

Analysis of the Financial Independence Ratio of Makassar City Government During the Second Term of Mohammad Ramdhan Pomanto's Leadership

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ARTICLE INFO

Keywords: Financial Independence, Regional Autonomy, Financial Ratio, Mohammad Ramdhan Pomanto.

Received : 5, June

Revised : 21, June

Accepted: 23, July

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ABSTRACT

Local governments play a key role in national development through independent financial management. Regional autonomy in Indonesia aims to enhance public services and regional resource management. This study analyzes the financial independence of Makassar City during Mayor Mohammad Ramdhan Pomanto's second term using financial ratios. The quantitative descriptive method evaluates the independence, effectiveness, efficiency, and financial growth based on Makassar's APBD data. Results show fluctuating financial performance, with a moderate financial independence ratio indicating reliance on central government funds. The study highlights the need for improved PAD management and resource optimization to enhance fiscal independence and support sustainable development.

INTRODUCTION

Regional development is one of the indicators for the realization of national development. The government gives authority to regions to regulate their own households (Law RI Number 23 of 2014). The implementation of regional financial management regulated by Law Number 23 of 2014, that the implementation of regional government area directed for speed up realization welfare public through improvement service, empowerment, and role as well as public, as well as increasing regional competitiveness by paying attention to the principles of democracy, equality, justice and the uniqueness of a region.

With the changes in the economic, social and political fields in the reform era, which have an impact on accelerating changes in people's behavior, this has resulted in demands from the community for transparency in the implementation of government policies, democratization in decision-making, and the provision of more user-oriented services. on satisfaction public and implementation law in a way consequent and consistent with the implementation of Regional Autonomy and Fiscal Decentralization, there has been development Which significant in order manage governance in Indonesia. Change what happened included a change from a Centralized System to a Decentralized System, from a Traditional Budget System to a Performance-Based Budget System, from a Vertical Accountability System to a Horizontal Accountability System, from a Single Accounting System to a Decentralized System. Entry and Cash Basis becomes Double Accounting System Entry and Accrual Basis.

Regional autonomy which has been implemented in Indonesia to date is a manifestation of the implementation of decentralization. Decentralization This expected produce two benefit real. Two benefits of decentralization are increased participation and improved allocation of productive resources. (Mardiasmo, 2018). Autonomy area according to Act No. 23 Year 2014 is the right, authority, and obligation of autonomous regions to regulate and manage their own government affairs and the interests of the local community in accordance with laws and regulations. The main objective of implementing regional autonomy is to improve public services (public service) and advance the regional economy. In addition, regional autonomy aims to make regions independent with the potentials owned by the region. The regional government as an autonomous region should be able to finance its regional needs and not depend on the central government. The problem that is difficult to face by the majority of regional governments is the still small contribution of PAD to regional income as well as Still it depends area to funds transfer from government center (Sophie & Irfan, 2021). Regional autonomy expects each regional government to have independence. Bigger in regional finance which has an impact on improvement regional financial performance (Harjito et et al., 2020).

The success of regional autonomy cannot be separated from the performance of regional governments in managing their finances in an orderly manner, in accordance with laws and regulations, efficiently, economically, effectively, transparently and responsibly. Financial issues are important issues

in every government activity in regulating and managing regional households because there is no activity government that does not require costs.

Measuring the financial performance of local governments is a way to inform whether the government has succeeded in managing its regional finances. In addition, performance measurement government area for ensure fiscal Which transferred to whether the area has succeeded or failed. Financial performance is the result of actions and programs achieved in relation to budget use, which can be measured quantitatively and qualitatively. In matter This, activity finance government area referring to on job growth in the field of regional finance, including budget and PAD realization, using financial indicators set based on political or legal regulations of the state budget period (Ramadana et et al., 2023).

City Makassar is Mother city province Sulawesi South, Indonesia. According to National Development Planning Agency, Makassar is Wrong One from four center growth main in Indonesia, together with Medan, Jakarta, and Surabaya. With an area of 175.77 km² and a population of more than 1.4 million, this city is the seventh largest city in Indonesia from amount resident after Jakarta, Surabaya, Medan, Bandung, Semarang, And Palembang.

Ir. H. Mohammad Ramdhan Pomanto or commonly known as Danny Pomanto (born in Makassar, South Sulawesi, January 30, 1964; age 55 years) is the Mayor of Makassar who take office since 8 May 2014. Danny Pompeii Which in pairs with Syamsu Rizal and supported by the Democratic Party and PBB, they emerged as the winner of the 2013 Makassar City Pilkada with 182,484 votes or 31.18 percent, beating 9 other pairs.

Danny replace position Which previously held in hand by Inspiration Arief Siradjuddin. He and his deputy Syamsu Rizal was inaugurated on May 8, 2014 by the Governor of South Sulawesi Syahrul Yasin Limpo. Danny Pomanto is an architect and former lecturer in the architecture department at the University of Hasanuddin, Makassar. He previously Once fights in election governor of Gorontalo but failed. He was finally elected as Mayor of Makassar for the 2014-2019 period. Now he is back in office for the 2021-2026 period.

In lower leadership Danny Pompeii City Makassar succeed to carve Some of the achievements include Makassar being listed as one of the 12 regions receiving awards. Innovation Government Awards (IGA) 2021. Previously, Government City Makassar in under the leadership of Mayor Moh Ramdhan Pomanto or familiarly known as Danny Pomanto, new just accept award from Ministry in Country (Ministry of Home Affairs) as city Best Organizing Government Area. Award That handed over directly Minister Domestic (Minister of Home Affairs) Tito Karnavian to Guardian City Makassar Moh Ramadan Pomanto at the Peak of the Commemoration of Regional Autonomy Day (OTDA) XXVII, in the yard of Surabaya City Hall, Thursday, April 25, 2024. And the hard work of the Makassar City Government under the leadership of Danny Pompeii succeed bring city This to achieve return award Adipura 2023-2024. Four-year lead City Makassar Partner Guardian City and Representative Guardian Makassar City, Moh Ramdhan 'Danny' Pomanto and Fatmawati Rusdi became one of the regional heads in South Sulawesi whose term of office was cut short. The cut in term of office was the impact from implementation Regional

Election Simultaneously 2024. This because of Regional Election including The Makassar mayoral election will be accelerated until the term of office that should be extended for 5 years by Danny Pomanto is not enough. Therefore, the Mayor of Makassar Danny Pomanto admitted his name get in ranks District head Which submit a test material judicial review against the Law Regional Election to Court Constitution (MK). With thus, so time the terms of office of the mayor and deputy mayor of Makassar will end towards the end of the year when there is a new mayor. area selected, however when in process so Can just inauguration head area selected on beginning 2025.

This reduction in the term of office will reduce the normal term of office Which carried by District head by Because Therefore, this study aims to examine the financial performance of the Makassar City regional government before and after the term of office of Mohammad Rhamdan Pomanto using the Financial Ratio approach, the aim is to find out how good the financial performance of the Makassar City government was before and after the leadership of Mohammad Rhamdan Pomanto.

A number of study previous Which researching performance finance government city Makassar, such as research from (Irnawati Irnawati, 2023) which states that the performance of the financial independence ratio area government City Makassar year 2017-2021 as big as 59.25% with medium criteria, meaning there is a participatory relationship pattern. The ratio of regional financial effectiveness of the Makassar City government in 2017-2021 was 82.53% with less effective criteria. which means that the programs carried out by the Makassar City government have not been able to achieve their goals Which has set. Ratio growth finance area government City Makassar to the PAD growth ratio in 2017-2021 of -2.59% with negative growth criteria which mean Government Makassar City in the year of budget 2017-2021 performance did not experience positive revenue growth, but from previous research the Not yet There is Which research comparison performance finance government City

Makassar in the second period of Mohammad Rhamdan Pomanto's term of office uses the financial ratio approach. It is hoped that the research can contribute to the government. City Makassar for capable stage evaluation with notice the level of efficiency and effectiveness ratio to advance the future.

LITERATURE REVIEW

Agency Theory

According to (Jensen & Meckling, 1976) an agency relationship is a contract between principal with agent, with see delegation a number of authority decision making to the agent. As an agent, managers are morally responsible for maximizing the profits of the owners (principals) while on the other hand they also have an interest in maximizing their own welfare. Agency theory can also be applied to the sector public. A democratic country has an agency relationship between the community and the government or a relationship between the regional government and the central government. The central government gives authority to the regional government. Also, must be responsible answer the assignment to government center. On the side other local governments must also maximize their welfare.

On sector public connection agency, the Also can seen in budget preparation. The local government here, the district/ city, prepares the budget, then the budget handed over to the center after existence validation from center government running area activity based on budget earlier. Finally, government area must accountable for budget realization to the central government (Zelmiyanti, 2016). The existence of decentralization in Indonesia Also cause connection agency in compilation budget area. Decentralization fiscal Which depicted in ratio regional finance can explained with use theory agency, Because existence delegation relationship authority. According to (Jensen & Meckling, 1976) connection agency is A contract between principal with agent, with see delegation a number of authorities taking decision to the agent.

Apart from the relationship between the central and regional governments, there is also a relationship between the legislative and executive, executive is agent whereas legislative is principal (Halim & Abdul, 2007). Legislators are parties who delegate authority to agents such as the government or committees in the legislature to create new policies. Agents here make policy proposals and later the agent's proposals are accepted or rejected.

Performance Finance

Performance is the achievement of what is planned, both by individuals and organizations. Objective from evaluation performance is For see whether Which planned, can be realized/executed with Good. If Which achieved more exceed planning then the performance is said to be very good and vice versa if it is not achieved according to plan so performance it is said Bad. (Halim & Abdul, 2004) state that Financial management performance, namely the ability of a region to be one of the benchmarks used to observe the region's ability when carrying out its duties.

For measure performance organization, There is a number of metric performance (Herawati et al. , 2021). Government financial performance can be measured in various ways, but some indicators that general used is as following growth economy, income government, government spending, budget deficit/surplus, and government debt, however, it is important to remember that performance finance government No only determined by factors economy alone, but also by political and social factors. Therefore, the evaluation of government financial performance must be carried out comprehensively and holistically.

Analysis Ratio Finance

Wrong One The method that can be used in analyzing financial reports is by calculating financial ratios. Financial ratios are numbers that result from a comparison between a post in in report finance with other posts. Financial ratio analysis in APBD done by comparing the results achieved from one period compared to the previous period so that the tendencies that occur can be known. In this study, the analysis of government financial performance areas are carried out using several ratios, including :

Ratio Independence

Ratio independence describes the dependence of a region on external funds. The higher the independence ratio, it means that the level of regional dependence

on help funds external (especially government center And province) the more low and vice versa (Faud & M. Ramli, 2016). Regional governments are still unable to independently finance government activities in terms of public services. to the community, then this also means that the active role of the community in supporting regional development is still very low, which in this case in the form of public awareness in paying taxes and levies (Hariani, 2021).

PAD

$$\text{Independence Ratio} = \frac{\text{PAD}}{\text{Central Government Assistance}} \times 100\%$$

The level and criteria of independence and financial capability of regional governments will be presented in the table below:

Table 1. Level Ratio And Criteria Independence Finance Area

Level Ratio	Criteria
> 100%	Very Effective
100%	Effective
90% - 99%	Quite Effective
75% - 89%	Not enough Effective
< 75%	No Effective

(Halim & Abdul, 2007)

Ratio Efficiency

(R et al., 2020) said that the efficiency ratio area is a comparison between the amount of costs incurred to obtain income and the realization of income. accepted. Performance government area can it is said efficient if ratio Which achieved less from 100%. The smaller ratio This so the more performance efficient finance local government. According to (Halim & Abdul, 2007) the efficiency ratio can be formulated as follows:

$$\text{Efficiency Ratio} = \frac{\text{Realization of Regional Expenditure}}{\text{Realization of Regional Revenue}} \times 100\%$$

Level criteria ratio efficiency can be served in table following:

Table 2. Level Ratio and Criteria Efficiency Regional Finance

Level Ratio	Criteria
> 100%	No Efficiency
90% - 100%	Not enough Efficient
80% - 89%	Quite Efficient
60% - 79%	Efficient
< 60%	Very Efficient

(Joko Pramono, 2014)

Ratio Effectiveness

(Faud & M. Ramli, 2016) said that the effectiveness ratio describes the ability of the regional government to realize the planned regional original income compared to the target set based on the real potential of the region. The greater the ratio value obtained or the greater the target Which realized, indicating that more effective performance budget on an agency government, and vice versa. According to (Halim & Abdul, 2007) the effectiveness ratio can be formulated:

$$\text{Efficiency Ratio} = \frac{\text{Realization of Local Own – Source Revenue (PAD)}}{\text{Target of Local Own – Source Revenue (PAD)}} \times 100\%$$

Mark effectiveness finance area Can classified on table under This:

Table 3. Level Ratio and Criteria Effectiveness Finance Area

Level Ratio	Criteria
> 100%	Very Effective
100%	Effective
90% - 99%	Quite Effective
75% - 89%	Not enough Effective
< 75%	No Effective

(M. (Mahmudi, 2016)

Ratio Growth

(Rahmayati, 2016) said that the growth ratio measures how much ability Government Area in maintain and increase its success Which has achieved from One period to period next. If The growth ratio shows a positive number, which shows that financial performance is increasing. and so too on the contrary. According to (Selly Paat, 2013) the following is the growth ratio formula:
Ratio PAD growth

$$\text{PAD} = \frac{\text{PAD year } t - \text{PAD year } t - 1}{\text{PAD year } t - 1} \times 100\%$$

Ratio Growth Income

$$\text{Revenue} = \frac{\text{Year revenue } t - \text{Year revenue } t - 1}{\text{Year revenue } t - 1} \times 100\%$$

Ratio Growth Shopping

$$\text{Belanja} = \frac{\text{Year expenditure } t - \text{Year expenditure } t - 1}{\text{Year expenditure } t - 1} \times 100\%$$

METHODOLOGY

Types of research

The type of research in this research is descriptive quantitative research. Descriptive quantitative research is a systematic framework that aims to provide answers to a problem and/or uses research stages with a quantitative approach.

Source Data

The author uses secondary data sources obtained from the official website of BAPPEDA Surakarta City in the form of a report on the realization of the Surakarta City Government's APBD finances. Collection data Which used that is technique documentation and studies literature where researchers obtain data by means of:

Studies Literature

Researcher use draft which is obtained from various journals, internet, newspapers, and documents Which related to the research object. Collection data done by sorting and studying previous research in the form of journals, theses, dissertations, and other sources with a research focus.

Technique Documentation

The documentation technique in this study was taken by sorting and making one data sourced from available report documents. The material for the analysis data in this study is found in the financial realization report of the Surakarta City Government's APBD for 2015-2023.

RESEARCH RESULTS

Independence Ratio

independence ratio of the Surakarta City government can be shown by the calculation below:

$$\text{Independence Ratio} = \frac{\text{PAD}}{\text{Central Government Assistance}} \times 100\%$$

Table 4. Level Independence Management Performance Finance Government City Surakarta During the reign of Gibran Rakabuming Raka

Year	PAD	Help Government Center	Ratio	Information
2021	Rp1,140,000,000.33	Rp1,717,000,000.86	66.39%	No Effective
2022	Rp1,410,000,000.81	Rp1,818,000,000.55	77.55%	No Effective
2023	Rp1,565,000,000.99	Rp1,835,000,000.52	85.28%	Less Effective

(Olah Data, 2024)

The results of the independence ratio of Makassar City for the 2021 Fiscal Year, Regional Original Income of IDR 1,140,000,000.33, - with Central Government Assistance of IDR 1,717,000,000.86, -, obtained ratio independence as big as 66.39% categorized No effective because < 70%. In the 2022 Fiscal Year, the Regional Original Income was Rp1,410,000,000.81, - with Help Government Center as big as Rp1,818,000,000.55, -, obtained ratio independence of 77.55% is categorized as ineffective because it is <70%. And in the 2023 Budget Year, Regional Original Income is IDR 1,565,000,000.99, - with Central Government Assistance of Rp1,835,000,000.52, -, obtained ratio independence as big as 85.28% Also categorized as less effective because it is < 89%.

DISCUSSION

Independence Ratio

The financial independence ratio of the Makassar City Government during the second term of Mohammad Ramdhan Pomanto's leadership shows that the level of dependence on transfer funds from the central government is still quite high. Based on the calculation of the independence ratio from the Regional Revenue and Expenditure Budget (APBD), it is known that during period study ratio independence finance City Makassar range between "moderate" to "less effective" categories.

Data shows that the Local Original Income (PAD) of Makassar City has increased Which fluctuating, However Still Not yet capable cover all over need regional shopping without existence intervention from government center in form funds balance. Matter this indicates that Government City Makassar still need to improve strategy in expanding the regional tax base and optimizing local resources to increase fiscal independence.

Effectiveness Ratio

The ratio of the effectiveness of regional finances in Makassar City during the second period of Mohammad Ramdhan Pomanto's leadership showed fewer effective results. Based on data analysis, the effectiveness of PAD in reach target which is still set in under the "quite effective" category. This shows that the PAD potential has not been fully utilized. optimal. A number of factors Which cause ineffectiveness This between other: Lack of innovation in strategy excavation PAD, the low-level compliance must tax And There are leaks in the management of regional revenue.

Required steps strategic for increase effectiveness management PAD, including strengthening the regional taxation system, increasing transparency in regional financial management, and optimizing regional assets to increase revenue.

Efficiency Ratio

The efficiency of the financial management of the Makassar City Government is still not optimal. Based on the calculation of the efficiency ratio, it was found that the costs incurred to obtain income are still relatively high. Ideally, the smaller the efficiency ratio, the better performance finance an area, but in City Case Makassar, number the efficiency ratio still shows that budget allocation has not been carried out optimally.

Factor main Which cause efficiency low is height cost operational and administration compared to the revenue generated. The Makassar City Government needs to evaluate the budget structure to ensure that spending is directed at programs that provide maximum benefits to the community.

Growth Ratio

The trend of regional financial growth in Makassar City shows a fluctuating pattern. The PAD growth ratio in recent years has experienced a negative trend, indicating challenges in increasing regional income. Several factors that affect PAD growth include: Instability of macroeconomic conditions that affect people's

purchasing power, Fiscal policies that do not fully support increasing PAD, and Lack of diversification of regional income sources.

To increase regional financial growth, the Makassar City Government needs to develop a long-term strategy to increase regional original income, including through investment in sectors strategic and optimization utilization asset area.

CONCLUSIONS AND RECOMMENDATIONS

Independence Ratio of Makassar City Government in the period Secondly, the leadership of Mohammad Rhamdan Pomanto was generally said to be effective. Makassar City needs to increase the realization of Makassar City's Original Regional Income by increasing the effectiveness of several posts related to Makassar City's PAD. The next way is to expand the tax base, the local government needs to expand the tax base by recruiting new taxpayers, such as by re-registering taxpayers and increasing tax compliance.

It is expected researcher furthermore add research period so that give more accurate results in assessing the financial performance of the Makassar City government. Furthermore, using another approach, because the independence ratio approach cannot be used as the only reference for assessing the performance of a government. Conclusions can be generalizations of findings according to research problems, or recommendations for further steps.

ADVANCED RESEARCH

Every research is subject to limitations; thus, you can explain them here and briefly provide suggestions to further investigations.

ACKNOWLEDGMENT

This section gave you the opportunities to present gratitude to your colleagues who provide suggestions for your papers. You can also convey your appreciation to the financial grants you are accepting, making this paper.

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