FINANCIAL RATIO ANALYSIS IN ASSESSING THE FINANCIAL PERFORMANCE OF THE REGIONAL GOVERNMENT OF PEMALANG REGENCY

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Abstract: Local government performance is the most critical factor in the regional development process. Financial performance can be one of the indicators in assessing the performance of a local government. This study aims to evaluate the financial performance of the Pemalang Regency Government for 2018-2020 using regional financial ratio analysis. The financial ratios used include the regional financial independence ratio, effectiveness ratio, efficiency ratio, compatibility ratio, and growth ratio. The data collection method used in this research is the documentation method combined with the descriptive quantitative analysis method. The data used is the Pemalang Regency Financial Report which is downloaded through the official website of the Pemalang Regency Government. The results showed that the regional financial independence of the Pemalang Regency was still very low. However, the Pemalang Regency Government has been quite effective and efficient in managing its revenue. Meanwhile, the Pemalang Regency Government prioritizes using its funds for operating expenditures compared to capital expenditures. Furthermore, the calculation results of the growth ratio show that the revenue and expenditure growth of Pemalang Regency from 2018-2020 tends to fluctuate.

Keywords: *Financial Ratio Analysis, Financial Performance, Local Government*

1.   Introduction

Regional Government is the implementation of government affairs by the regional government and regional people's representatives according to the principle of autonomy and assistance tasks with the principle of autonomy as wide as possible in the system and principles of the Unitary State of the Republic of Indonesia as referred to in the 1945 Constitution of the Republic of Indonesia. Regional autonomy is the rights, authorities, and obligations of a region to manage and regulate the interests of the government and its people. Regional autonomy is one of the basics for the emergence of a financial balance between the central government and local governments. The financial balance between the central government and regional governments is regulated in Law Number 33 of 2004 concerning Financial Balance between the Central Government and Regional Governments which has been revoked by Law Number 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments.

The financial balance between the central government and local governments is a means to support local governments in implementing regional autonomy. Regional governments

receive balancing funds sourced from the APBN, these funds are allocated to regions to fund various needs as well as carry out tasks such as service tasks to the community and regional development. Local government funding can also be sourced from local revenue, transfer income, other legitimate regional income, and financing receipts.

The existence of the right to regional autonomy makes local governments the freedom to manage their income and expenditures/expenditures. The implementation of local government spending often gets the attention of the wider community, therefore the principles of accountability and transparency are important for local governments to give confidence and trust to the public in their spending activities and financial management.

The financial performance of local governments needs to get more attention and assessment from the central government and the community. According to Mulyana and Sugiri (2020), the purpose of the performance appraisal is to assess whether regional financial management has been carried out in an orderly, efficient, economical, effective, transparent, responsible, appropriate, and beneficial manner for the community, and complies with the provisions of the legislation regarding with service activities to the community as well as the implementation of government duties. The assessment given by the central government and the public on the financial performance of a region will be directly proportional to the achievements and services provided by the regional government because in essence, the budget contained in the APBD is a mandate given by the central government and the community to regional governments that are obliged to use for the greatest benefit of the people (Halim, 2012). The budget must be used by local governments effectively and efficiently to provide prosperity and welfare to the community, then reported in the form of adequate financial reports. The components of the financial statements made include LRA, LPSAL, Balance Sheet, LO, LAK, LPE, and CALK. The components of the financial statements can be the main tool for analyzing regional financial ratios.

Financial ratio analysis is a method of analyzing financial statements by making comparisons between existing accounts in financial statements, comparisons between elements of financial statements, as well as comparisons of financial statements between years. Financial ratio analysis produces data in the form of useful ratios to assess the financial performance of an entity. According to Halim (2012), financial ratios that can be used in assessing the financial performance of local governments include the independence ratio, effectiveness ratio, efficiency ratio, harmony ratio, and growth ratio. Many studies using the five financial ratios have been carried out including research conducted by Fathah (2017), Sartika & Pratama (2019), and Saragih & Siregar (2021). Other studies with additional ratios such as the ratio of degrees of decentralization have also been carried out, among others, by Sartika (2019) and Marliani (2022).

Pemalang Regency is one of the cities that has a strategic area in Central Java Province. Pemalang Regency is directly adjacent to the Java Sea in the north and a mountainous area namely Mount Slamet in the south. In addition, Pemalang Regency is also traversed by the Pantura route which is a fairly busy road used on the island of Java. This condition allows the Pemalang Regency Government to increase its regional income by optimally managing existing resources.

In this study, the researcher aims to further analyze the financial performance of the Pemalang Regency Government in 2018-2020, with five ratio analyses according to Abdul Halim. Previous research conducted by Muranah (2020) provides an overview of Pemalang Regency's regional financial ratios for 2013-2017 performance. The results showed that the effectiveness of Pemalang Regency's revenue realization in 2013-2017 was included in the

very effective criteria. However, the financial independence of the Pemalang Regency Government for 2013-2017 is still very low and the efficiency of the Pemalang Regency Government in obtaining its income is still in the less efficient criteria in 2013-2015 and the criteria are quite efficient in 2016 and 2017. Through this research, it is hoped that it can become performance information for the Pemalang Regency Government compared to 2013-2017 and provide an overview and input for improving financial performance in the future.

2. Literature Review

Definition of Report on Realized Budget (LRA)

Based on Government Accounting Standards, the Report on Realized Budget (LRA) is a report that presents information on an overview of budget sources, budget allocations, and details of budget used by the central or regional government. The Report on Realized Budget (LRA) contains information on the comparison between the budget revenues, expenditures, transfers, surplus/deficit, and financing with their realization in the current year. A detailed and detailed explanation regarding the report on the realized budget is presented in the Notes on Government Financial Reports (CaLK).

Report on Realized Budget Structure

a. Revenue

Revenue-LRA is state/regional revenue received by the State/Regional General Treasurer or other government entity which adds to the excess budget balance (SAL) in the current fiscal year which is the right of the government and does not need to be repaid (PP Number 71 of 2010). According to Margono (2010), income-LRA is revenue in the State/Regional General Treasury Account which adds to the government's equity in the form of cash or cash equivalents in a budget period which has become the right of the government and does not need to be repaid. Local government revenue-LRAs are classified according to their source of income. Local government revenue can be sourced from Local Own-Source Revenue (PAD), Transfer Revenue, and Other Legitimate Income.

b. Expenditure

According to Hamzah and Kustiani (2020), LRA-Expenditures are expenditures from the Regional General Treasury Account as a deduction from the Excess Budget Balance (SAL) in the fiscal year that cannot be returned at a later date. Local government spending-LRA can be classified according to economic classification, organization, and function. Classification of expenditure according to the economy is the classification of government spending based on the type of expenditure carried out. This economic classification includes operating expenditures, capital expenditures, and contingencies. Expenditure classification by organization is a classification of government spending based on the organizational unit of budget users. Meanwhile, the classification of spending by function is a classification of government spending based on the main functions of the government in providing services to the public.

Regional Financial Performance

Performance is the level of achievement of the implementation of an activity carried out in realizing the goals, objectives, vision, and mission of the organization that has been set in the business plan of an organization (Mahsun, 2006). The definition of financial performance according to the Indonesian Institute of Accountants is the company's ability to manage and

control its resources. Meanwhile, according to Fahmi (2018), financial performance is an analysis carried out to determine the extent to which a company has used financial implementation rules properly and correctly in carrying out its activities. Financial performance provides an overview of how successful a company is in achieving its organizational goals.

Regional financial performance can be used as a benchmark by the central government and the community in assessing financial or government performance in a region. The financial performance assessment is carried out to ensure that local governments carry out government activities in an orderly, obedient, effective, efficient, economical, transparent, responsible, fair, appropriate manner, and provide benefits to the community.

Regional Financial Ratio

Financial analysis is an activity to identify financial characteristics based on the information available in financial statements (Halim, 2012). Financial analysis requires the information contained in the financial statements as a reference in assessing the financial position and financial performance of an entity. One of the financial analyzes that can be used in assessing the financial performance of local governments is financial ratio analysis.

According to Mardiasmo (2002), the level of achievement of an organization's performance results can be assessed using financial ratios. Financial ratio analysis is a method of analyzing financial statements by making comparisons between existing accounts in financial statements, comparisons between elements of financial statements, as well as comparisons of financial statements between years.

a. The Ratio of Regional Financial Independence

Regional financial independence describes the level of local government's ability to finance its activities in government activities, regional development, regional economic development, and services to the community (Halim, 2012). The calculation of the regional financial independence ratio according to Halim (2012) is as follows.

$$\text{Ratio of Regional Financial Independence} = \frac{\text{Realization of Local Own-source Revenue}}{\text{Realization of Transfer Revenue}} \times 100\%$$

The independence ratio shows the level of dependence of the local government on funds sourced from outside/externally. The lower the results of the calculation of the independence ratio means that the higher the dependence of the local government on funds sourced from outside. Conversely, the higher the independence ratio means that the local government is less dependent on aid funds from outside parties.

According to Reksohadiprojo and Thoha in Hermi Oppier (2013), the results of the calculation of the independence ratio can be categorized into four types of relationship patterns between the central and local governments as illustrated in Table 2.1 below.

Table 2.1 Central and Regional Government Relations Pattern

financial ability	Independece Ratio	Pattern
Very Low	0%-25%	Instructive
Low	>25%-50%	Consultative
Moderate	>50%-75%	Participative
High	>75%-100%	Delegative

Source: Processed from Reksohadiprojo and Thoha in Hermi Oppier (2013)

b. Ratio of Effectiveness

The effectiveness ratio shows the ability of the local government to realize the planned local revenue compared to the real target/potential of the area (Halim, 2012). The effectiveness ratio describes how effective the performance of the local government is in collecting its own-source revenue.

$$\text{Ratio of Effectiveness} = \frac{\text{Realization of Local Own-source Revenue}}{\text{Budget of Local Own-source Revenue}} \times 100\%$$

The criteria for the effectiveness of local government finance according to Mahmudi (2019) can be seen in Table 2.2.

Table 2.2 Effectiveness Criteria

Ratio of Effectivness	Description
>100%	Effective
=100%	Effective Balance
<100%	Ineffective

Source: Mahmudi (2019)

c. Ratio of Efficiency

The Efficiency ratio describes the level of efficiency of local governments in obtaining regional revenues. The calculation of the efficiency ratio is done by comparing the number of costs incurred to collect income with the realization of the income received. The smaller the calculation of the efficiency ratio, the more efficient an area is in obtaining its income.

$$\text{Ratio of Efficiency} = \frac{\text{Realization of Local Government Spend}}{\text{Realization of Local Government Revenue}} \times 100\%$$

The criteria for local government efficiency according to Mahmudi (2019) can be seen in Table 2.3.

Table 2.3 Efficiency Criteria

Ratio of Efficiency	Criteria
>100%	Not Efficient
>90%-100%	Less Efficient
>80%-90%	Quiet Efficient
60%-80%	Efficient
<60%	Very Efficient

Source: Mahmudi (2019)

d. Ratio of Compatibility

The compatibility ratio provides an overview of the priority use of funds by local governments. This ratio illustrates the comparison between the amount of operational expenditure and capital expenditure carried out. There are two forms of calculating the compatibility ratio, namely the operating expenditure ratio and the capital expenditure ratio.

The operating expenditure ratio compares the actual operating expenditure to the total expenditure made by the regional government. This ratio describes the amount of budget allocated by local governments to operating expenditures.

$$\text{Ratio of Operating Expenditure} = \frac{\text{Total Operating Expenditure}}{\text{Total Expenditure}} \times 100\%$$

The capital expenditure ratio compares the realization of capital expenditure to the total expenditure made by local governments. This ratio describes the amount of budget allocated by regional governments to capital expenditures.

$$\text{Ratio of Capital Expenditure} = \frac{\text{Total Capital Expenditure}}{\text{Total Expenditure}} \times 100\%$$

e. Ratio of Growth

The growth ratio shows the change in the realization of an item (account) in the local government budget realization report in the relevant fiscal year with the realization in the previous budget year. This ratio is used to determine changes in income and expenditure made by local governments. The growth ratio presents certain trends that can indicate an increase or decrease in the financial performance of local governments.

$$\text{Ratio of Growth} = \frac{\text{Realization of year t - Realization of year (t - 1)}}{\text{Realization of year (t - 1)}} \times 100\%$$

3. Research Method

The data collection method that the author uses in the preparation of this research is the Documentation Method. The documentation method is a method used to collect and analyze information in the form of documents obtained from other parties. This method the author uses in finding and obtaining information relevant to the subject of research.

The data analysis method used in this study is a descriptive quantitative method with case studies on the financial statements of the Pemalang Regency Government in 2018-2020. Quantitative research is research that produces a conclusion obtained by using statistical procedures or other methods of calculation (Sujarweni, 2014). According to Arikunto (2019), the descriptive method is a research method intended to investigate circumstances, conditions, or something that has been stated in the data and the results will be presented in a report. This descriptive quantitative study presents a description of the results of the calculation of the financial ratios of the Pemalang Regency Government in 2018-2020.

4. Results and Discussion

4.1. The Ratio of Regional Financial Independence

The independence ratio shows the level of dependence of the local government on funds sourced from outside/externally. The realization of transfer revenue for Pemalang Regency tends to fluctuate. Realization of transfer income in 2018 was Rp1,977,832,998,624. In 2019 it increased by 7.8% to Rp2,132,625,584,098. However, in 2020, the realization of transfer revenue for Pemalang Regency decreased by 8.2% from 2019 to Rp1,957,807,388.064.

Table 4.1 is the result of calculating the financial independence ratio of the Pemalang Regency in 2018-2020.

Tabel 4.1 The Ratio of Regional Financial Independence in Pemalang Regency

Year	Realization of PAD	Realization of Transfer Revenue	Ratio (%)	Pattern
2018	300.481.887.079	1.977.832.998.624	15%	Instructive
2019	350.559.139.753	2.132.625.584.098	16%	Instructive
2020	328.375.466.698	1.957.807.388.064	17%	Instructive

Source: Processed based on the calculation of the regional financial independence ratio

The financial independence ratio of Pemalang Regency in 2018-2020 is still in the 0-25% interval. This shows that the ratio of regional financial independence in Pemalang Regency is in the category of instructive relationship patterns. The pattern of instructive relationships indicates that the financial independence of the Pemalang Regency is still very low, and the role of the central government is more dominant in financing the activities of the Pemalang Regency Government. The central government is more involved in meeting funds for the implementation of regional government tasks, regional development, and service activities to the community. Thus, it can be said that the Pemalang Regency Government is still not able to implement regional autonomy financially.

The low financial independence ratio also occurs in the results of research conducted by, among others, Fathah (2017), Susanto (2019), Sartika & Pratama (2019), Sartika (2019), Saragih & Siregar (2021), Nuzullestary & Mulyaningsih (2021), Fadhilah et.al. (2022), and Marliani (2022).

4.2. Ratio of Effectiveness

The effectiveness ratio shows the ability of the regional government to realize the original regional income that it has planned. In 2018, the Pemalang Regency Local Own-Source Revenue (PAD) budget was Rp275,431,369,000. Pemalang Regency's PAD budget increased by 7.9% in 2019 to Rp297,127,162,000. However, in 2020 Pemalang Regency's PAD decreased by 1.5% to Rp292,672,718,000. The average PAD budget for Pemalang Regency for 2018-2020 is Rp288,410,416.333.

Pemalang Regency's PAD realization in 2018-2020 tends to fluctuate. In 2018 the realization of PAD in Pemalang Regency was Rp300,481,887,079. In 2019, PAD increased by 16.7% from 2018 to Rp350,559,139,753. Then, in 2020 Pemalang Regency's PAD decreased by 6.3% to Rp328,375,466,698. The average PAD realization of Pemalang Regency for 2018-2020 is Rp326,472,164,510.

Table 4.2 is the result of calculating the effectiveness ratio of Pemalang Regency's original revenue in 2018-2020.

Table 4.2 Effectiveness Ratio of PAD in Pemalang Regency

Year	Realization of PAD	Budget of PAD	Ratio (%)	Criteria
2018	300.481.887.079	275.431.369.000	109%	Effective
2019	350.559.139.753	297.127.162.000	118%	Effective
2020	328.375.466.698	292.672.718.000	112%	Effective

Source: Processed based on the calculation of the effectiveness ratio

In 2018 the effectiveness ratio of Pemalang Regency's PAD was 109%. The effectiveness ratios for 2019 and 2020 are 118% and 112%, respectively. The average PAD effectiveness ratio of Pemalang Regency for 2018-2020 is 113%. The PAD effectiveness ratio in Pemalang Regency is included in the effective criteria because it has exceeded the value of 100%. This indicates that the Pemalang Regency Government has been effective in realizing its own regional income. The Pemalang Regency Government can collect and manage PAD such as local tax revenues, regional retribution revenues, and revenues from the management of regional assets which are very well separated.

4.3. Ratio of Efficiency

The realization of Pemalang Regency's income from 2018-2020 tends to fluctuate. In 2018 the revenue realization of Pemalang Regency was Rp2,428,263,885,703. In 2019 the realization of income increased to Rp2,636,036,843,851. However, in 2020 the realization of Pemalang Regency's revenue decreased from 2019 to Rp 2,449,008,577,285. The average revenue realization for the three years was Rp2,504,436,435,613.

In contrast to the realization of income which tends to fluctuate, the realization of expenditure in Pemalang Regency has an increasing trend from year to year. The realization of Pemalang Regency expenditure in 2018 was Rp1,900,327,954,512. In 2019 the realization of expenditure increased from 2018 to Rp2,102,044,770,019. An increasing trend also occurred in 2020, the realization of spending was Rp2,184,827,392,908. The average expenditure realization of Pemalang Regency for 2018-2020 is Rp 2,062,400,039,146.

Table 4.3 is a table of the results of calculating the efficiency ratio of Pemalang Regency in 2018-2020.

Table 4.3 Pemalang Regency Efficiency Ratio

Year	Realization of Expenditure	Realization of Revenue	Ratio (%)	Criteria
2018	1.900.327.954.512	2.428.263.885.703	78%	Efficient
2019	2.102.044.770.019	2.636.036.843.851	80%	Efficient
2020	2.184.827.392.908	2.449.008.577.285	89%	Quiet Efficient

Source: Processed based on the calculation of efficiency ratio

The efficiency ratio of Pemalang Regency in 2018 and 2019 is in the 60%-80% interval, meaning that in that year the Pemalang Regency Government has been efficient in collecting or obtaining its income. However, in 2020 the efficiency ratio of Pemalang Regency resulted in a value of 89%, meaning that the efficiency of the Pemalang Regency Government in collecting or obtaining income has decreased. The decrease in efficiency could be due to the Covid-19 pandemic that entered Indonesia in 2020. This is in line with research conducted by Fadhilah et.al. (2022), where the Efficiency Ratio from 2018 to 2020 is said to be less efficient.

4.4. Ratio of Compatibility

The compatibility ratio provides an overview of the priority use of funds by local governments. This ratio illustrates the comparison between the amount of operating expenditure and capital expenditure made by local governments. The total expenditure realized by the Pemalang Regency Government in 2018 was Rp1,900,327,954,512 with operating expenditures of Rp1,607,665,530,348 and capital expenditures of Rp291,381,927,258. In 2019, the realization of the total expenditure of the Pemalang Regency Government was Rp2,102,044,770,019 with the realization of operational expenditure of Rp1,753,024,417,372 and the realization of capital expenditure of Rp347,657,852,647. Meanwhile, in 2020 the Pemalang Regency Government realized a total expenditure of Rp2,184,827,392,908 with the realization of operating expenditure of Rp1,797,305,047,387 and the realization of capital expenditure of Rp342,593,987,691. This compatibility ratio is divided into two, namely the operating expenditure ratio and the capital expenditure ratio.

The operating expenditure ratio compares the realization of operating expenditures to the realization of total expenditures made by local governments. Table 4.4 is a table of the results of the calculation of the operating expenditure ratio of Pemalang Regency.

Table 4.4 Pemalang Regency Operational Expenditure Ratio

Year	Total Operating Expenditure	Total Expenditure	Ratio (%)
2018	1.607.665.530.348	1.900.327.954.512	84,6%
2019	1.753.024.417.372	2.102.044.770.019	83,4%
2020	1.797.305.047.387	2.184.827.392.908	82,3%

Source: Processed based on the calculation of operating expense ratio

The capital expenditure ratio compares the realization of capital expenditures to the realization of total expenditures made by local governments. Table 4.5 is a table of the results of the calculation of the capital expenditure ratio of Pemalang Regency.

Table 4.5 Pemalang Regency Capital Expenditure Ratio

Year	Total Capital Expenditure	Total Expenditure	Ratio (%)
2018	291.381.927.258	1.900.327.954.512	15,3%
2019	347.657.852.647	2.102.044.770.019	16,5%
2020	342.593.987.691	2.184.827.392.908	15,7%

Source: Processed based on the calculation of the capital expenditure ratio

The Pemalang Regency Government is more dominant in using its budget to carry out operational expenditures. This is evidenced by the average value of the 2018-2020 operating expenditure ratio of 83.4%, which is far above the average capital expenditure ratio of only 15.9. According to Halim (2012), until now there is no definite guideline regarding the ideal size of the operating expenditure ratio and the capital expenditure ratio in achieving the targeted economic growth. However, the very small capital expenditure ratio when compared to the operating expenditure ratio needs the government's attention, capital expenditure can be increased by regional development needs.

In the future, the Pemalang Regency Government is expected to pay more attention to expenditures which are expenditures on services to the community which can later be enjoyed directly by the public. The funds in the regional budget are public funds so these funds are used for the public interest (Fadhilah et al., 2022).

4.5. Ratio of Growth
The growth ratio shows the change in the realization of an item (account) in the local government budget realization report in the relevant fiscal year with the realization in the previous budget year. This ratio is used to determine changes in income and expenditure made by local governments.

1) Revenue Growth Ratio
The income growth ratio describes the change in the realization of a region's income in the current year with the previous year. Table 4.6 is a table of the results of the calculation of the revenue growth ratio of Pemalang Regency in 2018-2020.

**Table 4.6 Revenue Growth Ratio of Pemalang Regency**

Year	Realization of Revenue	Realization of Revenue (t - 1)	Ratio (%)
2018	2.428.263.885.703	2.353.030.274.957	3,2%
2019	2.636.036.843.851	2.428.263.885.703	8,6%
2020	2.449.008.577.285	2.636.036.843.851	-7,1%

Source: Processed based on growth ratio calculation

Revenue realization in Pemalang Regency grew by 3.2% in 2018 when compared to 2017. The growth in revenue realization also occurred in 2019, income increased by 8.6% from the previous year. However, in 2020 the realization of revenue for Pemalang Regency decreased by 7.1% from 2019. The decline in revenue realization occurred due to the Covid-19 Pandemic that hit Indonesia.

Changes in the realization of Pemalang Regency's income from 2018 to 2020 can be seen in Figure 4.1 below.

Figure 4.1 Revenue Realization for Pemalang Regency in 2018-2020
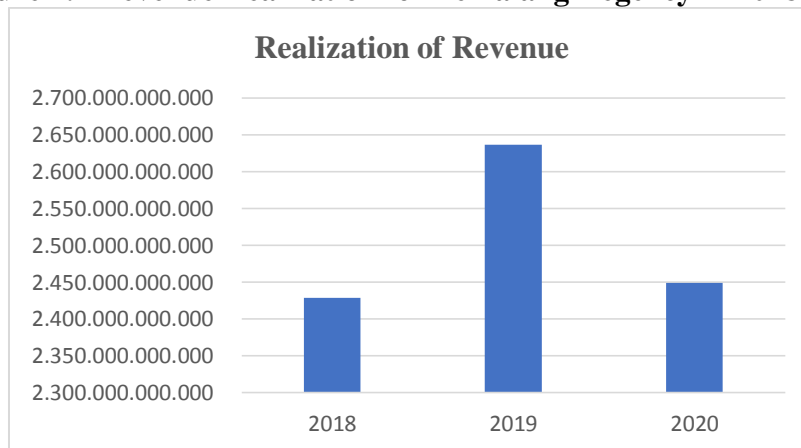
Source: Processed based on Pemalang Regency Budget Realization Report

2) Spending Growth Ratio

The expenditure growth ratio describes the change in the realization of a region's expenditure in the current year with the previous year. Table 4.7 is a table of the results of calculating the expenditure growth ratio of Pemalang Regency in 2018-2020.

Table 4.7 Pemalang Regency Expenditure Growth Ratio

| Tahun	Realization of Expenditure	Realization of Expenditure (t - 1)	Ratio (%)
2018	1.900.327.954.512	1.896.830.515.438	0,2%
2019	2.102.044.770.019	1.900.327.954.512	10,6%
2020	2.184.827.392.908	2.102.044.770.019	3,9%

Source: Processed based on Pemalang Regency Budget Realization Report

The realization of expenditure in Pemalang Regency has an increasing trend from year to year. The realization of expenditure in Pemalang Regency grew by 0.2% in 2018 when compared to 2017. Significant growth in the realization of expenditure occurred in 2019, the realization of expenditure increased by 10.6% from the previous year. The same thing also happened in 2020, the realization of spending increased by 3.9% compared to 2019. It is

hoped that by starting to reduce the impact of the covid-19 pandemic, Pemalang Regency can suppress the increase in operational spending and grow spending which has an impact on increasing economic growth. Pemalang Regency.

Figure 4.2 presents an overview of Pemalang Regency's spending growth from 2018-2020.

Figure 4.2 Pemalang Regency Expenditure Realization in 2018-2020
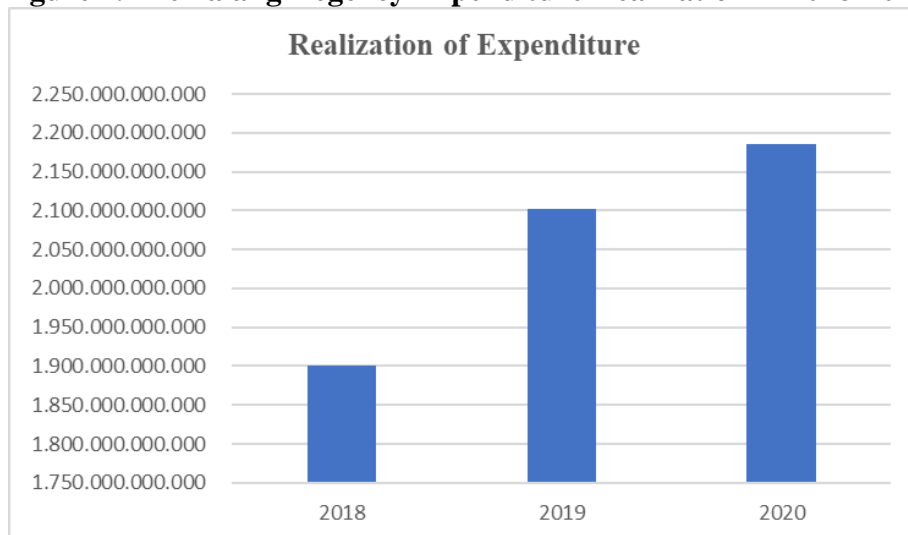
Source: Processed based on Pemalang Regency Budget Realization Report

5.   Conclusion

Based on the results of the discussion through the financial ratios of the Pemalang Regency Government in 2018-2020 in section 4 above, there are several things that the researcher concludes. The first is that the financial independence of the Pemalang Regency is still in an instructive relationship pattern, meaning that the financial independence of the Pemalang Regency Government is very low. This shows that the Pemalang Regency Government is still very dependent on sources of income other than its own-source revenue.

Second, the Pemalang Regency Government has been very effective in realizing the potential of its own-source revenue. This is based on the calculation of the PAD effectiveness ratio of Pemalang Regency in 2018-2020 which produces an average ratio value of above 100%. The value of the ratio is included in the effective criteria.

Third, in 2018 and 2019 the efficiency level of Pemalang Regency in obtaining regional income has been included in the efficient criteria. This is evidenced by the results of the calculation of the efficiency ratio of Pemalang Regency for 2018 and 2019 of 78% and 80%, respectively. In 2020, the efficiency ratio of Pemalang Regency increased to 89%, which is included in the criteria for being quite efficient.

Fourth, based on the calculation of the compatibility ratio for the years 2018-2020, the Pemalang Regency Government prioritizes its expenditure on operating expenditures rather than capital expenditures. The average operating expenditure ratio of Pemalang Regency is 83.4%, while the average capital expenditure ratio is only 15.9%.

Fifth, from the calculation of the growth ratio, Pemalang Regency's income tends to fluctuate. Pemalang Regency's revenue growth in 2018 was 3.2%. In 2019, revenue increased by 8.6% from the previous year. However, in 2020 the income growth ratio resulted in a negative value, where Pemalang Regency's income decreased by 7.1% from 2019.

Sixth, Pemalang Regency expenditure has a positive trend from 2018-2020. There is always an increase in the expenditure of Pemalang Regency from year to year. Pemalang Regency's expenditure grew by 0.2% in 2018. Expenditure growth in 2019 was 10.6%. Meanwhile, expenditure growth in 2020 was 3.9%.

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