

Analysis of Financial Performance, Economic Growth and Level of Poverty in Regency/City in Maluku Province



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ABSTRACT: This research analyzed financial performance, economic growth, and Maluku province district/city poverty levels for 2020-2022. The financial performance used in this research is the independence, effectiveness, and efficiency ratios for economic growth in this research and poverty levels. This research uses quantitative data to examine the financial performance of districts/cities in Maluku Province, as well as economic growth and poverty levels. The data used is secondary data in the form of reports on the Realization of the Regional Revenue and Expenditure Budget (APBD), Gross Regional Domestic Product (GRDP), and Poverty data. This data was obtained from the Maluku Provincial Revenue Service. The research results obtained are the independence ratio, which shows that the independence ratio of Maluku Province still needs to be independent because the role of the central government is still more dominant. The efficiency ratio for regional financial management in districts/cities in Maluku still needs to be more efficient. Economic growth still needs to be at an excellent/satisfactory value for districts/cities in Maluku.

KEYWORDS: Financial Performance, Economic Growth, Poverty Level, Maluku

I. INTRODUCTION

Regional economic growth is vital in supporting national economic growth (Azwar Lt., 2013). This is because economic equality long-term impacts national development and community income (Resosudarmo et al., 2011). Economic growth is also an indicator of the level of welfare of regional communities, the level of control and technological development in a region, and also an indicator of the success of regional development (Peterson, 2017; Mundlak, 2001; Harahap, 2012). The level of economic growth is also inseparable from the success of the internal government in improving land infrastructure and public services (Arsa & Setiawina, 2012). The achievement of economic growth indicates that the region has succeeded in resolving poverty and increasing community income and living standards (Lucky, 2013). Later theory shows that it is vital to be aware of economic growth. To determine a region's economic growth level, we rarely look at the domestic product, regional gross domestic product, or GDP (Wertianti & Dwirandra, 2013; Zahari, 2017). Todaro L& LSmith (2006) opined that GDP is the total value of the total output of millions of people generated by an economy at the regional level, both by residents of a region and residents of other areas who live in that region. The nominal GDP is vital because it can be used as a material for planning analysis and benchmarks in measuring the results of development (Rahman & Chamelia, 2015). In other words, a region needs to consider the level of economic growth as measured by GDP for decision-making.

As is known, suitable government structures are generally able to protect the land and serve the needs of society. The government structure is usually based on a "check land balances" system in good governance. Indicators of success in government organizations are not measured from profit balances but are seen from the quality of service and efficiency in the use of available funds. So, a region can be financially strong because it depends on how it manages its finances, where regional financial management significantly influences an area's fate. Regional financial management carried out economically, efficiently, and effectively or fulfills the value of money, as well as participation, transparency, accountability, and fairness, will encourage economic growth, reducing unemployment and poverty. For regional management, it is necessary to have human resources and economic resources in the form of financial resources expressed in a regional government budget and local regulations. APBD is the main policy instrument for local governments. The regional budget is central to developing local government's capabilities, efficiency, and effectiveness. It determines the amount of income, expenditure, and financing. It also assists in decision-making and development planning. Local budgets also act as a lot of authority for future spending, a standard measure for evaluating performance and coordinating all activities in various work units. Apart from that, these violations can be used as policy instruments and occupy a central position that must contain financial performance for internal assessment and internal relationships in driving economic growth, reducing unemployment, and lowering poverty levels. The performance associated with the violation is financial performance in the form of

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a comparison between the components contained in the violation. Financial performance studies in line with research include independence, effectiveness, and efficiency ratios. Researchers can use these three ratios to directly test the influence of financial performance on economic growth and directly test economic growth on poverty.

Maluku is expected to be able to increase local income to encourage economic growth and reduce poverty levels. Hamzah L (2008) illustrates very high disparities in financial performance in each region. The differences in performance are caused by differences in the ability of each region to increase its regional revenue potential. In this way, there has been a difference in economic capabilities between one area and another in improving economic growth and reducing unemployment and poverty. In their research, Sularso L and Restianto L (2011) showed that financial performance influenced economic growth. Financial performance in line research has an independence, effectiveness, and efficiency ratio. The existence of these ratios is used so that it can encourage and increase economic growth, which in turn reduces poverty levels. This research examines regional financial performance, economic growth, and poverty.

II. LITERATURE REVIEW

Financial Performance

Financial performance is a measure of performance that uses financial indicators (Sularso and Restianto, 2011). In simple terms, an organization's or individual's financial performance is good if the results achieved are what was planned. If the results exceed plans, it can be said that the financial performance of an organization is very good. If the results achieved are different from plans (less), then the organization or individual has financial performance that is still less. In this area, financial performance is measured from various financial ratio analyses. Financial analysis of the APBD is carried out to compare the results achieved in one period with the previous period to determine what trends are occurring. There are three ways to measure financial performance:

1. Independent Ratio

Regional financial independence (fiscal autonomy) shows the ability of the regional government to self-finance government activities, land development, and services to local communities that have paid taxes and levies as a source of income for the region.

2. The effectiveness ratio describes the regional government's ability to realize the planned regional budget and compare it with the targets set based on the region's real potential. This means that the line ratio is the result of a comparison (ratio) between the actual regional budget and the targeted regional budget (Halim, 2012).

3. The efficiency ratio is a ratio that describes the comparison between the amount of costs incurred to obtain income and the realization of income received (Halim, 2012). For this reason, local governments need to calculate carefully how much it costs to realize all the revenues they receive so that they can know whether their revenue collection activities are efficient or not. This needs to be done because even though the local government has succeeded in realizing revenue receipts in line with the targets set, this success has little meaning if it turns out that the costs incurred to realize the revenue targets are more significant than the actual revenue it receives. Analysis of regional financial efficiency levels can be calculated using efficiency ratios. These namely ratios describe the comparison between regional output and input or the realization of regional expenditures and the realization of regional revenues.

Economic Growth

Economic growth is generally the development of economic activities that cause the prosperity of society and the goods and services produced in society. Economic growth can also be interpreted as an increase in Gross Domestic Product (GDP) or Gross National Product (GNP) regardless of whether the capital increase is more significant or smaller than the population growth rate or whether changes in the economic structure have occurred. Sukirno (2016:17). 2016: 432); economic growth is the development of activities in the economy, which causes goods and services produced in society to increase and the prosperity of society to increase. The measure often used in calculating economic growth is gross domestic product (GDP).

Poverty

According to the Maluku Social Service, poverty is defined from two sides: economic and social. From an economic perspective, it means a person's inability to meet basic food and non-food needs, whereas from a social perspective, it means an inability in social roles. Many factors cause poverty, both relatively persistent and growing. Relative factors remain, such as the geographical location of the land and the natural carrying capacity. Developing factors include social and cultural conditions involving knowledge and skills, legal traditions, political situations, and the authorities' policies. Several indicators cause people to be trapped in poverty, including social and economic development, health services, nutrition, education, housing, consumption, land transportation and services, agriculture, land industry, and trade. The poverty level is measured by comparing the number of poor people with those in the area and expressed as a percentage.

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III. METHODS

This research uses quantitative methods with independent variables such as independent Ratio (X1), Effectivity Ratio (X2), and Efficiency Ratio (X3). Economic Growth (Y1) and Poverty Level (Y2) are dependent variables. This research uses 2 cities and 9 regencies in Maluku. The secondary data needed for line research are secondary data from reports on the realization of the budget, land income and regional expenditure, domestic product, regional gross product (GRDP), and poverty data. These data were obtained from the Department of Revenue and BPS of Maluku Province. We engaged in descriptive analysis and classic assumption testing during the data analysis process. Moreover, we utilized SPSS to execute multiple linear regression, F-tests, t-tests, and R-squared tests.

IV. RESULTS AND DISCUSSION

a. Independent Ratio

From the results of calculating the level of independence. Maluku Province is still in the deficient category for 2020-2022 (scale 0%-25%) if calculated from the average Independence ratio, which means that Maluku Province still needs to be independent because the role of the Central Government is still more dominant. This means the economy needs to improve because more PAD is required to encourage and develop economic growth. So, this is interpreted as negatively influencing economic growth in district/city governments in Maluku. This means that the more the regional government is dependent on the central government, the impact it will have on lower regional finances in financing its own regional needs. This means that there is no linear relationship between the independence ratio variable and the economic growth variable. Apart from that, the regional financial independence ratio also has a negative relationship with the economic growth of Maluku Province. In other words, the regional economic growth will be low when the independence ratio is high. This happens because the transfer allocation is based more on expenditure aspects, but regional performance in local tax collection needs to be considered. As a result, local governments demand larger transfers from the central government every year to finance their expenses.

The results of this research align with research conducted by (Siregar, 2016), which states that the regional financial independence ratio has an insignificant negative effect on economic growth. This research differs from that conducted by Hamzah (2008), a study of 29 districts and nine cities in East Java Province. The regional financial independence ratio is the ability of regional governments to fund or finance government activities. Suppose the locally generated revenue obtained by the region is high. In that case, the percentage of PAD in financing development services is also high, and vice versa (Halim, 2012), which also states that the higher the regional independence ratio, the higher the regional financial independence ratio. The higher the community participation in paying regional taxes and levies, which are the main components of locally-generated revenue. These results can be explained by the fact that, in general, almost all districts/cities in Maluku Province studied have not demonstrated their independence in meeting the needs for development funding and public services to the community, which originate from tax revenues and levies, so this does not have much of an impact on economic growth in the region. Source funding still depends on the central government budget, which is relatively limited.

b. Effectivity Ratio

The results of the data analysis using effectiveness tests show that the average effectiveness ratio of Maluku Province from 2020 to 2022 shows that most districts/cities are running less effectively to ineffective with a ratio below 90%-100%. At the same time, the lowest effectiveness ratio occurred in the Southwest Maluku and the Aru Islands districts, with a percentage of 18.77%-28.70% in 2022. Based on these calculations, it can be seen that the Financial Effectiveness of the Regional Government of Maluku Province in 2020-2022 needs to run more effectively. We have Seen from the effectiveness ratio, which shows <100%. This means that the Maluku Provincial government has been unable to carry out its duties well because, as seen from the effectiveness ratio, it is less effective. The results of the effectiveness test show that the Maluku provincial government has yet to realize an increase in locally-generated revenue with community services that are not optimal, so the effectiveness ratio is low. Then this means that the effectiveness ratio has no significant effect on economic growth. This shows that the Maluku Regency/City Government's ability to realize its revenues compared to the targets set has yet to be maximized, so the effectiveness ratio has not been able to encourage economic growth. This means that the effectiveness ratio does not affect economic growth significantly. This means that there is no linear relationship between the effectiveness ratio variable and the economic growth variable. In other words, regional economic growth will decrease when the effectiveness ratio is high. The results of this research align with research conducted by (Syamsudin & Cahya, 2015). which states that the effectiveness ratio has a negative and insignificant effect on economic growth. This research is not consistent with research conducted by (Berliani, 2016), which shows that the influence of effectiveness has a positive effect on economic growth.

c. Efficiency Ratio

The calculations in the efficiency ratio table show that the average efficiency ratio of the Maluku Province budget from 2020 - 2022 is less efficient than inefficient, with a ratio above 70%. The lowest APBD efficiency ratio occurred in Central Maluku Regency and Southwest Maluku Regency in 2020-2022. The budget needed to run more efficiently with a percentage of >100%. The

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efficiency ratio calculation shows that regional financial management in districts/cities in Maluku still needs to be more efficient. Because the efficiency value is 90% -100%, then this means that the efficiency ratio does not significantly affect economic growth. The efficiency ratio is a ratio that describes the comparison between output and input or realized expenditure and realized regional revenue. Efficiency in regional financial management is a demand for every regional government. The higher the percentage ratio of expenditure to expenditure, the more inefficient regional financial management is. This is because the actual expenditure incurred is insufficient to be allocated for capital expenditure. The inefficient use of the capital expenditure budget has been unable to encourage economic growth. This means that there is no linear relationship between the efficiency ratio variable and the economic growth variable. In other words, regional economic growth will decrease when the efficiency ratio is high. This means that the efficiency ratio hurts economic growth in districts/cities in Maluku. The results of this research align with research conducted by (Berliani, 2016), which states that the efficiency ratio has a negative and insignificant effect on economic growth. This is because Maluku Province spends its entire budget on the income it receives. Even though the budget in Maluku Province is inefficient due to higher expenditure than income, this expenditure can trigger economic growth in Maluku Province. This research is inconsistent with that conducted by Hamzah (2008), a study of 29 districts and nine cities in East Java Province, namely that the efficiency ratio significantly positively affects economic growth. From the results of calculating the efficiency ratio of each city/district in Maluku Province, on average over three years, the efficiency ratio value is more than 100%, which means that the region is inefficient in spending its income, where regional income is more minor than regional expenditure. This research indicates that the efficient financial management of city/district governments in Maluku Province is still less efficient or even inefficient due to the high level of routine spending, especially related to personnel spending. Meanwhile, sources of income are relatively limited, so they cannot cover existing regional expenditures.

- d. Based on the analysis results, the growth rate in districts/cities in Maluku has increased. This economic growth shows that there are good results. Moreover, there was no increase in poverty levels. Even though it is said that locally-generated revenue in districts/cities in Maluku cannot be relied on to support the regional economy because of the small value of regional income, economic growth continues to increase because transfer assistance from the central and provincial governments can fulfill the economy in districts/cities in Maluku. So, even though regional governments still depend highly on the central and provincial governments, this does not guarantee that poverty levels will increase. Economic growth in districts/cities in Maluku is said to be good because transfer assistance from the provincial and central governments is dominant and greater than locally-generated revenue so that it can finance the needs of district/city governments in Maluku. The development of Gross Regional Domestic Product (GRDP) growth experienced a decline or was negative in 2020, but from 2021 to 2022, it began to experience good or positive growth. Starting in 2020, GRDP was based on constant prices 2020; even though it experienced a decline or was not good, namely having a negative value, it recorded negative growth when hit by the COVID-19 pandemic in 2020. However, in 2021-2022, the GRDP value experienced a good increase in value. The previous year's negative GDP becomes a positive value.

According to (Sunusi, 2014), poverty and economic growth are important parts that can determine the success of a country's development and its main capacity to create poverty reduction. Increasing economic growth is very important to reduce poverty. Because poverty will be reduced on a very small scale if the poor receive only a few benefits resulting from economic growth (Pangiuk, 2018). Likewise, research (Nizar et al., 2013) explains that economic growth significantly negatively affects the poverty variable. Due to the reduction of poverty, mitigation is carried out in the form of applying the use of technology to farmers (agricultural products) and then increasing the creativity of agricultural products, on which the majority of poor people depend for their livelihood. Delays in mastering technology impact creativity, and the development of agricultural products declines, causing farmers' income to become unstable. By increasing creativity and developing creativity, agricultural products will increase their selling prices so that farmers' incomes are stable and they move out of poverty. The difference in research results with Hamzah's is due to differences in research samples and periods.

e. Poverty Level

Based on the number of poor people and the total population in districts/cities in Maluku, the average value of the Poverty Percentage is 0.00-0.02% from 2020-2022. Judging from the results, it is stated that Maluku Province has a low percentage of poverty, meaning that almost no poverty occurs in Maluku Province due to the natural potential that the Maluku people themselves utilize. Poverty is seen as an economic inability to meet basic food and non-food needs as measured in expenditure. The poverty that occurs in districts/cities in the Maluku region is more of a form of structural or artificial poverty because naturally, Maluku Province has enough potential and resources that can be utilized to prevent poverty, for example, the results of agricultural, forestry, plantation and fisheries management that can be exercised to support daily life. Poverty measures vary; some are based on income and consumption, and some on housing areas. What is certain is that poverty is the difference between income and minimum living standards. Therefore, however, the problem of poverty in districts/cities in the Maluku region needs to be solved. Many variables influence it, including the district/city minimum wage or UMK. Pamungkas (2017) states that the minimum wage impacts poverty by increasing the average wage. On average, the dominant workers in districts/cities in the Maluku region are BUMN workers and civil servants, so it can be said that districts/cities in Maluku have a low poverty level because their lives are still dependent on

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income obtained from the Central Government. Also, the people of the Maluku district/city still blend in with nature or with the surrounding natural riches. The economy of Maluku Province is still very traditional, relying on food, agriculture, forestry, fisheries, government administration, and trade. Where the poverty rate also decreases as the average worker's wages increase.

V. CONCLUSION

1. Based on the independence ratio, district/city regional finances in Maluku experience low independence. Because the role of the central government is more dominant, the Maluku district/city government has not been able to finance the needs and activities of its own regional government or the regional financial performance of the Maluku district/city government.
2. The effectiveness ratio calculates the level of effectiveness. The financial Effectiveness of the Regional Government of Maluku Province in 2020-2022 is less effective than ineffective. This means that the Maluku Regency/City regional government has not been able to carry out its duties well because, as the effectiveness ratio shows, it is less effective.
3. Based on the regional financial efficiency ratio, calculating the efficiency level, it can be seen that the financial efficiency of the Maluku provincial government in 2020-2022 is inefficient. This is because the Maluku district/city government spends the entire budget in excess of the income it receives. Even though the budget in Maluku Province is inefficient due to higher expenditure than income, this expenditure can trigger economic growth in Maluku Province.
4. Based on the Economic Growth of districts/cities in Maluku, it can be seen from the results of the analysis that has been carried out that the growth rate has increased well every year, and the poverty level has decreased. Due to increasing economic growth because districts/cities in Maluku have very large transfer assistance from the central and provincial governments to boost the economy in districts/cities in Maluku, compared to regional income in the form of regional taxes and levies, which have not been able to support the economy in the Maluku region . so that assistance from the central and provincial governments can resolve the level of poverty that occurs. This means that the labor absorption sector contributes little to increasing economic growth. Increasing economic growth is very important to reduce poverty. Because poverty will be reduced on a very small scale if the poor receive only a few benefits resulting from economic growth.

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