Evaluation of Regional Government Financial Performance through a Financial Ratio Approach: An Empirical Study in Jayawijaya Regency 2013–2023

Abraham Busiara[1]*, Mesak Iek[2], Halomoan Hutajulu[3]
Magister Ilmu Ekonomi, Universitas Cenderawasih, Jayapura, Papua, Indonesia
Email : abanglionel10@gmail.com

Abstract. This study analyzes the financial performance of the Jayawijaya Regency Government from 2013 to 2023 using key financial ratios: autonomy, effectiveness, growth, and efficiency. The research employs a mixed-method approach, combining quantitative analysis of budget realization data with qualitative insights from key informants. The results show that while the effectiveness of locally generated revenue (PAD) was high averaging 166.38% the autonomy ratio remained critically low at 6.44%, reflecting substantial dependence on central transfers. Growth in revenue and expenditure was also suboptimal, falling below 30%, while efficiency ratios hovered around 99%, indicating limited fiscal flexibility. Strategic responses identified include digital tax reform, diversification of PAD sources, and creation of local enterprises. Despite promising policy directions, structural limitations such as geographic isolation and administrative capacity remain major obstacles. The study concludes that sustainable fiscal management in special autonomy regions requires not only technical effectiveness but also systemic reforms in institutional governance and local economic empowerment. The findings offer a valuable reference for policymakers seeking to enhance regional financial resilience in Indonesia's decentralized governance framework.

Keywords: *Financial Performance Evaluation, Financial Ratio Analysis, Regional Government* (*Jayawijaya Regency*)

INTRODUCTION

The financial performance of local governments is an important indicator in realizing effective, transparent, and accountable governance. In the context of Indonesia's decentralized financial system, evaluating the efficiency, effectiveness, independence, and growth of local financial management has become an integral part of regional development strategies. This is emphasized by national regulations, especially the Regulation of the Minister of Home Affairs No. 27 of 2021, which provides comprehensive guidelines for managing local finances and sets certain financial ratios as performance indicators. These ratios of autonomy, effectiveness, efficiency, and growth offer measurable metrics to assess how well local governments allocate and manage their financial resources to meet public service delivery goals and regional development targets.

Financial performance is also closely related to the principles of transparency and accountability. Based on Government Regulation Number 12 of 2019, local governments are required to report their financial activities periodically and openly, so that the public can evaluate the results of governance. Performance must reflect the optimal use of financial resources to achieve targeted development programs as stated in the medium-term development plan (RPJMD) and the annual regional work plan (RKPD). Efficiency in this case refers to the government's ability to produce maximum output with minimal financial input, while autonomy measures the extent to which local governments can maintain their operations independently from central government transfers.

Despite the regulatory framework in place, many local governments in Indonesia still face challenges in achieving full fiscal autonomy. The case of Jayawijaya Regency, located in the Papua Mountains, a region granted special autonomy status illustrates these challenges. Until 2020, Jayawijaya had received an Unqualified Opinion (WTP) from the Audit Board of Indonesia (BPK) on its financial statements, indicating compliance with appropriate accounting standards.

However, fiscal data tells a different story: the financial independence ratio was only 4.83% in 2020, indicating that less than 5% of total revenue was generated from local revenue (PAD). This heavy dependence on intergovernmental transfers underscores the vulnerability of the region's fiscal position.

The core research problem discussed in this study revolves around understanding the financial performance of the Jayawijaya Regency Government by examining four main financial ratios: autonomy, effectiveness, growth, and efficiency during the period 2013–2023. Although the WTP audit opinion is positive, a deeper analysis of these financial ratios reveals inconsistencies in fiscal health and sustainability. Of particular concern is the consistency of the classification of the financial autonomy ratio under the "instructive" relationship pattern, where the influence of the central government dominates the regional fiscal operations. In addition, the growth in regional spending has not resulted in a proportional increase in infrastructure or public services.

Previous studies have highlighted various dimensions of regional financial performance using similar analytical frameworks. For example, Rindang Arumdari's (2019) study in Medan focused on financial effectiveness and independence, while Arfan Pasetya (2019) evaluated budget realization in OKI Regency using financial ratio analysis. Other studies, such as Syafia Nurul Aeni's (2020) and Norma's (2020) studies, explored financial efficiency and effectiveness in various regencies, but often did not comprehensively integrate the four main ratios. What distinguishes the current study is its longitudinal scope, breadth of analysis, and combination of quantitative data and qualitative insights through interviews.

The particular context of Jayawijaya offers a fertile ground for case studies, especially given its geopolitical uniqueness and the socio-economic challenges it faces. The district has potential in sectors such as tourism, agriculture, and local business development, but these potentials have not been effectively utilized to increase local revenues. Existing literature provides a framework for understanding the theoretical relationship between good financial management practices and increased regional autonomy, but has not fully examined the dynamic interactions between fiscal policy, performance, and strategic planning in remote and special autonomous regions such as Jayawijaya.

The literature reviewed in this study including government regulations, academic research, and financial reports shows a consistent need for a stronger strategy to improve fiscal health. The consistent low performance in the autonomy ratio is in stark contrast to the high PAD effectiveness score, which averaged 166.38% between 2013 and 2023. However, this effectiveness is largely driven by conservative target setting rather than actual economic expansion. Similarly, the financial growth ratio remains below 30%, indicating stagnation in regional fiscal development despite increasing central transfers.

The main objective of this study is to analyze the financial performance of Jayawijaya District Government from 2013 to 2023 through a detailed assessment of financial ratios of autonomy, effectiveness, efficiency, and growth and identify strategic pathways to improve its financial management capacity. The novelty of this study lies in the integration of time series data with strategic insights obtained from key stakeholders, which offers a comprehensive picture of fiscal performance and institutional constraints. This study also seeks to contribute to regional development planning by recommending practical and evidence-based strategies to strengthen regional fiscal resilience and reduce dependence on central government funding.

METHOD

Research Design

This study uses a quantitative descriptive research design, which aims to objectively describe the condition of financial performance using statistically processed numerical data. This approach is suitable for measuring the financial performance of the Jayawijaya Regency Government based on established financial ratio indicators. Through this method, this study aims to assess the actual financial position of the local government by comparing the components of income and expenditure over a certain period of time, from 2013 to 2023.

The quantitative orientation is complemented by qualitative descriptive components, particularly in the analysis of fiscal development strategies. This is achieved through structured interviews and document analysis, which allows researchers to draw conclusions beyond the figures presented in the financial statements. Such a mixed methods approach enhances the depth of analysis and the relevance of strategic recommendations.

Data source

This study uses primary and secondary data sources.

Primary data were obtained through semi-structured interviews with informants directly involved in the financial management of Jayawijaya Regency. The informants included officials of the Regional Financial and Asset Management Agency (BPKAD), regional inspectorates, and other regional government offices (OPD) that have related authorities in budget planning and implementation. Interviews were conducted in a focused but flexible manner, allowing for deeper exploration of the process of making regional fiscal policies and strategies.

Secondary data Consists of official documents such as the Regional Revenue and Expenditure Budget Realization Report (APBD) for the 2013 to 2023 fiscal years. These documents are sourced from the BPKAD Jayawijaya archives, the Central Statistics Agency (BPS), and the DJPK (Directorate General of Fiscal Balance) database. These financial reports provide basic data for calculating financial ratios, including Regional Original Income (PAD), central government transfers, spending, and budget targets.

Indicators and Ratio Formulas

Four main financial ratios are used as performance indicators:

The Financial Autonomy Ratio measures the extent to which a region can finance its activities independently from central government funds. The calculation is as follows:

$$\text{Otonomi Keuangan}: \frac{\text{PAD}}{\text{Transfer Pusat} + \text{Pinjaman}} \text{ x } 100\%$$

Effectiveness Ratio assesses the success of revenue realization in meeting PAD targets. The formula is:

$$\text{Rasion Efektivitas} = \frac{\text{Realisasi PAD}}{\text{Target PAD}} \text{ x } 100\%$$

Growth Ratios evaluate changes in revenue or expenses year over year:

$$\text{Rasio Pertumbuhan} = \frac{\text{PAD}_n - \text{PAD}_{n-1}}{\text{PAD}_{n-1}} \text{ x } 100\%$$

Efficiency Ratio compares total expenses to total revenue:

$$\text{Rasio Efisiensi} = \frac{\text{Pengeluaran}}{\text{Pendapatan}} \times 100\%$$

This ratio follows national standards based on the guidelines of the Ministry of Home Affairs (Permendagri No. 27 of 2021) and is consistent with practices applied in other regional financial performance studies.

Informant Selection and Interview Procedures

The selection of informants was carried out using purposive sampling, a non-probability sampling method that targets individuals based on their relevance to the research objectives. This approach ensures that data are obtained from those who best understand financial management in the region. Interviews involved three key figures from BPKAD and the regional inspectorate, all of whom were directly involved in the planning, budgeting, and financial auditing processes of the regional government.

Interviews were conducted in a semi-structured manner, allowing researchers to stay focused on pre-determined topics while allowing for new insights to emerge. This method is effective for exploring institutional dynamics, policy considerations, and internal perceptions of fiscal challenges. It also allows for triangulation of findings from documentary data.

Data Analysis Techniques

Data analysis was conducted using descriptive analytical methods, focusing on four key financial ratios. The main objective was to identify patterns and trends over the 11-year period studied, using tables and visual aids to facilitate interpretation. The results of the financial ratios were classified into several categories such as “instructive” for low autonomy or “very effective” for PAD realization above 100% based on accepted national benchmarks.

In the qualitative section, data from the interviews were analyzed thematically. Thematic coding allowed the identification of recurring themes related to strategic planning, institutional constraints, and reform initiatives. The integration of quantitative and qualitative data ensured a comprehensive view of Jayawijaya's financial performance, highlighting not only the numerical results but also the institutional realities behind them.

RESULTS AND DISCUSSION

Results

Financial Autonomy Ratio Analysis

The financial autonomy ratio reflects the ability of local governments to finance their operations using their own revenues without relying too much on central transfers. From 2013 to 2023, Jayawijaya Regency's autonomy ratio remained low, averaging only 6.44%, far below the national independence benchmark. As shown in Table 5.1, this performance indicates a persistent instructional relationship with the central government, with Jayawijaya relying primarily on central transfers and loans rather than on self-generated revenues.

The data shows that despite slight fluctuations, Jayawijaya's financial structure is heavily dominated by dependency. For example, in 2013, only 4.00% of total revenue came from local revenue (PAD) sources, while the rest consisted of transfer funds. In 2023, this figure only slightly improved to 5.34%. This level of fiscal dependency highlights the critical need to restructure revenue strategies by increasing PAD collection and expansion.

These figures reflect structurally weak fiscal capacity in less developed or geographically constrained regions. Jayawijaya’s remote location, limited infrastructure, and underdeveloped economic base likely contributed to this poor performance, further exacerbating its fiscal vulnerabilities.

Effectiveness of Local Original Revenue (PAD) Collection

Despite its low autonomy, Jayawijaya Regency shows very high effectiveness in collecting PAD. As shown in Table 5.2, the average effectiveness ratio from 2013 to 2023 is 166.38%, a level that is classified as "very effective". This means that the revenue collected often far exceeds the PAD target set in the annual budget.

For example, in 2014, Jayawijaya achieved an effectiveness of 294.32%, and in 2023, the ratio reached almost 300%. However, this extraordinary effectiveness is partly due to the low benchmark target. Rather than reflecting real improvements in the tax collection system or economic expansion, these results indicate that performance is driven by overly conservative PAD targets.

Even with a strong realization record, this should be interpreted with caution. The upward trajectory of the effectiveness ratio masks a deeper stagnation in PAD growth, which will be discussed in the next section. For sustainable revenue development, regions must not only exceed their targets but also increase them strategically and develop policies for real economic empowerment.

Financial Growth Performance

Growth is an important indicator of a region's ability to strengthen its fiscal position over time. Jayawijaya's performance in this regard has not been optimal. The average PAD growth from 2013 to 2023 was 18.70%, which is included in the "unsuccessful" category (<30%) as presented in Table 5.3. In addition, the average growth in total revenue during the same period was 9.17% (Table 5.4), and spending growth was 10.28% (Table 5.5), both below the optimal threshold.

The most notable positive spike occurred in 2014, when PAD grew by 106.42%, following a major increase in regional revenue from IDR30 billion to IDR62 billion. However, in subsequent years, growth has stagnated or declined. For example, PAD fell by 33.88% in 2019 and fell again by 32.49% in 2021. This volatility reflects systemic vulnerabilities, including inadequate tax base expansion, limited economic diversity, and excessive reliance on external variables such as national transfers and aid.

The data also reveal a structural symmetry between revenue and expenditure: as revenue increases, expenditure increases without generating a significant surplus. This cyclical pattern suggests that expenditure planning is more reactive than strategic, limiting fiscal flexibility and resilience.

Efficiency in Financial Management

The efficiency ratio measures the extent to which a local government utilizes available revenue to cover expenditures. The ideal efficiency ratio is below 100%, indicating that the government spends less than it earns. Jayawijaya's average efficiency ratio from 2013 to 2023 was 99.09%, which categorizes it as "less efficient."

As shown in Table 5.6, although the ratio remained close to 100% for most years, it occasionally exceeded this threshold, such as in 2015 (102.77%) and 2017 (105.05%), implying a fiscal deficit. The region's inability to maintain a consistently low efficiency ratio reflects poor cost-control mechanisms and inadequate revenue-raising policies.

While not particularly high, the 99.09% ratio does not leave much room for fiscal maneuver. It shows that almost all of the revenue collected is used for expenditure, leaving little room for development funding or crisis management. Therefore, there is an urgent need to review the expenditure framework, eliminate waste, and prioritize programs based on return on investment analysis.

Strategic Approach to Financial Development

In response to these financial challenges, Jayawijaya Regency has developed a number of strategies aimed at improving its financial management performance. Among them, utilizing digital-based tax collection, promoting tourism and agriculture, establishing regional-owned enterprises (BUMD), and establishing investment cooperation with the private sector.

Other steps taken include creating a flexible budget structure, building fiscal reserves, and preparing emergency funds to deal with economic shocks such as delays in fund transfers or macroeconomic instability. Human resource development, particularly in the financial management domain, is also a priority, with ongoing training programs and system modernization efforts at the BPKAD and OPD levels.

Despite these forward-looking initiatives, their success depends on implementation capacity, institutional coordination, and the political will to enforce reforms. As of 2023, most strategies are still in the development stage, with tangible results yet to be measured. Ongoing monitoring and adaptive policy adjustments will be critical to translating strategies into sustainable financial performance.

Discussion

The financial performance of Jayawijaya Regency during the period 2013–2023 shows a diverse reality marked by significant imbalances between revenue effectiveness, financial autonomy, growth, and efficiency. Although certain indicators, such as revenue effectiveness, show remarkable results, deeper structural problems remain in the areas of fiscal independence and sustainability. This discussion combines the findings with existing theory and comparative literature to contextualize Jayawijaya's fiscal position within the broader framework of regional financial management in Indonesia.

The critical issue identified is the very low financial autonomy ratio, which averaged only 6.44% over the 11-year period. This figure is truly in the "instruction" category, indicating that Jayawijaya's fiscal system is highly dependent on central government transfers and loans. This is in line with previous assessments by Buchary Akbar Jumati et al. (2020), which noted that the level of financial decentralization in Jayawijaya remained in the "poor" category between 2016–2020. From a theoretical perspective, fiscal autonomy is essential to realizing the principles of decentralization, especially in increasing regional responsiveness and accountability. According to Mardiasmo (2002), true financial independence requires diverse sources of revenue and effective mobilization of regional taxes and levies conditions that are clearly lacking in Jayawijaya.

In contrast, effectiveness in collecting local revenue (PAD) has been a good example, with an average realization of 166.38% during the study period. This level of effectiveness indicates competent technical capacity in the local revenue agency and the ability to achieve or exceed targets. However, as noted in the literature, especially by Siregar and Nasution (2015), high effectiveness must be critically examined in relation to target-setting practices. In the case of Jayawijaya, overly conservative PAD targets undermine the credibility of the effectiveness figures, as actual revenue growth does not correspond to proportional increases in financial independence or service delivery outcomes.

The performance of PAD growth, total revenue, and expenditure of Jayawijaya Regency indicates deeper structural weaknesses. The average PAD growth of 18.70%, revenue growth of 9.17%, and expenditure growth of 10.28% all fall into the "unsuccessful" category as defined by the national performance benchmark. This reflects a stagnant fiscal base, vulnerable to economic disruptions, and highly dependent on state budget allocations. In some years, PAD experienced negative growth, such as in 2019 and 2021, which was most likely caused by macroeconomic instability and the impact of the COVID-19 pandemic. Fitrani et al. (2005) emphasize that without diversification of local economic activities, local governments remain vulnerable to external fiscal shocks, a situation that is clearly reflected in Jayawijaya.

Efficiency in financial management remains another pressing issue. The average efficiency ratio of 99.09% indicates that almost all available revenues are absorbed by routine and development expenditures, leaving little room for fiscal flexibility or savings. While not inefficient in the sense of a deficit, this level of spending is categorized as "less efficient" and indicates tight budget margins. Mardiasmo (2002) and Sihombing (2017) argue that efficient public financial management should generate an operating surplus that can be reinvested in infrastructure or service improvements. However, the current efficiency profile in Jayawijaya suggests a rigid spending framework with limited capacity for strategic investment or resilience planning.

Strategically, the regional government has initiated a number of programs aimed at strengthening its financial capacity. These programs include the digitalization of the tax collection system, the development of potential sectors such as agriculture and tourism, and the establishment of BUMD (Regional-Owned Enterprises). In terms of policy, these efforts are in line with the fiscal reform models recommended by Ana Sopanah et al. (2020) which emphasize diversification, technology adoption, and institutional strengthening. In addition, Jayawijaya's initiative to build fiscal reserves and adopt flexible budgeting mechanisms is very important, given the volatility of transfer funds and exposure to macroeconomic risks. These strategies demonstrate a growing awareness of the need for structural reform and the importance of moving beyond mere compliance to strategic financial resilience.

However, translating these strategic objectives into measurable outcomes remains a challenge. The success of these reforms depends not only on policy design but also on implementation capacity, local leadership, inter-agency coordination, and community participation. As noted by Pratiwi (2018), public engagement and transparency are critical in sustaining fiscal reforms, particularly in areas with historically low tax morale and limited civilian oversight. Therefore, the Jayawijaya government must ensure that reforms are inclusive, data-driven, and continuously evaluated based on measurable performance indicators.

Other challenges lie in geographic and socio-economic constraints. Jayawijaya's location in the Papuan highlands presents significant logistical and infrastructure constraints that limit economic diversification. The rugged terrain and lack of road access from coastal areas increase transportation costs, hinder trade, and inhibit local business development. While this is partly offset by the region's tourism and agricultural potential, these sectors remain underdeveloped and require significant investment to become viable contributors to PAD. Fiscal policy must therefore be aligned with broader regional development plans that address infrastructure gaps and human resource shortages.

In short, this discussion reveals a dichotomy between short-term revenue collection success and long-term fiscal sustainability challenges. Jayawijaya's fiscal effectiveness is commendable but fragile, and must be supported by a strong growth strategy and institutional reforms. Increasing fiscal autonomy requires not only increasing PAD, but also transforming the local economy and governance structures. The region's journey towards fiscal resilience is possible, but will require sustained political commitment, strategic investment, and an inclusive approach to financial governance.

CONCLUSION

The financial performance of the Jayawijaya Regency Government during the 2013–2023 period shows a complex fiscal landscape. Although the region has shown strong effectiveness in managing local revenue (PAD), with an average realization of 166.38%, regional financial autonomy is still very low (average 6.44%), indicating a high dependence on central government transfers. In addition, regional growth performance in both revenue and expenditure is still below the national benchmark, which is an average of below 30%, so it is categorized as unsuccessful. The efficiency ratio, which averages 99.09%, further highlights the tight fiscal structure with minimal surplus, thus providing less flexibility for long-term development investment. In response to these challenges, the Jayawijaya government has adopted a number of forward-looking strategies, such as digitalization of tax collection, development of BUMD, investment in key sectors such as tourism and agriculture, and the creation of a fiscal contingency framework. However, the success of these initiatives depends on the implementation of policy reforms, institutional capacity, and effective community engagement. This study contributes to the discourse on regional fiscal governance by offering a comprehensive longitudinal assessment and providing actionable recommendations to strengthen fiscal autonomy, efficiency, and growth within the boundaries of special autonomy regions. The findings underscore the importance of structural transformation for fiscal sustainability and resilience in remote and underdeveloped regions such as Jayawijaya.

RECOMMENDATION

To enhance the financial performance of the Jayawijaya Regency Government, it is recommended that the local administration diversify its sources of locally generated revenue (PAD) by developing key economic sectors, set more realistic and progressive revenue targets, and implement efficient expenditure planning aligned with development priorities. Strengthening human resource capacity and modernizing digital financial systems are essential, alongside fostering partnerships with the private sector and local communities. Establishing fiscal reserves to mitigate financial risks is also advised. Furthermore, continuous monitoring and evaluation are crucial to ensure the effectiveness and accountability of the implemented strategies.

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