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Evaluation of the Effectiveness of Regional Original Revenue and Regional Expenditure Efficiency at the Kutai Kartanegara Regency Housing and Settlement Area Office Based on the 2022–2023 Budget Realization Report

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Abstract: This study aims to evaluate the financial performance of the Kutai Kartanegara Regency Housing and Settlement Area Office with a focus on the effectiveness of Regional Original Revenue (PAD) and regional spending efficiency. The evaluation was carried out based on data from the 2022 and 2023 Budget Realization Reports (LRA). The approach used in this study is quantitative descriptive by analyzing secondary data from official local government documents. The main indicators analyzed include the PAD effectiveness ratio and the spending efficiency ratio, each of which is calculated by comparing the realization against the set target or budget. The results show that the effectiveness of PAD in 2022 of 19.40% increased to 22.89% in 2023. Despite the increase, this achievement is still very low and shows the need to optimize levy collection and develop more innovative PAD sources. Meanwhile, regional spending efficiency showed quite good results, reaching 100% in 2022 and decreasing slightly to 90.38% in 2023. This decrease in efficiency occurred in line with the surge in the spending budget which increased almost threefold, but the realization of spending was still relatively high. These findings show an inequality between income and spending, where spending has been efficiently managed, but PAD is still unreliable as a significant source of financing. The implication of the results of this study is the need to strengthen the strategy to increase regional income that is integrated with a financial planning system that is oriented towards fiscal independence. Periodic evaluation of financial performance like this is expected to be the basis for more accountable and sustainable policy formulation for local governments.

Keywords: Regional Financial Performance; Regional Original Revenue; Shopping Efficiency

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1. Introduction

Regional financial management is a fundamental aspect in the implementation of sustainable development. Local governments are expected to be able to manage revenues and expenditures effectively and efficiently to improve public services and create community welfare (Setiawan et al., 2022; Mahmudi, 2019). In this context, evaluation of financial performance is important to ensure that the planned budget is truly realized and has a positive impact on regional development (Suparmoko, 2020). One of the instruments used to assess this performance is the Budget Realization Report (LRA), which reflects the achievement of revenue and expenditure in a fiscal period (Mardiasmo, 2018).

Regional Original Revenue (PAD) is the main indicator in assessing the fiscal independence of a region. The high performance of PAD shows the ability of the region to finance development needs without relying too much on transfers from the central government (Simanjuntak & Haryanto, 2021). However, in many regions, the realization of PAD has still not reached the target, both due to the limitation of local economic potential and weaknesses in the local levy and tax collection system (Lubis et al., 2022). On the other hand, spending efficiency also needs to be evaluated periodically, as it shows the extent to which the budget is used optimally in the implementation of programs and activities (Ardiansyah & Yulianto, 2020). Efficient and targeted spending not only improves financial performance, but also increases public trust in local governments (Nasution, 2021).

The Kutai Kartanegara Regency Housing and Settlement Area Office is one of the regional apparatus organizations (OPD) that plays an important role in providing basic residential infrastructure. To ensure the effectiveness of the implementation of its duties, it is necessary to evaluate the financial performance of the office, especially in terms of the achievement of PAD and the realization of expenditures. This study aims to evaluate the effectiveness of PAD and regional spending efficiency based on the LRA in 2022 and 2023. The results of the evaluation are expected to be the basis for policy recommendations to improve more independent and accountable financial management in the future (Salam, 2023; Yuliani et al., 2022; Widodo, 2021).

2. Materials and Methods

2.1. Types and Approaches to Research

This study uses a quantitative descriptive approach, which aims to describe and analyze the financial performance of the Kutai Kartanegara Regency Housing and Settlement Areas Office based on budget realization data. The focus of the research is directed at two main indicators, namely the effectiveness of Regional Original Revenue (PAD) and the efficiency of regional spending.

2.2. Data Sources and Types

The data used is secondary data obtained from the 2022 and 2023 Budget Realization Reports (LRA). This data is sourced from official documents of the Kutai Kartanegara Regency Government, especially from the Housing and Settlement Areas Office. The information analyzed included PAD targets, PAD realization, budgets, and expenditure realization.

2.3. Data Collection Techniques

Data collection is carried out through a documentation method, namely by examining LRA documents that record all regional revenue and expenditure posts. The data is classified according to the fiscal year and account type (revenue, expenditure, operating expenditure, capital expenditure).

2.4. Data Analysis Techniques

The analysis is carried out by calculating two main ratios to assess financial performance:

1. Regional Original Revenue (PAD) Effectiveness Rasio

$$\boldsymbol{Efektivitas\ PAD} = \left(\frac{\boldsymbol{Realisasi\ PAD}}{\boldsymbol{Target\ PAD}}\right) \times \mathbf{100\%} \quad (1)$$

$$\boldsymbol{Efisiensi\ Belanja} = \left(\frac{\boldsymbol{Realisasi\ Belanja}}{\boldsymbol{Anggaran\ Belanja}}\right) \times \mathbf{100\%} \quad (2)$$

The calculation is carried out using spreadsheet software (Microsoft Excel) to ensure accuracy and facilitate data visualization. The results of the analysis are presented in the form of comparative tables and bar graphs to illustrate trends and changes between years.

3. Results

To measure the financial performance of the Kutai Kartanegara Regency Housing and Settlement Areas Office in 2022 and 2023, an analysis was carried out on two main indicators, namely the effectiveness of Regional Original Revenue (PAD) and regional spending efficiency. The data used is sourced from the Budget Realization Report (LRA) and is summarized in the following table:

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Table 1. Financial Performance Ratio (2022–2023)

Year	PAD Target (Rp)	Realization of PAD (IDR)	PAD Effectiveness (%)	Budget (IDR)	Realization of Spending (IDR)	Shopping Efficiency (%)
2022	856.000.000	166.000.000	19,40	258.511.807.487	258.511.807.487	100,00
2023	856.000.000	195.920.000	22,89	750.831.314.137	678.577.589.168,16	90,38

The results of the study show a slight increase in revenue effectiveness and a decrease in spending efficiency from 2022 to 2023. However, fiscal dependency and financial independence ratios remain highly imbalanced, with transfer revenues accounting for almost all of the department's revenue.

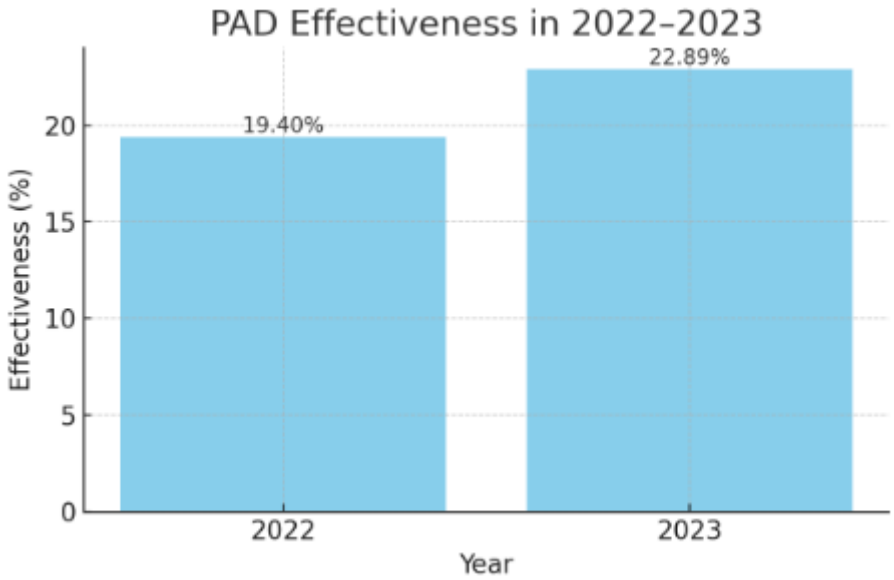

Figure 1. Effectiveness of PAD in 2022–2023

The following graph shows the achievement of PAD effectiveness over the two budget years. There was an increase from 19.40% in 2022 to 22.89% in 2023. Despite the increase, the figure still shows the low contribution of PAD to the set target.

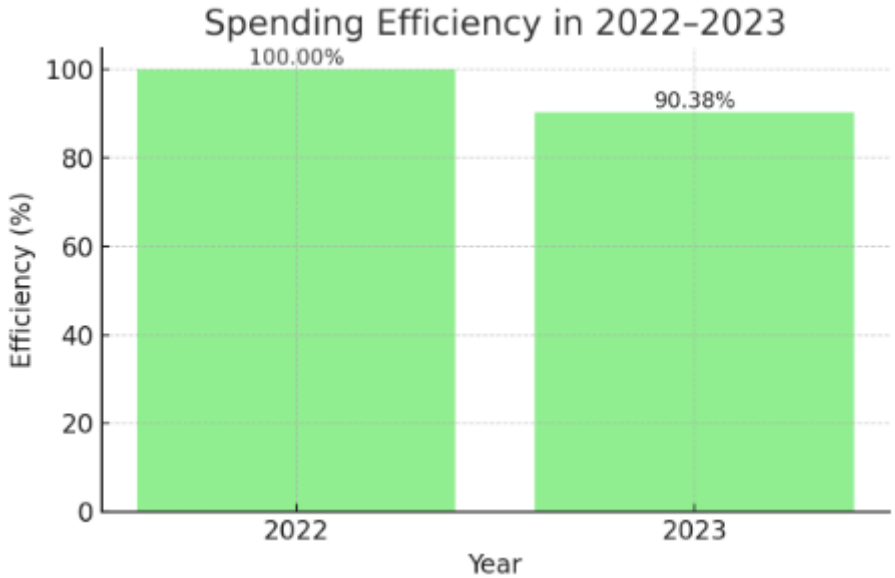

Figure 2. Spending Efficiency in 2022–2023

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This graph illustrates the level of efficiency in using the budget. In 2022, efficiency reached 100%, while in 2023 it decreased to 90.38%. Despite the decline, the level of efficiency is still relatively good and shows a relatively optimal budget implementation

4. Discussion

4.1. Effectiveness of Regional Original Revenue (PAD)

The effectiveness of Regional Original Revenue is a measure of the extent to which revenue realization has successfully achieved the set target. Based on LRA data, in 2022 the effectiveness of PAD only reached 19.40%, and increased in 2023 to 22.89%. Despite the increase, the figure is still far from ideal, not even reaching half of the set target.

This low effectiveness shows that the ability of the Housing and Settlement Areas Office to explore and realize PAD is not optimal. The main components of PAD come from regional levies and other legitimate PADs. The realization of regional levies has indeed increased, but the contribution from "other legitimate PADs" is still very small. This indicates the need to explore the potential of new PAD sources and improve a more effective levy collection system.

The increase in PAD effectiveness in 2023 also needs to be studied in the context of target stagnation. The PAD target remains the same in both fiscal years (Rp856 million), but the increase in achievement is due to the increase in realization alone, not due to the expansion of the target. Therefore, the increase in effectiveness is still temporary and does not yet reflect structural growth.

4.2. Regional Expenditure Efficiency

Spending efficiency measures the extent to which the allocated budget can be optimally realized without waste. The results of the analysis show that spending efficiency in 2022 reached 100%, while in 2023 it decreased to 90.38%. However, the efficiency achievement is still in the good category and shows the ability to manage expenditure quite effectively.

2023 shows a significant surge in the spending budget from around IDR 258 billion to more than IDR 750 billion. The realization of expenditure which reached around IDR 678 billion indicates that the increase in spending is still accompanied by a high budget absorption capability. The largest component comes from capital expenditure, especially in the road, network, and irrigation sectors, which reflects the focus on physical infrastructure development by the relevant agencies.

The decrease in efficiency from 100% to 90.38% may be due to increased complexity of activities or project implementation that is not fully completed within the fiscal year. However, this figure still reflects healthy budget planning and execution.

4.3. Implications for Fiscal Performance

The inequality between revenue effectiveness and spending efficiency can be a major concern. While the efficiency of spending is quite good, the effectiveness of PAD is very low. This indicates that the service is still very dependent on transfer funds and does not have an independent fiscal capacity. To realize fiscal independence and strengthen budget sustainability, strategic steps are needed to increase local revenues.

5. Conclusions

Based on the results of the analysis of the 2022 and 2023 Budget Realization Reports (LRA), it can be concluded that the financial performance of the Kutai Kartanegara Regency Housing and Settlement Areas Office shows contradictory conditions between revenue effectiveness and spending efficiency.

First, in terms of the effectiveness of Regional Original Revenue (PAD), the achievements of the service are still relatively low. The effectiveness rate of PAD only reached 19.40% in 2022 and increased to 22.89% in 2023. This increase shows that there are improvement efforts in realizing revenue targets, but overall PAD's contribution to regional financing is still very limited. This reflects that the potential of PAD, especially from regional levies and other legitimate PADs, has not been explored optimally. The stagnation of the PAD target is also an indicator of weak innovation and the expansion of revenue potential.

Second, from the aspect of regional spending efficiency, the performance of the service is relatively good. In 2022, it recorded a perfect efficiency of 100%, while in 2023 despite the budget surge, spending efficiency remained at a high figure of 90.38%. This indicates that the planning and implementation of the official budget is quite optimal and controlled even though the budget burden has increased significantly. This performance is mainly supported by the realization of capital expenditure in the form of housing and settlement infrastructure development.

In general, the results of this evaluation show that although expenditure management has been efficient, the level of fiscal independence is still low due to the lack of PAD contribution. Therefore, to strengthen regional fiscal sustainability, the agency needs to increase the capacity of PAD management through policy innovation, intensification of levy collection, and the development of a new legitimate revenue base. Periodic and data-driven evaluations like this are important as a basis for accountable and performance-oriented decision-making.

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