



Research Article

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Share and Growth Analysis in Measuring Regional Financial Capability Level

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Abstract

This research aims to measure the Regional Financial Capability Level of Gorontalo Regency. The data used is secondary data analyzed using Share and Growth ratios. The study results indicate that the regional financial capacity of Gorontalo Regency is classified as low criteria. On top of that, Gorontalo Regency is ranked as the least ideal area because the mapping position of the regional quadrant analysis of Gorontalo Regency is in the category of quadrant four. The Government of Gorontalo Regency needs to look at the potential for local revenue. In this way, Gorontalo Regency can change its condition into an ideal and independent Gorontalo Regency. Moreover, the government also needs to strengthen policies in regional autonomy enforcement.

Keywords: Share, Growth, Regional Financial Capability Level

1. Introduction

Hidayat, et al. (2016) explained that regions had made various attempts to improve regional financial capabilities and encourage local economic potential through increasing Locally Generated Income (PAD) and investment based on their potential. However, not a few regions experience difficulties in carrying out decentralization tasks due to limited resources (Bappenas, 2003). Even eastern Indonesia is relatively low in terms of financial independence (Haryanto, 2017). For example, research by Wahab et al. (2015) concluded that the financial capacity of the Jayapura Regency in the 2010-2014 fiscal year was measured based on the ratio of Regional Financial Dependence, included in the regional criteria with a very high level of dependence. It is the cause of the lack of regional autonomy level, so the level of fiscal decentralization is also categorized in the low criteria. Likewise, the research of Kaunang and Naukoko, (2016) related to a similar study concluded that the Government of Manado City is less independent in financing its own region. However, there is a slight difference from the research conducted by (Susanto, 2014), which states that the regional financial capacity of the NTB Province for the 2003-2007 fiscal year is a province with high financial capacity. It will strengthen the financial resilience of the NTB Province in the face of crises that may occur unexpectedly.

Mawanti, et al. (2004), using the problem tree method, found four problems that were the sources of the low local financial capacity that are: (1) low intensification of regional taxes and levies, (2) not optimal PAD originating from regional taxes and levies, (3) low regional revenues from regional companies, and (4) not exploiting potential mining resources. According to (Hruza, 2015), autonomy is intended so that regions do not depend on anyone and are given complete authority in regulating public policies, administrative and financial systems. (Panjaitan, 2011) added that regional financial capacity is the extent to which regions can explore their own financial sources to finance regional financial needs without relying on assistance and subsidies from the central government. Apart from the debate regarding the unpreparedness of the regions in carrying out the mandate of the law, it is believed that regional autonomy is the best way to encourage accelerated development in the areas. Replace the centralized development system, which is considered the root of the slow Growth in the regions and the increasing inequality between regions.

The measurement of the level of regional financial capacity currently being carried out is by looking at the ratio between PAD and Regional Revenue and Expenditure Budget (APBD). In principle, the more significant the contribution of PAD to the APBD, the less dependent the regions are on the central government. One thing to note is that the increase in PAD does not mean that the regions have to compete in making new taxes. Still, it is expected that the regions have a high level of foresight and the ability to see and utilize their potential sources. On the other hand, the inability of local governments to see and use existing potential sources of income can result in low regional financial capacity, which will hinder the smooth implementation of regional autonomy (Savitry, et al., 2011). It is described in Pilat & Morasa (2017), the technique mainly used to analyze financial statements is financial ratios consisting of Independence Ratio, Fiscal Decentralization Degree Ratio, Effectiveness Ratio, Efficiency Ratio, and Compatibility Ratio of Regional Revenue and Expenditure Budget. Meanwhile, to calculate Regional Financial Capability is by calculating Share and Growth.

Gorontalo Regency is one of the oldest regencies in Gorontalo Province. It has several potentials that can be used as sources of Regional Revenue: (1) Regional Taxes, Regional Levies, Regional Owned Company Revenues, Separated Regional Assets Management Results, and Other Legal Locally Generated Income. (2) Tax Revenue Sharing Fund, Non-Tax Revenue Sharing Fund, General Allocation Fund, Special Allocation Fund, and Tax Revenue Sharing, as well as Financial Assistance from the Provincial Government. (3) Other Legal Income. Since 2014, the Locally Generated Income (PAD) of Gorontalo Regency has continued to increase, starting from IDR 105,365,567,589.29 in 2014, then increasing by IDR 113,221,503,036.00 in 2015, then increasing again in 2016 to IDR 125,271,076,533.68 and increased again by IDR 190,428,308,122.00 in 2017. The Regent Nelson Pomalingo also stated that the Regional Original Income (PAD) of Gorontalo Regency increased by 2.73%. The increase in Regional Original Income illustrates that Gorontalo Regency is capable of carrying out its government in building its economic Growth but still requires balancing funds from the central government in equally developing and prospering regional communities. This upward trend requires an in-depth study of regional financial capacity which becomes a benchmark or measure in assessing regional financial management within the province or regency. This study aims to measure the regional financial capacity of Gorontalo Regency with the Share and growth method. This provision refers to Permendagri number 21 of 2011 concerning the second amendment to Permendagri number 13 of 2006 concerning regional financial management guidelines.

2. Literature Review

2.1 Regional Autonomy

(Haryanto, 2017) argues that regional autonomy is a natural form of implementing public policy theory in real terms, primarily if it is associated with regional financial management reform. In the transitional era of regional autonomy, several problems are often encountered, including the lack of solid legal instruments, institutions, infrastructure, and human resources (HR), even though it is

widely known that the purpose of granting regional autonomy is to enable the region concerned to regulate and manage its own household to increase the usability and results for the administration of government for public services and the implementation of development (Panjaitan, 2011). Furthermore, according to (Mardiasmo, 2002) that the policy of granting regional autonomy is a strategic step in two respects. First, regional autonomy and decentralization are the answers to the local problems of the Indonesian nation in the form of the threat of national disintegration, poverty, inequality of development, low quality of life of the people, and problems of developing human resources. Second, regional autonomy and decentralization are strategic steps for the Indonesian people to welcome the era of economic globalization by strengthening the regional economic base.

According to Law Number 32 of 2004, Article 1 paragraph 5 states that Regional Autonomy is an autonomous region's right, authority, and obligation to regulate and manage its government affairs and the local community's interests following statutory regulations. In this regard, the role of local governments will determine the success or failure of creating the independence that local governments have always coveted. On top of that, the ability of an area to explore PAD will affect regional development (Andjarwati et al., 2021).

2.2 Regional Finance

Article 1 paragraph 5 of Government Regulation No. 58 of 2005 states that regional finances are all obligations and rights of a region to organize the provincial government, which can be seen in finance, in which there is a whole wealth related to responsibilities. and the rights of the area within the framework of the APBD (Regional Revenue and Expenditure Budget). Based on the definition, it can be concluded that regional finance is all obligations and rights of local governments in the form of finances that can be used to finance activities carried out by the regional government.

In Halim (2007), the scope of regional finance consists of (1) Regional Finances, which are managed directly, which consist of: (a) Regional Revenue and Expenditure Budget (APBD); and (b) Regional Inventory Property. (2) Separated Regional Assets consist of several BUMD or Regional Owned Enterprises.

Regional Finance has three main elements which are (a) Regional Rights; (b) Regional Obligations; (c) Property related to the rights and obligations of the Region.

It then measures local governments' financial capacity by carrying out a financial ratio analysis to the Regional Revenue and Expenditure Budget (APBD) that has been determined and implemented. The region is given the right to obtain financial resources, which is the certainty of the availability of funds from the central government following the interests of the central government, which is handed over to the regions, the authority to collect and utilize regional taxes and levies, the right to get profit sharing from national resources located in the region and other considerations, as well as rights in the management of the regional property (Halim, 2007).

To ensure the implementation of regional autonomy, it must make several efforts to increase its financial capacity by increasing the revenue of Locally Generated Income (PAD). Increasing PAD or Locally Generated Income can be done by expanding the receipt of PAD sources. Those that are already available or by exploring other or new PAD sources but still fulfilling the stipulated provisions and taking into account the economic potential and conditions of the community.

In Law Number 32 of 2004 Article 1, regional income is the right of the regional government, which is recognized as an addition to the value of net assets in that period.

In regulating regional financial management, it is necessary to have appropriate rules, as stated in PP No. 58 of 2005, emphasizing a broad foundation, norms, and principles in managing regional finances. Where the main contents of the regulation include:

2.2.1 Planning and Budgeting

Before implementing regional finance, careful planning is needed by budgeting the costs that may be

required while implementing activities. It is carried out so that all processes of preparing the APBD or Regional Revenue and Expenditure Budget can be maximized to obtain a basis for making decisions in determining general policy directions, allocations, priority scales, and distributing resources involving participants. Therefore, preparing the APBD that has been regulated and stipulated in a Government Regulation can explain its responsibilities (Ahmad, 2002).

The instrument that ensures the cultivation of discipline in the decision-making process related to regional income and expenditure policies is the APBD (Regional Revenue and Expenditure Budget). For the APBD to be structured correctly, it is necessary to make arrangements regarding the administrative basis in managing regional budgets, which regulate several procedures and budget techniques that must be obeyed sequentially and based on applicable principles.

The following are the discipline principles of budgeting that must be undertaken in the implementation of regional budget preparation, which are:

First, the planned income is an estimate that has been measured rationally and can be obtained from every source of income. At the same time, the budgeted expenditure is a budget estimated from the highest limit of regional expenditure.

Second, expenditure budgeting must be supported by ensuring sufficient overall revenue and does not justify the implementation of activities that are not yet available or whose budget credits are not enough in the APBD or with changes to the APBD.

Third, the entire regional expenditures and revenues in the annual budget must be included in the APBD, carried out through the agency account that is KUD or regional general treasury.

Regional Revenue and Expenditure Budgets are prepared based on the objectives to harmonize macroeconomic policies and existing resources, allocate resources appropriately to comply with government policies and prepare conditions for implementing budget management properly and correctly. Based on this, the arrangement of the budget structure is very much needed for the proper financial function. Some of the expected planning and budgeting implementation functions include:

First, in policy-making, the budget provides direction for economic policy and clearly describes the use of resources owned by the community in the area.

Second, the budget has the primary function, which is achieving a balance between macroeconomics within the economy

Third, it becomes a means and a controlling tool in reducing errors and gaps in various situations in a country or region.

2.2.2 Implementation and Administration of Regional Finance

The regional head who holds power in administering the regional government is also the holder of power over regional financial management. In his authority, he gives a mandate to the head of the regional financial management work unit, which is a regional financial management official. Then the regional apparatus work unit is carried out by officials who use the budget and regional goods but remain under coordination with the regional secretary.

The separation between regional financial implementers aims to clarify government officials' rights, powers, and responsibilities and encourage efforts to improve professional performance in carrying out tasks as the regional government itself.

Various aspects of the implementation of government tasks and have followed the applicable rules, described as follows: (a) assigning more responsibilities and roles to budget execution officials; (b) overseeing the disbursement and payment system; (c) regulating cash management and financial planning; (d) managing payables and receivables; (e) managing investments; (f) managing the duties and responsibilities of the budget; (g) accounting system in financial reporting.

In this case, the agency that regulates regional financial management is the regional general treasurer, who has the task of completing all payment processes, both of which are of small value, and must bear any consequences in managing a limited amount of funds (Ahmad, 2002).

2.2.3 Regional Financial Accountability

The responsibility of local governments to manage regional finances in a transparent and accountable manner is to submit several reports that must be submitted, namely: (a) Realization Reports, (b) Balance Sheets, (c) Cash Flow Statements, and (d) Notes to Financial Statements.

Financial reports for local governments are prepared based on government accounting standards. Regional financial statements are audited by the Audit Board (BPK) then the results of the statements are submitted to the public by the Regional People's Representative Council (DPRD).

A financial audit of regional financial statements itself has a vital function in the final process of implementing regional finance so that there are no errors or misuse of obligations by regional governments. The fourth amendment to the 1945 Constitution regarding the examination of regional financial reports states that the audit of financial statements is carried out by the Audit Board (BPK). BPK is an independent auditor who conducts audits following established standards, giving an opinion on the fairness of local government financial reports.

The scope of Regional Finance consists of: (a) Regional rights in collecting regional taxes, regional levies, and making loans, (b) Regional obligations in administering government affairs and paying third party bills, (c) Regional revenues, (d) Regional expenditures, (e) Regional assets managed by themselves or other parties in the form of Cash, Receivables, Obligations, receivables, goods, or other rights that can be valued in money, including assets that regional companies have separated, (f) Assets of other parties controlled by the regional government in the context of carrying out the duties of the regional government and for the public interest.

Each autonomous region can regulate and manage the financial system independently under the principles and standards of regional financial management that have been set. The financial management of an area has its definition. As the following principles of regional financial management:

First is transparency. Every financial reporting must be presented openly without being hidden by certain parties. Because the government's purpose in managing finances is for the progress of the region and the community, the community has the right to know their regional budget. Because the government's goal to manage its finances is for the progress of the region and the community, the community has the right to be able to know their regional budget.

Second, accountability; In financial management, through the budgeting process that has been made, several processes are carried out in an accountable manner starting from the process of planning, compiling, and implementing the financial cycle. All must be reported as a form of government accountability to the community.

The third is Value of Money or the time value of money. It is the last principle in regional financial management which also has a role in applying the three aspects: economy, efficiency, and effectiveness.

2.3 Regional Financial Capability Level

Regional financial capacity is the equality of the overall financial performance results following the targets. The regional financial capacity sees the region's power to finance all regional needs, especially income from PAD (Pratiwi, 2017). Regional Finance is one indicator to determine the region's ability to regulate and manage all the essentials needed in an area.

Natalludin (2001) explains that a region can be said to be capable of implementing Regional Autonomy characterized by the following characteristics:

First, a region can be said to be able to manage regional finances if it has the authority and ability to explore financial sources, manage and use its finances and meet the costs of administering a government system.

Second, regions no longer use assistance from the center or only use minimal assistance from the center. Hence, PAD or regional original income becomes the largest source of finance in regional

government, so regional governments play a more significant role.

The region's ability to carry out regional autonomy can be measured through the power of regional finances. Bappenas (2003) in Haryanto (2017) suggest that the use of the Share and Growth indicator theory combined with the quadrant method is more often used by the government.

Share analysis measures the comparison of local revenue and expenditure. Meanwhile, growth analysis estimates local revenue for the current year and the previous year against spending. The use of this method is often touted as one of the best efforts to be able to display a map of regional financial capabilities.

The previous studies that became the reference for this research are as follows.

Hidayat (2016) stated that the regions generally experienced an increase in PAD growth, but an increase did not follow it in the role (Share) of PAD in expenditures. Based on the regional financial independence ratio level, the average value is 8.15%. The dependency ratio has an average value of 42.91%, which is included in the high dependency category. The average fiscal decentralization degree ratio is 6.71%. There are indications that the dependence on the central government is still high. The financial capacity of districts/municipalities has also undergone significant changes. The financial capability map compiled using the financial capability index method shows a shift in regional financial capacity towards a better direction.

Another study by Rusman, Amir, and Fattah (2018) revealed that the financial capacity of the local government of Palu City based on the aspect of the ability to receive local revenue (PAD) from the 2011 - 2015 fiscal year has the regional financial capacity of a "less" classification. Furthermore, the results of Kamaroellah's research (2017) reveal that based on regional financial ratios indicated by numbers, the average ratio is 36.5%. This figure is still between 25% - 50%, classified as having an instructive relationship pattern, which means the ability of the Pamekasan Regency Government to meet the funding needs for the implementation of government tasks, development, and community social services is still relatively low. However, from year to year, it has increased and declined.

Similar to previous research, Melatunan and Pinatik (2019) analyzed the regional revenue and expenditure budget with its realization in the Sorong City government for the 2014-2018 fiscal year using financial performance analysis. It can be concluded that Sorong city government revenue performance, in general, is unsatisfactory, and the expenditure performance of Sorong city government seen from the analysis of financial performance, in general, is also inadequate.

3. Methods

3.1 Research Type

This type of research is a descriptive quantitative study, with analysis only up to the description level. This study analyzes and presents facts systematically and can be expressed in numbers (numeric) so that it can be easier to understand and conclude (Azwar, 2011)

3.2 Sources of Data

The data used in this study is secondary data, where this data is obtained indirectly and through intermediaries or obtained and recorded by other parties (Indriantoro & Supomo, 2002). The data obtained from the Gorontalo Regency APBD financial data is for the 2014-2018 fiscal year, which has been audited and published through the Gorontalo Regency government website.

3.3 Methods of Data Analysis

Data analysis in this study uses several share and growth ratios. The government often uses the selection of Share and Growth combined in the quadrant method to conduct a comparative analysis of public performance, especially related to implementing fiscal decentralization (Bappenas, 2003).

Furthermore, research by Haryanto (2017) reveals that this quadrant method is often referred to as one of the best efforts to display regional financial capabilities through the value of the Share or contribution of regional income to total APBD expenditures. The value of Growth to see the Growth of regional income components in the budget. The formula is as follows:

$$Share = \frac{Locally\ Generated\ Income + Revenue\ Sharing\ Fund\ (Tax\ and\ Natural\ Resources)}{Total\ of\ Expenditure} \times 100\%$$

$$Growth = \frac{(Locally\ Generated\ Income\ Revenue\ Sharing\ Fund\ (Tax\ and\ Natural\ Resources) - t-1)}{Total\ of\ Expenditure} \times 100\%$$

Note:

t: Current Period

t-1: Previous Period

Table 1. Regional Financial Capability Level

Financial Capability	(%)
Low	<50%
Moderate	50% - 75%
High	>75%

Source: Halim (2007)

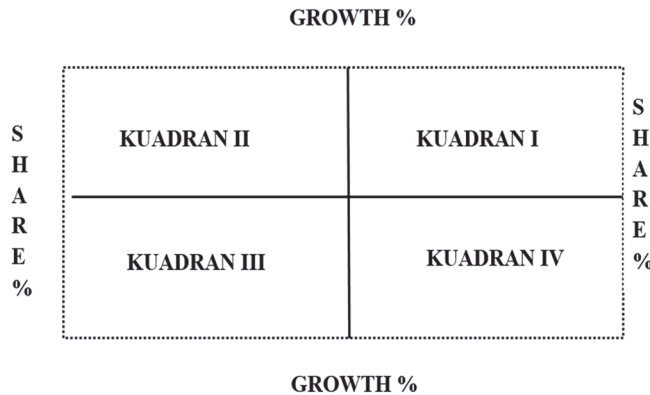


Figure 1. Map of the Financial Capability Based on Quadrant Method

Source: (Bappenas 2003)

The quadrant method will facilitate the division of the regional financial capacity map into four zones, namely:

Quadrant 1 is the area with the ideal conditions. This condition shows that the PAD capability category plays a significant role in the contribution of the APBD with high share and growth results.

Quadrant 2 is an area with conditions that are not ideal. This condition shows high Share and low Growth results, but this area can develop regional potential.

Quadrant 3 is an area with conditions that are not yet ideal. This condition shows that local revenue from the APBD has a critical role, but it is also accompanied by a decrease in the Growth of regional original income.

Quadrant 4 is the area with the least ideal conditions. This condition shows the results of low Share and Growth. Regions with quadrant four roles indicate that local revenue from the APBD is weak, and this region lacks potential.

4. Results and Discussion

4.1 Results

Regional Financial Capability is a measure of a region's ability to implement Regional Autonomy. The use of this method is often linked as one of the best efforts to be able to display a map of regional financial capabilities. Bappenas (2003) in Haryanto (2017) suggests that the use of the Share and Growth indicator theory combined into the quadrant method is more often used by the government. The Share analysis compares regional original income and expenditure, while the growth analysis measures the current and previous year's actual regional income against expenditure. Further explanation can be described as follows:

4.1.1 Share Analysis

Based on the calculation results, it can be seen that the value of the Share in Gorontalo Regency in the period 2014 – 2018 is as follows:

Table 2. The value of Share in Gorontalo Regency in the period 2014 – 2018

APBD	PAD	DBH	Total of Expenditure	Results
				The Value of Share (%)
2014	105,365,567,589.29	15,803,449,978.00	701,960,608,510.00	17.00
2015	113,221,503,036.00	13,902,066,398.00	803,317,530,674.00	15.82
2016	125,271,076,533.68	15,841,834,742.00	857,943,548,099.00	16.45
2017	190,428,308,122.00	12,703,066,096.00	897,044,897,344.00	22.64
2018	147,992,401,409.00	10,620,145,929.00	1,457,945,328,826.00	10.88
Average				16.61

Source: Gorontalo Regency Finance Agency, Processed Data of 2020

Based on Table 2, it can be seen that Gorontalo Regency has a Share value for 2014 of 17.00%. In that year, the region has financial capacity with low criteria. In 2015 the region obtained a yield of 15.82%. In that year, the region had financial capacity with low criteria. In 2016 the results obtained 16.45%. In that year, the region had financial capacity with low criteria. In 2017 the results obtained 22.64%. In that year, the region had financial capacity with low criteria. And in 2018, the results obtained 10.88%. In that year, the region had financial capacity with low criteria, so the average share value was 16.61%

4.1.2 Growth Analysis

Based on the calculation results, it can be seen that the value of the Share in Gorontalo Regency in the period 2014 – 2018 is as follows:

Table 3. The value of Share in Gorontalo Regency in the period 2014 – 2018

APBD	PAD	DBH	Total of Expenditure	Results Average Growth (%)
2013	60,11,455,179.44	17,693,115,639.00	769,527,123,098.56	
2014	105,365,567,589.29	15,803,449,978.00	701,960,608,510.00	28.35
2015	113,221,503,036.00	13,902,066,398.00	803,317,530,674.00	30.90
2016	125,271,076,533.68	15,841,834,742.00	857,943,548,099.00	31.27
2017	190,428,308,122.00	12,703,066,096.00	897,044,897,344.00	38.38
2018	147,992,401,409.00	10,620,145,929.00	1,457,945,328,826.00	24.81
Average				30.74

Source: Gorontalo Regency Finance Agency, Processed Data of 2020

Gorontalo Regency has a Growth value for 2014 of 28.35%, which means that in that year, the region had regional financial capacity with low criteria. The results in 2015 were 30.90%. In that year, the region had regional financial capacity with low criteria. In 2016 the results were 31.27%. In that year, the region had financial capacity with low criteria. In 2017 the results obtained 38.38%. In that year, the region had financial capacity with low criteria. In 2018, the results were 24.81%. In that year, the region had low financial capacity. So that the average value of Growth is 30.74%.

4.1.3 Quadrant Method

The results of Share and Growth calculations on the summary of the regional revenue and expenditure budget of Gorontalo Regency for 2014 to 2018 fiscal years, the data Share of 16.61% and Growth of 30.74% were obtained. These results are classified by mapping the regional financial capacity based on the Quadrant Method. The regional financial capacity of Gorontalo Regency will appear as shown in the following figure:

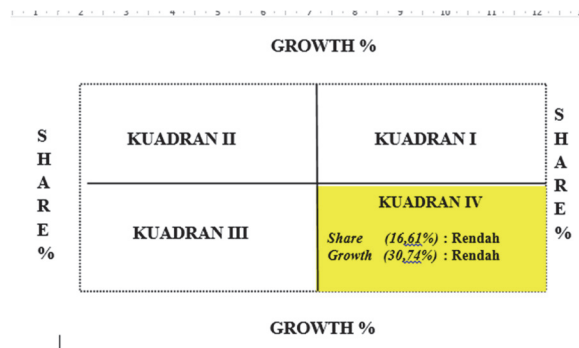


Figure 2. Map of the Financial Capability Based on Quadrant Method

In the above mapping, the financial position for the Gorontalo Regency area is in quadrant IV, in the sense that the Share or contribution from PAD to the APBD is low, and shows that Growth in PAD in Gorontalo Regency is low.

5. Discussion

From the government's perspective, it is essential to look at the differences in characteristics in the regions producing natural and non-natural resources as the basis for making regional development policies. Regional financial capacity can be measured by mapping regional finances, which is used to measure regional readiness in carrying out their authority. Mapping is also used as a strategy for developing potential sectors in the regions to encourage self-reliance. Unfortunately, in many cases, the low level of regional autonomy is due to the large burden of APBD expenditures. For this reason, a rational and productive investment management pattern is needed to promote self-reliance.

This research is located in Gorontalo Regency with the reference material for the Budget Realization Report (LRA) for the 2014 - 2018 fiscal year, carried out using the quadrant method analysis derived from the Share and Growth values of each fiscal year. Based on the analysis results, the Financial Capability of Gorontalo Regency has an average value of Share (16.61%) and an average value of Growth (30.74%). It can be concluded that the results of Share and Growth are low. It happens because the local revenue of Gorontalo Regency is smaller than the total regional expenditure of Gorontalo Regency, so the share and growth values obtained are also low. It is also

supported by the statement of Regent Nelson that the low value of local revenue is due to a large number of unbilled sources of local revenue, such as accommodation taxes, dormitories, boarding houses, entertainment venues, and uncollected advertising taxes. The Regent, Nelson Pomalingo, also revealed that regional revenue from land and building taxes, as well as the acquisition of rights to land and buildings, are very low. It causes the Gorontalo Regency area to be included in quadrant 4 with the least ideal area category. In addition, the government of Gorontalo Regency, so far in financing high regional expenditures, still requires transfer funds from the provincial and central governments through balancing funds.

These findings support research findings from (Pilat & Morasa, 2017), where the condition of Manado City's financial capacity is still not ideal because the Manado City Government has not yet explored the region's potential. Another study conducted by Sulila (2019) found results that the calculation of the role of Share and Growth from the local revenue of North Gorontalo Regency was under the Quadrant II category, meaning that the share contribution to the APBD was still low.

However, Purba & Neem's research (2019) shows that Badung Regency and Gianyar Regency are areas with ideal conditions or are included in the quadrant one category with above-average independence levels and below-average dependency levels.

The phenomenon that causes this difference in results is due to the very varied conditions of the regions in Indonesia, which are also the driving force for the issue of regional independence. Some areas are classified as natural resource-producing areas. Some of them are classified as non-SDA regions but still have a tax revenue base that is no less large. Unfortunately, most other regions do not have sufficient natural resources or tax bases (Feryawan, 2011). In addition, other problems faced are that public finances are more rigid than corporate or private finance (Hruza, 2015). Moreover, In implementing the principle of fiscal decentralization from the expenditure aspect, Indonesia is still implementing a transfer mechanism to the regions. Unlike other countries, which refer to the acceptance aspect (Kis Kastos & Sjahrir, 2014).

6. Conclusion

The analysis results show that the financial capacity of Gorontalo Regency is low. It happens because the local revenue of Gorontalo Regency is smaller than the total regional expenditure of Gorontalo Regency, so the share and growth values obtained are also low. For this reason, efforts are needed to increase the source of Gorontalo Regency's unbilled local revenue, such as lodging taxes, dormitories, boarding houses, entertainment venues, and uncollected advertising taxes. Regional cash receipts from land and building taxes and the acquisition of land and building rights are still very low. In addition, the government of Gorontalo Regency so far in financing high regional expenditures still requires transfer funds from the provincial government and the central government through balancing funds. It causes the Gorontalo Regency area to be included in quadrant 4 with the least ideal area category.

The limitation of this research is that the researcher only measures financial capability in one area, namely Gorontalo Regency, and secondary data collection is obtained from the Gorontalo Regency government website. For this reason, further research can compare with other regions in Gorontalo Province. The results obtained can be influenced by secondary data collection, and in this study, the secondary data processing was 2014 to 2018 fiscal year. In addition, this study only limited the use of share and growth analysis methods combined in the quadrant method. In contrast, other studies found that many factors affect local financial capacity and have not been discussed in this study, for example, the level of regional wealth, size of local government, leverage, and audit findings.

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