
	Gema WIRALODRA
	Editor-in-Chief: Yudhi Mahmud
	 Publisher: Universitas Wiralodra

Analysis of the financial capability of the Bandung City Government West Java budget 2018 – 2021

Muh Gaus^a, Agus Munandar^b

^aUniversitas Esa Unggul, Jakarta, Indonesia,
ulan.zacky@student.esaunggul.ac.id

^bUniversitas Esa Unggul, Jakarta, Indonesia,
agus.munandar@esaunggul.ac.id

To cite this article:

Gaus, M & Munandar, A. (2024). Analysis of the financial capability of the Bandung City Government West Java budget 2018 – 2021. *Gema Wiralodra*, 15(1), 414-418.

To link to this article:

<https://gemawiralodra.unwir.ac.id/index.php/gemawiralodra/issue/view/24>

Published by:

Universitas Wiralodra

Jln. Ir. H. Juanda Km 3 Indramayu, West Java, Indonesia

Analysis of the financial capability of the Bandung City Government West Java budget 2018 – 2021

Muh Gaus^{a*}, Agus Munandar^b

^aUniversitas Esa Unggul, Jakarta, Indonesia, ulan.zacky@student.esaunggul.ac.id

^bUniveristas Esa Unggul, Jakarta, Indonesia, agus.munandar@esaunggul.ac.id

*Corresponding Author: ulan.zacky@student.esaunggul.ac.id

Abstract

This research was conducted to analyze the financial capability of the Bandung City government in West Java in 2018-2021. The approach used is financial ratio analysis which includes the ratio of independence, effectiveness, and efficiency. The data used is sourced from the Bandung City Government website from the Bandung City Budget realization report for the 2018-2021 period. The results of the analysis showed the value of independence ratio of 91.3%, effectiveness ratio of 88.4%, and efficiency ratio of 86.4%. The value of the independence ratio indicates the high financial ability of the government to finance its activities. A high effectiveness ratio indicates the country's high ability to generate revenue. High capability is indicated by a high-efficiency ratio in controlling the government budget. Overall, the results of the analysis show that the financial capability of the Bandung City government during the 2018-2021 period is in good condition. This is indicated by an independence ratio of 91.3%. The effectiveness ratio is 76%. The efficiency ratio is 86.4%. Therefore, the government needs to increase the efficiency ratio of 84.6%, this figure can still be increased so that its financial capabilities are more optimal in the future.

Keywords: Financial Capability, Ratio Analysis, Government

1. Introduction

Bandung City Government is one of the regions of Indonesia that has an important role in development, development, and public services or services. Accountability reports regarding regional financial capabilities must be submitted by the Bandung City Government. This financial capability is critical to assessing how efficiently local governments manage resources (Tumija & Sinta, 2022). The success of development and public services is strongly influenced by the financial management of local governments (Puluh ulawa, 2013).

Several indicators can be used to evaluate how the financial capacity of local governments is running including the ratio of independence, effectiveness, and efficiency (Susanto, 2019). Self-reliance ratios indicate the ability of local governments to finance public services and development using only their own resources and efficiency ratios indicate how effective local governments are in achieving their targets (Fathah, 2017). Although the Bandung city government has made several efforts to improve its financial capabilities, there are still some things that need to be improved, especially regarding the efficiency ratio.

Government Regulation or Policy (PP) Number 71 of 2010 which regulates Government Accounting Standards (SAP) as a legal instrument in financial management and local government reporting. The purpose of PP No. 71/2010 is to provide a standard framework in government accounting that supports transparency and accountability. The accounting standards used for the central government's financial statements should be based on when they were prepared. The impact of Government Regulation No. 71/2010 on improving the quality of regional financial management and achieving good governance. The obligation to promulgate these regulations and enter into force to ensure uniform compliance and implementation across local governments.

2. Method

Research Variables

Sugiono (2004) states that the object of research is everything that can be learned to obtain information about it and make conclusions about it.

In this study, descriptive analysis was used. The aim is to describe the financial capability of the government of Bandung, West Java, based on the ratio of independence, effectiveness, and efficiency ratio.

a) Independence Ratio

PAD compared together with income from other sources shows the level of financial independence of the region. This transfer income consists of tax revenue, non-tax tax on natural resources, distribution of general and special funds, emergency funds, and loans (Widodo, 2014: 262).

$$\text{Rasio Kemandirian} = \frac{\text{PAD}}{\text{PAD} + \text{Dana Perimbangan} + \text{Pinjaman}} \times 100\text{persen}$$

b) Effectiveness Ratio

The ability of local governments to generate programmable revenue or native revenue is called the effective ratio. Comparing with planned goals by considering the real potential of the region (Halim, 2007: 325).

$$\text{Rasio Efektifitas} = \frac{\text{PAD}}{\text{Total Pendapatan Daerah}} \times 100\text{persen}$$

c) Efficiency Ratio

d) The effectiveness ratio can show how well a local government is meeting its PAD by comparing it to the local original revenue target set based on the region's real prospects. The higher the effectiveness ratio, the higher the level of local government capability. (Fazlurahman et al., 2020).

$$\text{Rasio Efisiensi} = \frac{\text{Beban dikeluarkan untuk memproleh pendapatan}}{\text{Realisasi Pendapatan}} \times 100\%$$

Subject and Object of Research

This research focuses on the Bandung City Government Budget Realization Report 2018-2021 and the Financial Capability of the Bandung Government.

Data Collection Methods

The method of data collection is by accessing and collecting data on the Transparency of Bandung City Regional Budget Management for 2018 -2021 from the official website of the Bandung government.

3. Results and Discussion

How the Bandung city government runs its financial capacity is discussed in the discussion of the results of this study. The report that has been completed by the APBD for fiscal years 2018, 2019, 2020 and 2021 is used as a data source to evaluate the financial management capability of Bandung City.

Independence Ratio

The effectiveness ratio shows how well the local government can generate targeted revenue or PAD compared to planned as determined based on the likelihood of revenue by the local government. If the resulting ratio is at least 1 (one) or 100 percent, the ability of the region to complete the task is considered effective. The calculation of the effectiveness ratio

of the Bandung city government is as follows:

Table 1

Bandung City Independence Ratio TA. 2018 – 2021

Year	Local Revenue	Government/Intervention	Presentation %
2018	3.110.972.317.346	3.397.309.517.811	91,00%
2019	3.147.479.283.703,97	3.055.014.614.374,75	97,12%
2020	3.122.975.515.736,00	3.339.363.515.736,00	93,54%
2021	3.300.827.453.188	2.409.804.328.188	89,20%

In the last four years, Bandung City PAD has changed. The increase in economic growth and economic activity of Bandung City led to an increase in Bandung City PAD in 2019, but economic growth and economic activity decreased in the following years. The local government must do something to encourage economic growth and economic activity in Bandung City so that its PAD increases. Bandung city government can increase investment, increase competitiveness, improve infrastructure, and improve PAD. This will allow the local government to meet its own needs and reduce its dependence on outside funds.

Activity Ratio

The effectiveness ratio shows how well the local government can generate revenue or PAD that has been planned by considering the objectives that have been set based on the revenue potential that has been set based on the possibility of revenue by the local government. If the resulting ratio is at least 1 (one) or 100 percent, the ability of the region to complete the task is considered effective. The calculation of the effectiveness ratio of the Bandung city government is as follows:

Table 2

Activity Ratio of Bandung City TA. 2018 – 2021

Year	PAD	Total Regional Revenue	Presentation %
2018	2.571.591.786.199	3.397.309.517.811	76%
2019	3.252.540.610.057,16	3.055.014.614.374,75	106,82%
2020	3.193.205.911.184	3.339.363.515.736	95,83%
2021	2.965.971.884.100	2.409.804.328.188	123,38%

Data source: <https://www.bandung.go.id/>, 2018-2021.

The activity ratio of Bandung City Government changes from year to year. In 2018, the activity ratio only reached 76.00%, which explains that budget realization only reached 76.00% of the confirmed budget ceiling. In 2019, the activity ratio increased rapidly to 106.82%, which means that budget realization exceeded the budget limit. However, in 2020, the activity ratio fell again to 95.83%. In 2021, the activity ratio fell again to 95.83%.

The overall activity ratio of the Bandung City Government is quite good. In 2019 and 2021, the activity ratio exceeded 100%, which shows that budget realization exceeded the established budget, indicating that the Bandung City government succeeded in optimizing the available budget. However, in 2018 and 2020, the activity ratio was less than 100%, which indicates that budget realization has not reached the target. To improve budget effectiveness, the Bandung city government must pay attention to this.

In 2018, the Bandung City Government Budget only reached 76.00% of what was set. There are a number of causes, including: A decrease in regional revenues as a result of natural disasters and the 2019 coronavirus disease pandemic, Restrictions on budget use as a result of the pandemic. In 2019, the activity ratio of the Bandung City Government increased

significantly to 106.82%. Some of the causes of this increase include: Increased regional revenues as a result of economic recovery after the 2019 coronavirus disease pandemic and more effective use of budgets. In 2020, the activity ratio of the Bandung City Government fell again to 95.83% in 2020. Some of the causes of this decline include: The decline in regional income due to the corona virus disease 2019 pandemic. Increased operating expenditure to overcome the 2019 Corona Virus Disease pandemic. In 2021, the activity ratio of the Bandung City Government again experienced a significant increase to 123.38%. This is because there are several factors, including: Increased regional revenues or revenues as a result of economic recovery after the 2019 corona virus disease pandemic and more effective use of budgets.

Efficiency Ratio

The result of the calculation of the regional financial efficiency ratio is described as the inequality between the costs of generating the profit received. The results of this calculation are shown in the following table:

Year	Budget Realization	Revenue Realization	Presentation %
2018	2.571.591.786.199	3.397.309.517.811	75,36%
2019	3.252.540.610.057,16	3.055.014.614.374,75	106,11%
2020	3.193.205.911.184	3.339.363.515.736	95,20%
2021	2.965.971.884.100	2.409.804.328.188	123,17%

Data source: <https://www.bandung.go.id/>, 2018-2021.

T
he
effic
ienc
y
ratio

of Bandung city government changes from time to time. The efficiency ratio of 75.36% in 2018 shows that local governments spend 75.36 for every Rp100 in revenue. In 2019, the efficiency ratio increased rapidly to 106.11%, which means that the local government spends a budget of 106.11 for every Rp100 of revenue. However, in 2020, the efficiency ratio fell again.

Bandung City Government has a fairly good overall efficiency ratio. The 100% efficiency ratio is below in 2019, 2021, indicating that local governments have succeeded in reducing operational costs. However, in 2018 and 2020, the 100% efficiency ratio was at the top, indicating that local governments need to optimize budget usage.

4. Conclusion

The analysis shows that the financial capability of the Bandung West Java government for the 2018-2021 fiscal year as a whole is good, with an independence ratio of 91.3%, an effectiveness ratio of 76%, and an efficiency ratio of 86.4%. The higher independence ratio illustrates the government's high financial ability to meet the needs of its own operations. The high value of independence ratio shows that the Bandung City government has a good ability to finance its own operations without expecting central and provincial government transfer funds.

The value of a high effectiveness ratio illustrates that the Bandung government has a good ability to realize revenue. A very high effectiveness ratio value shows that the government A high efficiency ratio shows that the Bandung City government can control costs well, so as to reduce budget expenditures. Although Bandung City's overall financial capabilities are good, the government must improve its efficiency ratio, which is currently still 86.4 percent. This can still be improved to achieve good financial capabilities in the future.

These are some recommendations to improve the level of efficiency of Bandung City government: Evaluation of the procurement process of goods and services to increase productivity and efficiency, as well as increase transparency and accountability of regional financial management, and optimize the utilization of regional assets. By improving the

efficiency ratio, the Bandung City government can save more budget and provide the best services to the local community.

5. References

- Fathah, R. N. (2017). Analisis Rasio Keuangan untuk Penilaian Kemampuan pada Pemerintah Daerah Kabupaten Gunung Kidul. *Ebbank*, 8(1), 33–48.
- Faud, M. R. (2016). *Analisis laporan keuangan pemerintah daerah*. Ghalia Indonesia.
- Fazlurahman, F., Fatriananda, C., & Jauhari, R. (2020). Analisis Kemampuan Keuangan Pemerintah Kota Bandung Sebelum Dan Setelah Mendapatkan Opini WTP Dari BPK. *Jurnal Ilmiah Ekonomi Global Masa Kini*, 11(1), 56–62.
- Halim, A., & Kusufi, M. S. (2007). *Akuntansi sektor publik: Akuntansi keuangan daerah*. Jakarta: Salemba Empat.
- Handayani, N. S., Deviyanti, D. R., & Syakura, M. A. (2019). Analisis kemampuan keuangan pemerintah daerah kabupaten dan kota di kalimantan timur. *Jurnal Ilmu Akuntansi Mulawarman (JIAM)*, 4(1).
- Honadle, B. W., Cigler, B., & Costa, J. M. (2003). *Fiscal health for local governments*. Elsevier.
- Maulina, F., & Rhea, R. (2019). Analisis Rasio Keuangan untuk Mengukur Kemampuan Keuangan Pemerintah Daerah (Studi Kasus pada Pemerintah Provinsi Kalimantan Barat). *Obis*, 2(1), 11–22.
- Nugraeni, N., Paramitalaksmi, R., & Wafa, Z. (2022). Rasio Efisiensi dan Rasio Keserasian untuk Menilai Kemampuan Pemerintah Daerah. *Naskah PUBLIKASI Program Studi Akuntansi*.
- Pangkey, I., & Pinatik, S. (2016). Analisis efektivitas dan efisiensi anggaran belanja pada dinas kebudayaan dan pariwisata provinsi Sulawesi Utara. *Jurnal EMBA: Jurnal Riset Ekonomi, Manajemen, Bisnis Dan Akuntansi*, 3(4).
- Puluhulawa, I. (2013). Pengaruh Pengelolaan Keuangan Daerah Terhadap Pelayanan Publik Pada Kantor Kas Daerah Propinsi Sulawesi Tengah. *Katalogis*, 1(7).
- Purwanti, E., & Noviyanti, E. (2022). Analisis Kemampuan Keuangan Daerah Pemerintah Kota Salatiga Tahun 2014-2018. *Among Makarti*, 14(2).
- Septyaningtyas, D. P., & Poerwati, R. T. (2022). Pengaruh Rasio Efisiensi, Kemandirian Keuangan, Kemampuan Keuangan Pemerintah Daerah Terhadap Financial Distress (Studi Empiris Kabupaten/Kota Provinsi Jawa Tengah Tahun 2018-2020). *JIMAT (Jurnal Ilmiah Mahasiswa Akuntansi) Undiksha*, 13(03), 984–990.
- Susanto, H. (2014). Analisis perkembangan kemampuan keuangan daerah dalam upaya mendukung pelaksanaan otonomi daerah di Provinsi Nusa Tenggara Barat. *Repository. Ut. Ac. Id. Https://Doi. Org/10.1017/CBO9781107415324*, 4.
- Susanto, H. (2019). Analisis rasio keuangan untuk mengukur kemampuan keuangan pemerintah daerah kota mataram. *Jurnal Distribusi-Jurnal Ilmu Manajemen Dan Bisnis*, 7(1), 81–92.
- Tumija, T., & Sinta, G. (2022). Analisis Rasio Keuangan Daerah dalam Mengukur Kinerja Keuangan Pemerintah Daerah Kabupaten Cilacap. *JEKP (Jurnal Ekonomi dan Keuangan Publik)*, 9(2), 61-78.