

Analysis on the Regional Financial Performance of Regencies/Cities in Bali Province

Ida Bagus Agung Haridharma Purba¹
Ni Putu Sri Harta Mimba²

¹*Faculty of Economics and Business Udayana University (Unud), Bali, Indonesia*

²*Faculty of Economics and Business Udayana University (Unud), Bali, Indonesia*

Corresponding Author: Ida Bagus Agung Haridharma Purba

ABSTRACT: In line with the principle of good regional financial management, which prioritizes the principles of accountability, transparency, and participation, the local government are demanded to have good financial performance in the management of their budget. For the regional financial performance to be good, an evaluation on the regional financial performance in managing their finance needs to be conducted. The measurement of financial performance has many purposes, among others is to increase the accountability of the local government. Furthermore, measurement of the regional financial performance will also be useful in the process of making policies regarding regional financial management. This research aims to analyze the regional financial performance of regencies/cities in Bali Province, reviewed from mapping the Locally Generated Revenue, financial ability index, the regional independency level, the regional interdependence level; and the map of the regional financial ability. Based on the analysis results, Badung Regency and Gianyar Regency are found to be in an ideal condition. The FAI of regencies/cities in Bali province is categorized as high ability. The financial independency is categorized as low independence and high interdependence on the central government. The mapping of regional financial abilities shows that regions with level of independence above average and level of interdependence below average are Badung Regency, Gianyar Regency, and Denpasar Regency.

Keywords: LGR performance, FAI, RIL, RiTL, regional financial ability map.

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I. INTRODUCTION

Since the enactment of fiscal decentralization policies, there have been significant developments in the management of finance in Indonesia. Changes meant are: (1) Centralistic systems became decentralistic; (2) the traditional budget system became performance based budget system; (3) Vertical accountability system became horizontal accountability system; and (4) Single entry and cash basis accounting system became double entry and accrual basis accounting system.

Fiscal decentralization policies in Indonesia mandate local governments to play a major role in the process to search and manage local income sources. The authorization of local government to manage their finance has made it possible for the local government to create and develop plans and objectives along with development priorities in various sectors in the region (Oates, 1993). The process to create policies for development has become closer to the people in the region.

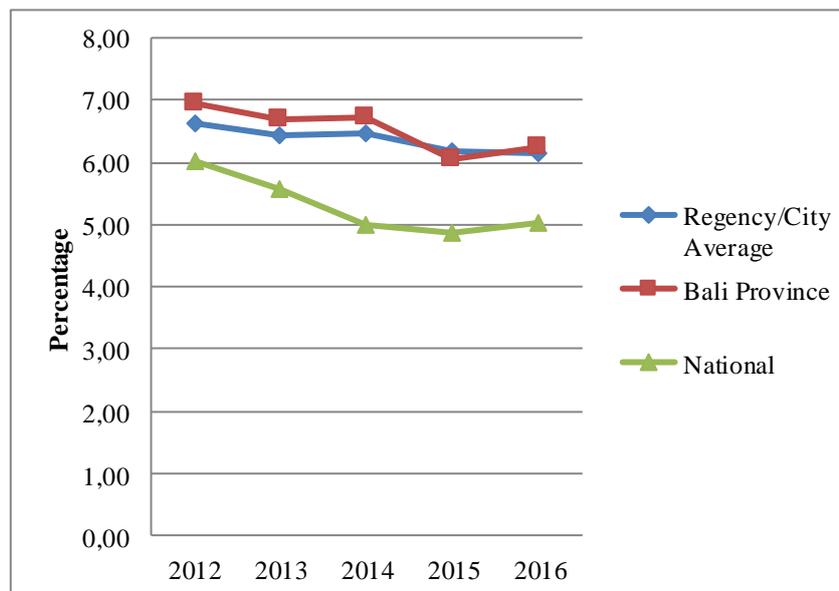
Table 1.
Average Realization of Regional Development Budget (RDB) in Bali Province Year 2012-2016

Description	Average Realization of RDB in Bali Province Year 2012-2016 (%)					Average
	2012	2013	2014	2015	2016	
Local Government Revenue	106,92	109,19	107,98	101,37	95,82	104,26
Locally Generated Revenue	110,32	124,07	112,11	101,78	93,24	108,30
Local Expenditure	86,84	84,79	88,75	89,89	92,94	88,64
Indirect Expenditure	91,48	84,55	85,28	91,07	90,66	88,61
Capital Expenditure	69,08	93,12	86,70	88,42	107,76	89,02

Source: Bank Indonesia, 2017 (Processed)

Management of the local finance in Bali Province in the framework of decentralization is currently not optimal. This can be seen from the LGR ratio towards RDB. These ratios of Bali Province over the last five years have not experienced any significant increment, in fact there are tendencies to decrease. A greater value of this ratio means that the local finance is more independent. Conversely, a lower ratio value of LGR on RDB indicates that the local finance is less independent.

The economic growth of Bali Province has experienced a deceleration especially towards the end of 2015. This shows that in terms of macro, the contribution of the economy in Bali towards the people's welfare has fall slightly. On the other hand, an increasing economic growth also has implications in which it drives the sectors of the local economy towards the direction of increasing local revenue.



Picture 1. Average Economic Growth of Regencies/Cities, Bali Province, and National, Year 2012-2016

Source: Bank Indonesia, 2017 (Processed)

The overall economic growth of Bali Province in the year of 2016 was estimated to be between 6,08 percent until 6,84 percent (BI, 2017). The estimation of an increase in economic growth is based on the estimated increase in performance of the agriculture sector in line with a government support program to increase productivity of farmers. The estimated increase in the national economic growth in the year 2016 was also due to the estimation of an increase in the tourism industry and processing industry.

Performance evaluation is not only applied on institutions or people who are oriented on profit, but also to non-profit institutions. This is with the purpose to determine how well the government are able to carry out their task in governance, development, and service to the people by providing financial statements. The ability of the local government in managing the finance based on the RDB which pictures the ability of the local government in funding development activities. In governing the regional autonomy, government are demanded to be effective and efficient, capable to prompt the people to participate in the development, and improve equity and fairness by developing all potentials available in each region.

The demand for good performance is frequently directed on the local government to improve the region's financial ability/independency. Mardiasmo (2005) stated that to review the level of success of a region in performing the regional autonomy, an evaluation on the financial performance of the local government in managing their finance is needed. Measurement is a concept which portrays the process to evaluate financial performances in accordance to a set of rules (Dicker, 2010). Financial performance measurement has many purposes, in which at the very least is to increase the accountability of the local government. Furthermore, measurement of government's financial performance will be beneficial in the process to create policies regarding management of regional finance. In line with the demand to produce good performance, the early warning system concept is greatly needed in managing the regional finance. Early warning system in this case has a role to provide early warnings regarding the financial performance evaluation results on the RDB so that stakeholders are able to make strategic decisions in order to direct regional development in the right direction.

Financial performance analysis is an effort to identify the financial characteristics based on financial statements available. Financial performance of the region can be seen from various financial ratio analyzed from the RDB used as a benchmark to evaluate the regional financial performance. Analysis of financial ratios on the

RDB is conducted by comparing the results achieved by a region in one period to previous periods, in order to find out the tendencies that occur. Analysis on the regional financial performance is expected to be a measurement tool to evaluate the independency of the region's finance in appreciating the implementation of fiscal decentralization policies, and to review the growth and development of income and expenditure in a certain period.

Analysis on the financial ratio is one of the financial performance analysis tool, generally to reward profit oriented institutions or organizational performance. However, this is still seldomly conducted on non-profit organizations or institutions, especially the local government. This is because the presentation of local governments financial statement has limitations and different characteristics and coverage. According to Widodo (2001:259), preparation of the RDB is based on the principle of balance in incremental budget in which each group of income and expenditure is calculated by increasing a certain percentage (based on the inflation level) which ignores the financial ratios in the RDB. With the existence of financial ratios, quality of financial statements audited by BPK are expected to increase, so that the general public can also be knowledgeable the condition which reflects the condition of the region's finance.

Based on theoretical and empirical studies, along with the phenomena related to regional finance (budget) management in Bali province, the urgency of this research is to analyze the regional financial performance of Bali Province year 2012-2016 through scientific analysis based on the financial ratio calculation and mapping of the financial abilities of the local government. The main problem in this research is **“How are the regional financial performances of regencies/cities in Bali Province over the years of 2012 until 2016 according to the financial ratio calculation and mapping of financial ability in terms of managing the regional budget.”**

II. RESEARCH METHOD

This research is conducted on nine regencies/cities in Bali Province. The type of data in this research is quantitative data and the source of data in this research is secondary data, which consists of the realization of RDB and GRDP of regencies/cities in Bali Province year 2012-2016.

The variables in this research are proxied by the LGR performance mapping, financial ability index, regional independence level, regional interdependence level, and mapping of the regional financial ability. Mapping of the LGR performance is used to determine the positions of regencies/cities in Bali Province measured by their LGR growth, and their contributions towards the RDB (share). Growth in this context is the annual growth rate of LGR in each regency/city, while share is the LGR ratio on the total regional expenditure (RDB). The formulation is explained as follows:

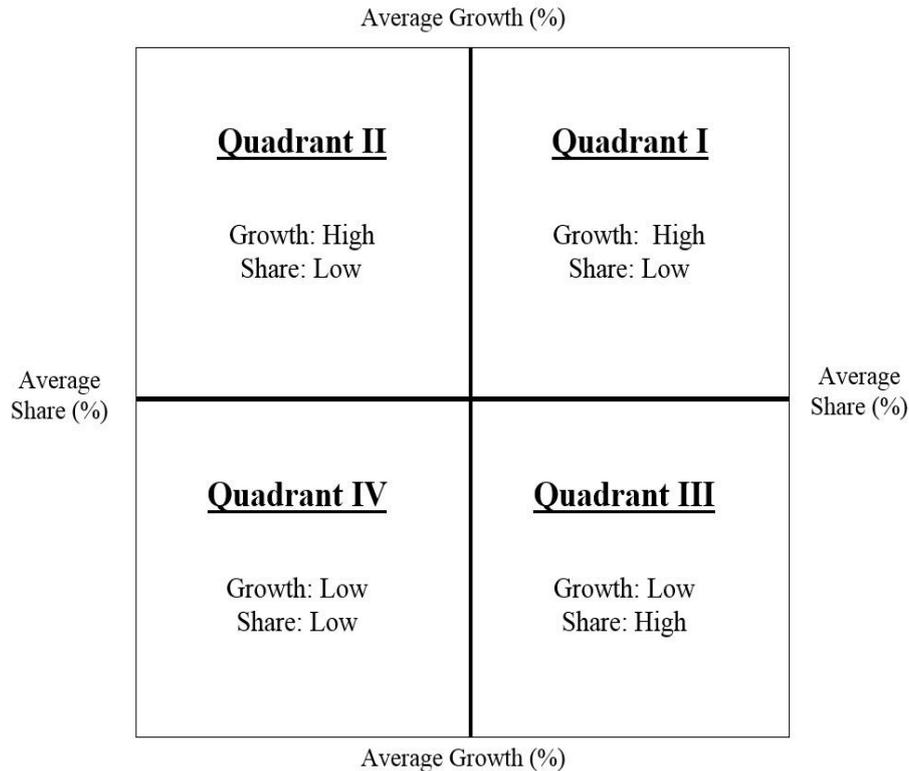
$$\text{Growth} = \frac{\Delta \text{LGR}}{\text{LGR}_{t-1}} \times 100\% \dots\dots\dots (1)$$

$$\text{Share} = \frac{\text{LGR}_t}{\text{TE}} \times 100\% \dots\dots\dots (2)$$

Annotation:

- ΔLGR = Change in Locally Generated Revenue
- LGR_{t-1} = Locally Generated Revenue in the year $t-1$
- LGR_t = Locally Generated Revenue in the year t
- TE = Total Expenditure

After the value of growth and share of each regency/city in Bali Province is determined, the next step is to map the LGR performance based on the quadrant method shown in Picture 2.



Picture 2. Map of Financial Ability Based on Quadrants
Source: Basri, 2013

After the mapping of LGR performance through quadrants, the classification of LGR performance and the descriptions can be viewed in Table 2.

Table 2.
Classification of LGR Performance Status Based on the Quadrant Method

Quadrant	Condition
I	Ideal condition. LGR has a large role in the Regional Development Budget (RDB) and the region has the ability to develop local potentials. This condition is shown by high growth value accompanied with a high share value.
II	Conditions are yet to be ideal, but the region has the ability to develop local potentials. Thus, there is a high chance for the LGR to have a large role in the RDB. High LGR growth rate, but low LGR contribution towards RDB.
III	Conditions are yet to be ideal. The large role of LGR in RDB might decrease as there is a low growth rate for LGR. High contribution of LGR towards RDB, however, the growth of LGR is low.
IV	Bad condition. LGR does not play a major role in the RDB and the region is not yet able to develop the local potential. LGR growth and contribution of LGR towards RDB is low.

Source: Basri, 2013

The financial ability index is the average value of growth index, share index, and elasticity index. To construct the index of these three components, a maximum and minimum value of each component is determined. To determine the index of each component, calculation of the values of growth, share and elasticity are conducted.

Growth is the measurement which shows the magnitude of the local governments ability to maintain and increase the LGR from period to period (LGR growth rate). Share is the measurement of the regional ability in funding routine activities and regional development expenditures, in which share is calculated from the LGR ratio towards the routine expenditure and regional development expenditure (contribution of LGR towards

RDB). Elasticity is the measurement of sensitivity or elasticity of LGR towards economic growth. The formula of elasticity is shown as follows (Dethan, 2015):

$$\text{Elasticity} = \frac{\Delta \text{LGR} / \text{LGR}_{t-1}}{\Delta \text{GRDP} / \text{GRDP}_{t-1}} \times 100\% \dots \dots \dots (5)$$

Annotation:

- ΔLGR = Change in Locally Generated Revenue
- LGR_{t-1} = Locally Generated Revenue in year $t-1$
- ΔGRDP = Change in Gross Regional Domestic Product
- GRDP_{t-1} = Gross Regional Domestic Product in year $t-1$

In the calculation of each index component, the maximum and minimum value of each component is determined. The index of each component in the FAI is calculated using the following equation:

$$\text{Index X} = \frac{\text{Measurement result X Value} - \text{Minimum X Value}}{\text{Maximum X Value} - \text{Minimum X Value}} \dots \dots \dots (6)$$

FAI is attained by the average of growth index, share index, and elasticity index. The calculation of FAI is shown as follows (Dethan, 2015):

$$\text{IKK} = \frac{X_G + X_S + X_E}{3} \dots \dots \dots (7)$$

Description:

- X_G = Growth Index
- X_S = Share Index
- X_E = Elasticity Index

The FAI value of regencies/cities are sorted from the ones with the greatest financial ability, followed by the moderate financial ability, and lastly the lowest financial ability. The criteria of regional financial ability is shown in Table 3.

Table 3.
Regional Financial Ability Level Criteria

Financial Ability Index	Classification of Financial Ability
0,00-0,33	Low
0,34-0,43	Moderate
0,44-1,00	High

Source: Hidayat et al., 2016

The regional independency level, also known as the fiscal autonomy shows that the region's ability in self funding government activities, development activities, and services to the people who have paid their taxes and retributions in which are the income needed by the region (Mahmudi, 2007:128). The regional independency level is formulated as follows (Pratidina, 2013):

$$\text{RIL} = \frac{\text{LGR}}{\text{TPD}} \times 100\% \dots \dots \dots (8)$$

Annotation:

- RIL = Regional Independency Level
- LGR = Locally Generated Revenue
- TPD = Total Regional Income

Conceptually, the relationship pattern between the central and regional government must be in accordance to the regional ability in funding governance and development activities. Paul Hersey and Kenneth Blanchard introduced the "Situational Relationship" in the implementation of regional autonomy, namely: (1) Instructive, in which the role of central government is more dominant than the regional government independency; (2) Consultative, in which the intervention of central government has decreased; (3) Participative, in which the role of central government is diminishing, if the region is independent in the implementation of regional autonomy; (4) Delegative, in which there is no intervention from central government, hence the region is independent and is able to implement regional autonomy.

Table 4.
Ability Level and Relationship Pattern of Central and Regional Government

Independence Level (%)	Financial Ability	Independence Level	Relationship Pattern
≤ 25	Very Low	Not Capable	Instructive

26-50	Low	Less Independent	Consultative
51-75	Moderate	Independent Enough	Participative
76-100	High	Independent	Delegative

Source: Basri, 2013

The regional interdependence level depicts how interdependent a region is towards external funding or transfer funds from the central or provincial government in funding the process of governance. The interdependence level is measured using the formula below (Basri, 2013):

$$RI_tL = \frac{TF}{TR_tI} \times 100\% \dots\dots\dots (9)$$

Annotation:

- RI_tL = Regional Interdependence Level
- TF = Transfer Fund
- TR_tI = Total Regional Income

Table 5.
Regional Interdependence Level

Level of Interdependence (%)	Conclusion
≤25	Fiscal dependency is low, meaning that budget performance is very good.
26-50	Fiscal dependency is good enough, which means that budget performance is good enough.
51-75	Fiscal dependency is high enough, which means that the budget performance is not good.
76-100	Fiscal dependency is very high, which means that budget performance is very bad.

Source: Basri, 2013

The mapping of regional financial ability use two indicators, namely: the regional independency level and regional interdependency level which are classified as follows (Basri, 2013):

Table 6.
Regional Financial Ability Map

RIL \ RI_tL	RI_tL_i > \bar{x}RI_tL	RI_tL_i < \bar{x}RI_tL
RI_tL_i > \bar{x}RI_tL	Independent region with a high level of interdependence.	Independent region with a low level of interdependence.
RI_tL_i < \bar{x}RI_tL	Dependent region and high level of interdependence.	Dependent region and low level of interdependence.

Source: Basri, 2013

Annotation:

- RIL = Regional Independence Level
- RI_tL = Regional Interdependence Level
- RI_tL_i = Regional Independence Level in Year i
- RI_tL_i = Regional Interdependence Level in Year i
- \bar{x} RIL = Average Regional Independence Level
- \bar{x} RI_tL = Average Regional Interdependence Level

III. RESULTS AND DISCUSSION

The LGR performance mapping is a method to review the regional financial ability which is measured through LGR growth and it's contribution towards RDB (share). LGR growth is a measure which shows the regional government's ability to maintain and to successfully increase the LGR from period to period.

Table 7.
LGR Growth of Regencies/Cities in Bali Province in the Year of 2012-2016

No.	Regencies/Cities	LGR Growth (%)					Average
		2012	2013	2014	2015	2016	
1	Badung	32,99	21,87	19,46	10,24	18,72	20,66
2	Bangli	77,48	37,39	36,00	15,22	16,76	36,57
3	Buleleng	18,17	24,25	37,05	33,39	18,66	26,31
4	Gianyar	24,88	22,25	32,81	7,74	15,86	20,71
5	Jembrana	14,66	47,38	30,46	9,72	16,83	23,81
6	Karangasem	11,18	17,09	41,96	1,55	13,59	17,07
7	Klungkung	19,21	38,40	46,64	21,45	12,28	27,67
8	Tabanan	108,35	38,24	7,91	10,01	5,75	18,37
9	Denpasar	20,32	14,80	9,73	12,48	2,19	11,90
Average		27,65	29,12	29,11	13,53	13,40	22,56

Source: Processed secondary data, 2017

The average LGR growth of regencies/cities in Bali Province from year 2012 until 2016 is 22,56%. This indicates that over the period of five years, there is an increase in the absolute (nominal) value of LGR, but data shows that there are tendencies of decreasing LGR growth rate in almost all regencies/cities in Bali Province.

This condition implies that a more proactive effort is needed in pushing the LGR growth rate. An effort that can be done is by finding and developing local potentials as sources of regional income. Potentials in this context are the economical potentials consisting of business activities available in the society and to encourage the development of industries and services in the attempt to increase the economical capacity of the region. The success of this effort may contribute towards the increase in the regional ability or independence.

The average growth rate trend of LGR in regencies/cities in Bali Province over the last five years is highest in Bangli Regency (36,57%), followed by Klungkung Regency (27,67%), Buleleng Regency (26,31%), Jembrana Regency (23,81%), Gianyar Regency (20,71%), Badung Regency (20,66%), Tabanan Regency (18,37%), Karangasem Regency (17,07%), and the lowest is Denpasar city (11,90%).

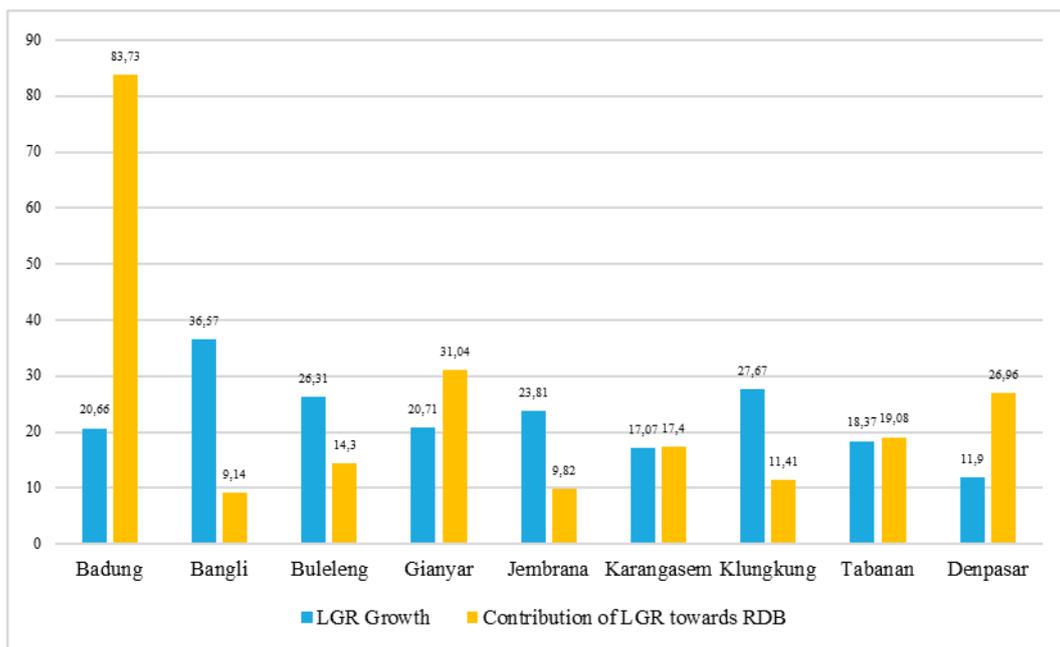
The average growth rate of LGR in regencies/cities in Bali Province has experienced a positive growth and an increase from year 2015 onwards. This indicates that there are efforts by the local government to search and optimize local potentials.

Table 8.
LGR Contribution towards RDB of Regencies/Cities in Bali Province Year 2012-2016

No.	Regencies/Cities	LGR Contribution towards RDB (%)					Average
		2012	2013	2014	2015	2016	
1	Badung	80,13	82,71	83,10	87,08	85,62	83,73
2	Bangli	6,87	8,53	10,02	9,75	10,53	9,14
3	Buleleng	11,48	11,34	16,15	15,70	16,83	14,30
4	Gianyar	31,27	32,54	31,33	30,40	29,66	31,04
5	Jembrana	6,99	9,53	11,36	11,07	10,15	9,82
6	Karangasem	15,28	15,64	20,57	17,98	17,55	17,40
7	Klungkung	8,12	10,13	12,65	13,48	12,67	11,41
8	Tabanan	17,20	21,77	20,51	18,96	16,98	19,08
9	Denpasar	39,05	22,76	23,30	25,11	24,60	26,96
Average		24,04	23,88	25,44	25,51	24,95	24,77

Source: processed secondary data, 2017

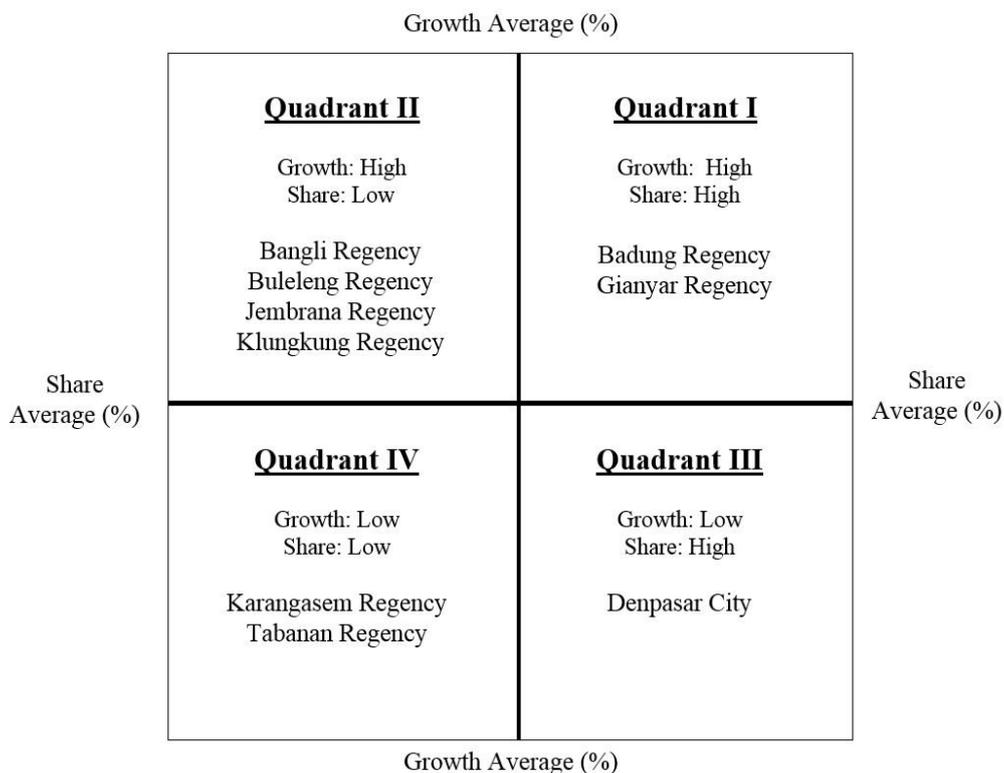
The average contribution of LGR towards RDB of regencies/cities in Bali Province over the last five years was 24,77%. The contribution of LGR towards RDB over the years of 2012 until 2016 was highest in Badung Regency (83,73%) followed by Gianyar Regency (31,04%) and Denpasar City (26,96%), while other regencies were below average namely Tabanan Regency (19,08%), Karangasem Regency (17,40%), Buleleng Regency (14,30%), Klungkung Regency (11,41%), Jembrana Regency (9,82%), and Bangli Regency (9,14%).



Picture 3. Average Growth of LGR and Contribution of LGR towards RDB of Regencies/Cities in Bali Province Year 2012-2016

Source: Processed secondary data, 2017

Based on the growth and share analysis results, the LGR performance map which utilize the quadrant method from the year of 2012 until 2016 is displayed in Picture 4.



Picture 4. LGR Performance Map of Regencies/Cities In Bali Province Year 2012-2016 According to Quadrants

Source: Processed secondary data, 2017

Based on the LGR performance map in Picture 4, it is found that the regencies/cities in Bali Province in the first quadrant are Badung Regency and Gianyar Regency. These two regencies are categorized as ideal. The average growth of LGR over the last five years in Badung Regency is 20,66% and the contribution of LGR towards RDB is 83,73% which is higher than the median of 19,87%, thus it is categorized as high. It can be interpreted that the LGR of Badung Regency has a large role in the RDB and the region has the ability to develop local potentials. The high value of growth and share in Badung Regency is mainly due to their total LGR of 3.563.459,64 trillion Indonesian Rupiahs (IDR). With an increasing trend of LGR and its high contribution, the region will be more flexible in budgeting their regional expenditure and be more optimal in providing service to the society.

Gianyar Regency over the last five years has a average LGR growth of 20,71% and the contribution of LGR towards RDB is 31,04%. Both values are also higher than the median which makes Gianyar Regency deemed to be in the condition of ideal.

Regions in the second quadrant are Bangli Regency, Buleleng Regency, Jembrana Regency, and Klungkung Regency. Regions in this quadrant are considered to be not ideal yet, but the regions have the ability to develop local potentials so there is a possibility that the LGR may eventually play a large role in the RDB. The contribution of LGR towards the RDB is still low, but the LGR growth is high.

LGR growth of Bangli Regency over the last five years is 36,37% which is higher than the median value and the contribution of LGR towards RDB is 9,14% which is lower than the median value. Analytically speaking, Bangli Regency is in a condition which is not ideal yet. The percentage of LGR growth of Buleleng Regency over the last five years is 26,31% which is higher than the median value, but the contribution of LGR towards RDB of Buleleng Regency of 14,30% is lower than the median value. With this, Buleleng Regency is considered to be in a condition which is not ideal yet. Jembrana Regency also falls under the condition of not ideal based on the results of analysis which shows that the LGR growth over the last five years is 23,81% which is higher than the median value, and the contribution of LGR towards RDB is 9,82% which is lower than the median value. The last regency which falls under the second quadrant is Klungkung Regency in which the LGR growth of Klungkung Regency over the last five years is 27,67% which is higher than the median value, and the contribution of LGR towards RDB of Klungkung Regency is 11,41% which is lower than the median value.

Denpasar city is the only region which falls under quadrant III. Regions in this quadrant are regions that are not ideal because the large role LGR has in the RDB which might decrease due to the low growth of LGR. In other words contribution of LGR towards RDB is high, but the LGR growth is low. The analysis result shows that the LGR growth percentage of Denpasar City over the last five years is 11,90% which is lower than the median value, and the contribution of LGR towards RDB is 26,96% which is higher than the median value.

Regions which fall under the condition of bad is placed in quadrant IV. The analysis result shows that regions with low growth and low contribution of LGR towards RDB are Karangasem Regency and Tabanan Regency. In terms of criteria, regions are included in this quadrant if the LGR does not have a significant role in the RDB, and regions do not have the ability to develop the local potentials. The contribution of LGR towards RDB is low. Over the last five years, LGR growth of Karangasem Regency is 17,07% and the contribution of LGR towards RDB is 9,82%. These two values are both low compared to the median value, thus Karangasem Regency falls under the condition of not ideal yet. Tabanan Regency has an LGR growth of 18,37% and the contribution of LGR towards the RDB over the last five years is 19,08%. Both values are lower than the median value.

Financial Ability Index (FAI) is used to evaluate the financial ability status which is measured using the growth index average, share index, and elasticity index of regencies/cities in Bali Province from the year 2012 until 2016.

Growth index average of regencies/cities in Bali Province from the year of 2012 until 2016 is 0,43. The regency/city with the highest growth index average within the last five years is Denpasar City (0,54), followed by Gianyar Regency (0,52), Badung Regency (0,46), Klungkung Regency (0,45), Buleleng Regency (0,43), Tabanan Regency (0,39), Karangasem Regency (0,38), Jembrana Regency (0,37), and lastly is Bangli Regency (0,34).

The share index average of regencies/cities in Bali Province from the year of 2012 until 2016 is 0,50. The region with the highest share index average is Jembrana Regency (0,65), followed by Bangli Regency (0,62), Klungkung Regency (0,61), Buleleng Regency (0,54), Badung Regency (0,52), Gianyar Regency (0,48), Tabanan Regency (0,44), Karangasem Regency (0,40), and the lowest is Denpasar City (0,26).

The average elasticity index is 0,50. The highest elasticity index average is attained by Buleleng Regency (0,69) followed by Bangli Regency (0,61), Gianyar Regency (0,54), Denpasar City (0,53), Karangasem Regency (0,47), Klungkung Regency (0,45), Badung Regency (0,42), Tabanan Regency (0,42), and the lowest is Jembrana Regency (0,39).

Based on the average of growth index, share index, and elasticity index of regencies/cities in Bali Province from the year 2012 until 2016, an FAI can be conducted as a method to determine the status or rank of financial ability of each regencies/cities in Bali Province.

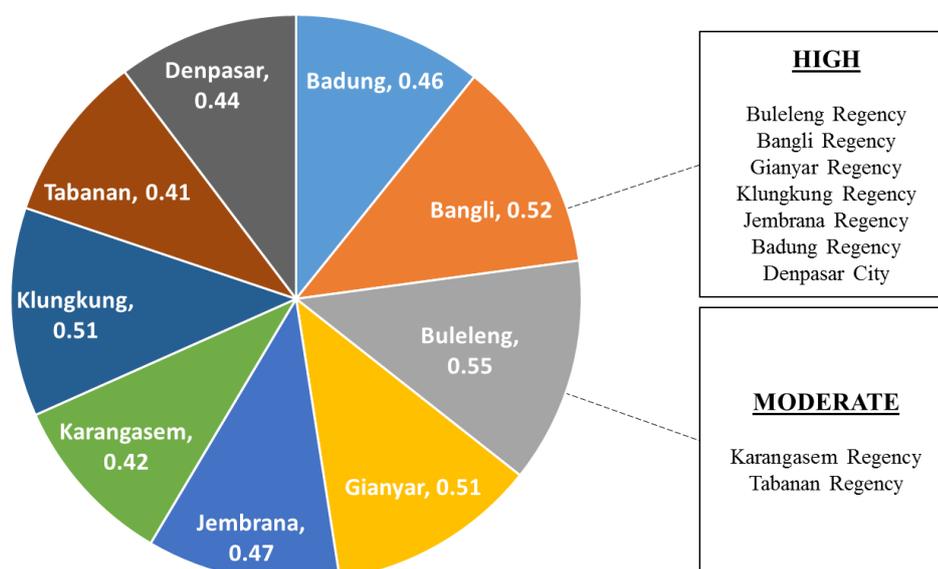
Table 9.
Financial Ability Index of
Regencies/Cities in Bali Province Year 2012-2016

No.	Regency/City	Year					Average
		2012	2013	2014	2015	2016	
1	Badung	0,67	0,40	0,33	0,33	0,59	0,46
2	Bangli	0,59	0,60	0,60	0,26	0,57	0,52
3	Buleleng	0,26	0,11	0,94	0,87	0,60	0,55
4	Gianyar	0,41	0,80	0,86	0,14	0,34	0,51
5	Jembrana	0,04	0,86	0,66	0,35	0,43	0,47
6	Karangasem	0,21	0,31	1,00	0,17	0,40	0,42
7	Klungkung	0,16	0,72	0,87	0,50	0,28	0,51
8	Tabanan	0,58	1,00	0,27	0,21	0,02	0,41
9	Denpasar	1,00	0,46	0,25	0,45	0,04	0,44
Average		0,44	0,58	0,64	0,36	0,36	0,48

Source: Processed secondary data, 2017

The average FAI of regencies/cities in Bali Province from the year of 2012 until 2016 is 0,48. This number is falls under the high status, which indicates that relatively, the regencies/cities in Bali Province have good financial abilities to fund the regional developments. The highest average FAI over the last five years is attained by Buleleng Regency (0,55), followed by Bangli Regency (0,52), Gianyar Regency (0,51), Klungkung Regency (0,51), Jembrana Regency (0,47), Badung Regency (0,46), Denpasar City (0,44), Karangasem Regency (0,42), and last is Tabanan Regency (0,41).

Regions with high FAI over the years of 2012 until 2016 are Buleleng Regency, Bangli Regency, Gianyar Regency, Klungkung Regency, Jembrana Regency, Badung Regency, and Denpasar City. While regions with moderate FAI are Karangasem Regency and Tabanan Regency.



Picture 5. Financial Ability Index of
Regencies/Cities in Bali Province Year 2012-2016

Source: Processed secondary data, 2017

The regional independency level shows the readiness of the region in the implementation of regional autonomy or the ability to finance their regional development, specifically by comparing the LGR with the total regional income. The higher the region's level of independency, the more independent local governments are in the conducting the regional autonomy.

Table 10.
Regional Independency Level of
Regencies/Cities in Bali Province Year 2012-2016

No.	Regency/City	Level of Independency (%)					Average
		Year					
		2012	2013	2014	2015	2016	
1	Badung	71,42	77,14	78,69	80,36	82,33	77,99
2	Bangli	7,26	7,97	9,59	10,04	9,85	8,94
3	Buleleng	10,78	11,53	14,23	15,12	16,83	13,70
4	Gianyar	29,40	27,78	30,30	29,93	31,49	29,78
5	Jembrana	7,13	9,19	10,85	10,85	10,50	9,70
6	Karangasem	15,88	16,19	19,18	17,78	18,01	17,41
7	Klungkung	8,23	9,47	11,95	13,23	13,10	11,20
8	Tabanan	17,35	20,22	20,00	18,61	17,72	18,78
9	Denpasar	37,08	39,30	38,17	39,80	39,32	38,73
Average		22,73	24,31	25,88	26,19	26,57	25,14

Source: Processed secondary data, 2017

The average regional independency level of regencies/cities in Bali Province over the last five years is 25,14%. The region which has the highest regional independency level is Badung Regency (77,99%), followed by Denpasar City (38,73%), Gianyar Regency (29,78%), Tabanan Regency (18,78%), Karangasem Regency (17,41%), Buleleng Regency (13,70%), Klungkung Regency (11,20%), Jembrana Regency (9,70%), and the lowest is Bangli Regency (8,94%).

The average financial ability criteria of regencies/cities in Bali Province in the years of 2012 until 2016 falls under the low criteria. The low criteria average is due to regencies/cities in Bali Province dominantly in the very low criteria over the last five years, even though one region falls under the high criteria which is Badung Regency. While Gianyar Regency and Denpasar City is in the low criteria, the rest of the regencies, namely Bangli, Buleleng, Jembrana, Karangasem, Klungkung and Tabanan fall under the criteria of very low.

The regional independency condition of regencies/cities in Bali Province from the year of 2012 until 2016. The average regional independency criteria implies that the regions are still not capable of conducting regional autonomy based on the last five years analysis. The region that is already independent in the implementation regional autonomy is Badung Regency because the achievements in developing the LGR potentials and good regional development progress. Gianyar Regency and Denpasar City has been assessed as less independent in conducting the regional autonomy over the last five years. While six other regencies, namely Bangli Regency, Buleleng Regency, Jembrana Regency, Karangasem Regency, Klungkung Regency, and Tabanan Regency are not yet capable of implementing the regional autonomy.

The relationship pattern between the central government and the regional government of regencies/cities in Bali Province over the period of 2012 until 2016 is instructive which means that the role of the central government is more dominant than the independency of the regional government which is indicated by the large dependency on external income sources, especially from the general allocation fund (GAF). The analysis of the last five years becomes an evaluation for the government of Bali Province to develop the LGR potentials so that each region can be independent in the implementation of regional autonomy.

In the last five years, Badung Regency is the example of a successful region in implementing regional autonomy, in which there are no intervention from the central government on the local government. Government of Badung Regency in carrying out their regional autonomy has truly been independent in the last five years.

Gianyar Regency and Denpasar City both have the consultative relationship pattern with the central government, which means that the intervention by the central government on each of these local government gradually decrease. The gradual decrease in intervention is with the hope that each region continuously search for LGR sources and become more independent.

Regions that have the instructive relationship pattern are Bangli Regency, Buleleng Regency, Jembrana Regency, Karangasem Regency, Klungkung Regency, and Tabanan Regency.

The regional interdependence level explains the degree of interdependence of a region on external assistance or transfers from the central government in funding the activities of governance by comparing the ratio of transfer income to total regional income.

Table 11.
Interdependency Level of Regencies/Cities in Bali Province Year 2012-2016

No.	Regency/City	Interdependency Level (%)					Average
		Year					
		2012	2013	2014	2015	2016	
1	Badung	19,67	14,55	11,03	8,90	12,55	13,34
2	Bangli	81,87	73,06	68,85	65,18	89,94	75,58
3	Buleleng	89,24	88,41	85,74	50,75	63,19	75,46
4	Gianyar	67,97	66,50	49,57	44,09	53,83	56,39
5	Jembrana	71,28	69,48	66,41	63,91	64,83	67,18
6	Karangasem	63,77	61,85	55,70	51,66	63,53	59,30
7	Klungkung	90,63	69,85	64,44	59,75	68,01	70,54
8	Tabanan	62,15	58,63	58,50	50,49	61,42	58,24
9	Denpasar	47,52	44,61	42,08	39,06	44,98	43,65
Average		66,01	60,77	55,81	48,20	58,03	57,74

Source: Processed secondary data, 2017

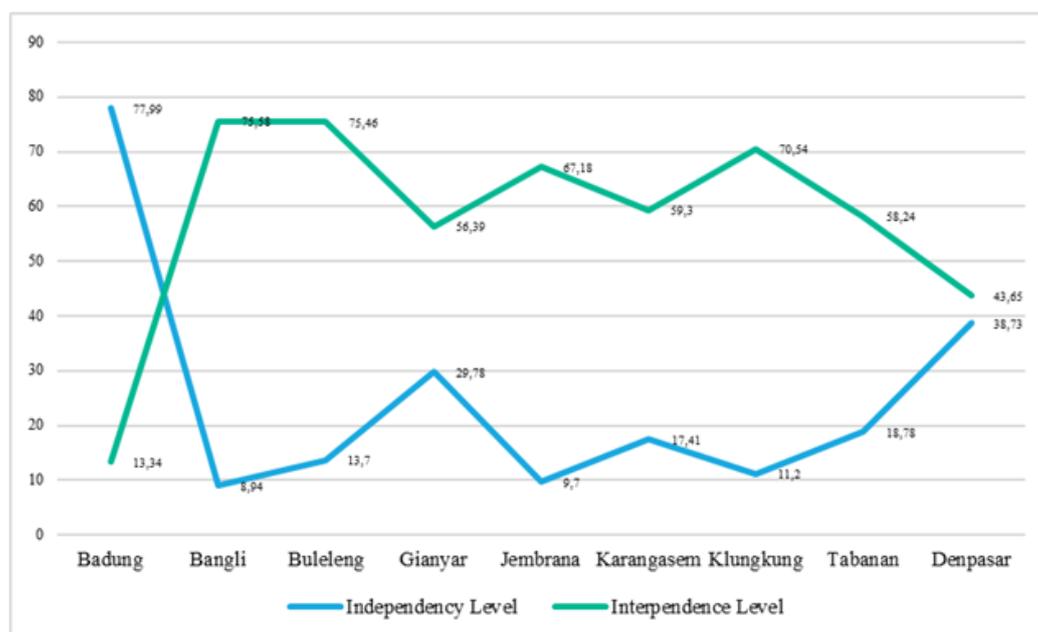
The interdependence level of Regencies/Cities in Bali Province over the years of 2012 until 2016 is 57,74%. The regency with the highest interdependence level is Bangli Regency (75,58%), followed by Buleleng Regency (75,46%), Klungkung Regency (70,54%), Jembrana Regency (67,18%), Karangasem Regency (59,30%), Tabanan Regency (58,24%), Gianyar Regency (56,39%), Denpasar City (43,65%), and the lowest is Badung Regency (13,34%).

Fiscal interdependence criteria of regencies/cities in Bali Province from year 2012 until 2016. The average fiscal interdependence of regencies/cities in Bali Province over the last five years is quite large which indicates that the local government are not yet able to fund regional development using LGR alone and the RDB is still dominantly from the central government transfers through the balancing fund. Local government should attempt to gain greater revenue, especially through the LGR and its components. Intensification in terms of tax revenue, investors and efficiency as well as effectivity in the regional expenditure, and the activities which create economic growth and jobs.

The largest fiscal dependency from the regencies/cities in Bali Province over the last five years is in Bangli Regency, followed by Buleleng Regency, Klungkung Regency, Jembrana Regency, Karangasem Regency, Tabanan Regency, Gianyar Regency, Denpasar City, and the lowest is Badung Regency. The last criteria from the regional interdependence levels is seen in the aspects of regional budget performance.

The average budget performance of regencies/cities in Bali Province over the years of 2012 until 2016 based on the level of interdependence is categorized as not good, in which the regions that dominantly influence budget performance is Bangli Regency, Buleleng Regency, Klungkung Regency, Jembrana Regency, Karangasem Regency, and Tabanan Regency. As for Gianyar Regency and Denpasar City, both have good budget performance.

Badung Regency as the region that has the lowest regional interdependence level shows a very good budget performance over the years of 2012 until 2016. The very good budget performance in the year of 2012 becomes one of the factors that has made the government of Badung Regency able to achieve the predicate of a truly independent region in the implementation of regional autonomy with a delegative relationship pattern.



Picture 6. Average Independency Level and Interdependence Level of Regencies/Cities in Bali Province Year 2012-2016

Source: Processed secondary data, 2017

Regional financial ability map is a method to determine the financial ability position of each regency/city based on their level of regional financial independency, and regional interdependence level.

Table 12. Financial Ability Map of Regencies/Cities in Bali Province Year 2012-2016 Based on the Regional Independency Level and Regional Interdependence Level

RIL	$RItL_i > \bar{x}RItL$	$RItL_i < \bar{x}RItL$
$RIL_i > \bar{x}RIL$	(Independent region with a high level of interdependence)	Badung Regency Gianyar Regency Denpasar City (Independent region with a low level of interdependence)
$RIL_i < \bar{x}RIL$	Bangli Regency Buleleng Regency Jembrana Regency Karangasem Regency Klungkung Regency Tabanan Regency (Not an independent region with a high level of interdependence)	 (Not an independent region with a low level of interdependence)

Source: Processed secondary data, 2017

The financial ability map of regencies/cities in Bali Province over the year of 2012 until 2016 based on the regional independency level and regional interdependence level shows that the regions categorized as good are independent regions with a low interdependence level. Regions under this category are Badung Regency, Gianyar Regency, and Denpasar City. While Bangli Regency, Buleleng Regency, Jembrana Regency,

Karangasem Regency, Klungkung Regency, and Tabanan Regency fall under the category of bad because the regions are not yet independent and has a high level of interdependence.

IV. CONCLUSION AND DISCUSSION

Based on the discussions above, it can be concluded that the financial performance of regencies/cities in Bali Province over the years of 2012 until 2016 in regards to the LGR growth shows that Badung Regency and Gianyar Regency have better LGR performance compared to other regencies/cities in Bali Province. The FAI of regencies/cities in Bali Province is categorized as high ability except for Karangasem Regency and Tabanan Regency. The financial independence falls under the criteria of low, except for Badung Regency. Dependence on central government shows that the interdependence is high, and the mapping of financial ability shows that Badung Regency, Gianyar Regency, and Denpasar City have level of independencies above average and level of interdependence below the average among regencies/cities in Bali Province.

Based on the conclusion, recommendations can be given to the government of regencies/cities in Bali Province in regards to the regions in Quadrant II and III, in which they need encouragement in order to increase their LGR growth, while regions in Quadrant IV need some special effort such as greater tax effort. Regions with moderate FAI are recommended to consider between plans for LGR growth and economic growth. The improvement in terms of regional independence requires commitment in order to synergize the improvement of available income sources by searching for local potentials in each region. A fiscal space greater than the routine expenditure is able to decrease the degree of interdependence towards the central government, and increase the interest of investors to make more investments in the region to reduce the fiscal interdependence level.

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