

PERFORMANCE EVALUATION ANALYSIS OF SOUTH NIAS DISTRICT GOVERNMENT

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Article Info

Article History

Received : 15/06/2024
Reviewed : 24/07/2024
Accepted : 26/07/2024
Published : 30/09/2024

Volume : 25
No. : 2
Month : September
Year : 2024
Page : 178-189

Abstract

This research aims to determine the financial performance of Regional Government from various aspects. This research is a quantitative descriptive study with the subject of the South Nias Regency Regional Government Financial Report for the 2013-2022 period. The research results of the regional financial independence index have an average value of 2.06%, which is still very low. The average regional financial dependency is 85.96%, which is still high. The average decentralization ratio is 12.06% in the low category. The average level of effectiveness of PAD is 68.02%, which is quite high. The average PAD efficiency level is 46% which is quite high. The average regional tax efficiency level is 1% in the ineffective category. The average regional tax efficiency level is 2% in the very good/efficient category. The BUMD contribution level ratio shows an average value of 1%, and the contribution received by BUMD is still low.

Keywords : *Financial Performance, Financial Report Analysis, and South Nias Regency Government*

1. INTRODUCTION

South Nias (Nisel) is a regency on Nias Island, North Sumatra, Indonesia. Based on data from the Central Statistic Agency of South Nias in 2023, the population of this district is 360,531 people (2020), with a population density of 145 people/km², and in mid-2023 it will be 368,484 people. The capital city of South Nias is in Teluk Dalam sub-district. South Nias was previously part of Nias Regency. Autonomous status was obtained on February 25, 2003, and inaugurated on July 28, 2003.

The financial performance of local governments is an achievement, as is the ability of the region to manage the Regional Original Revenue (PAD) to support the proper and equitable running of the government system. The higher the PAD of an area, the more the region is increasingly able to be independent and reduce dependence on the central government. PAD is one of the basic capitals of local governments in obtaining

development funds and meeting regional spending. The low acceptance of PAD can be an indication of the region's dependence on the central government for development financing (Christianingrum & Aida, 2021).

Table 1. Comparison of PAD with regional dependence

Year	PAD	Regional dependence
2018	19,605,734,782	93,18%
2019	25,664,883,761	93,06%
2020	16,698,894,145	93,12%
2021	32,822,654,372	92,46%
2022	39,084,921,881	97,12%

Source: (Badan Pemeriksa Keuangan Sumatera Utara (BPK), 2024)

Based on the table above, South Nias Regency's Original Regional Income (PAD) in 2018-2022 tends to increase. This shows that the regional capacity to produce PAD is increasing and is able to reduce regional dependence on the central government. However, the level of regional dependency in Nias Regency will increase in 2022 with a percentage of 97.12%.

Table 2. Comparison of APBD with the number of Poor People

Year	APBD	Poor Population (thousands)
2018	Rp 1,228,961,604,859	52,70
2019	Rp 1,395,972,683,504	52,51
2020	Rp 1,483,534,952,584	53,88
2021	Rp 1,461,332,092,084	55,16
2022	Rp 1,393,155,009,075	54,16

Source: (Badan Pemeriksa Keuangan Sumatera Utara (BPK), 2024)

The APBD is an important instrument in managing local government finances. The larger the allocation of direct expenditure in the APBD, the more able it will be able to meet and finance the needs expected by the community, so that it can spur the improvement of community welfare in the region through increased economic growth. The main goal of economic development is to eliminate and reduce poverty rates, income inequality and unemployment rates (Ratnadi et al., 2016).

Based on the table above, the South Nias Regency Budget for 2018-2022 has fluctuated. The highest increase in the APBD in 2020 was 1,483,534,952,584 and the poverty rate also fluctuated. The lowest number of poor people in 2019 was 52.51 thousand.

Table 3. Number of unemployment in South Nias Regency

2018	2019	2020	2021	2022
5.851	3.23	6.865	6.145	6.314

Source : (Badan Pusat Statistik Kabupaten Nias Selatan, 2024)

Unemployment is a term used to describe someone who doesn't work at all, is looking for work, works less than two days a week, or is trying to get a decent job. Table 3 shows the number of unemployment comparisons in South Nias Regency. It can be seen that the number of unemployed in South Nias Regency in 2018-2021 has fluctuated, where in 2019 it decreased from 2018 by 2,621 people, then in 2020 it increased by 3,635 souls from the previous year. And in 2021 it decreased by 720 people and increased again in 2022 by 169 people.

Table 4. Number of Poor People in South Nias Regency (thousand)

2018	2019	2020	2021	2022
52,70	52,51	53,88	55,16	54,16

Source : (Badan Pusat Statistik Kabupaten Nias Selatan, 2024)

Poverty is a state in which a person or household faces difficulties meeting their basic needs and well-being. Table 4 shows that the number of poor people in the South Nias Regency tends to increase. The lowest number of poor people was in 2019 at 52.52 thousand people. And the highest number of poor people was in 2021 at 55.16 people.

The financial dependence of a region is generally still very high, which means that the local government still has a dependence on the central and provincial governments. When viewed from the poverty level, South Nias Regency is quite poor because it still urgently needs transfer funds for regional development activities. This is due to the low level of regional original revenue (PAD) revenue, making the government highly dependent on transfer funds allocated by the central government. This is in line with research by (Ratu et al., 2023) that the dependency studied is still high, but it is different from the research conducted by (Sibua & Pribadi, 2019) that the level of government dependence studied is low.

2. LITERATURE REVIEW

Regional Financial Independence Index

The regional financial independence index is an important indicator to assess the financial ability of local governments to support progress, provide services to the community, and manage various government affairs. The Regional Financial Independence Ratio (RKKD) is calculated by comparing PAD and regional revenue from other sources of transfer income. The level of regional financial independence has increased along with regional financial independence.

$$\text{Independence Ratio} = \frac{\text{Regional dependence}}{\text{Transfer Revenue}} \times 100\%$$

Benchmark		
Levels	Transfer Revenue	Relationship patterns
0-25%	very low	Instructive
25-50%	very low	Constructive
50-75%	keep	Parsifative
75-100%	Tall	Delegative

Source : (Halim, 2012)

The index of dependence on local income.

To determine the proportion of dependence on local revenue, it can be done by comparing the total amount of transfer income received by a region with the total regional revenue of the Province. A larger number shows how much local governments are dependent on the central government (Mahmudi, 2016).

$$\text{Dependency Ratio} = \frac{\text{Transfer revenue}}{\text{Total Regional Revenue}} \times 100\%$$

Dependency Ratio	
Dependency	Monetary Capacity
0-25%	Very low
25-50%	Low
50-75%	Keep
75-100%	Tall

Source: (Mahmudi, 2016)

Fiscal Decentralization Rate Index

The Fiscal Decentralization Degree Ratio is a parameter used to evaluate the level of authority and accountability given by the central government to local governments related to the management and increase of revenue. The greater the contribution of Regional Original Revenue, the greater the capacity of local governments in carrying out decentralization (Bisma & Santoso, 2010).

$$Fiscal\ Decentralization\ Degree\ Ratio = \frac{Regional\ Original\ Income}{Total\ Regional\ Revenue} \times 100\%$$

Benchmark	
Levels	Information
0-10%	Very low
10-30%	Low
31-40%	Enough
40-50%	Tall
>50%	Very High

Source: (Bisma & Santoso, 2010)

Regional Original Revenue Effectiveness Index (PAD)

A parameter known as the effectiveness ratio is used to assess the performance of local governments in achieving the planned regional original revenue in accordance with the targets that have been set by considering the actual potential of the area. The Regional Original Revenue Effectiveness Index (PAD) reflects the ability of local governments to achieve the PAD revenue targets that have been set (Mahmudi, 2016).

$$Rasio\ Efektifitas\ PAD = \frac{Total\ Realisasi\ PAD}{Total\ PAD\ Budget} \times 100\%$$

Benchmark	
Level of Effectiveness	Monetary Capacity
>100%	Highly Effective
100%	Effective
90-99%	Quite Effective
75-89%	Less Effective
<75%	Ineffective

Source: (Mahmudi, 2016)

Regional Original Revenue Efficiency Index (PAD)

The calculation of the Regional Original Revenue Efficiency Ratio (PAD) is needed to evaluate the extent of the efficiency of cost expenditure carried out by local governments in the implementation of programs that aim to obtain optimal income. The lower this ratio figure, the better the government's performance in collecting local revenue (Halim, 2012).

$$PAD\ Efficiency\ Ratio = \frac{PAD\ Acquisition\ Fee}{Realization\ of\ Regional\ Revenue} \times 100\%$$

Benchmark	
Efficiency Level	Monetary Capacity
<10%	Highly Efficient
10-20%	Efficient
21-30%	Quite Efficient
31-40%	Less efficient
>40%	Inefficient

Source: (Halim, 2012)

Regional Tax Effectiveness Index

The progress of an institution in achieving the goals that have been set can be assessed through its level of goodness. The impact arising from community planning or activities is referred to as an outcome, while the outcome obtained from a program, activity, and policy is known as an output (Mahsun, 2014). The assessment of the merits of regional tax collections is a study that describes the potential of local governments to collect tax collections in accordance with what has been planned, compared to targets or budgets that have been set based on the economic capabilities of the region.

$$\text{Regional Tax Effectiveness Ratio} = \frac{\text{Regional Tax Realization}}{\text{Regional Tax Budget}} \times 100\%$$

Benchmark	
Level of Effectiveness	Monetary Capacity
>100%	Highly Effective
100%	Effective
90-99%	Quite effective
75-89%	Less Effective
<75%	Ineffective

Source: (Mahmudi, 2016)

Regional tax efficiency index

Efficiency is related to the way an operation is carried out, an activity is considered efficient if resources and capital are used to make the product as efficiently as possible. According to (Mahsun, 2014), output includes expenditure needed to obtain regional revenue, while input is the income obtained by the region. The achievement of regional tax collection by the government is considered efficient if the percentage is less than 10% or lower, indicating a better level of efficiency.

$$\text{Regional Tax Efficiency Ratio} = \frac{\text{Regional Tax Collection Fees}}{\text{Regional Tax Realization}} \times 100\%$$

Benchmark	
Regional Tax Efficiency Ratio	Monetary Capacity
<10%	Highly Efficient
10-20%	Efficient
21-30%	Quite Efficient
31-40%	Less efficient
>40%	Inefficient

Source: (Mahsun, 2019)

BUMD Ratio Contribution Index

Regionally Owned Enterprises (BUMD) in accordance with the provisions of Article 1 number 40 of Law Number 23 of 2014 and Article 1 in 2017, where this business entity is wholly or mostly owned by the local government. This ratio can be calculated by comparing the amount received by the region from the management of isolated regional resources with the amount of Regional Original Revenue (Mahmudi, 2016).

$$\text{BUMD Contribution Degree Ratio} = \frac{\text{BUMD Profit}}{\text{PAD Realization}} \times 100\%$$

Benchmark	
Propose	Information
<0%	Not contributing
0-10%	Contribute very low
10-30%	Low contribution
31-40%	Simply contribute

41-50%	Contribute high
>50%	Contribute very high

Source: (Bisma & Santoso, 2010)

3. RESEARCH METHODS

The type of research used is quantitative descriptive research, which is a descriptive approach. The location of the research conducted by researchers was in South Nias Regency. The data source in this research is secondary data, namely analyzing the financial reports of South Nias Regency as a result of the North Sumatra BPK audit from 2013 to 2022. In this research, the following metrics are used: regional fiscal independence index; regional fiscal dependency index; fiscal decentralization index; effectiveness index of Regional Original Income (PAD); PAD effectiveness index; PAD efficiency index; regional tax effectiveness index; and the contribution level index of Regional Owned Enterprises (BUMD). The results of this research will be compared with indicators that have been determined by experts and then analyzed to see whether the performance of South Nias Regency is progressing or not.

4. RESULT AND DISCUSSION

Regional Financial Independence Index

This study reveals that the percentage of financial independence index of the local government of South Nias Regency has decreased significantly for 2013–2022. With the lowest regional financial sustainability index value occurring in 2020 at 1.22% and the highest index occurring in 2022 at 2.96%. This indicates that the independence ratio continues to increase over time, and the condition of this index is still very low.

Table 5. Independence Index

Year	Total PAD Realization	Transfer Revenue	Race (%)	Financial ability
2013	15,592,080,806.00	594,489,620,891.00	2.62	Very low
2014	12,828,005,886.00	630,321,402,889.00	2.04	Very low
2015	15,037,043,953.00	798,874,089,261.00	1.88	Very low
2016	16,263,067,492.00	991,905,342,169.00	1.64	Very low
2017	18,450,266,700.00	1,107,567,816,464.00	1.67	Very low
2018	19,605,734,782.00	1,077,589,447,956.00	1.82	Very low
2019	25,664,883,761.00	1,220,220,680,167.00	2.10	Very low
2020	16,598,894,145.00	1,359,300,377,018.00	1.22	Very low
2021	32,822,654,372.00	1,255,512,732,105.00	2.61	Very low
2022	39,084,921,881.00	1,318,254,923,939.00	2.96	Very low
Average	21,194,755,377.80	1,035,403,643,285.90	2.06	Very low

Source: (Badan Pemeriksa Keuangan Sumatera Utara (BPK), 2024)

Regional Financial Dependency Index

To determine the proportion of regional financial dependence, the transfer income received by the region is compared to the total regional revenue. The level of dependence of local governments on the central and/or provincial governments is positively influenced by this ratio. The results of the study show that the value of the financial dependence ratio of South Nias Regency has fluctuated during the period 2013–2022. The highest rate of the ratio was recorded in 2021 with a percentage of 138.41%, while the lowest figure was recorded in 2016 with a percentage of 92.46%. It can be seen that the regional financial dependency index shows that the level of dependence of local governments on the central and provincial governments is increasing.

Table 6. Dependency Index

Year	Transfer Revenue	Regional revenue	Race (%)	dependency
2013	594,489,620,891.00	626,577,308,941.00	94.88	Tall
2014	630,321,402,889.00	643,149,408,775.00	98.01	Tall

2015	798,863,089,261.00	814,895,233,564.00	98.03	Tall
2016	991,905,342,169.00	716,606,956,323.00	138.41	Tall
2017	1,107,567,816,464.00	1,126,563,468,536.00	98.31	Tall
2018	1,085,568,153,655.00	1,165,060,955,793.00	93.18	Tall
2019	1,220,220,680,167.00	1,311,187,399,569.00	93.06	Tall
2020	1,359,300,377,218.00	1,459,778,561,444.00	93.12	Tall
2021	1,295,553,732,105.00	1,401,145,247,615.00	92.46	Tall
2022	1,318,254,923,939.00	1,357,339,845,820.00	97.12	Tall
Avarage	1,040,204,513,875.80	1,062,230,438,638.00	85.96	Tall

Source: (Badan Pemeriksa Keuangan Sumatera Utara (BPK), 2024)

Fiscal Decentralization Degree Index

The figures obtained from this comparison illustrate the extent of the contribution of Regional Original Revenue to the overall regional revenue. The greater the contribution of Regional Original Revenue, the stronger the local government will be in implementing the principle of decentralization (Mahmudi, 2016). The findings from the study show that the ratio of the level of fiscal decentralization in South Nias Regency in 2013-2022 shows a downward trend every year. The highest figure of the ratio was 100.00% which was achieved in 2016, while the lowest figure was 1.14% in 2020.

Table 7. Fiscal Decentralization Degree Ratio

Year	Regional Original Income	Regional Revenue	Race (%)	Financial ability
2013	32,087,688,050.00	626,577,308,941.00	5.12	Very low
2014	12,828,005,886.00	643,149,408,775.00	1.99	Very low
2015	15,037,043,953.00	814,895,233,564.00	1.85	Very low
2016	16,263,067,492.00	16,263,067,492.00	100.00	Very low
2017	18,450,266,700.00	1,126,563,468,536.00	1.64	Very low
2018	19,605,734,782.00	1,165,060,955,793.00	1.68	Very low
2019	25,664,883,761.00	1,311,187,399,569.00	1.96	Very low
2020	16,698,894,145.00	1,459,778,561,444.00	1.14	Very low
2021	32,822,654,372.00	1,401,145,247,615.00	2.34	Very low
2022	39,084,921,881.00	1,357,339,845,820.00	2.88	Very low
Avg	22,854,316,102.20	992,196,049,754.90	12.06	Low

Source: (Badan Pemeriksa Keuangan Sumatera Utara (BPK), 2024)

PAD Effectiveness Index

The PAD effectiveness index shows the capacity of local governments to produce PAD in accordance with the set targets, while the PAD efficiency index shows the capacity of local governments to manage and improve PAD in accordance with the set targets (Mahmudi, 2016). The results of this study show that the value of the PAD effectiveness ratio of South Nias Regency for the period 2013-2022 has fluctuated significantly. The highest figure for the effectiveness ratio was 115.25% in 2016, while the lowest value was 1.64% in 2015.

Table 8. PAD Effectiveness Index

Year	Realization of PAD Receipts	PAD Budget	Race (%)	Financial ability
2013	32,087,688,050.00	131,778,768,734.00	24.35	Ineffective
2014	12,828,005,886.00	49,439,039,849.00	25.95	Ineffective
2015	15,037,043,953.00	915,678,113,205.00	1.64	Ineffective
2016	16,263,067,492.00	14,110,806,474.00	115.25	Highly effective
2017	18,450,266,700.00	16,660,411,140.00	110.74	Highly effective

2018	19,605,734,782.00	21,079,236,300.00	93.01	Quite Effective
2019	25,664,883,761.00	25,898,890,830.00	99.10	Quite Effective
2020	16,698,894,145.00	18,779,236,300.00	88.92	Quite Effective
2021	32,822,654,372.00	63,056,696,948.00	52.05	Ineffective
2022	39,084,921,881.00	56,500,000,000.00	69.18	Ineffective
Avarage	22,854,316,102.20	131,298,119,978.00	68,02	Ineffective

Source: (Badan Pemeriksa Keuangan Sumatera Utara (BPK), 2024)

PAD Efficiency Index

The calculation of the efficiency ratio of Regional Original Revenue (PAD) needs to be carried out to assess the extent to which the price paid by the local government carries out its programs to achieve the expenditure targets that have been set. This ratio is calculated through a comparison between the expenditure incurred by the city government in obtaining Regional Original Revenue (PAD) with the actual regional original revenue. From the findings of this study, it can be said that the efficient ratio of PAD in South Nias Regency has varied significantly and tends to increase from 2020 to 2023. The highest achievement in achieving the efficiency ratio of Regional Original Revenue of 87.42% can be recorded in 2020, while the lowest achievement reached 1.00% in 2016.

Table 9. PAD Efficiency Index

Year	PAD Acquisition Fee	Realization of PAD Receipts	Race (%)	indicator
2013	626,577,308,941.00	32,087,688,050.00	19.53	Efficient
2014	643,149,408,775.00	12,828,005,886.00	50.14	Inefficient
2015	814,895,233,564.00	15,037,043,953.00	54.19	Inefficient
2016	16,263,067,492.00	16,263,067,492.00	1.00	Highly efficient
2017	1,126,563,468,536.00	18,450,266,700.00	61.06	Inefficient
2018	1,165,060,955,793.00	19,605,734,782.00	59.42	Inefficient
2019	1,311,187,399,569.00	25,664,883,761.00	51.09	Inefficient
2020	1,459,778,561,444.00	16,698,894,145.00	87.42	Inefficient
2021	1,401,145,247,615.00	32,822,654,372.00	42.69	Inefficient
2022	1,357,339,845,820.00	39,084,921,881.00	34.73	Less efficient
Avarage	992,196,049,754.90	22,854,316,102.20	46	Inefficient

Source: (Badan Pemeriksa Keuangan Sumatera Utara (BPK), 2024)

Regional Tax Effectiveness Index

The regional fiscal effectiveness ratio is an evaluation that shows the ability of a local government to achieve previously budgeted revenue, when viewed from the goals that have been set based on the actual capabilities of the region (Halim, 2012) Based on the results of the research, the level of regional tax efficiency in South Nias Regency experienced a considerable decline from 2013 to 2022. The highest level of regional tax efficiency was achieved in 2014 with an increase of 3.32% and the lowest level was achieved in 0.88% in 2017.

Table 10. Regional Tax Effectiveness Index

Year	Regional Tax Realization	Regional Taxes	Race (%)	Financial ability
2013	2,349,501,869.00	16,294,742,706.00	0.14	Ineffective
2014	17,822,442,669.00	5,362,006,173.00	3.32	Ineffective
2015	5,196,095,507.00	20,330,442,000.00	0.26	Ineffective
2016	3,932,883,656.00	3,847,053,306.00	1.02	Ineffective
2017	4,266,281,115.00	4,842,498,390.00	0.88	Ineffective
2018	6,389,584,239.00	5,812,925,763.00	1.10	Ineffective
2019	7,058,816,211.00	5,812,925,763.00	1.21	Ineffective
2020	6,389,584,239.00	16,698,894,145.00	0.38	Ineffective

2021	8,806,322,592.00	12,058,816,212.00	0.73	Ineffective
2022	10,119,323,120.00	9,780,436,978.00	1.03	Ineffective
Avarage	7,233,083,521.70	10,084,074,143.60	1	Ineffective

Source: (Badan Pemeriksa Keuangan Sumatera Utara (BPK), 2024)

Regional Tax Efficiency Index

If the index is less than 10% or the ratio value is decreasing, regional tax collection is considered more efficient by the government, especially local governments. Based on the results of the study, the highest regional tax efficiency level in South Nias Regency occurred in 2013, which was 6.94% which was the lowest efficiency ratio in 0.30% in 2014.

Table 11. Regional Tax Efficiency Index

Year	Collection Fee Regional Taxes	Regional Tax Realization	Race (%)	Financial ability
2013	16,294,742,706.00	2,349,501,869.00	6.94	Highly efficient
2014	5,362,006,173.00	17,822,442,669.00	0.30	Highly efficient
2015	20,330,442,000.00	5,196,095,507.00	3.91	Highly efficient
2016	3,847,053,306.00	3,932,883,656.00	0.98	Highly efficient
2017	4,842,498,390.00	4,266,281,115.00	1.14	Highly efficient
2018	5,812,925,763.00	6,389,584,239.00	0.91	Highly efficient
2019	5,812,925,763.00	7,058,816,211.00	0.82	Highly efficient
2020	16,698,894,145.00	6,389,584,239.00	2.61	Highly efficient
2021	12,058,816,212.00	8,806,322,592.00	1.37	Highly efficient
2022	9,780,436,978.00	10,119,323,120.00	0.97	Highly efficient
Avarage	10,084,074,143.60	7,233,083,521.70	2	Highly efficient

Source: (Badan Pemeriksa Keuangan Sumatera Utara (BPK), 2024)

BUMD Contribution Degree Index

This index helps determine the contribution of local businesses in supporting regional income. This index is made by comparing regional revenue obtained from the results of overall regional asset management with the amount of PAD (Mahmudi, 2016). Based on the results of the study, it shows that the value of the role of BUMD in South Nias Regency tends to increase. On the other hand, the contribution rate of BUMD in 2013 was 1.50% compared to the previous year.

Table 12. BUMD Contribution Degree Index

Year	Good BUMD	PAD Realization	Race (%)	Indicator
2013	23,438,342,979.00	15,592,080,806.00	1.50	Contribute very low
2014	315,774,718.00	12,828,005,886.00	0.02	Contribute very low
2015	4,229,015,905.00	15,037,043,953.00	0.28	Contribute very low
2016	8,475,656,554.00	16,263,067,492.00	0.52	Contribute very low
2017	11,070,894,188.00	18,450,266,700.00	0.60	Contribute very low
2018	10,516,437,887.00	19,605,734,782.00	0.54	Contribute very low
2019	10,776,504,527.00	25,664,883,761.00	0.42	Contribute very low
2020	7,386,312,030.00	16,598,894,145.00	0.44	Contribute very low
2021	18,150,417,292.00	32,822,654,372.00	0.55	Contribute very low
2022	23,438,342,979.00	39,084,921,881.00	0.60	Contribute very low
Avarage	11,779,769,905.90	21,194,755,377.80	1	Contribute very low

Source: (Badan Pemeriksa Keuangan Sumatera Utara (BPK), 2024)

Based on the results of calculating the regional independence index for South Nias Regency, the average percentage is very low. , Where the low level of financial capacity of the South Nias Regency

government in financing government activities, if seen from the average percentage of self-reliance ratio, results, owned by South Nias Regency is associated with a fairly high poverty rate, this is caused by limited infrastructure and employment opportunities in rural areas, By the low level of regional independence. This statement is also in accordance with the findings from BPS that South Nias is one of the poorest cities in North Sumatra Province. The results of this study are in line with (Waoma, 2019) where this study obtained a low level of independence.

The South Nias Regency government dependency index obtained a very high percentage, where the South Nias Regency government in implementing development funding still depends on the central government and North Sumatra province. The results of these findings show that South Nias Regency is unable to optimize the results of its natural wealth, which has the potential to be explored in increasing local revenue, and this finding can be seen from its poverty level. This district is classified as poor because it still really needs to transfer funds for regional development activities. This is due to low regional income receipts, making the government very dependent on transfer funds allocated by the central government. The results of this study are in line with (Ratu et al., 2023) where this study obtained a high level of dependence.

The fiscal decentralization index in South Nias Regency is classified as very low. Local resources that could be used for poverty alleviation programs may not be used effectively. This can lead to inconsistencies between the programs being implemented and the factual problems faced by local communities. The results of these findings can be seen that many residents of South Nias have left their homes to look for a new life in another city, as a result the natural potential found in South Nias Regency is not being explored, as a result the local population is experiencing levels of poverty and leading to shunting. The results of this study are in line with (Ratu et al., 2023) where this study obtained a low degree of fiscal decentralization.

The PAD effectiveness and efficiency index in South Nias Regency is classified as very ineffective where the level of government competence is inefficient. This is because the costs incurred by the government are higher, while revenues from local original income are lower. This occurs due to a lack of a qualified workforce, and also a lack of training, so that local revenue collection cannot be effective or not on target, and likewise. For the efficiency of tax collection, the costs incurred are much greater than those received, so it is hoped that in the future, local government officials will make plans that are right on target so that efficiency in generating local original income can be realized. The results of this study are in line with (Ratu et al., 2023). This study obtained a fairly high level of effectiveness and efficiency of PAD.

The regional tax effectiveness and efficiency index for South Nias Regency is included in the very efficient category. This could include increasing employment opportunities through social assistance programs, infrastructure development and skills training. The effectiveness and efficiency of regional taxes is indeed very efficient, but the results obtained from regional tax revenues each year do not experience a significant increase, meaning that regional government officials cannot find other potential regional tax revenues, because it gives the impression that regional government officials are waiting for taxpayers to make payments. Local taxes, they never pick up the ball, which taxpayers never pay their taxes, so that local government officials can provide education so that local residents can pay taxes in accordance with applicable regulations. The research is in line with (Waoma, 2019). This researcher obtained results on the effectiveness and efficiency of regional taxes which are classified as very efficient.

The BUMD contribution index in South Nias Regency has a fairly low average value. This means that the contribution received by BUMD is still low. The reason for the relatively low contribution of BUMDs is due to the lack of growth of BUMDs in the South Nias district, and the subsequent lack of training and comparative studies carried out by BUMD management employees with other BUMDs that have experienced success in generating profits, so it is hoped that in the future BUMD managers will want to learn how to manage BUMDs effectively. Good, because with the success of BUMD in managing the natural potential found in South Nias, it will be able to increase Original Regional Income, as a result the welfare of local residents can be realized. This research is in line with the fact (Adhiantoko, 2013), where this study obtained the results of the contribution of BUMD is quite low.

5. CONCLUSION

The regional financial independence index in South Nias Regency has a very low regional financial independence index level. On average, the financial dependence of the South Nias region is still high. The average decentralization ratio for South Nias Regency is said to be in the low category. The average level of PAD effectiveness is quite high. The average level of PAD efficiency is quite high. The average level of regional tax efficiency is included in the ineffective category. The average level of regional tax efficiency is included in the very good/efficient category. The ratio of BUMD contribution levels in the Regency is still low.

The Government of South Nias Regency can increase the income of all regions by expanding the agricultural sector, especially the tourism sector, which has great opportunities in coastal areas and not only focusing on certain areas but also expanding tourism in other areas. The Government of South Regency must be able to increase local revenue by optimizing the potential of human and natural resources to produce optimal results. Local governments should continue to follow the trend of increasing awareness of tax obligations and continue to socialize taxation with the public through online media and other media. Local governments that want to minimize the cost of collecting regional taxes, including the regional Government governments, must evaluate their tax collection expenditures and look for other alternative tax collections that are more efficient and effective, such as providing tax assistance to taxpayers and other ways that greatly help taxpayers not to be too burdensome. The Regional Government of South Regency increases the profits of BUMDs by implementing regulations and policies on BUMDs through periodic evaluation of loan and deposit interest rates to attract customers

6. BIBLIOGRAPHY

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