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Analysis of regional government financial performance in central Sulawesi Province in 2019

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ABSTRACT

This study aims to determine the financial performance of local governments in Central Sulawesi Province in 2019 through financial ratios. The population of this study is 13 local governments consisting of 1 City Regional Government, and 12 Regency Regional Governments. This study uses a descriptive research method with a quantitative approach. The data used is secondary data in the form of audited financial reports. The data was analyzed using financial ratios. The results of the study show that the level of regional financial independence of the Regional Government in Central Sulawesi Province in 2019 is around an average ratio of 9.92%. The lowest level of independence occurs in Banggai Islands Regency and the highest level of independence occurs in Morowali Regency. The level of effectiveness ranges from an average ratio of 96.17%. The lowest level of effectiveness occurred in Morowali Regency and while the highest level of effectiveness occurred in Palu City. The efficiency level ranges from an average ratio of 82.38%. The lowest level of efficiency occurs in Banggai Laut Regency and the highest level of efficiency occurs in Sigi Regency. In the compatibility ratio of Regional Governments in Central Sulawesi Province, the average allocation for operational expenditure is 74.5% and the allocation for capital expenditure is 25.5% with Banggai Regency as the area that prioritizes operating expenditure the most. The growth rate is around an average ratio of 13%. The highest PAD growth rate is in Banggai Islands Regency and the lowest PAD growth rate occurs in the Regional Government of North Morowali Regency.

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INTRODUCTION

Enforcement of Law (UU) No. 22 of 1999 concerning Regional Government brought a significant change in the history of regional autonomy in Indonesia (Republik Indonesia, 1999). This law adheres to the principle of broadest, real, and responsible autonomy. The granting of the widest possible autonomy to the regions in the administration of regional government aims to accelerate the realization of community welfare through improving services, empowerment, and the role of the community (Fauzi, 2019). One of the consequences of implementing regional autonomy is that

regions must have financial resources to fulfill the responsibilities of administering government in order to create prosperity and service to the people in their regions (Susilawati et al., 2018). Regional government financial management can refer to Law Number 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments and Government Regulation Number 12 of 2019 (Peraturan Pemerintah Republik Indonesia, 2019). Financial management must be based on effective and efficient principles which are reflected in the Regional Revenue and Expenditure Budget (APBD) which arranged annually.

APBD is a guideline for action that will be carried out by the government including plans for income, spending, transfers, and financing measured in units of rupiah, which arranged according to certain classifications systematically for one period (Siregar, 2017:31). One of the concrete efforts to realize transparency and accountability in state financial management is the submission of government financial accountability reports that comply with timely principles and are prepared based on government accounting standards (Suhartini, 2019). APBD accountability is stated in the Regional Government Financial Report (LKPD). However, the preparation of LKPD sometimes contains information asymmetry between the community (principal) and the government (agent) so that a third party is needed, namely the Audit Board of the Republic of Indonesia (BPK) (Nurhayati & Rizani, 2019).

BPK has the function of examining financial reports prepared by local governments on the implementation of government activities to assess the fairness of presentation, level of materiality and manipulation of financial reports and compliance with applicable accounting standards (Panggabean, 2019). After the audit, BPK will issue an opinion to assess the fairness of the information presented in the financial statements. Unqualified Opinion (WTP) is the main goal that every local government wants to achieve. The WTP opinion is an important point which is a benchmark for central and regional financial transparency which is carried out fairly, free from material misstatement and in accordance with financial regulations (Fazlurahman et al., 2020). However, regions that receive WTP opinions do not necessarily have 100% good regional financial performance, so indicators for measuring regional financial performance are needed to become a reference for setting policies in the following fiscal year. This is in line with Ditasari & Sudrajat (2020) research that audit opinions have no effect on local government performance, while Kirana & Sulardi (2020) in their research, state that audit opinions have an impact on local government performance.

BPK gave WTP opinion to all Regional Governments in Central Sulawesi in 2019. This is a very good achievement after the enactment of Government Regulation no. 71 of 2010 concerning Government Accounting Standards (Peraturan Pemerintah Republik, 2010). The opinion given by the BPK to the Regional Governments in Central Sulawesi has on average increased every year. It is hoped that the increase in opinion will also show better regional financial performance. Performance measurement is the level of achievement of a work result in regional finance using financial indicators that have been established through previous policies with the aim of knowing the ability of a region to manage its finances (Siregar, 2020). Measurement of regional financial performance can be identified by conducting a ratio analysis using the financial data contained in the LKPD. Financial ratio analysis itself is a comparison between two or more numbers whose data taken from elements of financial statements (Farida & Nugraha, 2019). Through this ratio analysis, it can be seen the level of independence of the regions to finance their development, the efficiency of the use of revenues in fulfilling their expenditures, the effectiveness of the revenues obtained compared to the stipulated budget, the priorities of the regional governments in the allocation of operational and capital expenditures, and the extent to which the performance of the regional governments generates regional original income. So that the community as the main stakeholders who always collect contributions in the form of taxes and fees, will know the ability of their own regions to manage these fees.

Research conducted by Harahap (2020) concludes that the ratio of the degree of decentralization of Central Tapanuli Regency in 2016-2018 is still relatively low, the dependence of

⁴⁹ the Central/Regional Government is still relatively high and the achievement of the PAD target from the budget is still low. Another research administered by Putri & Munandar (2021) claims that the degree of decentralization of Malang City in 2016-2020 was still relatively small, the independence of Malang city was below 50% or in the low category, the ⁵⁷ independence of Malang city on Central/Regional Government transfers was still relatively high, the realization PAD revenue is very effective and the ratio of direct expenditure is higher than capital expenditure. Additionally, (Abdula ⁵⁹ 2021) also highlights that the 2015-2019 Surabaya City Government was in the less efficient category, the effectiveness ratio was very effective, the independence ratio was included in the delegative or high category.

¹⁶ This current research is a replication of the previous research but with a different research object. The object of this research is the Regional Government in Central Sulawesi Province. The largest province on Sulawesi Island is Central Sulawesi with an area of 61,161.29 km² or the equivalent of 3.2% of Indonesia's area (Gempita Surya, 2021). Almost all regions in Central Sulawesi Province have their respective advantages in terms of environmental potential, marine tourism and natural tourism which should make a financial contribution to their region. The potential resources owned by the regions in Central Sulawesi are very high so that it is expected that the financial ⁵² performance of each region will be good. Through this financial performance measurement, it is hoped that local governments in Central Sulawesi will compete to improve their financial performance so that public trust as the main stakeholder in local government will increase.

¹¹ RESEARCH METHOD

This research uses a type of quantitative data sourced from secondary data. The secondary data is in the form of ¹⁵ BPK-RI Examination Reports for the Representative of Central Sulawesi Province on the 2019 Local Government Financial Statements. The population of this study is data on Regional Government Financial Reports in Central ²⁷ Sulawesi Province for 2019. The entire population in this study was sampled ⁵⁶ in this study. In this study, the author used a comparative descriptive method ²⁰ that describes the financial performance of local governments in Central Sulawesi Province. The analytical tool used in this research is financial ratios. The financial ratio analysis techniques ¹¹ used are:

1. Independence Ratio ⁶
According to Susanto (2019) the independence ratio is the ratio that measures the ability of the Regional Government to finance its own governmental activities, development, and services ⁶² to the community both in the form of personnel expenditures and capital expenditures. The regional independence ratio is calculated as follows:

$$\text{Independence Ratio} = \frac{\text{PAD Receipt Realization}}{\text{Central Government Assistance, Provincial, Loans}}$$

Regional governments that are still unable to independently finance government activities for development in the regions indicate that the community's active role in terms of a ¹⁹ readiness of paying taxes and fees is still very low (Hariani, 2021). Determination of categories can be seen in the following table:

Table 1. Criteria for Regional Independence and Capability Levels

Independence (%)	Regional Capability
0-25%	Instructive (central government dominates all matters of regional financing)
25%-50%	Consultative (Central government has slightly less interference in regional finances)

50%-75%	Participatory (the position of the central government has been greatly reduced in assisting regional financing)
75%-100%	Delegative (Local government dominates regional finance, without central government interference)

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Source: Kepmendagri Nomor 690.900-327 Tahun 1996

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2. Effectiveness Ratio

According to Susanto (2019) the effectiveness ratio describes how effective a region is in realizing the PAD that has been budgeted for. The effectiveness ratio used is:

$$\text{Effectiveness Ratio} = \frac{\text{4 PAD Receipt Realization}}{\text{PAD Revenue Target set based on Regional Real Potential}}$$

A high effectiveness ratio indicates high PAD realization, which is expected to encourage regional development activities which will ultimately increase regional economic growth (Nurulita et al., 2018). Regional financial performance can be said to be effective if the percentage yield reaches 100% and is said to be ineffective when the percentage yield is below 60%. Determination of categories can be seen in the following table:

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Tabel 2. Criteria for Level of Regional Financial Effectiveness

Financial Performance Presentation (%)	Criteria
100-up	Very Effective
90-100	Effective
80-90	Effective
60-80	Enough Less Effective

Source: Kepmendagri Nomor 690.900-327 Tahun 1996

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3. Efficiency Ratio

According to Susanto (2019) the efficiency ratio is the ratio that shows a comparison between the realization of regional spending and the realization of regional income. So that it can be seen the ability of local governments to manage their spending to generate revenue. The efficiency ratio used is:

$$\text{Efficiency Ratio} = \frac{\text{Regional Expenditure Realization}}{\text{Regional Revenue Realization}}$$

5
Regional financial performance can be said to be efficient if the efficiency results are less than 100%, meaning that the smaller the percentage results, the better the efficiency level and it is said to be inefficient if the efficiency percentage tends to be high or more than 100%. Determination of categories can be seen in the following table:

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Table 3. Regional Financial Efficiency Level Criteria

Financial Performance Presentation (%)	Criteria
100-up	Not Efficient

90-100	Less Efficient
80-90	Efficient Enough
60-80	Efficient

Source: Kepmendagri Nomor 690.900-327 Tahun 1996

4. Harmony Ratio

According to Wibawa & Dharmawati (2017) the harmony ratio shows the optimal allocation priority for government expenditure funds in the form of operating expenditures and capital expenditures. The higher the percentage of funds allocated for capital expenditure means the higher the allocation of funds for the construction of regional facilities and infrastructure so that the operating expenditure ratio is getting smaller. The compatibility ratio used is:

$$\text{Operating Expenditure Ratio} = \frac{\text{Total Operating Expenditure}}{\text{Total Regional Expenditure}}$$

$$\text{Capital Expenditure Ratio} = \frac{\text{Total Capital Expenditure}}{\text{Total Regional Expenditure}}$$

Sartika (2019) states that there is no definite benchmark for the ideal ratio of operating expenditures to capital expenditures because it is heavily influenced by the dynamics of development activities and the large investment requirements needed to achieve the targeted growth. However, as a region in a developing country, the role of local government in implementing development is still relatively large, so that the capital expenditure ratio needs to be increased according to development in each region.

5. Regional Original Income Growth Ratio (PAD)

According to Wibawa & Dharmawati (2017) the ratio of regional original growth shows the ability of local governments to maintain and increase the success that has been achieved in collecting PAD from period to period. The PAD Growth Ratio used is:

$$\text{Regional Original Income Growth Ratio} = \frac{\text{Revenue Realization PADXn} - \text{Xn-1}}{\text{Revenue Realization PADXn-1}}$$

Information:

- X_n = Current Year
- X_{n-1} = Previous Year

Kry (2021) claim that PAD is regional revenue that comes from various original regional economic sources, so it is hoped that each local government can build good economic infrastructure in their respective regions to increase their income. This is also supported by Yasin's research (2020) that there is a positive linear relationship between PAD and economic growth.

RESULTS AND DISCUSSIONS

1. Analysis of the Level of Regional Financial Independence of Local Governments in Central Sulawesi

The analysis of regional financial independence of the Regional Government in Central Sulawesi Province explains the level of regional financial performance which is calculated by comparing the regional original income with assistance and loans obtained from both the Central and Regional governments. The results of the calculation of the regional financial independence of the Regional Government in Central Sulawesi Province are as follows:

Table 4 . The level of regional financial independence of the Regional Government in 2019

Local Government	Regional Financial Independence		%	independence
	PAD realization	Realization of Aid and Loans		
Palu City	235,922,540,208	1,071,416,949,651	22.02%	Instructive
Banggai Regency	165,863,778,696	1,681,636,816,770	9.86%	Instructive
Banggai Kep. Regency	34,231,612,395	846,359,994,463	4.04%	Instructive
Banggai Laut Regency	25,803,225,522	609,084,402,358	4.24%	Instructive
Buol Regency	61,186,560,472	894,235,374,732	6.84%	Instructive
Donggala Regency	82,731,306,991	1,236,343,474,763	6.69%	Instructive
Morowali Regency	221,946,739,695	924,490,738,802	24.01%	Instructive
Morowali Utara Regency	42,338,942,001	991,453,016,816	4.27%	Instructive
Parigi Mautong Regency	186,487,511,550	1,259,536,555,900	14.81%	Instructive
Poso Regency	101,220,105,853	1,040,998,988,919	9.72%	Instructive
Sigi Regency	59,453,574,071	1,097,420,291,807	5.42%	Instructive
Tojo Una-Una Regency	75,800,498,011	1,035,910,242,390	7.32%	Instructive
Toli-Toli Regency	91,724,082,741	938,687,059,523	9.77%	Instructive

Based on table 4, the level of regional financial independence for the Regional Government in Central Sulawesi Province in 2019 ranged from an average ratio of 9.92% to an instructive level of independence. This illustrates that the level of independence of the Regional Government in Central Sulawesi Province is still very low in fulfilling the financing to carry out tasks in the administration of government activities, development, and social services. On average governmental activities, development, and social services in Central Sulawesi Province rely on transfer funds provided by the central and provincial governments because the regional original revenues obtained are very insufficient, in other words the central government still dominates in financing local government administration. The regional financial independence ratio also describes the level of community participation in paying taxes and fees. Taxes and fees are components of local revenue (PAD). Nonetheless, this balancing fund has a significant positive effect on financial performance in city/district governments in Indonesia (Annisa et al., 2020)

In table 4 the lowest level of independence occurs in the Banggai Islands district. This is supported by an explanation in the Banggai Islands Regency local government financial report (LKPD) that in 2019 PAD revenues experienced many obstacles consisting of not updating applicable regulations, low awareness of taxpayers, inaccurate tax object data, retribution facilities inadequate, the lack of officers who handle levies and the performance of BUMDs is not yet optimal. While the highest level of independence occurs in Morowali district. This is of course supported by the high potential of Nickel natural resources managed by PT. IMIP where employees from PT. IMIP is a foreign worker so that Morowali Regency gets a levy for granting IMTA extensions to employers of foreign workers which are not owned by other districts in Central Sulawesi.

2. Analysis Regional Financial Effectiveness of Local Governments in Central Sulawesi

Analysis of Regional Financial Effectiveness explains the ability of regions to realize their own budgeted regional income (PAD). The results of the calculation of the regional financial effectiveness of the Regional Government in Central Sulawesi Province are as follows:

Table 5. The level of regional financial effectiveness of the Regional Government in 2019

Local Government	Regional Financial Effectiveness		%	Effectiveness
	PAD realization	PAD Budget		
Palu City	235,922,540,208	193,946,852,222	121.64%	Very Effective
Banggai Regency	165,863,778,696	168,604,086,112	98.37%	Effectiveness
Banggai Kep. Regency	34,231,612,395	31,558,305,280	108.47%	Very Effective
Banggai Laut Regency	25,803,225,522	25,674,580,930	100.50%	Very Effective
Buol Regency	61,186,560,472	72,759,774,267	84.09%	Effective Enough
Donggala Regency	82,731,306,991	82,707,829,455	100.03%	Very Effective
Morowali Regency	221,946,739,695	320,368,646,798	69.28%	Less Effective
Morowali Utara Regency	42,338,942,001	57,109,535,534	74.14%	Less Effective
Parigi Mautong Regency	186,487,511,550	195,187,969,885	95.54%	Effective
Poso Regency	101,220,105,853	105,214,709,039	96.20%	Effective
Sigi Regency	59,453,574,071	53,691,747,758	110.73%	Very Effective
Tojo Una-Una Regency	75,800,498,011	68,993,252,661	109.87%	Very Effective
Toli-Toli Regency	91,724,082,741	112,679,346,499	81.40%	Effective Enough

Based on table 5 the level of regional financial effectiveness of the Regional Government in Central Sulawesi Province in 2019 is around an average ratio of 96.17%, which means that the regional governments in the province have been effective in realizing their PAD. In general, the Regional Government in Central Sulawesi has been able to maximize the potential of existing resources in the region to meet the predetermined budget.

In table 5 the lowest level of effectiveness occurs in Morowali Regency. This is supported by the research of Yusuf et al., (2015) that from 2012 to 2016 the effectiveness ratio of Morowali district was still classified as ineffective with an average of 67.87%. The revenue budgeting carried out by the Regional Government of Morowali did not pay attention to the realization of revenues in previous years, where the realization was low enough that the set budget could not be realized as it should. However, the opposite happened in Palu City as the area with the highest level of financial effectiveness in the province of Central Sulawesi. The PAD budget for the Regional Government of Palu City in 2019 has decreased significantly from previous years so that the realized PAD is far higher than the stipulated budget.

Table 6. Budget and Realization of PAD Regional Government of Palu City

Year	Budget	Realization
2016	279.595.537.617	279.586.962.580
2017	283.967.304.727	284.380.010.205
2018	291.911.355.716	267.401.948.490
2019	193.946.852.222	235.922.540.208

Source: peraturan.bpk.go.id (2023)

In addition to paying attention to the potential of the resources owned to obtain income, the realization of the previous year's revenue is also an indicator in carrying out the following year's

budgeting so that subsequent budgeting is more realistic by taking into account several other factors such as inflation, macroeconomic assumptions, etc.

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3. **Analysis of Regional Financial Efficiency Levels of Local Governments in Central Sulawesi**
The efficiency ratio is the ratio that shows the ability of local governments to manage their spending to generate revenue. The results of calculating the regional financial efficiency of the Regional Government in Central Sulawesi Province are as follows:

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Table 7. The level of regional financial effectiveness of the Regional Government in 2019

Local Government	Regional Financial Efficiency			35 Efficiency
	Expenditure Realization	Revenue Realization	%	
13 Palu City	1,338,835,752,001	2,176,218,365,346	61.52%	Efficient
Banggai Regency	1,536,560,255,493	1,898,506,690,113	80.94%	Efficient
Banggai Kep. Regency	741,897,950,191	910,888,768,858	81.45%	Enough
Banggai Laut Regency	664,215,157,822	645,075,347,880	102.97%	Not Efficient
Buol Regency	830,499,820,937	984,698,721,115	84.34%	Efficient
Donggala Regency	1,097,257,230,754	1,885,423,205,858	58.20%	Enough
Morowali Regency	1,142,388,853,913	1,165,567,038,362	98.01%	Very Efficient
Morowali Utara Regency	997,676,220,322	1,057,111,163,817	94.38%	Less Efficient
Parigi Mautong Regency	1,344,692,499,951	1,758,859,994,140	76.45%	Efficient
Poso Regency	1,164,857,944,640	1,353,935,611,144	86.03%	Efficient
Sigi Regency	1,002,243,589,298	1,753,883,981,701	57.14%	Enough
Tojo Una-Una Regency	1,147,718,790,399	1,136,792,767,957	100.96%	Very Efficient
Toli-Toli Regency	1,015,273,832,708	1,146,983,897,809	88.52%	Efficient
				Enough

1
Based on table 7 the regional financial efficiency level of the Regional Government in Central Sulawesi Province in 2019 is around an average ratio of 82.38%, which means that the Local Government in Central Sulawesi is quite efficient in managing its spending to generate income. In table 7 the lowest level of efficiency occurs in Banggai Laut Regency with a ratio of 102.97% in the inefficient category. Expenditure for Banggai Laut Regency is greater than the income earned so as to cover the excess spending in 2019 using SiLPA in 2018. SiLPA which previously amounted to IDR 82,886,817,057 has become IDR 3,695,284,031. The Regional Government of Banggai Laut Regency must try to minimize spending and adjust it to the income earned. While the highest level of efficiency occurs in Sigi Regency with a ratio of 57.14%. This shows that the realization of spending is lower than the realization of income so that the SiLPA of Sigi Regency increases. Sigi Regency expenditure realization was lower because the operational expenditure realization of the social assistance expenditure section was only realized 1.74% because post-disaster rehabilitation and reconstruction assistance funds will be realized in 2020. According to the author, budget efficiency is very good when all government, development, and service programs Social activities are carried out and realized properly and the results achieved are in accordance with the plan but can save expenses. In addition, spending that is realized is in

accordance with the target but exceeds the income earned will make the regional government's finances worse.

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4. **Analysis of Regional Financial Harmony Level of Regional Governments in Central Sulawesi**
The harmony ratio shows the proportion of operational expenditure and capital expenditure in the total regional expenditure for one period. The results of the calculation of regional financial harmony for the Regional Government in Central Sulawesi Province are as follows:

Table 8. Proportion of Operational Expenditure to Regional Expenditures
Regional Government in Central Sulawesi Province

Local Government	Regional Financial Harmony			% Operations
	Operations Expenditure	Capital Expenditure	Expenditure	
Palu City	1,025,434,530,040	313,104,561,961	1,338,835,752,001	76.59%
Banggai Regency	1,261,273,049,018	274,787,206,474	1,536,560,255,493	82.08%
Banggai Kep. Regency	496,126,249,963	245,022,680,227	741,897,950,191	66.87%
Banggai Laut Regency	426,141,379,440	238,073,778,382	664,215,157,822	64.16%
Buol Regency	602,951,960,584	227,428,102,853	830,499,820,937	72.60%
Donggala Regency	852,018,913,992	245,238,316,762	1,097,257,230,754	77.65%
Morowali Regency	861,995,275,822	280,144,328,091	1,142,388,853,913	75.46%
Morowali Utara Regency	713,766,464,904	281,752,051,418	997,676,220,322	71.54%
Parigi Mautong Regency	1,058,413,309,795	286,056,301,456	1,344,692,499,951	78.71%
Poso Regency	908,851,712,454	255,843,927,186	1,164,857,944,640	78.02%
Sigi Regency	765,768,150,880	243,710,153,648	1,002,243,589,298	76.41%
Tojo Una-Una Regency	880,557,053,900	267,161,726,499	1,147,718,790,399	76.72%
Toli-Toli Regency	727,372,882,000	287,501,006,743	1,015,273,832,708	71.64%

Table 8 illustrates the priority allocation of local government spending for one period. The average allocation for operating expenditure is 74.5% and the allocation for capital expenditure is 25.5%, which means that the Regional Government in Central Sulawesi Province prioritizes operating expenditure over capital expenditure. The regional government that prioritizes operating expenditures over capital expenditures is Banggai Regency. This shows that the Regional Government of Banggai Regency minimizes more procurement of facilities and infrastructure compared to other regions for both government activities and social services and prioritizes operating expenditures in carrying out government activities. Personnel expenditure is expenditure with the highest absorption rate in the operational expenditure account in Banggai Regency. While the highest percentage level of capital expenditure is in Banggai Laut Regency. Even so, Banggai Laut Regency continues to prioritize operational spending in its government activities with an operating expenditure percentage of 64.16%. However, when compared to other local governments, the percentage of capital expenditure for Banggai Laut Regency is still higher.

5. **Analysis of Regional Original Growth Ratio (PAD) of Regional Governments in Central Sulawesi**

The regional original growth ratio (PAD) shows the increase or decrease in the PAD obtained by local governments from the previous period. The results of calculating PAD for the Regional Government in Central Sulawesi Province are as follows:

Table 9. Growth rate of Local Government PAD in Central Sulawesi Province

Local Government	PAD Growth		
	PAD Realization in 2019	PAD Realization in 2018	%
Palu City	235,922,540,208	267,401,948,490	-11.77%
Banggai Regency	165,863,778,696	135,426,630,832	22.48%
Banggai Kep. Regency	34,231,612,395	23,922,233,075	43.10%
Banggai Laut Regency	25,803,225,522	21,776,178,732	18.49%
Buol Regency	61,186,560,472	71,898,557,955	-14.90%
Donggala Regency	82,731,306,991	60,135,251,908	37.58%
Morowali Regency	221,946,739,695	181,232,941,457	22.46%
Morowali Utara Regency	42,338,942,001	56,083,076,336	-24.51%
Parigi Mautong Regency	186,487,511,550	163,657,795,142	13.95%
Poso Regency	101,220,105,853	94,146,870,935	7.51%
Sigi Regency	59,453,574,071	50,857,832,638	16.90%
Tojo Una-Una Regency	75,800,498,011	61,148,549,945	23.96%
Toli-Toli Regency	91,724,082,741	80,312,115,617	14.21%

Table 9 shows the growth rate of Local Government PAD in Central Sulawesi with an average PAD growth of 13%. The regional government with the highest PAD growth is Banggai Islands Regency. Banggai Islands Regency is included in the area with a lower independence ratio compared to other local governments but is able to realize higher income compared to the previous year with a PAD growth rate of 43.10%. The Regional Government of Banggai Islands Regency is able to increase PAD even though it has various obstacles in its collection. The increase in income earned in 2019 also increased the independence ratio in 2018 which was originally 3.08% ($23,922,233,075 \div 775,522,667,033$) to 4.04% in 2019. Meanwhile, the lowest PAD growth rate occurred in the Regional Government of North Morowali Regency. The account that experienced the most significant decline was the Land and Building Rights Acquisition Tax. This decrease occurred because there were many land disputes resulting in delays in the issuance of HGU and or HGB by the competent authority.

CONCLUSION

The conclusions of this study are as follows:

1. The level of regional financial independence of the Regional Government in Central Sulawesi Province in 2019 is still very low and still depends on assistance from the central and provincial governments in fulfilling the financing of government activities. The lowest level of independence occurs in Banggai Islands Regency. While the highest level of independence occurs in Morowali district.
2. The level of effectiveness of regional finances The Regional Government in Central Sulawesi Province in 2019 has been effective in realizing its PAD. The lowest level of effectiveness occurred in Morowali District. While the highest level of effectiveness occurred in Palu City.

3. The level of regional financial efficiency The Regional Government in Central Sulawesi Province in 2019 has been quite efficient in managing its spending to generate income. the lowest level of efficiency occurs in Banggai Laut Regency, while the highest level of efficiency occurs in Sigi Regency.
4. In the compatibility ratio of the Regional Government in Central Sulawesi Province, the average allocation for operating expenditure is 74.5% and the allocation for capital expenditure is 25.5%, which means that the Regional Government in Central Sulawesi Province prioritizes operating expenditure over capital expenditure. The regional government that prioritizes operating expenditures over capital expenditures is Banggai Regency.
5. The regional government with the highest PAD growth is Banggai Islands Regency. Meanwhile, the lowest PAD growth rate occurred in the Regional Government of North Morowali Regency.

8. suggestions from this study:

Based on the research that has been done, the following suggestions can be given as follows:

1. For future researchers, it is hoped that they can conduct case studies with a longer research time span so that broader results can be obtained regarding the financial ratios used.
2. For Regional Governments to increase the PAD collection by optimizing the potential of natural resources and human resources so that the financial performance of local governments is getting better and less dependent on provincial and central governments.

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