

Assessing the Financial Performance of Nias Local Government

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ABSTRACT

This research aims to evaluate the financial performance of the Nias Regency Regional Government based on financial report data from 2013 to 2022. The data collection method used is the documentation method, and data analysis is carried out using financial ratio analysis. The research results show that the financial performance of the Nias Regency Regional Government from 2013 to 2020 has several characteristics. The level of regional financial independence is still low with an average of 83.41%, but is in the high category. Nias Regency's regional autonomy also has a very low category with an average of 13.16%. The ratio of the degree of fiscal decentralization in Nias Regency is relatively low with an average of 10.88%. However, the effectiveness of Nias Regency's original regional income (PAD) from 2013 to 2022 is classified as very effective with an average of 108.46%. The regional original income (PAD) efficiency ratio shows a very efficient category with an average of 0.21%. The regional tax efficiency ratio is also classified as very efficient with an average of 2.43%. Meanwhile, the contribution ratio of regionally owned enterprises (BUMD) shows a fairly good contribution with an average of 11.31%. Overall, analysis of the financial reports of the Nias Regency Regional Government shows that their financial performance is quite good, effective and efficient.

Keywords: financial statement analysis, financial performance measurement, South Nias District government

1. Introduction

Statement on the purpose of study is to explain the types of government financial statements and their components, identify and integrate financial information contained in financial statements, assess the level of government accountability and transparency based on information in financial statements, and analyze accrual issues such as government spending, budget deficits, and fiscal policies based on financial statement data. Today, local governments have significant authority in administering all aspects of government activities, including planning, implementation, and evaluation. This happened as a result of the enactment of Law No. 32 of 2004 concerning Regional Government and Law No. 33 of 2004 concerning Financial Balance between the Central Government and Regional Government. The law was later replaced by Law No. 1 of 2022 concerning Financial Relations between the Central Government and Local Government. Local governments have the responsibility to improve community services and welfare evenly and fairly by optimizing local potential, including natural resources, human resources, and finance. Improving services and welfare to the community is an obligation of the local government that must be carried out evenly and fairly, by optimally regulating regional potential, both natural resources, human resources, and finance, the Nias Regional District Government in managing regional finances forms the organization and working procedures of regional apparatus, namely the Regional Financial and Asset Management Agency (BPKAD). [1]. Nias has been chosen as the research site because regional and economic development in the relatively remote area of Nias provides opportunities for research on regional development, economic development, and studies on poverty and social inequality.

The Regional Financial and Asset Management Agency has the task of carrying out the preparation and implementation of regional policies in the course of regional financial and asset management as stated in Regent Regulation Number 5 of 2014 Article 4. BPKAD is a regional financial management official who also acts as the regional general treasurer [2]. It can be said that changes in government in Nias follow changes in regional governance that apply nationally. At the time when Nias Regency had not been divided into 5 regencies/cities, there were 657 villages in it. These villages arose because of community alliances according to local law, each of which used to exist independently without a higher level of government. Since the beginning of independence, Indonesia has implemented a democratic system of government. In this system, people have the freedom to participate in the administration of government as rights and obligations as Indonesian citizens. The Government of Indonesia has the responsibility to achieve the state's goal, which is to improve the general welfare of the Indonesian people, as explained in the Preamble to the Law of the Republic of Indonesia Year 1945.

Economy Macro

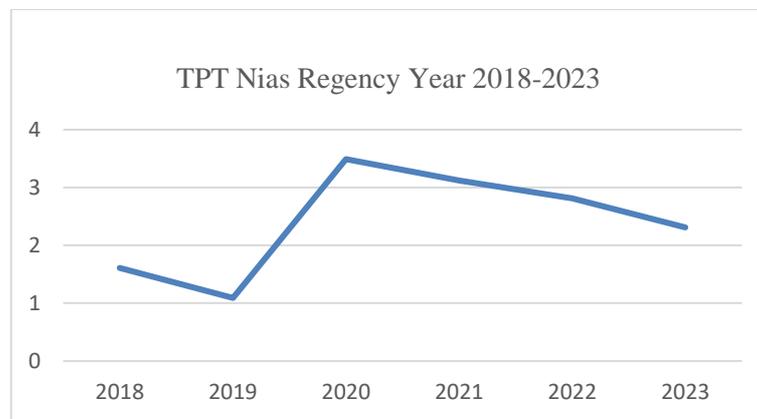
Nias Regency in North Sumatra, Indonesia, is influenced by agriculture, fisheries, tourism and industry. Agriculture is the main sector with the production of rice, corn, cassava, and coffee, chocolate, and coconut plantations. Fisheries involve fishing such as tuna and swallowfish, as well as the cultivation of whitefish, shrimp, and grouper. Tourism potential lies in the beautiful beaches and traditional culture of Nias tribe. The industrial sector is still developing, especially in food processing and traditional handicrafts. Infrastructure development is also important to facilitate economic growth. The government needs to encourage the development of these sectors through policies, infrastructure investment, human resource development, and tourism promotion, in order to encourage economic growth and welfare of local communities. What is often a problem that exists in the economy of every poor and developing country is unemployment. The higher the unemployment rate, and the HDI, it has an impact on how the Poverty Rate increases even though vice versa This phenomenon is not in line with [1] which

states that unemployment is found to have a positive influence and low HDI reflects a low level of population welfare.

Table 1. Unemployment, HDI, and Poverty of Nias Regency in 2018-2023

Year	Unemployment	IPM	Poverty
2018	1.61%	60.82%	22.61%
2019	1,09%	61.65%	22.20%
2020	3,49%	61.93%	23.12%
2021	3,12%	63.37%	24.33%
2022	2,81%	64.30%	23.22%
2023	2,31%	65.15%	21.99%

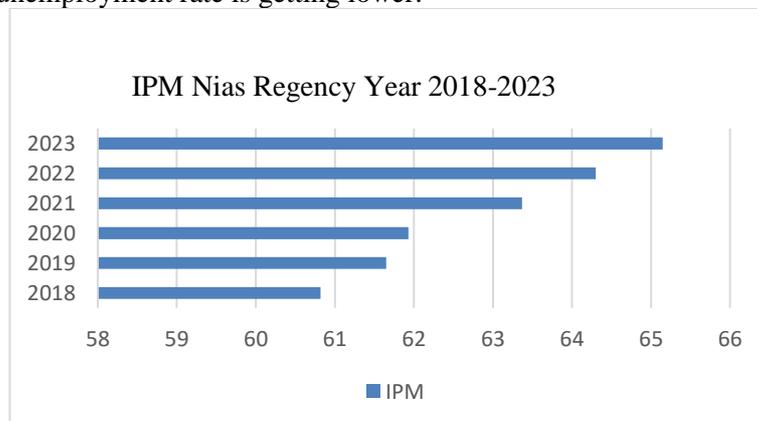
Source: [2]



Source: [3]

Figure 1. Open unemployment rate (TPT) 2018-2023

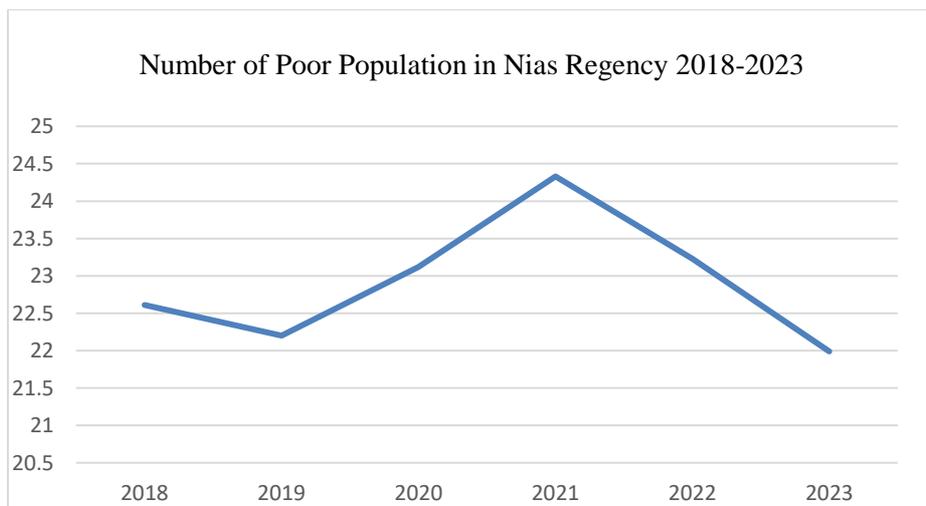
The open unemployment rate (TPT) is the percentage of the number of unemployed to the total labor force. The figure above shows a comparison of TPT Nias district from 2018-2023. Where the highest TPT occurred in 2020 while the lowest TPT occurred in 2019. The high TPT in Indonesia is generally caused by people who have not worked, are in college/school and looking for work, have just graduated from college / school and just want to find work, and people who have just stopped working, and are looking for work in the year. According to [4] [5] and this research is not in line with research conducted by [6] which states that the open unemployment rate is getting lower.



Source: [3]

Figure 2. Nias Human Development Index (HDI) 2018-2023

The Human Development Index (HDI) is a measure of human development achievements based on a number of basic components of quality of life. From the figure below, it can be concluded that the HDI of Nias Regency has increased significantly every year. The Human Development Index (HDI) measures human development achievements based on a number of basic components of quality of life. As a measure of quality of life, HDI is built through a basic three-dimensional approach. Such dimensions include longevity and healthy knowledge, and a decent life. As has been researched by [7] who said the Evaluation of Village Fund Allocation (ADD) in Supporting Village Development in Nias and is not in line with research [8] which states that HDI has not increased in development achievements.



Source: [3]

Figure 3. Number of Poor People in Nias Regency in 2018-2023

The number of poor people on Nias can be viewed as a condition where a person or group does not have the economic capacity to meet their basic needs, whether they are related to food or non-food, which is not measured solely on the basis of expenditure. The picture above shows a comparison of the number of poor people in Nias district from 2018-2023. Where the poverty rate of Nias Regency is highest in 2021, while the poverty rate of Nias Regency is the lowest in 2023. This research is important, considering the high poverty rate in Nias Islands. In addition, four of the five regions in the Nias Islands are designated as underdeveloped areas in Presidential Decree No. 63 of 2020. This research on the financial performance of local governments has been carried out by several researchers such as [4] which states that the level of financial independence is still very low, but it is different from research conducted by [10] which states that the level of financial poverty is still relatively moderate.

Literature Review

Regional Financial Independence Ratio

The regional financial independence ratio serves as an evaluation tool to measure the extent to which local governments are able to manage their finances independently without relying on revenue or funds from the central government or other parties. This ratio reflects the ability of local governments to finance operational and development expenditures using their own internal financial resources. One indicator that is often used to measure regional financial independence is the ratio of Regional Original Revenue (PAD) to total regional income. In addition, the self-reliance ratio also reflects the level of community participation in the regional development process. The self-reliance ratio also describes the level of community participation in regional development. The higher the independence ratio means that the level

of regional dependence on external assistance is getting lower and vice versa [4]. The calculation formula is:

$$\text{Independence Ratio} = \frac{\text{Realization of the total regional original revenue budget}}{\text{Total Transfer Income}} \times 100\%$$

Table 1. Benchmarks Regional Financial Independence Ratio

Level %	Monetary Capacity	Relationship Patterns
0%-25%	Very Low	Instructive
25%-50%	Very Low	Constructive
50%-75%	Keep	Partipative
75%-100%	Tall	Delegative

Source:

The higher this ratio number indicates that the higher the independence of an area [9]

Regional Autonomy Ratio

The level of regional dependence is an indicator that measures the extent to which a region is able to finance regional development activities through the optimization of Regional Original Revenue (PAD), which is calculated as a ratio between PAD and total Regional Budget (APBD) receipts without subsidies (Dana Perimbangan). The degree ratio of fiscal decentralization, on the other hand, is a financial ratio that reflects the ability of local governments to increase local revenues to finance development. This scale is to measure how much the total realization contribution of PAD is compared to the transfer income obtained [10]. The calculation formula is:

$$\text{Dependency Ratio} = \frac{\text{Total Transfer Income}}{\text{Total regional Income}} \times 100$$

Table 2. Benchmarks Regional Autonomy Ratio

Dependency %	Monetary Capacity
0-25%	Very Low
25%-50%	Low
50%-75%	Enough
75%-100%	Tall

Source:

The higher this ratio, the greater the level of dependence of local governments on central and/or provincial revenues [11]

Degree Ratio of Fiscal Decentralization

The degree ratio of fiscal decentralization is a measure that assesses the extent to which authority and responsibility in financial management are transferred from the central government to local governments. This can be calculated by comparing the amount of revenue collected and managed by local governments with the total revenue of the government as a whole. The higher this ratio, the greater the level of fiscal autonomy possessed by local governments.

$$\text{Degree of fiscal desentralization} = \frac{\text{Total PAD}}{\text{Total regional income}} \times 100\%$$

Table 3. Benchmarks Degree Ratio of Fiscal Decentralization

Level%	Information
0-10%	Very Low
10-30%	Low
31-40%	Enough
41-50%	Tall

Source:

The higher the Fiscal Decentralization, the lower the economic growth and vice versa [\[12\]](#)

Regional Original Revenue Effectiveness Ratio (PAD)

The local original revenue effectiveness ratio is a measure that indicates how efficient the local government is in collecting local original revenue (PAD) compared to the potential revenue that should be obtained. This ratio can be calculated by comparing the amount of local original revenue collected with the estimated potential local original income that can be obtained. Regional revenues from other sources come from funds sourced from state budget revenues and other legitimate sources of funds [\[13\]](#) The higher this ratio, the more effective local governments are in optimizing their local original revenues. The calculation formula is:

$$PAD \text{ effectiveness ratio} = \frac{\text{Total Realization of local original income}}{\text{Total regional original revenue budgeted}} \times 100\%$$

Table 4. Benchmarks Regional Original Revenue Effectiveness Ratio (PAD)

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

Source:

The higher the effectiveness ratio reflects the increasing financial capacity of the region [\[14\]](#)

Regional Original Revenue Efficiency Ratio (PAD)

This ratio measures the efficiency of local revenue management by comparing the total revenue collected with the total cost of collection. The higher this ratio, the more efficient the local government is in managing its local revenue. The way to find out the value of this efficiency is to analysis and calculate the difference between the amount of expenditure realization and the budget obtained by the local government. When the ratio value is lower, it shows that performance in government will be more efficient City [\[15\]](#). The calculation formula is:

$$PAD \text{ Efficiency} = \frac{PAD \text{ Acquisition Costs}}{\text{Realization PAD (local tax + Regional levies)}}$$

Table 5. Benchmarks Regional Original Revenue Efficiency Ratio (PAD)

Coefficient Level%	Monetary Capacity
<10%	Highly Efficient
10%-20%	Efficient
21%-30%	Quite Efficient
31%-40%	Less Efficient
>40%	Not Efficient

Source:

The smaller the efficiency ratio means the better the performance of local governments [16]

Local Tax Effectiveness Ratio

An important aspect of the local tax system is its contribution to local revenues. Local taxes provide a significant source of revenue for local governments to finance various public services such as infrastructure, education, and health. The purpose of measuring the PAD Effectiveness Ratio itself is to show the ability of local government implementation in terms of mobilizing PAD income according to what was the initial target [13]. The calculation formula is:

$$\text{Regional tax effectiveness Rasio} = \frac{\text{Realization of regional taxes}}{\text{Local tax}} \times 100\%$$

Table 6. Benchmarks Local Tax Effectiveness Ratio

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

Source:

The smaller the Regional Financial Efficiency Ratio means that the better the Financial Performance of the Local government [17]

Local Tax Efficiency Ratio

This ratio measures the ratio between the amount of tax collected by the local government and the estimated amount of tax that should be obtained. Local tax efficiency is a value calculated based on the percentage of collection costs [18]. The calculation formula is:

$$\text{Regional tax effectiveness Rasio} = \frac{\text{Local tax collection Costs}}{\text{Realization of regional taxes}} \times 100\%$$

Table 6. Benchmarks Local Tax Efficiency Ratio

Coefficient (%)	Monetary Capacity
<10%	Highly Efficient
10%-20%	Efficient
21%-30%	Less Efficient
31%-40%	Less Efficient
>40	Inefficient

Source:

The smaller the value of this ratio, the more efficient the performance of a region in implementing government [9]

BUMD Contribution Degree Ratio

The ratio of the degree of contribution of BUMD reflects the extent to which Regional Owned Enterprises (BUMD) play a role in advancing the regional economy. This ratio measures the ratio between the revenue or profit generated by BUMD with the total revenue or profit generated by all economic sectors in the area. The higher the ratio of BUMD contribution degrees, the higher the local original income [19]. The calculation formula is:

$$\text{Rasio degree of BUMD} = \frac{\text{BUMD profits}}{\text{Realization of PAD}} \times 100\%$$

Table 7. Benchmarks BUMD Contribution Degree Ratio

Contribution Classification	Criterion
<0%	Not Contributing
0% - 10%	Contribute Very Low
10%-30%	Low Contribution
31%-40%	Simply Contribute
41%-50%	High Contribution
>50%	Very High Contribution

Source: [20]

2. Method

This research method uses a quantitative descriptive approach that analysis financial information that has been audited by BPK Sumut. Quantitative descriptive research is research that describes, examines and explains a phenomenon with data (numbers) as it is without intending to test a certain hypothesis [22]. The data is analysis based on expert opinions, which states that the research method is a quantitative descriptive approach where the data is collected through documentation techniques and calculation of the weight of financial data and the results of the analysis are depicted in the context of the actual situation on the ground to provide a basis for decision-making about the financial performance of local governments. Financial statement analysis is used to evaluate the problems and opportunities contained in the financial statements. The analysis of financial performance in this study aims to provide information about local government finances as an important factor in decision making and assessment. Some of the proportions to be analysis include Regional Financial Autonomy, Regional Financial Independence, Fiscal Decentralization Measures, Regional Original Revenue (PAD) Effectiveness, PAD Efficiency, Regional Fiscus Effectiveness, Regional Fiscus Efficiency, and Contribution Measures of Regional Owned Enterprises (BUMD).

3. Results and Discussion

Regional Autonomy Ratio

The regional autonomy scale is used to estimate the contribution of local original income (PAD) proportional to the transfer income received by Nias district each year. This research revealed that the average financial autonomy ratio of Nias Regency from 2013-2022 was in the Very low category. The higher this ratio, the greater the level of dependence of local governments on the central government [4]. If the ratio is small, it means that the total realization contribution of PAD is very low to regional revenues, this means that the Nias district government always expects from the center to cover the operational costs of running the Nias district government. From the results of observations during 2013-2022, the ratio is on a scale of 0%-25% with a very low category with an instructive relationship pattern.

Table 8. Regional Autonomy Ratio

Year	Realization of	Transfer Earnings	Race	Financial Capabilities
2013	44.726.140.940,93	418.424.187.243,00	10.69%	Very Low
2014	65.082.210.841,36	450.003.985.037,00	14.46%	Very Low
2015	70.892.590.607,92	608.246.044.556,00	11.66%	Very Low
2016	82.840.434.008,95	731.036.152.945,00	11.33%	Very Low
2017	95.726.167.744,20	599.493.520.084,00	15.97%	Very Low
2018	88.754.606.114,77	611.725.678.757,00	14.51%	Very Low
2019	107.639.139.179,52	824.114.907.846,00	13.06%	Very Low
2020	103.755.392.881,74	747.492.983.268,00	13.88%	Very Low
2021	103.944.559.551,26	744.068.439.978,00	13.97%	Very Low
2022	100.574.354.406,88	830.055.046.589,00	12.12%	Very Low
Everage	86.393.559.627,75	656.466.094.630,30	13.16%	Very Low

Source: [21]

Regional Financial Independence Ratio

Below table showing the independence ratio of the Nias Regency Regional Government.

Table 9. Regional Financial Independence Ratio

Year	Transfer Earnings	Regional Revenue	Race	Indicator
2013	418.424.187.243,00	463.150.328.183,93	90.34%	Tall
2014	450.003.985.037,00	515.836.195.878,36	87.24%	Tall
2015	608.246.044.556,00	691.021.858.641,92	88.02%	Tall
2016	731.036.152.945,00	818.455.989.241,95	89.32%	Tall
2017	599.493.520.084,00	870.868.735.873,20	68.84%	Keep
2018	611.725.678.757,00	901.833.538.568,77	67.83%	Keep
2019	824.114.907.846,00	964.445.047.025,52	85.45%	Tall
2020	747.492.983.268,00	891.842.456.149,74	83.81%	Tall
2021	744.068.439.978,00	884.742.401.671,26	84.10%	Tall
2022	830.055.046.589,00	930.629.400.995,88	89.19%	Tall
Everage	656.466.094.630,30	793.282.595.223,05	83.41%	Tall

Source: [21]

Research reveals that the independence of the Nias Regency Regional Government has increased from 2013 to 2022. In 2013, the regional financial independence ratio had the lowest value of 67.83%, while in 2013 it reached the highest value of 90.34%. However, there was a significant decrease in 2018, where the value of the independence ratio fell from 67.83% to 68.84%, or a decrease of 1.01%. Despite the overall increase, the average value of the regional financial independence ratio of Nias Regency is still relatively high. The scale of regional financial independence is calculated by comparing the total transfer income received by regional income with total regional income [22].

Fiscal Decentralization Degree Ratio

Table 10. Fiscal Decentralization Degree Ratio

Year	Native Income of the Region	Regional Revenue	Race	ndicator
2013	44.726.140.940,93	463.150.328.183,93	9.66%	Very Low
2014	65.082.210.841,36	515.836.195.878,36	12.62%	Low
2015	70.892.590.607,92	691.021.858.641,92	10.26%	Low

2016	82.840.434.008,95	818.455.989.241,95	10.12%	Low
2017	95.726.167.744,20	870.868.735.873,20	10.99%	Low
2018	88.754.606.114,77	901.833.538.568,77	9.84%	Low
2019	107.639.139.179,52	964.445.047.025,52	11.16%	Low
2020	103.755.392.881,74	891.842.456.149,74	11.63%	Low
2021	103.944.559.551,26	884.742.401.671,26	11.75%	Low
2022	100.574.354.406,88	930.629.400.995,88	10.81%	Low
Everage	86.393.559.627,75	778.021.839.026,07	10.88%	Low

Source: [21]

This scale is used to measure the level of fiscal decentralization in generating local original revenue (PAD) by comparing the original revenue of the area with the total regional revenue the higher the value, the more table 5. Local Original Revenue Effectiveness Ratio (PAD) optimal the local government in obtaining local original revenue, but based on observations from 2013-2022 the ratio of fiscal decentralization of Nias district can be categorized as low.

Regional Original Revenue Effectiveness Ratio (PAD)

Table 11. Regional Original Revenue Effectiveness Ratio (PAD)

Year	Realization of PAD	PAD Budget	Race	Financial Capabilities
2013	44.726.140.940,93	42.342.411.000,00	105.63%	Highly Effective
2014	65.082.210.841,36	64.391.074.046,00	101.07%	Highly Effective
2015	70.892.590.607,92	68.357.829.183,00	103.71%	Highly Effective
2016	82.840.434.008,95	74.265.040.188,00	111.55%	Highly Effective
2017	95.726.167.744,20	86.904.610.549,00	110.15%	Highly Effective
2018	88.754.606.114,77	92.004.061.426,00	96.47%	Quite Effective
2019	107.639.139.179,52	94.733.312.780,00	113.62%	Highly Effective
2020	103.755.392.881,74	97.762.243.711,00	106.13%	Highly Effective
2021	103.944.559.551,26	83.505.748.976,00	124.48%	Highly Effective
2022	100.574.354.406,88	89.951.184.517,00	111.81%	Highly Effective
Everage	86.393.559.627,75	79.421.751.637,60	108.46%	Highly Effective

Source: [21]

The Regional Original Revenue (PAD) effectiveness ratio describes the ability of local governments to achieve planned revenue targets based on regional economic potential. The results showed that the effectiveness ratio of PAD Nias Regency fluctuated during the period 2013-2022. In 2021, the effectiveness ratio of PAD reached its peak with a figure of 124.48%, while in 2018 it recorded the lowest figure of 96.47%. Although fluctuating, the average effectiveness ratio of Nias Regency PAD is categorized as Very effective.

PAD Efficiency Ratio

Table 12. PAD Efficiency Ratio

Year	PAD Acquisition	Realization of PAD	Race	Financial
2013	136.392.885,00	44.726.140.940,93	0.30%	Highly Efficient
2014	0,00	65.082.210.841,36	0.00%	Highly Efficient
2015	247.922.380,00	70.892.590.607,92	0.35%	Highly Efficient
2016	288.439.845,00	82.840.434.008,95	0.35%	Highly Efficient
2017	308.744.460,00	95.726.167.744,20	0.32%	Highly Efficient
2018	313.703.495,00	88.754.606.114,77	0.35%	Highly Efficient

2019	400.337.525,00	107.639.139.179,52	0.37%	Highly Efficient
2020	0,00	103.755.392.881,74	0.00%	Highly Efficient
2021	0,00	103.944.559.551,26	0.00%	Highly Efficient
2022	0,00	100.574.354.406,88	0.00%	Highly Efficient
Average	169.554.059,00	84.817.915.763,41	0.21%	Highly Efficient

Source: [\[21\]](#)

The measurement of the efficiency ratio of Local Original Revenue (PAD) has importance in evaluating the amount of costs incurred by local governments to obtain realized revenue. This ratio is calculated by comparing the costs incurred by local governments with the revenues successfully obtained from PAD. The research findings show that the efficiency of Nias Regency PAD has varied during the period 2013-2022, with fluctuations between increases and decreases each year. It was noted that the highest point occurred in 2019 with a percentage of 0.37%, while the lowest percentage was recorded in 2014, 2020, 2021, and 2022 at 0.00%. Although the efficiency of PAD has fluctuations, the overall value of the efficiency ratio of Nias Regency PAD is included in the category of Very efficient.

Local Tax Effectiveness Ratio

Table 13. Local Tax Effectiveness Ratio

Year	Realization of Regional	Regional Fiscus Budged	Race	Financial
2013	4.830.738.787,00	3.253.000.000,00	148.50%	Highly Effective
2014	3.961.669.273,00	3.443.000.000,00	115.06%	Highly Effective
2015	5.275.453.482,00	4.413.000.000,00	119.54%	Highly Effective
2016	7.062.252.388,44	5.347.870.000,00	132.06%	Highly Effective
2017	7.079.590.530,00	5.005.000.000,00	141.45%	Highly Effective
2018	5.224.750.000,00	8.383.136.734,42	62.32%	Highly Effective
2019	8.635.779.993,64	5.899.603.276,00	146.38%	Highly Effective
2020	5.980.155.987,05	6.086.829.345,00	98.25%	Quite Effective
2021	6.886.385.112,94	3.880.735.058,00	177.45%	Highly Effective
2022	8.221.429.503,93	5.613.014.998,00	146.47%	Highly Effective
Average	6.315.820.505,80	5.132.518.941,14	128.75%	Highly Effective

Source: [\[21\]](#)

Analysis of the effectiveness of local taxes is an evaluation that describes the ability of local governments to achieve planned local original revenues, compared to targets set based on the real potential of the region. Research findings show that the value of Nias Regency's local tax effectiveness ratio varies during the period 2013-2022, with fluctuations between increases and decreases each year. In 2021, there was a significant increase with the effectiveness ratio value reaching 177.45%, or an increase of 79.2% compared to the previous year. However, in 2020, there was a drastic decrease with an effectiveness ratio value of 98.28%, which was the lowest value during that period. Although the value of local tax effectiveness varies, overall the average value of the local tax effectiveness ratio of Nias Regency is still classified as a very effective category.

Tax Efficiency Ratio

Table 14. Tax Efficiency Ratio

Year	Collection Fee	Realization of	Race	Financial
2013	136.392.885,00	4.830.738.787,00	2.82%	Highly Efficient
2014	0,00	3.961.669.273,00	0.00%	Highly Efficient
2015	247.922.380,00	5.275.453.482,00	4.70%	Highly Efficient
2016	288.439.845,00	7.062.252.388,44	4.08%	Highly Efficient
2017	308.744.460,00	7.079.590.530,00	4.36%	Highly Efficient
2018	313.703.495,00	8.383.136.734,42	3.74%	Highly Efficient
2019	400.337.525,00	8.635.779.993,64	4.64%	Highly Efficient
2020	0,00	5.980.155.987,05	0.00%	Highly Efficient
2021	0,00	6.886.385.112,94	0.00%	Highly Efficient
2022	0,00	8.221.429.503,93	0.00%	Highly Efficient
Average	169.554.059,00	6.455.018.032,05	2.43%	Highly

Source: [21]

The efficiency of local government performance in local tax collection is measured by a ratio value smaller than 10%, which indicates a better level of efficiency. Research findings show that the value of the regional tax efficiency ratio of Nias Regency varies during the period 2013-2022, with fluctuations between increases and decreases each year. In 2019, the efficiency ratio value reached 4.64%, which shows the lowest level of efficiency compared to previous years. While the lowest regional tax efficiency ratio value occurred in 2014, 2020, 2021, 2022 with a value of 0.00%, indicating the highest level of efficiency. As well as the average local tax efficiency ratio is in the Highly Efficient category. The second research objective is the extent of the ratio of regional tax efficiency and regional levy efficiency [6].

BUMD Contribution Degree Ratio

Table 15. BUMD Contribution Degree Ratio

Year	Good BUMD	Realization of PAD	Race
2013	7.843.361.970,00	44.726.140.940,93	17.54%
2014	6.096.676.173,57	65.082.210.841,36	9.37%
2015	9.562.922.460,00	70.892.590.607,92	13.49%
2016	9.501.202.685,00	82.840.434.008,95	11.47%
2017	10.780.869.649,00	95.726.167.744,20	11.26%
2018	11.688.732.720,00	88.754.606.114,77	13.17%
2019	10.052.195.755,00	107.639.139.179,52	9.34%
2020	7.233.684.142,00	103.755.392.881,74	6.97%
2021	10.531.786.799,00	103.944.559.551,26	10.13%
2022	10.466.660.712,00	100.574.354.406,88	10.41%
Average	9.375.809.306,56	86.393.559.627,75	11.31%

Source: [21]

The ratio of the degree of contribution of BUMD is a useful indicator in evaluating the contribution of regional companies to regional revenues. This ratio is calculated by comparing regional revenues from segregated regional wealth management with total Regional Original Revenue receipts. Based on the research findings, there was a general decrease in the value of the ratio of the degree of contribution of BUMD Nias Regency during the period 2013-2022. However, in 2013, the ratio of the degree of contribution of BUMD of 17.54% was the

highest ratio. Meanwhile, the value of the BUMD Contribution ratio occurred in 2019 at 9.34%. The ratio of the degree of contribution of BUMD Nias Regency from 2013 to 2022 can be said to contribute well.

Discussion

Based on the calculation of the regional financial ratio of Nias Regency, it was obtained that the PAD level increased every year from 2018-2022 and the ratio was directly proportional to the PAD level. Although PAD has increased from 2018-2022 this has not been able to change the category of the independence ratio to move to a better number, in 2018 the PAD level decreased and increased again in 2019-2022, meaning the low level of financial ability of the Nias Regency government in self-financing, development, government activities, and services to the community as well as the absence of significant community participation in paying taxes and levies. This is in line with: research conducted by [18] and [23] which stated that the level of financial independence of the Medan Region studied was in the High Category. in line with the research conducted by [24] which stated that the level of regional independence in the TAPUT expansion district was very high. The implication of this result is the need for more intensive efforts from the Nias Regency government to increase self-reliance. regional finance, both through increasing PAD and community participation in paying taxes and levies. This is important to support better development and public services in Nias Regency.

The ratio of Nias Regency's regional autonomy to fund transfers in 2013-2022 is categorized as a very low monetary capacity with an average of 13.16%. This means that the Nias Regency government in funding development in the last 10 years still has to be financed from the results of transfers/central funds. Although recorded in the government's financial statements, PAD has increased. So this study is not in line with [25] and [26] which states that the higher this ratio, the greater the level of dependence of local governments on the central government and/or provincial governments. The implication of this condition is the need for more intensive efforts from the Nias Regency Government to increase regional financial independence, for example through optimizing the potential of PAD, increasing budget efficiency, and developing the local economy. This is important so that Nias Regency can reduce its dependence on fund transfers from the central government and finance development and public services more independently.

The decentralization ratio in Nias Regency is in the low category. Nias Regency in terms of monetary capacity can be said to be low with an average ratio of 10.88%. This shows that Nias Regency has a very low income level when compared to the maximum efforts that have been made. So this study is in line with [27] and [28] who said that the ratio of the level of fiscal decentralization in Jambi City is categorized as very low and with a very weak position. Overall, the low decentralization ratio indicates the need for more systematic and sustainable efforts from the Nias Regency Government to increase regional financial capacity and strengthen fiscal autonomy.

The effectiveness and efficiency of Regional Original Revenue (PAD) which is categorized as very efficient is 108.67%, meaning that the Nias Regency government is quite optimal in managing regional taxes and regional levies, because regional taxes and regional levies are included in the elements involved in PAD, this is in line with research [11] which states that the higher the effectiveness ratio, the better the regional capabilities. and research [29] stated that the management of PAD in South Labuhan District is very efficient, meaning that the cost incurred to obtain PAD is much smaller than the realization of PAD acquisition. Implications overall, the results of the excellent effectiveness and efficiency of PAD in Nias Regency show the potential to increase regional financial independence, so that it can strengthen the ability of the Nias Regency Government to carry out government and development functions.

The contribution of BUMD to the PAD of Nias Regency in 2013-2022 is in the average range per year of 11.31%, so it can be said that the level of contribution of BUMD is low. The contribution of BUMD Nias Regency from 2013-2022 is unstable or changes every year (fluctuating). Optimization of BUMD's contribution to regional economic growth has not been achieved, with BUMD being one of the main contributors to Regional Original Revenue (PAD), but has not been able to support the fiscal independence of a region. In fact, the regional economy still depends on transfer funds from the central government. So this study is not in line with [30] which states that the higher this ratio has an impact on increasing regional income. The main implication that needs to be considered is the need to improve and optimize the role of BUMD in supporting PAD and fiscal independence of Nias district.

4. Conclusion

Based on the calculation of existing ratios, it can be seen that the level of regional financial independence of Nias Regency in 2013-2022 has an average of 83.41%, which shows a high level of independence. Similarly, the level of regional autonomy, which has an average of 13.16% and is included in the very low category. The ratio of degrees of fiscal decentralization is also low, with an average of 10.88%. However, the effectiveness of Nias Regency Local Original Revenue (PAD) is very effective, with an average of 108.46%, while the efficiency is very efficient with an average of 0.21%. The effectiveness of local taxes is also quite high, with an average of 128.75%, while the efficiency rate is quite low with an average of 2.43%. The contribution of Regional Owned Enterprises (BUMD) with an average of 11.31%, it can be said that the contribution of BUMD contributes well. Thus, it can be concluded that the financial capacity of the local government of Nias Regency is still not ideal.

Nias Regency has the potential to increase Local Original Revenue (PAD) by using its resources. In the future, Nias district government needs to improve financial quality and performance, especially in managing local revenue to be more effective. Continuous evaluation of expenses also needs to be done more efficiently. One way the government can optimize revenue is by strengthening the process of collecting regional levies, such as accelerating the preparation of regional regulations and adjusting levy rates in accordance with economic development. The government should also strengthen the role of village heads as leaders and key actors in disseminating development information. The construction of effective communication networks is also important, focusing on discussion materials related to substantial and innovative development information. In increasing tax revenue, the local government of Nias Regency needs to improve data administration by utilizing technology to create an integrated system that can detect non-compliant taxpayers. Tax socialization through online media also needs to be carried out in accordance with the latest trends to increase taxpayer awareness in paying taxes. Nias local governments should also look for other alternatives that are more efficient in tax collection to minimise acquisition costs. In addition, the government needs to regularly evaluate loan interest rates and deposit rates to attract customers and increase profits of Regional Owned Enterprises (BUMD)

Acknowledgment

In particular, the researcher would like to thank the Public Sector Accounting Lecturers at Indonesian Methodist University, who have given their time, energy and attention in providing assistance during this research process.

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