700.00	16,660,411,140.00	110.74	Highly effective
2018	19,605,734,782.00	21,079,236,300.00	93.01	Quite Effective
2019	25,664,883,761.00	25,898,890,830.00	99.10	Quite Effective
2020	16,698,894,145.00	18,779,236,300.00	88.92	Quite Effective
2021	32,822,654,372.00	63,056,696,948.00	52.05	Ineffective
2022	39,084,921,881.00	56,500,000,000.00	69.18	Ineffective
Average	22,854,316,102.20	131,298,119,978.00	68.02	Ineffective

Source: (Badan Pemeriksa Keuangan Sumatera Utara (BPK), 2024)

PAD Efficiency Index

The calculation of the efficiency ratio of Regional Original Revenue (PAD) needs to be carried out to assess the extent to which the price paid by the local government carries out its programs to achieve the expenditure targets that have been set. This ratio is calculated through a comparison between the expenditure incurred by the city government in obtaining Regional Original Revenue (PAD) with the actual regional original revenue. From the findings of this study, it can be said that the efficient ratio of PAD in South Nias Regency has varied significantly and tends to increase from 2020 to 2023. Highest

PAD Efficiency Index

The calculation of the efficiency ratio of Regional Original Revenue (PAD) needs to be carried out to assess the extent to which the price paid by the local government carries out its programs to achieve the expenditure targets that have been set. This ratio is calculated through a comparison between the expenditure incurred by the city government in obtaining Regional Original Revenue (PAD) with the actual regional original revenue. From the findings of this study, it can be said that the efficient ratio of PAD in South Nias Regency has varied significantly and tends to increase from 2020 to 2023. The highest achievement in achieving the efficiency ratio of Regional Original Revenue of 87.42% can be recorded in 2020, while the lowest achievement reached 1.00% in 2016.

Table 9. PAD Efficiency Index

Year	PAD Acquisition Fee	Realization of PAD Receipts	Race (%)	Indicator
2013	626,577,308,941.00	32,087,688,050.00	19.53	Efficient
2014	643,149,408,775.00	12,828,005,886.00	50.14	Inefficient
2015	814,895,233,564.00	15,037,043,953.00	54.19	Inefficient
2016	16,263,067,492.00	16,263,067,492.00	1.00	Highly efficient
2017	1,126,563,468,536.00	18,450,266,700.00	61.06	Inefficient
2018	1,165,060,955,793.00	19,605,734,782.00	59.42	Inefficient
2019	1,311,187,399,569.00	25,664,883,761.00	51.09	Inefficient
2020	1,459,778,561,444.00	16,698,894,145.00	87.42	Inefficient
2021	1,401,145,247,615.00	32,822,654,372.00	42.69	Inefficient

2022	1,357,339,845,820.00	39,084,921,881.00	34.73	Less efficient
Avarage	992,196,049,754.90	22,854,316,102.20	46	Inefficient

Source: (Badan Pemeriksa Keuangan Sumatera Utara (BPK), 2024)

Regional Tax Effectiveness Index

The regional fiscal effectiveness ratio is an evaluation that shows the ability of a local government to achieve previously budgeted revenue, when viewed from the goals that have been set based on the actual capabilities of the region (Halim, 2012) Based on the results of the research, the level of regional tax efficiency in South Nias Regency experienced a considerable decline from 2013 to 2022. The highest level of regional tax efficiency was achieved in 2014 with an increase of 3.32% and the lowest level was achieved in 0.88% in 2017.

Table 10. Regional Tax Effectiveness Index

Year	Regional Tax Realization	Regional Taxes	Race (%)	Financial ability
2013	2,349,501,869.00	16,294,742,706.00	0.14	Ineffective
2014	17,822,442,669.00	5,362,006,173.00	3.32	Ineffective
2015	5,196,095,507.00	20,330,442,000.00	0.26	Ineffective
2016	3,932,883,656.00	3,847,053,306.00	1.02	Ineffective
2017	4,266,281,115.00	4,842,498,390.00	0.88	Ineffective
2018	6,389,584,239.00	5,812,925,763.00	1.10	Ineffective
2019	7,058,816,211.00	5,812,925,763.00	1.21	Ineffective
2020	6,389,584,239.00	16,698,894,145.00	0.38	Ineffective
2021	8,806,322,592.00	12,058,816,212.00	0.73	Ineffective
2022	10,119,323,120.00	9,780,436,978.00	1.03	Ineffective
Avarage	7,233,083,521.70	10,084,074,143.60	1	Ineffective

Source: (Badan Pemeriksa Keuangan Sumatera Utara (BPK), 2024)

Regional Tax Efficiency Index

If the index is less than 10% or the ratio value is decreasing, regional tax collection is considered more efficient by the government, especially local governments. Based on the results of the study, the highest regional tax efficiency level in South Nias Regency occurred in 2013, which was 6.94% which was the lowest efficiency ratio in 0.30% in 2014.

Table 11. Regional Tax Efficiency Index

Year	Collection Fee Regional Taxes	Regional Tax Realization	Race (%)	Financial Ability
2013	16,294,742,706.00	2,349,501,869.00	6.94	Highly efficient
2014	5,362,006,173.00	17,822,442,669.00	0.30	Highly efficient
2015	20,330,442,000.00	5,196,095,507.00	3.91	Highly efficient
2016	3,847,053,306.00	3,932,883,656.00	0.98	Highly efficient
2017	4,842,498,390.00	4,266,281,115.00	1.14	Highly efficient
2018	5,812,925,763.00	6,389,584,239.00	0.91	Highly efficient
2019	5,812,925,763.00	7,058,816,211.00	0.82	Highly efficient
2020	16,698,894,145.00	6,389,584,239.00	2.61	Highly efficient
2021	12,058,816,212.00	8,806,322,592.00	1.37	Highly efficient
2022	9,780,436,978.00	10,119,323,120.00	0.97	Highly efficient
Avarage	10,084,074,143.60	7,233,083,521.70	2	Highly efficient

Source: (Badan Pemeriksa Keuangan Sumatera Utara (BPK), 2024)

BUMD Contribution Degree Index

This index helps determine the contribution of local businesses in supporting regional income. This index is made by comparing regional revenue obtained from the results of overall regional asset management with the amount of PAD (Mahmudi, 2016). Based on the results of the study, it shows that the value of the role of BUMD in South Nias Regency tends to increase.

On the other hand, the contribution rate of BUMD in 2013 was 1.50% compared to the previous year.

Table 12. BUMD Contribution Degree Index

Year	Good BUMD	PAD Realization	Race (%)	Indicator
2013	23,438,342,979.00	15,592,080,806.00	1.50	Contribute very low
2014	315,774,718.00	12,828,005,886.00	0.02	Contribute very low
2015	4,229,015,905.00	15,037,043,953.00	0.28	Contribute very low
2016	8,475,656,554.00	16,263,067,492.00	0.52	Contribute very low
2017	11,070,894,188.00	18,450,266,700.00	0.60	Contribute very low
2018	10,516,437,887.00	19,605,734,782.00	0.54	Contribute very low
2019	10,776,504,527.00	25,664,883,761.00	0.42	Contribute very low
2020	7,386,312,030.00	16,598,894,145.00	0.44	Contribute very low
2021	18,150,417,292.00	32,822,654,372.00	0.55	Contribute very low
2022	23,438,342,979.00	39,084,921,881.00	0.60	Contribute very low
Average	11,779,769,905.90	21,194,755,377.80	1	Contribute very low

Source: (Badan Pemeriksa Keuangan Sumatera Utara (BPK), 2024)

DISCUSSION

Based on the results of the calculation of the regional independence index of South Nias Regency, the average percentage is very low. Where the low level of financial capability in the government of South Nias Regency in financing government activities, when viewed from the average percentage of the results of the independence ratio owned by South Nias Regency is associated with a fairly high poverty rate, this is due to the limited infrastructure and employment opportunities in the villages can be caused by the low level of regional independence. The results of this study are in line with (Waoma, 2019) where this study obtained a low level of independence.

The South Nias Regency government dependency index obtained a very high percentage, where the South Nias Regency government in carrying out development funding is still dependent on the central and provincial governments. If you look at the poverty level, this district is quite poor because it still urgently needs transfer funds for regional development activities. This is due to the low level of local revenue receipts, making the government highly dependent on transfer funds allocated by the central government. The results of this study are in line with (Ratu et al., 2023) where this study obtained a high level of dependence.

The index of fiscal decentralization in South Nias Regency is classified as a very low category. Local resources that can be used for anti-poverty programs may not be used effectively. This can lead to inconsistencies between the programs being run and the factual problems faced by the local community. The results of this study are in line with (Ratu et al., 2023) where this study obtained a low degree of fiscal decentralization.

The effectiveness and efficiency index of PAD in South Nias Regency is classified as high ineffective where the level of government competence is inefficient. This is because the costs incurred by the government are higher, while the revenue from local revenue is lower. The results of this study are in line with (Ratu et al., 2023) this study obtained a fairly high level of effectiveness and efficiency of PAD.

The regional tax effectiveness and efficiency index of South Nias Regency is included in the category of very efficient. This can include increasing employment opportunities through social assistance programs, infrastructure development and skills training. The research is in line with (Waoma, 2019) this researcher obtained results on the effectiveness and efficiency of regional taxes which are classified as very efficient.

The contribution index of BUMD in South Nias Regency has a fairly low average value, this means that the contribution received by BUMDs is still low. Suggestions for local governments will allow the government to accelerate the development of regional regulations and optimize regional taxes, including changing tax rates by taking into account economic

development. This research is in line with (Adhiantoko, 2013) where this study obtained the results of the contribution of BUMD is quite low.

CONCLUSION

The index for regional financial independence in South Nias Regency has an average value of 2.06% for the 2013-2022 period, and it can be categorized that the level of regional financial independence index is still very low. The average financial dependence of the South Nias Prefecture region from 2013 to 2022 was 85.96%, and it can be said that the dependence on the finances of the South Nias region is still high. The average decentralization ratio of South Nias Regency in the period from 2013 to 2022 was 12.06%, and it can be said that the fiscal decentralization ratio is in the low category. The average level of effectiveness of PAD in South Nias Regency from 2013 to 2022 is 68.02%, which is quite high. The average efficiency level of PAD in South Nias Regency from 2013 to 2022 is 46%, which is quite high. The average regional tax efficiency rate of South Nias Regency from 2013 to 2022 was 1% included in the ineffective category. The average regional tax efficiency rate of South Nias Regency from 2013 to 2022 is 2% included in the very good/efficient category. The ratio of the contribution rate of BUMD in South Nias Regency from 2013 to 2022 shows an average value of 1%, and the contribution received by BUMDs is still low. Suggestions for local governments will allow the government to accelerate the development of regional regulations and optimize regional taxes, including changing tax rates taking into account economic development.

SUGGESTION

The Government of South Nias Regency can increase the income of all regions by expanding the agricultural sector, especially the tourism sector which has great opportunities in coastal areas and not only focusing on certain areas but also expanding tourism in other areas. The Government of South Nias Regency must be able to increase local revenue by optimizing the potential of human and natural resources so as to produce optimal results. The Government of South Nias Regency must be able to continuously improve the quality and performance of finance, especially in the management of PAD, in accordance with the target so that South Nias Regency can become a city that manages its finances better and more efficiently. The Regional Government of South Nias Regency needs to continue to evaluate all expenditures made to be more efficient. To increase tax revenue, the Regional Government of South Nias Regency is the first party to make improvements to data management by using available facilities and using technology to create an integrated system in identifying taxpayers who do not pay their obligations. Local governments should continue to follow the trend of increasing awareness of tax obligations and continue to socialize taxation to the public through online media and other media. Local governments that want to minimize the cost of collecting regional taxes include the Regional Government of South Nias Regency. Local governments must evaluate their tax collection expenditures and look for other alternative tax collections that are more efficient and effective, such as providing tax assistance to taxpayers and other ways that greatly help taxpayers not to be too burdensome. The Regional Government of South Nias Regency increases the profits of BUMDs by implementing regulations and policies on BUMDs through periodic evaluation of loan and deposit interest rates to attract customers.

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