

Original Article

Analysis Effectivity and Efficiency Financial Management Performance of Regional Revenue Agency

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Abstract:

The purpose of this study is to determine the level of effectiveness and efficiency and performance of regional financial management from 2021 to 2023 in East Kutai Regency. This study applies a quantitative descriptive approach with the aim of assessing the level of effectiveness, efficiency, and performance of regional financial management at the East Kutai Regency Regional Revenue Agency. The data analyzed are in the form of Budget Realization Reports (LRA) from 2021 to 2023, using descriptive statistical analysis techniques through the calculation of effectiveness and efficiency ratios based on the provisions of Law Number 33 of 2004.

Keywords: Effectiveness, Efficiency, Financial Management performance; Income Area; Regional Spending

Introduction

Local Original Income is income obtained from regional taxes, regional levies, management of separated assets, and other legitimate sources of income originating from the region. The purpose of PAD is to provide local governments with the ability to raise funds to implement regional autonomy as part of the principle of decentralization ([Aituarauw, 2021](#)). In addition, Law No. 28 of 2009 explains the definition of Regional Original Income as a regional financial source originating from the relevant region consisting of regional tax results, regional retribution results, results of separated wealth management, and other regional original income sources permitted by law. ([Mussardo, 2019](#)).

In terms of the contribution of Balancing Funds and Local Original Revenue in East Kutai Regency, the latest data shows a high dependence on transfer funds from the central government. In the 2025 APBD, the PAD contribution in East Kutai was only recorded at 3.21% of total regional revenue, indicating that local economic potential has not been optimally maximized. On the other hand, more than 91% of regional revenue still depends on balancing funds received from the central government, which reaches around IDR 10.245 trillion.

Regional financial management is a series of processes involving various stages, starting from planning, implementation, administration, reporting, accountability, to supervision. All these stages are carried out to ensure effective, efficient, accountable,



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and transparent management of regional financial resources, in accordance with the principles of good governance. The main instrument in this management is the Regional Revenue and Expenditure Budget.

The preparation of the APBD is based on the need to organize regional government, provide services to the community, and pay attention to regional revenue capabilities. The APBD has the main functions; Authorization, planning, supervision, allocation, distribution, and stabilization functions. Regional financial management can be measured by the ability to prioritize and balance unlimited demands and needs with limited financial resources. Regional finances are manifested in the APBD which has undergone changes from being incremental to a performance-based budget in accordance with the demands of reform ([Kushariyadi, 2023](#)).

The Regional Revenue and Expenditure Budget (APBD) is one of the important bases in regional government development planning. Through this planning, the government seeks to improve and manage regional finances, especially in terms of APBD planning. Effective APBD management must consider public interests, so that the realization and allocation of funds for various programs and activities can provide significant benefits, meet the needs and demands of the community, and support government services that focus on public interests.

Financial management by local governments includes the management of regional income, expenditure, and assets. Regional finances are rights and obligations related to the implementation of regional government, which can be assessed in the form of money and all forms of wealth owned by the region. The quality of regional finances, good or bad, basically depends on how they are managed ([Matilda Arnista Ja'o et al., 2023](#)).

Various studies show fluctuations in the level of effectiveness and efficiency, with some years showing significant increases, but there is still room for improvement in budget management in various government agencies. ([Kenap et al., 2021](#)) Effectiveness is the ability to achieve predetermined goals. This concept focuses on achieving results (output). An organization is considered effective if it is able to meet previously designed targets. ([Yakub et al., 2022](#)) Efficiency is the optimal comparison between the resources used (input) and the results achieved (output), namely the extent to which benefits can be obtained by utilizing resources effectively.

Methods

This study uses a quantitative descriptive research method. Quantitative descriptive research aims to provide a clear, objective, and detailed description of the conditions or phenomena that are the object of research, using quantitative data that is measurable and analyzed. This approach allows for measuring, describing, and analyzing the variables in the study, as well as presenting the collected data in a structured and organized manner.

The data analysis method used in this study is guided by Effectiveness Measurement, to assess the effectiveness of Income realization.

$$\text{Effectiviti Ratio} = \frac{\text{Revenue Realization}}{\text{Regional Revenue Target}} \times 100\%$$

According to Law No. 33 of 2004 concerning the financial balance between the central government and regional governments, it also provides guidelines regarding revenue targets and management, the criteria for the level of revenue effectiveness are as follows:

1. If the comparison is more than 100%, then the income said to be very effective.

2. If the achievement is between 90%-100%, then the income is said to be effective.
3. If achievement is between 80%-90%, then Income said to be quite effective.
4. If the results achieved are between 60%-80%, then the income said to be less effective
5. If achievement is below 60%, then Income is said to be ineffective

Revenue Efficiency Measurement, to assess how efficient the regional spending budget is.

$$\text{Efficiency} = \frac{\text{Regional Spending}}{\text{Revenue Realization}} \times 100\%$$

According to Law No. 33 of 2004 concerning the financial balance between the central government and regional governments, it also provides guidelines regarding revenue targets and management, the criteria for the level of efficiency of Regional Revenue as follows:

1. If the comparison result is more than 100%, then the income is said to be inefficient.
2. If the results achieved are between 90%-100%, then it is said to be less efficient.
3. If the results achieved are between 80%-90%, then it is said to be quite efficient.
4. If the results achieved are between 60%-80%, then the income is said to be efficient.
5. If the achievement results are below 60%, then the income is said to be efficient.

Results and Analysis s

1. Analysis of the Effectiveness of Financial Management of the Regional Revenue Agency of East Kutai Regency.

Based on the results of the analysis above, it can be seen that the analysis of the effectiveness of the financial management of the East Kutai Regency Regional Revenue Agency from 2021 to 2023 shows positive performance, although there are significant fluctuations from year to year. And has the same category, namely very effective. In 2021, the realization of regional revenue was recorded at IDR 3,053,086,684,676.86 (Three Trillion Fifty Three Billion Eighty Six Million Six Hundred Eighty Four Thousand Six Hundred Seventy Six Point Eight Six) which exceeded the target that had been set, namely IDR 2,820,664,498,009.00 (Two Trillion Eight Hundred Eight Twenty Billion Six Hundred Sixty Four Million Four Hundred Ninety Eight Thousand Nine). Thus, the level of effectiveness in that year reached 108%, which means that the regional government managed to collect higher revenue than the estimated target. This point of success indicates that there is quite good regional revenue management, where the government is able to optimize revenues more than expected. This achievement also reflects the existence of supporting factors such as appropriate fiscal policies, as well as the utilization of potential that previously may not have been maximized such as regional taxes and levies, with the realization of regional taxes recorded at Rp 99,793,473,728.41 and regional levies of Rp 6,314,204,198.00.

In 2022, although the regional revenue target has increased, the realization of revenue actually grew higher to IDR5,052,871,958.719 (Five Trillion Fifty Two Billion Eight Hundred Seventy One Million Nine Hundred Fifty Eight Thousand Seven Hundred Nineteen) exceeding the target of IDR4,440,821,675,447.51 (Four Trillion Four Hundred Forty Billion Eight Hundred Twenty One Million Six

Hundred Seventy Five Thousand Four Hundred Forty Seven Point Fifty One). This resulted in an effectiveness rate of 113%, indicating a significant increase and revenue collection exceeding expectations. This increase was influenced by various factors, including better revenue management strategies, more appropriate fiscal policies, and intensive efforts to optimize various sources of revenue from the tax and retribution sectors, and a significant increase in effectiveness of 13% compared to the previous year, indicating that the regional government has succeeded in implementing a very effective policy in achieving revenue targets.

However, in 2023, although regional revenues still exceeded the target, there was a decline in the level of effectiveness which fell to 104%. The realization of regional revenues this year was recorded at IDR8,597,328,360,021.50 (Eight Trillion Five Hundred Ninety Seven Billion Three Hundred Twenty Eight Million Three Hundred Sixty Thousand Twenty One Point Fifty), while the target set was IDR8,256,143,678,723.70 (Eight Trillion Two Hundred Fifty Six Billion One Hundred Forty Three Million Six Hundred Seventy Eight Thousand Seven Hundred Twenty Three Point Seventy). Although this decline is not too significant, it still shows that there are challenges in achieving higher targets in 2023. This decline in the level of effectiveness could be caused by a number of external and internal factors that affect regional income, although the realization of income is still higher than the target set. The challenge in maintaining a high level of effectiveness in 2023 could also be caused by high expectations regarding the achievement of income which becomes a larger target that is increasingly difficult to achieve.

Overall, despite the decline in 2023, the processing of regional revenue of East Kutai Regency continues to show quite good performance during the period 2021 to 2023. Achievements that always exceed the set revenue targets, despite fluctuations in effectiveness, identify that the regional government is consistently able to manage revenue sources well, even in challenging conditions. Achievements in 2021 and 2022 that exceeded the target with a relatively high effectiveness figure illustrate the success of the regional government in designing effective policies and managing resources optimally. However, the decline that occurred in 2023 needs to be a concern for further evaluation to ensure that regional revenue management can continue to survive and develop better in the future.

Thus, despite a small decline in the level of revenue effectiveness in 2023, overall Kutai Timur Regency still shows very good performance in managing regional revenue. The local government needs to continue to maintain and improve policies that have been successful in previous years, while identifying and addressing factors that cause a decline in effectiveness in 2023. Evaluation of regional financial management policies and strategies is very important to ensure that future revenue targets can be achieved more optimally and to maintain the sustainability and stability of regional finances.

2. Analysis of Financial Management Efficiency of the Regional Revenue Agency of East Kutai Regency.

The efficiency of financial management of the East Kutai Regency regional revenue agency can be analyzed by comparing regional spending and the realization of revenue received by the regional government in recent years. In 2021, the level of financial management efficiency was recorded at 101%, which means that regional spending of IDR 3,086,494,638,540.00 was slightly higher than the realized income of IDR 3,053,684,676.86. This condition indicates an imbalance in regional budget

management, where expenditure is greater than income, which has the potential to create a budget deficit and indicates that the budget has not been managed efficiently. This could be caused by inaccuracies in revenue planning or excessive regional spending. In the following year, namely 2022, although the realization of regional income was higher than regional spending, with a lower efficiency level of 97%, financial management was still considered less than optimal.

Regional spending in 2022 reached IDR4,924,231,446,297.00, while the realized revenue was IDR5,052,871,958,719.00. Although there was a revenue surplus of IDR128,640,512,422.00, this inefficiency indicates that the use of the budget has not been fully optimal. This could be due to inappropriate budget allocation, uncontrolled spending, or a gap between budget planning and implementation. In 2023, the situation worsened with a recorded efficiency level of 113%, meaning that regional spending of IDR9,788,710,143,665.00 was much greater than the realization of revenue which only reached IDR8,597,328,360,021.50. This greater imbalance indicates significant budget waste. This condition is very worrying because it indicates ineffective financial management, where regional spending cannot be supported by existing income, thus increasing the burden of regional financing which can disrupt the sustainability of development and regional financial stability.

Overall, the analysis of the efficiency of financial management of the Regional Revenue Agency of East Kutai Regency shows that during this period there was a significant imbalance between regional spending and revenue. This underlines the need for improvements in budget planning, more efficient management of financial resources, and tighter supervision so that the regional budget can be used optimally to support sustainable regional development.

3. Financial Management Performance of the Regional Revenue Agency of East Kutai Regency.

The financial management performance of the East Kutai Regency Regional Revenue Agency (BAPPEDA) can be evaluated based on several main indicators, including regional revenue achievement, the suitability between spending and income received, and the effectiveness and efficiency in the use of the regional budget. In this context, although the regional income recorded in several years showed quite good figures, the inefficient budget management in 2021 and 2023 showed that there was waste in the use of the budget that must be corrected immediately. In 2021, although regional spending of IDR 3,086,494,638,540.00 was slightly higher than the realized income of IDR 3,053,684,676.86, the level of efficiency still showed an imbalance, indicating that budget planning needs to be more realistic and based on more accurate projections. This also happened in 2022, where even though there was a revenue surplus of IDR128,640,512,422.00, regional spending of IDR4,924,231,446,297.00 was not fully efficient because the efficiency level only reached 97%. This can be caused by various factors, such as inappropriate spending or excessive budget allocation for certain sectors without achieving maximum results. In 2023, conditions worsened with an efficiency level recorded at more than 100%, indicating significant waste and uncontrolled budget use. Regional spending of IDR9,788,710,143,665.00 far exceeded revenue of only IDR8,597,328,360,021.50.

Leading to an increasingly large deficit and increasing the burden of regional financing which could affect regional financial stability in the long term.

This poor performance of regional financial management creates a deficit and increases dependence on external financing which could disrupt regional financial stability. Therefore, to improve the performance of the financial management of Bappeda Kutai Timur Regency, it is very important to conduct evaluations and improvements in terms of more accurate and realistic budget planning, tighter supervision of budget use, and improving the effectiveness of fund allocation for programs that have a significant impact on regional development. Effective and efficient financial management will enable regions to optimize the use of existing resources, so that they can support sustainable development goals and improve the welfare of society as a whole.

Conclusion

Based on the results of the discussion, it can be concluded that the level of effectiveness, efficiency, and performance of financial management of the East Kutai Regency Regional Revenue Agency for the 2021-2023 period can be seen from the results of measuring the level of effectiveness, efficiency and performance of financial management as follows:

- a. Criteria for the effectiveness of financial management of the East Kutai Regency Regional Revenue Agency for the 2021-2023 period. The regional financial management of East Kutai Regency shows good performance for the level of effectiveness which is always in the very effective category every year, although there are fluctuations. In 2021 and 2022, regional revenues managed to exceed the target, with effectiveness levels reaching 108% and 113% respectively. However, in 2023, although it still exceeded the target, there was a slight decrease to 104%, although it was still classified as very effective. This decline shows the challenges in achieving higher figures even though revenues still exceed the target.
- b. Criteria for the efficiency of financial management of the East Kutai Regency Regional Revenue Agency for the 2021-2023 period. The efficiency of regional financial management shows an imbalance between spending and revenue. In 2021, the efficiency level was recorded at 101%, indicating that regional spending was slightly less than the realized revenue. In 2022, although the realization of revenue exceeded spending, efficiency still showed a low figure with an efficiency level of 97%. In 2023, efficiency decreased again to 113%, indicating significant budget waste and spending that exceeded revenue.
- c. Performance of the Financial Management of the Regional Revenue Agency of East Kutai Regency for the period 2021-2023. In general, the financial management of East Kutai Regency shows good results in terms of revenue achievement. However, there are efficiency issues in budget allocation, especially in 2021 and 2023, where regional spending is higher than realized revenue. This indicates the need for improvements in budget planning and more efficient management of financial resources to support sustainable regional development.

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