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Financial Ratio Analysis of East Lombok and Central Lombok in 2018-2024

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ABSTRACT

This study aims to compare the regional financial performance of East Lombok Regency and Central Lombok Regency during the 2018-2024 period. The analysis was carried out using financial ratios which include the financial independence ratio, effectiveness ratio, and efficiency ratio. The data used comes from local government financial reports obtained from the Ministry of Finance of the Republic of Indonesia and the Central Bureau of Statistics. The results showed that East Lombok had better performance in terms of financial independence, indicated by a higher financial independence ratio than Central Lombok. However, Central Lombok shows better performance in terms of expenditure efficiency, as seen from the lower expenditure efficiency ratio. This difference in performance can be explained by several factors such as economic structure, resource potential, and different fiscal policies between the two districts. This study provides important implications for local governments in identifying the strengths and weaknesses of financial management, as well as providing recommendations for improving financial performance in the future.

Keywords: *Regional financial performance, financial ratio analysis, financial independence ratio, expenditure effectiveness ratio, expenditure efficiency ratio, East Lombok, Central Lombok.*

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1. INTRODUCTION

Government Regulation Number 71 of 2010 concerning Government Accounting Standards is a guideline that regulates how local governments manage and report their finances. This regulation is a reference in preparing transparent annual financial reports, showing financial position and transactions during the budget period. This financial report is important for assessing the use of economic resources in government activities, evaluating the effectiveness and efficiency of programs, and ensuring compliance with laws and regulations.(KK Accrual dr ksap, 2010).

Financial capacity in administering a government is very important, because regional governments will not be able to carry out their functions effectively and efficiently without sufficient costs to provide development and financial services. This is one of the basic criteria for knowing the real capacity of regions in organizing and managing their households. Alone. Regional financial capacity in the era of regional autonomy is often measured using regional financial performance. Regional financial performance or regional capacity is one measure that can be used to see a region's ability to carry out regional autonomy.

The form of performance assessment is in the form of financial ratios which are formed from regional heads' accountability reports in the form of APBD calculations. Measuring financial performance is very important to assess regional government accountability in managing regional finances. Accountability is not just the ability to show how public money is spent, but includes the ability to show that public money has been spent efficiently, effectively and economically.

East Lombok and Central Lombok districts as part of West Nusa Tenggara province certainly require quite large funds to carry out regional development activities from various sectors. The development funds are managed entirely by the regional government and come from district government revenues. The source of financing for regional government needs, commonly known as local original income (PAD), comes from the processing of regional resources in addition to revenues from the province, central government and other regional revenues.

Table 1.1 Conditions in East and Central Lombok Regions

Aspect	East Lombok	central Lombok
Capital	Selong	Praya
An area	1,230.76km2	1,095.03km2
Total population	1,319,537 people	1,091,564 people
Leading Sector	Agriculture, Tourism	Tourism, Agriculture, Fisheries
Tourism Potential	Pink beach, Mount Rinjani,	Mandalika, Kuta beach

East Lombok and Central Lombok Regencies are regencies located on Lombok Island, West Nusa Tenggara (NTB) Province. East Lombok is the largest district on Lombok Island with the capital in Selong. This district has a diverse area, from lowlands to mountains. The agricultural sector is the backbone of East Lombok's economy, with main commodities such as rice, corn, tobacco and various types of horticulture. Apart from that, tourism is also a rapidly growing sector, especially in coastal areas such as Pink Beach and Tanjung Ringgit(Ahmed, 2023).

Central Lombok is located in the central part of Lombok Island with the capital city being Praya. This district has a smaller area than East Lombok, but has enormous tourism potential. The Mandalika area has become the center of attention with the development of world-class tourist destinations, including the Mandalika Circuit which hosts international motor racing events. Apart from tourism, the agricultural and fisheries sectors are also the mainstay of Central Lombok's economy. The regional government's ability to manage finances includes the regional revenue and expenditure budget (APBD), which describes the regional government's ability to finance activities to carry out development tasks.

In implementing regional autonomy, the government is required to run an effective and efficient government system capable of encouraging community participation in development, as well as increasing equality and justice by developing all the potential of each region. This research focuses on comparing financial performance between East Lombok Regency and Central Lombok Regency during the 2018-2024 period. One tool for analyzing regional government finances is to carry out a comparative analysis of regional financial performance ratios which have been determined by the PAD Effectiveness Ratio,

Regional Financial Efficiency Ratio, Growth Ratio, Harmony Ratio, Regional Financial Independence Ratio.

East Lombok and Central Lombok Regencies provide a relevant basis for comparative regional financial analysis because both are located on Lombok Island, West Nusa Tenggara Province, and operate under the same national and provincial fiscal regulations. Their geographical proximity and similar institutional environment reduce variations caused by differences in provincial policies. Therefore, differences in their financial performance can be examined by considering the characteristics of their local economies, revenue capacities, expenditure structures, and development priorities.

Despite these institutional similarities, the two regencies have different economic and development characteristics. East Lombok has a larger population and territorial area, with agriculture serving as an important economic sector. Central Lombok has a relatively smaller area but has experienced rapid tourism and infrastructure development, particularly through the Mandalika Special Economic Zone. These differences may influence the capacity of each local government to generate local own-source revenue, achieve revenue targets, manage public expenditure, and reduce dependence on central government transfers.

The comparison is important because regional financial performance cannot be evaluated only from the size of revenue or expenditure. It must also be assessed through the ability of the local government to generate its own revenue, realize planned revenue, and use available financial resources efficiently. Comparing East Lombok and Central Lombok over the 2018–2024 period provides evidence regarding how two neighboring regencies under the same fiscal system may experience different financial performance patterns due to differences in economic structure and fiscal management.

2. LITERATURE REVIEW

1. Previous Research

Financial ratio analysis has been widely used in previous studies to evaluate local government financial performance. Several previous studies have shown that financial ratios can provide useful information about the ability of local governments to generate revenue, manage spending, and achieve development goals. Some of the research that has been

carried out includes:

Research by(Pundissing et al., 2020)The aim of this quantitative research is to determine the financial performance of the North Toraja Regency regional government. The results of this research show that: a). The average effectiveness ratio of PAD for North Toraja Regency is 69.96% which is classified as ineffective; b). The average regional financial efficiency ratio of North Toraja Regency is 83.66% which is included in the quite efficient category; c). The Capital Expenditure Activity Ratio of the Regional Government of North Toraja Regency has decreased and is classified as not good because it is below 50%; d). Revenue, operating expenditure and capital expenditure experienced positive growth but were included in the low criteria because they were in the range of 0% - 25%; e) the RKKD calculation results for North Toraja Regency are classified as very low because they are in the interval 0%-25%.

Research is also carried outby(Susanto, 2019) The results of the research show that the effectiveness ratio is categorized as effective, the efficiency ratio is categorized as inefficient, the regional financial management independence ratio is still low, the activity ratio is not good, the growth ratio in the Regional Original Income (PAD) component is not good, while the regional income ratio component is categorized as moderate. , expenditure growth is categorized as unfavorable because the portion of operating expenditure is greater than capital expenditure.

Research is also carried outby(Deran & Iskenderoglu, 2014)The results of the study vary on the compared regions. The differences also figure out that financial management differs among regions.

Research was also carried out by(Saragih, nd 2020) The results of this study conclude that the ratio of independence is still very low, the effectiveness ratio of PAD is said to be good, the efficiency ratio is said to be bad, the compatibility ratio is said to be bad, the growth ratio is negative.

Research is also carried outby(M. Agung Satryo Utomo 2015, nd) The results were obtained ratio of local financial independence of Jakarta's local government in 2008-2011 can be categorized patterns of participative relationships with a range of interval 50-75%. PAD Effectiveness Ratio fiscal year 2008 to 2011, respectively amounted to 100.71%, 102.29%, 104.68% and 109.49%. Effectiveness Assessment Criteria according to Kepmendagri

No.690,900-327, 1996, the financial performance of Jakarta is very effective. Efficiency Ratio shopping areas to the regional income in accordance with the Local Government Capital Regional Financial Efficiency Assessment Criteria on page 45 of the Regional Financial Efficiency Assessment Criteria.

Research conducted by(Rukayah 1), 2017) The results of the research show that the average effectiveness ratio from 2014-2016 is 102% is very effective. This is because the realization of local retribution revenue has increased from year to year. The ratio of efficiency of the Integrated Licensing and Capital Investment Agency of Serang Regency showed that the average efficiency ratio is 92%, its mean that is less efficient.

Studydone by(Ardhi et al., nd) In the regions, the independence ratio has an instructive relationship pattern included in the very low category, while the effectiveness ratio and efficiency ratio are in the effective and efficient category.

Research conducted by(Yulitiawati, nd)The results show that the financial performance of the Local Government of Ogan Komering Ulu based on the analysis of the fiscal decentralization degree ratio is obtained the average percentage of 8.49% with the criteria of local financial capability is very less. The financial performance of the Local Government of Ogan Komering Ulu based on an analysis of the regional financial independence ratio is obtained the average percentage of 10.94% with very low local financial capability criteria and the local government financial performance in the pattern of instructive relations.

Research conductedby(Tanan & Duri, 2018) Based on the results of the financial ratio analysis, the contribution of PAD to regional revenue in Jayapura City shows that the higher the PAD contribution, the average ratio of the degree of decentralization from 2011 to 2017 is 11.56 percent, but is still in the very low category. The Jayapura City Government's dependency ratio on the Central Government is decreasing but is still in the high category, because central transfer income is still dominant in regional income. The regional independence ratio then shows that the independence ratio is still very low and efforts need to be made by the Jayapura City Government to increase its independence regarding central transfer revenues. The Effectiveness Ratio shows that the realization of Jayapura City's PAD from 2011 to 2017 showed very effective results because the achievement of PAD realization was above the set target. The efficiency ratio of the Jayapura City government is included in the very efficient criteria because the comparison between the costs of collecting PAD and the realization of PAD revenues from 2011 to 2017 is an average of 3.21 percent or <5 percent

which is included in the very efficient category. The contribution obtained from BUMD revenues is still relatively small to total regional revenues, namely 0.29 percent on average.

Research conductedby(Andryny Lestari Siregar - Fulltext, nd)The results of the research show that the financial performance of the Regional Government of Padangsidimpuan City can be seen from (1) the Effectiveness Ratio can be categorized as less effective, because the average effectiveness is 88.86% (2) The PAD Efficiency Ratio is classified as efficient because the average size of this ratio is 96.44 % (3) The Harmony Ratio can be said that the Padangsidimpuan City Government allocates the majority of its budget for regional operational expenditure, namely an average of 81.6% compared to an average capital expenditure of 18.33%, (4) The Growth Ratio is always experiencing growth from year to year (5) The Regional Financial Independence Ratio is still relatively low and in the Instructive relationship pattern category because the average ratio is 11.82%.

Research is also carried outby(Tamallo, nd) The results of the research is the area of the Autonomous City of Makassar, there are still some parts of the Revenue is less effective when measured by the ratio of regional financial effectiveness (EKD), which ranges from> 39.12 to 77.55%. However, when viewed in terms of implementation of financial management of the city of Makassar participatory pattern. Revenue in 2008, compared to the revenue base year 2005, the trend of the financial effectiveness of the autonomous regions Makassar city increased, except in some parts such as, other local revenues, fund balance rather than taxes.

Research is also carried outby(WITA LIANTINO 2018, nd) The results of the analysis show that the BPPKAD Financial Performance of Surakarta City is seen from (1) the Regional Financial Independence Ratio is considered high which is included in the delegative pattern (2) PAD Effectiveness Ratio the effectiveness of Surakarta City's financial performance is included in the ineffective category so it must optimize resource management and expand the sector -sectors that have the potential to increase Regional Original Income (3) The Regional Financial Efficiency Ratio was declared inefficient so that the Surakarta City government had to reduce the amount of spending it spent. (4) The activity ratio/compatibility ratio is considered quite good, the costs incurred by the Surakarta City Government in capital expenditure are sufficient to carry out activities needed for regional development. (5) The overall growth ratio has decreased significantly, resulting in less than the maximum amount of income received by the City of Surakarta

2. Basic Theory

A. Definition and Elements of APBD

According to Halim (2007), the Regional Revenue and Expenditure Budget is "the annual financial plan of the Regional Government which is jointly discussed and approved by the Regional Government and the Regional People's Representative Council, and stipulated by Regional Regulations." According to Saragih (2003), "The Regional Revenue and Expenditure Budget (APBD) is the basis for regional financial management in a particular budget year, generally one year."

B. Regional Government Financial Ratio Parameters

Susanto (2015), said that the financial health condition of local governments can be assessed by analyzing financial ratios based on financial report information. The preparation of government financial reports is a manifestation of transparency and accountability in state financial management.

The use of ratio analysis is focused on the Regional Revenue and Expenditure Budget (APBD), namely by comparing the results achieved from one period compared to the previous period, so that trends can be seen. Apart from that, measurements can also be carried out by comparing the financial ratios of a particular regional government with other regions that have relatively the same regional potential to find out what the financial ratios of that regional government are compared to other regional governments.

C. Balancing Fund and General Allocation Fund

According to Saragih (2003), financial balance between the central and regional governments is: a system of government financing within the framework of a unitary state, which includes financial distribution between the Central and Regional Governments as well as equal distribution between regions in a proportional, democratic, fair and transparent manner by taking into account potential, conditions and regional needs are in line with the obligations and distribution of authority as well as procedures for implementing these authorities, including financial management and supervision.

D. Regional Original Income (PAD)

Original regional income is revenue obtained from the regional tax sector, regional levies, results from regionally owned companies, results from the management of separated regional assets, and other legitimate regional original income (Mardiasmo, 2011: 1).

Original Regional Income (PAD) is regional income sourced from regional taxes, regional levies, the results of separated regional wealth management, and other legitimate regional original income, which aims to provide flexibility to regions in seeking funding for the implementation of autonomy. regions as realizing the principle of decentralization (Explanation of Law No. 33 of 2004).

E. Regional Government Financial Performance

Regional Government Financial Performance is the result of activities/programs that the government intends or has achieved in relation to the use of the managed budget and is outlined in the form of a financial realization report containing the regional income and expenditure budget, where the government has responsibility for managing the budget.(Indonesia, 2006).

F. Regional Shopping

mAccording to Regulation of the Minister of Home Affairs Number 13 of 2006 concerning Guidelines for Regional Financial Management as amended by Regulation of the Minister of Home Affairs Number 59 of 2007 and the second amendment to Regulation 19 of the Minister of Home Affairs Number 21 of 2011 concerning the second amendment. "Regional Expenditures are defined as regional government obligations which are recognized as a reduction in the value of net assets"(Central Government, 2006).

- **Effectiveness Ratio**

This ratio describes the regional government's ability to realize planned revenues compared to the PAD target set based on the region's real potential. Regional capacity is said to be effective if the effectiveness ratio achieved is at least 100%. The higher, the better. In general, the effectiveness value of PAD can be categorized as follows;

Table 2.1 Regional Financial Management Performance Criteria

Financial Performance Percentage	Criteria
Above 100%	Very effective
90% - 100%	Effective
80% - 90%	Effective enough
60% - 80%	Less effective
Less than 60%	Ineffective

Source: Research and Development Team of the Department of Home Affairs, Faculty of Social and Political Sciences, UGM in Susanto (2014)

- **Efficiency Ratio**

This ratio describes the comparison between the amount of costs incurred or spent to obtain revenue and the actual revenue received. The performance of local governments in collecting revenue is categorized as efficient if the ratio achieved is less than one or below 100%. The smaller the efficiency ratio, the better the regional government performance.

Table 2.2 Regional Financial Management Performance Criteria

Financial Performance Percentage	Criteria
Above 100%	Not efficient
90% - 100%	Less efficient
80% - 90%	Quite Efficient
60% - 80%	Efficient
Less than 60%	Very effective

Source: Research and Development Team of the Department of Home Affairs, Faculty of Social and Political Sciences, UGM in Susanto (2014)

- **Regional Independence Ratio**

Regional Financial Independence (fiscal autonomy) shows the ability of the Regional Government to finance its own government activities, development and services to the community who have paid taxes and levies as a source of revenue needed by the region. Regional financial independence is demonstrated by the size of the Regional Original Income (PAD) compared to regional income originating from other sources, for example; Central/Provincial Government Assistance and Regional Loans.

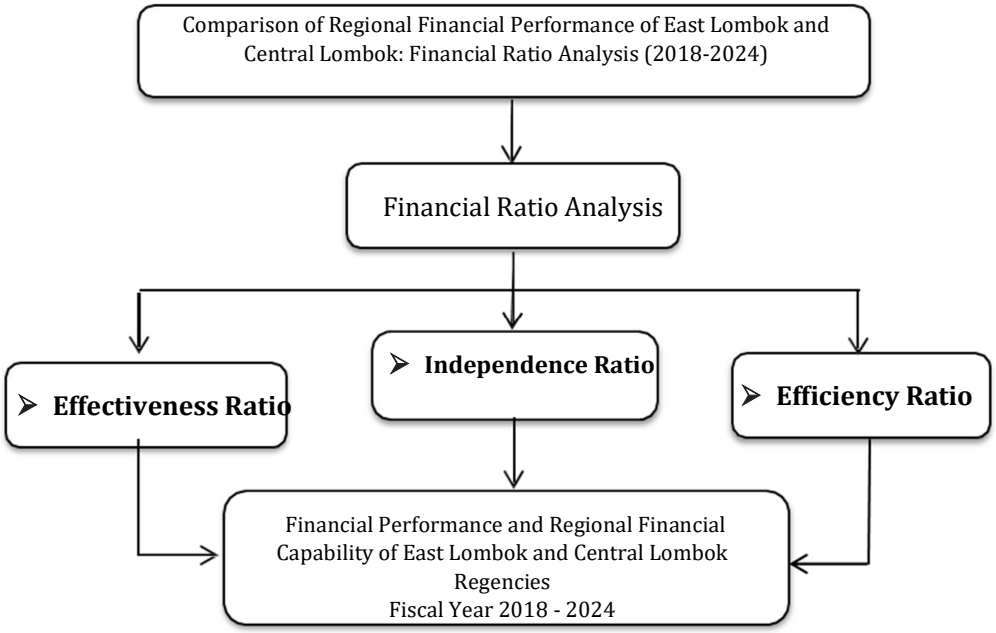
Table 2.3 Criteria for Regional Independence Assessment

PAD percentage	Regional Financial Independence
0.00 – 10.00	Very less
10.00 – 20.00	Not enough
20.01 – 30.00	Currently
30.01 – 40.00	Enough
40.01 – 50.00	Good
>50.00	Very good

Source: Research and Development Team of the Ministry of Home Affairs, Faculty of Social

and Political Sciences, UGM in Susanto, 2014

G. Framework



The conceptual framework of this study positions regional financial performance as a multidimensional concept measured through financial independence, PAD effectiveness, and regional financial efficiency. The regional financial independence ratio represents the ability of a local government to finance its activities through local own-source revenue relative to revenue received from external government sources. A higher ratio indicates lower dependence on central or provincial government transfers.

The PAD effectiveness ratio represents the ability of the local government to realize the PAD target established in the regional budget. A ratio approaching or exceeding 100 percent indicates that the government has successfully achieved its revenue target. Meanwhile, the regional financial efficiency ratio compares regional expenditure with realized regional revenue. A lower efficiency ratio indicates that the government uses a smaller proportion of its revenue to finance expenditure.

These three ratios measure different but complementary aspects of regional financial performance. Financial independence focuses on fiscal autonomy, effectiveness focuses on

revenue target achievement, and efficiency focuses on the relationship between financial resources and expenditure. The ratios are calculated annually for East Lombok and Central Lombok Regencies and subsequently compared to identify differences in financial performance patterns during the 2018–2024 period.

3. RESEARCH METHOD

This research uses a quantitative approach with comparative descriptive methods. The data used are the financial reports of the East Lombok and Central Lombok regional governments for the 2018-2024 period. Data obtained from the Ministry of Finance of the Republic of Indonesia.

Financial ratio analysis is carried out by calculating the ratios that have been explained in the literature review section. The results of the ratio calculation were then compared between East Lombok and Central Lombok for each year in the research period.

a) The scope of research

This research is about the comparative analysis of the ratio of the degree of fiscal decentralization, regional financial independence, effectiveness ratio and efficiency ratio in measuring the financial performance of the regional governments of East Lombok and Central Lombok Regency 2018-2024.

b) Data Types and Sources

The type of data used in this research is quantitative data. Meanwhile, the data source used in this research is secondary data. According to Sugiyono (2017:137) secondary data is data provided indirectly to data collectors, such as through other people or through documents. The data taken is the Regional Government Annual Financial Report data in the form of the Regional Revenue and Expenditure Budget Realization Report published by the Directorate General of Financial Balance,Ministry of Finance of the Republic of Indonesia,starting from the 2018 fiscal year to the 2024 fiscal year.

c) Data collection technique

The data collection method used in this research is:

1. **Documentation Study:**
    - The documents analyzed include the Regional Revenue and Expenditure

Budget Realization Report published by the Directorate General of Financial Balance during the 2018-2024 period.

- These documents were chosen because they are a primary source of information about budget realization and provide an overview of the fiscal decentralization policy implemented.

2. **Content Analysis:**
    - Content analysis was carried out with a qualitative approach using manual coding techniques.
    - Information sought in documents includes:
        - Budget allocation for priority sectors (education, health, infrastructure, etc.).
        - Changes in budget allocation from year to year.
        - Performance indicators are used to measure the success of development programs.
        - Challenges and obstacles in implementing fiscal decentralization policies.
3. **Study of literature:**
    - The literature study was carried out by searching for scientific journals, textbooks and research reports relevant to the topic of fiscal decentralization and regional development.
    - The databases used include Google Scholar, Scopus, and online libraries.
    - Keywords used in the search include "fiscal decentralization", "regional development", "regional autonomy", and "Mataram City".

Data obtained from these three methods will be analyzed in an integrated manner to answer research questions about the impact of fiscal decentralization policies on development in the City of Mataram.

d) Data analysis method

The research method used is a descriptive comparison between the financial ratios of East Lombok and Central Lombok

4. RESULT AND DISCUSSION

a. Effectiveness Ratio

The effectiveness ratio describes the regional government's ability to realize planned regional original income compared to targets that have been set based on potential regional revenues. A region's ability to carry out tasks is categorized as effective if the ratio achieved is at least 1 (one) or one hundred percent.

Effectiveness Ratio = Realized Revenue

$$\frac{\text{Realized Revenue}}{\text{Target Acceptance}} x100\%$$

Table 3.1 Effectiveness of Financial Management in East Lombok TA. 2018-2024

Year	Realization of Acceptance	Target Acceptance	Percentage (%)
2018	2,541.02M	2,596.17M	97.88%
2019	2,697.14 M	2,748.12 M	98.14%
2020	2,537.39M	2,730.45M	92.93%
2021	2,737.16 M	2,822.73 AD	96.97%
2022	2,814.99 M	2,915.28 AD	96.56%
2023	2,853.36 M	2,899.26 M	98.42%
2024	1,093.55 M	3,320.61 M	32.93%

Data source: https://djpk.kemenkeu.go.id/portal/data/apbd data processed (2024)

Table 3.2 Effectiveness of Central Lombok Financial Management FY. 2018-2024

Year	Realization of Acceptance	Target Acceptance	Percentage (%)
2018	1,976.69M	1,972.16M	100.23%
2019	2,148.57 M	2,152.69 M	99.81%
2020	2,096.75 M	2,296.60 M	91.3%
2021	2,109.74 M	2,197.46 M	96.01%
2022	2,165.88 M	2,282.41 M	94.89%
2023	1,925.62 AD	2,311.02 AD	83.32%
2024	672.82 AD	2,559.28 M	26.29%

Data source: https://djpk.kemenkeu.go.id/portal/data/apbd data processed (2024)

b. Efficiency Ratio

To obtain a proportional measure, the effectiveness ratio needs to be compared with the efficiency ratio achieved by the government. The efficiency ratio describes the amount of costs incurred to obtain income compared to the actual income received.

Regional government financial performance can be categorized as efficient if the ratio achieved is less than 1 (one) or below one hundred percent. The smaller the efficiency ratio, the better the regional financial capacity.

$$\text{Efficiency Ratio} = \frac{\text{Regional Expenditure}}{\text{Realization of Regional Revenue}} \; x100\%$$

Table 3.3 Effectiveness of Financial Management in East Lombok TA. 2018-2024

Year	Regional Shopping	Realization of Acceptance	Percentage (%)
2018	2,497.17M	2,541.02M	98%
2019	2,765.62M	2,697.14M	103%
2020	2,596.08M	2,537.39M	102%
2021	2,732.61M	2,737.16M	99.8%
2022	3,089.30M	2,814.99M	110%
2023	2,671.51M	2,853.36M	94%
2024	830.82M	1,093.55M	76%

Data source: https://djpk.kemenkeu.go.id/portal/data/apbd data processed (2024)

Table 3.4 Effectiveness of Central Lombok Financial Management TA. 2018-2024

Year	Regional Shopping	Realization of Acceptance	Percentage (%)
2018	2,028.96M	1,976.69M	103%
2019	2,195.37M	2,195.37M	100%
2020	2,093.64M	2,096.75M	99.8%
2021	2,118.55M	2,109.74M	100%
2022	2,075.25	2,165.88	96%
2023	2,671.51M	2,853.36M	94%
2024	830.82M	1,093.55M	76%

Data source: https://djpk.kemenkeu.go.id/portal/data/apbd data processed (2024)

c. Independence Ratio

The regional financial independence ratio describes the level of community participation in regional development. The higher the independence ratio, the higher the community participation in paying regional taxes and levies, which are the main components of local original income. The higher community participation in paying regional taxes and levies reflects the higher regional welfare, this implies that the level of regional dependence on Provincial/Central Government assistance will be lower.

Independence Ratio = Original Regional Income

$$\frac{\text{Balancing Fund}}{x\ 100\%}$$

Table 3.5 Financial Management Independence Ratio in East Lombok TA. 2018-2024

Year	Locally-generated revenue	Balancing Fund	Percentage (%)
2018	261.72M	2,061.55M	13%
2019	289.62M	2,174.11M	13%
2020	328.11M	1,959.26M	17%
2021	386.85M	2,079.95M	19%
2022	345.47M	2,317.59M	15%
2023	386.04M	2,316.24M	17%
2024	29.22M	1,014.43M	3%

Data source: https://djpk.kemenkeu.go.id/portal/data/apbd data processed (2024)

Table 3.6 Financial Management Independence Ratio in Central Lombok TA. 2018-2024

Year	Locally-generated revenue	Balancing Fund	Percentage (%)
2018	187.32	1,620.96	12%
2019	204.51	1,744.52	12%
2020	206.42	1,696.62	12%
2021	163.08	1,717.53	9%
2022	283	1,653.23	17%

2023	228.62	1,591.48	14%
2024	80.48	581.72	13.9%

Data source: https://djpk.kemenkeu.go.id/portal/data/apbd data processed (2024)

Table 3.7 Comparison of Financial Ratios for East Lombok and Central Lombok Regions

Year	Financial Ratios Area	East Lombok	central Lombok
2018	Regional Independence Ratio	13%	12%
	Effectiveness Ratio	97.88%	100.23%
	Efficiency Ratio	98%	103%
2019	Regional Independence Ratio	13%	12%
	Effectiveness Ratio	98.14%	99.81%
	Efficiency Ratio	103%	100%
2020	Regional Independence Ratio	17%	12%
	Effectiveness Ratio	92.93%	91.3%
	Efficiency Ratio	102%	99.8%
2021	Regional Independence Ratio	19%	9%
	Effectiveness Ratio	96.97%	96.01%
	Efficiency Ratio	99.8%	100%
2022	Regional Independence Ratio	15%	17%
	Effectiveness Ratio	96.56%	94.89%
	Efficiency Ratio	110%	96%

2023	Regional Independence Ratio	17%	14%
	Effectiveness Ratio	98.42%	83.32%
	Efficiency Ratio	94%	94%
2024	Regional Independence Ratio	3%	13.9%
	Effectiveness Ratio	32.93%	26.29%
	Efficiency Ratio	76%	76%

Data source: https://djpk.kemenkeu.go.id/portal/data/apbd data processed (2024)

Table 3.8 Degree of Financial Ratios

Financial Ratios	**East Lombok**	**central Lombok**
Regional Independence Ratio	10-20% - Low	10-20% - Low
Effectiveness Ratio	90-100% - Effective	90-100% - Effective
Efficiency Ratio	90-100% - Fairly Efficient	> 100% - Inefficient

1. Regional Independence Ratio

The regional independence ratio describes how much regional income can be sufficient to finance regional government expenditure without relying too much on transfers from the central government or other external sources.

- **East Lombok**: The regional independence ratio tends to be more stable, ranging from 13% to 19%. However, the existence of variations shows the need for strategies to maintain stability and increase financial independence.
- **central Lombok**: The regional independence ratio ranges from 9% to 17%. Despite variations, this ratio shows efforts to increase regional financial independence.

2. Effectiveness Ratio

The effectiveness ratio measures how well local governments manage and optimize the resources they have to achieve predetermined goals.

- **East Lombok and Central Lombok**: The effectiveness ratio is in the range of 90% to 100%, indicating that both regions are relatively effective in managing their resources. However, continued attention is needed to improve operational and administrative efficiency.

3. Efficiency Ratio

Efficiency ratios measure how well local governments allocate and use resources to achieve desired results at minimum costs.

- **East Lombok and Central Lombok**: The efficiency ratio varies, but is generally within a fairly efficient range (90% to 100%). In certain years, a decrease in efficiency is observed which may require further evaluation to identify the cause and necessary corrective steps.

5. CONCLUSION AND SUGGESTION

A. Conclusion

Based on financial ratio analysis from 2019 to 2024, East Lombok and Central Lombok show different patterns in terms of regional financial independence. East Lombok faced significant variations in regional self-reliance ratios, with figures ranging from 13% to 19% over the period. These variations reflect the challenges in achieving consistent fiscal stabilization, which may be influenced by income fluctuations and dependence on transfers from the central government. On the other hand, Central Lombok shows a relatively stable level of independence, with a ratio ranging from 9% to 17%. Even though it experiences annual variations, this stability shows better efforts to maintain regional financial independence.

Overall, both East Lombok and Central Lombok show a good level of effectiveness in managing public resources. Their effectiveness ratios are generally in the range of 90% to 100%, indicating that both regions are effective in allocating budgets to achieve their stated goals. However, to achieve better efficiency, continuous evaluation and improvement in operational and administrative management is needed.

Efficiency ratios, which measure how well resources are used to achieve results at minimum cost, show mixed patterns. East Lombok and Central Lombok have efficiency ratios that tend to be stable but with variations in certain years. Nevertheless, both East Lombok and Central Lombok need to pay attention to maintaining or improving their operational efficiency to ensure optimal use of resources.

To increase financial independence, it is important for both regions to develop stronger income diversification strategies, including developing local potential and increasing local original income. This step will help reduce dependence on external sources of income, such as central transfers, which can vary over time. Apart from that, strengthening administrative capacity is also needed to improve public financial management, ensuring transparency, accountability and effectiveness in regional budget management.

Thus, to achieve sustainable development and better community welfare, the regional governments of East Lombok and Central Lombok need to continue making efforts to increase financial independence, effectiveness and efficiency in managing public resources. Regular evaluation of financial ratios and implementation of appropriate strategies will be the key to success in achieving long-term development goals.

B. Suggestion

The following are several suggestions for the regional governments of East Lombok and Central Lombok based on the financial ratio analysis that has been carried out:

1. Income Diversification: Focus on local economic development to reduce dependence on central transfers.
2. Operational Efficiency: Evaluation of administrative processes to increase cost and time efficiency.
3. Resource Management: Increase transparency and accountability in public budget management.
4. Stakeholder Collaboration: Involve the community and private sector in development planning and implementation.
5. Basic Infrastructure: Continue investing in infrastructure to support economic growth and community quality of life.

By implementing these suggestions consistently and sustainably, it is hoped that East Lombok and Central Lombok can increase regional financial independence, the effectiveness

of resource management, and provide a significant positive impact on the development and welfare of local communities.

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