

ANALYSIS OF BUDGET REALIZATION AS A BASIS FOR ASSESSING THE EFFECTIVENESS AND EFFICIENCY OF THE FINANCIAL PERFORMANCE OF THE MAKASSAR CITY GOVERNMENT

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Abstrak

Penelitian ini bertujuan: untuk menilai efektivitas dan efisiensi kinerja keuangan Pemerintah Kota Makassar. Variabel penelitian ini adalah efektivitas dan efisiensi kinerja keuangan. Subjek dari penelitian ini adalah laporan realisasi anggaran sedangkan fokus penelitian ini adalah efektivitas dan efisiensi. Teknik pengumpulan data dilakukan dengan dokumentasi, studi pustaka dan wawancara. Analisis data dilakukan dengan menggunakan analisis deskriptif kuantitatif. Data yang digunakan pada penelitian ini adalah data sekunder berupa Laporan Realisasi Anggaran Pendapatan dan Belanja Daerah Pemerintah Kota Makassar Tahun Anggaran 2019-2024. Hasil penelitian ini menunjukkan bahwa kinerja keuangan Pemerintah Kota dilihat dari 1) tingkat efektivitas menunjukkan tren yang kurang stabil. Pada periode 2019 hingga 2021 kinerja keuangan berada pada kategori efektif, namun pada periode 2022 hingga 2024 mengalami penurunan hingga berada di kategori cukup efektif. Penurunan ini disebabkan oleh penetapan target anggaran yang tinggi dan tidak sebanding dengan kemampuan realisasi sehingga menciptakan kesenjangan antara target dan realisasi pendapatan, 2) tingkat efisiensi menunjukkan hasil yang cukup efisien secara konsisten berada pada rasio di bawah 100% sehingga mengindikasikan bahwa tidak terjadi pemborosan dalam pengelolaan anggaran belanja. Meskipun terdapat fluktuasi, hal ini mencerminkan langkah penyesuaian yang hati-hati dalam penggunaan anggaran belanja daerah.

Kata kunci: Efektivitas, Efisiensi, Kinerja Keuangan

PENDAHULUAN

In public financial management, governments face the challenge of ensuring that the approved budget can be implemented effectively and efficiently. The public budget reflects the government's commitment to development and public service delivery. However, discrepancies frequently arise between planned and actual budgets, which can negatively impact the financial performance of local governments. This phenomenon occurs in various regions across Indonesia, reflecting the complexity of budget management practices.

Local government budget management is regulated by laws such as Law No. 9 of 2015 and Government Regulation No. 12 of 2019, which establish a framework for transparent, accountable, and efficient financial governance, including oversight of its implementation.

Regional financial management must be conducted in an orderly, efficient, transparent, and responsible manner in accordance with regulations, while considering fairness, propriety, and public benefit (Perdhana, 2024).

The financial performance of local governments reflects their ability to manage public budgets accurately, effectively, and efficiently. This assessment of performance is essential because it influences regional development and the quality of public services. Key indicators of financial performance include revenue, expenditure, regional debt, and the effectiveness and efficiency of resource utilization (Wulandari, 2024). According to Harahap (2018), measuring local government financial performance aims to improve governmental performance, support resource allocation and decision-making, and ensure public accountability and institutional communication.

Local government financial performance is typically assessed using financial ratios derived from financial statements, particularly revenue and expenditure ratios. Ratio analysis is carried out by comparing results across different periods to identify trends. The ratios commonly used to measure accountability include fiscal decentralization, independence, effectiveness, efficiency, and growth. However, this study focuses on effectiveness and efficiency ratios to provide a more comprehensive evaluation of financial performance (Nugroho et al., 2022).

Effectiveness measures the extent to which budget targets are achieved, while efficiency evaluates the optimal use of resources to achieve maximum results. In local government financial management, effectiveness ensures that targets are met, whereas efficiency ensures that resources are utilized optimally. Together, these ratios demonstrate the quality of local financial management and strengthen accountability and transparency (Manimbaga et al., 2021).

Assessing the effectiveness and efficiency of local financial performance is crucial for helping local governments understand the achievement of budgetary goals. Such evaluations ensure that budget realization provides maximum benefits to the community and supports

development and welfare. Thus, there is a strong relationship between budget realization and the financial performance of local governments (Makaminang et al., 2022).

The effectiveness ratio is measured by comparing realized regional revenue with the revenue budget, while the efficiency ratio is based on the comparison between realized regional expenditure and regional revenue. High budget realization indicates the government's ability to implement programs as planned, thereby improving financial performance. Conversely, low realization may indicate budget management issues that could undermine performance. Therefore, analyzing budget realization is essential for assessing the effectiveness and efficiency of local government financial management (Anto, 2020).

This study evaluates the effectiveness and efficiency of the financial performance of the Makassar City Government, the capital of South Sulawesi Province and a regional center of economic, educational, and sociocultural activity. Makassar City has a high population density and a large volume of economic transactions. However, gaps frequently occur between budgeted and realized amounts, which affect the region's financial performance. Makassar City can evaluate its financial performance using financial ratio analysis specifically, effectiveness and efficiency ratios based on data from the Makassar City Budget Realization Report, which is summarized in Tables 1 and 2 as follows.

Table 1. Report on the Realization of Regional Revenue Budget at the Regional Financial and Asset Management Agency (BPKAD) of Makassar for the years 2019-2024

Year	Regional Revenue		Percentage (%)
	Budget	Realization	
2019	4.055.576	3.666.359	90,40
2020	3.469.163	3.323.662	95,81
2021	3.577.236	3.286.048	91,86
2022	3.986.429	3.587.333	89,99
2023	4.517.197	4.049.377	89,64
2024	4.997.480	4.204.813	84,14

Source: BPKAD Kota Makassar, 2025

Based on Table 1, it is evident that the realization of Makassar City's regional revenue during the 2019–2024 period consistently fell below the budgeted targets, with realization percentages ranging from 84.14% to 95.81%. This indicates an ongoing inability to meet the

predetermined revenue targets. The pattern is most pronounced in 2024, where realization reached only 84.14%, the lowest percentage recorded in the past six years. Although the revenue budget has steadily increased, the gap between budgeted and realized revenue has also widened. This condition serves as an initial indication that the effectiveness of Makassar City Government's financial performance in optimizing revenue sources requires further in-depth evaluation.

Table 2. Report on the Realization of Regional Revenue Budget at the Regional Financial and Asset Management Agency (BPKAD) of Makassar for the years 2019-2024

Year	Regional Revenue		Percentage (%)
	Budget	Realization	
2019	4.176.183	3.548.006	84,95
2020	3.706.941	2.968.616	80,08
2021	4.165.165	3.150.496	75,63
2022	4.700.694	3.549.062	75,50
2023	5.262.232	4.507.727	85,66
2024	5.291.666	4.268.799	80,67

Source: BPKAD Kota Makassar, 2025

Meanwhile, Table 2 shows that the realization of regional expenditure in Makassar City has also consistently fallen below the allocated budget. The realization percentage ranges from 75.50% to 85.66%, indicating that the Makassar City Government tends to spend below its expenditure target. This condition may suggest efforts toward efficiency or cost savings, in which the government is able to implement programs and activities at a lower cost than planned, thereby avoiding wasteful spending.

However, on the other hand, expenditure realization that consistently remains far below 100% may also indicate unrealistic budget planning or the presence of obstacles in program implementation, resulting in suboptimal budget absorption. Underutilized budgets can hinder the achievement of planned development goals. Therefore, this issue provides a strong foundation for deeper analysis to determine whether the low realization truly reflects intentional efficiency or instead reveals inefficiencies in budget absorption.

Overall, the data in both tables demonstrate an imbalance between budget planning and budget realization. The financial performance of the Makassar City Government shows challenges in achieving revenue targets as well as in fully absorbing expenditure budgets. The

persistent gap between budgeted and realized amounts, both in terms of revenue and expenditure, underscores the urgency for more comprehensive research. Analyzing effectiveness and efficiency ratios becomes highly relevant to identify the causes of these gaps and thereby provide constructive recommendations for improving the quality of budget planning and implementation in the future.

This research is important because suboptimal budget realization can negatively affect financial performance and the quality of public services delivered by the Makassar City Government. Moreover, the author recognizes that studies on budget realization in assessing the effectiveness and efficiency of Makassar City Government's financial performance have been conducted previously, yet no research has utilized the most recent data on the city's budget realization.

Based on the phenomena described above, the author is interested in conducting further research on the effectiveness and efficiency of the financial performance of the Makassar City Government under the title "Analysis of Budget Realization as a Basis for Assessing the Effectiveness and Efficiency of the Financial Performance of the Makassar City Government."

LANDASAN TEORI DAN PENGEMBANGAN HIPOTESIS

Local Government Financial Performance

According to Saifrizar (2018), local government financial performance refers to the achievement of outcomes in financial management, including budgeting and its realization, which are measured using financial indicators in accordance with applicable policies and regulations during a given fiscal period. Meanwhile, Siregar and Mariana (2020) define local government financial performance as the results of programs achieved through budget utilization with measurable quantity and quality, assessed based on the efficiency of public service delivery.

Based on these definitions, it can be concluded that local government financial performance reflects the effectiveness of budget management, measured through a comparison between planned budgets and their actual realization. The evaluation emphasizes the efficiency and effectiveness of budget utilization in delivering public services, while considering both the quantity and quality of outcomes achieved within the fiscal period.

Effectiveness

The concept of effectiveness, according to Mahmudi (2019), refers to the relationship between outputs and objectives. Effectiveness focuses on the achievement of final policy goals, often described as “spending wisely.” In essence, effectiveness is not merely concerned with how much money is spent, but rather with how successfully the expenditure achieves the planned targets or objectives. In general, effectiveness relates to a measure of the ability to attain specific goals or objectives. Therefore, the greater the contribution of outputs to goal achievement, the more effective an organization, program, or activity becomes (Manimbaga et al., 2021).

The relationship between effectiveness and budget realization is particularly important for evaluating transparency and accountability in local government budget utilization. Effective budget use supports the achievement of good governance principles. The effectiveness ratio analysis is employed to assess the balance between budget realization and regional revenue targets, reflecting priorities, productivity, and the effectiveness of local government financial management (Makaminang et al., 2022).

Thus, it can be concluded that effectiveness measures the success of an organization in achieving its objectives, regardless of the magnitude of costs incurred. The budget realization report plays a crucial role in reviewing resource allocation decisions, accountability, and budget compliance, as well as in evaluating government performance in terms of the effectiveness and efficiency of budget utilization.

Efficiency

According to Mahmudi (2019), in his book *Analysis of Local Government Financial Statements*, efficiency is defined as the comparison between the outputs produced and the inputs utilized. Governments are required to exercise budgetary savings in order to achieve optimal results. Efficiency is commonly measured by comparing realized expenditures with the predetermined budgeted expenditures.

Meanwhile, Manimbaga et al. (2021) define efficiency as the ratio of output to input in relation to established performance standards or targets. Efficiency measurement is conducted by comparing the outputs produced with the inputs used (cost of output). Operational activities are considered efficient when they are able to generate the maximum possible output from the available resources.

The relationship between efficiency and budget realization is essential for evaluating transparency and accountability in local government budget utilization. Efficient budget use supports the achievement of good governance. Efficiency ratio analysis is employed to assess the balance of regional expenditures, illustrate funding priorities, and demonstrate the productivity and efficiency of spending carried out by government agencies (Makaminang et al., 2022).

Thus, it can be concluded that efficiency refers to maximizing outputs while minimizing resource waste in the implementation of activities. It represents a comparison between outputs and inputs in relation to established performance standards. A process is considered efficient if it can achieve desired results with the minimum use of resources and funds. Budget realization reports assist in evaluating resource allocation decisions, accountability, and compliance with budgetary regulations, as well as in assessing government performance in terms of the effectiveness and efficiency of budget utilization.

METODE PENELITIAN

According to Sujarweni (2020), a research design provides a clear illustration of the relationship between variables, data collection, and data analysis, allowing researchers to understand how variables are interconnected and how they are measured. This study employs a quantitative descriptive research design aimed at describing and analyzing budget realization as a basis for assessing the effectiveness and efficiency of the financial performance of the Makassar City Government using secondary data. A quantitative approach is used because the data analyzed consist of numerical information derived from official local government financial documents. The variable examined in this study is financial performance, measured through the effectiveness ratio and efficiency ratio. The research subjects are the Budget Realization Reports of the Makassar City Government for the years 2019–2024, with a focus on effectiveness and efficiency. Data collection techniques include documentation, literature review, and interviews as supporting data to ensure the validity and completeness of the documents obtained. Data analysis is conducted using quantitative descriptive analysis to generate findings and conclusions.

HASIL PENELITIAN DAN PEMBAHASAN

Analysis of Effectiveness Ratio

The effectiveness ratio is one of the indicators used to measure how effectively a region optimizes its revenue potential. This ratio compares realized revenue with the predetermined target or budget. According to Mahmudi (2019), the effectiveness ratio can be calculated using the following formula:

$$\text{Formulation of Effectiveness Ratio} = \frac{\text{Realization}}{\text{Budget Revenue}} \times 100\%$$

The Makassar City Government's ability to optimize its revenue potential can be considered effective if the resulting ratio is greater than 100%. Based on the formula, the calculation is carried out using data obtained from the Budget Realization Report issued by the

Regional Financial and Asset Management Agency (BPKAD) of Makassar City. The analysis of the effectiveness ratio for Makassar City for the period 2019–2024 is presented in Table 3

Tabel 3. Analysis of Effectiveness Ratio (in million rupiah)

Year	Budget Revenue	Realization	Ratio Effectiveness	Criteria
2019	4.055.576	3.666.359	90,40%	Effective
2020	3.469.163	3.323.662	95,81%	Effective
2021	3.577.236	3.286.048	91,86%	Effective
2022	3.986.429	3.587.333	89,99%	Fair
2023	4.517.197	4.049.377	89,64%	Fair
2024	4.997.480	4.204.813	84,14%	Fair

Source: BPKAD Kota Makassar, 2025

Based on Table 3, the effectiveness ratio of the Makassar City Government from 2019 to 2024 shows significant fluctuations. The effectiveness of Makassar City's financial performance exhibits a downward trend from "effective" to "fairly effective." At the beginning of the period, from 2019 to 2021, the financial performance effectiveness was categorized as effective, even reaching its peak in 2020 with a ratio of 95.81%. This increase was influenced by the adaptive policies of local leadership, which lowered revenue targets during the initial phase of the COVID-19 pandemic, making the relatively stable revenue realization appear highly successful. In other words, if the revenue budget had not been lowered, the percentage of revenue realization would have declined, resulting in a shift of the effectiveness category to "ineffective."

However, a consistent and significant downward trend is observed over the last three years. Beginning in 2022, the effectiveness ratio declined to 89.99% and continued to fall, reaching 84.14% in 2024. This decline is attributed to substantial increases in budget targets that were not matched by proportional increases in actual revenue realization. Consequently, the effectiveness ratio category shifted from "effective" to "fairly effective" consecutively.

This condition indicates that although annual revenue budget targets have increased, the widening gap between budgeted and realized revenues suggests the need for a thorough evaluation of the region's revenue optimization strategies. The Makassar City Government

faces increasing challenges in meeting these targets. The consistent decline indicates that revenue realization remains far below planned levels and that efforts to optimize local revenue sources such as taxes and service charges require further assessment.

Analysis of Efficiency Ratio

The efficiency ratio is one of the indicators used to measure the extent to which regional or local government budget utilization achieves optimal results at the lowest possible cost. This ratio provides an overview of the local government's ability to manage and use public funds efficiently in order to achieve development goals and deliver public services without waste or unnecessary expenditure. The ratio compares realized expenditure with budgeted expenditure. According to Mahmudi (2019), the efficiency ratio can be calculated using the following formula:

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

Based on the formula, the calculation is carried out using data obtained from the Budget Realization Report published by the Regional Financial and Asset Management Agency (BPKAD) of Makassar City. The analysis of Makassar City's efficiency ratio for the years 2019–2024 is presented in Table 4. The expenditure management of the Makassar City Government can be considered efficient if the resulting ratio is less than 100%.

Tabel 4 Analysis of Efficiency Ratio (in million rupiah)

Year	Budget Revenue	Realization	Efficiency Ratio	Criteria
2019	4.176.183	3.548.006	84,96%	Fair
2020	3.706.941	2.968.616	80,08%	Fair
2021	4.165.165	3.150.496	75,64%	Efficient
2022	4.700.694	3.549.062	75,50%	Efficient
2023	5.262.232	4.507.727	85,66%	Fair
2024	5.291.666	4.268.799	80,67%	Fair

Source: BPKAD Kota Makassar, 2025

Based on Table 4, the efficiency ratio of the Makassar City Government during the 2019–2024 period reflects expenditure management that consistently falls within the “fairly efficient” category, with ratios fluctuating between 75% and 85%. The efficiency ratio initially fell under

the “fairly efficient” category in 2019 and 2020. In 2019, the ratio was recorded at 84.96%, indicating sound budget planning. In 2020, the ratio decreased to 80.08% due to budget savings implemented during the early stages of the COVID-19 pandemic. Efficiency then reached its peak in 2021 and 2022, with ratios of 75.64% and 75.50%, respectively both classified as efficient. These lower ratios were influenced by the post-pandemic recovery period and central government policies related to budget reallocation.

However, in 2023 the ratio increased again to 85.66%, returning to the “fairly efficient” category. This increase serves as a positive indicator, showing that the Makassar City Government successfully resumed development programs that had previously been delayed. The upward trend continued in 2024, with a ratio of 80.67%, demonstrating the City Government’s ability to maintain a balance between budget absorption for development and avoiding unnecessary expenditure. Overall, these fluctuations reflect the government’s adaptation to shifting priorities and economic conditions, while still adhering to the fundamental principle of efficiency, as the ratio consistently remained below 100%.

Discussion

Analysis of Effectiveness Ratio

The effectiveness ratio reflects the extent to which a region is able to achieve its predetermined revenue targets in order to meet the financing needs of regional expenditures. Based on the analysis conducted, the effectiveness ratio fluctuated throughout the 2019–2024 period, although most years demonstrated relatively optimal levels of effectiveness.

In 2019, the City of Makassar succeeded in collecting 90.40% of its targeted revenue, placing it within the “effective” category. This figure indicates a realistic planning process and optimal implementation of revenue collection strategies. As a result, the Makassar City Government possessed sufficient financial capacity to implement programs according to initial plans. This effective performance was supported by the statement of Mr. Wirahady Muhshy,

who noted that the City Government considers effectiveness in revenue collection by ensuring the use of rational revenue targets during the budgeting process.

In 2020, despite the onset of the COVID-19 pandemic, the effectiveness ratio increased significantly from 90.40% in 2019 to 95.81%. As explained by Mr. Wirahady Muhshy, this increase occurred because “from the effectiveness aspect, the most influential factor was the COVID-19 pandemic. The leadership decided to lower the revenue target, yet actual revenue in Makassar was not severely affected during the pandemic. Therefore, the effectiveness ratio in 2020 increased by 5 percent from the previous year.” This explanation emphasizes that the increase in effectiveness was not solely due to a surge in revenue, but rather the result of adaptive strategies taken by local leaders in revising the revenue targets. With lower targets but stable realized revenue, the percentage of achievement rose sharply. This demonstrates the City Government’s ability to adapt and manage finances prudently during a crisis, thereby maintaining financial stability.

In 2021, the effectiveness ratio slightly declined from 95.81% in 2020 to 91.86%, though it remained within the effective category. This minor decrease reflects the adjustment of revenue targets back to higher levels following the initial pandemic period, making achievement more challenging than when targets were substantially reduced. Nevertheless, a ratio above 90% still indicates the government’s strong capacity to manage and realize its revenues. This consistent performance aligns with Mr. Wirahady Muhshy’s statement that revenue trends are influenced by effective and efficient mechanisms in planning, reporting, and financial oversight that are continuously implemented.

In 2022, the effectiveness ratio fell to 89.99%, marking the beginning of a downward trend that shifted the effectiveness category from “effective” to “fairly effective.” This decline resulted from significantly increased revenue targets set after the strong performance in 2020 and 2021. However, actual revenue collection failed to match the heightened targets, widening the gap between planned and realized figures. This decrease serves as a warning regarding

challenges in revenue planning, particularly those involving budgeting inaccuracies and setting unrealistic revenue targets, as highlighted by Mr. Wirahady Muhshy.

In 2023, the downward trend continued. The Makassar City Government again raised its revenue targets substantially. Although actual revenue increased in nominal terms compared to the previous year, the effectiveness ratio decreased slightly to 89.64%, remaining within the “fairly effective” category. This indicates that increased revenue targets were not accompanied by improved realization strategies. The failure to meet the targets can be linked to the gaps identified by Mr. Wirahady Muhshy, namely the suboptimal alignment between planning and budgeting documents and the uncertainty of performance indicators unsupported by proper planning documentation.

The decline in effectiveness continued and intensified in 2024, with the ratio falling to 84.14%, the lowest figure in the period, while still categorized as “fairly effective.” Despite achieving the highest nominal revenue in the period, the effectiveness ratio was the lowest. This strongly reinforces Mr. Wirahady Muhshy’s statements regarding budgeting errors and uncertain performance indicators unsupported by planning documentation. In other words, although there were efforts to maintain effective planning, reporting, and oversight, the initially high revenue targets became the main obstacle. The City Government did manage to increase nominal revenue but failed to meet its own targets. This highlights the importance of setting rational and realistic revenue targets to maintain sustainable financial performance effectiveness.

Overall, the analysis of the effectiveness ratio from 2019 to 2024 indicates a declining trend. Initially, the Makassar City Government effectively achieved its budget targets, maintaining ratios above 90% until 2021. However, from 2022 onward, effectiveness declined and remained within the “fairly effective” category through 2024. This was attributed to the key challenges identified by Mr. Wirahady Muhshy, including errors in setting tax and retribution revenue targets and uncertainties in performance indicators unsupported by planning documents, which created an increasingly wide gap between budgeted and actual revenue.

Thus, although the Makassar City Government demonstrates a strong foundational capacity in revenue collection, the main challenge moving forward is ensuring that annual revenue targets are rational and achievable. This is critical for sustaining and improving financial performance effectiveness so that revenue can optimally support the financing of regional development programs.

These findings are consistent with Mahmudi (2019), who states that high effectiveness indicates the ability of local governments to optimize revenue collection, as reflected in Makassar's effective performance from 2019 to 2021, particularly the sharp increase in 2020 resulting from adaptive strategies to reduce targets during the COVID-19 pandemic. The results also align with Mahmudi's (2019) assertion that effectiveness declines when revenue targets are set unrealistically high, as occurred from 2022 to 2024.

Furthermore, based on the effectiveness ratio analysis, this study supports the findings of Alhabsi et al. (2023), who similarly reported effective revenue realization in both Magelang Regency and Makassar City from 2019 to 2021. In both regions, optimal revenue target achievement was observed during this period. The sharp increase in 2020 in both areas likewise resulted from target adjustments during the pandemic, which made actual revenue appear highly effective.

Analysis of Efficiency Ratio

Based on the analysis conducted, the efficiency ratio of Makassar City from 2019 to 2024 indicates that regional budget management as a whole falls within the "fairly efficient" category, with ratios fluctuating between 75% and 85%. This reflects the local government's reasonably optimal ability to utilize its budget, despite minor year-to-year fluctuations.

In 2019, Makassar City recorded an efficiency ratio of 84.96%, indicating that expenditure management was carried out with a fairly high level of efficiency. This figure shows that the local government utilized approximately 84.96% of the allocated budget for operational and development activities. This ratio aligns with regional budgeting principles, as explained

by Mr. Wirahady Muhshy, who stated that the City Government of Makassar targets a balanced efficiency level closer to 100% rather than seeking the lowest possible percentage, because budget planning is conducted from the outset. The unspent portion of the budget reflects sound planning and prudent financial management.

In 2020, the efficiency ratio decreased slightly to 80.08% from 84.96% in 2019. Despite the decline, the ratio remained within the fairly efficient category. This reduction was driven by cost-saving measures implemented in response to the COVID-19 pandemic, during which spending was not fully realized due to postponed programs or reduced allocations for certain activities. As a result, expenditure realization was not optimal. Nevertheless, the government maintained a reasonably efficient ratio, demonstrating its ability to adapt effectively during a crisis. This is supported by Mr. Wirahady Muhshy's statement that Makassar City was among the regions that responded effectively to the pandemic, enabling swift mitigation of its impacts, including in financial management. This indicates that rapid adaptation and effective administrative responses contributed to sustaining the efficiency ratio despite budget adjustments.

In 2021, the efficiency ratio declined further to 75.64%. Although the ratio decreased, it was still categorized as efficient, indicating that expenditures were managed with good efficiency. This decrease resulted from budget-saving policies or postponement of activities to subsequent periods amid an economy that had yet to fully recover. Consequently, substantial savings were generated that could be reallocated to other needs. This aligns with Mr. Wirahady Muhshy's interview statement that a larger gap between budget and realization indicates a greater number of government programs that could not be implemented.

In 2022, the efficiency ratio remained stable at 75.50%, maintaining the efficient category as in the previous year. The ratio closely resembled the 2021 figure of 75.64%, indicating that the effects of the pandemic were still evident, particularly in expenditure realization. As a result, the trend of stringent budgeting and cautious spending continued. This policy was a response to ongoing economic fluctuations and an effort to prioritize funding for key programs while

avoiding expenditures that did not meet efficiency, effectiveness, and rationality principles factors identified by Mr. Wirahady Muhshy as contributors to gaps between revenue and expenditure realization.

In 2023, the efficiency ratio increased significantly to 85.66%, returning to the “fairly efficient” category. This increase was driven by the transition from the pandemic phase to the recovery period, during which the government began reprioritizing development programs and infrastructure maintenance that had previously been postponed. According to the interview with Mr. Wirahady Muhshy, this increase serves as a positive indicator of local governance capacity, suggesting that the City Government of Makassar succeeded in realizing a substantial portion of the initially planned and budgeted programs and activities.

In 2024, the efficiency ratio decreased slightly from 85.66% in 2023 to 80.67%, yet remained within the fairly efficient category. Although the budget increased, expenditure realization did not rise proportionally, as the City Government returned to a more cautious approach following the significant uptick in 2023. Consequently, the efficiency level stayed within a reasonable range. The government was able to maintain a balance between budget absorption for development and avoiding wasteful spending, ensuring that funds were allocated efficiently. This is supported by Mr. Wirahady Muhshy’s statement that “program implementation failures are more often caused by factors outside budgeting issues.” This suggests that the maintained efficiency ratio of 80.67% reflects sound internal expenditure management and that discrepancies between budget and realization primarily stem from non-budgetary factors, consistent with his observation that performance trends are influenced by effective and efficient planning, reporting, and financial oversight mechanisms.

Overall, the analysis of efficiency ratios from 2019 to 2024 shows that the Makassar City Government consistently managed its expenditure budget efficiently, maintaining ratios below 100% throughout the period. The year-to-year fluctuations reflect shifts in priorities, economic conditions, or program implementation strategies, but the fundamental principle of efficiency was fulfilled each year. These findings align with Mahmudi (2019), who states that a local

government is considered efficient when the efficiency ratio is below 100%, signifying the absence of budget waste.

Additionally, the findings of this study are consistent with Marliani (2022), who found that annual efficiency ratios below 100% indicate efficient budget management. This similarity occurs because both Bandung Regency and Makassar City were able to control and economize their expenditure budgets. The average efficiency ratios for both regions remained below 100%, indicating that realized expenditures were consistently lower than optimally planned budgets during the period.

SIMPULAN

The financial performance effectiveness of the Makassar City Government demonstrates a significant downward trend. Financial performance effectiveness remained within the “effective” category, with ratios exceeding 90%, during the period from 2019 to 2021. However, beginning in 2022, effectiveness declined and fell into the “fairly effective” category, reaching its lowest point in 2024. This decline was driven by the establishment of overly ambitious revenue targets, which created a widening gap between planned and realized revenues.

The efficiency level of the Makassar City Government’s financial performance shows that the city consistently managed its expenditure budget with a reasonable degree of efficiency throughout 2019–2024. Despite fluctuations, the efficiency ratio remained below 100% each year, indicating the absence of budgetary waste.

For the Makassar City Government, it is recommended to prioritize improvements in budget planning and realization. Revenue targets should be formulated more rationally, and strategies for increasing revenue collection must be strengthened through improvements in administrative systems and oversight mechanisms. These efforts would enable the Makassar City Government to maintain and enhance its overall performance and achieve better governance outcomes. For future researchers, it is recommended to expand the scope of study

by incorporating additional variables that may influence regional financial performance. Extending the research period would also improve the accuracy of the analysis. If possible, future studies may broaden their geographical scope to the provincial level or beyond.

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