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Analysis of The Efficiency and Effectiveness of Regional Financial Management in Regional Revenue Agencies Southeast Sulawesi Province

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Abstract: *This study aims to analyze the effectiveness and efficiency of the management of Regional Original Revenue (PAD) in Southeast Sulawesi Province from 2021 to 2023. The analysis results show that the PAD effectiveness ratio for the three years was at an excellent level, with an average of 104.06%, indicating the local government's ability to realize revenues according to or even exceed the set targets. However, there was a decline in effectiveness in 2023, which signals the need to evaluate and adjust PAD management targets and strategies. Meanwhile, the efficiency ratio showed unfavorable conditions, with an average of 165.91%, indicating that PAD collection costs were higher than the revenues obtained, indicating waste and inefficiency in the collection process. Therefore, this study emphasizes the need for serious attention to improve the efficiency of regional financial resource management to reduce collection costs and prevent excessive burdens on the regional budget..*

Keywords: *Regional Financial Management, Effectiveness, Efficiency.*



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INTRODUCTION

Law No. 33 of 2004 and Law No. 17 of 2003 serve as the legal basis for regional financial management. These two laws regulate the distribution and management of regional revenues, as well as the responsibilities of regional governments in using the budget for the public interest. Regional revenues come from various sources, such as Regional Original Revenue (PAD), Balanced Funds, and Other Legitimate Revenues. Proper management of these sources is crucial to supporting regional development.

Regional financial management is a process that involves planning, implementing, monitoring, and evaluating the budget and finances owned by the regional government to achieve effective, efficient, and accountable development goals. Government Regulation Number 58 of 2005 concerning Regional Financial Management emphasizes that regional financial management must be carried out in an orderly manner, in accordance with applicable laws and regulations, efficiently, effectively, transparently, and responsibly by paying attention to the principles of justice and propriety and benefits for the community, regional financial management is implemented in an integrated system that is realized in the budget. then According to Purba, et. al. (2021), financial management or financial management is the planning, organizing, directing, and controlling of financial activities such as procurement and utilization of business funds.

In the Big Indonesian Dictionary (KBBI), efficiency is the accuracy of the method or effort in carrying out something without wasting time, energy, or costs. In the context of regional management, efficiency refers to the appropriate use of resources to achieve development goals and public services without waste. According to Hasibuan (1984), the definition of efficiency is the best comparison between input and output (the result between profits and the resources used), as well as optimal results achieved with the use of limited resources. In other words, the relationship between what has been completed. According to Mulyamah (1987), the definition of efficiency is a measure in comparing the

planned use of input with the realized use or in other words the actual use.

According to the Big Indonesian Dictionary (KBBI), effectiveness is defined as the level of success in achieving expected goals or the effectiveness of an effort to produce the desired effect. In the context of "regional management," effectiveness means the extent to which the local government can achieve development goals and public services according to the set targets. According to Ravianto (2014), the definition of effectiveness is how well the work is done, the extent to which people produce output according to expectations. This means that if a job can be completed according to plan, both in terms of time, cost, and quality, then it can be said to be effective. According to Schemerhon (1986), the meaning of effectiveness is the achievement of output targets which will be measured by comparing budget output or OA (should be) with actual output or OS (actual). If $OA > OS$ then it will be considered effective.

The regional government strives to improve public accountability by optimally managing its budget to provide greater benefits to the community. However, in practice, regional financial management remains suboptimal. Many regional expenditures are ineffective in driving development. This means that even though the budget is available, its use and allocation do not have the expected positive impact on the progress of Southeast Sulawesi. Improvements in budget management are needed to better contribute to public welfare and regional development.

The Southeast Sulawesi Provincial Government's financial report data relating to the Budget and Realization of Regional Original Revenue (PAD) and Government Expenditures from 2021 to 2023 can be compiled in tabular form. This table will illustrate the comparison between the planned budget and the actual results achieved during that period.

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Table 1.1

Report on the Realization of Regional Original Revenue and Regional Government Expenditure of Southeast Sulawesi Province (In Millions of Rupiah)

Year	PAD Target	Realization	Shopping Target	Realization
2021	1,156,648.86	1,373,793.72	5,235,191.61	4,495,870.21
2022	1,393,023.98	1,419,667.15	4,767,316.59	4,862,530.57
2023	1,605,720.19	1,468,973.60	4,871,130.47	4,992,075.44

Source: *Source: Data from the Central Statistics Agency of Southeast Sulawesi Province, 2021 to 2023*

Based on Table 1.1 regarding the Report on the Realization of Regional Original Revenue (PAD) and Regional Government Expenditure of Southeast Sulawesi Province, it is found that in 2021 and 2022, from 2021 to 2023, the performance of Regional Original Revenue (PAD) and expenditure of the Southeast Sulawesi Provincial Government showed dynamics that require careful attention. In 2021, the PAD target of Rp1,156,648.86 million was successfully exceeded with a realization of Rp1,373,793.72 million, while the expenditure target of Rp5,235,191.61 million was not fully realized, only reaching Rp4,495,870.21 million. In 2022, the PAD target increased to Rp1,393,023.98 million and was again exceeded with a realization of Rp1,419,667.15 million, but there was spending that exceeded the target, where the realization of spending reached Rp4,862,530.57 million from the target of Rp4,767,316.59 million. In 2023, the PAD target increased again to Rp1,605,720.19 million, but the realization actually decreased to Rp1,468,973.60 million, indicating a decrease in the effectiveness of regional

revenue; meanwhile, spending again exceeded the target, with a realization of Rp4,992,075.44 million from the target of Rp4,871,130.47 million. Overall, in the last three years, PAD has twice exceeded the target, but the trend of spending exceeding the plan for two consecutive years indicates the need for increased budget discipline and evaluation in fiscal planning so that the balance between regional revenue and expenditure can be maintained sustainably.

According to Halim & Iqbal (2012), measuring regional financial effectiveness and efficiency can be done by calculating the Regional Financial Effectiveness Ratio and the Regional Financial Efficiency Ratio. The Effectiveness Ratio is the ability of a regional government to realize planned PAD compared to targets set based on the region's actual potential. Meanwhile, the Efficiency Ratio is a ratio that describes the comparison between realized expenditures (spending) and realized regional revenues.

LITERATURE REVIEW

Financial management

Literally, financial management comes from the word "management," meaning to manage, and "finance," meaning matters related to money, such as financing, investment, and capital. Therefore, in summary, financial management can be defined as all activities related to managing finances, starting with obtaining funding sources, utilizing funds optimally, and allocating funds to investment sources to achieve company goals (Armereo, et al., 2020).

Financial management encompasses all organizational activities aimed at obtaining, allocating, and using funds effectively and efficiently. Financial management involves more than just obtaining funds; it also involves learning how to use and manage those funds.



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Effectiveness

Effectiveness is the ability of an organization, activity, or program to achieve predetermined goals. Effectiveness is measured by comparing the achieved results (output) with the expected goals. The greater the contribution of the output to the goals, the higher the effectiveness (Handyaningrat, 2006; Mahmudi, 2010; Pasolong, 2019).

There are three approaches to measuring organizational effectiveness according to Martani and Lubis (1987), namely the source approach (measuring the effectiveness of input or resources), the process approach (looking at the effectiveness of implementing internal programs or activities), and the target approach (measuring the success of achieving output according to objectives).

Effectiveness is influenced by several factors, including clear objectives, organizational structure, community participation, and the adopted value system (Halim & Iqbal, 2012). Furthermore, according to Steers et al. (2004), other factors that influence effectiveness are organizational characteristics (structure and technology), the internal and external environment, individual characteristics within the organization (needs, goals, abilities), and the management policies and practices implemented. All of these factors play a vital role in determining an organization's success in achieving its goals.

Efficiency

According to the Big Indonesian Dictionary (KBBI), efficiency is defined as the accuracy of the method used to carry out something without wasting time, energy, and money. Ghiselli & Brown (1955) view efficiency as the ratio between output and input, while Gie & Thoha (1978) explain efficiency from two sides: maximum results with minimal effort, including thought, energy, time, and money.

Overall, efficiency is the achievement of optimal results with minimal sacrifice through the appropriate use of resources. Principles of efficiency include measurability, rationality, attention to quality, adherence to procedures, implementation within system capacity, and efficiency levels expressed as percentages or assessment categories. Improving organizational efficiency requires the appropriate use of economic resources, effective implementation of organizational functions, and ongoing organizational direction and dynamics to foster consistent growth and progress.

Regional Financial Management

Regional finances are all regional rights and obligations that can be valued in money, including assets related to the implementation of regional government (PP No. 58 of 2005). Regional financial management includes planning, organizing, directing, and controlling funds based on principles such as responsibility, ability to fulfill obligations, honesty, effectiveness and efficiency, and control (Halim & Iqbal, 2012 in Machmud, 2014).

Munir (2004) emphasized the importance of implementing the Value for Money concept, which requires budget management to be economical, efficient, and effective in order to create good, transparent, accountable, responsive governance that focuses on the needs of the community. Value for Money is measured through three main indicators: (1) Economy, namely whether spending is in accordance with needs and is reasonable;

Efficiency, namely the comparison between output and input; and (3) Effectiveness, namely the extent to which public service objectives are achieved. To analyze regional financial performance, APBD ratios are used which function to assess fiscal independence, effectiveness and efficiency of revenue, spending levels, the contribution of

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each source of revenue, and regional financial growth in a certain period.

Locally-generated revenue

Regional Original Income (PAD) is income derived from the region's own economic potential, consisting of: regional taxes, regional levies, results from the management of separated regional assets, and other legitimate PAD (Law No. 23 of 2014). PAD reflects the region's financial capacity to finance autonomy and development. The main sources of PAD include: (1) Regional Taxes, mandatory contributions without direct compensation; (2) Regional Levies, levies on certain services or permits;

Results of BUMD and separated regional assets, in the form of profits and contributions from regionally owned business units; and (4) Other legitimate PAD, such as auction results or fines.

The strategy for increasing PAD includes four approaches:

1. Central policies, such as the delegation of tax authority and restrictions on the cancellation of regional tax/levy regulations.
2. Creation policy, expanding the tax base and efficiency of collection.
3. Empowering BUMD, so that BUMD is able to support development and contribute to the APBD.
4. Budget utilization, increasing public control and directing the budget according to revenue potential.

Factors influencing PAD include: initial regional conditions (socio-economic structure, administrative capacity), increased coverage (additional tax/levy objects), GRDP development, population growth, inflation, tariff adjustments, new development (markets, terminals), and the emergence of new revenue sources. The effectiveness and efficiency of PAD management depend on internal factors (policies and institutions) and external factors (regional economic conditions). Optimal PAD management is essential to support fiscal independence and improve community welfare.

2.6 Locally-generated revenue

Regional budget management is a primary concern for the government as part of its efforts to achieve decentralization, transparency, and accountability. Budget planning plays a crucial role in determining the effectiveness and efficiency of regional financial management, but its success also depends on its implementation and oversight. The regional budget (APBD) embodies the people's mandate to the regional government to meet the aspirations and needs of the community within a fiscal year, and therefore, its preparation must always be oriented toward the public interest.

Types of Ratios Sourced from the Regional Budget

According to Mahmudi (2010), ratios that can be developed based on financial data sourced from the APBD include:

1. Effectiveness Ratio

Describes the local government's ability to realize PAD compared to targets set based on the region's actual potential. The higher the effectiveness ratio, the better the local government's performance.

Realization of PAD Receipts		x10
Effectiveness =		0%
	Locally-Generated Revenue Target	

Source: Mahmudi (2010)

The criteria for the effectiveness ratio of Regional Original Income (PAD) are:

Table 2.1 Effectiveness Ratio Categories

Financial Performance Percentage	Criteria
100% and above	Very Effective
90% - 100%	Effective
80% - 90%	Quite Effective
60% - 80%	Less Effective
Below 60%	Ineffective

Source: Minister of Home Affairs Decree Number 13 of 2006 Determination of Regional Revenue Guidelines for Financial Performance Assessment.

2. Efficiency Ratio

The efficiency ratio reflects the ratio between the costs incurred to collect local revenue (PAD) and the actual PAD revenue. The lower the efficiency ratio, the better the local government's performance.

$$\text{Efficiency} = \frac{\text{Cost incurred to collect PAD}}{\text{Realization of PAD revenue}} \times 100\%$$

Source: Mahmudi (2010)

The criteria for the efficiency ratio of Regional Original Income (PAD) are:

Table 2.2 Efficiency Ratio Categories

Financial Performance Percentage	Criteria
100% and above	Not efficient
90% - 100%	Less Efficient
80% - 90%	Quite Efficient
60% - 80%	Efficient
Below 60%	Very Efficient

Source: Minister of Home Affairs Decree Number 13 of 2006 Determination of Regional Revenue Guidelines for Financial Performance Assessment.

METHOD

Research Design

According to Sugiyono (2018), quantitative data is a research method based on positivity (concrete data), research data in the form of numbers that will be measured using statistics. as a calculation test tool, related to the problem being researched to produce a conclusion.

This study was conducted to describe the collected data and measure the performance of the Southeast Sulawesi Provincial Government based on the analysis of the Effectiveness Ratio and Efficiency Ratio variables as dependent variables during the 2021-2023 fiscal year period with established indicators.

Research Object

According to Sugiyono (2017), the research object is crucial in planning the entire research process, as well as in communicating the research's interests and objectives to other parties. This research was conducted at the Regional Revenue Agency of Southeast Sulawesi Province, located at Jl. Haluoleo, Anduonohu, Poasia District, Kendari City, Southeast Sulawesi 93231.

Data Types and Sources

The types of data and data sources that will be used in this research are:



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Data Types

The type of data used in this study is quantitative. According to Juliandi & Manurung (2014), quantitative data is data in the form of specific numbers that can be operated mathematically. In this study, the data analyzed was the Budget Realization Report of the Southeast Sulawesi Provincial Government for the 2021-2023 fiscal year.

Data source

According to Sugiyono (2018), research data sources are divided into two categories: primary and secondary. The data sources used in this study are secondary data, namely data obtained directly from literature and information related to the object of study. In this study, the data source used was the 2021-2023 budget realization report obtained from the Kendari City Government's Regional Finance and Assets Agency.

Data collection technique

This research used a documentary data collection method, conducted by examining records and documents available within the relevant organizations. The focus of this research was analyzing data on Regional Original Revenue, including PAD realization and costs incurred in the collection process. This data was obtained from the Regional Revenue Agency Office of Southeast Sulawesi Province.

Data Analysis Techniques

Based on this research, the data analysis method used is quantitative analysis, where the collected numerical data will be analyzed to draw conclusions. The parameters used in this analysis are:

1. Effectiveness Ratio

The analysis of the effectiveness of regional government financial management is formulated using a ratio comparing actual revenues to established targets, multiplied by 100 as a percentage. A higher effectiveness ratio indicates a region's greater capacity.

2. Efficiency Ratio

Efficiency can be measured by the ratios between output and secondary input, while the analysis used for regional financial management with routine expenditure uses a measure of efficiency level, namely the comparison between the realization of routine budget expenditure with regional income/receipts multiplied by one hundred in percentage form.

Operational Definition of Variables

According to Sugiyono (2018), the operational definition of a research variable is an attribute, characteristic, or value of an object or activity that has certain variations that have been determined by the researcher to be studied and then conclusions drawn. In this study, the operational definition of the variable is as follows.

1. Effectiveness Ratio

The Effectiveness Ratio is a ratio used to calculate the comparison between the actual Regional Original Revenue (PAD) receipts and the target Regional Original Revenue (PAD) receipts set based on actual regional conditions. The calculation is as follows: Effectiveness Ratio = (Realized PAD receipts) / (target PAD receipts) × 100%.

2. Efficiency Ratio

The Efficiency Ratio is a ratio used to calculate the ratio between the costs incurred in collecting Regional Original Revenue (PAD) and the actual revenue received by the Regional Original Revenue (PAD). The calculation is as follows: Efficiency Ratio = (Costs incurred to collect PAD) / (Realized PAD revenue) × 100%.

RESULTS AND DISCUSSION

RESULTS

Effectiveness Ratio Analysis

The Effectiveness Ratio (ERR) describes the ratio between realized Regional Original Revenue (PAD) and the allocated budget. The higher the ERR, the better the local government's performance. The results of the Regional Financial Efficiency Ratio calculation can be seen in the table below:

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Year	PAD Realization (In Millions Rupiah)	PAD Target (In Millions Rupiah)	Effectiveness Ratio (%)	Level of Effectiveness
2021	1,373,793.72	1,156,648.86	118.77%	Very Effective
2022	1,419,667.15	1,393,023.98	101.91%	Very Effective
2023	1,468,973.60	1,605,720.19	91.48%	Effective
Total	4,262,434.47	4,155,393.03	102.58%	Very Effective
Average	1,420,811.49	1,385,131.01	104.06%	Very Effective
Max	1,468,973.60	1,605,720.19	118.77%	Very Effective
Min	1,373,793.72	1,156,648.86	91.48%	Effective

Source: Processed by the Author (2025)

Based on available data, the results of the calculation of the regional financial effectiveness ratio of Southeast Sulawesi Province show a significant decline in the effectiveness of management.

Regional financial management during the period 2021 to 2023. In 2021, the effectiveness ratio reached 118.77%, indicating that the realization of Regional Original Revenue (PAD) far exceeded the established target. This achievement reflects the excellent performance of the regional government in optimizing revenue sources, thus categorizing it as Very Effective.

In 2022, despite a slight decline, performance remained relatively good, with an effectiveness ratio of 101.91%. Realized PAD still exceeded the target, thus remaining in the Very Effective category.

In 2023, performance declined significantly. The effectiveness ratio reached only 91.48%, meaning the PAD target was not achieved. Based on the criteria, this ratio remains in the Effective category, but indicates a decline in effectiveness compared to the previous two years.

Overall, the total realization of PAD over the past three years (2021–2023) was Rp4,262,434.47, with an average annual target of Rp4,155,393.03. The cumulative effectiveness ratio reached 102.58%, reflecting a Very Effective performance in aggregate. The average annual effectiveness ratio during this period was 104.06%, which also falls into the Very Effective category.

Although the overall performance of Southeast Sulawesi Province's PAD management during the 2021–2023 period was classified as Very Effective, referring to the effectiveness criteria based on Minister of Home Affairs Decree Number 13 of 2006 concerning Guidelines for Regional Financial Performance Assessment, several periods or aspects still showed suboptimal effectiveness, even being classified as Ineffective. This reflects the inconsistency in achieving PAD targets from year to year.

Efficiency Ratio Analysis

The Efficiency Ratio describes the comparison between the costs incurred to generate revenue and the actual revenue received. The higher the efficiency ratio, the less efficient the management of local revenue (PAD). The results of the Regional Financial Efficiency Ratio calculation can be seen in the table below:



Table 4.3
 Calculation of the Efficiency Ratio of the Southeast Sulawesi Provincial Government for the 2021-2023 Fiscal Year

Year	Costs Incurred to Collect PAD (In Millions of Rupiah)	Realization PAD Receipts (In Millions of Rupiah)	Efficiency Ratio (%)	Efficiency Level
2021	2,128,011.76	1,373,793.72	154.90%	Not efficient
2022	2,539,019.72	1,419,667.15	178.85%	Not efficient
2023	2,408,717.49	1,468,973.60	163.97%	Not efficient
Total	7,075,748.97	4,262,434.47	166.00%	Not efficient
Average	2,358,582.99	1,420,811.49	165.91%	Not efficient
Max	2,539,019.72	1,468,973.60	178.85%	Not efficient
Min	2,128,011.76	1,373,793.72	154.90%	Not efficient

Source: Processed by the Author (2025)

Based on the results of the efficiency ratio above, it can be seen that in 2021, the cost of collecting PAD was 2,128,011.76, while the realization of PAD was only 1,373,793.72. Resulting in an efficiency ratio of 154.90%. This indicates that the costs incurred far exceeded the revenue generated, thus categorizing PAD collection performance in that year as inefficient.

A similar situation occurred in 2022. Revenue collection costs rose to 2,539,019.72, while local revenue (PAD) realization was only 1,419,667.15. The efficiency ratio increased to 178.85%, the highest in the last three years. This reinforces the indication that local revenue management was highly inefficient that year.

In 2023, there was also no significant improvement. Collection costs amounted to 2,408,717.49 rupiah, compared to the realized PAD of 1,468,973.60 rupiah, resulting in an efficiency ratio of 163.97%. While slightly better than the previous year, expenditures still significantly outweighed collected revenue.

Overall, the total cost of collecting PAD over three years reached 7,075,748.97,

while the total PAD realization was 4,262,434.47, resulting in a total efficiency ratio of 166.00%. The annual average efficiency ratio also showed a high figure, namely 165.91%. Based on the criteria of Mahmudi (2010), the efficiency ratio of PAD management in Southeast Sulawesi Province is all included in the Inefficient category.

Based on the efficiency criteria according to the Minister of Home Affairs Decree Number 13 of 2006 concerning Guidelines for Regional Financial Performance Assessment, with an annual efficiency ratio that is always above 100%, this indicates that the costs of managing PAD in Southeast Sulawesi Province have not been managed optimally.

DISCUSSIONS

The Regional Original Revenue (PAD) Effectiveness Ratio (ROR) indicates the local government's ability to mobilize PAD revenues according to targets. Based on data from three fiscal years (2021–2023), the PAD effectiveness ratio for Southeast Sulawesi Province shows a generally favorable trend. In 2021, the effectiveness ratio reached an excellent level, indicating that PAD realization significantly exceeded targets, signaling the government's success in managing and mobilizing regional original revenue. In 2022, despite a decline, the effectiveness ratio remained in the very effective category, indicating continued strong target achievement. Analysis of the effectiveness ratio calculation results revealed a significant decline in 2023, placing the ratio in the moderately effective category. This fact indicates that PAD realization did not fully achieve the established target. The primary causes of this change are fluctuating economic conditions, overestimation of PAD targets in previous years, and continued reliance on central government transfers. Furthermore, management efficiency and collection processes also play a role, as inefficiencies in these processes can hinder target achievement. Overall, the decline in the effectiveness of local revenue (PAD) in Southeast Sulawesi Province indicates that despite initially excellent PAD management, various challenges, including



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economic and administrative factors, have impacted performance in recent years. If this trend continues, it will reduce the region's ability to finance routine and development expenditures, as well as hamper priority programs that rely on PAD as a flexible funding source.

The discrepancy between PAD targets and realization also reflects inaccurate budget planning, which can reduce public trust in regional financial management.

In addition, increased reliance on central transfer funds could reduce regional fiscal flexibility and increase the risk of changes in national policy.

Another impact is a decline in regional competitiveness in attracting investment. The inability to optimize local revenue potential reflects weak management of local resources, which can erode investor confidence, slow regional economic growth, and widen development disparities between regions.

Based on the discussion above, it can be concluded that Southeast Sulawesi Province's regional revenue remains relatively low and has not yet achieved its target. To sustainably increase PAD achievement, several important factors require attention, including, All work units or SKPDs that play a role in collecting PAD levies need to improve their performance and carry out their functions more effectively and professionally. In developing a regional economy, one key indicator is the extent to which investment can enter the region. Therefore, a strategic step is to establish a Regionally-Owned Enterprise (BUMD) as a prime mover in attracting investment. Funding for this BUMD can be provided through capital participation from the annual regional budget surplus.

Handyaningrat (2006) stated that effectiveness is a measurement of the achievement of predetermined targets or objectives. If targets or objectives are achieved as planned, they are considered effective. Effectiveness refers to the degree to which an organization achieves its predetermined goals. In short, effectiveness is doing the "right thing." Effectiveness indicates success in terms of whether or not the company's predetermined

targets are achieved. The closer an activity's results are to its targets, the higher its effectiveness.

The efficiency ratio is a key indicator in evaluating local government finances, measuring how well the budget is used to efficiently meet community goals and needs. Based on data from the last three years, from 2021 to 2023, the efficiency ratio for Southeast Sulawesi Province's local revenue (PAD) shows an unfavorable trend. Overall, the efficiency ratio falls into the inefficient category, meaning that the costs incurred for PAD collection are significantly greater than the revenue generated. This situation suggests waste and inefficiency in the management of regional financial resources and highlights the need for a thorough evaluation of budget collection and management mechanisms.

Analysis of the effectiveness ratio calculation results shows that in 2022, the efficiency ratio increased and reached its highest level during the period, indicating that collection costs were increasing compared to the realization of PAD (Regional Original Revenue). This does not indicate an improvement in efficiency, but rather confirms that expenditures for PAD management remain very high and suboptimal. In 2023, despite a slight decrease in the efficiency ratio, the condition still indicates inefficiency, meaning that expenditures continue to exceed the revenues obtained from PAD collection.

This change indicates that the management of local revenue (PAD) collection costs in Southeast Sulawesi Province has been suboptimal and tends to be wasteful during the observation period. This is due to inefficient collection mechanisms and a system that is unable to maximize revenue, coupled with a high dependence on central transfer funds, which has increased operational costs.

This inefficiency results in wasted funds that could be diverted to public services or development. Furthermore, it reduces regional competitiveness and hinders local economic growth. Therefore, evaluation and improvement of the local revenue (PAD)

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collection system are necessary to reduce operational costs and increase the efficiency of PAD management without sacrificing service quality or target achievement.

Based on the discussion above, it can be concluded that Southeast Sulawesi's PAD is efficient, but continuing to measure financial performance is a necessity for local governments, as financial ratios serve as the central government's benchmark for assessing regional revenue and expenditure. This illustrates the region's high level of dependence on extreme funding sources. The Southeast Sulawesi government has not been able to optimize PAD to finance regional development. The theory expressed by Ghiselli & Brown (1955) in Syamsi, (2004) supports research that efficiency is the best comparison between a result (output) and its efforts (input). This shows that efficiency, besides emphasizing the results, also emphasizes the power or effort/sacrifice to achieve these results so that there is no waste. efforts to achieve the greatest achievement by using the available possibilities (materials, machines, and humans) in the shortest possible time in real conditions without disturbing the balance between the factors of goals, tools, energy, and time. Efficiency is the activity of achieving goals correctly, by using minimal resources, time, energy optimally with maximum output results. Optimal here does not mean using existing resources excessively, but using existing resources well and according to what is needed to produce an output.

The use of regional financial report data is administrative and documentary in nature, so it does not include an in-depth analysis of external and internal factors that influence PAD performance, such as administrative aspects, culture, and the level of professionalism of PAD management officers.

This research is also limited to a specific period, 2021 to 2023, so it is unable to identify comprehensive long-term trends. Furthermore, assessing efficiency and effectiveness based solely on financial ratios may not comprehensively reflect the effectiveness of PAD management performance in terms of quality and sustainability.

CONCLUSIONS

Based on the results of the research and discussion, the following conclusions were obtained. The effectiveness ratio of Southeast Sulawesi Province's local revenue (PAD) from 2021 to 2023 demonstrated excellent performance. The local government consistently achieved revenues that met or even exceeded established targets, with an average effectiveness ratio of 104.06%. This indicates that regional revenue potential can be effectively optimized. However, the decline in effectiveness in 2023 serves as a warning for the government to evaluate and adjust its targets and PAD management strategies to maintain effectiveness. The efficiency ratio during the same period indicates an unfavorable situation, with the cost of collecting local revenue consistently exceeding the revenue generated. With an average efficiency ratio of 165.91%, this indicates waste and inefficiency in the local revenue collection process. This situation requires immediate action. Attention to ensure that the management of regional financial resources is more efficient and productive, so that collection costs can be reduced so as not to burden the regional budget excessively.

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