

## Evaluation of Regional Financial Performance through Analysis of Regional Planning and Development

Aisyah Winanda Harahap<sup>1)</sup>, Asmaria Naomi Tarigan<sup>2)</sup>, Alya Azriana<sup>3)</sup>  
Devi Liana<sup>4)</sup>, Windi Ayunanda<sup>5)</sup>, Galih Supraja<sup>6)</sup>

<sup>1,2,3,4,5,6)</sup>Department of Accounting, Faculty of Social Sciences, Universitas Pembangunan Panca Budi, Indonesia

\*Corresponding Author

Email : [galih@dosen.pancabudi.ac.id](mailto:galih@dosen.pancabudi.ac.id)

### Abstract

*The evaluation of regional financial performance is an essential process in ensuring the effectiveness of development planning and budgeting. This study aims to analyze the extent to which regional financial management is able to support the achievement of development goals through the measurement of planning and budgeting effectiveness. This research uses a descriptive qualitative method with a documentation study approach and secondary data analysis. Data were obtained from regional planning documents (RPJMD, RKPD), budget realization reports, APBD, and academic literature related to regional financial management. The analysis was carried out through data reduction techniques, an assessment of the alignment between planning documents and budget realization, as well as an evaluation of effectiveness based on regional financial performance indicators. The findings show that the effectiveness of planning and budgeting highly depends on the consistency between planning documents, the accuracy of budget projections, and the region's ability to optimize financial resources. In addition, transparency, public participation, and compliance with regulations are key factors in improving the quality of planning and budgeting. This study emphasizes that the evaluation of regional financial performance functions not only as a monitoring tool but also as a strategic instrument to improve financial governance and enhance the success of sustainable regional development.*

**Keywords:** *Regional Financial Performance Evaluation, Planning and Budgeting, Regional Financial Management, Budget Effectiveness, Financial Governance.*

## INTRODUCTION

Local governments play a strategic role in implementing development efforts aimed at improving community welfare and regional economic growth. To achieve these objectives, local governments are required to manage financial resources effectively, efficiently, transparently, and accountably. Regional financial performance serves as an important indicator to assess the extent to which local governments can carry out development in accordance with predetermined priorities.

Development planning and budgeting are two inseparable elements within the regional financial management cycle. Planning documents such as the Regional Medium-Term Development Plan (RPJMD) and the Regional Government Work Plan (RKPD) serve as the foundation for preparing the Regional Revenue and Expenditure Budget (APBD). However, in practice, discrepancies are often found between planning and budget realization, delays in document preparation, weak accuracy in budget projections, and low effectiveness in public spending. These conditions may hinder the optimal implementation of development programs, making it difficult to achieve regional development goals.

Evaluating regional financial performance is therefore crucial to identify the extent to which budget management supports the achievement of development targets. Through evaluation, it becomes possible to assess a region's ability to increase revenue, control

expenditures, maintain financial balance, and ensure that budget allocations are properly targeted. Furthermore, evaluation functions as an instrument to measure the effectiveness. planning and budgeting processes, including the quality of inter-agency coordination, the integration of planning documents, and the level of public participation in development processes.

Common issues in regional financial management include the lack of synergy between planning and budgeting, weak efficiency in public spending, low optimization of local revenue (PAD) potential, and non-compliance with financial management regulations. These conditions highlight the need for an in-depth study to assess whether planning and budgeting have been conducted effectively and whether the formulated budget truly reflects regional development needs.

Based on this background, this research was conducted to evaluate regional financial performance as a basis for analyzing the effectiveness of development planning and budgeting. Through a comprehensive evaluation, this study is expected to contribute to improving regional financial governance and serve as a reference for local governments in enhancing development effectiveness sustainably.

## RESEARCH METHODS

This study employs a *descriptive qualitative* method aimed at describing and analyzing in depth the regional financial performance in relation to the effectiveness of regional development planning and budgeting. This method was selected because the research does not focus on measuring statistical figures, but rather on understanding processes, document consistency, and the alignment between planned and actual budgets. The data used in this research are *secondary data* obtained from various official local government documents such as the RPJMD, RKPD, KUA-PPAS, RKA-SKPD, APBD, budget realization reports, local government financial statements, as well as relevant literature.

Data collection techniques were carried out through *document analysis* and *literature review*, which provided comprehensive information about the mechanisms of regional financial management. Data analysis was conducted through the processes of *data reduction*, *data presentation*, and *conclusion drawing*, allowing the researcher to interpret the relationship between planning documents and budget achievements systematically. Through this approach, the study is able to identify the effectiveness of planning and budgeting and evaluate the extent to which regional financial performance supports the achievement of development goals.

## RESULTS AND DISCUSSION

The discussion in this article emphasizes how regional financial performance becomes a key factor in ensuring the effectiveness of regional development planning and budgeting. The study shows that good development planning must be translated into budget documents that are realistic, accurate, and aligned with priorities. However, the evaluation results indicate that there are still discrepancies between planning documents such as the RPJMD and RKPD and the realization of the APBD. Several planned programs could not be optimally implemented due

to weak budget projections, limited regional revenues, and the suboptimal efficiency of public spending. In addition, the discussion highlights that regional expenditure is still dominated by routine spending, particularly personnel expenditure, which limits fiscal space for development spending and affects the quality of public services and development outcomes.

Previous research emphasized that regional financial performance is entirely dependent on the quality of planning and budgeting, as development can only be implemented if supported by a systematically designed and appropriate budget. This aligns with the findings of previous research journals that indicate a persistent discrepancy between planning documents and budget realization, as well as weak community participation and the accuracy of budget projections. Furthermore, theories regarding financial performance ratios, integration of planning and budgeting documents, and the importance of evaluation in the research journals strengthen the conceptual foundation of the research. The researchers emphasize that development effectiveness is highly dependent on consistency, transparency, and control of regional finances. Thus, both journals conclude that improving regional financial performance cannot be separated from good, measurable, and accountable planning and budgeting, Arifah Nasution et al. (2023).

The study also discusses that the effectiveness of planning is strongly influenced by the extent to which planning is prepared in a participatory, measurable, and needs-based manner. However, in practice, public participation in the planning process is not yet optimal and tends to be a formality. Musrenbang, which is supposed to serve as a forum to gather public aspirations, has not fully functioned effectively, resulting in many community priority programs not being reflected in the budget documents. Furthermore, the discussion shows that the budgeting process often experiences delays, both in the preparation of KUA-PPAS and RKA-SKPD, which affects the timeliness of development program implementation. These delays cause many development activities to be executed toward the end of the fiscal year, resulting in low-quality development outputs.

The discussion also touches on the importance of transparency and accountability in regional financial management. Local governments are required to follow financial management principles in accordance with regulations, yet in reality, there are still weaknesses in public access to budget information and in internal oversight. The evaluation shows that several regions have not optimally implemented internal control systems and budget monitoring, leading to deviations between plans and realizations. In addition, the potential for increasing own-source revenue (PAD) has not been fully optimized, resulting in high dependence on central government transfers. This condition makes it difficult for regions to independently set development priorities.

Overall, the discussion reinforces that the effectiveness of planning and budgeting largely depends on the quality of inter-agency coordination, human resource capacity, accuracy in preparing budget documents, and the commitment of local governments to implementing transparent and accountable financial governance. The study concludes that without improvements in planning and budgeting quality, regional development implementation will not be optimal even if funds are available. Therefore, financial performance evaluation becomes an important instrument for identifying weaknesses, improving the system, and ensuring that regional development runs effectively and sustainably. In previous research, this was closely related to the evaluation of regional financial performance and the effectiveness of planning and budgeting for development. Earlier studies have shown that the dominance of employee expenses

and the minimal development expenditures still remain a classic problem in regional finances, Anugeraheni & Yuniarta (2022).

## CONCLUSION

Based on the results of the analysis and discussion in the article, it can be concluded that regional financial performance plays a crucial role in determining the effectiveness of regional development planning and budgeting. The evaluation of planning documents such as the RPJMD and RKPD, as well as budget documents such as the APBD, shows that there are still discrepancies between planned programs and budget realization. These conditions are influenced by weak accuracy in revenue projections, the dominance of routine expenditures particularly personnel spending and the suboptimal participation of the community in the planning process. As a result, many priority development programs cannot be fully realized, leading to low achievement of regional development outcomes.

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In addition, the study indicates that the effectiveness of planning greatly depends on the quality of coordination among local government agencies and the ability of regional governments to prepare budget documents in a timely, measurable, and needs-based manner. Delays in the preparation or approval of budgets have the potential to hinder development implementation and reduce the quality of outputs produced. On the other hand, the low optimization of Local Own-Source Revenue (PAD) limits the fiscal flexibility of regional governments in independently determining development priorities, resulting in continued dependence on central government transfers.

Overall, the evaluation of regional financial performance reveals that although planning and budgeting mechanisms have adhered to existing regulations, their implementation still faces various structural and technical challenges. Therefore, improving the quality of planning, optimizing revenue sources, strengthening transparency and oversight, and increasing efficiency in budget utilization are essential to ensure that regional development is effective, sustainable, and capable of meeting the real needs of the community.

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