

Evaluation of Financial Performance and Regional Economic Growth, Indonesia

Nanang Iswahyudi¹, Edi Subiyantoro², Sari Yuniarti²

¹Student in Program of Magister Management, University of Merdeka Malang, Indonesia

²Faculty of Economics and Business, University of Merdeka Malang, Indonesia

Abstract

Malang Regency has the second largest area and population in East Java Province, Indonesia, so that regional financial management is very central. The purpose of this study is to measure the regional financial performance of Malang Regency in terms of the regional independence ratio, the fiscal decentralization degree ratio, the effectiveness ratio, and the efficiency ratio as well as regional economic growth rates during 2012-2019. This study uses the concept of regional government, regional finance, decentralization and regional autonomy, evaluation of regional financial performance, and economic growth. The research method used is descriptive quantitative. The results of this study states that (1) the regional financial performance of Malang Regency can be assessed from (a) the financial independence ratio with an average value ratio of 21.32% (medium category), (b) the fiscal decentralization degree ratio with an average value ratio of 13.37% (low category), (c) the effectiveness ratio with an average value ratio of 118.24% (very effective category), (d) the efficiency ratio with an average value ratio of 98.36% (less efficient category). (2) The regional economic growth rate has fluctuated from 2012-2019 with an average value of 5.64%. Recommendations for further research can be done by adding other regional financial performance indicators and extending the research period.

Keywords: Regional Independence Ratio, Fiscal Decentralization Degree Ratio, Effectiveness Ratio, Efficiency Ratio, and Economic Growth.

Date of Submission: 10-02-2021

Date of Acceptance: 24-02-2021

I. Introduction

Financial management is one of the central things in regional autonomy because the delegation of development authority from the central government to regional governments aims to increase the efficiency and effectiveness of regional financial resources. Thus, local governments are required to be able to improve regional financial performance. Thus, it is necessary to evaluate the financial performance of the local government. Evaluation is needed to assess whether the government has been able to carry out financial or the Regional Budget management effectively and efficiently.

The evaluation referred to in this research is the evaluation of financial performance. Financial performance is an analysis carried out to see the extent to which an organization has implemented the financial implementation rules properly and correctly (Efriyanti et al, 2012: 300-301). Financial performance is a description of the financial condition of a company that is analyzed with financial analysis tools, so that it can be seen about the good or bad financial condition of an organization that reflects work performance in a certain period (Suhendro, 2018: 484). This is very important so that resources can be used optimally in the face of environmental changes.

One of the tools that can be used in evaluating the financial performance of a region in regional financial management as outlined in the state revenue and expenditure budget is financial ratio analysis. In government organizations to measure financial performance there are several performance measures, that is the regional financial independence ratio, the fiscal decentralization degree ratio, the effectiveness ratio, the efficiency ratio (Halim, 2004: 150-158).

The regional financial independence ratio is indicated by the size of the Local Own-Source Revenue compared to regional revenue that comes from other sources, such as central government assistance or loans (Halim, 2012: 128). Meanwhile, the fiscal decentralization degree ratio is a measure to show the level of authority and responsibility given by the central government to local governments to carry out regional development (Halim, 2012: 234). Then, the effectiveness ratio is the ability of local governments to realize the plan of Local Own-Source Revenue compared to the target set based on the real potential of the region. The ability of a region to carry out its duties is categorized as effective if the ratio achieved is at least 100%. Thus, the higher the ratio of effectiveness, the better the regional capability (Halim, 2012: 250). And the efficiency

ratio is a ratio that describes the ratio between the amount of local government expenditure compared with the realization of revenue that is received (Sondakh, 2018: 1).

In line with the objective of financial ratio analysis, there are several indicators that can be linked to the success of regional financial management performance, one of which is success in increasing economic growth (Kampungpure, 2019: 2). According to Arsyad (1999) in Sari et al., (2016), economic growth can be interpreted as an increase in Gross Domestic Product (GDP) or Gross National Product (GNP) regardless of whether the increase is greater or less than the population growth rate or whether changes in economic structure occur or not.

This research was conducted at the Malang Regency Government, because Malang Regency has the second largest area and population in East Java Province, Indonesia, so that regional financial management becomes very central as an effort to increase development and community welfare. Therefore, the evaluation of the financial performance and regional economic growth needs to be done to determine whether Malang Regency Government has made financial management effectively and efficiently and successfully increase regional economic growth.

1.1 Statement of the Problem

Research conducted by Siregar (2018) states that the financial performance of the Riau Provinces Government is very economic and has an effect on the Growth of Capital Expenditures in the Riau Provinces Government but is not significant. Regional financial efficiency performance on average is efficient and has no effect on Capital Expenditure Growth in the Riau Provinces Government. The performance of regional financial effectiveness as a whole is inefficient and has no effect on Capital Expenditure Growth in the Riau Provinces Government.

Furthermore, research conducted by Kumpangpure et al., (2019) states that the independence ratio and effectiveness ratio have a negative and insignificant effect on economic growth while the efficiency ratio has a positive and significant effect on economic growth. Then, the independence and effectiveness ratio have a negative and significant effect on poverty, while the efficiency ratio has a positive and insignificant effect on poverty. Based on some of the research above, this study takes a research gap by using different financial performance indicators and different time range. Thus, the problem raised in this study is how to evaluate financial performance seen from the regional independence ratio, the fiscal decentralization degree ratio, the effectiveness ratio, and the efficiency ratio and regional economic growth of Malang Regency in 2012-2019.

1.2 Research Objectives

To measure the regional financial performance of Malang Regency in terms of the regional independence ratio, the fiscal decentralization degree ratio, the effectiveness ratio, and the efficiency ratio and its relationship with regional economic growth during the years 2012-2019.

II. Literature Review

2.1 Theoretical Review

This study uses the concept of regional government, regional finance, decentralization and regional autonomy, evaluation of regional financial performance, and regional economic growth.

2.1.1 Regional Government

Local government according to Amrusi in Huda (2012: 28) is an organization in which there is the right to implement sovereign or highest power. Government in a broad sense is something that is bigger than an agency or group. Furthermore, based on Article 18 Paragraph (1) of the 1945 Constitution of the Republic of Indonesia, the Unitary State of the Republic of Indonesia is divided into provinces areas and provinces areas divided into regencies and cities. Provinces, districts and cities have local governments which are regulated by Law No. 23 of 2014 concerning Regional Government.

According to Article 13 Paragraph (4) of Law Number 23 Year 2014 concerning Regional Government, which becomes the authority of the Regional Government at the Regency/City level are: (1) government affairs located within the regency/city area; (2) government affairs whose users are in the regency/city area; (3) government affairs whose positive or negative impacts are only within the regency/city area; (4) government affairs that use resources more efficiently if carried out by regency/city area.

2.1.2 Regional Finance

Regional finance or regional budget is a work plan of regional government in the form of money (rupiah) within a certain period. Furthermore, the regional budget or the Regional Revenues and Expenditures Budget is the main policy instrument for local government (Mardiasmo, 2002: 9). Whereas in Government Regulation Number 58 of 2005, Regional Finance is all the rights and obligations of the regions in implementing regional government which can be valued by money, including all forms of assets related to the

rights and obligations of the region. Thus, it can be concluded that regional finance is all the rights and obligations of regional government in the form of money (rupiah) which are used to finance regional government activities.

2.1.3 Decentralization and Regional Autonomy

Theoretically, decentralization is the division of a portion of government power by the ruling group at the center against other groups that have authority in certain areas of a country (Hoessein, 2013: 21). Meanwhile, the term autonomy comes from Greek, "autonomos/autonomia", which means "self-ruling". Referring to these two words, autonomy can simply be interpreted as regulations made by one entity (self-government) (Agustino, 2014: 13). The concept of regional autonomy is actually a mandate given by the 1945 Constitution of the Republic of Indonesia which in general is contained in Article 18 paragraph (2) states, "provincial, regency and municipal governments regulate and manage their own government affairs according to the principle of autonomy and co-administration.

2.1.4 Regional Financial Performance Evaluation

Evaluation of local government financial performance is a measurement of the achievement level of a work result in the regional financial sector which includes regional revenues and expenditures by using financial indicators that are determined through a policy or statutory provision during one budget period. This form of performance is financial ratio that are formed from the accountability report of the regional head in the form of regional revenues and expenditures budget calculation (Oesi, 2013: 3).

According to Halim (2004: 150-158), several ratios that can be developed based on financial data from the regional revenues and expenditures budget include:

a. Regional Financial Independence Ratio

The level of regional financial independence is indicated by the size of the Local Own-Source Revenue compared with regional revenue that comes from other sources, such as central government assistance or loan (Halim, 2012: 128).

Table 1 shows the standard for determining regional financial independence

Table 1 Criteria for Assessment of Regional Financial Independence

Standard Percentage of Local Own-Source Revenue Against Balancing Funds	Financial Capability
0,00 - 10,00	Very Low
10,01 - 20,00	Low
20,01 - 30,00	Moderate
30,01 - 40,00	Enough
40,01 - 50,00	Good
>50,00	Very Good

Source: Indonesian Ministry of Home Affairs Training and Development Agency and the Faculty of Social and Political Sciences, Gadjah Mada University, 2010

b. Fiscal Decentralization Degree Ratio

The fiscal decentralization degree ratio is a measure to show the level of authority and responsibility given by the central government to local governments to carry out development (Halim, 2012: 234).

Table 2 shows the criteria for determining regional financial dependence.

Table 2. Criteria for Fiscal Decentralization Ratio Assessment

Standard Percentage of Local Own-Source Revenue to Total Regional Revenue	Fiscal Decentralization Ratio
0,00 - 10,00	Very Low
10,01 - 20,00	Low
20,01 - 30,00	Moderate
30,01 - 40,00	Enough
40,01 - 50,00	Good
>50,00	Very Good

Source: Indonesian Ministry of Home Affairs Training and Development Agency and the Faculty of Social and Political Sciences, Gadjah Mada University, 2010

c. Effectiveness Ratio

The effectiveness ratio described by Halim (2012: 98), describes the ability of local governments to realize the plan of Local Own-Source Revenue compared with the target set based on the real potential of the region.

Table 3 shows the criteria for evaluating the effectiveness of regional financial management

Table 3 Criteria for Evaluating the Effectiveness of Regional Financial Management

Standard Percentage of Realized Revenue Against Target Revenue	Criteria
> 100%	Very Effective
90% - 100%	Effective
80% - 90%	Moderately Effective
60% - 80%	Less Effective
< 60%	Ineffective

Source: Mahmudi (2011:171)

d. Efficiency Ratio

Measuring the level of efficiency is to find out how much efficiency of an activity implementation by measuring the input used and comparing it with the output that has been produced which requires data of expenditure and revenue realization (Mahmudi, 2011: 171).

Table 4 shows the standard for setting efficiency ratio.

Table 4 Criteria for Efficiency Assessment of Regional Financial Management

Standard Percentage of Expenditures Against Revenue	Criteria
> 100%	Inefficient
90% - 100%	Less Efficient
80% - 90%	Moderate Efficient
60% - 80%	Efficient
< 60%	Very Efficient

Source: Mahmudi (2011:171)

2.1.5 Economic Growth

Economic growth is one of the benchmarks that is often used in determining the success of development. This is reasonable because economic growth is closely related to the economic activities of the community. Sukirno (2000: 67) defines economic growth as the development of activities in the economy that causes goods and services produced in society to increase and people's welfare increases.

III. Research Methods

This research uses quantitative descriptive method. The scope of this research is limited to the evaluation of financial performance and regional economic growth of Malang Regency in 2012-2019. Financial performance evaluation is measured by the ratio approach, that is the regional financial independence ratio, the fiscal decentralization degree ratio, the effectiveness ratio, and the efficiency ratio. Meanwhile, regional economic growth is measured by Gross Regional Domestic Product (GRDP). The data analysis used was purely descriptive with the following stages:

1. Calculating financial ratio, the formula used is:

Table 5 shows the formulas for calculating each financial ratio.

Table 5. Operational Definition of Variables

Ratio Type	Measurement (Formula)
The Regional Financial Independence Ratio	$\frac{\text{Local Own-Source Revenue}}{\text{Central Government Assistance} + \text{Loan}} \times 100\%$
The Fiscal Decentralization Degree Ratio	$\frac{\text{Local Own-Source Revenue}}{\text{Total Regional Revenue}} \times 100\%$
The Effectiveness Ratio	$\frac{\text{Realization of Local Own-Source Revenue}}{\text{Local Own-Source Revenue Target}} \times 100\%$
The Efficiency Ratio	$\frac{\text{Expenditure}}{\text{Revenue}} \times 100\%$

2. Calculating the rate of regional economic growth, the formula used is:

$$\frac{\text{GRDP}_t - \text{GRDP}_{t-1}}{\text{GRDP}_{t-1}} \times 100\%$$

GRDP = Gross Regional Domestic Product

3. Interpretation

After calculating the financial performance analysis of the Malang Regency government in 2012-2019 with the ratio approach and the rate of regional economic growth, the next step is to interpretation the results

of the analysis that have been compared with the predetermined standards to determine the regional financial performance of Malang Regency in 2012-2019.

IV. Results and Discussion

4.1 Analysis of Research Results

1. Regional Financial Ratio

a. Regional Financial Independence

Table 6 Analysis of the level of regional financial independence as measured by using the realization ratio of Local Own-Source Revenue to the amount of central government assistance in the form of balancing fund.

Table 6. Financial Independence Ratio in 2012-2019

Year	Realization of Local Own-Source Revenue	Realization of Balancing Fund	Ratio	Category
2012	197.253.958.804,55	1.547.448.684.110,00	12,75	Less
2013	262.267.260.454,87	1.700.485.365.220,00	15,42	Less
2014	411.185.107.107,13	1.831.998.927.025,00	22,44	Moderate
2015	461.887.704.824,73	1.893.231.262.923,00	24,40	Moderate
2016	502.754.981.974,96	2.308.269.278.031,00	21,78	Moderate
2017	563.808.098.362,19	2.299.979.677.583,00	24,51	Moderate
2018	585.290.988.835,99	2.413.067.750.143,00	24,26	Moderate
2019	623.808.877.784,41	2.492.578.744.298,00	25,03	Moderate
Average			21,32	Moderate

Based on the results of these calculations, the average financial independence ratio of Malang Regency during the years 2012-2019 was classified as moderate at 21,32%. The highest value occurred in 2019 at 25.03% and in the moderate category. While the lowest value occurred in 2012 at 12.75% and in the less independent category.

b. Fiscal Decentralization Degree

Table 7. Analysis of the fiscal decentralization degree as measured by using the realization ratio of Local Own-Source Revenue to total regional revenue.

Table 7. Fiscal Decentralization Degree Ratio in 2012-2019

Year	Realization of Local Own-Source Revenue	Realization of Total Regional Revenue	Ratio	Category
2012	197.253.958.804,55	2.218.403.705.873,55	8,89	Very Less
2013	262.267.260.454,87	2.529.685.862.151,87	10,37	Less
2014	411.185.107.107,13	3.058.671.277.833,13	13,44	Less
2015	461.887.704.824,73	3.471.281.006.610,73	13,31	Less
2016	502.754.981.974,96	3.439.632.063.348,96	14,62	Less
2017	563.808.098.362,19	3.741.811.706.499,19	15,83	Less
2018	585.290.988.835,99	3.824.390.785.364,99	15,30	Less
2019	623.808.877.784,41	4.105.659.149.084,41	15,19	Less
Average			13,37	Less

Based on the results of these calculations, the average of the fiscal decentralization degree ratio in Malang Regency during 2012-2019 was classified as low at 13.37%. The highest value occurred in 2017 at 15.83% and in the less category. While, the lowest value occurred in 2012 at 8.89% and in the very less category.

c. Effectiveness

Table. 8 Analysis of the level of effectiveness as measured by using the comparison of the Local Own-Source Revenue realization to the Local Own-Source Revenue target.

Table 8. Effectiveness Ratio in 2012-2019

Year	Realization of Local Own-Source Revenue	Local Own-Source Revenue Budget	Ratio	Category
2012	197.253.958.804,55	176.637.112.710,64	111,67	Very Effective
2013	262.267.260.454,87	201.395.878.609,93	130,22	Very Effective
2014	411.185.107.107,13	318.681.551.156,96	129,03	Very Effective
2015	461.887.704.824,73	378.651.671.411,70	121,98	Very Effective
2016	502.754.981.974,96	425.023.299.664,29	118,29	Very Effective
2017	563.808.098.362,19	464.496.353.938,02	121,38	Very Effective
2018	585.290.988.835,99	535.084.504.055,82	109,38	Very Effective
2019	623.808.877.784,41	600.030.453.944,89	103,96	Very Effective
Average			118,24	Very Effective

Based on the results of these calculations, the average effectiveness ratio of Malang Regency during 2012-2019 was classified as very effective at 118,24 %. The highest value occurred in 2013 at 130.22% and in the very effective category. While the lowest value occurred in 2019 at 103.96% but it is still in the very effective category.

d. Efficiency

Table 9. Analysis of the level of efficiency measured by comparing the amount of expenditure realization with the revenue realization.

Table 9. Efficiency Ratio in 2012-2019

Year	Expenditure Realization	Revenue Realization	Ratio	Category
2012	2.221.707.105.580,75	2.218.403.705.873,55	100,15	Inefficient
2013	2.440.509.395.392,07	2.529.685.862.151,87	96,47	Less Inefficient
2014	2.864.314.173.736,17	3.058.671.277.833,13	93,65	Less Inefficient
2015	3.538.236.408.628,75	3.471.281.006.610,73	101,93	Inefficient
2016	3.543.281.420.693,89	3.439.632.063.348,96	103,01	Inefficient
2017	3.617.054.713.494,68	3.741.811.706.499,19	96,67	Less Inefficient
2018	3.648.517.932.310,84	3.824.390.785.364,99	95,40	Less Inefficient
2019	4.089.403.665.362,18	4.105.659.149.084,41	99,60	Less Inefficient
Average			98,36	Less Inefficient

Based on the results of these calculations, the average efficiency ratio of Malang Regency during 2012-2019 was classified as less efficient at 98.36% because the expenditure value was still higher than the income value. The highest value occurred in 2016 at 103.01% and in the inefficient category. While the lowest value occurred in 2014 at 93.65% and still in the inefficient category.

2. Regional Economic Growth Rate

Figure 1. Regional Economic growth rate is calculated based on the movement of Gross Regional Domestic Product (GRDP) from year to year.



Figure 1. Graph of Regional Economic Growth in 2012-2019

The regional economic growth rate in Malang Regency tends to fluctuate from 2012-2019 with an average growth rate at 5.64%. The highest growth rate occurred in 2012 at 6.77% while the lowest was in 2015 at 5.27%. Based on data collected from the Central Bureau of Statistics, the average contribution value per business sector to regional economic growth is presented in the following table:

Table 10. Contribution per Business Sector 2012-2019.

No	Business Sectors	2012	2013	2014	2015	2016	2017	2018	2019	Average
1	Processing industry	29,19	28,58	29,59	29,92	30,14	30,21	30,72	31,32	29,96
2	Wholesale and Retail Merchandise, Car and Motorcycle Repair	19,31	19,48	19,15	19,16	19,22	19,51	19,72	19,60	19,39
3	Agriculture, Forestry, Fisheries	18,46	18,09	17,55	17,25	16,87	16,27	15,12	14,45	16,76
4	Construction	11,59	12,04	12,03	11,86	11,84	12,02	12,23	12,30	11,99
5	Information and Communication	4,49	4,76	4,79	4,86	4,94	5,02	5,13	5,22	4,90
6	Provision of Accommodation and Food and Drink	3,18	3,18	3,18	3,22	3,29	3,37	3,48	3,58	3,31
7	Education Services	2,32	2,37	2,39	2,44	2,45	2,43	2,44	2,45	2,41
8	Other Services	2,11	2,10	2,07	2,05	2,07	2,06	2,07	2,07	2,08
9	Mining and Quarrying	2,25	2,18	2,09	2,04	1,96	1,96	1,91	1,83	2,03
10	Government Administration, Defense and Social Security	2,02	1,96	1,86	1,86	1,83	1,77	1,75	1,71	1,84
11	Financial Services and Insurance	1,51	1,61	1,62	1,63	1,64	1,60	1,59	1,57	1,60
12	Real Estate	1,43	1,44	1,44	1,45	1,46	1,46	1,49	1,52	1,46
13	Transportation and Warehousing	1,03	1,08	1,08	1,10	1,12	1,15	1,18	1,17	1,11
14	Health Services and Social Activities	0,55	0,57	0,59	0,59	0,59	0,59	0,60	0,61	0,58
15	Company Services	0,35	0,35	0,36	0,38	0,38	0,38	0,39	0,39	0,37
16	Procurement of Electricity and Gas	0,10	-	-	-	-	-	-	-	0,10
17	Water Supply, Waste Treatment, Waste and Recycling	0,10	0,10	0,10	0,10	0,09	0,10	0,09	0,09	0,10

Source: Central Bureau of Statistics, 2020

4.2 Discussion

1. Financial Independence Ratio

The financial independence level of Malang Regency during 2012-2019 is still in the moderate category. Although the revenue from Local Own-Source Revenue is always increasing every year, but the value is not sufficient to meet the overall funding needs in implementing programs and activities. This shows that the Malang Regency Government in funding the implementation of government and development still relies on funding assistance from the Central Government in the form of Revenue Sharing Fund, Taxes and Natural Resource, General Allocation Fund, and Special Allocation Fund.

2. Fiscal Decentralization Degree Ratio

The level of fiscal decentralization degree in Malang Regency during 2012-2019 is still in the less category. Revenue from Local Own-Source Revenue has increased every year but the value is still smaller when compared to the revenue from Balancing Funds (Revenue Sharing Fund, General Allocation Fund, and Special Allocation Fund) and other Legitimate Regional Revenues (Grants, Province Revenue Sharing, Province Financial Assistance). These results indicate that the Malang Regency Government in carrying out the authority and responsibility given by the central government in terms of managing its resources is still lacking. The Malang Regency Government in funding the implementation of governance and development has not been able to rely on Local Own-Source Revenue obtained from potential sources of revenue originating from within the Malang Regency area itself.

3. Effectiveness Ratio

The effectiveness of the Malang district financial performance is very effective because the effectiveness average in ever year is above 100%, at 118.24%. This shows that the realization of regional tax revenues, regional levies, the results of separated regional wealth management and other legal Local Own-Source Revenue has been achieved, even exceeding the predetermined budget target. Malang Regency Government can also be said to have a good performance in terms of realizing the Local Own-Source Revenue that has been planned. A decrease in the percentage of effectiveness continuously does not necessarily mean a decrease in the performance of the Malang Regency Government. This is shown by the

increasing amount of Local Own-Source Revenue that has been achieved from year to year. The decrease of percentage could be due to the Malang Regency Government having made plans in determining the revenue target to be received, which is more accurate and measurable in accordance with the real potential conditions in the field.

4. Efficiency Ratio

The regional financial efficiency average of Malang Regency in 2012-2019 is 98.36% and is considered less efficient. In 2013, 2014, 2017, 2018, and 2019 the efficiency ratio was classified as less efficient, because the total revenue was only slightly higher than the total expenditure. Meanwhile in 2012, 2015 and 2016 the efficiency ratio was considered inefficient. This is because the amount of expenditure is higher than the amount of revenue, so that there is a budget deficit.

5. Regional Economic Growth

The manufacturing industry is the largest contributor to the Gross Regional Domestic Product of 29.96% per year, the sub-sector that accounts for the largest value is the tobacco processing industry with an average of 46.48%. The wholesale and retail trade, car and motorbike repair business sectors occupy the second rank of 19.39%, mainly from wholesale and retail trade other than cars and motorbikes with an average of around 75% per year. When viewed from the topographical conditions, Malang Regency is located in the highlands and also has a coastal area that extends in the southern region, but the agricultural, forestry and fisheries sectors are in the third place and tend to decline from year to year. This can be caused by a decrease in the amount of land in the business field, for example the conversion of productive agricultural land into residential areas or residential areas. This condition can be attributed to the increasing contribution value of the construction business from year to year, with an average growth rate of around 6% per year and is in the fourth position. One of the sub-sectors of construction is the construction of residential houses, in addition to working on infrastructure projects such as roads, bridges and irrigation canals.

V. Conclusion

The regional financial performance of Malang Regency can be assessed from (a) the financial independence ratio with an average ratio value at 21.32% so that it is included in the moderate category, (b) the fiscal decentralization degree ratio with an average value of the ratio at 13.37% so that it is included in the less category, (c) the effectiveness ratio with an average ratio value at 118.24% so that it is included in the very effective category, (d) the efficiency ratio with an average ratio value at 98.36% so that it is included in the less efficient category. Furthermore, the rate of regional economic growth in Malang Regency tends to fluctuate from 2012-2019 with an average growth value at 5.64%.

Some recommendations that can be conveyed are that the Malang Regency Government needs to continue to strive to increase revenue, especially local revenue, in order to reduce dependence on funding from the central government, as well as to avoid a budget deficit. It is intended that in the future the continuity of the implementation of development programs and activities can be more certain because of the guarantee of the availability of funding. For further research, it can be done by adding analysis of other regional financial ratios and extending the time span of the study so that the results of the research can describe the condition of Malang Regency more completely and thoroughly according to the actual conditions.

References

- [1] Agustino, L, Politik lokal dan otonomi daerah, (Bandung: Alfabeta, 2014).
- [2] Efriyanti, F., Anggraini, R., & Fiscal, Y, Analisis kinerja keuangan sebagai dasar investor dalam menanamkan modal pada PT. Bukit Asam, Tbk (studi kasus pada PT. Bukit Asam, Tbk), *Akuntansi & Keuangan, Journal 3(2)*, 2012, 299-316.
- [3] Halim. A, Akuntansi keuangan daerah, (Jakarta: Salemba Empat, 2004).
- [4] Halim. A, Akuntansi sektor publik: akuntansi keuangan daerah, (Jakarta: Salemba Empat, 2012).
- [5] Hoessein. B, berbagai faktor yang mempengaruhi besarnya otonomi daerah di tingkat II: suatu kajian desentralisasi dan otonomi daerah dari segi ilmu administrasi negara, (Jakarta: PPS-UI Program, 2013).
- [6] Huda. N, Hukum pemerintah daerah (Bandung: Nusamedia, 2012).
- [7] Indonesian government, Government regulation number 58 of 2005 concerning regional financial management, RI state institution in 2005, No. 140, State Secretariat, (Jakarta, 2005).
- [8] Indonesian government, Law no. 23 of 2014 concerning local government.
- [9] Indonesian government, The 1945 Constitution of the Republic of Indonesia.
- [10] Indonesian Ministry of Home Affairs Training and Development Agency and the Faculty of Social and Political Sciences, Gadjah Mada University, *Pengukuran kemampuan keuangan daerah tingkat II dalam rangka otonomi daerah yang nyata dan bertanggung jawab*, (Jakarta: Indonesian Ministry of Home Affairs Training and Development Agency, 2010).
- [11] Kampungpure, N., Saerang, D. P. E., & Engka, D. S. M., Pengaruh kinerja keuangan daerah terhadap pertumbuhan ekonomi serta dampaknya terhadap kemiskinan Di Kota Bitung, *Pembangunan Ekonomi dan Keuangan Daerah Journal*, 20 (02), 2019, 34-45.
- [12] Mahmudi, Akuntansi sektor publik, (Yogyakarta: UII Press, 2011).
- [13] Mardiasmo, Otonomi dan manajemen keuangan daerah, (Yogyakarta: Penerbit Andi, 2002).

- [14] Oesi, A. Analisis kinerja pengelolaan daerah dan tingkat kemandirian daerah di era otonomi daerah: studi kasus Kota Malang (tahun anggaran 2007-2011), *Administrasi Negara Journal*, III (05), 2013, 1-16.
- [15] Siregar, H. A. Analisis evaluasi kinerja keuangan pemerintah melalui pendekatan value for money dalam konteks new public management dan pengaruhnya terhadap pembangunan di Provinsi Riau, *BILANCIA*. 2 (1), 2018, 20-41.
- [16] Sondakh, K. H., Rotinsulu, D. C., & Rotinsulu, T. O. 2018, Analisis Kinerja keuangan pemerintah provinsi sulut serta dampaknya terhadap pertumbuhan ekonomi, *Pembangunan Ekonomi dan Keuangan Daerah Journal*, 19 (6), 2018, 1-16.
- [17] Suhendro, D. Analisis penilaian kinerja keuangan perusahaan menggunakan rasio keuangan pada PT Unilever Indonesia Tbk yang terdaftar di Bursa Efek Indonesia (BEI), *At-Tawassuth*, III (1), 2018, 482-506.
- [18] Sukirno. S. Makro ekonomi modern: perkembangan pemikiran dari klasik hingga keynesian baru, (Jakarta: PT Raja Grafindo Persada, 2000).

Nanang Iswahyudi. "Evaluation of Financial Performance and Regional Economic Growth, Indonesia." *IOSR Journal of Business and Management (IOSR-JBM)*, 23(02), 2021, pp. 48-54.