Financial Ratio Analysis of Local Government of Pematang Siantar City

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ABSTRACT

This study aims to determine the financial performance of the Regional Government of Pematang Siantar City when viewed from eight ratios such as regional financial independence ratio, fiscal decentralization ratio, regional financial dependence ratio, PAD effectiveness ratio, PAD efficiency ratio, growth ratio, expenditure compatibility ratio and solvency ratio. This type of research is quantitative with descriptive methods. The data used is the 2022 Pematang Siantar City Regional Government Budget Realization report. The data analysis used is a quantitative descriptive method using financial ratios. Looking at the results of the analysis of the eight ratios, there are three of them categorized as unfavorable, namely the level of regional financial independence which is still very low, the Fiscal Decentralization Ratio is still not good and the level of Regional Financial Dependence is still high. While the other ratio is said to be good. This research still has many shortcomings, therefore the author provides suggestions to be a reference for future researchers in the same location or program as the Pematang Siantar City Regional Government program to Measure the Financial Performance of the Regional Government of Pematang Siantar City, North Sumatra Province.

Keywords: Local Government, Financial Performance, Financial Ratios, Research

INTRODUCTION

Financial accountability reports are made in accordance with applicable provisions to determine success in carrying out mandated tasks. Local governments are required to make regular financial accountability reports at the provincial, district, and city levels. Financial statement analysis is one of the media or ways that are intended to see and assess the performance of local governments in their financial management (Farida & Nugraha, 2019). Financial statement analysis is an activity to interpret the figures in the financial statements in order to determine the financial performance whose results will be used as a basis for economic, social, or political decision making (Mahmudi, 2016). To realize good governance, the Government makes efforts to increase transparency and accountability of state financial management (Pramono, 2014).

In order for local governments to be responsible for implementing local financial management, measuring local government performance is very important. In order to optimize the implementation of autonomy, regions are required to be more creative and innovative in formulating government policies, especially in the financial sector (Rahmayati, 2016). In addition, it is expected that by studying the financial statements of local governments, next year's financial performance will be better and have a good impact on community welfare (Anshori, 2019). According to (Mardiasmo, 2021) said that the purpose of performance measurement is to help improve government performance, allocate resources and make decisions, and realize public accountability. The performance of local government financial management is to improve government performance, performance measurement should help the government focus on the goals and objectives of work programs so that it will ultimately improve the efficiency of public

service provision, allocate resources and make decisions, and to realize public accountability and improve institutional communication (Adhiantoko, 2013).

According to (Mahmudi, 2016), financial ratio analysis is a comparison between two aspects of data derived from financial statement elements. Financial ratio analysis based on the APBD realization report is used to determine how much government activities in making revenue expenditures, assess how much independence is in using transfer funds, measure performance in the realization of local original revenue, and to see the development of revenue receipts and the level of expenditure carried out during a period. According to (Mahmudi, 2016), government financial performance can be measured using financial ratio analysis consisting of Decentralization Degree Ratio, Regional Financial Dependence Ratio, Regional Financial Independence Ratio, Regional Original Income Effectiveness and Efficiency Ratio (PAD), Compatibility Ratio, and Growth Ratio.

Pematang Siantar City is one of the autonomous regions in North Sumatra Province which is given broad powers and given responsibility in carrying out government affairs from the central government to provide services to regional development. The Pematang Siantar City Government in organizing regional autonomy every year is obliged to compile a Regional Revenue and Expenditure Budget.

Rinaldy's research (2023) entitled Financial Statement Analysis in Measuring the Financial Performance of the Regional Government of Bireuen Regency, Aceh Province. The results of the Financial Statement Analysis research show that the Financial Performance of Bireuen Regency is good. Looking at the results of the analysis of the five ratios, only two of them are categorized as not good, namely the level of regional financial independence which is still very low and the compatibility of regional spending which is still not good. This is due to inhibiting factors such as the lack of quality of Human Resources and supporting facilities for the potential of Regional Original Revenue that has not been updated and the level of taxpayer awareness that is still very low. Efforts that have been made by local governments are to increase the quantity and quality of Human Resources with technical guidance or training, improve management and tax principal relief policies with certain provisions and optimize the intensification and extensification of regional revenues.

The second researcher by (Nasution, 2021) with the research title Financial Ratio Analysis of the Local Government of Samosir Regency. The data analysis used is a quantitative descriptive method using local government financial ratios consisting of the degree of decentralization, regional financial dependence ratio, regional financial independence ratio, PAD effectiveness ratio, and PAD efficiency ratio The results show that fiscal decentralization is categorized as very lacking, the level of regional dependence is categorized as low, the level of regional independence is categorized as low, and the effectiveness of PAD is quite effective, The efficiency of PAD is already efficient.

The update from the previous researcher is that this study used 8 financial ratios while the previous study only five and seven financial ratios. and the difference in location, the author analyzed the 2022 financial statements of Pematang Siantar City while other researchers outside it. This study aims to determine the financial performance of the Regional Government of Pematang Siantar City when viewed from eight ratios such as regional financial independence ratio, fiscal decentralization ratio, regional financial dependence ratio, PAD effectiveness ratio, PAD efficiency ratio, growth ratio, expenditure compatibility ratio and solvency ratio.

TINJAUAN PUSTAKA

1. Financial Ratio

According to (Mahmudi, 2016), financial ratios are comparisons between two numbers whose data is taken from financial statement elements. This ratio analysis is used to interpret performance developments from year to year.

2. Regional Financial Independence

Ratio The ratio of regional financial independence is the ability of local governments to finance all their government affairs. The independence ratio can be calculated by comparing PAD with

central/provincial government assistance and regional loans The higher this ratio number indicates that the regional government has higher regional financial independence (Mahmudi, 2016).

$$Independence \ Ratio = \frac{Local \ Original \ Income}{Central/Provincial \ Transfer \ and \ Loan} \ x \ 100\%$$

The following is a pattern of the relationship between the central government and local governments that can be used as a guideline in assessing regional financial independence.

Table 1. Relationship Patterns and Level of Regional Financial Independence

Financial Capabilities	Independence (%)	Relationship Patterns
Very Low	0 - 25	Instructive
Low	25 - 50	Consultative
Keep	50 - 75	Participatory
Tall	75 - 100	Delegative

Source : (Halim & Kusufi, 2007)

3. Degree of Fiscal Decentralization Ratio

The level of Fiscal Decentralization is a measure to show the level of authority and responsibility given by the central government to local governments to carry out development (Bisma, Gde, & Susanto, 2010). The degree of decentralization is the ratio of the ratio between the amount of local original income and the total income/revenue of the region. The higher the contribution given by PAD, the higher the ability of the region to carry out regional autonomy. According to (Mahmudi, 2016) the Degree Ratio of decentralization is calculated by the following formula:

$$DDF = \frac{Local \ Original \ Revenue}{Total \ Regional \ Revenue} \ x \ 100\%$$

The assessment criteria for the level of fiscal decentralization can be categorized as shown in Table 2 below:

Table 2. Assessment Criteria for the Level of Fiscal Decentralization

Percentage of PAD to TPD (%)	Level of Fiscal Decentralization
20 – 29,99	Very Low
30 – 39,99	Low
40 – 49,99	Keep
50 – 59,99	Tall
$\geq 60,$	Very High

Source : Permendagri Number 38 of 2020

4. Regional Financial Dependency Ratio

The regional financial dependency ratio is a ratio that describes how dependent local governments are on the central and/or provincial governments. According to (Mahmudi, 2016) the regional financial dependency ratio is calculated by the following formula:

$$Regional \ Dependency \ Ratio = \frac{Transfer \ Revenue}{Total \ Regional \ Revenue} \ x \ 100\%$$

The assessment criteria for the level of Regional Financial Dependence can be categorized as in Table 3 below:

Table 3. Assessment Criteria for the Level of Fiscal Decentralization

Degree of Fiscal Decentralization (%)	Dependency Level

0 – 10,00	Very lacking
10,01 – 20,00	Less
20,01 – 30,00	Keep
30,01 – 40,00	Enough
40,01 – 50,00	Good
> 50,00	Excellent

Source : (Zukhri, 2020)

5. PAD effectiveness ratio

The effectiveness ratio of PAD is a ratio that describes the availability of local governments in regulating PAD revenues according to previously set targets (Mahmudi, 2016). While the PAD efficiency ratio is a ratio that shows the level of efficiency of local government performance in managing Regional Original Revenue. According to (Mahmudi, 2016) the ratio of effectiveness and efficiency of PAD is calculated by the following formula:

$$\text{PAD Effectiveness Ratio} = \frac{\text{Realization of PAD Revenue}}{\text{PAD Budget}} \text{ x } 100\%$$

In general, the effectiveness value of PAD can be categorized as follows :

Table 4. Regional Effectiveness Level

Effectiveness Criteria	Effectiveness Percentage (%)
Highly effective	> 100
Effective	100%
Quite Effective	90% - 90%
Less Effective	75% - 89%
Ineffective	<75%

Source : (Mahmudi, 2016)

6. PAD efficiency ratio,

The efficiency ratio of PAD compares the amount of costs required to generate revenue with the actual income obtained. The costs incurred to realize Regional Original Revenue consist of Expenditures for the State Civil Apparatus (ASN) on Regional Tax Collection Incentives and Regional Levies. The level of efficiency is said to be good if the achievement is less than 40 percent. The smaller the percentage obtained, the better the performance achieved by the government (Mahmudi, 2016).

For this reason, the Regional Government needs to carefully calculate how much it costs to realize all the revenue it receives so that it can be known whether the revenue collection activities are efficient or not (Sartika, 2019). Local government financial performance is categorized as good if the financial efficiency ratio is small (Mardiasmo, 2021).

$$\text{Efficiency Ratio of PAD} = \frac{\text{Regional Expenditure Realization}}{\text{Regional Revenue Realization}} \text{ x } 100\%$$

As for measuring performance, there are criteria for regional financial efficiency. In general, the value of financial efficiency can be categorized as follows :

Table 5. Efficiency Measurement Criteria

Percentage	Criterion
100% and above	Inefficient
100 %	Balanced Efficient
Less than 100%	Efficient

Source : (Fathah, 2017)

7. Growth Ratio

The growth ratio is a ratio to measure how much the local government is able to maintain and improve the success that has been achieved in the previous period. This ratio assesses how able local governments are to maintain consistency and improve good and suboptimal achievements from one period to the next (Farida & Nugraha, 2019). According to (Mahmudi, 2016), growth ratio analysis consists of Income Growth Analysis and Expenditure Growth Analysis. According to (Mahmudi, 2016) Analysis of income and expenditure growth is calculated by the following formula:

a. Local Original Income Growth Ratio

This ratio will describe the growth of Regional Original Income of a region whether it experiences positive or negative growth. So that a region can reflect the quality of its performance in utilizing the potential and innovation of development of its territory.

$$\text{Growth Ratio PAD} = \frac{\text{PAD Year p} - \text{PAD Year (p} - 1)}{\text{PAD (p} - 1)} \text{ x } 100\%$$

b. Regional Expenditure Growth Ratio

The Regional Expenditure Growth Ratio is not much different from the growth of Regional Original Income, where this ratio describes the percentage of Regional Expenditure activities each year.

$$\text{Regional Expenditure Growth Ratio}$$
$$= \frac{\text{Regional Expenditure Year p} - \text{Regional Expenditure Year (p} - 1)}{\text{Regional Expenditure (p} - 1)} \text{ x } 100\%$$

Based on the above formula, the R&D Team of the Ministry of Home Affairs of Faculty of Social Sciences UGM sets a barometer of growth ratios as follows:

Table 6. Growth Ratio Criteria

Financial Capabilities	Growth
Very Low	0 % - 10 %
Low	11% - 20 %
Keep	21% - 30 %
Tall	Above 40%

Source : (Syukur, 2021)

8. Shopping Compatibility Ratio

The expenditure compatibility ratio shows how local governments optimally allocate their funds to operating expenditures and capital expenditures. There are two calculations in this compatibility ratio, namely the operating expenditure ratio and the capital expenditure ratio. The following is a formula for operating expenditure ratio and capital expenditure ratio. (Mahmudi, 2016) defines it as an analysis conducted to assess the balance between all expenditures related to the budget function as a means of distribution, allocation and stability.

$$\text{Operating Expenditure Ratio} = \frac{\text{Realization of Operating Expenditure}}{\text{APBD}} \text{ x } 100\%$$

$$\text{Capital Expenditure Ratio} = \frac{\text{Realised Capital Expenditure}}{\text{APBD}} \text{ x } 100\%$$

Based on the above formula, the R&D Team of the Ministry of Home Affairs of Faculty of Social Sciences UGM provides a barometer of shopping compatibility as follows.

Table 7. Shopping Compatibility Criteria Comparisons

Comparison	Compatibility Criteria
Total Operating Expenditure > Total Capital Expenditure	Not Good
Total Operating Expenditure = Total Capital Expenditure	Good enough
Total Operating Expenditure < Total Capital Expenditure	Good – Excellent

Source: (Syukur, 2021)

9. Budget Solvency Ratio

The solvency ratio is a useful ratio to see the extent of the ability of local governments to fulfill all their obligations, both long-term and short-term obligations (Mahmudi, 2016). The following is the solvency ratio formula.

$$\text{Budget Solvency Ratio} = \frac{Total\ Revenue - DAK}{Total\ Capital\ Expenditures}$$

Budget solvency indicates the ability of local governments to generate revenue to fund government spending over a budget period. (Mahmudi, 2016) said that the standard value of success of solvency ratio is 2: 1. This comparison means that Rp2 total assets are able to guarantee debt of Rp1 as a whole.
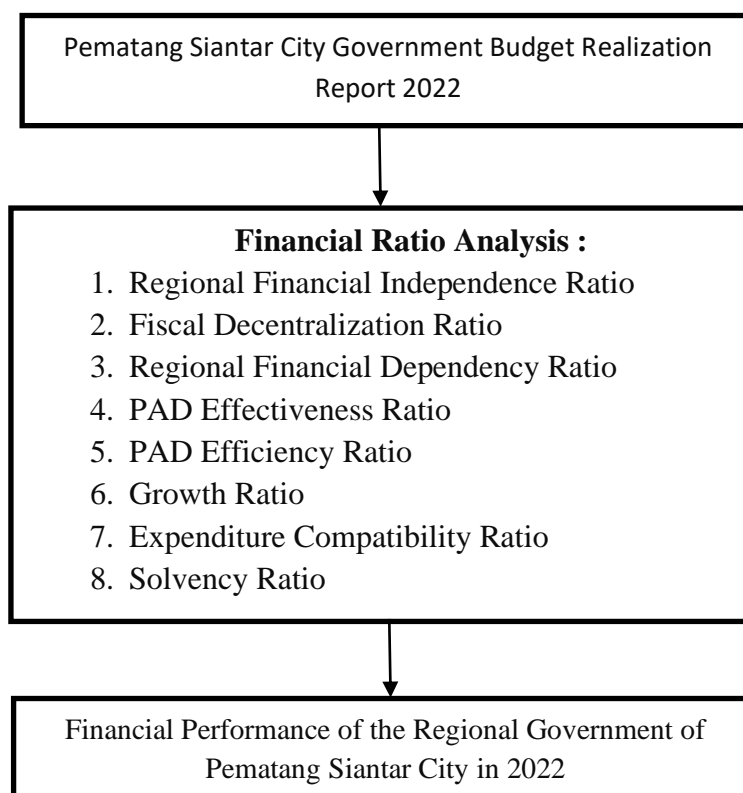
METHOD

Population and Sample

This type of research is Descriptive quantitative. This research is located in Pematang Siantar City in 2022 with the aim of knowing the financial performance of the Pematang Siantar City Regional Government for the 2022 fiscal year. The data used is the 2022 financial statements of the Pematang Siantar City Regional Government

Hypothesis development

Conceptual framework from this research is :

Figure 1. Conceptual framework

Pematang Siantar City Government Budget Realization Report 2022

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Financial Ratio Analysis :
1. Regional Financial Independence Ratio
2. Fiscal Decentralization Ratio
3. Regional Financial Dependency Ratio
4. PAD Effectiveness Ratio
5. PAD Efficiency Ratio
6. Growth Ratio
7. Expenditure Compatibility Ratio
8. Solvency Ratio

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Financial Performance of the Regional Government of Pematang Siantar City in 2022

Analysis model techniques

The data analysis technique is a quantitative descriptive method using financial ratios to determine the financial performance of the local government of Pematang Siantar city

RESULT AND DISCUSSION

1) Regional Financial Independence Ratio

Based on data from the financial statements of Pematang Siantar City, it is explained that the Regional Original Revenue is Rp154,210,931,232.32 and the total central/provincial transfer income and loans are Rp777,721,034,846.00, the results of the Independence Ratio are as follows:

$$\text{Regional Financial Independence Ratio} = \frac{154.210.931.232,32}{777.721.034.846,00} \; x \; 100\%$$

$$= 19,83\,\%$$

The calculation result of the Regional Financial Independence Ratio obtained from the formula calculation of 19.83%, according to the criteria, is categorized as very low (Instructive).

2) Fiscal Decentralization Ratio

This ratio shows the degree of contribution of Regional Original Revenue to total regional revenue. According to (Mahmudi, 2016), the decentralization degree ratio is calculated by the Regional Original Revenue formula of Rp154,210,931,232.32 divided by Total Regional Revenue of Rp939,644,478,550.32 as follows:

$$\text{Fiscal Decentralization Ratio} = \frac{154.210.931.232,32}{939.644.478.550,32} \; x \; 100\%$$

$$= 16,41\%$$

The results of the calculation of the fiscal decentralization ratio of 16.41% and adjusted to the assessment criteria for the level of Fiscal Decentralization of the local government of Pematang Siantar city are categorized as "Less".

3) Regional Financial Dependency Ratio

Based on data from the financial statements of Pematang Siantar City, it was explained that transfer revenue amounted to Rp777,721,034,846.00 and total regional revenue amounted to Rp939,644,478,550.32. According to (Mahmudi, 2016) the regional financial dependency ratio is calculated by the following formula:

$$\text{Regional Financial Dependency Ratio} = \frac{777.721.034.846,00}{939.644.478.550,32} \; x \; 100\%$$

$$= 82,76\%$$

The calculation of the Regional Financial Dependence ratio of 82.76% is adjusted to the assessment criteria for the level of regional financial dependence, the local government of Pematang Siantar city is categorized as very high.

4) Regional Original Revenue Effectiveness Ratio

Based on data from the financial statements of Pematang Siantar City, it is explained that the realization of PAD revenue is Rp154,210,931,232.32 and the PAD Revenue Target is Rp138,279,200,913.00. According to (Mahmudi, 2016) the ratio of effectiveness and efficiency of PAD is calculated by the following formula:

$$PAD\ Effectiveness\ Ratio = \frac{154.210.931.232,32}{138.279.200.913,00} \times 100\%$$

$$= 111,52\%$$

The results of the calculation of the effectiveness ratio of PAD are adjusted to the criteria for assessing the level of effectiveness of the local government of Pematang Siantar city, so it is categorized as very effective with a percentage of 111.52%.

5) Regional Original Revenue Efficiency Ratio

The Regional Original Revenue Efficiency Ratio will illustrate the comparison between the amount of costs incurred to realize Regional Original Revenue with the total real Regional Original Opinion. Based on data from the financial statements of Pematang Siantar City, it is explained that the costs incurred to realize Regional Original Revenue amounted to Rp. 4,454,222,242.00 and the total real Regional Original Opinion amounted to Rp. 939,644,478,550.32, it can be calculated by the following formula:

$$PAD\ Efficiency\ Ratio = \frac{4.454.222.242,00}{939.644.478.550,32} \times 100\%$$

$$= 0,47\ \%$$

The results of the calculation of the efficiency ratio of local original revenue of 0.47% are adjusted to the criteria for assessing the level of efficiency, the local government of Pematang Siantar city is categorized as efficient.

6) Regional Original Income Growth Ratio

The percentage growth results obtained can be used as evaluation material for which potentials need special attention.

a) Regional Original Income Growth Ratio

The calculation of this ratio is to measure the extent of regional efforts to continue to increase or maintain the Regional Original Income. Based on data from the 2022 financial statements of Pematang Siantar City, it is explained that regional original revenue in 2022 is IDR 154,210,931,232.32 and total regional original income in 2021 is IDR 134,882,825,159.17. The percentage results of the growth rate of Regional Original Income are as follows :

$$PAD\ Growth\ Ratio = \frac{154.210.931.232,32 - 134.882.825.159,17}{134.882.825.159,17} \times 100\%$$

$$= 14,33\ \%$$

The calculation of the PAD growth ratio of 14.33% and adjusted to the assessment criteria for the growth rate of income and expenditure of the local government of Pematang Siantar city is categorized as low.

b) Regional Expenditure Growth Ratio

The Regional Expenditure Growth Ratio is not much different from the growth of Regional Original Income, where this ratio describes the percentage of Regional Expenditure activities each year. Based on data from the 2022 financial statements of Pematang Siantar City, it is explained that the total regional expenditure in 2022 was IDR 885,629,154,464.00 and the total expenditure for the previous year in 2021 was IDR 851,987,349,999.38. The percentage growth results of Pematang Siantar City regional expenditure are calculated as follows:

Regional Expenditure Growth Ratio

$$= \frac{885.629.154.464,00 - 851.987.349.999,38}{851.987.349.999,38} \times 100\%$$

$$= 3,95\%$$

The results of the calculation of the regional expenditure growth ratio of 3.95% and adjusted to the assessment criteria for the growth rate of income and expenditure, the local government of Pematang Siantar city is categorized as low.

7) Expenditure Compatibility Ratio

The expenditure compatibility ratio is calculated from comparing total operating expenditure with the regional budget and total capital expenditure with the regional budget. According to data in the 2022 financial statements of Pematang Siantar City, it is stated that total operating expenditures amounted to IDR 738,286,808,493.00 and total capital expenditures amounted to IDR 137,106,916,201.00 and the Regional Budget amounted to IDR 963,762,818,022.16. The Operating Expenditure portion generally dominates Regional Expenditure which ranges from 40 to 60 percent and 10 to 20 percent of the Capital Expenditure portion (Mahmudi, 2016). The following is the result of the calculation of the shopping compatibility ratio:

$$Operating\ Expenditure\ Ratio = \frac{738.286.808.493,00}{963.762.818.022,16} \times 100\%$$

$$= 76,60\%$$

$$Capital\ Expenditure\ Ratio = \frac{137.106.916.201,00}{963.762.818.022,16} \times 100\%$$

$$= 14,23\%$$

The results obtained from the calculation of this ratio show that the operating expenditure of 76.60% incurred by Pematang Siantar City in 2022 is greater than the Capital Expenditure of 14.23%.

8) The Budget Solvency Ratio

Describes the ability of local governments to generate revenue to fund government spending during a budget period by comparing Total Revenue - DAK divided by Total Capital Expenditures. Therefore, based on data from the 2022 financial statements of Pematang Siantar City, it is stated that total revenue is IDR 939,644,478,550.32, Special Allocation Fund is IDR 113,511,255,730 and total expenditure is IDR 885,629,154,464.00 and capital expenditure is IDR 137,106,916,201.00. The results of the Budget Solvency Ratio of the local government of Pematang Siantar City can be seen as follows:

$$The\ budget\ solvency\ ratio = \frac{939.644.478.550,32 - 113.511.255.730}{885.629.154.464,00 - 137.106.916.201,00}$$

$$= 1,1$$

The overall budget solvency of Pematang Siantar City is positive, which is 1.1 or >1.

The results of the entire Financial Ratio Analysis of the Pematang Siantar City Government are then simplified into the form of a table as follows:

Table 8. Results of Pematang Siantar City Government Financial Ratio

Analysis Regional Financial Performance Ratio	2022 (%)	Criteria
Regional Financial Independence Ratio	19,83 %	Very Low
Fiscal Decentralization Ratio	16,41%	Less
Regional Financial Dependency Ratio	82,76%	Very high
PAD Effectiveness Ratio	111,52%	Very effective
PAD Efficiency Ratio	0,47 %	Efficient
Growth Ratio (PAD)	14,33 %	Low
Growth Ratio (Regional Expenditure)	3,95%	Low
Expenditure Compatibility Ratio (Operating Expenditure)	76,60%	Good
Expenditure Compatibility Ratio (Capital Expenditure)	14,23%	Good
Solvency Ratio	1,1	Good

Source : researcher (2023)

Discussion

Financial Performance of Pematang Siantar City Government Based on Regional Financial Independence Ratio

The calculation of the independence ratio in meeting financing needs in the implementation of government, service and development tasks is still very low in 2022. This shows that the central government has a more dominant role than the independence of local governments. Based on the relationship pattern, the independence ratio of Pematang Siantar City is included in an instructive pattern, where transfer funds from the central government are more dominant than regional PAD Pematang Siantar City, and the dependence of funds for regional operations depends more on the amount of the state budget that the central government provides to the regions.

Financial Performance of Pematang Siantar City Government Based on Fiscal Decentralization Ratio

The financial performance of the Regional Government of Pematang Siantar City using the ratio of degrees of decentralization in 2022 is categorized as lacking in the implementation of decentralization or regional autonomy. Because the original income of the county is still too low compared to the total overall income of the county. In this case, the Regional Government of Pematang Siantar City has not been able to manage and explore the potential of its own regional resources.

Financial Performance of Pematang Siantar City Government Based on Regional Financial Dependence Ratio

The financial performance of the local government of Pematang Siantar city using the ratio of regional financial dependence in 2022 to the central government is very high. This is because the total regional revenue received almost entirely comes from transfer revenues from both the central and provincial governments. In this case, the contribution of PAD is still very low, as explained by the previous ratio, namely the independence ratio, meaning that the Pematang Siantar city government has not been optimal in exploring the potential of existing resources in the city of Pematang Siantar.

Financial Performance of Pematang Siantar City Government Based on PAD Effectiveness Ratio

The effectiveness ratio of PAD is a ratio that describes the local government's ability to regulate PAD revenue according to previously set targets (Mahmudi, 2016). So the higher the ratio obtained, the better the level of regional ability to realize Regional Original Income. According to

the results of the calculation of the effectiveness ratio, the original revenue of the Pematang Siantar city area in 2022 is categorized as very effective with a percentage above one hundred percent. This means that Pematang Siantar City in realizing PAD in accordance with the goals that have been set. Of course, such goals are based on considering the potential and skills of the actual area.

Financial Performance of Pematang Siantar City Government Based on PAD Efficiency Ratio

The results of the calculation of the PAD efficiency ratio are adjusted to the criteria for assessing the efficiency level of the local government of Pematang Siantar city, so it is categorized as efficient. This means that the city of Pematang Siantar has been able to regulate the amount of costs incurred to realize the income obtained. Local governments are required to more carefully calculate the amount of costs incurred to realize all revenues obtained so that it can be known whether the revenue collection activities are efficient or not.

Financial Performance of Pematang Siantar City Government Based on Value Growth Ratio

PAD growth ratio has a low growth rate, the ability of Pematang Siantar City to increase Regional Original Revenue can be said to be good. This is inseparable from all the efforts of government resources that have tried their best in building a more advanced Pematang Siantar City. Likewise, the growth of regional spending can still be said to be good because along with the growth of regional spending followed by increasing Regional Original Income.

Financial Performance of Pematang Siantar City Government Based on Expenditure Compatibility Ratio

As an area in developing countries, the role of local governments in encouraging the implementation of development is still quite important and substantial. Therefore, Capital Expenditure activities must be increased and expanded in accordance with the development conditions and welfare of the people of Pematang Siantar City.

The financial performance of the Pematang Siantar City Government Based on the Solvency Ratio

With a percentage level above 1, means that on average, the local government of Pematang Siantar City has sufficient revenue to fund its expenditures in 2022.

CONCLUSION

The results of the analysis of the eight ratios, there are three of them categorized as unfavorable, namely the level of regional financial independence which is still very low, the Fiscal Decentralization Ratio is still not good and the level of Regional Financial Dependence is still high. This is due to inhibiting factors such as the lack of quality of Human Resources and supporting facilities for the potential of Regional Original Revenue that has not been updated and the level of taxpayer awareness that is still very low. Efforts that have been made by local governments are to increase the quantity and quality of Human Resources with technical guidance or training, improve management and tax principal relief policies with certain provisions and optimize the intensification and extensification of regional revenues.Research Limitations. This research is limited in time and cost of researchers, so it can only be done in one year of research data and only in the city of Pematang Siantar to be researched. Future Directions of Research. This research still has many shortcomings, therefore the author provides suggestions to be a reference for future researchers in the same location or program as the Pematang Siantar City Regional Government program to Measure the Financial Performance of the Regional Government of Pematang Siantar City, North Sumatra Province.

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