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Financial Performance in the Regional Government Budget in Morowali Regency, Central Sulawesi Province: 2020-2024 Period

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Abstract

The importance of assessing the financial performance of local governments in allocating the planned budget. Therefore, research was conducted to assess the financial performance of local governments in Morowali district in the 2020 to 2024 fiscal years through quantitative descriptive analysis using the calculation of the independence ratio, effectiveness ratio, and efficiency ratio. The research findings reveal that (1) Assessment of local government financial performance through the measurement of the independence ratio shows that the regional financial capacity is still classified into the low category; (2) Assessment of local government financial performance in the measurement of the effectiveness ratio illustrates that financial performance is classified into the effective category caused by the realization of local revenue can meet and even exceed the estimated target; and (3) Assessment of local government financial performance in the efficiency measurement category is stated to be still not optimal and classified into the less efficient category.

1. Introduction

Over time, the regional economy has undergone fundamental administrative changes since the implementation of regional autonomy in 2001. Law No. 32 of 2004 and Law No. 33 of 2004, which serve as the main foundation for the implementation of regional autonomy, offer better opportunities for regions in terms of human resources, finance, and other resources. The main objective of implementing accrual-based accounting is to improve transparency, accountability, and efficiency in public financial management. In accrual-based accounting, income and expenses are recorded when they occur, not just when money comes in or goes out. This allows governments to obtain more accurate and real-time information about their financial position, and makes it easier for them to carry out long-term financial planning and make better strategic decisions (Ridha, 2018). The benefits of implementing accrual-based accounting include increased transparency, enhanced accountability, strengthened internal oversight and control, improved efficiency and effectiveness, and ensuring financial sustainability (Ramadana, 2023).

Financial management is one of the most important factors that must be implemented by every region in Indonesia. Regional financial management is the key determinant of the success and effectiveness of development and the administration of regional governments. Riska et al. (2022) explain that regional financial management is a series of activities involving planning, implementation, administration, reporting, accountability, and oversight of the finances of a region. Based on Law No. 33 of 2004 concerning Financial Balance between the Government and Regional Governments, Article 66 paragraph 1, regional finances must be managed in an orderly manner, in accordance with regulations, efficiently, economically, effectively, transparently, and responsibly, while fulfilling the values of fairness, compliance, and benefits to the people. Transparency from the local government can create efficiency and effectiveness in the management of regional resources, improve the welfare of the people, and facilitate the people's participation in development.

Good and optimal regional financial management will ensure the achievement of development and the implementation of regional government, which will have an impact on improving the performance of the regional government. The progress of a region can be seen from how it manages its finances. Regional financial management must be carried out effectively and efficiently based on existing principles, including transparency, value for money, and accountability, which can encourage economic growth (Sari & Mustanda, 2018).

The assessment of local government financial performance is very different from the assessment of corporate financial performance. In addition to being budget-based, local government finances do not have the goal of maximizing profits or net income like companies do. The purpose of financial statement analysis is to provide information about the financial position and changes in the financial position of a company or local government that is useful for users to make decisions. To understand financial statement information, financial statement analysis is essential. One analysis for good financial planning and control is financial ratio analysis. In analyzing village financial statements, financial ratios are necessary because they serve as a reference for analyzing the financial performance of a village government. The ratios used will help assess the financial performance of the village government over a fiscal year. Whether the financial performance of the village government is good or bad, it will assist the village government leader in making decisions to use the APBD funds wisely, which have been provided by the central government (Sibarani, 2023).

To determine how well and how much village fund allocation is managed, a financial performance analysis must be conducted. This financial performance analysis is very important because it can serve as a guideline for improving financial performance in the future, showing the achievement of set financial performance targets, evaluating financial performance, and helping to identify and resolve existing issues (Gea, 2022).

The financial performance of industrial regions is an important subject in the context of regional economic development. Morowali, an industrial region located in Central Sulawesi Province, has become one of the main pillars of Indonesia's economic map. An analysis of local government financial performance must be carried out to ensure good regional financial management that has a positive impact on the community (Sukma et al., 2021).

Morowali, as one of the industrial areas known for its mineral resources, is the focus of this analysis. This analysis of the local government's financial performance is particularly useful for formulating local financial management policies and assessing whether the local government has improved the welfare of its people and managed its finances well (Hamid, 2018).

With its abundant mining potential, Morowali plays a strategic role in Indonesia's economic contribution. The importance of Morowali's financial performance analysis lies not only in its economic dimension. Morowali is also recognized as an economic hub, where interactions between various sectors and economic actors influence the overall dynamics of regional finances. The information expected must be organized, and performance indicators and measurements must be designed systematically and be easy to understand (Hamid, 2018).

2. Literature Review

Financial Performance

Financial performance is a manifestation of success or failure in operational performance. Financial performance is a general overview of a company's financial condition and achievements in the past, based on the entity's financial statements, which detail the financial activities that have taken place (Sibarani, 2023).

Sari (2016) states that one of the performance measurements that can describe local government performance is financial performance measurement. Local government financial performance is the level of success in the financial sector of a region, summarizing regional revenue and expenditure using a financial system determined by legislation during a budget period.

Nurulafifah (2013) explains that the financial performance of local governments is the result of a program that has been achieved in relation to the utilization of a region's financial budget in terms of quality, quantity, and measurable regional capabilities by assessing efficiency in public services. Local government financial performance is one of the measures used to assess a region's ability to implement regional autonomy or the success of a program planned by the local government during a specific period, which will be evaluated using financial indicators (Halim, 2012). Local government financial performance is a reflection of the level of success in financial management in realizing a policy program to achieve the vision, mission, targets, and objectives of the local government (Mahsun, 2013).

Financial Statements

Kasmir (2012) in his book entitled Financial Statement Analysis states that financial statements are reports that show the current financial condition of a company or during a certain period. In financial statements, all companies are required to prepare, report, submit, and then analyze their finances to show the condition and position of a company during a certain period. Subsequently, financial statements are used as a tool to identify various issues, such as the strengths and weaknesses of the company, which can be addressed by the company both currently and in the future.

Kasmir (2012) explains that financial statement analysis is necessary to make financial statements more useful so that they can be understood and interpreted by various parties. By conducting financial statement analysis, it will be evident whether the company has achieved its planned objectives or not. The primary purpose of financial statement analysis is to determine the financial position that identifies the achievement of previously planned targets. For management, this information can be used to make informed decisions and as a basis for planning future activities.

Financial Ratios

Kasmir (2017) states that financial ratios are activities that compare figures in financial statements by dividing one figure by another. Sudana (2012) explains that ratios can be said to be an analysis to determine the relationship between certain items in the balance sheet and income statement individually or in combination with both statements. Financial ratio analysis is one of the tools used to assess an organization's performance in financial management as reflected in financial statements (Halim, 2012). Fahmi (2013) mentions the functions and benefits of financial ratios as follows:

1. As an assessment for company stakeholders.
2. A benchmark for evaluating companies from a financial perspective.
3. By management as a guide in forming plans.
4. An instrument for assessing company performance and achievements.
5. Predicting potential risks associated with the guarantee of interest payments and loan principal repayments.

By comparing the results between periods, financial ratio analysis can be performed to determine the prevailing trends. The regional financial ratios applied based on financial data, namely the Regional Budget (APBD), consist of the independence ratio, growth ratio, consistency ratio, efficiency ratio, and effectiveness ratio (Halim, 2012).

Financial Independence Ratio

Halim (2001) explains that the Regional Financial Independence Ratio (RKKD) is the ability of local governments to finance government activities, including development, the economy, and services for the community, which are willing to pay taxes and local levies and are used to increase local revenue sources.

Nugraha & Amelia (2017) state that the influence of the regional financial independence ratio on community welfare (based on the Human Development Index) has a positive effect, meaning that an increase in regional financial independence, as seen from the acquisition of PAD relative to balanced funds, also increases the Human Development Index. An increase in PAD can increase the regional budget for funding profitable sectors with long-term benefits. One example is the allocation of funds for human development. This allocation is used, among other things, for education-related dimensions such as scholarships for underprivileged students, improvements to educational support facilities, and other educational assistance funds.

Effectiveness Ratio

The effectiveness ratio reflects the ability of village governments to implement the planned Village Fund Allocation (ADD) compared to the set budget. The effectiveness ratio is used to assess the ability of local governments to achieve planned local revenue targets based on the region's actual potential. A region is considered effective if the ratio reaches 100%. The higher the effectiveness ratio, the better the region's capability (Nurhayati, 2015).

Efficiency Ratio

The efficiency ratio is a ratio that illustrates the comparison between the amount of costs incurred to obtain revenue and the realized revenue received (Halim, 2007).

The efficiency of regional budget management is a ratio that shows the extent of efficiency in the implementation of activities/projects by comparing output and input. The efficiency formula is the ratio of regional expenditure realization to total regional revenue (Trianto, 2016).

3. Research Method

This research is a descriptive quantitative study. It is quantitative because it uses numerical data/financial reports from the local government and calculates ratios (self-reliance, effectiveness, efficiency). It is descriptive because its purpose is to describe or explain how the financial performance is based on the results of ratio analysis. The data used are secondary data in the form of APBD data for the years 2020-2024 from the Morowali Regency Government, obtained from the official government website djpk.kemenkeu.go.id. The analysis was conducted by calculating and comparing financial ratios, including the regional financial independence ratio, revenue effectiveness ratio, and expenditure efficiency ratio. The results of these calculations are used to assess and describe the financial performance of each district. Data analysis techniques are carried out by calculating ratios based on the formulas for each ratio.

Financial Independence Ratio

The regional financial independence ratio is indicated by the size of the region's own revenue compared to regional revenue from other sources. The regional independence ratio can be calculated using the following formula:

$$\text{Independence Rasio} = \frac{\text{OLGR}}{\text{Total Revenue}} x 100\%$$

*OLGR = Original Local Government Revenue

Table 1. Relationship Patterns and Levels of Regional Capability

Financial Capability	Independence (%)	Realtive Patterns
Very Low	0%-25%	Instructive
Low	25%-50%	Consultive
Medium	50%-75%	Partisipative
High	75%-100%	Delegative

Source: Abdul Halim, (2007)

Effectiveness Ratio

The effectiveness ratio describes the village government's ability to realize the planned Village Fund Allocation (ADD) compared to the established budget. The measurement uses the formula:

$$\text{Effectiveness Ratio} = \frac{\text{OLGR Realization}}{\text{OLGR Target}} x100\%$$

Table 2. Financial Performance Effectiveness Criteria

Effectiveness Criteria	Financial Performance
Highly Effective	More than 100%
Effective	90%-100%
Moderately	80%-90%
Less Effective	60%-80%
Ineffective	Less than 60%

Source: Mohammad Mahsun (2016:130) in Yayu Sri Eva (2019)

Rasio Efisiensi

The Efficiency Ratio is a ratio that describes the comparison between the amount of costs incurred to obtain revenue and the realization of revenue received. Can be calculated using the following formula.

$$\text{Efficiency Ratio} = \frac{\text{Total Expenditure}}{\text{Total Revenue}} x100\%$$

Tabel 3. Financial Perfomance Efficiency Criteria

Efficiency Criteria	Financial Perfomance
More than 100%	Inefficiency
90%-100%	Less Efficiency
80%-90%	Moderately
60%-80%	Efficiency
Less than 60	Highly Effictive

Source: Abdul Halim, (2007)

4. Results and Discussion

Independence Ratio

The independence ratio illustrates the level of local government's ability to self-finance government activities, development, and public services without high dependence on transfer funds from the central or provincial government. This ratio is calculated by comparing Local Own Revenue (PAD) to total local revenue, so that the higher the value of the independence ratio, the better the financial performance of the local government in managing and optimizing its own revenue potential. Good regional financial performance is reflected in strong fiscal capacity, which allows regions to exercise autonomy more effectively and reduce dependence on balancing funds or other transfer funds.

The calculation of the independence ratio of the Morowali Regency Regional Government for the 2020-2024 Budget Year is as follows:

$$\text{Independence Rasio} = \frac{\text{OLGR}}{\text{Total Revenue}} x100\%$$

Calculation of 2020 to 2024 Period

$$2020 = \frac{\text{Rp } 310.040.000.000{,}00}{\text{Rp } 1.292.600.000.000{,}00} x100\%$$
= 23.98%

$$2021 = \frac{\text{Rp } 342.480.000.000{,}00}{\text{Rp } 1.533.670.000.000{,}00} x100\%$$
= 22.33%

$$2022 = \frac{\text{Rp } 358.810.000.000{,}00}{\text{Rp } 1.617.050.000.000{,}00} x100\%$$
= 22.18%

$$2023 = \frac{\text{Rp } 596.420.000.000,00}{\text{Rp } 1.981.900.000.000,00} x100\%$$
= 30.09%

$$2024 = \frac{\text{Rp } 892.140.000.000,00}{\text{Rp } 2.504.210.000.000,00} x100\%$$
= 35.62%

Table 4. Results of the Morowali Regency Regional Government Independence Ratio for the 2020-2024 Budget Year

Period	Original Local Government Revenue (IDR)	Total Revenue (IDR)	Independence Ratio (%)	Financial Capacity
2020	310.040.000.000,00	1.292.600.000.000,00	23,98%	Rendah Sekali
2021	342.480.000.000,00	1.533.670.000.000,00	22,33%	Rendah Sekali
2022	358.810.000.000,00	1.617.050.000.000,00	22,18%	Rendah Sekali
2023	596.420.000.000,00	1.981.900.000.000,00	30,09%	Rendah
2024	892.140.000.000,00	2.504.210.000.000,00	35,62%	Rendah
Rata-Rata			26,84%	Rendah

Source: Processed by Reseacher, 2025

Based on Table 4, the financial independence ratio of Morowali Regency over the five fiscal years shows an increasing trend, although it is still in the category of low financial capability. In 2020 to 2022, the independence ratio was below 25%, which amounted to 23.98%, 22.33%, and 22.18% respectively, which fell into the "Very Low" category. This shows that the Morowali Regency Government in that period was still very dependent on transfer funds from the central and provincial governments in financing local government activities and operations.

However, starting in 2023 and 2024 there was a significant increase in the independence ratio, which amounted to 30.09% and 35.62%, although it was still classified in the "Low" category. This increase reflects an effort to increase local revenue (PAD), which means that there has been an improvement in the financial performance of local governments, especially in exploring local potential as a source of income.

The average independence ratio over the last five years is 26.84%, which is in the "Low" category. This indicates that in general, the Morowali Regency Government is still not fully fiscally independent and needs to continue to develop PAD potential through optimizing regional leading sectors, improving financial governance, and improving public services that have a direct impact on regional revenue.

Furthermore, to see how the development of the Morowali Regency Regional Government's revenue growth ratio for the 2020-2025 fiscal year, it can be seen in the following graph:

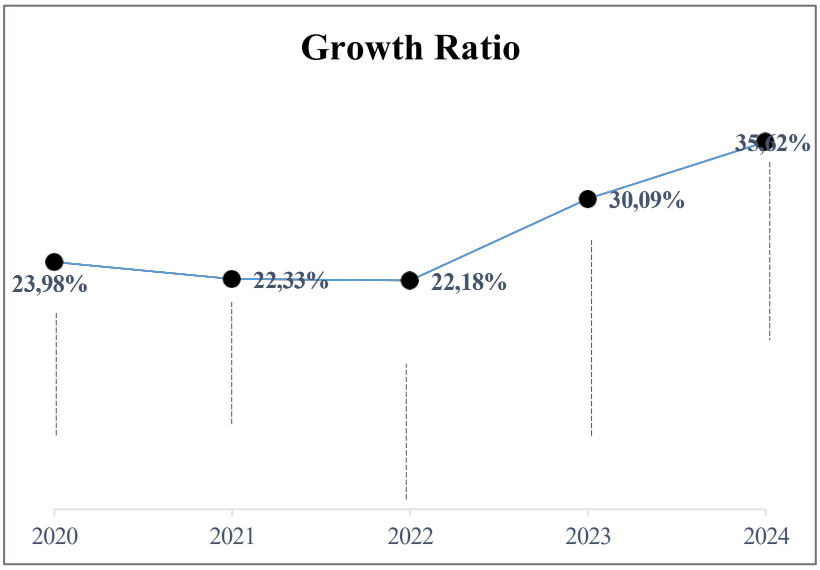

Figure 1. *Morowali Regency Local Government Revenue Growth Ratio Chart 2020-2024*
Source: Processed by Research, 2025

Based on the graph above, it shows that the revenue growth ratio has fluctuated over a five-year period. In 2020, the ratio was at 23.98%, then decreased successively in 2021 (22.33%) and 2022 (22.18%), indicating a decline in regional revenue performance. However, starting in 2023 there was a significant increase to 30.09%, and again increased sharply in 2024 to 35.62%. This increase reflects an improvement in the management and optimization of local revenue sources, although in general the level of regional independence is still in the low category.

Effectiveness Ratio

The effectiveness ratio illustrates the extent to which the local government's ability to realize the revenue targets set in the budget. This ratio is calculated by comparing the realization of local revenue to the planned revenue target, then multiplied by 100 percent. This ratio is an important indicator in assessing the financial performance of local governments, because it shows the ability to plan and implement budgets appropriately. The higher the effectiveness ratio, the better the local financial performance, because it shows that the local government is able to achieve and even exceed the predetermined revenue target.

The performance of the Morowali Regency Regional Government is said to be effective if the resulting ratio is between 90-100%. This means that if the budget provided is almost the same as the realization, the village's financial performance will be better. A high effectiveness ratio means that the performance of local government financial performance is also getting better. The effectiveness ratio can be calculated with the following formula:

$$\text{Effectiveness Ratio} = \frac{\text{OLGR Realization}}{\text{OLGR Target}} x100\%$$

The Financial Report on PAD Allocation in Morowali Regency for the 2020-2024 fiscal year, can be seen in the following table:

Table 5. Financial Report of PAD Allocation in Morowali Regency for Fiscal Year 2020-2024

Period	OLGR Target(IDR)	OLGR Realization (IDR)
2020	313.160.000.000,00	310.040.000.000,00

Period	OLGR Target(IDR)	OLGR Realization (IDR)
2021	308.290.000.000,00	342.480.000.000,00
2022	394.950.000.000,00	358.810.000.000,00
2023	393.120.000.000,00	596.420.000.000,00
2024	797.570.000.000,00	892.140.000.000,00
Min	308.290.000.000,00	310.040.000.000,00
Max	797.570.000.000,00	892.140.000.000,00
Average	441.418.000.000,00	499.978.000.000,00

Source: Processed by Researcher, 2025

The calculation of the effectiveness ratio of the Morowali Regency Regional Government for the 2020-2024 Budget Period is as follows:

$$2020 = \frac{\text{Rp } 310.040.000.000{,}00}{\text{Rp } 313.160.000.000{,}00} x100\%$$
= 99.00%

$$2021 = \frac{\text{Rp } 342.480.000.000{,}00}{\text{Rp } 308.290.000.000{,}00} x100\%$$
= 111.09%

$$2022 = \frac{\text{Rp } 358.810.000.000{,}00}{\text{Rp } 394.950.000.000{,}00} x100\%$$
= 90.85%

$$2023 = \frac{\text{Rp } 596.420.000.000{,}00}{\text{Rp } 393.120.000.000{,}00} x100\%$$
= 151.71%

$$2024 = \frac{\text{Rp } 892.140.000.000{,}00}{\text{Rp } 797.570.000.000{,}00} x100\%$$
= 35.62%

Tabel 6. Effectiveness Ratio in Morowali Regency Regional Government for Fiscal Year 2020-2024

Period	OLGR Target (OLGR)	OLGR Realization (IDR)	Effectiveness Ratio (%)	Criteria
2020	313.160.000.000,00	310.040.000.000,00	99,00%	Effective
2021	308.290.000.000,00	342.480.000.000,00	111,09%	Highly Effective
2022	394.950.000.000,00	358.810.000.000,00	90,85%	Effective
2023	393.120.000.000,00	596.420.000.000,00	151,71%	Highly Effective
2024	797.570.000.000,00	892.140.000.000,00	111,85%	Highly Effective

Source: Processed by Researcher, 2025

Table 6 shows the effectiveness ratio of the Local Government Revenue (PAD) of Morowali Regency during the fiscal years 2020 to 2024. The effectiveness ratio measures how far the realization of PAD can achieve or even exceed the set targets. The results indicate that the local government's financial performance in terms of achieving PAD targets is good, with an average effectiveness ratio above 90%.

In 2020, the effectiveness ratio stood at 99.00%, categorized as "Effective," indicating that PAD realization nearly fully achieved the set target. The years 2021 and 2023 showed very good achievements, with ratios of 111.09% and 151.71%, respectively, which fall under the "Very Effective" category. This indicates that the local government successfully exceeded the PAD target significantly, possibly due to an increase in local tax potential or more optimal management of revenue sources.

Although the ratio slightly decreased to 90.85% in 2022, the achievement still falls under the "Effective" category, meaning that the PAD target was largely met. The year 2024 again showed excellent performance with an effectiveness of 111.85%.

Overall, this data reflects that the

Morowali Regency Government has a good ability to realize PAD in accordance with the set targets, even exceeding the targets in most years. This serves as a positive indicator of local government financial performance, particularly in terms of budget planning and implementation.

To see how the effectiveness ratio of the Morowali Regency Government has developed over the 2020-2025 budget period, please refer to the following graph:

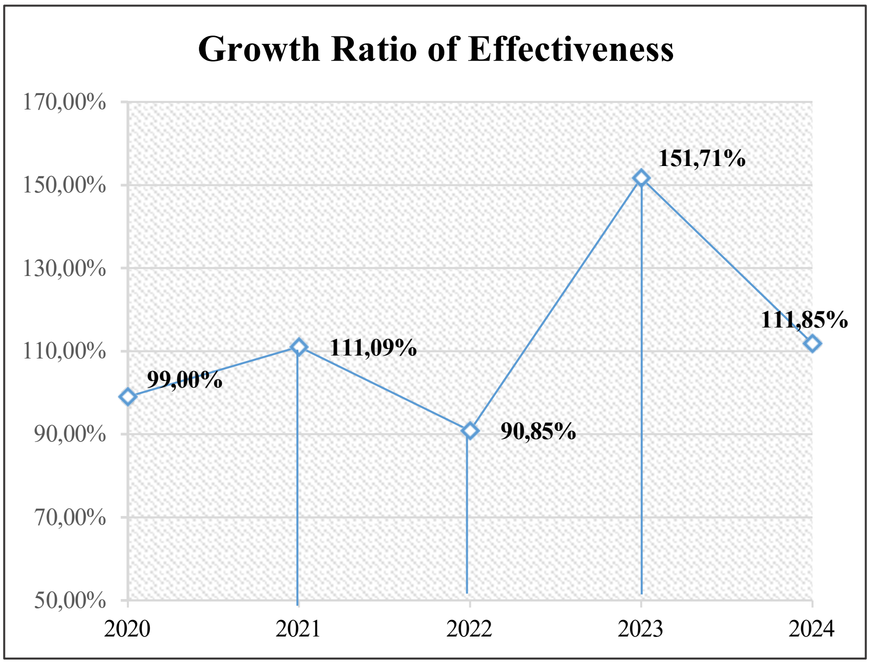

Figure 2. *Morowali Regency Regional Government Effectiveness Ratio Chart 2020-2024*
Source: Data processed by researchers, 2025

The graph above shows that the effectiveness ratio fluctuated significantly over the five-year period. In 2020, the effectiveness ratio stood at 99.00%, then increased to 111.09% in 2021, indicating that revenue realization exceeded the set target. However, in 2022, there was a decline to 90.85%, meaning that revenue realization did not meet the target. A sharp increase occurred in 2023 to 151.71%, reflecting highly effective performance. However, in 2024, the ratio decreased again to 111.85%, although it remained in the highly effective category as it was above 100%.

This also indicates that local governments have begun to successfully improve their fiscal strategies and increase efficiency in collecting local revenue, although they are not yet fully fiscally independent. The consecutive increases over the past two years indicate positive potential in the development of local fiscal capacity, but more consistent and sustained efforts are needed to continue reducing dependence on transfer funds from the central government.

Efficiency Ratio

The efficiency ratio reflects the ability of local governments to optimally utilize financial resources to fund local expenditures. This ratio is calculated by comparing total realized local expenditures to total realized local revenues, then multiplying by 100%. The efficiency ratio reflects how frugally and effectively the budget is used in implementing local government programs and activities. The lower the efficiency ratio (but still within reasonable limits), the better the financial performance of the local government, as it indicates that expenditures are made efficiently without waste and the government remains capable of performing its public service functions.

The calculation of the efficiency ratio for the Morowali Regency Local Government for the 2020-2024 fiscal year is as follows:

$$\text{Efficiency Ratio} = \frac{\text{Total Expenditure}}{\text{Total Revenue}} x100\%$$

Calculation of Period 2020-2024

$$2020 = \frac{\text{Rp } 1.234.260.000.000{,}00}{\text{Rp } 1.292.600.000.000{,}00} x100\%$$
= 95.48%

$$2021 = \frac{\text{Rp } 1.391.030.000.000{,}00}{\text{Rp } 1.533.670.000.000{,}00} x100\%$$
= 90.70%

$$2022 = \frac{\text{Rp } 1.445.840.000.000{,}00}{\text{Rp } 1.617.050.000.000{,}00} x100\%$$
= 89.41%

$$2023 = \frac{\text{Rp } 2.021.820.000.000{,}00}{\text{Rp } 1.981.900.000.000{,}00} x100\%$$
= 102.01%

$$2024 = \frac{\text{Rp } 1.832.840.000.000{,}00}{\text{Rp } 2.504.210.000.000{,}00} x100\%$$
= 73.19%

Table 7. Morowali Regency Local Government Efficiency Ratio Results 2021-2023

Period	Local Expenditure (IDR)	Local Revenue (IDR)	Efficiency Ratio (%)	Criteria
2020	1.234.260.000.000	1.292.600.000.000	95,48%	Less Efficient
2021	1.391.030.000.000	1.533.670.000.000	90,70%	Less Efficient
2022	1.445.840.000.000	1.617.050.000.000	89,41%	Moderately
2023	2.021.820.000.000	1.981.900.000.000	102,01%	Inefficient
2024	1.832.840.000.000	2.504.210.000.000	73,19%	Efficient
Average			90,16%	Less Efficient

Source: Processed by Researcher, 2025

The regional expenditure efficiency ratio illustrates how optimal the Regional Government is in using its revenue to finance regional expenditure. Based on Table 7, the budget efficiency performance of Morowali Regency during 2020-2024 showed significant fluctuations. In 2020 and 2021, the efficiency ratio was recorded at 95.48% and 90.70%, which were categorized as less efficient, indicating that regional expenditures were still quite high compared to the revenue earned. In 2022, there was a slight improvement with a ratio of 89.41% which was classified as moderately efficient.

However, efficiency declined again in 2023 with a ratio of 102.01%, which means that it is inefficient because regional expenditures exceed the income they have. Conditions improved significantly in 2024, with an efficiency ratio of 73.19% which fell into the efficient category, indicating better financial management. The average efficiency ratio over the five years is 90.16%, which overall is still categorized as less efficient.

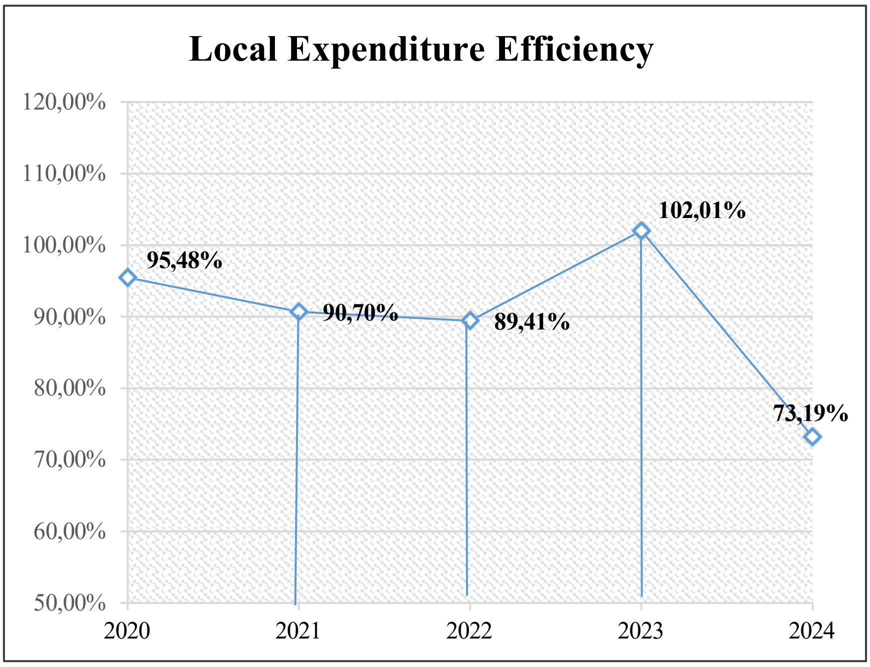

Figure 3. Graph of Morowali Regency Government Regional Expenditure Efficiency Ratio 2020-2024
Sumber: Processed by Researcher, 2025

The graph above shows that changes in the efficiency ratio from year to year indicate dynamics in regional financial management. The year 2023 is of particular concern due to a significant level of inefficiency, but improvements made in 2024 demonstrate a positive response to the issue. This also shows that the Morowali Regency Government has begun to improve the quality of its budget management, although consistency is still needed to maintain efficiency in the coming years.

Discussion

Based on the results of research on the financial performance of the Morowali Regency Government during the 2020–2024 period, it can be concluded that the financial independence ratio shows an increasing trend, but is still in the low category. From 2020 to 2022, this ratio was below 25%, which falls into the "very low" category, indicating high dependence on transfer funds from the central and provincial governments. This aligns with the theory of fiscal autonomy proposed by Halim (2018), which states that a region is considered autonomous if it can fund its own government activities through Local Original Revenue (PAD) without relying on balancing funds.

The improvement that began to be seen in 2023 and 2024, with ratios reaching 30.09% and 35.62%, reflects efforts to strengthen regional fiscal capacity, although it has not yet reached the ideal category. The average independence ratio over five years of 26.84% reinforces that Morowali is still in a transitional phase toward fiscal independence. This study shows that the financial performance of the Morowali Regency Government over the past five years still faces challenges, particularly in terms of fiscal independence.

The local government remains heavily dependent on transfer funds from the central and provincial governments. However, there is a trend toward increased capacity for the region to fund its own operational activities, indicating a commitment and serious efforts to optimize local revenue sources. This situation aligns with the theory of regional autonomy, which emphasizes the importance of regions

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being able to manage their finances independently to improve public services and community welfare (Mahmudi, 2016). In line with the research by Hasyim et al. (2024), local governments with larger assets tend to have stronger fiscal capacity, which can be used to fund government expenditures without relying on external assistance.

In terms of budget effectiveness, the research results show that the Morowali Regency Government has performed well in realizing PAD. An average effectiveness rate above 90% indicates that PAD targets are generally achieved or even exceeded, as seen in 2021, 2023, and 2024, with ratios exceeding 110%. According to Mahmudi (2019), budget effectiveness reflects the ability of local governments to achieve their fiscal objectives. These results indicate that PAD is generally realized in line with targets, and even exceeds targets in some years. This reflects effective budget planning and implementation, as well as the government's ability to identify and manage local revenue potential optimally. This achievement supports the findings of Fitriana and Haryanto's (2020) research, which states that PAD effectiveness is one of the key indicators in assessing the quality of local financial management.

Furthermore, in terms of budget efficiency, there were significant fluctuations during the study period. In 2020 and 2021, the efficiency ratios were 95.48% and 90.70%, respectively, indicating that regional expenditures were still too high compared to the revenues obtained, which was categorized as inefficient. In 2022, there was a slight improvement with efficiency reaching 89.41%, but this trend did not continue as efficiency deteriorated again in 2023, reaching 102.01%, indicating a budget deficit. A significant improvement occurred in 2024, with the efficiency ratio dropping to 73.19%, falling into the efficient category. The average efficiency over five years was 90.16%, indicating that regional expenditure management in general still needs to be improved.

Based on the research findings, the financial performance of Morowali Regency Government in Central Sulawesi Province from 2020 to 2024 shows that, in terms of the Self-Reliance Ratio, the region's financial capacity remains low, reflecting its dependence on transfer funds from the central and provincial governments. However, the increasing trend indicates efforts to improve the potential of Local Revenue (PAD). From the Effectiveness Ratio aspect, financial performance is classified as effective to very effective, as PAD realization generally meets or even exceeds the set targets. Meanwhile, from the Efficiency Ratio aspect, financial performance is still not optimal and classified as inefficient, although there has been an improvement in efficiency in the last year of observation, indicating progress in managing local government spending.

5. Conclusion

Based on the research findings, the financial performance of Morowali Regency Government in Central Sulawesi Province from 2020 to 2024 shows that, in terms of the Self-Reliance Ratio, the region's financial capacity remains low, reflecting its dependence on transfer funds from the central and provincial governments. However, the increasing trend indicates efforts to improve the potential of Local Revenue (PAD). From the Effectiveness Ratio aspect, financial performance is classified as effective to very effective, as PAD realization generally meets or even exceeds the set targets. Meanwhile, from the Efficiency Ratio aspect, financial performance is still not optimal and classified as inefficient, although there has been an improvement in efficiency in the last year of observation, indicating progress in managing local government spending.

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