

ANALYSIS OF REGIONAL FINANCIAL PERFORMANCE OF THE DISTRICT GOVERNMENT SOUTH MINAHASA YEAR 2012-2014 IN THE IMPLEMENTATION OF THE REGIONAL AUTONOMY

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ABSTRACT

The purpose of this research is to examine and analyze the performance of the District Government South Minahasa in the manage revenue and expenditure budget for fiscal year 2012-2014. The data used is the budget and realization reports of the District Government South Minahasa. The method used in this study is descriptive method. The research shows that the Local Original Revenue (LOR) has impact on financial performance. We find that the performance of District Government South Minahasa is still poor to manage LOR. But the District Government South Minahasa performance to manage the budget is good enough which views of none actual expenditures in excess of the budgeted.

Keywords: local government, budget, expenditure, earnings of area genuiness (lor), area iease, area retribution, regional financial performance.

INTRODUCTION

In essence the regional autonomy with regard to delegation of authority policy decision-making, management of public funds and regulation of the activities in the framework of governance and public services, the role of regional financial data are needed to identify the sources of regional finance and a large expenditure to be incurred in order that the financial planning can be carried out effectively and efficiently

In order to guarantee the implementation of good local governance, the necessary efforts are needed to improve its financial capability, such as efforts to increase acceptance of LOR, either by increasing revenues sources of the existing revenues and to gain new LOR in accordance with the existing provisions and with regard to the conditions and the economic potentiality of the community.

The increase in revenue is crucial once the implementation of regional autonomy since the higher the LOR in a region the more independence the region will be cause to reduce dependence on the central government so that those regions have the ability to build their own regions with their resources of the region.

As an autonomous region, South Minahasa regency should be able to develop and optimize all the potential of the region, which digalih from within the region coming from the LOR. Some components of income (LOR) are: Local Taxes, Levies, management outcomes of local wealth which is separated, and others legitimate LOR.

However, some financial problem areas faced by the South Minahasa District as the following : (1) the dependence of local governments on subsidies from the central government which is reflected in the size of central government assistance both from the regular budget, the subsidy autonomous regions as well as from the point of local government budget, (2) low ability of the region to explore potential sources of local revenue from the levy which reflected a relatively small area (3) a lack of effort and ability in managing the reception area and explore the existing sources of income.

Although overall revenue South Minahasa regency has reached the target, however there are still many shortcomings of the contribution reception area, especially LOR

Based on the problems above it is interesting for further study and is expected to provide recommendations to units in the district administration South Minahasa in an effort to improve its contribution retribution to the provincial local income to develop the quality of regional financial performance .

REVIEW OF LITERATURE

Regional Autonomy

Regional autonomy is generally meant the granting authority by the central government to local governments to regulate and manage the interests of local communities of their own initiative based on the aspiration in accordance with legislation in force.

There are several important principles in the law of regional autonomy that need to be understood, such as the following:

- 1) The principle of decentralization is the devolution of governmental authority to an autonomous region within the framework of the unitary Republic of Indonesia
- 2) The principle of deconcentration is the delegation of governmental authority by the government to the Governor as representatives of governments and / or to the vertical institution of specific region
- 3) Co-assistant is coworker of government to the regional and / or provincial government to the village of the district / city and / or country as well as from the district / city to the village to carry out specific tasks
- 4) Fiscal balance between central and local government is a system of government financing within the framework of a unitary state, which includes the financial distribution between central and local governments as well as the equitable distribution among the regions in proportion, democratic, fair, and transparent with regard to the potential, conditions as well as the needs of the region, in line with the obligations and the division of authority as well as the procedure for holding of such authority, including financial management and supervision.

Regional autonomy will bring a positive impact in the economy for the regional economy but have consequences on local financing. With regional autonomy, there are two aspects of financial performance that are required to be better than the era prior to the regional autonomy . The first is that the regions were given authority to take care of local financing primarily to a major force in the ability of the second LOR. The second aspect is the management regional spending in accordance with of the principle of regional autonomy that financial management should be more accountable and transparent that would require the region to be more efficient and effective in regional expenditure. Both of these aspects can be referred to as Financing Reform (Mardiasmo, 2002)

With the implementation of the reform covering all areas of institutional reform and reform of public sector management, especially with regard to financial management will support the creation of good governance

Regional Expansion

Regional expansion is provincial division or district / city into two or more regions (PP No. 78 Number 2007). Regional expansion or creation of new autonomous regions increasingly widespread since the enactment of Law No. 32 year 2004 on Regional Government., that the establishment of a new autonomous regions is made possible with the split region and must meet the terms of economic capacity, potential of the region, socio-cultural, socio-political, population, area, and other considerations that enable the implementation of regional autonomy.

For that all regions whether formed or developed or parent regions are individually able to implement regional autonomy according to applicable regulations, as well as for provincial, district or city can be removed if these areas based on the results of the study were unable to implement their autonomy.

Decentralization

Definition of Decentralization

Definition of decentralization in accordance with Act No. 32 Year 2004 on Local governments in article 1, paragraph 7 is devolution of government authority by the Government to autonomous regions to set up and administer governmental affairs in the system of the Republic of Indonesia.

Fiscal Decentralization

The success of decentralization can be measured using several indicators such as by measuring the rate of economic growth in the area, the indicator by comparing economic growth from year to year from a region District Government / City region of the province however, indicators are deemed not always appropriate because it does not reflect actual growth.

Regional Financial Statements

Definition of the Regional Financial Statements

The financial statements of an entity is an information note on the accounting period that can be used to describe the performance of the entity. The financial report is structured reports regarding the financial position and the transactions undertaken by an entity's financial statements. The general purpose is to present financial information about the financial position, realization of the budget, cash flow and financial performance of a reporting entity that is useful to users in making and evaluating decisions about the allocation of resources.

The quality of the Regional Financial Statements

Government Regulation No. 71 Year 2010 describes the qualitative characteristics of financial statements is normative measures that need to be realized in the accounting information so that it can fulfill its purpose. The following four characteristics is normative preconditions that are necessary for the financial statements of the government to meet the desired qualities such as relevant, reliable, comparable and understandable

Local Government Financial Performance

Performance Analysis of Local Government Finance

Financial analysis is an attempt to identify the characteristics of finance based on financial statements that are available. Regional government as the party is given the tasks of running the administration, development, and community service is required to report local financial accountability as a base financial performance ratings. Each Local Government measures its local government financial performance using some Ratios of Local Government Financial Performance as the following :

a. Degree of Fiscal Decentralization Ratio

This ratio indicates the degree of contribution of revenue to total revenue of Regions. The higher contribution of LOR the higher the ability of the local government in the implementation of decentralization.

b. Ratio of Regional Financial Independence

This ratio shows the ability of local governments to finance its own activities of governance, development and service to the public who have paid taxes and levies as a source of revenue required area

c. LOR Effectiveness Ratio

This ratio illustrates the ability of local governments in realizing the planned LOR compared with targets set by the real potential of the region. The higher the ratio the effectiveness of LOR, the better the performance of local governments.

d. Regions Financial Efficiency Ratio

This ratio describes the comparison between the costs incurred to earn income and realization of income received. The smaller the Regional Financial Efficiency Ratio the better the Local Government Financial performance.

e. The ratio of Harmony

This ratio describes how local governments prioritize the allocation of funds to the Operating Expenditure and Capital Expenditure optimally. The higher the percentage of funds allocated to the percentage of Operating Expenditure the smaller Capital expenditure is used to provide the economic infrastructure of society.

Regions Financial Capability

The ability of the region to finance local financial can be seen such as: from the local revenues increased, compared with the balance funds, the greater the LOR, the smaller the dependence on the center, the smaller and the use of budgetting surplus to the allocation of spending, especially spending on the development of public infrastructure rather than spending financing for local cash account holder.

LOR ideally becomes the principal source of local revenue. Another source of revenue may fluctuate and tend to be beyond the control of the regional authority. Through the authority is, the area is expected to increase revenue, while taking into account the economic aspect, efficiency and neutrality

Local Real Revenue

LOR is the income gained from local revenue sources and managed by the Local Government based on Law No. 32 Year 2004 Article 157 stated that the LOR consists of:

1. Local Taxes,
2. Local retribution,
3. The results wealth management from separated region
4. Legitimate LOR

LOR can give it sown quality to the degree of local autonomy, because this type of income can be used freely by the region. LOR is a regional financial sources within the excavated areas concerned.

Local Tax

Local Tax is the transition of wealth from the people to the state treasury to finance routine expenditure and surplus is used for investment publik. Local tax is local charges in accordance with the regulations set as a public legal entity in order to finance the household. In other words, local taxes are: the taxes that the region has the authority to demand the levies.

Local Levies

Levies are payments to State from those who used the merits of the State, meaning levies as payment for the use of the services or gets the job belongs to the area for business or interested or services provided by the region either directly or indirectly

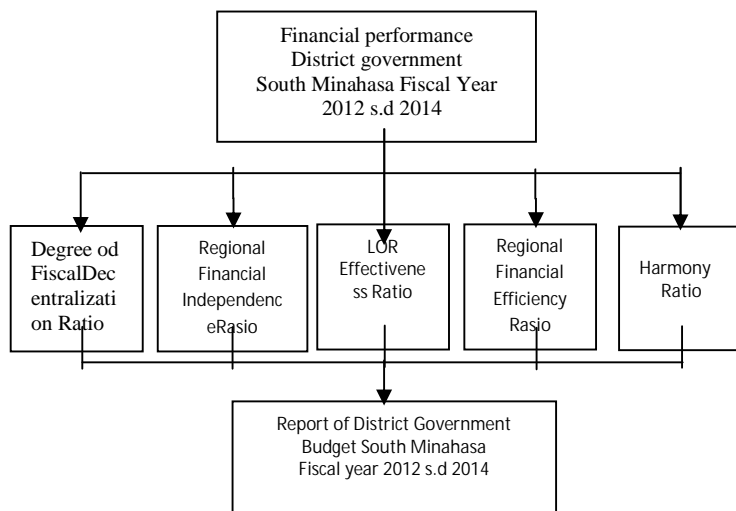
Taxes and levies are part of strategic revenues for the regions to finance the government. The efforts to manage the affairs of local government as a consequence of regional autonomy should be able to collect the money as a financing instrument. Based on Law No. 23 Year 2014 classification of government affairs consists of three affairs: absolute government affairs, concurrent government affairs, and public government affairs.

Results of taxes and levies become the main source of revenue. Furthermore, LOR as indicators of success of local government performance that will eventually become a major force in supporting the budget (particularly local revenue).

Research Framework Model

Based on the hypothesis that studied the development of some of the theories and the results of previous research, the research model which is constructed as follows;

Table 1. Research Framework Model



RESEARCH METHOD

This research is descriptive quantitative, that explains the relationship between variables to analyze the numeric data (numbers) using the method through hypothesis testing. The method used is the method of cross-sectional survey of a research to study the dynamics of the correlation between risk factors with the effects of the approach, observation, or data collection at a certain time (Notoatmodjo, 2005).

This study aimed to determine the financial performance of DPPKAD South Minahasa District when viewed from Ratio Degree of Fiscal Decentralization, Regional Financial Independence Ratio, Ratio LOR Effectiveness, Regional Financial Efficiency Ratio and and Harmony Ratio.

Subjects in this study is DPPKAD South Minahasa District Government, and the object under study is target report and Budget Realization of South Minahasa District Government fiscal year 2012 s.d 2014. The study was conducted using secondary data by studying the records and documents that exist in the institution under study and also using the methods of documentation.

This documentation method of collecting data from DPPKAD South Minahasa District in the form of general data and specific data.

General data, qualitative data in the form of:

1. Overview of South Minahasa District
2. Overview DPPKAD South Minahasa District

Specific data, quantitative data in the form of the Budget Realization Report of South Minahasa District Government Fiscal Year 2012 s.d, 2014.

According to the research conducted, the data analysis technique used is quantitative descriptive that doing calculations on financial data obtained to solve existing problems in accordance with the purpose of research. The benchmarks will be used in this analysis technique are:

Degree of Fiscal Decentralization Ratio

The degree of fiscal decentralization, especially compared to the LOR components with total of district government income can be calculated using the following formula:

$$DDF = \frac{PADt}{TPDt} \times 100\%$$

Note:

DDF = Degree of Decentralization Fiscal

LORt = Total Regional Income year t

TPDt = Total Revenue Region year t

Table 1. Scale Interval Rasio of Desentralisasi Fiscal Degree

Skala Interval Derajat desentralisasi Fiskal. (%)	Region Financial Capability
00,00 – 10,00	deficient
10,01 – 20,00	less
20,01 – 30,00	fair
30,01 – 40,00	moderate
40,01 – 50,00	good
>50,00	Very bad

Source :(Wulandari, 2001)

Ratio of Regional Financial Independence

Formula independence ratio according to (Mahsun, 2009) are as follows:

$$\text{RFI Ratio} = (\text{LOR}/\text{Transfer Payment}) \times 100 \%$$

Table 2. Pattern of Relations and Regional Capability Level

Financial Capability	Independence (%)	Pattern of Relationship
Very low	0% - 25%	Instructive
low	25% - 50%	Consultative
Average	50% - 75%	Partisipative
High	75% - 100%	Delegative

Source :(Abdul, 2007)

LOR EFFECTIVENESS RATIO

The formula used to calculate the LOR Effectiveness Ratio is:

$$\text{LOR Effectiveness Ratio} = (\text{LOR Realization}/\text{LOR Budget}) \times 100$$

Table .3. CRITERIA for LOR EFFECTIVENESS

Effectiveness Participation	Effectiveness Criteria
X < 100%	Not Effective
X = 100%	Balanced Effectiveness
X > 100%	Effective

Sumber :(Abdul, 2007)

d. Regional Financial Efficiency Ratio

The formula used to calculate this ratio is:

$$\text{RFE Ratio} = (\text{District Government Expenditure}/\text{District Income}) \times 100 \%$$

Tabel 4. Criteria for Performance Efficiency Finance

Efficiency Criteria	Efficiency Participation
100% above	Not Efficient
90% - 100%	Less Efficient
80% - 90%	fair Efficient
60% - 80%	Efficient
Less than 60 %	very Efficient

Sumber :(Abdul, 2007)

e. The ratio of Harmony

It is simply put the ratio of the harmony that can be formulated as follows (Abdul Halim 2007: 236):

$$\text{Capital Expenditure Ratio} = (\text{Capital Expenditure}/\text{District Government Expenditure}) \times 100 \%$$

FINDINGS AND DISCUSSION

Data Analysis

Here are some of the graphic comparison between the Budget and Actual Revenue and Expenditure of both Regions

Figure 1. Comparison of Target between the district budget South Minahasa Selatan year 2012 s.d 2014 (billion rupiah)



Overall revenue in the South Minahasa District Government year 2012 through 2014 have increased. However, the acquisition from this realization decreased when compared with the budget set up in revenues in 2014. But the overall management of local revenues still increased as well.

Figure 2. Comparison of Target and Actual Expenditure in South Minahasa District Budget Year

2012 s.d 2014 (bllion rupiah)

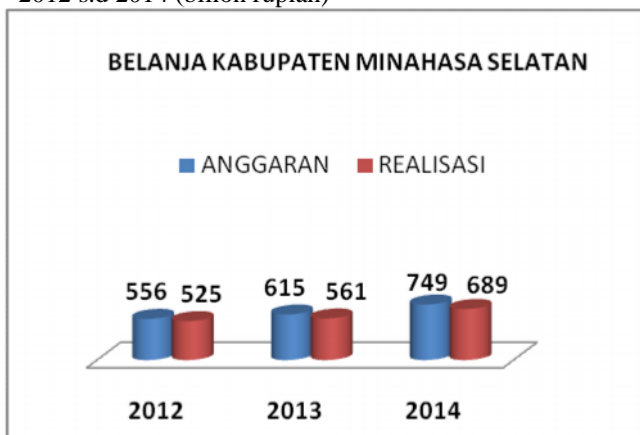


Figure 3. Comparison of Actual Revenue and Expenditure Realization South Minahasa District budget year 2012 s.d 2014 (billion rupiah)

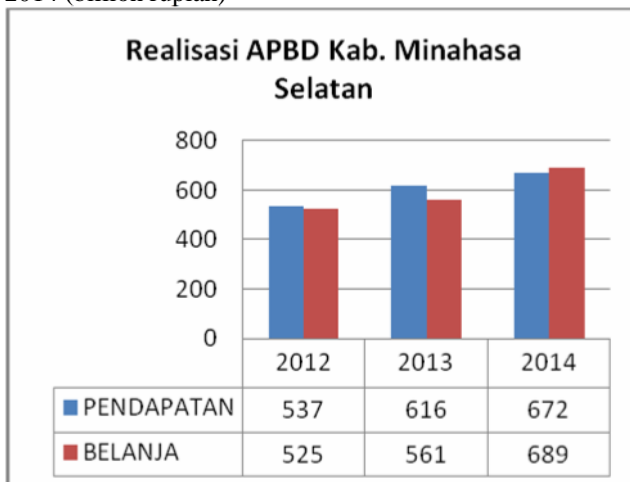


Table 5. Comparison of Actual Revenue and Expenditure Realization South Minahasa District budget year 2012 s.d 2014 (billion rupiah)

NO	DESCRIPTION	YEAR		
		2012	2013	2014
A	INCOME	537.32,-	616.34,-	672.64,-
1	District Real Income	10.62,-	26.13,-	14.40,-
2	Balanced Fund	461.51,-	503.56,-	544.86,-
3	Other Valid Income	65.19,-	86.64,-	113.37,-
B	EXPENDITURE	525.89,-	561.24,-	689.16,-
1	Operational Expenditure	418.33,-	458.74,-	556.213,-
2	Capital Expenditure	107.54,-	102.46,-	132.95,-
3	Unexpected Expenditure	0,01,-	0,03,-	-
	Surplus/Defisit	11.43,-	55.10,-	16.52,-

Data Source: DPPKAD SouthMinahasa District

The results of the analysis:

Degree of Fiscal Decentralization Ratio

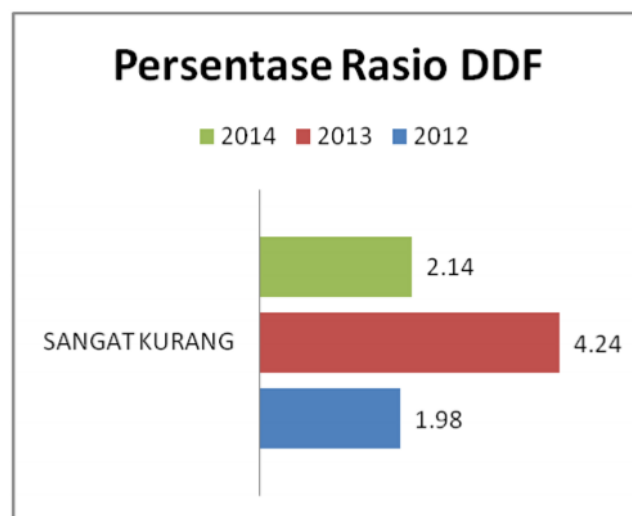
This ratio indicates the degree of LOR contribution the total district revenue. Results of Ratio Degree of Fiscal Decentralization Fiscal calculation can be seen in the table below:

Table 6. Calculation Ratio of DDF DPPKAD South Minahasa District Fiscal year 2012-2014

Fiscal Year	LOR (Rp)	TPD (Rp)	DDF (%)	Financial Ability
2012	10.620.087.945,-	537.329.647.572,-	1,98	Very Poor
2013	26.137.234.620,-	616.346.111.219,-	4,24	Very Poor
2014	14.406.092.809,-	672.640.579.690,-	2,14	Very Poor

Data Source: DPPKAD South Minahasa District (processed)

Figure 4. Calculation Ratio of DDF DPPKAD South Minahasa District for Fiscal Year 2012-2014



Based on the calculation in the table above it can be seen that the financial performance DPPKAD South Minahasa District when viewed from the degree of decentralization Fiscal ratio can be categorized as very less. Beginning in 2012 the ratio DDF DPPKAD South Minahasa District is 1.98%. In 2013 increased to 4.24% and the following year, in 2014 fell again to 2.14%. Overall it can be said the financial capabilities DPPKAD South Minahasa district is still very poor because they are in a scale interval 00,00-10,00%.

Regional Financial Independence Ratio

Regional Financial Independence Ratio indicates the level of ability of local government to finance its own activities, development and service to the public who have paid taxes and levies as a source of required revenue.

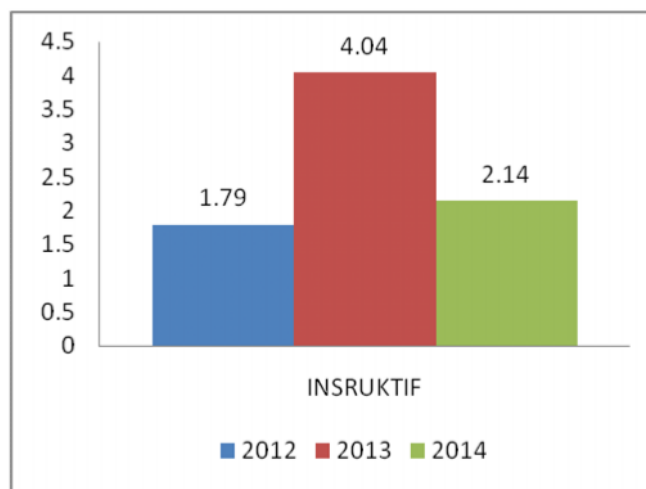
Results of Regional Financial Independence Ratio calculation can be seen in the table below:

Table 7 Regional Financial Independence Ratio Calculation DPPKAD South Minahasa District for Fiscal Year 2012-2014

Assistance or Provincial and Central Government Loans				
Fiscal Year	LOR (Rp)	Assistance of Central Government or Province and Loans (Rp)	RK KD (%)	Pattern of Relation
2012	10.620.087.945,-	592.594.398.466,-	1,79	Instructive
2013	26.137.234.620,-	647.663.147.705,-	4,04	Instructive
2014	14.406.092.809,-	672.541.434.937,-	2,14	Instructive

Data Source : DPPKAD South Minahasa District (processed)

Figure 5. Calculation Ratio of DPPKAD Regional Financial Independence South Minahasa District for Fiscal Year 2012-2014



Based on the calculation in the table above, the financial capability of South Minahasa District DPPKAD relatively is still very low and relationship patterns including instructive relationship patterns where the role of central government is more dominant than the independence of local governments. The lowest value occurred in 2012 where the value of 1.79% and the highest in 2013 which amounted to 4.04%, while in 2014 decreased by 2.14%. This shows that the level of regional dependency on assistance from external parties (especially central and provincial government assistance) is still very high.

LOR Effectiveness Ratio

LOR effectiveness ratio describes the ability of Local Government in the realization of the planned LOR compared with targets set by the real potentiality of the district. The higher effectiveness ratio, the better the

performance of the local government.

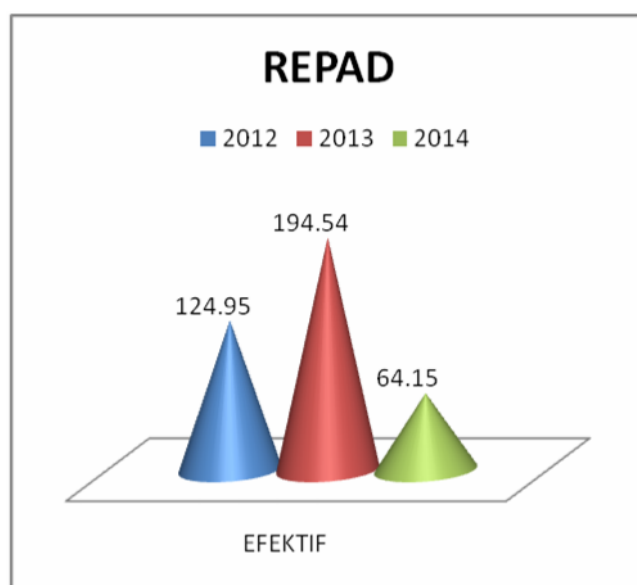
The results of calculation LOR Effectiveness ratio can be seen in the table below:

Table 8. Calculation Ratio of LOR DPPKAD Effectiveness in South Minahasa District Fiscal Year 2012-2014

Fiscal Year	LOR Budget (Rp)	LOR Realisation (Rp)	RELOR (%)	Criteria
2012	8.499.800.000,-	10.620.087.945,-	124,95	Efektif
2013	13.435.194.704,-	26.137.234.620,-	194,54	Efektif
2014	22.457.922.250,-	14.406.092.809,-	64,15	Tidak Efektif

Data Source : DPPKAD South Minahasa District (processed)

Figure 6. Calculation Ratio of LOR DPPKAD Effectiveness in South Minahasa District Fiscal Year 2012-2014



Based on the calculations in the table above it can be seen that the Effectiveness of Financial DPPKAD South Minahasa district in 2012 and 2013 has been effective since the values obtained are already more than 100% which is 124.95% and 194.54%, but in 2014 became ineffective because the value obtained by the 64.15% below 100%

1. Regional Financial Efficiency Ratio

Regional Financial efficiency ratio illustrates the comparison between the costs incurred to earn income and realization of income received.

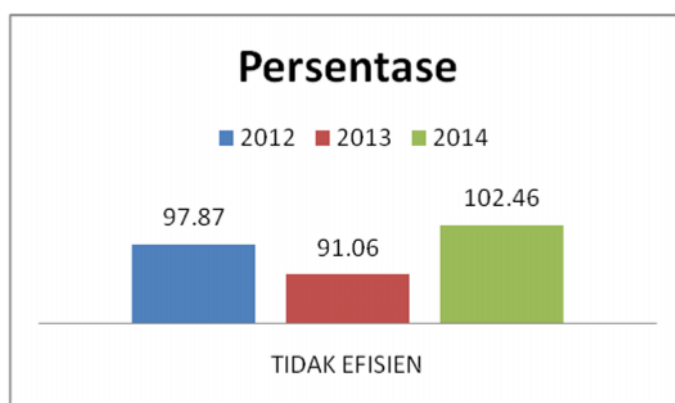
Results of the Regional Financial Efficiency Ratio calculation can be seen in this berikut table:

Tabel 9. Calculation Ratio of DPPKAD Efficiency in South Minahasa District Fiscal Year 2012-2014

TA	Realisation of Expenditure (Rp)	Realisation of Income (Rp)	REKD (%)	Criteria
2012	525.891.166.484,-	537.329.647.572,-	97,87	Less Efficient
2013	561.242.693.084,-	616.346.111.219,-	91,06	Less Kuran Efficient
2014	689.167.009.246,-	672.640.579.690,-	102,46	Less Efficient

Data Source : DPPKAD South Minahasa District (processed)

Figure 7. Calculation Ratio of DPPKD Regional Financial Efficiency of South Minahasa Fiscal Year 2012-2014



Based on the calculations in Table 9 on Efficiency of Regional Financial DPPKAD South Minahasa regency in 2013 and 2014 classified is Less Efficient that is equal to 97.87% and 91.06%, this is due to the considerable margin between revenues with spending, later the efficiency in the year 2014 is classified Inefficient because the value of the ratio is already above 100%, where the total spending exceeds total regional income.

2. Ratio of Harmony

The harmony ratio illustrates how regional governments prioritize the funds allocation to the operating expenditures and capital expenditures optimally.

Results of Harmony ratio calculation can be seen in the tables below:

Table 10. Harmony ratio calculation DPPKAD South Minahasa District for Fiscal Year 2012-2014 (Operation Expenditure)

TA	Total Expenditure (Rp)	Realisation of Operation Expenditure (Rp)	Ratio of Operation Expenditure (%)
2012	525.891.166.484,-	418.336.693.544,-	79,55
2013	561.242.693.084,-	458.745.129.615,-	81,74
2014	689.167.009.246,-	556.213.835.443,-	80,71

Data Source: DPPKAD South Minahasa District (processed)

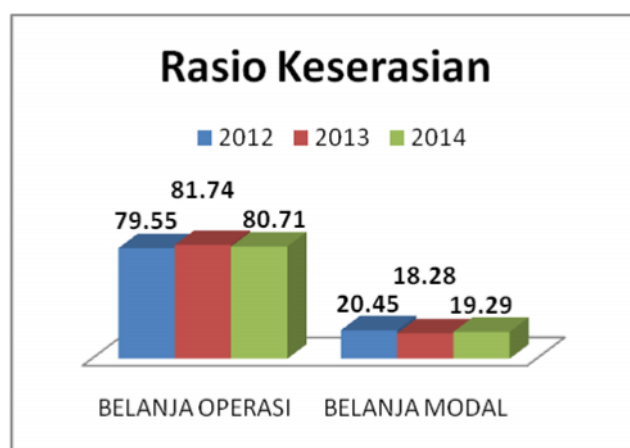
Based on the calculation in the table above is known that the average Harmony ratio of Operation Expenditure DPPKAD South Minahasa district is 80.66%. Beginning in 2013 where the ratio amounted to 79.55% and increased in 2013 to 81.74%, but in 2014 there was a decline that became 80.71%.

Table 11. Calculation Harmony Ratio DPPKAD South Minahasa District for Fiscal Year 2012-2014 (Capital Expenditure)

TA	Total Expenditure (Rp)	Realisation of Capital Expenditure (Rp)	Ratio of Capital Expenditure (%)
2012	525.891.166.484,-	107.544.472.940,-	20,45
2013	561.242.693.084,-	102.467.563.469,-	18,26
2014	689.167.009.246,-	132.953.173.803,-	19,29

Data Source: DPPKAD South Minahasa District

Figure 8. Harmony Ratio Comparison between Operating Expenditure and Capital Expenditure DPPKAD South Minahasa District for Fiscal Year 2012-2014



Based on the above calculation is known that the average Harmony ratio of Capital Expenditure DPPKAD South Minahasa district is 19.33% ; it was started in 2012 with the ratio of 20.45% and decreased in 2013 to 18.26%. But in 2014 there was an increase became 19.29%.

Discussion

One way to measure the performance of the Government of South Minahasa District in managing the local finance is to perform the analysis of financial ratios in the budget that has been determined and implemented (in APBD). From the results of this research it is known whether the Government of South Minahasa District successful or not in managing the financial district. To carry out the analysis, it is done by comparing the calculation results between achieved at one period and the previous period.

1. The degree of Fiscal Decentralization Ratio

In Table 4.4. shows that LOR South Minahasa District from 2012 to 2014 experienced a decrease and increase. Financial Performance DPPKAD South Minahasa District when viewed from Degree of Fiscal Decentralization Ratio can be categorized very Less. Beginning in 2012 Degree of Fiscal Decentralization Ratio in DPPKAD South Minahasa district is 1.98% that rise to 4.24% in 2013. However, in 2014 decreased to 2.14%. Overall it can be said financial capability DPPKAD South Minahasa district is still very less, because they are in scale intervals of 0.00% -10.00%.

Based on the calculation in the table 4.4.can be concluded that LOR has Very Less capability in financing regional development. This happens because the LOR in South Minahasa District is still relatively small when compared to total regional revenues. Besides participation and awareness of the public to pay taxes and levies are still lacking, so that LOR do not have a main role in financing regional development in South Minahasa District. South Minahasa District government in financing the implementation of governance and development is still heavily dependent on aid from the central government and provincial governments. It causes the financial performance of local governments South Minahasa district is viewed from ratio degree of Fiscal Decentralization future is very less. In the future it is hoped the South Minahasa District government will try to increase its revenue by developing existing potentials and explore new potentials.

2. Regional Financial Independence Ratio

In the table 4.5.menunjukkan that LOR South Minahasa District from 2012 to 2014 experienced decreased and increased. Based on calculations on tables 4.5.shows that income or assistance from external parties in this case the support of the provincial government and the central government has increased. To increase revenue from external parties is increasing due to an increase in posts equalization funds from the central government such as: Tax Revenue Sharing Fund, funds for Non-Tax Results, the General Allocation Fund, and Special Allocation Fund.

According to the description above it can be concluded that the Regional Financial Independence Ratio for three years in South Minahasa district government has the average independence that is still relatively low and in the category of less financial ability to pattern Instructive relationship that is the role of the central government is still very dominant than local government, it can be seen from Regional Financial Independence ratio still classified in the interval of 0% - 25%. Independence that is still low may result in financial capability of South Minahasa district in financing the implementation of government and regional development is still dependent on central assistance

So the Financial Independence DPPKAD South Minahasa district as a whole can be said to be very low, this case illustrates that the level of local dependence on external funding sources are still very high. The region has not

been able to optimize revenue for financing district development. Awareness and participation in the payment of taxes and levies also one of the things that cause LOR produced South Minahasa district government are few and can not be relied upon on finance the implementation of governance and development. Additionally, due to the magnitude of the different loans and assistance from central and total revenues and expenditure in each area. To overcome this, the local government should be able to optimize the reception of the potential income. Initiative and willingness of local governments is indispensable in efforts to increase revenues

3. LOR Effectiveness Ratio

Based on the calculations in Table 4.6.shows that budget of LOR South Minahasa district always increase from year to year. While the LOR Realization South Minahasa District from 2012 to 2014 experienced a decrease and increase. According to the account and the calculation in the table 4.6. Effectiveness of South Minahasa District Financial Performance has been effective because the average effectiveness of over 100% which is 127.88%. This is because of revenues from taxes and levies in excess prior to the budgeted. South Minahasa District Government also said to have a good performance in terms of realizing the LOR planned.

But to keep it, local governments must continue to optimize revenues from existing revenue potential. Initiatives and Local Government's ability is indispensable in efforts to increase revenues. Local Government should seek alternatives that allow it to be able to overcome the shortage of funding, and it requires the creativity of the financial implementation of the forces areas to seek new sources of financing either through program financing cooperation with the private sector also or LOR improvement program.

4. Regional Financial Efficiency Ratio

Based on the calculation shown on Table 4.7. that the average efficiency of Regional Finance South Minahasa district in 2012 through 2014 is 97.13% or can be said less Efficient, it is caused by total regional spending was still higher than its local income, especially in 2014. Although in 2014 the district government South Minahasa presses the expenditure than previously budgeted spending, but the amount of revenue collected is still few in number when compared with its regional income. Thus it can be said South Minahasa district government performance in this regard is still poor because they can not reduce the number of future expected regional expenditures. South Minahasa District Government can minimize the amount of spending to be adjusted to their income in order that it is possible future there is efficiency improvement of local expenditure.

5. Ratio of Harmony

Based on the calculations in Table 4.8.dan 4.9.shows that the actual total expenditures of South Minahasa district from 2012 to 2014 has increased, it can be seen that the ratio of Operating Expenditure and Capital Expenditure is unstable from yeartoyear.

According to the description above calculation that most of the funds owned by the regional government will be prioritized for operating expenditure requirement that the ratio of capital expenditure is relatively small. This can be evidenced from the average ratio of operating expenditure is still large compared with the average ratio of capital expenditure. The amount of the allocation of funds for operating expenses is mainly due to the large autonomous duties agencies and personnel expenditure for salaries of civil servants. By this it m be indicated that the Government of South Minahasa district is more inclined to routine expenses for the fulfillment of Government activities and not pay attention to local development. This is because there is no definitive standard for capital expenditure, so that the regional government is still concentrating on meeting the operating expenses that causes capital expenditures for the Government of South Minahasa district is small and has not been fulfilled. For the future, the Government of South Minahasa district is expected to pay more attention to public services that will be enjoyed by the public. In fact funds in local budgets are public funds so that funds should be used for public purposes.

CONCLUSION AND SUGGESTION

Conclusion

Based on the analysis of data that has been described then be concluded as follows:

1. Financial Performance Government of South Minahasa District when it is viewed from Ratio Degree of Fiscal Decentralization can be categorized as Very Low, as it still is in the scale intervals of 00,00% -10.00%.
2. Financial Performance Government of South Minahasa District when it is viewed from the Regional Financial Independence Ratio relatively very low and relationship patterns included in the pattern of Instructive relations, because they belong to the interval of 0% -25%.
3. Financial Performance Government of South Minahasa District when it is viewed from LOR Ratio Effectiveness has been effective because the average effectiveness of over 100%.

4. Financial Performance Government of South Minahasa District when it is seen from the Regional Financial Efficiency Ratio in 2012 through 2014 can be said Less Efficient, because the total regional spending was still higher than its local income.
5. Financial Performance Government of South Minahasa District when it is viewed from the ratio of Harmony has not been stable from year to year. Most of the funds are owned by local governments will be prioritized to the needs of the operating expenditure it causes that capital expenditure is relatively small. It can be said South Minahasa District Government is still less attention to regional development.

From the above explanation can be presented by researchers that the LOR simultaneously gives significant effect on the financial performance in the South Minahasa District Government. It means that the whole of the components LOR greatly affect financial performance in accordance with the principles of regional autonomy. The researcher can also see how the effect of LOR partially on the financial performance of South Minahasa District Government

As there are several factors that allow a decline in this performance, and the findings obtained from several sources, as the followings:

- a) The district authority that overlaps so that bureaucracy becomes longer than before, and is likely to lead to abuse of office and authority.
- b) Limited of human resources in the South Minahasa District Local Government which has good quality, so that it becomes one of the obstacles to improve financial performance.
- c) Local Financial management is increasingly unclear as a result of the adoption of policies that are not in accordance with local characteristics.
- d) The supervisory system is less effective as a result of the authority is not clear either in the rules and practice in the field.

Suggestion/ Recommendation

Observing the existing problems and with regard to the outcome of the analysis of the ratio of the financial management of the South Minahasa district budget and the above conclusions, the suggestions that may be useful for increasing the economic growth of South Minahasa District are as follows:

- a.) The Government of South Minahasa district must reduce its dependence on the central government is to maximize the potentiality of existing sources of revenue or by requesting a wider authority to manage other revenue sources that are still controlled by the central government / province to raise revenue.
- b.) South Minahasa District Government did the data collection mandatory taxes and charges to obtain data on potential local taxes and levies, more accurately, improving coordination with agencies or institutions associated with the type of punggutan accordance with its authority in order to avoid the leakage of local tax revenues and levies as well as improving regularly monitoring and spot checks of a sudden order to improve the process of collecting local taxes and levies that are cleaner and transparent
- c.) It is expected that the Government of South Minahasa district to improve the welfare of society South Minahasa district to improve the quality of human resources both local officials and the community through increased funding to provide facilities and infrastructure that support the welfare of the community as well as offset by the expansion of employment such as revitalizing agriculture, improve the competence of personnel employment, increase productivity and SME access to productive power, and improve food security in order that the people's income increases so South Minahasa district levies and taxes paid community also increased.
- d.) The Government of South Minahasa district needs to remind the development and provision of public facilities and infrastructure to improve public economic activities and to attract investors, whereas the government should also be selective in development based on the priority scale and efficiency.
- e.) The Government of South Minahasa district needs to increase the expenditure for capital expenditures that will provide long-term benefits for the region
- f.) The Government of South Minahasa District should be more careful to make budget in how much it costs to realize all revenue it receives so it can be known whether the activities of its taken revenues efficient or not. This is necessary because even though the local government managed to realize a revenue receipt in accordance with the targets set, but success will have little meaning if it turns out the costs incurred to realize the revenue target was greater than the revenue it receives.
- g.) To increase regional fiscal space, local governments can do so through increasing local revenues and the efficiency of the budget, while the loan is an alternative if the other two options are not able to close the budget deficit. In the framework of budget efficiency, local governments need to reassess what the improving priorities . Consumptive Expenditures but gives a small effect in the economy should be reduced

or tightened again, such as expenditures for salaries, business travel, shopping operational items, shopping, eating ,drinking and so forth

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