

Regional Fiscal Health: An Evaluation of the Financial Performance of Gorontalo Regency

Regional Fiscal
Health in Gorontalo
Regency

Wahyudin Hasan

Universitas Gorontalo; Gorontalo, Indonesia

E-Mail: wahyudinhasan@unigo.ac.id

Susanti Abd Mutalib

Universitas Gorontalo; Gorontalo, Indonesia

E-Mail: susantiabd04@gmail.com

Zubaidah Rahman

Universitas Gorontalo; Gorontalo, Indonesia

E-Mail: zubaidahrahman78@gmail.com

Julie Abdullah

Universitas Gorontalo; Gorontalo, Indonesia

E-Mail: julieabdullah@unigo.ac.id

Saprudin

Universitas Gorontalo; Gorontalo, Indonesia

E-Mail: saprudin@unigo.ac.id

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ABSTRACT

Regional autonomy through fiscal decentralization is expected to strengthen local government capacity in managing resources independently. However, many regions remain highly dependent on central transfers, making the evaluation of fiscal performance crucial to measure independence, efficiency, and effectiveness in financial management. This study aims to evaluate the fiscal health of the Gorontalo Regency Government through an analysis of financial performance over the period 2018–2023. The research employs a descriptive quantitative approach, utilizing secondary data obtained from official government financial reports. The analysis is conducted using three key indicators: the financial independence ratio, the effectiveness ratio of locally-generated revenue, and the financial efficiency ratio. The findings reveal that the financial performance of Gorontalo Regency remains suboptimal. The financial independence ratio indicates a high level of dependence on central government transfers. The average effectiveness ratio of locally-generated revenue is 75.62%, which falls into the category of less effective, while the average financial efficiency ratio of 102.17% indicates inefficient budget utilization. These findings suggest the need for reforms in regional financial management to enhance fiscal independence, as well as the effectiveness and efficiency of budget implementation.

Keywords: Budget Efficiency, Effectiveness Ratio, Efficiency Ratio, Financial Independence Ratio, Financial Performance, Local Government Finance.

ABSTRAK

Otonomi daerah melalui desentralisasi fiskal diharapkan dapat memperkuat kapasitas pemerintah daerah dalam mengelola sumber daya secara mandiri. Namun, banyak daerah tetap sangat bergantung pada transfer pusat, sehingga evaluasi kinerja fiskal sangat penting untuk mengukur independensi, efisiensi, dan efektivitas dalam pengelolaan keuangan. Penelitian ini

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bertujuan untuk mengevaluasi kesehatan fiskal Pemkab Gorontalo melalui analisis kinerja keuangan selama periode 2018–2023. Penelitian ini menggunakan pendekatan kuantitatif deskriptif, memanfaatkan data sekunder yang diperoleh dari laporan keuangan resmi pemerintah. Analisis dilakukan dengan menggunakan tiga indikator utama: rasio kemandirian keuangan, rasio efektivitas pendapatan asli daerah, dan rasio efisiensi keuangan. Temuan tersebut mengungkapkan bahwa kinerja keuangan Kabupaten Gorontalo masih belum optimal. Rasio kemandirian keuangan menunjukkan tingkat ketergantungan yang tinggi pada transfer pemerintah pusat. Rasio efektivitas rata-rata adalah 75.62%, yang termasuk dalam kategori kurang efektif, sedangkan rasio efisiensi keuangan rata-rata 102.17% menunjukkan pemanfaatan anggaran yang tidak efisien. Temuan ini menunjukkan perlunya reformasi dalam pengelolaan keuangan daerah untuk meningkatkan independensi fiskal, serta efektivitas dan efisiensi pelaksanaan anggaran.

Kata kunci: Efisiensi Anggaran, Rasio Efektivitas, Rasio Efisiensi, Rasio Kemandirian Keuangan, Kinerja Keuangan, Keuangan Pemerintah Daerah

INTRODUCTION

Regional autonomy is the decentralization of authority from the central to local governments, providing regions greater flexibility to manage affairs and serve community interests independently. It is expected to enhance participation, efficiency, and accountability in governance, with success indicated by a region's ability to manage finances with minimal dependence on the central government (Arends, 2020; Sofyan, 2022; Purba et al., 2024). As public demand for quality public services increases, regional autonomy becomes a strategic instrument in achieving good governance. Good governance emphasizes the principles of transparency, accountability, effectiveness, efficiency, and public participation. In this context, regional autonomy is seen as a means to strengthen democratization and expand community access to planning processes and public decision-making (Seetharam, 2019).

Fiscal decentralization is a fundamental asset for achieving better governance, regional development, and fiscal autonomy (Haryanto, 2018; Ibrahim et al., 2024). Through fiscal decentralization, local governments gain the authority to manage their budgets more independently, both in terms of revenues and expenditures. In this context, the Regional Revenue and Expenditure Budget (*Anggaran Pendapatan dan Belanja Daerah/ APBD*) serves as the main instrument for assessing the financial capacity and performance of local governments (Mardiasmo, 2021). A study conducted by Hanif et al. (2020) shows that in many countries, empirical evidence suggests that the positive effects of fiscal decentralization on economic growth are weakened when a country faces high levels of corruption, institutional weaknesses, and/or political instability. Therefore, to ensure that fiscal decentralization delivers optimal benefits, good governance and strong institutions at the local level are essential (Nugroho & Syahputra, 2022). In this regard, effective fiscal decentralization can enhance regional fiscal performance, stimulate policy innovation, and foster a competitive governance environment among regions (Lin & Zhou, 2021; Suryaningrum et al., 2023).

In practice, many regions still face challenges in achieving fiscal independence. Although the Ministry of Home Affairs Regulation Number 13 of 2006 mandates orderly, efficient, economical, effective, transparent, and accountable financial management, dependence on central government transfer funds remains high (Hasan & Jumiyanti, 2021). The Audit Board of Indonesia reported significant disparities in fiscal independence across regions (Adnyana et al., 2022). This dependence reflects a limited ability to optimize Local Own-Source Revenue, reducing flexibility in addressing economic and social changes, while also hindering innovation in local financial management (BPKP, 2017; Istikharoh & Purnomo, 2023).

The measurement of regional financial capacity is currently carried out by analyzing the ratio between Locally-generated revenue (*Pendapatan asli Daerah/PAD*) and the Regional Revenue and Expenditure Budget. In principle, the greater the contribution of

PAD to the APBD, the lower the region's dependence on the central government (Abdullah & Hasan, 2023). Regional financial management, including revenue from PAD, balancing funds, or other receipts, must be transparently and accountably reported. The government, as the financial manager, must apply the principles of effectiveness and efficiency in the use of its funds (Nusi et al., 2023).

Regional fiscal performance is evaluated through independence, effectiveness, and efficiency ratios that indicate financial capacity, revenue planning accuracy, and expenditure optimization (Yunita & Yuliandi, 2021; Firmansyah & Aristantia, 2024). In Gorontalo Regency, Budget Realization Reports from 2018–2022 show fluctuations, with surpluses in 2018–2020 and deficits in 2021–2022, reflecting possible inefficiencies and fiscal pressures beyond capacity (Rakasiwi, 2024). Assessing these ratios helps evaluate fiscal policy effectiveness and guide improvements in financial governance. Although several studies have examined regional autonomy and fiscal decentralization, such as those by Atmoko and Khairudin (2022), evaluations of fiscal health in Gorontalo Regency are still limited. Unlike the study by Digidowiseiso et al. (2024), which tends to emphasize general indicators such as the Regional Revenue and Expenditure Budget (APBD) or Regional Original Income (PAD), it does not comprehensively assess fiscal effectiveness, efficiency, and independence over a specific time period. Furthermore, several studies highlight the challenges of dependence on central government transfers but do not analyze the impact of fluctuations in regional revenue on the region's ability to respond to economic and social dynamics. This shortcoming highlights the need for studies that comprehensively assess fiscal performance in Gorontalo, thus providing a more appropriate policy basis for improving fiscal autonomy and sustainable development planning.

This evaluation is not only useful for ensuring appropriate budget allocation but is also crucial for promoting accountability, efficient resource use, and achieving sustainable development goals. Furthermore, financial performance measurement aims to evaluate financial capability and effectiveness by comparing actual spending with budgeted spending through government operational reports. Based on the above explanation, this study aims to assess the effectiveness, efficiency, and fiscal independence of Gorontalo Regency from 2019 to 2023, and to provide policy recommendations to improve regional financial management performance in support of good and sustainable governance.

LITERATURE REVIEW

Financial Performance Ratios of Local Governments

The analysis of local government financial performance is generally carried out using data derived from the Budget Realization Report, which provides comprehensive information on revenue, expenditure, and financing activities (Sahdan et al., 2012). In this study, several financial ratios are employed to measure performance, namely the Regional Financial Independence Ratio, the PAD Effectiveness Ratio, and the Regional Financial Efficiency Ratio. Each of these ratios serves a distinct purpose in evaluating how effectively a local government manages its fiscal resources.

The Regional Financial Independence Ratio, for example, is particularly important because it reflects the extent to which a local government can sustain its activities without relying heavily on external transfers. Based on Law Number 32 of 2004, financial independence is defined as the local government's ability to finance its own governmental functions and public services. This is calculated by comparing Locally Generated Revenue (PAD) with transfer revenues received from the central government or provincial government. A higher independence ratio indicates that the region relies more on its own income sources, demonstrating stronger autonomy and a healthier fiscal condition (Nalle et al., 2021; Rahman & Laere, 2021; Sahdan et al., 2024). Conversely, a low ratio suggests dependency on external funding, which may limit flexibility in decision-making and policy implementation. Thus, the financial independence ratio not only serves as a numerical indicator but also reflects the degree of regional autonomy and resilience in managing financial resources.

Factors Affecting Regional Fiscal Performance

Regional fiscal performance is influenced by a combination of institutional, economic, and policy factors. Effective management of local own-source revenue (PAD) depends not only on the capacity of local governments to mobilize resources but also on the efficiency of budgeting, transparency, and governance structures (Mardiasmo, 2021; Nugroho & Syahputra, 2022). Institutional capacity, including the competence of financial officers and the quality of internal controls, has a significant impact on fiscal independence and efficiency (Lin & Zhou, 2021; Ibrahim et al., 2024).

Economic conditions at the local level, such as the size of the tax base, the diversity of revenue sources, and local economic growth, also affect the realization of PAD and the stability of regional budgets (Haryanto, 2018; Fahry et al., 2021). Moreover, political factors, including local leadership commitment and public participation in decision-making, can either enhance or constrain fiscal performance (Seetharam, 2019; Kamal et al., 2025).

Studies show that regions with higher transparency, accountability, and fiscal planning capacity tend to achieve better financial independence and efficiency, reducing reliance on central transfers (Abdullah & Hasan, 2023; Suryaningrum et al., 2023). Conversely, regions facing administrative inefficiencies, low tax compliance, and limited financial innovation often struggle to meet PAD targets and maintain expenditure discipline, leading to fluctuations in fiscal effectiveness and efficiency (Istikharoh & Purnomo, 2023; Islami et al., 2025). This body of literature highlights that enhancing regional fiscal performance requires a multidimensional approach that addresses institutional, economic, and governance factors simultaneously. Understanding these factors is crucial to interpreting the observed trends in Gorontalo Regency's financial independence, PAD effectiveness, and expenditure efficiency.

RESEARCH METHODS

The type of research conducted in this study is descriptive research with a quantitative approach, where data is processed and presented numerically to describe the actual condition of the research object. The quantitative descriptive method was chosen because it is appropriate for providing a systematic, factual, and accurate picture of the financial performance of the Gorontalo Regency Government, without requiring hypothesis testing or causal variables. This approach allows for historical trend analysis based on secondary data, which is efficient for evaluating the principles of efficiency, effectiveness, and independence of regional finance, as recommended in public finance literature (Halim & Abdullah, 2018).

The data sources used in this study are secondary data, collected from official documentation of the Gorontalo Regency Government's financial reports for the period 2018 to 2023. This data was obtained from authorized institutions responsible for financial reporting, such as the Regional Finance and Asset Management Agency of Gorontalo Regency and the official website of the Ministry of Finance of the Republic of Indonesia. The 2018-2023 period was chosen because it encompasses the complete financial cycle following the fiscal decentralization reforms (as stipulated in Law No. 23 of 2014 concerning Regional Government), including the impact of the COVID-19 pandemic (2020-2022) that affected regional financial management, and the availability of complete and auditable data up to the most recent year. The use of secondary data from official sources ensures validity (compliance with government accounting standards) and reliability (consistency through audits by the Supreme Audit Agency, ensuring that research findings reflect actual performance indicators rather than subjective estimates. To further ensure reliability, data were cross-validated with publicly published annual financial reports, avoiding bias or input errors. The use of secondary data also enabled longitudinal analysis over six years, allowing researchers to identify trends and patterns in financial performance.

The data analysis technique applied in this study involved several structured stages. The first stage was data tabulation, where financial data was organized into tables to simplify the organization and presentation of numerical information. The second stage was the calculation of financial ratios relevant to the research objectives, namely the regional financial independence ratio, effectiveness ratio, and efficiency ratio. These ratios were chosen because they are key indicators in evaluating regional financial performance based on Home Affairs Ministerial Regulation No. 13 of 2006 and literature such as Mardiasmo (2019), which emphasizes their role in measuring a region's ability to self-finance expenditures, success in achieving revenue targets, and budget efficiency. The independence ratio is prioritized to assess dependence on central transfers, while effectiveness and efficiency reflect the value-for-money principle in APBD management.

Here is the equation to measure the Regional Financial Independence Ratio:

$$\text{PAD Effectiveness Ratio} = \frac{\text{Realized PAD}}{\text{Planned PAD}} \times 100 \%$$

Table 1. Effectiveness Criteria

Effectiveness Percentage	Criteria
≥ 100%	Very Effective
90% - < 100%	Effective
80% - < 90%	Fairly Effective
60% - < 80%	Less Effective
< 60%	Ineffective

Table 1 shows the effectiveness criteria. Halim (2007) stated that percentage criteria measure the effectiveness of regional revenue realization. A realization of 100% or more is categorized as very effective, while 90% to below 100% is considered effective. Realization between 80% and 90% is fairly effective, 60% to below 80% is less effective, and below 60% is classified as ineffective.

The Regional Financial Efficiency Ratio compares the expenditures incurred to generate revenue with the amount of revenue realized. Local government financial performance is considered efficient if the ratio is less than 1 (one) or below 100%. The lower the ratio value, the better the financial performance of the local government (Halim, 2002). Here is the equation to measure the Regional Financial Efficiency Ratio (REKD).

$$\text{REKD} = \frac{\text{Realized Regional Expenditure}}{\text{Planned Regional Revenue}} \times 100 \%$$

Table 2. Efficiency Criteria

Efficiency Percentage	Criteria
≥ 100%	Very Effective
90% - < 100%	Effective
80% - < 90%	Fairly Effective
60% - < 80%	Less Effective
< 60%	Ineffective

Based on Table 2, Halim (2007) stated that the efficiency of regional financial management is assessed using percentage-based criteria. An efficiency level of 100% or more is categorized as very efficient, while a range of 90% to below 100% is considered efficient. Meanwhile, an efficiency rate of 80% to below 90% is fairly efficient, 60% to below 80% is less efficient, and below 60% is classified as inefficient.

RESULTS

Regional Financial Independence and Revenue Effectiveness of Gorontalo Regency

The analysis of Gorontalo Regency's regional financial performance from 2018 to 2023 covers three main indicators: the Regional Financial Independence Ratio, the Effectiveness Ratio of Locally Generated Revenue (PAD), and the Regional Financial Efficiency Ratio. These indicators provide a comprehensive overview of the region's fiscal capacity, effectiveness in managing local revenue, and efficiency in balancing expenditure with revenue. The following subsections present the results of each indicator, highlighting fluctuations, trends, and their implications for regional financial management.

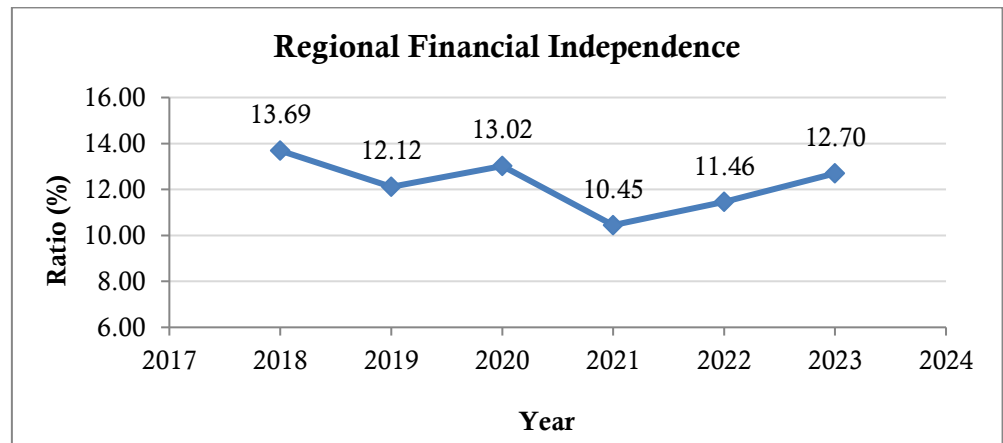


Figure 1. Regional Financial Independence Ratio of Gorontalo Regency Government

Figure 1 shows the development of regional financial independence ratios from 2018 to 2023. At the beginning of the period, the ratio was at a relatively high level, but it had experienced a significant decline in 2021 before increasing again in the following years. Despite fluctuations, overall regional financial independence is still in the very low category, which indicates a considerable dependence on the central government. This emphasizes the need to optimize Regional Original Revenue so that fiscal independence can be further improved.

Table 3. Regional Financial Independence Ratio of Gorontalo Regency Government for the 2018–2023

Year	Realized Local Own-Source Revenue (IDR)	Realized Transfer Revenue (IDR)	RKKD (%)	Relationship Pattern
2018	147.992.401.409.49	1.081.287.626.729.00	13.69	Instructive
2019	155.465.564.155.41	1.283.181.447.340.00	12.12	Instructive
2020	128.156.477.764.68	984.033.760.073.00	13.02	Instructive
2021	122.467.826.370.92	1.172.271.662.111.00	10.45	Instructive
2022	128.463.335.556.04	1.121.438.574.937.60	11.46	Instructive
2023	151.401.740.666.62	1.191.954.114.249.60	12.70	Instructive
Average			12.24 %	Instructive

Based on Table 3, the Regional Financial Independence Ratio (RFIR) for the 2018–2023 period shows an average of 12.24%. This indicates that the financial capacity of Gorontalo Regency is very low, and the relationship pattern is instructive, meaning the central government plays a dominant role compared to the local government. Starting in 2018, the independence ratio was 13.69%, decreased in 2019 to 12.12%, rose slightly in 2020 to 13.02%, and dropped again in 2021 to 10.45%. In 2022 and 2023, it slightly improved to 11.46% and 12.70% respectively. This suggests that the region still heavily depends on external funding, especially from the central and provincial governments.

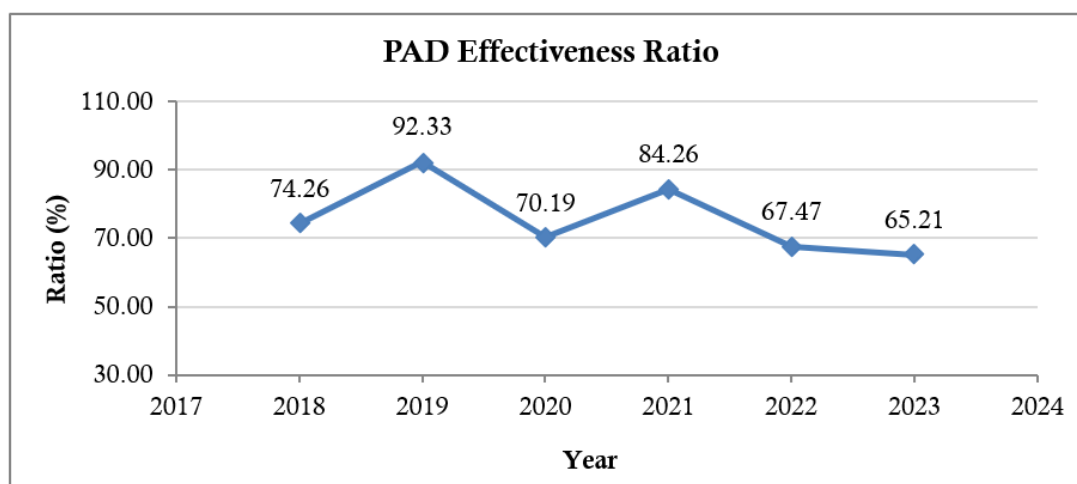


Figure 2. PAD Effectiveness Ratio of Gorontalo Regency Government

Figure 2 shows the development of the PAD effectiveness ratio in Gorontalo from 2018 to 2023. In 2019, the ratio reached a high point of 92.33% which was in the effective category, but after that, it tended to decline with fluctuations. In 2020, it dropped to 70.19%, then rose again in 2021 to 84.26%, before declining sharply again to reach 65.21% in 2023. This trend shows that the effectiveness of PAD is still unstable and tends to weaken in recent years, indicating the need for improvements in the planning and realization of regional revenue targets.

Table 4. Effectiveness Ratio of PAD of Gorontalo Regency Government

Year	Realized PAD (IDR)	Budgeted PAD (IDR)	REPAD (%)	Criteria
2018	147.992.401.409.49	199.301.061.896.00	74.26	Less Effective
2019	155.465.564.155.41	168.371.380.186.00	92.33	Effective
2020	128.156.477.764.68	182.581.218.392.00	70.19	Less Effective
2021	122.467.826.370.92	145.350.952.728.00	84.26	Quite Effective
2022	128.463.335.556.04	190.413.109.724.00	67.47	Less Effective
2023	151.401.740.666.62	232.158.861.415.00	65.21	Less Effective
Average			75.62 %	Less Effective

Table 4 shows the realization of locally generated revenue compared to its budget from 2018 to 2023, showing fluctuating effectiveness. In 2018, PAD realization reached 74.26% of the target and was categorized as less effective, but performance improved in 2019 with 92.33%, making it effective. The following years showed a decline, with 70.19% in 2020 (less effective) and 84.26% in 2021 (quite effective). However, in 2022 and 2023, effectiveness dropped again to 67.47% and 65.21%, both falling into the less effective category. The six-year average stood at 75.62%, which indicates that PAD realization remained in the less effective range.

Regional Financial Efficiency of Gorontalo Regency

The regional financial efficiency ratio of Gorontalo Regency showed quite fluctuating changes throughout the 2018–2023 period. The value declined sharply in 2019, then increased to reach its highest point in 2022 before weakening again in 2023, illustrating the dynamics in the effectiveness of regional financial management.

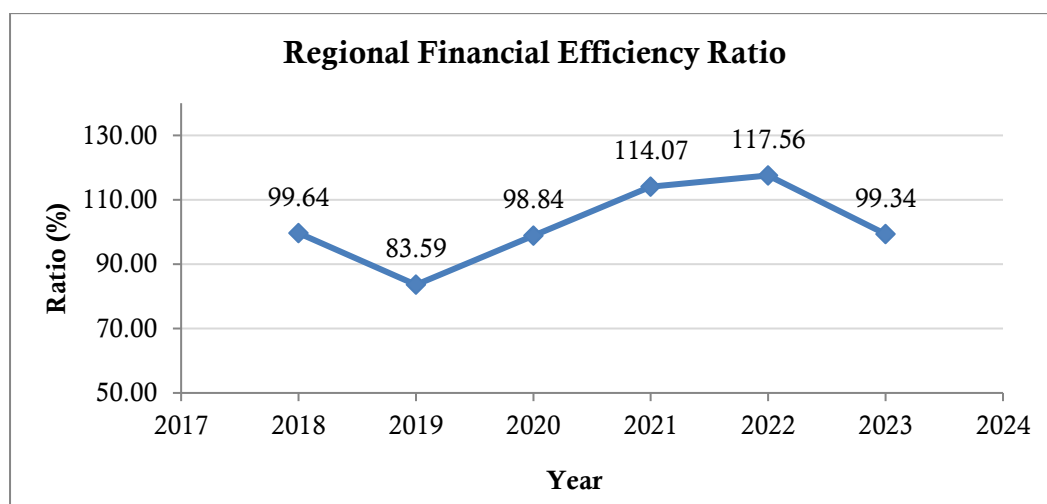


Figure 3. Regional Financial Efficiency Ratio of Gorontalo Regency Government

Figure 3 shows that the Regional Financial Efficiency Ratio fluctuated significantly between 2018 and 2023. In 2018, the ratio stood at 99.64% before dropping sharply to 83.59% in 2019. It then recovered to 98.84% in 2020 and continued to rise, reaching its peak at 117.56% in 2022. However, in 2023 the ratio declined again to 99.34%, indicating reduced financial efficiency compared to the previous two years.

Table 5. Regional Financial Efficiency Ratio of Gorontalo Regency Government

Year	Realized Regional Expenditure (IDR)	Realized Regional Revenue (IDR)	REKD (%)	Criteria
2018	1.451.790.060.201.70	1.457.052.397.138.49	99.64	Less Efficient
2019	1.253.148.698.025.48	1.499.154.604.216.41	83.59	Quite Efficient
2020	1.392.206.507.241.16	1.408.590.213.911.88	98.84	Less Efficient
2021	1.541.309.144.839.65	1.351.193.921.844.92	114.07	Inefficient
2022	1.475.435.901.270.04	1.255.100.044.662.64	117.56	Inefficient
2023	1.343.406.170.962.09	1.352.281.735.989.22	99.34	Less Efficient
	Average		102.17 %	Inefficient

Based on Table 5, the Regional Financial Efficiency Ratio (REKD) shows varying performance across 2018–2023. In 2018, regional expenditure and revenue were nearly balanced, resulting in a REKD of 99.64% categorized as less efficient, followed by a significant improvement in 2019 with 83.59% classified as quite efficient. However, efficiency declined again in 2020 (98.84%) and worsened in 2021 and 2022 when the ratio exceeded 100%, reaching 114.07% and 117.56% respectively, both indicating inefficiency due to higher expenditure than revenue. By 2023, the ratio slightly improved to 99.34% but remained in the less efficient category, leading to an overall average of 102.17% which reflects inefficiency in regional financial management.

DISCUSSION

Over the past six years, the financial independence ratio in Gorontalo Regency has remained very low, with an average ranging between 10% and 13%. This indicates a persistent instructive relationship pattern, in which the central government remains dominant. The high dependency on transfer revenues weakens fiscal autonomy and complicates regional budgeting (Kamal et al., 2025; Biele et al., 2025). Thuy and Lim (2023) support this by stating that excessive reliance on central transfers limits the capacity of local governments.

The regional financial independence ratio still falls within the 0%-25% interval. This low level of independence indicates that Gorontalo Regency remains highly dependent on central government support for financing local governance and development. The COVID-19 pandemic from 2019 to 2022 also contributed to the decline in the

independence ratio. As explained by Putra and Alfinuha (2024), the financial independence ratio during the pandemic tended to decrease because transfer revenues dominated total local income, compared to the public's participation through local taxes and contributions (the main components of local own-source revenue).

This finding is in line with the agency theory, which explains the relationship between the government as the agent and the people as the principal (Moloi & Marwala, 2020). The government is expected to act in the public's best interest to improve welfare (Thuy & Lim, 2023; Sen Li & Li, 2024). In conclusion, the financial independence of Gorontalo Regency is still very low, reflecting a high level of dependence on external funding sources. The region has not yet been able to optimize its own-source revenue to fund its own development.

The local own-source revenue effectiveness ratio illustrates the regional government's ability to realize planned local own-source revenue compared to the target set based on the region's real potential. The higher the effectiveness ratio, the better the performance of the local government. The local own-source revenue effectiveness ratio of Gorontalo Regency over the six-year period shows fluctuating results. In the years 2018, 2020, 2022, and 2023, Locally-generated revenue performance was less effective, with effectiveness ratios of 74.26%, 70.19%, 67.47%, and 65.21%, respectively. The COVID-19 pandemic during 2020 and 2022 significantly impacted financial performance and contributed to the decline. As stated by Ali (2024), the effectiveness level of Gorontalo Regency in mobilizing local own-source revenue during the pandemic declined due to reduced success in achieving targets for local taxes, retributions, and other legitimate local own-source revenues.

On the other hand, in 2019 (92.33%) and 2021 (84.26%), the ratios indicated effective and fairly effective financial management. The realization of local own-source revenue in Gorontalo Regency has not been optimal. The local government needs to continuously enhance the collection and management of its potential revenues (Kumshe & Bukar, 2013; Syamsuri, 2022). Government initiatives and capabilities are crucial for increasing Locally-generated revenue and improving regional financial performance (Fahry et al., 2021; Islami et al., 2025).

The Regional Financial Efficiency Ratio describes the government's ability to manage regional expenditures effectively relative to its revenue. During 2018, 2020, and 2023, the financial efficiency of Gorontalo Regency was categorized as less efficient. Based on the calculated ratios (within the 90%–100% range), it is evident that expenditures remained relatively high in comparison to realized revenues. Even though the Gorontalo Regency Government attempted to reduce spending from what was initially budgeted, the revenue collected was still insufficient to match the level of expenditures. This suggests poor financial performance due to the failure to reduce overall regional spending. In contrast, the year 2019 demonstrated fairly efficient financial performance, as spending was minimized and revenue was comparatively high. However, the efficiency ratios for 2021 and 2022, 114.07% and 117.56%, respectively, showed clear inefficiency, where realized expenditures exceeded revenues. To improve financial efficiency, the Gorontalo Regency Government should maximize the realization of local own-source revenue (including legal and other local revenues, taxes, and retributions) and other legitimate regional revenues, such as grants, while enhancing budgeting and realization from regionally separated assets (Dilliana et al., 2019; Putra & Alfinuha, 2024). The weak fiscal performance also stems from structural constraints like limited tax bases, weak fiscal innovation, and administrative inefficiencies. Hence, diversifying taxes, improving budget transparency, and strengthening digital-based financial systems are crucial (Kumshe & Bukar, 2013; Fahry et al., 2021).

CONCLUSION

The findings indicate that the financial performance of the Gorontalo Regency Government during the study period has yet to reach an optimal level. This is reflected in the three main indicators analyzed: the financial independence ratio, the effectiveness

ratio, and the financial efficiency ratio. The financial independence ratio shows that the fiscal relationship between the local and central governments remains instructive in nature, indicating a high level of dependence on central government transfers and the region's inability to achieve full fiscal autonomy. Furthermore, the effectiveness ratio of locally generated revenue displays a fluctuating trend and generally falls into the less effective category. This suggests that the local government's efforts to manage and optimize its locally generated revenue potential have not been maximized. Meanwhile, the financial efficiency ratio also exhibits instability and falls outside the efficient category, indicating that budget utilization has not been managed optimally in accordance with the principles of public financial efficiency.

This study is limited by its use of secondary quantitative data from Gorontalo Regency's 2018–2023 Budget Realization Reports, excluding qualitative factors such as governance, institutional capacity, and politics. It only analyzes three ratios, which narrow fiscal performance assessment, while the COVID-19 pandemic complicates separating structural and temporary effects. The findings imply that Gorontalo Regency still faces low financial independence, fluctuating Locally-generated revenue effectiveness, and inefficiencies in expenditure management, highlighting the urgent need to strengthen fiscal autonomy, diversify revenue sources, and improve financial governance. For future research, broader financial indicators should be included, cross-regional comparisons undertaken to identify best practices, and qualitative approaches such as interviews with policymakers applied to gain deeper insights, as well as studies focusing on post-pandemic recovery strategies to enhance regional financial sustainability. These findings contribute to the theoretical understanding of fiscal decentralization and agency relationships in regional financial management contexts.

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