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Improving City Development Performance: The Role of Regional Revenue, Financial Management, and Accountability

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Abstract

This study aims to analyze the influence of Regional Original Revenue (PAD), regional financial management, and accountability, both partially and simultaneously, on development performance in Makassar City. This study will explain the causal relationship between variables through hypothesis testing. In this study, the analysis method used is a multiple regression analysis model using the SPSS program with 68 respondents. Based on the results of the study, Regional Original Revenue (PAD) has a significant influence on development performance, where the increase in PAD directly contributes to the improvement of development performance in Makassar City. In addition, better regional financial management has also proven to play an important role in supporting more optimal development performance. Accountability also has a significant influence, showing that the better the level of accountability, the better the development performance in Makassar City. Overall, PAD, regional financial management, and accountability together have a significant impact on development performance, where the synergy of these three factors will increase more effective development in Makassar City.

Keywords: Regional Original Revenue, Financial Management, and Accountability, City Development Performance.

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INTRODUCTION

Local governments both at the provincial level and at the district/city level are given full authority to regulate and manage their households with as little intervention as possible from the central government. The policy is known as Regional Autonomy. With decentralization or regional autonomy, it is hoped that development will be more successful so as to remind development performance (Yahya, 2023).

One of the most crucial aspects in decentralization (regional autonomy) is the problem of fiscal decentralization. Conceptually, fiscal decentralization requires that every authority given to the regions must be accompanied by financing that is in accordance with the burden of that authority (Nas, Nirwana, et al., 2025). In other words, the central government is obliged to guarantee financial resources for the delegation of duties and authorities from the central to the regions. In response to these problems, the government issued Law Number 33 of 2004 concerning Financial Balance between the Central Government and Regional Governments (Khusaini, 2018).

Public sector organizational entities often refer to government organizations, ranging from the central, provincial, district or city governments. Government organizations are organizations that have the widest scope among other public organizations (Lubis & Budiwitjaksono, 2022). Public sector organizations have distinctive objectives, characteristics, structures and processes as well as environments that distinguish them from the private sector (Nas, Latiep, et al., 2025). The problem faced by most public sector organizations, especially governments, is the goal that emphasizes the achievement of non-financial performance more than financial performance. Nevertheless, the Government continues to strive to increase state and regional revenues from the tax, foreign exchange, local revenue and other revenues to improve public services and development (Bakhtiar et al., 2025).

Regional governments are currently faced with many demands, both from an internal perspective, namely optimal performance improvement and externally, namely the existence of community demands that require local governments to be able to create the goal of a prosperous regional community as an implication of the implementation of regional autonomy that prioritizes accountability, performance, and improvement of public services (Siregar, 2019). The performance of government agencies is now in more spotlight because the public often monitors every government plan in one period. The community began to question the value they obtained for the services carried out by government agencies. Although government expenditure is increasing, it seems that the public is not satisfied with the quality of goods and services provided by government agencies (DYASTIARINI, 2015).

Performance measurement is very important to assess the accountability of organizations and managers in producing better public services (Surjono & Firdaus, 2017). Accountability is not just the ability to show how public money is spent, but it includes the ability to show that public money has been spent economically, efficiently, and effectively. The measurement of the success or failure of a government agency is more emphasized on the agency's ability to absorb the budget (Patarai, 2018). In other words, an agency will be declared successful if it can absorb 100% of the government budget, even though the results and impacts achieved from the implementation of the program are still far below the standard (Sitompul, 2023).

Based on Law Number 33 of 2004 concerning Financial Balance Between the Central and Regional Governments Article 1 number 18 that "Regional original revenue, hereinafter referred to as PAD is the revenue obtained by the region which is collected based on regional regulations in accordance with laws and regulations". The regional revenue sector plays a very important role, because through this sector it can be seen the extent to which a region can finance government activities and regional development (Setiawan & Putro, 2013).

Regional financial policies are directed to increase regional original revenue as the main source of regional revenue that can be used by regions in implementing regional government and development in accordance with their needs in order to reduce dependence on obtaining funds and top-level government (subsidies) (Amellya et al., 2022). Thus, efforts to increase regional original income should be seen from a broader perspective, not only reviewed and in terms of each region but also in relation to the unity of the Indonesia economy (Arif & Firmansyah, 2024).

The Balance Fund is a fund sourced from the receipt of the State Revenue and Expenditure Budget (APBN) which is allocated to the regions to finance regional needs. The Balance Fund is also called a transfer or grants. Transfers are a consequence of uneven regional finances and economies. In addition, the purpose of the transfer is to reduce horizontal finance between regions, reduce the vertical gap between the Centers, overcome the problem of the effect of public services between regions and to create stability of economic activities in the regions (Abdullah and Halim, 2003).

Local government financing sources in the context of the financial balance of the central and regional governments are implemented on the basis of decentralization, deconcentration, and assistance. Thus, there is a significant transfer in the state budget from the central government to local governments. Therefore, local governments can freely use these funds to provide better services to the community (Abdullah and Halim, 2003).

Good regional financial management will affect the progress of a region. Regional financial management that is carried out economically, efficiently, and effectively or meets the principles of value for money as well as participation, transparency, accountability and fairness will be able to encourage economic growth. Good regional financial management not only requires reliable human resources but must also be supported by adequate regional financial capabilities (Ansar et al., 2024). The level of ability of a region can be measured by the amount of regional revenue. The efforts of local governments in exploring regional capabilities can be measured using analysis of local government financial ratios. The measurement of local government performance can be used as an assessment of the accountability and ability of a region to implement regional autonomy. Thus, a region whose financial performance is declared good means that the region has the financial ability to finance the implementation of regional autonomy (Sularso and Restianto, 2011).

In addition to regional financial management, accountability is needed to improve regional development performance (Indriasari et al., 2024; Latiep et al., 2024). According to Gitarisdiana et al (2024), in carrying out public accountability, local governments are obliged to provide information as a form of fulfilling public rights. Public accountability is the obligation of the trustee (agent) to provide accountability, present, report, and disclose all activities and activities that are his responsibility to the trustee (principal) who has the right

and authority to hold the accountability (Muindro, 2012: 14). According to the Conceptual Framework, Government Accounting Standards, 2015 Accountability is accountability for the management of resources and the implementation of policies entrusted to reporting entities in achieving goals that have been set periodically. So based on some of the definitions above, it can be concluded that accountability is the responsibility of resource management as a form of fulfilling public rights in accordance with the provisions of the law to the community periodically. Public accountability is the principle of public accountability which means that the budgeting process starting from planning, preparation and implementation must be truly reported and accounted for to the DPRD and the community.

According to Sari & Supadmi (2016) in a study entitled "The Influence of Regional Original Income and Capital Expenditure on the Increase of the Human Development Index", it is said that Regional Original Income and Capital Expenditure simultaneously have a significant effect on the Human Development Index. Furthermore, according to Khusaini (2018), regional financial management can have an influence on regional economic performance. Another research by Surjono & Firdaus (2017) shows that regional income performance has a significant effect on the increase in the human development index.

Based on interviews and the results of initial observations to the residents of Makassar City, it shows that the opinion that the performance of the city's development has not been too good, because some people have not felt the development carried out by the local government, this shows that there are still many roads that have not been asphalted and the roads that have many holes and damage that have not been repaired, besides that public facilities and infrastructure are still not available for all groups of people.

In addition, a similar phenomenon is found almost every year that repeated acts of budget irregularities in the same offices/fields where the practice of transparency in local governments is also one of the causes, the results of the BPK audit in the Makassar City government revealed that there were findings of irregularities in the use of the budget from four SKPDs that had caused regional financial losses.

METHODOLOGY

This study uses a quantitative approach that intends to explain the position of the variables studied and the relationship between one variable and another. Sugiyono (2010) This study is intended to test the hypothesis that has been formulated previously. This study will explain the causal relationship between variables through hypothesis testing.

This research will be carried out for three months from May to July 2024 located at the South Sulawesi Provincial Inspectorate. In this study, the analysis method used is path analysis. The sampling technique in this study uses the saturated sample technique. According to Sugiyono (2010), saturated sampling is a sample collection technique when all members of the population are used as a sample. So the sample in this study is 68 people

RESULTS AND DISCUSSION

The Effect of Regional Original Revenue (PAD) on Development Performance

The results of the study show that the higher the Regional Original Revenue (PAD), the higher it will improve development performance. The results of the study also showed the respondents' response to the Regional Original Revenue (PAD) to the

development performance which showed a high/good average respondent response although there were still those who showed a doubtful response and disagreed with the development performance that is currently felt towards the development performance.

Based on the results of interviews with several civil servants in Makassar City who were interviewed, they said that for Regional Original Revenue (PAD) related to development performance, it shows that Regional Original Revenue (PAD) is good so that it needs to be improved again so that development performance can be even better

This is shown by the results of revenue from regional taxes are very good and revenues from the regional levy sector are in accordance with the target that has been determined. In addition, BUMD and SOEs and the private sector always provide profits on capital participation to local governments and the realization of other regional original revenues in accordance with the targets that have been set.

Another thing related to development performance is shown by in carrying out activities, local governments always measure the amount of resources used such as budget (funds), human resources, equipment, materials, and other inputs as best as possible, which are used to carry out activities. In addition, in carrying out activities, the local government always measures as best as possible the outputs that are directly produced from the implementation of an activity, both in the form of physical and non-physical and in the implementation of activities always measure the achievements of various activities in a program that has been completed. Another thing also shows that every implementation of policies/programs/activities always pays attention to the impact on the community.

According to Mardiasmo (2002) regional original revenue is regional revenue from the regional tax sector, regional levies, results from regionally-owned companies, results from segregated regional wealth management, and other legitimate income. According to Law Number 33 of 2004 concerning Financial Balance between the Central Government and Regional Governments, it is stated that regional revenue sources consist of Regional Original Revenue, Tax Revenue Sharing and Non-Tax.

This result is supported by the opinion expressed by Rondonuwu et al. (2015) stating that the ability to manage finances carried out by local governments is reflected in the Regional Revenue and Expenditure Budget such as the ability of local governments to increase their regional revenue revenues and be able to finance regional development and social services provided to the community. The results of this study are in line with previous research researched by Wenny, C. D. (2012).

The Influence of Regional Financial Management on Development Performance

The results of the study show that if Regional Financial Management is getting better, it will improve development performance. The results of the study also showed the

respondents' responses to Regional Financial Management to development performance which showed a high/good average respondent response although there were still those who showed doubtful responses and disagreed with the development performance that is currently felt towards Regional Financial Management.

Based on the results of interviews and observations with employees who were met, he said that Regional Financial Management was good enough so that it affected development performance. This is shown by regional financial managers given to employees who have experience and high integrity and honesty so that opportunities for corruption can be minimized. And also in making regional financial policies, the local government is always open so that it can be known and supervised by the DPRD and the community. In addition, in the Regional Revenue and Expenditure (APBD) of Makassar City, the budget that has been achieved is often evaluated and always pays attention to the concept of value for money in the implementation of the local government wheel.

Another thing related to development performance is shown by in carrying out activities, local governments always measure the amount of resources used such as budget (funds), human resources, equipment, materials, and other inputs as best as possible, which are used to carry out activities. In addition, in carrying out activities, the local government always measures as best as possible the outputs that are directly produced from the implementation of an activity, both in the form of physical and non-physical and in the implementation of activities always measure the achievements of various activities in a program that has been completed. Another thing also shows that every implementation of policies/programs/activities always pays attention to the impact on the community.

Regional autonomy is a freedom that regions have to make regional regulations, prepare and implement policies, and manage their regional finances independently (Sujarweni, 2015:231). Widjaja (2002) revealed that the reason for the implementation of the autonomy policy in the regions is because the central government is not able to supervise the development of the region as a whole, therefore the central government delegates authority to the local government to independently regulate and manage its regional interests. The implementation of regional autonomy policies causes regions to be able to explore and develop the potentials of the regions.

The results of this study are supported by the opinion expressed by Sularso and Restianto (2011) that good regional financial management will affect the progress of a region. Regional financial management that is carried out economically, efficiently, and effectively or meets the principles of value for money as well as participation, transparency, accountability and fairness will be able to encourage economic growth. Good regional financial management not only requires reliable human resources but must also be supported by adequate regional financial capabilities. The level of ability of a region can be measured by the amount of regional revenue (Amurullah et al., 2025). The efforts of local governments in exploring regional capabilities can be

measured using analysis of local government financial ratios. The measurement of local government performance can be used as an assessment of the accountability and ability of a region to implement regional autonomy. Thus, an area whose financial performance is declared good means that the region has the financial ability to finance the implementation of regional autonomy.

This is strengthened by research According to Mone, I. Y., Adisasmita, H. R., & Mediaty, J. E. M. (2013) that regional financial management has a significant effect on regional economic performance in Pangkep Regency. Another research by Juliarini, A. (2018) shows that regional revenue performance has a significant effect on increasing the human development index.

The effect of accountability on development performance

The results of the study show that if accountability is getting better, it will improve development performance. The results of the study also showed that the respondents' responses to accountability for development performance showed a high/good average respondent response, although there were still those who showed doubts and disagreed with the current perceived development performance towards accountability.

Based on the results of interviews and observations with several employees interviewed, it is said that the Regional Original Revenue (PAD) in Makassar City has been running well but still needs improvements so that development performance is further improved.

This is shown by the management of activities that the conformity between the implementation and the standard implementation procedures has gone well. In addition, the local government provides heavy sanctions if there are errors or negligence in the implementation of activities and always implements measurable outputs and outcomes. Another thing related to development performance is shown by in carrying out activities, local governments always measure the amount of resources used such as budget (funds), human resources, equipment, materials, and other inputs as best as possible, which are used to carry out activities. In addition, in carrying out activities, the local government always measures as best as possible the outputs that are directly produced from the implementation of an activity, both in the form of physical and non-physical and in the implementation of activities always measure the achievements of various activities in a program that has been completed. Another thing also shows that every implementation of policies/programs/activities always pays attention to the impact on the community.

Public accountability is the principle of public accountability which means that the budgeting process starting from planning, preparation and implementation must be truly reported and accounted for to the DPRD and the community. (Mahsun, 2006).

The results of this study are supported by the opinion expressed by Abdul (2016) that by implementing good accountability, it will improve the development performance of a region. In carrying out public accountability, local governments are obliged to provide information as a form of fulfillment of public rights. Public accountability is the obligation of the trustee (agent) to provide responsibility, present, report, and disclose all activities and activities that are his responsibility to the trustee (principal) who has the right and authority to ask for such accountability (Muindro, 2012: 14).

The influence of regional original revenue (PAD), Regional Financial Management and accountability on development performance

The results of the study show that if the original regional revenue, regional fund management and accountability together are better, the development performance will also be better. The results of the study also showed the respondents' responses to the original regional revenue, regional fund management and accountability to development performance which showed a high average of respondents' responses although there were still those who showed doubts and disagreed with the development performance that is currently felt towards the original regional revenue, regional fund management and accountability

Based on Law Number 33 of 2004 concerning Financial Balance Between the Central and Regional Governments Article 1 number 18 that "Regional original revenue, hereinafter referred to as PAD is the revenue obtained by the region which is collected based on regional regulations in accordance with laws and regulations". The regional revenue sector plays a very important role, because through this sector it can be seen the extent to which a region can finance government activities and regional development. In addition, according to Sularso and Restianto (2011), good regional financial management will affect the progress of a region. Regional financial management that is carried out economically, efficiently, and effectively or meets the principles of value for money as well as participation, transparency, accountability and fairness will be able to encourage economic growth. And in addition to regional financial management, accountability is needed to improve regional development performance. According to Abdul (2016: 56) In carrying out public accountability, local governments are obliged to provide information as a form of fulfilling public rights. Public accountability is the obligation of the trustee (agent) to provide accountability, present, report, and disclose all activities and activities that are his responsibility to the trustee (principal) who has the right and authority to hold accountable.

CONCLUSION AND SUGGESTIONS

Based on the results of the study, Regional Original Revenue (PAD) has a significant influence on development performance, where the increase in PAD directly contributes to the improvement of development performance in Makassar City. In addition, better regional

financial management has also proven to play an important role in supporting more optimal development performance. Accountability also has a significant influence, showing that the better the level of accountability, the better the development performance in Makassar City. Overall, PAD, regional financial management, and accountability together have a significant impact on development performance, where the synergy of these three factors will increase more effective development in Makassar City.

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