

Strategic Budget Realization Analysis for Evaluating Financial Performance at the Liukang Kalmas Sub-district Office, Pangkep Regency

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ARTICLE INFO

A B S T R A C T

Article

history:

Received

January

Accepted

February

Keywords

Report

Realization

Budget,

Government

Area, Ratio.

This study aims to evaluate the financial performance of the Liukang Kalmas Sub-district Office, Pangkep Regency, from 2019 to 2023 by analyzing financial ratios, specifically the efficiency and effectiveness ratios. A quantitative descriptive analysis method was applied using financial data obtained through field research techniques. The analysis was conducted on the Budget Realization Report (LRA) of the sub-district office to assess how well financial resources were managed over the five-year period. The findings indicate that the financial efficiency ratio of the Liukang Kalmas Sub-district Office falls within the lower efficiency level, consistently ranging between 90% and 100%. This suggests that operational expenses were nearly equal to the allocated budget, leaving minimal room for cost savings. In contrast, the financial effectiveness ratio demonstrates strong performance, maintaining a percentage of 100% or higher each year. This reflects the office's ability to maximize revenue realization and allocate resources efficiently, ensuring that planned activities and programs were successfully implemented. These results highlight the need for strategic measures to enhance financial efficiency while sustaining the achieved effectiveness level. Implementing cost-saving initiatives and improving budget allocation strategies could help optimize financial performance. Furthermore, this study provides valuable insights for regional governments in optimizing budget realization, ensuring fiscal sustainability, and improving financial management practices in decentralized governance. The findings can serve as a reference for policymakers to design more effective financial strategies that balance efficiency and effectiveness in local government financial administration.

1. Introduction

One of the key reform agendas in Indonesia is establishing good governance to build a better Indonesia. Admittedly, good governance has become a necessity for the nation. One of the reform programs implemented by the government is financial management reform, aimed at achieving good governance in managing state and regional finances. As part of this reform, the government enacted two important laws concerning the central and regional governance systems and financial relations between the central and regional governments. These laws are Law No. 22 of 1999 on the Balance between Central and Regional Governments, later replaced by Laws No. 32 and 33 of 2004. The implementation of autonomy

and decentralization in development efforts must be planned and systematic, ensuring that financial autonomy and decentralization can be effectively executed to meet community expectations.

Recent developments have significantly influenced the quality of financial reporting, often referred to as accountability. Mangaukang Raba (2020:1) stated that accountability is fundamentally the responsibility to provide information and disclose financial activities and regional government performance to stakeholders. Accountability is a critical element of democracy. Traditionally, accountability was seen as a tool for justifying actions and behaviors. In the modern context, public officials and institutions are required to implement

accountability to explain their actions legitimately. Thus, accountability is not just about providing information on government operations and financial performance to stakeholders for decision-making. Not all stakeholders have a clear understanding of how to interpret financial reports, but these limitations can be addressed through analysis of financial reports, such as Budget Realization Reports (LRA), Regional Balance Sheets, Cash Flow Reports (CAF), and accompanying Notes to Financial Statements.

Every government at the provincial, district, and city levels must periodically submit financial accountability reports in accordance with applicable regulations to evaluate the success of their tasks. Financial report analysis focuses on using analytical techniques to detect and understand current problems and opportunities, aiding decision-making. The purpose of financial reporting is to provide data and information beneficial to stakeholders and society in general, supporting the principle of accountability. This includes information about financial resources used, activities undertaken, and the results achieved. Financial reporting is also crucial in social, political, and economic decision-making, as it provides insights into resource allocation and usage.

To ensure the quality and credibility of financial reports, appropriate techniques and methods are required for analysis. Common analytical techniques include variance analysis, ratio analysis, growth analysis, regression analysis, and predictive analysis. One widely used method is financial ratio analysis, which involves comparing data elements from financial reports to interpret performance trends over time (Harahap, 2020).

Liukang Kalmas Sub-district is located in the western part of Pangkep Regency and comprises over 18 islands. The poverty rate in Pangkep Regency was 14.06% (47,070 people) in 2019, 13.96% (47,120 people) in 2020, 14.28% (48,400 people) in 2021, 13.92%

(47,530 people) in 2022, and 13.40% (46,060 people) in 2023 (BPS Pangkajene and Kepulauan, 2024). Regional governments are responsible for financial management and organizational activities. Financial ratio analysis is one method used to evaluate the financial performance of regional governments. These governments must compile financial reports, such as Budget Realization Reports (LRA), to show how regional revenue and expenditure budgets (APBD) are implemented. The Budget Realization Report contains information used to evaluate decisions on economic and financial resource allocation. It is essential to produce this report before completing the balance sheet and cash flow reports.

Given the significance of these aspects, this study aims to analyze and understand the financial reports of the Local Government Sub-district Office of Liukang Kalmas, Pangkep Regency. The study is titled "**Analysis of Budget Realization Reports for Assessing the Financial Performance of the Sub-district Office of Liukang Kalmas, Pangkep Regency.**"

2. Review Library

2.1 Financial Reporting

Financial reporting essentially summarizes information about all activities of an organization, typically presented in the form of a balance sheet and income statement at a specific point in time. This serves as a means of providing information to stakeholders for decision-making based on their respective interests.

Financial reporting is the final output of an accounting process, functioning as a source of information and communication between the internal parties of an organization and external stakeholders. A financial report typically contains two main components: a balance sheet and an income statement, along with additional information, such as retained earnings.

2.2 Regional Government Financial Reporting

The preparation of regional government financial reports is carried out by the PPKD (Regional Financial Management Officer) in collaboration with SKPDs (Regional Work Units). These reports serve as a form of accountability for the implementation of the Regional Revenue and Expenditure Budget (APBD). Regional government financial reports include the following components:

a. Budget Realization Report (LRA)

The Budget Realization Report provides information on the realization of regional government income, expenditures, and financing during a specific period.

b. Balance Sheet

The balance sheet is part of a financial report that contains details about the position of assets (wealth owned by the government), liabilities, and equity over a specific period.

c. Cash Flow Statement (LAK)

The Cash Flow Statement provides information about cash inflows and outflows resulting from operating, investment, and financing activities.

d. Notes to Financial Statements (CaLK)

The Notes to Financial Statements include explanations, detailed lists, and analyses of items presented in the Budget Realization Report (LRA), Balance Sheet, and Cash Flow Statement (CAF).

2.3 Financial Ratios

Financial ratios are numerical values derived from comparing one financial figure to another. These ratios are presented in financial reports, including the balance sheet, income statement, and additional explanatory notes. Financial ratios serve as tools to evaluate management performance over a specific period and assess the effectiveness of financial management in ensuring accountability for an organization's resources. Financial ratio analysis involves comparing figures within financial

reports through methods such as dividing one number by another (Darmawan, 2020).

a. Efficiency Ratio

The efficiency ratio describes the comparison between the expenses incurred to generate revenue and the actual revenue received.

b. Effectiveness Ratio

The effectiveness ratio measures the ability of a regional government to achieve its planned Original Regional Revenue (PAD) targets compared to the actual potential revenue generated.

3. Method Study

3.1 Type of Study

The type of research conducted is quantitative, as it aims to evaluate the financial performance of the Liukang Kalmas Sub-district Office through numerical data representation.

3.2 Location and Time of Study

The research location is the Liukang Kalmas Sub-district Office in Pangkep Regency, situated on Kalukalukuang Island, one of the islands within the Pangkalpinang Islands in South Sulawesi. The study will be conducted over approximately two months, from March to April 2024, depending on the speed at which the required data is obtained and processed.

3.3 Type and Source of Data

a. Data Types

The study uses quantitative data, specifically numerical data such as budget realization reports generated by the Liukang Kalmas Sub-district Office in Pangkep Regency.

b. Data Sources

The primary data source for this research is the budget realization reports of the Liukang Kalmas Sub-district Office, directly obtained by the researcher.

3.4 Data Collection Techniques

To collect data relevant to achieving the research objectives, the researcher employed

field research techniques. This involved direct observation and analysis of the budget realization reports from the Liukang Kalmas Sub-district Office in Pangkep Regency.

3.5 Data Analysis Method

The method used for data analysis is descriptive quantitative analysis, focusing on financial ratios such as the efficiency ratio and effectiveness ratio.

a. Efficiency Ratio

The efficiency ratio evaluates how effectively a regional government utilizes its resources. A lower efficiency ratio indicates better financial performance. The formula for calculating the efficiency ratio is:
 Efficiency Ratio =

$$\text{Efficiency Ratio} = \frac{\text{Budget Expenditures}}{\text{Budget Realization}} \times 100$$

Table 3.1: Efficiency Ratio Criteria

Criteria	Percentage (%)
Not Efficient	More than 100%
Less Efficient	90% - 100%
Efficient Enough	80% - 90%
Efficient	60% - 80%
Very Efficient	Less than 60%

Source: Ministerial Decree of the Ministry of Home Affairs No. 13 of 2006

b. Effectiveness Ratio

The effectiveness ratio measures the ability of the regional government to achieve its planned expenditures relative to the target budget. A higher effectiveness ratio reflects better performance of the regional government

apparatus. The formula for calculating the effectiveness ratio is:

$$\text{Effectiveness Ratio} = \frac{\text{Budget Expenditures}}{\text{Budget Realization}} \times 100$$

Table 3.2: Effectiveness Ratio Criteria

Criteria	Percentage (%)
Very Effective	More than 100%
Effective	90% - 100%
Effective Enough	80% - 90%
Less Effective	60% - 80%
Not Effective	0% - 60%

Source: Ministerial Decree of the Ministry of Home Affairs No. 13 of 2006

4. Results Study and Discussion

4.1 Results Study

a. Financial Performance of the Sub-District Office of Liukang Kalmas, Pangkep Regency (2019–2023) Based on Efficiency Ratios

The following table presents the Regional Revenue and Expenditure Budget (APBD) for the Sub-District Office of Liukang Kalmas, Pangkep Regency, for the years 2019–2023:

Table 4.2

Regional Budget of the Sub-District Office of Liukang Kalmas

Year	Budget (Rp)	Realization (Rp)	Difference (Rp)
2019	2,143,364,665	2,097,364,665	46,000,000
2020	2,169,697,300	2,142,596,525	27,101,775
2021	2,797,640,817	2,673,586,315	124,054,502
2022	2,737,587,950	2,703,570,368	34,017,582
2023	2,961,599,553	2,914,450,495	47,149,058

Source: LRA, Sub-District Office of Liukang Kalmas, Pangkep Regency.

Based on Table 4.2, the following observations can be made:

- In 2019, the budget was Rp 2,143,364,665, with a realization of Rp 2,097,364,665, resulting in a difference of Rp 46,000,000.
- In 2020, the budget was Rp 2,169,697,300, with a realization of Rp 2,142,596,525, resulting in a difference of Rp 27,101,775.
- In 2021, the budget was Rp 2,797,640,817, with a realization of Rp 2,673,586,315, resulting in a difference of Rp 124,054,502.
- In 2022, the budget was Rp 2,737,587,950, with a realization of Rp 2,703,570,368, resulting in a difference of Rp 34,017,582.
- In 2023, the budget was Rp 2,961,599,553, with a realization of Rp 2,914,450,495, resulting in a difference of Rp 47,149,058.

To calculate the efficiency ratio, the following formula was applied:

$$\text{Efficiency Ratio} = \frac{\text{Realization}}{\text{Budget}} \times 100$$

Based on the above formula, the efficiency ratios for the Sub-District Office of Liukang Kalmas, Pangkep Regency (2019–2023), are as follows:

- 2019: **97.85%**
- 2020: **98.75%**
- 2021: **95.56%**
- 2022: **98.75%**
- 2023: **98.40%**

b. Financial Performance of the Sub-District Office of Liukang Kalmas, Pangkep Regency (2019–2023) Based on Effectiveness Ratios

The following table shows the realization of the budget for the Sub-District Office of Liukang Kalmas, Pangkep Regency, for the years 2019–2023:

Table 4.3

Realization of the Budget for the Sub-District Office of Liukang Kalmas

Year	Budget (Rp)	Realization (Rp)	Difference (Rp)
2019	2,143,364,665	2,097,364,665	46,000,000
2020	2,169,697,300	2,142,596,525	27,101,775
2021	2,797,640,817	2,673,586,315	124,054,502
2022	2,737,587,950	2,703,570,368	34,017,582
2023	2,961,599,553	2,914,450,495	47,149,058

Source: LRA, Sub-District Office of Liukang Kalmas, Pangkep Regency.

Table 4.3 presents the same data as Table 4.2. However, the evaluation is based on the effectiveness ratio, which is calculated using the formula:

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

Using the formula above, the effectiveness ratios for the Sub-District Office of Liukang Kalmas, Pangkep Regency (2019–2023), are as follows:

- 2019: **102.19%**
- 2020: **101.26%**
- 2021: **104.64%**
- 2022: **101.25%**
- 2023: **101.61%**

4.2 Discussion

a. Financial Performance Results of the Liukang Kalmas Sub-district Office, Pangkep Regency (2019-2023) Based on Efficiency Ratio

The calculation of the efficiency ratio for the Liukang Kalmas Sub-district Office, Pangkep Regency, for the 2019-2023 budget period is presented in the table below:

Table 4.4: Efficiency Ratio Calculation

Year	Budget	Realization	Percentage	Remarks
2019	Rp. 2,143,364,665	Rp. 2,097,364,665	97.85%	Not Efficient
2020	Rp. 2,169,697,300	Rp. 2,142,596,525	98.75%	Not Efficient
2021	Rp. 2,684,127,255	Rp. 2,673,586,315	95.56%	Not Efficient
2022	Rp. 2,737,587,950	Rp. 2,703,570,368	98.75%	Not Efficient
2023	Rp. 2,961,599,553	Rp. 2,914,450,495	98.40%	Not Efficient

Source: LRA Liukang Kalmas Sub-district Office, Pangkep Regency (Processed)

Based on the table above, it can be observed that the financial performance of the Liukang Kalmas Sub-district Office, Pangkep Regency, as measured by the efficiency ratio, shows percentages of 97.85% in 2019, 98.75% in 2020, 95.56% in 2021, 98.75% in 2022, and 98.40% in 2023. According to the efficiency level assessment table, these percentages indicate that the financial performance of the Liukang Kalmas Sub-district Office is "not efficient" for five consecutive years (2019-2023).

b. Financial Performance Results of the Liukang Kalmas Sub-district Office, Pangkep Regency (2019-2023) Based on Effectiveness Ratio

The calculation of the effectiveness ratio for the Liukang Kalmas Sub-district Office, Pangkep Regency, for the 2019-2023 budget period is presented in the table below:

Table 4.5: Effectiveness Ratio Calculation

Year	Budget	Realization	Percentage	Remarks
2019	Rp. 2,143,364,665	Rp. 2,097,364,665	102.19%	Very Effective
2020	Rp. 2,169,697,300	Rp. 2,142,596,525	101.26%	Very Effective
2021	Rp. 2,684,127,255	Rp. 2,673,586,315	104.64%	Very Effective
2022	Rp. 2,737,587,950	Rp. 2,703,570,368	101.25%	Very Effective
2023	Rp. 2,961,599,553	Rp. 2,914,450,495	101.61%	Very Effective

Source: LRA Liukang Kalmas Sub-district Office, Pangkep Regency (Processed)

Based on the table above, it can be observed that the financial performance of the Liukang Kalmas Sub-district Office, Pangkep Regency, as measured by the effectiveness ratio, shows percentages of 102.19% in 2019, 101.26% in 2020, 104.64% in 2021, 101.25% in

2022, and 101.61% in 2023. According to the effectiveness level assessment table, these percentages indicate that the financial performance of the Liukang Kalmas Sub-district Office is "very effective" for five consecutive years (2019-2023).

5. Closing

5.1 Conclusion

Based on the results outlined previously, it can be concluded that the financial performance of the Liukang Kalmas Sub-district Office, Pangkep Regency, as measured by the efficiency ratio, showed the following percentages: 97.85% in 2019, 98.75% in 2020, 95.56% in 2021, 98.75% in 2022, and 98.40% in 2023. When evaluated based on the efficiency level measurement table, these percentages indicate that the financial performance of the Liukang Kalmas Sub-district Office was not efficient over the five consecutive years from 2019 to 2023.

Similarly, the financial performance of the Liukang Kalmas Sub-district Office, Pangkep Regency, based on the effectiveness ratio, showed the following percentages: 102.19% in 2019, 101.26% in 2020, 104.64% in 2021, 101.25% in 2022, and 101.61% in 2023. These figures signify that the financial performance of the Liukang Kalmas Sub-district Office was very effective over the five consecutive years from 2019 to 2023.

5.2 Suggestions

Based on this study of the Liukang Kalmas Sub-district Office, it is recommended that efforts be made to improve the performance in financial reporting concerning the efficiency ratio. The findings indicate that the efficiency percentages from 2019 to 2023 were consistently at a less efficient level. On the other hand, the performance in financial reporting related to the effectiveness ratio should be maintained. The results indicate that the effectiveness percentages were consistently at a very effective level over the five consecutive years from 2019 to 2023.

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