



Measurement of Local Government Financial Performance in Palopo City using The Concept of Value For Money

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Abstract: *Local government financial management has an important role in improving public services and supporting development. Good financial performance reflects the effective, efficient, and economical use of the budget. One of the methods that can be used to measure performance is the concept of value for money which focuses on three main aspects: economy, efficiency, and effectiveness. This study aims to measure the financial performance of the Palopo City Government during the 2019-2023 period by using the concept of Value for Money. The method used is a quantitative approach with descriptive statistical analysis, using APBD data and APBD Realization from the Regional Financial and Asset Management Agency (BPKAD) of Palopo City. Data is collected through official documents published by local governments. The results of the study show that the economic performance and efficiency of the Palopo City Government in general are in the category of quite good, although there are fluctuations from year to year. The effectiveness ratio tends to decrease from year to year, which indicates that there is a gap between planning and revenue realization. This study makes a unique contribution by focusing on the analysis of the Palopo City Government, which has rarely been studied before using the Value for Money approach. The results of this study are expected to be the basis for the Palopo City Government in improving accountability and efficiency of regional budget management.*



Introduction

Local government financial management is a very cursive element in government administration, especially to improve the quality of public services and achieve regional development goals. Good financial performance will ensure that regional budget allocations are used optimally, without wasting resources or misusing the budget. Financial performance is a benchmark for the success of autonomous regions in the implementation of regional independence so that the financial performance can determine the responsibility of the rulers, in every rupiah of people's money must be reported accountably (*accountability*) to the people who donate their funds to support the development and operations of the government as a form of accountability in the management of local government. (Amril, 2023)

Local government financial management has a significant contribution in supporting development and improving public services. Local governments are required to prepare, manage, and report budgets in accordance with the principles of accountability, transparency, and efficiency as required in Law No. 17 of 2003 concerning State Funds and Law No. 23 of 2014 concerning Regional Government. The two laws emphasize that budget management must aim for the welfare of the community by ensuring that the use of the budget is carried out optimally and responsibly.

However, there are still many local governments in Indonesia, which still have difficulties in ensuring that their financial management meets these standards. The financial statements of local governments often reveal the problems of inefficiency and inaccuracies in budget allocation, which can ultimately hinder the achievement of development goals. Palopo City also faces similar challenges. Problems in financial management, such as inefficiency and effectiveness that are not optimal, indicate the need for improvements in budget planning, expenditure control, and revenue generation so that the value for *money principle* can be applied optimally (Toselong et al., 2020).

One effective method that can be considered is *the Value for Money* approach. *Value for Money* has an important role in improving the quality of public administration management by ensuring the quality of services provided in accordance with its objectives, upgrading service quality, streamlining operations and saving burdens. In addition, this approach also ensures that budget distribution is more focused on public priorities and broadens public insight into state expenditure as the basis for public responsibility (Taufik, 2023).

Previous research that has used *the concept of value for money* can provide an overview of the financial performance of local governments. For example, research (Wahyuni1, 2023) measured the performance of the realization of the Padang City Budget 2016-2020 and showed that Padang City has achieved effectiveness in achieving development programs. However, the results of the study also reveal obstacles in efficiency and economics related to optimal budget management.

In addition, research by (Khoiriawati 2022), which analyzes village financial management through the *concept of value for money*, shows that the villages studied have achieved good efficiency, but the economic aspect still needs improvement. Based on these

studies, this study aims to deepen the study of local government budget performance with a focus on the Regional Financial and Asset Management Agency (BPKAD) of Palopo City. Through the application of *the value for money* idea, this research will measure as many as 3 aspects, such as economy, efficiency, and effectiveness, in regional budget management. It is hoped that this study can provide more specific insights into the role of BPKAD in improving regional financial performance and offer the right recommendations to overcome existing challenges.

Literature Review

Performance Measurement Theory

According to (Dara, 2023), performance measurement is a process of assessing various activities contained in the company's value chain. As a result, this assessment is then used as input to convey achievement information in the implementation of performance planning where the organization must regulate planning and control activities. While according to (Sulisworo, 2020), performance evaluation is understood as the process of monitoring and reporting a continuous work plan that needs to be completed to achieve the goals that have been determined. It is defined that the performance assessment carried out can be focused on the type or increase of the level of activities carried out, goods or services that are produced directly (*output*) and the results or effects of the product or service (*outcome*). The activity in question can be in the form of activities, projects, roles, or rules whose objectives and suggestions have been identified.

Local Government Financial Performance

Financial performance is an analysis to see at which point a company has implemented all regulations that have been clearly determined and also in accordance with the number (Handy, 2023). Financial statements are the single most important source of information for those who use them to interpret financial decisions. If the information in the loan agreement can be used to predict what will happen in the future, it will make the loan agreement more profitable (Rezki, 2023). Local government financial performance is the level of obtaining work results in regional financial management which includes the realization of budgets and budgets through the use of financial indicators or regulations that are regulated by applicable policies or regulations throughout the budget period (Vinsensus, 2020).

Law No. 22 and No. 25 of 1999 emphasizes the importance of reform in public sector institutions in Indonesia. The two laws are the foundation for various institutional reforms aimed at creating good governance. In addition, Law Number 17 of 2003 Article 33 paragraph (2) requires regional apparatus to prepare budget implementation reports as a means of evaluating the results achieved. Similarly, Law Number 108 of 2000 concerning the criteria for achievement of regional heads stipulates that regional heads are obliged to provide an accountability report at the end of each fiscal year. The report includes the obligation to submit calculation reports and APBD calculation norms, cash flow reports, and regional balance sheets equipped with performance assessments (Maryanti, 2021).

Regional financial management is inseparable from the existence of Law Number 17 of 2003 concerning State Finance, Law Number 1 of 2004, concerning the State Treasury, and

Law Number 15 of 2004 which regulates the management of state finances and the examination of its accountability. With the enactment of Law Number 32 of 2004 and Law Number 33 of 2004, various basic principles contained in the State Finance Law, the State Treasury Law, and the Law on Financial Accountability Management and Audit were reaffirmed and used as guidelines (Maryanti, 2021).

Value For Money

Value for money is a performance evaluation approach, especially in public sector organizations that are evaluated based on the success rate of a program by referring to three important pillars of value, namely economy, efficiency, and effectiveness. Through the *value for money* approach, various data will be obtained in the form of indicators of financing or funds spent to provide certain value for the community (Rizeki, 2023).

Economics

Economics is the purchase of special resources (*inputs*) at the lowest prices. Economics is the comparison of *inputs* with *output* values used in the form of monetary value. Economics refers to the extent to which public sector organizations can reduce *input* resources while preventing unnecessary and non-yielding expenditures (Mekari, 2022). Economics is related to the acquisition of inputs with a certain quality standard and the lowest price, an economic measure of the ratio between *actual versus* planned inputs. The progress of local governments will be reported economically if the ratio is less than 1 or less than 100%, then the poorer the economic risk means that the performance will be better (Khikmah, 2021).

$$\text{Economic Ratio} = \frac{\text{Budget Realization}}{\text{Estimated Expenses}} \times 100\%$$

Table 1. Economic Ratio Provisions

Performance Value Percentage (Economic Ratio)	Criterion	Interpretation
< 100% (0% - 99%)	Economical	Expenses are smaller than the planned budget.
= 100% (100%)	Balanced Economy	Expenses are exactly the same as the planned budget.
> 100% (101% ke atas)	Not Economical	Spending exceeds the planned budget.

Source: (Wahyuni1, 2023)

Efficiency

Efficiency is a crucial aspect in all three *Value for Money* (VFM) themes. Compared to economics and effectiveness, efficiency is an element of VFM indicators that can be measured by the ratio between *output* and *input*. Economics focuses more on *inputs*, while efficiency only discusses outputs. *In performance measurement based on value for money*, efficiency is divided into two categories, namely:

1. *Alocative efficiency*

Alocative efficiency refers to the ability to use *input* resources at optimal capacity levels.

2. *Technical or managerial efficiency*

Technical or managerial efficiency is concerned with the ability to use *output* resources at the *input level* (mekari, 2022).

Efficiency can describe the comparison between the amount of costs incurred to obtain revenue and the realization of revenue received. The performance of local governments will be effective if the ratio is less than 1 or below 100%. The lower the efficiency ratio, the better the performance ratio (Khikmah, 2021).

$$\text{Efficiency Ratio} = \frac{\text{Cost Realization to Obtain Settlement}}{\text{Revenue Realization}} \times 100\%$$

Table 2. Efficiency Ratio Terms

Performance Value Percentage (Efficiency Ratio)	Criterion	Interpretation
< 100% (0% - 99%)	Efficient	Resource usage is smaller than the planned standard.
= 100% (100%)	Efficient and Balanced	The use of resources is in accordance with the planned standards.
> 100% (101% ke atas)	Inefficient	Resource usage exceeds planned standards.

Source: (Wahyuni, 2023)

Effectiveness

Effectiveness is the level of achievement or failure of an organization in achieving its goals. If an organization succeeds in achieving its goals, then the organization will be said to function effectively. The main aspect to consider is that effectiveness determines how much expenditure is needed to achieve the goal.

Effectiveness only measures whether a program or activity has succeeded in achieving the goals that have been set (mekari, 2022). The effectiveness ratio describes the extent to which local governments are able to achieve the planned local revenue, compared to the targets that have been determined based on the real potential of the region. It is said to be effective if the ratio obtained is equal to 1 or 100%, but the higher the effectiveness ratio, the better it will be (Khikmah, 2021).

$$\text{Effectivity Ratio} = \frac{\text{Revenue Realization}}{\text{Revenue Budget}} \times 100\%$$

Table 3. Effectiveness Ratio Terms

Performance Value Percentage (Effectiveness Ratio)	Criterion	Interpretation
> 100% (101% ke atas)	Highly Effective	Achievements exceeded the set targets.
= 100% (100%)	Effective Balance	The achievement is exactly the same as the set target.

< 100% (0% - 99%)

Ineffective

The achievement did not reach the set target.

Sumber: (Wahyuni1, 2023)

Research Method

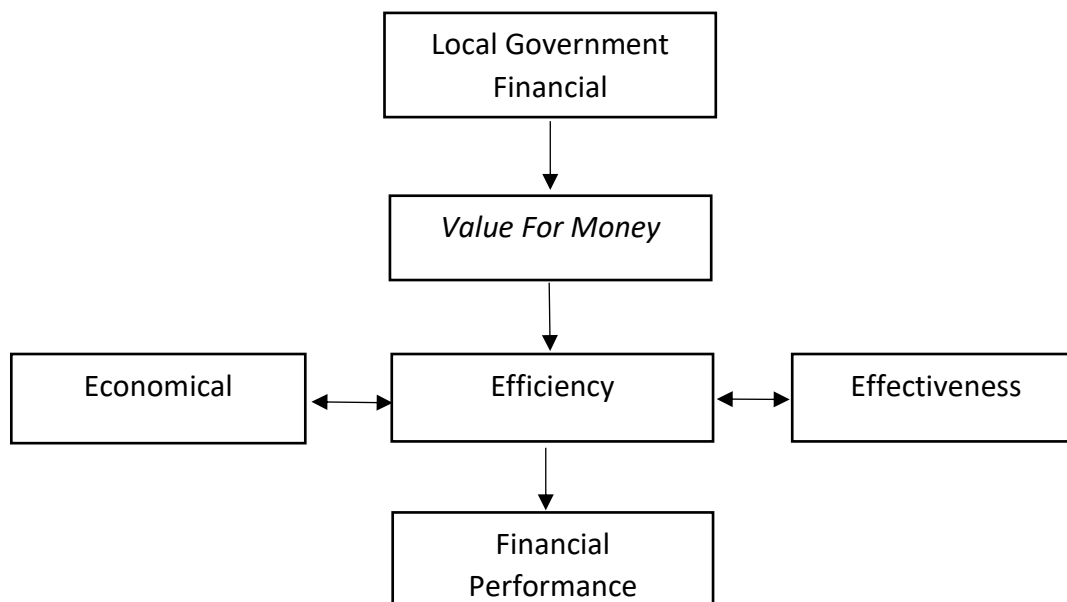


Figure 1. Conceptual Framework

Object and Location of the study

This research was conducted at the Regional Financial and Asset Management Agency (BPKAD) of Palopo City, which is located on Andi Djemma Street No. 31, Palopo City, South Sulawesi, Indonesia. The focus of this research is the financial performance of the Palopo City Government using the *value for money concept* approach for the period from 2019 to 2023.

Types and Data Sources

The type of data used in this study is quantitative data, obtained from the financial statements of BPKAD Palopo City, especially the Regional Revenue and Expenditure Budget (APBD) and the Realization of the APBD. This data source is secondary data obtained from official documents published by BPKAD and local governments as well as the official website of the Ministry of Finance.

Data collection methods

Data collection is carried out by accessing official documents published by BPKAD and local governments which can be accessed through [the https://djk.kemenkeu.go.id/portal/data/apbd website](https://djk.kemenkeu.go.id/portal/data/apbd), or by opening the APBD Posture website. The data obtained will be organized and analyzed to identify financial performance based on the concept of *value for money*. The steps include:

1. Collect annual report data from the official BPKAD website.
2. Collecting APBD and RAPBD data from 2019-2023.
3. Verify the accuracy of the data obtained.

Data Analysis Methods

Data analysis was carried out using descriptive statistics to describe the status of BPKAD's financial performance. Descriptive statistics is a science that studies how to obtain, process, and present research data (Wilman, 2022). The indicators used in this analysis include:

1. Economy: How spending is done according to the planned budget.
2. Efficiency: A comparison between the allocated and acquired budgets.
3. Effectiveness: The level of achievement of the goals set in the APBD.

Result and Discussion*Financial Data*

The measurement of the performance of the Daerah Koota Palopo Government is based on financial data in the form of the Daerah Expenditure Budget (APBD) and the Realization of the Regional Revenue Budget (RAPBD).

Table 4. Palopo City Regional Expenditure Budget (APBD) for 2019-2023 (In Billions)

Description	2019	2020	2021	2022	2023
Regional Revenue	1.008,65	1.006,01	982,41	968,65	994,84
PAD	167,05	189,59	167,92	151,14	239,58
Regional Taxes	31,68	35,65	39,28	39,78	43,57
Regional Levy	13,76	10,44	10,76	12,34	11,75
Results of Segregated					
Regional Wealth	7,00	7,50	7,00		
Management				7,11	7,00
Other Valid PADs	114,62	136,00	110,88	91,90	177,26
TKDD	764,38	742,62	737,56	741,99	655,46
Central Government					
Transfer Revenue	764,38	742,62	737,56	741,99	655,46
Inter-Regional Transfer					
Revenue	57,43	54,62	56,14	75,52	67,41
Other Income	77,22	73,80	76,93	0	99,79
Grant Income	19,78	19,18	0	0	0
Emergency Fund	0	0	0	0	0
Other Income in Accordance					
with the Provisions of Laws	0	0	20,79	18,88	32,38
and Regulations					
Regional Spending	1.011,20	1.106,45	986,61	992,93	1.066,89
Employee Expenditure	470,39	480,87	462,39	454,85	466,41
Shopping for Goods and					
Services	302,96	273,47	275,09	454,85	299,65
Capital Expenditure	220,61	333,44	229,63	274,47	280,96
More Shopping	17,25	18,66	19,48	242,97	19,87
Financial Aid Spending	0,84	0,85	0	20,65	0
Flower Shopping	3,36	5,46	2,36	1,88	2,04
Grant Shopping	10,55	10,85	10,71	13,93	10,64

Social Assistance Shopping	0,50	0,50	1,91	0,11	0,19
Unexpected Shopping	2,00	1,00	4,50	4,73	7,00
Regional Financing	2,56	100,44	4,20	24,28	72,06
Regional Financing Receipts	5,50	103,38	30,94	37,22	75,00
The remaining surplus of the previous year's budget calculation	5,50	0	7,14	27,22	75,00
Regional Loan Receipts	0	103,38	23,80	10,00	0
District Financing Expenditure	2,94	2,94	26,74	12,94	2,94
Payment of Principal Installments Due	2,94	2,94	26,74	12,94	2,94

Source: Postur APBD City Palopo 2019-2023.

Table 5. Realization of the Regional Expenditure Budget (APBD) of Palopo City for 2019-2023
(In Billion)

Description	2019	2020	2021	2022	2023
Regional Revenue	984,50	969,41	936,59	988,20	943,09
PAD	165,66	177,21	140,13	178,68	194,01
Regional Taxes	34,86	34,03	35,62	41,42	46,69
Regional Levy	9,07	8,88	11,59	18,04	10,56
Results of Segregated Regional Wealth Management	7,50	6,80	7,80	7,04	7,35
Other Valid PADs	114,23	127,49	85,12	112,18	129,42
TKDD	739,85	672,57	722,95	737,67	664,16
Central Government Transfer Revenue	739,85	672,57	722,95	737,67	664,16
Inter-Regional Transfer Revenue	50,16	46,44	47,98	62,00	72,63
Other Income	78,99	119,64	73,51	71,85	84,91
Grant Income	28,83	73,19	5,20	0,39	
Other Income in Accordance with the Provisions of Laws and Regulations	0	0	20,32	9,46	12,28
Regional Spending	956,45	943,89	935,48	1.015,34	927,79
Employee Expenditure	454,39	461,60	450,04	441,77	428,70
Shopping for Goods and Services	278,83	248,52	268,50	291,29	303,59
Capital Expenditure	198,61	207,97	206,73	264,92	182,56
More Shopping	24,63	25,80	10,20	17,36	12,94
Financial Aid Spending	0	0	1,61	0	
Flower Shopping	2,18	2,05	0	1,34	1,10
Grant Shopping	18,78	11,58	6,39	15,84	11,74

Social Assistance Shopping	3,67	3,32	2,21	0,17	0,11
Unexpected Shopping	0	8,84	0	0,01	0
Regional Financing	6,00	21,31	43,89	42,05	11,97
Regional Financing Receipts	51,52	70,65	48,53	44,99	14,91
The remaining surplus of the previous year's budget calculation	5,14	34,05	46,83	44,99	14,91
Regional Loan Receipts	46,38	36,60	1,70	0	0
District Financing Expenditure	45,52	49,34	4,64	2,94	2,94
Payment of Principal Installments Due	45,52	49,34	4,64	2,94	2,94

1. *Rasio Economists*

Economics is the practice of buying products and services based on certain quality standards at the best prices. When it comes to government agencies, economies of scale are indicated by how much money is set aside to finance certain activities. Measuring the level of economic activity requires information that starts from information on the calculation of spending and its realization (Nugraheni, 2023). The creation of regional autonomy requires the Regional Government to be able to manage the finances of its autonomous region as much as possible to cover regional costs by providing the best service to the community (Amril, 2023). The measurement of the economic level of the financial performance of the local government of Palopo City can be observed in table 6.

Table 6. Calculation Results Using the Economic Ratio of the Palopo City Local Governnebt in 2019-2023

Year	Estimated Expenses	Expenditure Realization	Rasio Economists	Criterion
2019	1.011,200,000,000	956,450,000,000	94.59%	Economical
2020	1.106,450,000,000	943,890,000,000	85.31%	Economical
2021	986,610,000,000	935,480,000,000	94.82%	Economical
2022	992,930,000,000	1.015,340,000,000	102.26%	Not Economic
2023	1.066,890,000,000	927,790,000,000	86.96%	Economical

The economic ratio describes the cost efficiency in purchasing goods and services to meet the needs of local governments. From the table of results of the calculation of economic ratios, it can be seen that the economic report of the Palopo City government has changed from year to year. Reports below 100% In 2019, 2020, 2021 and 2023 show quite good economic performance.

For example, in 2019, the expenditure budget amounted to IDR 1,011.20 billion and the realization of expenditure amounted to IDR 956.45 billion, resulting in an economic ratio of 94.59%, which shows that expenditure is more economical than planned. However, in 2022, the expenditure budget was at IDR 992.93 billion and the realization of expenditure was IDR 1,015.34 billion, resulting in a ratio of 102.26%, which indicates that expenditure exceeded the budget and was uneconomical. This spending that exceeds the budget can be attributed

to a significant increase in capital expenditure for certain projects that require additional costs. Unexpected spending, such as the handling of priority projects, is one of the main causes of economic unhappiness. In addition, an increase in capital expenditure can also occur due to a lack of accuracy in the initial budget planning. This shows that better supervision of the budget planning and implementation process is needed.

In general, the Palopo City government shows efforts to maintain economic performance with an under-budget expenditure ratio in the year under study. This shows that there is effective budget management and fairly good expenditure control. The increase in the ratio in 2022 is an exception that can be a lesson to improve planning and budget control in the following years, this is in line with the performance measurement theory which states that uneconomic is often caused by the waste of resources or unexpected spending needs that exceed the initial budget.

Good economic performance (ratio below 100%) shows the government's ability to manage the budget economically. However, a ratio above 100% in 2022 indicates the need to tighten budget controls and planning so that spending does not exceed the specified limit. When compared to research (Wahyuni, 2023), which analyzed the economic performance of Padang City, it was found that Padang City experienced economic disadvantage in several years due to increased capital expenditure. This is similar to the findings in Palopo City in 2022. However, Palopo City as a whole has a more stable ratio than Padang City. The Palopo City Government needs to improve accuracy in budget preparation and tighten control over capital expenditure to avoid economic instability in the future.

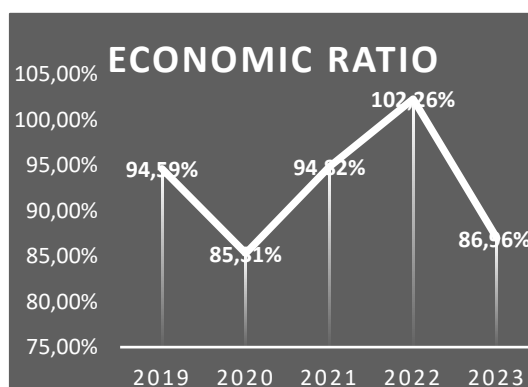


Figure 2. Graph of the Development of the Economic Ratio of the Palopo City Government in 2019-2023

2. Efficiency Ratio

Efficiency measurement is carried out by comparing the output produced with the input used (production cost). Operational processes can be considered effective if a certain product or work result is achieved by utilizing the minimum amount of resources and funds (*spending well*) (Sanger 2023). The measurement of the level of efficiency of the Palopo City Government's financial performance can be observed in table 7.

Tabel 7. Calculation Reseluts Using the Efficiency Ratio of the Palopo City Local Government in 2019-2023

Year	Spending Realization	Revenue Realization	Efficiency Ratio	Criterion
2019	956,450,000,000	984,500,000,000	97,15%	Efficient
2020	943,890,000,000	969,410,000,000	97,37%	Efficient
2021	935,480,000,000	936,590,000,000	99,88%	Efficient
2022	1.015,340,000,000	988,200,000,000	102,75%	Inefficient
2023	927,790,000,000	943,090,000,000	98,38%	Efficient

The efficiency ratio is a comparison between the current realization and regional revenue. Performance measurement theory explains that efficiency measures the relationship between inputs (resources) and *outputs* (results achieved). In the context of efficiency ratio, this theory requires the government to use the least possible resources to achieve optimal results, in general, the performance of the Palopo City Government can be said to be efficient, because most of the efficiency ratios are below 100% such as in 2019, 2020, 2021 and 2023 the performance of the Palopo City Government is consistent with this theory, which means that government expenditure is lower than the realized revenue.

For example, in 2019, the realization of expenditure amounted to Rp956.45 billion and the realization of revenue of Rp984.50 billion, resulting in an efficiency ratio of 97% which shows that expenditure is lower than revenue. This means that the government is able to use the available resources effectively to achieve the goals that have been set. However, in 2022, the realization of expenditure was at IDR 1,015.34 billion and the realization of revenue was IDR 988.20 billion, resulting in a ratio of 102.75%, indicating inefficiency because expenditure exceeded the ceiling.

The increase in the ratio may be due to a significant increase in operating expenses, including goods and services expenditures and capital expenditures, which may be necessary to address priority projects or urgent needs that are not fully covered in the initial planning. Although there is an efficiency in 2022, in general the Palopo City Government is quite efficient in managing regional finances. Ratios below 100% in other years indicate that the government is working to improve the efficiency of budget use, by utilizing resources as efficiently as possible to achieve optimal results.

This is in accordance with the theory that inefficiencies often occur when resource allocation is not optimal or there are urgent expenditures that exceed revenue capacity. An increase in the efficiency ratio above 100% is a concern related to fiscal balance, so that the regions remain stable and avoid sustainable deficits. When compared to research (Sanger 2023) in Manado City, it was found that efficiency in Manado City also experienced similar fluctuations, especially when there was an unplanned surge in capital expenditure, but Palopo City showed a better ratio than Manado City in the same period. To maintain efficiency, the Palopo City Government can utilize technology in budget management and increase transparency in fund allocation.

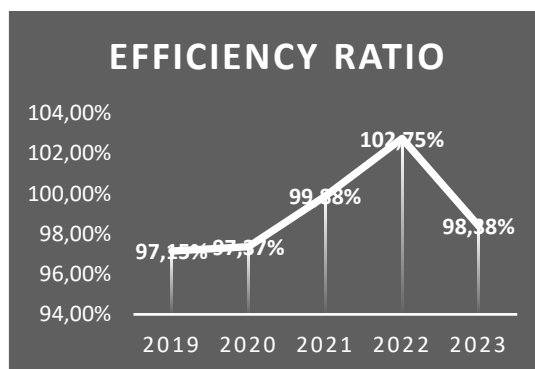


Figure 3. Graph of the Development of the Palopo City Government's Efficiency Ratio in 2019-2023

3. Effectiveness Ratio

The effectiveness ratio is the extent to which the program's results meet expectations. The effectiveness of local governments is measured by the quality of being able to obtain the desired initial income from the regions relative to the determined goals in accordance with the actual potential of the regions. If the ratio is 1 or 100%, it is considered effective, however, the higher the ratio, the better (Furqon, 2023) Measurement of the level of effectiveness of the Palopo City Government's financial performance can be observed in table 8.

Table 8. Results of Calculation Using the Effectiveness Ratio of the Local Government of palopo City in 2019-2023

Year	Revenue Estimates	Revenue Realization	Effectiveness Ratio	Criterion
2019	1.008,650,000,000	984,500,000,000	97.61%	Ineffective
2020	1.006,010,000,000	969,410,000,000	96.36%	Ineffective
2021	982,410,000,000	936,590,000,000	95.34%	Ineffective
2022	968,650,000,000	988,200,000,000	102.02%	Equity
2023	994,840,000,000	943,090,000,000	94.80%	Ineffective

In 2022, the effectiveness level of the revenue budget was IDR 968.65 billion with the realization of IDR 988.20 billion, resulting in a ratio of 102.02%, which shows that the revenue realization has successfully exceeded the planned target. This reflects the success in optimizing regional revenues, including Regional Original Tax (PAD) and transfer revenue. However, in 2019, 2020, 2021 and 2023, it shows that the performance of the Palopo City government in those years is considered less effective.

This is due to the realization of regional revenue lower than the target planned in the APBD. For example, in 2021, the planned revenue of IDR 982.41 billion was only realized of IDR 936.59 billion, resulting in a ratio of 95.34%, indicating that the revenue is almost reaching the target. Less effective performance in these years can be caused by several factors, such as lack of optimization of regional tax collection, obstacles in collecting PAD, or revenue targets that are too high compared to the real potential of the region.

On the contrary, the achievement of good effectiveness in 2022 shows that the government has successfully identified and leveraged new sources of revenue or increased remittance from taxes and levies. Performance measurement theory states that effectiveness

measures the success of an organization in achieving predetermined targets. In the context of the effectiveness ratio, this theory states that the realization of the achievement of meeting or exceeding the target reflects effective performance.

In 2022, the performance of the Palopo City Government is in line with this theory and shows the success of the revenue collection strategy. However, the low effectiveness ratio in other years shows that the planning of the landfill has not been fully in accordance with the real potential of the region. This is in line with the theory that low efficiency can arise due to unrealistic targets, a decrease in economic activity, or less optimal resource management, to improve the effectiveness of the Palopo City Government, it must increase accuracy in target planning and optimization of regional tax collection.

When compared to research by (Taufik, 2023) in the city of Surabaya, it was found that the city of Surabaya managed to achieve higher effectiveness in several years due to the optimization of PAD revenues and a more aggressive tax strategy. Palopo City has a similar pattern, especially in 2022, but it needs more effort to increase effectiveness in other years, to improve effectiveness performance, the Palopo City Government needs to improve target planning by conducting a more in-depth assessment of revenue potential and strengthening the tax collection system. Information technology optimization can also be used to increase the effectiveness of tax and levy collection.

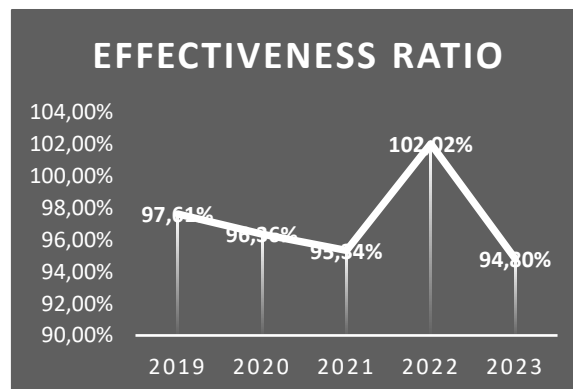


Figure 4. Graph of the Development of the Effectiveness Ratio of the Palopo City Government 2019-2023

Conclusion

Based on the analysis of the financial performance of the Palopo City Government for the 2019–2023 period using *the concept of Value for Money*, in general its performance is quite good. The economic ratio is mostly below 100%, indicating lower spending than expected, although in 2022 it exceeded 100% due to inefficiency. The efficiency ratio also tends to be good, below 100% in most years, but in 2022 it rises above 100%, indicating that expenses exceed revenue. Meanwhile, the fluctuating effectiveness ratio, with values above 100% only in 2022, shows revenue exceeding targets.

Overall, economic performance and efficiency are quite good, but improvements are needed in the effectiveness of regional revenue management. To improve financial performance, the Palopo City Government is advised to improve budget planning by utilizing

information technology to improve accuracy, strengthen expenditure supervision to prevent waste, and optimize local revenue through a more effective tax collection strategy. In addition, the application of *the Value for Money principle* needs to be carried out consistently with training for supervisors related to this concept, as well as regular evaluation and monitoring of financial performance to ensure the sustainability of regional financial management improvements.

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