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Analysis of the Value for Money Method in Measuring the Financial Performance of Local Governments in East Java Province

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Abstract— This study aims to measure, classify, and describe the financial performance of 38 local governments in East Java Province. The measurement is conducted using the value for money method. The data analyzed comprised APBD data from 2020 to 2022. The results show that, from the economic aspect, 16% of local governments in 2021 and 45% in 2022 performed adequately economically. Based on the efficiency aspect, 45% in 2020, 24% in 2021, and 89% in 2022 were still performing inefficiently. Based on the effectiveness aspect, only Surabaya performed less effectively in 2020. This study is expected to assist the Government in evaluating and taking measures to manage its finances more economically, efficiently, and effectively. The novelty of this research lies in the absence of previous studies that measure the financial performance of local government in East Java Province using the value for money method.
Keywords: *financial performance, value for money, local government budget*

I. Introduction

Local government, as a non-profit entity, is a form of public sector organization that is not solely profit-oriented but prioritizes the public interest. Regional autonomy refers to the right, authority, and obligation of autonomous regions in regulating and managing governance and public interests within the framework of the Unitary State of the Republic of Indonesia [5]. A good and reliable financial management system is essential to ensure that the authority and responsibility of the regional government has been carried out economically, effectively, and efficiently [10] .

Public accountability and government transparency requirements necessitate attention to regional management performance by referring to the concept of value for money (VFM). Value for money is a conceptual approach to managing public sector performance based on three factors: economy, efficiency, and effectiveness. Economy refers to the acquisition of inputs of the desired quality and quantity at the lowest possible cost. Efficiency refers to a condition where revenue (input) is maximized while minimizing the expenditure (output) incurred. Effectiveness refers to the extent to which a program achieves its predetermined objectives. Effectiveness is measured by comparing the intended outcomes with the actual outputs achieved [2].

Local government financial performance is measured to determine how successful the local government is in managing regional finances. The reference document for the regional government in implementing regional autonomy is the local government budget [7]. Local government budget is an annual financial plan prepared by the regional government [3]. In addition, the assessment of regional financial performance assessment can serve as a parameter in formulating regulations for the next fiscal year [6].

The East Java Provincial Government, as an autonomous region, has the obligation and authority to prepare Local Governments Budget. The East Java Provincial Government is responsible for implementing development programs and improving the quality of community services needed in the region. Public sector budgets must be published, as they are sourced from public funds. The public must have a clear understanding of all government administrative activities and be able to proactively oversee public sector management.

Previous research shows that the performance measurement of the Sidoarjo District Government using the principle of value for money principle indicates that the Sidoarjo District Government has succeeded in controlling expenditures, thus achieving economic performance. Similarly, in terms of efficiency and effectiveness, it can be concluded that the government is efficient and has reached an effective level [8]. A similar result is also shown in a study evaluating financial performance using the value for money method at the Regional Finance and Asset Agency of Manado City, which shows that the level of economic implementation of expenditure and budget realization in 2021, at 78.8%, can be considered economical. The efficiency level of the implementation of the regional revenue and expenditure budget is 98.2%, which can be categorized as efficient. Similarly, the effectiveness level of the realization of regional revenue and expenditure, is 92.5% which is categorized as effective [9] .

Research using the value for money method to measure the fiscal performance of local governments has been widely conducted, considering aspects of economics, efficiency, and effectiveness. However, research that measures and classifies public sector financial performance of the East Java Provincial Government using the value for money method has not yet been conducted. This study measures, classifies, and describes the financial performance of 38 city governments and district governments in East Java Province using the value for money method.

II. Literature Review

A. *Financial Performance Measurement*

It is stated that the public performance measurement system is a tool that helps public managers evaluate strategic achievements through financial and non-financial measurement tools [2].

B. *Value for Money*

1) *Economical*

Economy refers to the relationship between input and market value. The essence of economics lies in obtaining goods and services of better quality at the most reasonable cost. The term frugality (frugal / rational) is often used interchangeably with careful management and the avoidance of waste [2]. The level of the economy is measured by comparing the actual expenditure budget with the target cost budget [1].

$$\text{Economical} = \frac{\text{Planned Input}}{\text{Realized Input}} \times 100\%$$

Description:
Plan Input: Expenditure Budget
Realized Input: Expenditure Realization

The calculation of the economic level can be assessed with the following assessment categories:

Table 1. Economical Ratio Assessment Categories

Percentage (%)	Category
>100	Economical
85 – 100	Economical Enough
65 – 84	Less Economical
<65	Not Economical

III. Efficiency

The concepts of productivity and efficiency are closely related. Efficiency is measured by comparing the output produced to the input used (cost of output). The efficiency of an operational activity process is determined by the ability to achieve a specific product or work result with minimal resources and expenditure (spending-well) [2]. Efficiency level can be assessed by comparing the actual expenditure with its corresponding income [1].

$$\text{Efficiency} = \frac{Output}{Input} \times 100\%$$

Description
Output: Expenditure Realization
Input: Revenue Realization

The calculation of the efficiency level can be assessed with the following assessment categories:

Table 2. Efficiency Ratio Assessment Categories

Percentage (%)	Category
<90	Highly Efficient
90-99	Efficient
100	Efficiency Enough
>100	Inefficient

IV. Effectiveness

Effectiveness refers to the correlation between results and objectives that must be achieved. Operational activities are considered effective if the organizational process has successfully achieved the ultimate goals of the policy (spending wisely). If an organization achieves its goals, it can be considered to be operating effectively [2]. To assess the effectiveness of implementation, a comparison can be made between actual revenue and the revenue target [1].

$$\text{Effectiveness} = \frac{Outcome}{Output} \times 100\%$$

Description:
Outcome: Revenue Realization
Output: Revenue Budget

The calculation of the effectiveness level can be assessed with the following assessment categories:

Table 3. Effectiveness Ratio Assessment Categories

Percentage (%)	Category
≥100	Highly Effective
85-99	Effective
65-84	Less Effective
<65	Ineffective

V. Research Method

This research uses a quantitative descriptive approach, which involves quantitative analysis of certain populations or samples using concrete, measurable, and systematic measurements, with research data presented in numerical form [4] . The data source in this study is secondary data in the form of time-series data from Local Government Budget of 38 City and regency governments of East Java Province for the years 2020-2022. The data analytic technique used is documentation, which involves observing, processing, and recording data obtained from the website https://djpk.kemenkeu.go.id/ and relevant books or literature. The data analysis employed in this research is descriptive quantitative, which is based on calculations to determine the ratio level.
The following is the data processing procedure:

1. Collect the data required to measure financial performance in 38 Local Governments of East Java Province.
2. Measure the obtained data using the value for money method, which is based on the aspects of economy, efficiency, and effectiveness.
3. Classify the local government of East Java Province based on their financial performance.
4. Compile a description of the financial performance of the local governments in East Java Province based on the results of the ratio calculation by analyzing the APBD report.
5. Draw conclusions and provide suggestions.

VI. Result And Discussion

A. Financial Performance in terms of Economical

The economic ratio is the comparison between budgeted expenditure and actual expenditure realization. Data from the Local Government Budget of the city and regency governments of East Java Province for the period 2020-2022, along with the results of the calculation of the economic ratio, are presented in the following table.

Table 4. Economic Ratio Of Local Governments In 2020-2022

No	Local Governments	Year	Expenditure Budget (billion rupiah)	Expenditure Realization (billion rupiah)	Ratio (%)
1.	Batu City	2020	1.000,05	932,96	107,19
		2021	1.087,36	989,97	109,84
		2022	1.116,16	991,90	112,53
2.	Blitar City	2020	1.025,23	868,06	118,11
		2021	960,46	986,00	97,41
		2022	1.022,31	1.037,63	98,52
3.	Kediri City	2020	1.424,63	1.207,69	117,96
		2021	1.428,48	1.344,27	106,26
		2022	1.525,93	1.482,75	102,91
4.	Madiun City	2020	1.278,16	1.014,63	125,97
		2021	1.140,82	1.073,68	106,25
		2022	1.158,49	1.165,41	99,41
5.	Malang City	2020	2.733,00	2.103,47	129,93
		2021	2.554,77	2.225,95	114,77
		2022	2.219,29	2.194,23	101,14
6.	Mojokerto City	2020	1.014,50	804,41	126,12
		2021	1.042,61	953,45	109,35
		2022	1.096,78	1.064,22	103,06
7.	Pasuruan City	2020	1.089,86	824,82	132,13
		2021	1.097,53	858,58	127,83
		2022	1.056,74	939,27	112,51
8.	Probolinggo City	2020	1.177,82	877,67	134,20
		2021	1.089,91	898,56	121,30
		2022	1.112,77	1.080,13	103,02
9.	Surabaya City	2020	10.322,23	8.032,68	128,50
		2021	9.828,39	7.819,08	125,70
		2022	10.395,19	9.448,24	110,02
10.	Bangkalan Regency	2020	2.362,33	2.116,22	111,63
		2021	2.287,33	2.211,22	103,44
		2022	2.454,75	2.439,10	100,64
11.	Banyuwangi Regency	2020	3.375,48	3.140,64	107,48
		2021	3.216,20	3.093,59	103,96
		2022	3.005,97	3.333,56	90,17
12.	Blitar Regency	2020	2.571,91	2.282,94	112,66
		2021	2.314,92	2.294,17	100,90
		2022	2.391,91	2.468,61	96,89
13.	Bojonegoro Regency	2020	6.404,50	4.358,62	146,94
		2021	6.219,91	5.086,92	122,27
		2022	5.947,60	5.197,14	114,44
14.	Bondowoso Regency	2020	2.197,29	1.957,38	112,26
		2021	2.079,28	1.963,80	105,88
		2022	1.972,49	1.900,91	103,77
15.	Gresik Regency	2020	3.568,29	3.095,54	115,27
		2021	3.433,49	3.192,75	107,54
		2022	3.682,75	3.554,08	103,62
16.	Jember Regency	2020	4.532,28	3.297,61	137,44
		2021	4.448,91	3.731,63	119,22
		2022	4.397,87	4.177,25	105,28
17.	Jombang Regency	2020	2.854,66	2.527,28	112,95
		2021	2.766,85	2.785,98	99,31
		2022	2.722,75	2.887,65	94,29
18.	Kediri Regency	2020	3.415,51	2.832,28	120,59
		2021	3.168,89	2.937,42	107,88

No	Local Governments	Year	Expenditure Budget (billion rupiah)	Expenditure Realization (billion rupiah)	Ratio (%)
		2022	3.189,86	3.154,10	101,13
19.	Lamongan Regency	2020	3.098,20	2.823,14	109,74
		2021	2.938,94	2.871,01	102,37
		2022	3.118,18	3.118,16	100,00
20.	Lumajang Regency	2020	2.414,94	2.028,73	119,04
		2021	2.232,11	2.150,42	103,80
		2022	2.246,29	2.248,76	99,89
21.	Madiun Regency	2020	1.981,48	1.796,56	110,29
		2021	1.839,39	1.866,34	98,56
		2022	1.965,32	2.059,52	95,43
22.	Magetan Regency	2020	1.899,68	1.790,37	106,11
		2021	1.898,61	1.773,06	107,08
		2022	1.840,28	1.971,23	93,36
23.	Regency Malang	2020	4.402,48	3.904,35	112,76
		2021	4.295,12	3.873,44	110,89
		2022	4.525,33	4.330,51	104,50
24.	Mojokerto Regency	2020	2.602,91	2.404,90	108,23
		2021	2.558,30	2.443,31	104,71
		2022	2.449,76	2.680,85	91,38
25.	Nganjuk Regency	2020	2.568,65	2.383,28	107,78
		2021	2.335,57	2.395,34	97,50
		2022	2.430,99	2.665,21	91,21
26.	Ngawi Regency	2020	2.328,78	2.146,48	108,49
		2021	2.270,42	2.205,16	102,96
		2022	2.287,32	2.295,73	99,63
27.	Pacitan Regency	2020	1.716,28	1.570,27	109,30
		2021	1.670,01	1.610,28	103,71
		2022	1.654,07	1.662,26	99,51
28.	Pasuruan Regency	2020	3.840,41	3.238,38	118,59
		2021	3.453,88	3.273,76	105,50
		2022	3.558,63	3.450,04	103,15
29.	Pamekasan Regency	2020	2.353,21	2.059,12	114,28
		2021	2.182,10	1.978,70	110,28
		2022	2.305,57	2.036,90	113,19
30.	Ponorogo Regency	2020	2.439,28	2.228,54	109,46
		2021	2.379,64	2.112,62	112,64
		2022	2.518,77	2.485,62	101,33
31.	Probolinggo Regency	2020	2.484,14	2.302,24	107,90
		2021	2.513,85	2.234,95	112,48
		2022	2.454,51	2.343,68	104,73
32.	Sampang Regency	2020	1.954,23	1.730,65	112,92
		2021	2.111,26	1.836,34	114,97
		2022	2.071,54	2.119,51	97,74
33.	Sidoarjo Regency	2020	5.365,59	4.430,66	121,10
		2021	5.329,32	4.936,10	107,97
		2022	5.446,31	4.849,91	112,30
34.	Situbondo Regency	2020	1.841,94	1.696,58	108,57
		2021	1.843,16	1.652,27	111,55
		2022	2.082,99	1.788,44	116,47
35.	Sumenep Regency	2020	2.722,74	2.544,77	106,99
		2021	2.474,46	2.390,69	103,50
		2022	2.644,25	2.370,58	111,54
36.	Trenggalek Regency	2020	2.075,03	1.861,99	111,44
		2021	1.951,64	1.840,13	106,06
		2022	2.095,65	2.167,45	96,69
37.	Tuban Regency	2020	2.697,30	2.463,77	109,48
		2021	2.457,05	2.464,98	99,68
		2022	2.634,05	2.721,19	96,80
38.	Tulungagung Regency	2020	2.763,35	2.643,65	104,53
		2021	2.506,26	2.753,99	91,00
		2022	2.666,84	2.913,69	91,53

In terms of financial performance calculations results, the local government of East Java Province can be classified based on the economic ratios results in 2020, as presented in table 5.

Table 5. Classification Of Financial Performance Based On Economic Ratios In 2020

Description	Local Governments	
Economical	1. Bojonegoro Regency 2. Jember Regency 3. Probolinggo City 4. Pasuruan City 5. Malang City 6. Surabaya City 7. Mojokerto City 8. Madiun City 9. Sidoarjo Regency 10. Kediri Regency 11. Lumajang Regency 12. Pasuruan Regency 13. Blitar City 14. Kediri City 15. Gresik Regency 16. Pamekasan Regency 17. Jombang Regency	18. Blitar Regency 19. Bondowoso Regency 20. Bangkalan Regency 21. Trenggalek Regency 22. Madiun Regency 23. Lamongan Regency 24. Tuban Regency 25. Ponorogo Regency 26. Pacitan Regency 27. Situbondo Regency 28. Ngawi Regency 29. Mojokerto Regency 30. Probolinggo Regency 31. Nganjuk Regency 32. Banyuwangi Regency 33. Batu City 34. Sumenep Regency 35. Magetan Regency 36. Tulungagung Regency
Economical Enough	-	
Less Economical	-	
Not Economical	-	

Table 5 shows that, in 2020, local governments in East Java Province generally met the economic criteria. The results of the economic ratio indicate that the financial performance of local governments yielded percentages above one hundred percent. Bojonegoro Regency has a relatively higher economic ratio compared to other regions. This shows that the local government has utilized the budget as minimally as possible.

Furthermore, the classification of financial performance based on the economic ratio in 2021, as shown in table 6, indicates that 32 local governments in East Java Province fall into the economic category. Pasuruan City achieved a relatively high ratio compared to other regions in 2021, reaching 127.83%. Meanwhile, six other local governments fall into the "economical enough" category. Tulungagung Regency recorded a relatively low ratio of 91.00%. In other words, Tulungagung Regency is classified as lacking in terms of optimizing resource utilization.

Table 6. Classification Of Financial Performance Based On Economic Ratios In 2021

Description	Local Governments	
Economical	1. Pasuruan City 2. Surabaya City 3. Bojonegoro Regency 4. Probolinggo City 5. Jember Regency 6. Sampang Regency 7. Malang City 8. Ponorogo Regency 9. Probolinggo Regency 10. Situbondo Regency 11. Malang Regency 12. Pamekasan Regency 13. Batu City 14. Mojokerto City 15. Sidoarjo Regency 16. Kediri Regency	17. Gresik Regency 18. Magetan Regency 19. Kediri City 20. Madiun City 21. Trenggalek Regency 22. Bondowoso Regency 23. Pasuruan Regency 24. Mojokerto Regency 25. Banyuwangi Regency 26. Lumajang Regency 27. Pacitan Regency 28. Sumenep Regency 29. Bangkalan Regency 30. Ngawi Regency 31. Lamongan Regency 32. Blitar Regency
Economical Enough	1. Tuban Regency 2. Jombang Regency 3. Madiun Regency	4. Nganjuk Regency 5. Blitar City 6. Tulungagung Regency
Less Economical	-	

Description	Local Governments
Not Economical	-

Furthermore, the classification of financial performance based on economic ratios in 2022 is as follows.

Table 7. Classification Of Financial Performance Based On Economic Ratios In 2022

Description	Local Governments	
Economical	1. Situbondo Regency 2. Bojonegoro Regency 3. Pamekasan Regency 4. Batu City 5. Pasuruan City 6. Sidoarjo Regency 7. Sumenep Regency 8. Surabaya City 9. Jember Regency 10. Probolinggo Regency 11. Malang Regency	12. Bondowoso Regency 13. Gresik Regency 14. Pasuruan Regency 15. Mojokerto City 16. Probolinggo City 17. Kediri City 18. Ponorogo Regency 19. Malang City 20. Kediri Regency 21. Bangkalan Regency
Economical Enough	1. Lamongan Regency 2. Lumajang Regency 3. Ngawi Regency 4. Pacitan Regency 5. Madiun City 6. Blitar City 7. Sampang Regency 8. Blitar Regency 9. Tuban Regency	10. Trenggalek Regency 11. Madiun Regency 12. Jombang Regency 13. Magetan Regency 14. Tulungagung Regency 15. Mojokerto Regency 16. Nganjuk Regency 17. Banyuwangi Regency
Less Economical	-	
Not Economical	-	

In accordance with table 7, it can be observed that 21 local governments in East Java Province are categorized as economical. Situbondo Regency recorded the highest economic ratio in 2022, at 116.47%. Meanwhile, 17 other local governments are categorized as economical enough. The lowest economic ratio in 2022 is Banyuwangi Regency, amounting to only 90.17%.

Based on the results of measuring financial performance in 38 City/Regency Governments in East Java Province, the average economic ratio was 116.17% in 2020, 107.80% in 2021, and 101.94% in 2022. The ratio achievement result indicates percentages above one hundred percent, and therefore are categorized as economical. The results of this study align with the financial performance of BKAD Manado City in 2021, which was also classified to be economical. This suggests that the realization of the program, as measured by the economic level in 2021, falls within the economic criteria due to the level of expenditure realized by BKAD being lower than the budgeted amount [8].

B. Financial Performance in terms of Efficiency

The efficiency ratio is the ratio between expenditure realization and revenue realization. Data on the Local Government budget of the City and Regency Governments of East Java Province for the 2020-2022 period and the results of the efficiency ratio calculation are presented in table 8 below.

Table 8. Efficiency Ratio Of Local Governments In 2020-2022

No.	Local Governments	Year	**Expenditure Realization** (billion rupiah)	**Revenue Expenditure** (billion rupiah)	Ratio (%)
1.	Batu City	2020	932,96	893,04	104,47
		2021	989,97	969,96	102,06
		2022	991,90	1.004,14	98,78
2.	Blitar City	2020	868,06	880,88	98,54
		2021	986,00	1.041,51	94,67
		2022	1.037,63	918,57	112,96
3.	Kediri City	2020	1.207,69	1.283,09	94,12
		2021	1.344,27	1.508,82	89,09
		2022	1.482,75	1.453,56	102,01

No.	Local Governments	Year	Expenditure Realization (billion rupiah)	Revenue Expenditure (billion rupiah)	Ratio (%)
4.	Madiun City	2020	1.014,63	1.059,91	95,73
		2021	1.073,68	1.100,68	97,55
		2022	1.165,41	1.060,72	109,87
5.	Malang City	2020	2.103,47	1.956,09	107,53
		2021	2.225,95	2.152,36	103,42
		2022	2.194,23	2.171,75	101,04
6.	Mojokerto City	2020	804,41	886,03	90,79
		2021	953,45	963,88	98,92
		2022	1.064,22	916,44	116,13
7.	Pasuruan City	2020	824,82	809,67	101,87
		2021	858,58	839,31	102,30
		2022	939,27	911,66	103,03
8.	Probolinggo City	2020	877,67	922,03	95,19
		2021	898,56	993,88	90,41
		2022	1.080,13	955,09	113,09
9.	Surabaya City	2020	8.032,68	7.545,42	106,46
		2021	7.819,08	8.326,88	93,90
		2022	9.448,24	8.791,31	107,47
10.	Bangkalan Regency	2020	2.116,22	2.140,81	98,85
		2021	2.211,22	2.275,10	97,19
		2022	2.439,10	2.220,23	109,86
11.	Banyuwangi Regency	2020	3.140,64	3.268,23	96,10
		2021	3.093,59	3.181,21	97,25
		2022	3.333,56	3.240,21	102,88
12.	Blitar Regency	2020	2.282,94	2.255,88	101,20
		2021	2.294,17	2.467,65	92,97
		2022	2.468,61	2.445,11	100,96
13.	Bojonegoro Regency	2020	4.358,62	4.165,08	104,65
		2021	5.086,92	5.904,10	86,16
		2022	5.197,14	5.072,19	102,46
14.	Bondowoso Regency	2020	1.957,38	1.941,76	100,80
		2021	1.963,80	2.054,35	95,59
		2022	1.900,91	1.908,48	99,60
15.	Gresik Regency	2020	3.095,54	2.939,48	105,31
		2021	3.192,75	3.133,57	101,89
		2022	3.554,08	3.366,65	105,57
16.	Jember Regency	2020	3.297,61	3.531,44	93,38
		2021	3.731,63	3.565,33	104,66
		2022	4.177,25	3.715,38	112,43
17.	Jombang Regency	2020	2.527,28	2.538,50	99,56
		2021	2.785,98	2.883,53	96,62
		2022	2.887,65	2.689,23	107,38
18.	Kediri Regency	2020	2.832,28	2.835,33	99,89
		2021	2.937,42	2.923,11	100,49
		2022	3.154,10	3.059,86	103,08
19.	Lamongan Regency	2020	2.823,14	2.838,27	99,47
		2021	2.871,01	2.975,02	96,50
		2022	3.118,16	2.933,71	106,29
20.	Lumajang Regency	2020	2.028,73	2.118,85	95,75
		2021	2.150,42	2.161,88	99,47
		2022	2.248,76	2.198,46	102,29
21.	Madiun Regency	2020	1.796,56	1.842,46	97,51
		2021	1.866,34	1.978,49	94,33
		2022	2.059,52	2.007,06	102,61
22.	Magetan Regency	2020	1.790,37	1.801,81	99,37
		2021	1.773,06	1.896,12	93,51
		2022	1.971,23	1.845,41	106,82
23.	Malang Regency	2020	3.904,35	3.813,13	102,39
		2021	3.873,44	4.089,40	94,72
		2022	4.330,51	4.018,95	107,75
24.	Mojokerto Regency	2020	2.404,90	2.402,66	100,09
		2021	2.443,31	2.606,95	93,72
		2022	2.680,85	2.537,24	105,66

No.	Local Governments	Year	Expenditure Realization (billion rupiah)	Revenue Expenditure (billion rupiah)	Ratio (%)
25.	Nganjuk Regency	2020	2.383,28	2.435,40	97,86
		2021	2.395,34	2.608,44	91,83
		2022	2.665,21	2.501,20	106,56
26.	Ngawi Regency	2020	2.146,48	2.129,61	100,79
		2021	2.205,16	2.226,09	99,06
		2022	2.295,73	2.254,15	101,84
27.	Pacitan Regency	2020	1.570,27	1.624,63	96,65
		2021	1.610,28	1.695,12	95,00
		2022	1.662,26	1.656,08	100,37
28.	Pasuruan Regency	2020	3.238,38	3.217,08	100,66
		2021	3.273,76	3.364,86	97,29
		2022	3.450,04	3.352,37	102,91
29.	Pamekasan Regency	2020	2.059,12	1.824,17	112,88
		2021	1.978,70	1.879,36	105,29
		2022	2.036,90	1.914,28	106,41
30.	Ponorogo Regency	2020	2.228,54	2.251,78	98,97
		2021	2.112,62	2.327,25	90,78
		2022	2.485,62	2.279,87	109,02
31.	Probolinggo Regency	2020	2.302,24	2.331,51	98,74
		2021	2.234,95	2.399,82	93,13
		2022	2.343,68	2.345,09	99,94
32.	Sampang Regency	2020	1.730,65	1.757,71	98,46
		2021	1.836,34	1.830,35	100,33
		2022	2.119,51	1.880,80	112,69
33.	Sidoarjo Regency	2020	4.430,66	4.411,62	100,43
		2021	4.936,10	4.669,64	105,71
		2022	4.849,91	4.504,85	107,66
34.	Situbondo Regency	2020	1.696,58	1.766,33	96,05
		2021	1.652,27	1.752,52	94,28
		2022	1.788,44	1.723,94	103,74
35.	Sumenep Regency	2020	2.544,77	2.317,33	109,81
		2021	2.390,69	2.407,61	99,30
		2022	2.370,58	2.468,23	96,04
36.	Trenggalek Regency	2020	1.861,99	1.831,18	101,68
		2021	1.840,13	1.859,93	98,94
		2022	2.167,45	2.046,44	105,91
37.	Tuban Regency	2020	2.463,77	2.578,84	95,54
		2021	2.464,98	2.693,89	91,50
		2022	2.721,19	2.643,59	102,94
38.	Tulungagung Regency	2020	2.643,65	2.598,32	101,74
		2021	2.753,99	3.095,98	88,95
		2022	2.913,69	2.642,48	110,26

Based on the results of financial performance calculations, the Regional Government of East Java Province can be classified based on the efficiency ratio results for 2020, as presented in table 9.

TABLE 9. CLASSIFICATION OF FINANCIAL PERFORMANCE BASED ON EFFICIENCY RATIOS IN 2020

Description	Local Governments	
Highly Efficient	-	
Efficient	1. Mojokerto City 2. Jember Regency 3. Kediri City 4. Probolinggo City 5. Tuban Regency 6. Madiun City 7. Lumajang Regency 8. Situbondo Regency 9. Banyuwangi Regency 10. Pacitan Regency 11. Madiun Regency	12. Nganjuk Regency 13. Sampang Regency 14. Blitar City 15. Probolinggo Regency 16. Bangkalan Regency 17. Ponorogo Regency 18. Magetan Regency 19. Lamongan Regency 20. Jombang Regency 21. Kediri Regency
Efficiency	-	

Description	Local Governments	
Enough		
Inefficient	1. Mojokerto Regency 2. Sidoarjo Regency 3. Pasuruan Regency 4. Ngawi Regency 5. Bondowoso Regency 6. Blitar Regency 7. Trenggalek Regency 8. Tulungagung Regency 9. Pasuruan City	10. Malang Regency 11. Batu City 12. Bojonegoro Regency 13. Gresik Regency 14. Surabaya City 15. Malang City 16. Sumenep Regency 17. Pamekasan Regency

Table 9 shows that 21 local governments in East Java Province are categorized as efficient. Mojokerto City had a relatively low efficiency ratio compared to other regions in 2020, at 90.79%. However, Mojokerto City's performance is still considered efficient, as it can use minimal resources to achieve optimal goals. Meanwhile, 17 other local governments are categorized as inefficient due to the high ratio achievement, which indicates a lack of efficiency in resource use. Pamekasan Regency had the highest efficiency ratio in 2020, at 112.88%.

Furthermore, the classification of financial performance based on the efficiency ratio in 2021, presented in table 10, shows that three local governments fall into the highly efficient category. The lowest efficiency ratio is held by Bojonegoro Regency, at 86.16%. The majority of Local Governments, 26 cities and districts, fall into the efficient category, with the lowest ratio held by Probolinggo City, at 90.41%. As for the cities and regencies in the inefficient category, there are nine Regional Governments, with the lowest ratio held by Sampang Regency at 100.33%.

Furthermore, the classification of financial performance based on the efficiency ratio in 2022, presented in table 11, shows that four local governments fall into the efficient category, with the lowest ratio held by Sumenep Regency, at 96.04%. The majority of local governments, 34 cities and districts, fall into the efficient category, with the lowest ratio held by Blitar District at 100.96%.

Table 10. Classification of Financial Performance Based On Efficiency Ratios In 2021

Description	Local Governments	
Highly	1. Bojonegoro Regency 2. Tulungagung Regency	3. Kediri City
Efficient	1. Probolinggo City 2. Ponorogo Regency 3. Tuban Regency 4. Nganjuk Regency 5. Blitar Regency 6. Probolinggo Regency 7. Magetan Regency 8. Mojokerto Regency 9. Surabaya City 10. Situbondo Regency 11. Madiun Regency 12. Blitar City 13. Malang Regency	14. Pacitan Regency 15. Bondowoso Regency 16. Lamongan Regency 17. Jombang Regency 18. Banyuwangi Regency 19. Bangkalan Regency 20. Pasuruan Regency 21. Madiun City 22. Mojokerto City 23. Trenggalek Regency 24. Ngawi Regency 25. Sumenep Regency 26. Lumajang Regency
Efficient	-	
Efficiency Enough	1. Sampang Regency 2. Kediri Regency 3. Gresik Regency 4. Batu City 5. Pasuruan City	6. Malang City 7. Jember Regency 8. Pamekasan Regency 9. Sidoarjo Regency

Table 11. Classification of Financial Performance Based On Efficiency Ratios In 2022

Description	Local Governments	
Highly	-	
Efficient	1. Sumenep Regency 2. Batu City	3. Bondowoso Regency 4. Probolinggo Regency
Efficient	-	
Efficiency Enough	1. Pacitan Regency 2. Blitar Regency 3. Malang City 4. Ngawi Regency 5. Kediri City	18. Lamongan Regency 19. Pamekasan Regency 20. Nganjuk Regency 21. Magetan Regency 22. Jombang Regency

Description	Local Governments	
	6. Lumajang Regency	23. Surabaya City
	7. Bojonegoro Regency	24. Sidoarjo Regency
	8. Madiun Regency	25. Malang Regency
	9. Banyuwangi Regency	26. Ponorogo Regency
	10. Pasuruan Regency	27. Bangkalan Regency
	11. Tuban Regency	28. Madiun City
	12. Pasuruan City	29. Tulungagung Regency
	13. Kediri Regency	30. Jember Regency
	14. Situbondo Regency	31. Sampang Regency
	15. Gresik Regency	32. Blitar City
	16. Mojokerto Regency	33. Probolinggo City
	17. Trenggalek Regency	34. Mojokerto City

The average efficiency ratio across the 38 city and district governments in East Java Province in 2022 was 105.43%, categorizing it as inefficient. The results of this study align with the Pekanbaru City Health Office, which was deemed inefficient for two consecutive years, namely 2018 and 2019. This inefficiency is attributed to the output of the work program being smaller than the input [10] .

C. Financial Performance in terms of Effectiveness

The efficiency ratio is the ratio between the revenue budget and the realization of revenue. Data on the local government budgets of the city and regency governments of East Java Province for the 2020-2022 period, along with the results of the calculation of the effectiveness ratio, are presented in table 12 below.

Table 12. Effectiveness Ratio Of Local Governments In 2020-2022

No.	Local Governments	Year	Revenue Budget (billion rupiah)	Revenue Realization (billion rupiah)	Ratio (%)
1.	Batu City	2020	1.000,05	893,04	89,30
		2021	998,77	969,96	97,12
		2022	920,58	1.004,14	109,08
2.	Blitar City	2020	920,53	880,88	95,69
		2021	885,59	1.041,51	117,61
		2022	877,51	918,57	104,68
3.	Kediri City	2020	1.238,78	1.283,09	103,58
		2021	1.225,58	1.508,82	123,11
		2022	1.236,95	1.453,56	117,51
4.	Madiun City	2020	1.056,91	1.059,91	100,28
		2021	1.003,82	1.100,68	109,65
		2022	983,49	1.060,72	107,85
5.	Malang City	2020	2.289,32	1.956,09	85,44
		2021	2.250,89	2.152,36	95,62
		2022	2.076,98	2.171,75	104,56
6.	Mojokerto City	2020	885,82	886,03	100,02
		2021	869,69	963,88	110,83
		2022	805,27	916,44	113,81
7.	Pasuruan City	2020	848,97	809,67	95,37
		2021	780,83	839,31	107,49
		2022	831,90	911,66	109,59
8.	Probolinggo City	2020	1.077,82	922,03	85,55
		2021	1.024,91	993,88	96,97
		2022	945,77	955,09	100,99
9.	Surabaya City	2020	9.083,09	7.545,42	83,07
		2021	8.660,40	8.326,88	96,15
		2022	9.533,44	8.791,31	92,22
10.	Bangkalan Regency	2020	2.300,13	2.140,81	93,07
		2021	2.223,07	2.275,10	102,34
		2022	2.277,20	2.220,23	97,50
11.	Banyuwangi Regency	2020	3.339,78	3.268,23	97,86
		2021	3.036,32	3.181,21	104,77
		2022	2.989,97	3.240,21	108,37
12.	Blitar Regency	2020	2.382,05	2.255,88	94,70
		2021	2.280,05	2.467,65	108,23
		2022	2.322,45	2.445,11	105,28

No.	Local Governments	Year	Revenue Budget (billion rupiah)	Revenue Realization (billion rupiah)	Ratio (%)
13.	Bojonegoro Regency	2020	4.084,71	4.165,08	101,97
		2021	3.788,74	5.904,10	155,83
		2022	4.148,11	5.072,19	122,28
14.	Bondowoso Regency	2020	2.056,33	1.941,76	94,43
		2021	1.999,23	2.054,35	102,76
		2022	1.926,49	1.908,48	99,07
15.	Gresik Regency	2020	3.414,64	2.939,48	86,08
		2021	3.271,54	3.133,57	95,78
		2022	3.439,39	3.366,65	97,89
16.	Jember Regency	2020	3.960,91	3.531,44	89,16
		2021	3.708,36	3.565,33	96,14
		2022	3.811,39	3.715,38	97,48
17.	Jombang Regency	2020	2.678,66	2.538,50	94,77
		2021	2.609,85	2.883,53	110,49
		2022	2.575,24	2.689,23	104,43
18.	Kediri Regency	2020	2.945,41	2.835,33	96,26
		2021	2.777,29	2.923,11	105,25
		2022	2.774,77	3.059,86	110,27
19.	Lamongan Regency	2020	3.076,80	2.838,27	92,25
		2021	2.930,44	2.975,02	101,52
		2022	2.977,27	2.933,71	98,54
20.	Lumajang Regency	2020	2.282,44	2.118,85	92,83
		2021	2.136,61	2.161,88	101,18
		2022	2.109,08	2.198,46	104,24
21.	Madiun Regency	2020	1.912,89	1.842,46	96,32
		2021	1.817,81	1.978,49	108,84
		2022	1.887,05	2.007,06	106,36
22.	Magetan Regency	2020	1.865,23	1.801,81	96,60
		2021	1.811,07	1.896,12	104,70
		2022	1.758,40	1.845,41	104,95
23.	Malang Regency	2020	4.129,88	3.813,13	92,33
		2021	4.004,15	4.089,40	102,13
		2022	4.196,21	4.018,95	95,78
24.	Mojokerto Regency	2020	2.507,88	2.402,66	95,80
		2021	2.455,78	2.606,95	106,16
		2022	2.350,99	2.537,24	107,92
25.	Nganjuk Regency	2020	2.375,84	2.435,40	102,51
		2021	2.134,37	2.608,44	122,21
		2022	2.174,44	2.501,20	115,03
26.	Ngawi Regency	2020	2.181,18	2.129,61	97,64
		2021	2.127,46	2.226,09	104,64
		2022	2.122,60	2.254,15	106,20
27.	Pacitan Regency	2020	1.715,23	1.624,63	94,72
		2021	1.652,38	1.695,12	102,59
		2022	1.638,57	1.656,08	101,07
28.	Pasuruan Regency	2020	3.561,82	3.217,08	90,32
		2021	3.277,92	3.364,86	102,65
		2022	3.304,78	3.352,37	101,44
29.	Pamekasan Regency	2020	1.841,86	1.824,17	99,04
		2021	1.810,45	1.879,36	103,81
		2022	1.908,21	1.914,28	100,32
30.	Ponorogo Regency	2020	2.376,74	2.251,78	94,74
		2021	2.205,82	2.327,25	105,50
		2022	2.298,91	2.279,87	99,17
31.	Probolinggo Regency	2020	2.445,28	2.331,51	95,35
		2021	2.336,11	2.399,82	102,73
		2022	2.327,96	2.345,09	100,74
32.	Sampang Regency	2020	1.867,75	1.757,71	94,11
		2021	1.871,47	1.830,35	97,80
		2022	1.819,41	1.880,80	103,37
33.	Sidoarjo Regency	2020	4.536,59	4.411,62	97,25
		2021	4.210,82	4.669,64	110,90
		2022	4.500,31	4.504,85	100,10

No.	Local Governments	Year	Revenue Budget (billion rupiah)	Revenue Realization (billion rupiah)	Ratio (%)
34.	Situbondo Regency	2020	1.747,72	1.766,33	101,06
		2021	1.718,47	1.752,52	101,98
		2022	1.727,32	1.723,94	99,80
35.	Sumenep Regency	2020	2.407,65	2.317,33	96,25
		2021	2.311,24	2.407,61	104,17
		2022	2.349,23	2.468,23	105,07
36.	Trenggalek Regency	2020	1.977,63	1.831,18	92,59
		2021	1.855,49	1.859,93	100,24
		2022	1.855,15	2.046,44	110,31
37.	Tuban Regency	2020	2.601,40	2.578,84	99,13
		2021	2.360,12	2.693,89	114,14
		2022	2.480,88	2.643,59	106,56
38.	Tulungagung Regency	2020	2.583,35	2.598,32	100,58
		2021	2.394,26	3.095,98	129,31
		2022	2.508,71	2.642,48	105,33

Based on the financial performance calculations, the Regional Government of East Java Province can be classified according to the effectiveness ratio in 2020, as presented in table 13. Seven local governments fall under the highly effective category, with Kediri City having the highest ratio at 103.58%. The majority of local Governments, 30 cities/districts, fall into the effective category, with Tuban Regency having the highest ratio at 99.13%. Surabaya City is the only city in the less effective category, with a ratio of 83.07%.

The classification of financial performance based on the effectiveness ratio in 2021, as shown in table 14, shows that the majority of local governments (31 cities/districts) in East Java Province fall into the highly effective category. The highest effective ratio owned by Bojonegoro Regency has the highest effective ratio at 155.83%. Seven cities/regencies are classified as effective, with Sampang Regency having the highest ratio at 97.80%.

Table 13. Classification of Financial Performance Based on Effectiveness In 2020

Description	Local Governments	
Highly Effective	1. Kediri City 2. Nganjuk Regency 3. Bojonegoro Regency 4. Situbondo Regency	5. Tulungagung Regency 6. Madiun City 7. Mojokerto City
Effective	1. Tuban Regency 2. Pamekasan Regency 3. Banyuwangi Regency 4. Ngawi Regency 5. Sidoarjo Regency 6. Magetan Regency 7. Madiun Regency 8. Kediri Regency 9. Sumenep Regency 10. Mojokerto Regency 11. Blitar City 12. Pasuruan City 13. Probolinggo Regency 14. Jombang Regency 15. Ponorogo Regency	16. Pacitan Regency 17. Blitar Regency 18. Bondowoso Regency 19. Sampang Regency 20. Bangkalan Regency 21. Lumajang Regency 22. Trenggalek Regency 23. Malang Regency 24. Lamongan Regency 25. Pasuruan Regency 26. Batu City 27. Jember Regency 28. Gresik Regency 29. Probolinggo City 30. Malang City
Less Effective	Surabaya City	
Ineffective	-	

Table 14. Classification Of Financial Performance Based on Effectiveness In 2021

Description	Local Governments	
Highly Effective	1. Bojonegoro Regency 2. Tulungagung Regency 3. Kediri City 4. Nganjuk Regency 5. Blitar City 6. Tuban Regency 7. Sidoarjo Regency	17. Banyuwangi Regency 18. Magetan Regency 19. Ngawi Regency 20. Sumenep Regency 21. Pamekasan Regency 22. Bondowoso Regency

Description	Local Governments	
	8. Mojokerto City 9. Jombang Regency 10. Madiun City 11. Madiun Regency 12. Blitar Regency 13. Pasuruan City 14. Mojokerto Regency 15. Ponorogo Regency 16. Kediri Regency	23. Probolinggo Regency 24. Pasuruan Regency 25. Pacitan Regency 26. Bangkalan Regency 27. Malang Regency 28. Situbondo Regency 29. Lamongan Regency 30. Lumajang Regency 31. Trenggalek Regency
Effective	1. Sampang Regency 2. Batu City 3. Probolinggo City 4. Jember Regency	5. Surabaya City 6. Gresik Regency 7. Malang City
Less Effective	-	
Ineffective	-	

The classification of financial performance based on the effectiveness ratio in 2022, as shown in table 15, shows that the majority of local governments, 29 cities/districts in East Java Province fell into the highly effective category. The highest effective ratio is held by Bojonegoro Regency, at122.28%. A total of 9 cities/regencies were classified as effective, with Situbondo Regency having the highest ratio at 99.80%.

Table 15. Classification of Financial Performance Based on Effectiveness in 2022

Description	Local Governments	
Highly Effective	1. Bojonegoro Regency 2. Kediri City 3. Nganjuk Regency 4. Mojokerto City 5. Trenggalek Regency 6. Kediri Regency 7. Pasuruan City 8. Batu City 9. Banyuwangi Regency 10. Mojokerto Regency 11. Madiun City 12. Tuban Regency 13. Madiun Regency 14. Ngawi Regency 15. Tulungagung Regency	16. Blitar Regency 17. Sumenep Regency 18. Magetan Regency 19. Blitar City 20. Malang City 21. Jombang Regency 22. Lumajang Regency 23. Sampang Regency 24. Pasuruan Regency 25. Pacitan Regency 26. Probolinggo City 27. Probolinggo Regency 28. Pamekasan Regency 29. Sidoarjo Regency
Effective	1. Situbondo Regency 2. Ponorogo Regency 3. Bondowoso Regency 4. Lamongan Regency 5. Gresik Regency	6. Malang Regency 7. Bangkalan Regency 8. Jember Regency 9. Surabaya City
Less Effective	-	
Ineffective	-	

The average effectiveness ratio for the 38 city/district governments in East Java Province in 2021 was 106.93% and 104.61%. The results of the ratio achievement, exceeding 100%, indicate a highly effective performance. These findings align with the financial performance of the Surabaya City local government, which achieved a ratio of 100.88% from the 2015 fiscal year to 2019. This reflects that the financial performance of Surabaya City's local government can be considered very effective in managing revenue, with an average ratio above 100% over a five-year period [5].

V. CONCLUSION

The analysis of public sector financial performance in 38 local governments in East Java Province for the 2020-2022 fiscal years, using the value for money method, concludes that the financial performance of local governments in East Java is considered economical across all three periods. The average economic ratio for 2020 was 116.17%, for 2021 was 107.80%, and for 2022 was 101.94%. In terms of efficiency, the financial performance of local governments in East Java in 2020 and 2021 is considered efficient, with an average efficiency ratio of 99.98% and 96.55%, respectively. However, in 2022, it is considered inefficient with an average efficiency ratio of 105.43%. Regarding effectiveness, the financial performance of local governments in

East Java in 2020 is considered effective, with an average effectiveness ratio of 94.95%. In 2021 and 2022, it is considered very effective, with average effectiveness ratios of 106.93% and 104.61%, respectively.

According to the results of the financial performance measurement, it can be classified that, based on economic aspects, 16% of local governments in East Java Province performed sufficiently economically in 2021, and 45% in 2022. In terms of efficiency, 45% of local governments in East Java Province performed inefficiently in 2020, 24% in 2021, and 89% in 2022. Regarding effectiveness, only Surabaya City performed less effectively in 2020 among all local governments in East Java Province.

Several local governments in East Java Province are still performing economically sufficient, as the economic ratio achievement is below one hundred percent, indicating suboptimal resource utilization due to regional expenditures exceeding budget targets. In addition, some local governments in East Java Province are considered inefficient, as performance measurements show a ratio achievement exceeding one hundred percent. This high efficiency ratio indicates that local government expenditures have surpassed local revenue realization. Based on the effectiveness ratio, only Surabaya City was deemed less effective in 2020 due to the low realization of regional revenue compared to the budgeted target.

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