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RESEARCH ARTICLE

Analysis of the Financial Performance of the Aceh Besar Regency Government (2019–2024) Based on Local Government Financial Ratios

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Abstract
This study aims to analyze the financial performance of the Aceh Besar Regency Government for the period 2019–2024 based on local government financial ratios. The research employs a descriptive quantitative method using secondary data in the form of the Realization Report of the Government Budget (LRA) of Aceh Besar Regency, which was obtained through documentation techniques. The analysis utilizes ratios of independence, effectiveness, efficiency, growth, and activity. The research results indicate that the independence ratio is in the very low category, the effectiveness ratio is classified as sufficiently effective, the efficiency ratio falls into the inefficient category, the growth ratio shows fluctuating conditions, and the activity ratio indicates that the allocation of local spending is still dominated by operational expenditures compared to capital expenditures. Therefore, the financial performance of the Aceh Besar Regency Government during the 2019–2024 period is not optimal, particularly in enhancing fiscal independence, budget management efficiency, and balanced allocation of local spending.

Keywords
Financial Performance; Local Government Financial Ratios; Budget Realization Report; Local Government; Aceh Besar Regency.

1 | INTRODUCTION

Performance measurement plays a vital role in assessing the accountability of organizations and managers in delivering public services. This process encompasses not only the responsibility for the use of public funds but also requires ensuring that these funds are utilized efficiently and effectively (Ridha & Akbar, 2023). Evaluating government financial performance is crucial for identifying the extent to which financial management has succeeded (Ramadhan *et al.,* 2023). Through detailed analysis, we can pinpoint areas needing improvement and ensure that public resources are managed responsibly. A transparent approach to performance measurement will enhance public trust and encourage governments to fulfill their obligations to the communities they serve.

The quality of local government financial reports reflects the extent to which the information presented is understandable and meets the needs of users in the decision-making process. Quality financial reports must be free from material errors and misleading information and have a high level of reliability so that they can be compared across periods. Thus, quality financial reports provide benefits to management in decision-making and are easily understood by the public (Sari *et al.,* 2026). Furthermore, public sector financial reports represent a form of government accountability for financial management within a specific period, serving as a basis for decision-making and performance evaluation (Zuri *et al.,* 2026). Optimal management of Local Government Financial Reports (LKPD) reflects the level of accountability and effectiveness of regional financial performance. Evaluation of financial performance is essential to assess the level of success achieved in financial management.

Evaluation of regional financial performance can be carried out through various ratios, such as the degree of decentralization, level of independence, effectiveness of Regional Original Income (PAD), and efficiency of regional spending. Through the analysis of financial ratios from regional financial reports, stakeholders can evaluate government performance. The results of the analysis can also be used to compare financial performance across periods and observe developments over time (Sukmawati *et al.,* 2025). The implementation of fiscal decentralization aims to give authority to regional governments to manage resources and finances in a more independent manner, with the goal of improving public welfare through the provision of better public services. However, the implementation of fiscal decentralization in various regions has not yet been fully optimized. Therefore, improving the financial performance of regional governments and optimizing Regional Original Income (PAD) becomes an important aspect in reducing dependence on transfers from the central government and achieving fiscal independence (Firmansyah *et al.,* 2024).

Numerous studies have highlighted the significant effects of the COVID-19 pandemic on regional financial management. The outbreak, which originated in Wuhan, China, in late 2019, rapidly spread across the globe in early 2020, influencing various facets of life, including those in Indonesia (Budiman, 2021; Handoyo, 2021). In response to this unprecedented health crisis, the Indonesian government declared the COVID-19 pandemic a national disaster. To mitigate its impact, authorities implemented Large-Scale Social Restrictions (PSBB) policies starting in March 2020 (Putri *et al.,* 2025). These measures were designed to curb the spread of the virus while simultaneously presenting challenges to regional governments in maintaining financial stability and ensuring the continuity of essential public services during these turbulent times.

Research on the Baubau City Government shows that the financial performance based on the independence ratio is in the very low category, whereas the effectiveness ratio of Regional Original Income (PAD) is classified as sufficiently effective (Rais R., 2023). Additionally, research in the Government of North Sumatra Province indicates that the level of financial independence is still classified as low, with an instructive connection pattern indicating a high dependency on central government transfer funds. Conversely, the effectiveness ratio of PAD is categorized as sufficiently effective (Remanta *et al.,* 2024). Purba et al. (2024) state that studies on government financial performance still show differences and inconsistencies, indicating a research gap. Therefore, research on government financial performance needs to be conducted in different locations and with varied data. In line with this, this research is carried out by the Government of Aceh Besar Regency for the 2019–2024 period to analyze financial performance based on local financial ratios. The chosen period is expected to provide a clearer and more comprehensive picture of the development of financial performance before, during, and after the COVID-19 pandemic.

Based on the results of previous studies, it can be concluded that a significant portion of regional governments in Indonesia still faces the problem of a low level of financial independence due to limitations in Local Original Income (PAD). Although the effectiveness of PAD management shows sufficient results, the dependency on central government transfer funds remains relatively high. Therefore, this research is important to analyze the financial performance of the Aceh Besar Regency Government using local financial ratios to assess the current condition and serve as a material evaluation in efforts to enhance fiscal independence.

This situation is exacerbated by the financial dynamics resulting from the pandemic, which demonstrate a gap between the ideal principles of regional financial management efficiency, effectiveness, transparency, and accountability and the actual implementation on the ground. On one hand, regulations require regional governments to manage their finances independently and optimize regional original revenue. On the other hand, empirical evidence indicates that Aceh Besar Regency still has a low level of fiscal independence, as demonstrated by research by Ridha & Akbar (2023), which found that the regional revenue structure is highly dependent on central transfer funds. This gap became even more apparent when the COVID-19 pandemic forced regional governments to refocus and reallocate their budgets, impacting revenue stability and spending patterns in the 2020–2022 period. Therefore, there is an urgent need to analyze whether regional financial performance in the 2019–2024 period improved, stagnated, or worsened after the post-pandemic recovery period. This study aims to analyze the financial performance of the Aceh Besar Regency Government from 2019 to 2024, including the level of independence, effectiveness, efficiency, growth, and harmony in regional expenditure management.

2 | BACKGROUND THEORY

2.1 Financial Performance of Local Government

The financial performance of local governments reflects the level of success in managing budgets appropriately and with quality. This aims to support governance, community development, and public services in accordance with applicable regulations (Ramadhani *et al.,* 2024). Performance measurement is conducted to evaluate the accountability of an institution, agency, or organization in providing optimal public services through financial and non-financial indicators. This accountability includes the obligation to report to the public regarding the use of managed funds, ensuring that expenditures are carried out economically, effectively, and efficiently. Every fund used is expected to provide benefits for the community's interests, meet public needs, align with community demands, and be transparently accounted for (Zulkarnain, 2020). The capacity of a region, also known as the financial performance of local government, is one of the measures of a region's ability to carry out autonomy (Utari *et al.,* 2023).

2.2 Regional Financial Ratios

Financial ratios are analytical tools used to evaluate the condition and financial performance of local governments based on regional financial reports, especially the Realization Report of the Budget (LRA). The aim of analyzing these financial ratios is to assess the ability of local governments to manage finances effectively, efficiently, independently, and accountably. Through financial ratios, local governments can evaluate the success of implementing the Regional Revenue and Expenditure Budget (APBD) over a specific period.

2.3 Types of Regional Financial Ratios in Performance Assessment

The analysis of local government financial performance can be conducted through various financial ratios calculated based on data in the Realization Report of the Budget (LRA). The use of financial ratios aims to provide a description of a local government's ability to manage finances independently, effectively, efficiently, and sustainably. Through financial ratio analysis, the management condition of a local government can be evaluated more objectively, serving as a basis for decision-making, policy preparation, and improvements in financial management in subsequent periods (Mahmudi, 2021).

In this research, the assessment of local government financial performance is done using five financial ratios: the independence ratio, effectiveness ratio, efficiency ratio, growth ratio, and activity ratio. These five ratios were chosen because they provide a comprehensive overview of local government financial performance from various aspects. The independence ratio is used to evaluate the ability of local governments to finance themselves through Regional Original Income (PAD), the effectiveness ratio measures the success of local governments in achieving the PAD targets that have been set, the efficiency ratio evaluates the ability of local governments to manage budgets economically and optimally, the growth ratio assesses the financial development of the region from year to year, while the activity ratio evaluates the allocation of local spending between operational and capital expenditures. Therefore, the use of these five ratios can provide a comprehensive overview of the level of local government financial performance (Mahmudi, 2021). A study by Zamzami & Rakhman (2023) shows that local government financial performance is influenced by various factors, such as the size of the local government, capital expenditure, the quality of financial reporting, and the actions taken on audit recommendations. The findings highlight the importance of evaluating financial performance as a basis for improving the quality of local financial management.

1) Autonomy Ratios

   According to Halim (2014), the autonomy ratio indicates the ability of local governments to finance themselves through Local Original Income (PAD). A higher autonomy ratio signifies a lower level of dependence on transfer funds from the central government. The autonomy ratio is widely used in analyzing local government financial performance as an indicator to evaluate the ability of local governments to finance themselves independently, as demonstrated in the study by Martina & Tarigan (2023).

   Formula:

$$Autonomy\ ratio = \frac{local\ own - Source\ revenue\ (PAD)}{Total\ regional\ revenue} \times 100\%$$

Criteria:
0% – 25% = Very Low (Advisory)
25% – 50% = Low (Consultative)
50% – 75% = Moderate (Participatory)
75% – 100% = High (Delegative)
>100% = Very High (Autonomous)
Interpretation:
The higher the autonomy ratio, the lower the region's dependence on the central government. Conversely, the lower the autonomy ratio, the greater the region's level of dependence on the central government.

2) Effectiveness Ratio
According to Mahmudi (2021), the effectiveness ratio indicates the ability of local governments to achieve the Regional Original Income (PAD) targets. A higher effectiveness ratio reflects a greater capacity of local governments to meet the established income targets. Conversely, a lower effectiveness ratio indicates that PAD realization has not yet reached the planned target. The effectiveness ratio is frequently used in studies assessing local government financial performance as an indicator to evaluate the success of local governments in achieving Regional Original Income (PAD), as demonstrated in the study by Faradilla & Hanifa (2024).
Formula:

$$Effectiveness\ ratio = \frac{Actual\ PAD}{Budgeted\ PAD} \times 100\%$$

Criteria:
>100% = Highly Effective
100% = Effective
90–99% = Fairly Effective
75–89% = Less Effective
>75% = ineffective
Interpretation:
The higher the effectiveness ratio, the better the local government's ability to meet or exceed its established revenue targets. Conversely, the lower the effectiveness ratio, the less capable the local government is of achieving its planned revenue targets.

3) Efficiency Ratio
According to Mahmudi (2021), the efficiency ratio is used to evaluate the ability of local governments to utilize their budgets in an economical and optimal manner. A smaller efficiency ratio indicates more efficient financial management. Conversely, a larger efficiency ratio suggests that budget utilization is inefficient, as expenses incurred approach or even exceed the income earned. The efficiency ratio is frequently used in the analysis of local government financial performance, as demonstrated in the study by Kusumawardani & Asrihapsari (2023), which employs the efficiency ratio as one of the indicators to evaluate local government financial management.
Formula:

$$Efficiency\ Ratio = \frac{Actual\ Regional\ Expenditure}{Actual\ Regional\ Revenue} \times 100\%$$

Criteria:
<60% = Very Efficient
60% - 80% = Efficient
80% - 90% = Fairly Efficient
90% - 100% = Inefficient
>100% = Inefficient
Interpretation:
The efficiency ratio indicates the level of frugality of local governments in using financial resources. The lower the efficiency ratio, the more efficient the management of local finances. Conversely, the higher the efficiency ratio, the lower the level of efficiency, because expenditures are approaching or even exceeding revenue.

4) Growth Ratio
According to Mahmudi (2021), the growth ratio is used to measure the development of financial performance in local governments from year to year. A positive growth value indicates an improvement compared to the previous period, whereas a negative growth value signifies a decline. The growth ratio is also used to evaluate the development of income and expenditure over a specific budget period, allowing for the identification of

trends in local government financial performance. Additionally, the growth ratio is frequently used in the analysis of local government financial performance to assess financial development from one period to the next, as demonstrated in the study by Nasution et al. (2025).

Formula:

$$Growth\ Ratio = \frac{Value\ of\ Year_n - Value\ of\ year_{(n-1)}}{Value\ of\ year\ (n-1)} \times 100\%$$

Interpretation:

Growth ratios are interpreted based on the direction of change in their values. A positive growth value indicates an increase compared to the previous period, while a negative value indicates a decrease. Fluctuating values, meanwhile, indicate that growth has been inconsistent from year to year, suggesting that conditions have not yet stabilized.

5) Activity Ratio

According to Mahmudi (2021), the ratio activity describe proportion allocation shopping area between shopping operating and capital expenditure ratio This used For evaluate priority government area in allocate budget , okay For support activity operational and development area . Proportion shopping more operations big show that government area more prioritize financing activity operational, whereas proportion higher capital expenditure big reflect commitment government area to development and provision means infrastructure. Use ratio activity as one of the indicator in analysis performance finance government areas are also implemented in study (Widodo, 2022), which evaluates structure allocation shopping government area through ratio shopping operations and ratios capital expenditure.

Operating Expenditure Ratio

Formula:

$$Operating\ Activity\ Ratio = \frac{Operating\ Expenditure}{Total\ Local\ Government\ Expenditure} \times 100\%$$

Capital Expenditure Ratio

Formula:

$$Capital\ Activity\ Ratio = \frac{Capital\ Expenditure}{Total\ Local\ Government\ Expenditure} \times 100\%$$

Interpretation:

Activity ratios are used to determine priorities for local government spending allocations. A high proportion of operating expenditures indicates that spending is primarily directed toward supporting day-to-day government operations and public services. Conversely, a high proportion of capital expenditures reflects the local government's focus on development and the enhancement of local assets. A balance between these two types of expenditures signifies more optimal budget management, as it ensures operational sustainability while supporting long-term development.

The analysis of regional financial ratios in this study was conducted not only to compare ratio values between periods but also to identify various factors that influence changes in these ratios. Changes in the regional independence ratio are influenced by the regional government's ability to increase Regional Original Income (PAD) and the level of dependence on transfer funds from the central and provincial governments. The effectiveness ratio is influenced by the regional government's ability to achieve the established PAD targets, while the efficiency ratio reflects the regional government's capability to optimize budget utilization so that expenditures correspond to the income earned. Meanwhile, the growth ratio is affected by the development of regional revenue and expenditure from one period to the next, while the activity ratio is influenced by the regional government's policy in determining the proportion of budget allocation between operating and capital expenditures. In addition to these factors, regional economic conditions, government fiscal policies, inflation rates, and various other external factors also play a role in influencing the dynamics of regional government financial performance during each observation period.

3 | METHOD

This study employs a quantitative descriptive method to describe and evaluate the financial performance of the Aceh Besar Regency Government through an analysis of regional financial ratios during the 2019–2024 period. The quantitative descriptive approach was chosen because it provides an objective description of the financial performance conditions based on numerical data sourced from government financial reports. The study period of 2019–2024 was selected because it encompasses the conditions before the COVID-19 pandemic (2019), during the pandemic (2020–2021), and the recovery period post-pandemic (2022–2024). Thus, this period is expected to provide a clearer and more comprehensive picture of the development of the Aceh Besar Regency Government's financial performance under various economic conditions and fiscal policies.

The type of data used in this study is secondary data in the form of the Realization Report of the Government Budget (LRA) for Aceh Besar Regency for the years 2019–2024. The data was obtained directly from the Regional Finance Agency (BPKD) of Aceh Besar Regency. Data collection techniques were carried out through documentation methods, which involved collecting, recording, reviewing, and processing the related Realization Report of the Budget (LRA). Data analysis was performed through several stages. The first stage involved collecting the Realization Report of the Government Budget (LRA) for Aceh Besar Regency for the years 2019–2024. The second stage involved calculating the financial ratios, including the independence ratio, effectiveness ratio, efficiency ratio, growth ratio, and activity ratio, using the formulas explained in the theoretical framework. The third stage compared the results of each ratio calculation with the assessment criteria for each ratio to evaluate the financial performance level of the Aceh Besar Regency Government. The final stage involved analyzing the calculation results descriptively to understand the development of the Aceh Besar Regency Government's financial performance during the research period, followed by drawing conclusions about the financial performance conditions based on the results of the financial ratio analysis.

4 | RESULTS AND DISCUSSION

4.1 Results

4.1.1 Self-Reliance Ratios

To determine the extent to which the Aceh Besar Regency Government is able to finance government and development activities through Local Own-Source Revenue (PAD), an analysis of the local government financial autonomy ratio was conducted. The results of the financial autonomy ratio calculations for the 2019–2024 period are presented in Table 1 and Figure 1.

Table 1. Financial Autonomy Ratio

Year	Financial Independence Ratio (%)
2019	9.27%
2020	10.04%
2021	9.24%
2022	9.42%
2023	10.06%
2024	8.10%

Source: Secondary data from the 2019–2024 Budget Realization Reports (LRA) of the Aceh Besar Regency Government, processed by the author (2026).

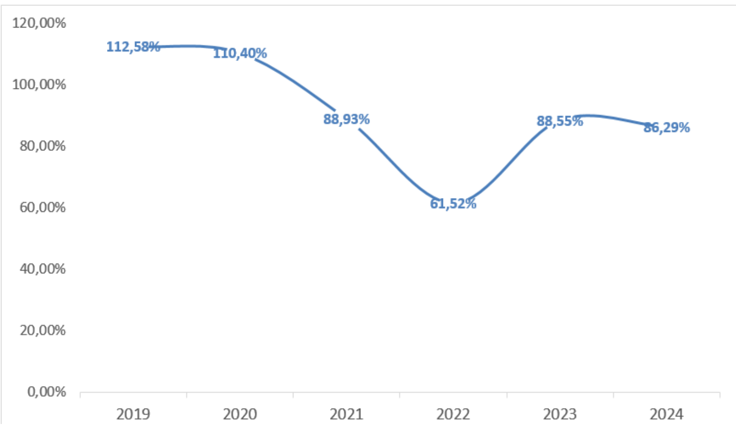

Figure 1. Financial Independence Ratio of the Aceh Besar Regency Government (2019–2024)

Based on Table 1 and Figure 1 the financial independence ratio of the Aceh Besar Regency Government from 2019 to 2024 shows fluctuating values ranging from 8.10% to 10.06%. The highest score occurred in 2023 at 10.06%, while the lowest value occurred in 2024 at 8.10%. The average independence ratio during this period was 9.36%. According to the criteria for financial independence (Halim, 2014), this average value falls into the very low category, indicating a weak connection. This shows that the ability of the Aceh Besar Regency Government to finance governance and development activities through Regional Original Income (PAD) is still very limited, resulting in a high dependence on transfer funds from the central and provincial governments.

These findings align with research by Ridha and Akbar (2023), which indicates that the financial independence level of local governments remains in the very low category due to a high dependency on transfer funds from the central government. The findings suggest that PAD contributions to total regional revenue are not yet sufficient to serve as a primary funding source. The low independence ratio may be caused by suboptimal management of PAD sources, such as local taxes, levies, and revenue from separated asset management. Additionally, the high proportion of transfer income compared to PAD indicates that the fiscal capacity of the region is still relatively weak. This situation poses a challenge, as it can limit the flexibility of the local government in determining and financing development programs according to regional needs. Apart from these internal factors, the low independence ratio is also influenced by economic conditions and government policies during the research period. In 2020–2021, the COVID-19 pandemic led to a decline in public economic activity, impacting the realization of Regional Original Income (PAD). On the other hand, the Aceh Besar Regency Government continued to rely on transfer funds from the central government as the main source of regional income. This condition resulted in a lack of significant improvement in financial independence during the study period. Therefore, the Aceh Besar Regency Government needs to enhance the optimization of PAD receipts through intensification and extensification of local taxes and levies, improved management of productive assets, and development of sectors with potential to increase regional income. With an increase in PAD contributions, dependence on transfer funds can be reduced, leading to an expected increase in financial independence in the upcoming period.

4.1.2 Effectiveness Ratio

The effectiveness ratio is used to measure the Aceh Besar Regency Government's ability to achieve its established Local Own-Source Revenue (PAD) targets. The results of the effectiveness ratio calculations for 2019–2024 are shown in Table 2 and Figure 2.

Table 2. Effectiveness Ratio

Year	Effectiveness Ratio (%)
2019	112.58%
2020	110.40%
2021	88.93%
2022	61.52%
2023	88.55%
2024	86.29%

Source: Secondary data from the 2019–2024 Budget Realization Reports (LRA) of the Aceh Besar Regency Government, processed by the author (2026).

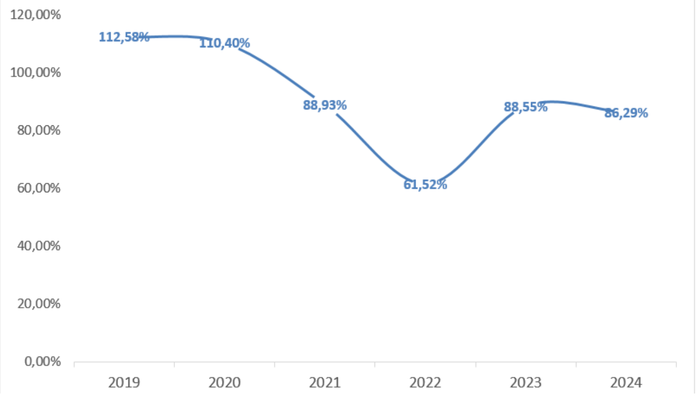

Figure 2. Financial Effectiveness Ratio of the Aceh Besar Regency Government (2019–2024)

Based on Table 2, and Figure 2, the effectiveness ratio of the Aceh Besar Regency Government from 2019 to 2024 shows fluctuating values year to year. The highest value occurred in 2019 at 112.58%, while the lowest value occurred in 2022 at 61.52%. The average effectiveness ratio during this period was 91.38%. According to the criteria for effectiveness ratio as stated by Mahmudi (2021), this average value falls into the category of "sufficiently effective," as it is within the range of 90%–99%. These findings indicate that the Aceh Besar Regency Government is generally capable of realizing Regional Original Income (PAD) close to the established targets, although achievements have not been optimal in all years of observation.

While the average effectiveness ratio is categorized as sufficiently effective, several issues still hinder the achievement of PAD targets. This condition may be caused by suboptimal exploration of PAD potential. Additionally, the low level of compliance with tax obligations can also influence the realization of regional income. Setting revenue targets that are lower than the actual regional potential contributes to the fluctuations in income effectiveness. These issues suggest that PAD management still requires improvement to achieve more optimal income realization. The changes in the effectiveness ratio during the research period are also influenced by regional economic conditions and government policies. During the COVID-19 pandemic, public economic activities experienced a slowdown, impacting tax and levy revenues. Furthermore, adjustments to the PAD targets and changes in income management policies have also influenced the effectiveness of PAD realization in each year of observation. To enhance the effectiveness of PAD management, the Aceh Besar Regency Government needs to conduct accurate data collection and mapping of income potential. The local government should also increase supervision of tax and levy collections to minimize revenue leakage. Additionally, improving the quality of services to taxpayers can encourage public compliance with tax obligations. Setting realistic PAD targets based on actual regional potential is also necessary to ensure that the established targets are easier to achieve. With these efforts, the effectiveness of PAD management is expected to improve, allowing the regional revenue targets to be achieved or even exceeded.

4.1.3 Efficiency Ratios

Efficiency ratios are used to assess the level of efficiency of local governments in managing local finances, particularly in using the budget to generate revenue. The results of the efficiency ratio calculations for the Aceh Besar Regency Government for 2019–2024 are presented in Table 3 and Figure 3.

Table 3. Efficiency Ratios

Year	Efficiency Ratio (%)
2019	100.44%
2020	100.65%
2021	103.51%
2022	98.52%
2023	99.09%
2024	99.91%

Source: Secondary data from the 2019–2024 Budget Realization Reports (LRA) of the Aceh Besar Regency Government, processed by the author (2026).

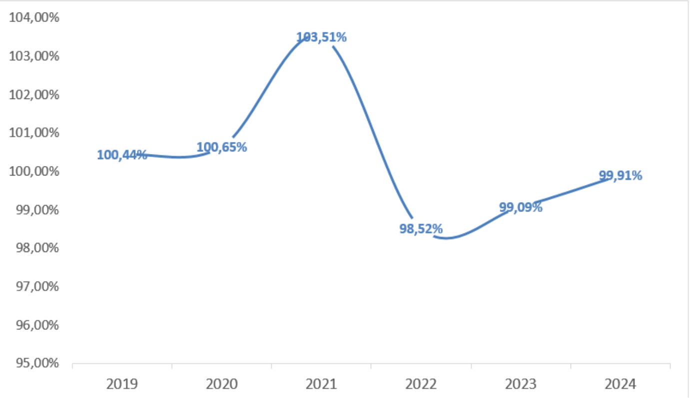

Figure 3. Financial Efficiency Ratio of the Aceh Besar Regency Government (2019–2024)

Based on Table 3 and Figure 3, the efficiency ratio of the Aceh Besar Regency Government from 2019 to 2024 shows fluctuating values between 98.52% and 103.51%. The highest score occurred in 2021 at 103.51%, while the lowest value occurred in 2022 at 98.52%. The average efficiency ratio during this period was 100.35%. According to the efficiency ratio criteria proposed by Mahmudi (2021), this average value falls into the category of "inefficient," as it is above 100%. These findings indicate that the expenses incurred by the local government to generate income are still relatively high, suggesting that financial management has not yet been implemented optimally and economically.

The inefficiency observed indicates several problems in local financial management. The high efficiency ratio can be attributed to the costs incurred to generate regional income compared to the income actually realized. Additionally, suboptimal control over local expenditures and insufficient effectiveness in managing income sources can cause the efficiency level to be low. The fluctuations in the efficiency ratio during the research period also indicate that the local government still faces challenges in maintaining a balance between expenditures and income. These problems can impact the local government's ability to allocate financial resources more productively to support regional development.

Efficiency levels are also influenced by government policies regarding budget allocation during the research period. During the COVID-19 pandemic, the government made budget adjustments and refocusing to support health management, social assistance, and economic recovery. These policies resulted in high operational expenditures, while improvements in regional income were not fully capable of balancing the expenses incurred by the local government. To improve the efficiency of regional financial management, the Aceh Besar Regency Government needs to strengthen control and supervision over budget utilization to ensure that every expenditure provides optimal benefits. The local government should also evaluate programs and activities that require substantial costs but do not yield significant results for improving regional income. Furthermore, optimizing PAD sources is necessary to increase regional income without significantly raising expenditures. Implementing principles of economy, efficiency, and effectiveness in budget management is also essential to make financial resource utilization more economical and targeted. With these efforts, the efficiency ratio is expected to decrease, leading to more effective financial management in the upcoming period.

4.1.4 Growth Ratios

Growth ratios are used to track the year-over-year development of the Aceh Besar Regency Government's financial performance. The results of the growth ratio calculations for the 2019–2024 period are presented in Table 4 and Figure 4.

Table 4.Growth Ratios

Year	Growth Ratio (%)
2019	6.53%
2020	11.11%
2021	-10.57%
2022	-2.09%
2023	5.29%
2024	-12.63%

Source: Secondary data from the 2019–2024 Budget Realization Reports (LRA) of the Aceh Besar Regency Government, processed by the author (2026).

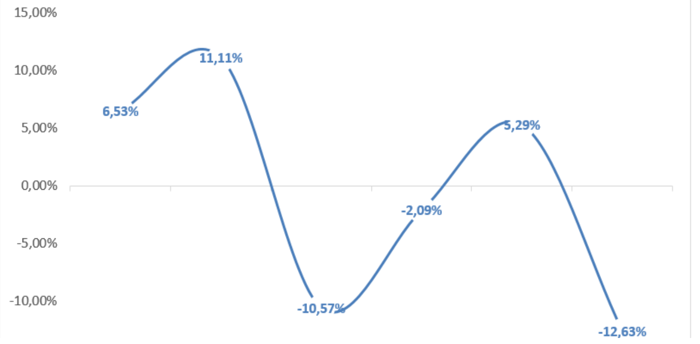

Figure 4. Financial Growth Ratio of the Aceh Besar Regency Government (2019–2024)

Based on Table 4 and Figure 4, the growth ratio of the Aceh Besar Regency Government from 2019 to 2024 shows fluctuating conditions with both positive and negative values in each period. The highest growth ratio occurred in 2020 at 11.11%, while the lowest growth ratio occurred in 2024 at -12.63%. A positive growth value indicates an improvement in financial performance compared to the previous year, whereas a negative growth value indicates a decline in financial performance. This condition suggests that the Aceh Besar Regency Government's ability to maintain financial growth is not yet stable from year to year. Thus, the financial performance during the study period still experiences significant fluctuations, requiring attention in its management.

The instability in financial growth can be caused by various factors, both internal and external to the local government. One influencing factor is the fluctuations in Regional Original Income (PAD) receipts, changes in the amount of transfer funds from the central government, and economic conditions affecting societal and business activities. Additionally, changes in government policy, effectiveness in managing income sources, and the level of realization of development programs can also influence the financial growth of the region each year. The presence of negative growth values in some years indicates that income improvements have not been consistently maintained. This situation poses a problem as it can affect the local government's ability to finance development and provide public services sustainably.

Fluctuations in the growth ratio are also influenced by changes in economic conditions and fiscal policies during the research period. The COVID-19 pandemic impacted public economic activity, influencing regional income. Additionally, changes in the allocation of transfer funds from the central government, as well as financial management policies, also affected the development of regional income and expenditure from year to year, resulting in unstable financial growth. Given these conditions, the Aceh Besar Regency Government needs to optimize Regional Original Income (PAD) sources by improving tax collection, levies, and productive asset management. The local government should also strengthen planning and budgeting to manage regional income and expenditure more effectively and sustainably. Furthermore, the development of potential economic sectors such as trade, tourism, agriculture, and investment needs to be promoted to expand regional income sources. Good coordination between regional and central governments is also necessary to maintain continuity in funding regional development. With these various efforts, the financial growth of the region is expected to become more stable and capable of supporting the sustainable improvement of the Aceh Besar Regency Government's financial performance.

4.1.5 Activity Ratios

The operating expenditure ratio is used to determine the proportion of local government expenditures allocated to fund government operations. The results of the operating expenditure ratio calculation for the Aceh Besar Regency Government for 2019–2024 are presented in Table 5 and Figure 5.

Table 5. Operating Expenditure Ratio

Year	Operating Expenditure Ratio (%)
2019	55.82%
2020	51.92%
2021	56.13%
2022	59.32%
2023	60.78%
2024	60.64%

Source: Secondary data from the 2019–2024 Budget Realization Reports (LRA) of the Aceh Besar Regency Government, processed by the author (2026).

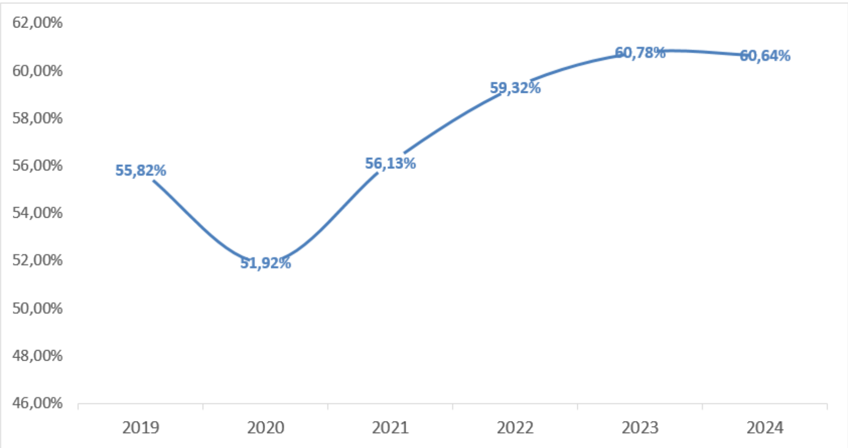

Figure 5. Operating Expenditure Ratio of the Aceh Besar Regency Government (2019–2024)

Based on Table 5 and Figure 5, the operating expenditure ratio of the Aceh Besar Regency Government from 2019 to 2024 shows an increasing trend, with the lowest value at 51.92% in 2020 and the highest value at 60.78% in 2023. This condition indicates that more than half of the total regional expenditure is allocated to finance government operational needs. According to Mahmudi (2021), a high proportion of operational expenditure indicates a dominance of expenses to support daily government activities and public services. This suggests that the Aceh Besar Regency Government prioritizes operational needs to maintain the smooth functioning of government and services to the community. Thus, operational expenditures remain a main component in the regional expenditure structure during the study period.

The high proportion of operational expenditures indicates that a significant portion of the regional budget is used to finance employee salaries, goods and services, and other routine expenses. This condition may be due to the ongoing operational needs that must be met each year to ensure sustainable public service delivery. However, if the proportion of operational expenditure continues to increase, the local government's fiscal space for financing productive development programs may become more limited. This is because a large portion of the budget is absorbed by routine needs, reducing the allocation of funds for activities that stimulate economic growth and regional development. This condition presents a challenge for the local government in balancing operational needs with development requirements. The high proportion of operational expenditures during the research period is also influenced by government policies aimed at maintaining the sustainability of public services and fulfilling operational needs. Additionally, during the COVID-19 pandemic, the government adjusted budget allocations to support health management, social assistance, and economic recovery, leading to a substantial portion of the budget still being directed toward operational expenditures.

Given these conditions, the Aceh Besar Regency Government needs to manage regional expenditures more balancedly so that operational needs are met without reducing allocations for development programs. The local government should also evaluate components of operational expenditures to ensure that every expenditure is made effectively and aligns with regional priorities. Furthermore, the efficiency of budget utilization should continue to be improved through routine expenditure controls and optimization of government apparatus performance. Better budget planning is also necessary to ensure that expenditure allocations provide maximum benefits to the community. With these efforts, the regional expenditure structure is expected to become more proportional, capable of supporting public services and regional development sustainably.

The capital expenditure ratio is used to determine the proportion of the budget allocated to the development and procurement of local assets that provide long-term benefits. The results of the capital expenditure ratio calculation for the Aceh Besar Regency Government for 2019–2024 are presented in Table 6 and Figure 6.

Table 6. Capital Expenditure Ratio

Year	Capital Expenditure Ratio (%)
2019	15.05%
2020	15.51%
2021	1.13%
2022	9.17%
2023	5.57%
2024	8.72%

Source: Secondary data from the 2019–2024 Budget Realization Reports (LRA) of the Aceh Besar Regency Government, processed by the author (2026).

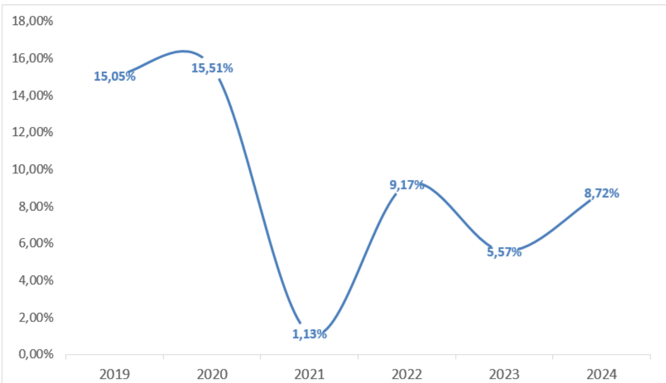

Figure 6. Capital Expenditure Ratio of the Aceh Besar Regency Government (2019–2024)

Based on Table 4.6 and Figure 4.6, the capital expenditure ratio of the Aceh Besar Regency Government from 2019 to 2024 shows fluctuating conditions, with the highest value at 15.51% in 2020 and the lowest value at 1.13% in 2021. After experiencing a significant decline in 2021, the capital expenditure ratio has gradually increased in subsequent years, although it has not yet reached the levels seen in 2019 and 2020. This condition indicates that the budget allocation for capital expenditure is not yet stable from year to year. According to Mahmudi (2021), capital expenditure refers to expenditures used to acquire fixed assets and other assets that provide benefits beyond one accounting period. Therefore, the proportion of capital expenditure reflects the local government's commitment to supporting development as well as providing facilities and infrastructure for the public.

4.2 Discussion

The analysis of the Aceh Besar Regency Government's financial performance from 2019 to 2024 reveals critical insights into its fiscal management, efficiency, and capacity to deliver public services amidst various challenges. This discussion elaborates on the findings derived from the analysis of financial ratios, exploring their implications within the context of local governance and the broader economic landscape. The financial autonomy ratio is a crucial indicator of a local government's ability to finance its operations through Local Own-Source Revenue (PAD). The findings indicate that the financial independence ratio fluctuated between 8.10% and 10.06% over the study period, consistently remaining in the very low category. This low level of financial autonomy reflects a significant dependence on transfers from the central government, which poses considerable challenges for local governance. As highlighted by Halim (2014), a high reliance on external funding can limit the local government's ability to make independent fiscal decisions, hindering its responsiveness to community needs. This situation often leads to a reactive governance approach, where local authorities must align their priorities with those dictated by central government policies. Consequently, this can stifle innovation and limit the effectiveness of local governments in addressing pressing local issues, ultimately affecting the quality of public services provided to the community. Moreover, the lack of financial autonomy restricts the region's ability to invest in long-term development projects. With limited resources at their disposal, local governments may struggle to allocate funds for essential infrastructure, education, and health services, which are crucial for fostering economic growth and improving the quality of life for residents (Zulkarnain, 2020). The Aceh Besar Regency Government must prioritize strategies to enhance its financial independence by diversifying revenue sources and increasing local tax compliance, as suggested by Firmansyah et al. (2024).

The effectiveness ratio, which measures the success of local governments in achieving their PAD targets, exhibited a range from 61.52% to 112.58% during the study period. The average effectiveness ratio of 91.38% categorizes it as "sufficiently effective," indicating that while the local government has made strides in meeting its revenue targets, significant fluctuations suggest underlying challenges in revenue generation. The fluctuations in the effectiveness ratio can be attributed to several factors. Firstly, suboptimal exploration of PAD potential is a critical issue. The local government may not fully capitalize on available revenue-generating opportunities, such as local taxes, levies, and fees. Improving the efficiency of tax collection processes and enhancing public awareness about tax obligations could lead to increased PAD realization (Kusumawardani & Asrihapsari, 2023). Secondly, the low level of compliance with tax obligations further complicates revenue generation efforts. Many local governments face challenges related to taxpayer compliance, which can stem from a lack of trust in government institutions or insufficient taxpayer education (Ridha & Akbar, 2023). The Aceh Besar Regency Government should implement targeted outreach programs to educate residents about the importance of tax contributions and how these funds are utilized for community development. Additionally, setting revenue targets that align with actual regional potential is crucial. The local government should conduct thorough assessments of its revenue-generating capacity and adjust its targets accordingly to avoid setting unrealistic expectations. By doing so, the government can create a more stable and predictable revenue environment that supports effective financial planning.

The efficiency ratio, used to evaluate how well local governments utilize their budgets to generate revenue, revealed an average value above 100%, categorizing it as inefficient. This finding indicates that the local government incurs high costs relative to the income generated, suggesting inefficiencies in financial management practices. Several factors contribute to this inefficiency. One primary issue is the misalignment between budget allocations and community needs. The local government's budgeting process may not adequately reflect the priorities of the community, leading to resource wastage in less impactful areas. To address this, the Aceh Besar Regency Government should engage in participatory budgeting processes that involve community input, ensuring that expenditures align with the actual needs and priorities of residents (Sari *et al.,* 2026). Moreover, the lack of effective monitoring and evaluation mechanisms can exacerbate inefficiencies. The local government must establish robust financial oversight practices, including regular audits and performance evaluations, to monitor budget utilization effectively. These mechanisms can help identify areas of waste and ensure that expenditures are directed toward high-impact initiatives that benefit the community.

The growth ratio, which tracks the year-over-year development of the Aceh Besar Regency Government’s financial performance, exhibited significant fluctuations, with values ranging from -12.63% to 11.11%. These variations highlight the instability in the region's financial performance, exacerbated by external factors such as the COVID-19 pandemic. The pandemic severely impacted economic activities, leading to declines in PAD and increased budgetary pressures. The presence of negative growth values in certain years indicates that the local government struggled to maintain revenue levels during challenging economic conditions. This instability poses risks to long-term financial sustainability and the ability to fund essential public services. To mitigate these risks, the local government should focus on diversifying its revenue sources and enhancing economic resilience through strategic investments in sectors with growth potential, such as tourism, agriculture, and local businesses (Nasution *et al.,* 2025). Additionally, the local government should consider implementing economic stimulus measures to support businesses and residents affected by economic downturns. By fostering a supportive environment for local enterprises, the government can stimulate job creation, increase regional income, and ultimately enhance financial stability (Firmansyah *et al.,* 2024).

The analysis of activity ratios revealed a concerning trend, with a significant proportion of expenditures allocated to operational needs rather than capital investments. The operating expenditure ratio consistently exceeded 50%, indicating that operational spending dominated the budget. While it is essential to meet operational needs, an imbalanced allocation can hinder long-term development and infrastructure improvements. The local government must strike a balance between operational and capital expenditures to ensure that it can sustain essential services while also investing in future growth. This balance is crucial for fostering economic development, as capital investments in infrastructure and services can stimulate local economies and improve overall quality of life for residents (Widodo, 2022). To achieve this balance, the Aceh Besar Regency Government should conduct regular assessments of its budget allocation strategies. This includes evaluating the effectiveness of current spending patterns and identifying opportunities for reallocating funds toward capital projects that have the potential to generate long-term benefits for the community.

5 | CONCLUSIONS AND FUTURE WORK

Based on the research results, the financial performance of the Aceh Besar Regency Government from 2019 to 2024 shows that the independence ratio remains in the very low category, the effectiveness ratio is categorized as sufficiently effective, the efficiency ratio falls into the inefficient category, the growth ratio experiences fluctuations, and the activity ratios indicate that the allocation of expenditures is still dominated by operational spending compared to capital expenditures. These findings suggest that the Aceh Besar Regency Government needs to enhance its fiscal capacity through the optimization of Local Original Income (PAD), improve budget management efficiency, and balance the allocation between operational and capital expenditures to ensure that the financial performance of the region becomes more optimal. This research is limited to the analysis of financial ratios based on the Realization Report of the Government Budget (LRA) of Aceh Besar Regency for the 2019–2024 period. Therefore, it is recommended that future research extend the observation period, conduct comparisons with other regional governments, and incorporate additional indicators or analytical methods to provide a clearer and more comprehensive picture of the financial performance of local governments.

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