

Ratio Analysis of the Degree of Decentralization, Regional Financial Independence, Regional Financial Dependence, Effectiveness in the City of Medan Local Own-Source Revenue

Ilham Khairi^{*1}, Yenni Samri Juliati Nasution¹, Nur Ahmadi Bi Rahmani¹

Universitas Islam Negeri Sumatera Utara, Indonesia¹

^{*}Corresponding Email : khairiilham355@gmail.com

ABSTRACT

This research aims to analyze the degree of decentralization ratio, independence ratio, dependency ratio, and effectiveness ratio in local revenue Local Own-source Revenue reports in order to increase the financial independence of the Medan City Government during the 2021-2023 period. The type of analysis method used is quantitative analysis with a descriptive approach to Medan City PAD data during that period. The research results show that the degree of concentration for independence and effectiveness of Medan City's PAD has increased gradually from 2021 to 2023. However, the dependency ratio still shows quite high numbers, indicating that dependence on external sources of income is still a challenge. The implication of these findings is the need for further efforts to increase the financial independence of the Medan City Government by reducing dependence on external sources of income and increasing the efficiency of local revenue management.

ARTICLE INFO

Article history:

Submitted: 07 April 2025

Revised: 26 April 2025

Accepted: 28 April 2025

Published: 30 April 2025

Keyword:

Decentralization,
Local Own-source Revenue,
Financial Independence.

To cite this article (APA Style):

Khairi, I., Nasution, Y. S. J., and Rahmani, N. A. B., (2025). Ratio Analysis of the Degree of Decentralization, Regional Financial Independence, Regional Financial Dependence, Effectiveness in the City of Medan Local Own-Source Revenue. *JASa : Jurnal Akuntansi, Audit dan Sistem Informasi Akuntansi*. Vol 9 (1), p.217-227. <https://doi.org/10.36555/jasa.v9i1.2814>

INTRODUCTION

Indonesia has experienced good development in its governance characterized by the existence of regional autonomy which is expected that each region can regulate its region in line with the potential of its own region. Regional autonomy itself is the right, obligation, and authority of a region to regulate and manage the affairs and interests of the people of their respective regions but still within certain limits set out in the law. The purpose of regional autonomy is for the region itself, namely to improve the welfare and independence of the autonomous region (Harmain et al., 2020).

Each region is certainly competing to manage its finances well by using funds obtained from regional revenue sources properly, orderly, efficiently and effectively (Alfarabi & Nasution, 2023). Regional financial management is an overall activity that includes design, administration, accountability reporting and regional financial supervision. Sources of income come from transfer funds, regional original income, and other legal revenues (Sahfitri & Syafina, 2022).

Problems arise when a region depends on the central government which causes the local government to expect transfer funds from the central government for regional spending. Local own-source revenue that has not been able to meet regional needs, resulting in local governments that cannot be said to be independent and still depend on the central government (Siregar & Kusmilawaty, 2022).



This work is licensed under a Creative Commons Attribution-NonCommercial-NoDerivatives 4.0 International License.

<https://creativecommons.org/licenses/by-nc-nd/4.0/>

Thus, to support regional independence in organizing regional government and the welfare of the community, adequate funds are needed (Syam & Zulfikar, 2022). Therefore, the Medan City government must optimize its local revenue so that local revenue increases and can meet the needs of government spending in carrying out government affairs without assistance from the center.

The problem faced by Medan City is that the potential of regional finance is still not optimally explored. The Regional Budget (APBD) of Medan City still depends on the amount of funds from the central government. In the implementation of regional autonomy, Medan City's dependence is still very relatively high because transfer revenues still dominate. The problem of regional dependence on funds from the central government gives the public the view that the local government cannot optimize regional potential properly because local revenue is very small compared to transfer funds.

This research uses quantitative descriptive, the analysis method uses the analysis of the ratio of regional financial independence, the ratio of the degree of fiscal decentralization, the effectiveness and efficiency of local revenue. This study concludes that the regions in Banten in the aspect of financial independence are satisfactory as seen from the average participatory pattern, there is an imbalance between regions seen from the degree of decentralization. There are 4 regions that have a high degree of decentralization while the other 3 are still minimal, all regions in Banten have effectiveness.

Study conducted by (Erawati & Leny Suzan, 2015) using the research process using multiple linear regression model analysis methods with secondary data sources, namely the Bandung city Budget Realization Report in the 2009-2013 period as the basis conducted in 2014. This study concluded that taxes have a significant effect on the level of regional financial independence, while local levies do not have a significant effect on the level of regional financial independence, as well as the results of the management of separated regional assets do not have a significant effect on the level of regional financial independence, as well as other legitimate local revenues do not have a significant effect on the level of regional financial independence.

Furthermore, (Purnamasari & Rodiyah, 2017) studied about the analysis of regional financial independence of Sidoarjo regency in the 2010-2014 budget year with research process uses mixed methods so that it combines quantitative and qualitative approaches. While the analysis method used is the ratio of regional financial independence, the ratio of fiscal decentralization, the ratio of routine ability index, the ratio of compatibility, and the contribution of local revenue to the Regional Budget Local Own-source Revenue. The results of this study are that Sidoarjo district has a low independence status, which is in a consultative relationship pattern. The contribution of Local Own-source Revenue to the Regional Budget (APBD) is fairly low. The lack of commitment of local governments in supporting local revenue is an important influence in supporting regional financial independence.

Septariani (2019) get a research of effectiveness of regional original revenue sources in increasing regional financial independence at the regional retribution tax management agency of Musi Banyuasin Regency. This research uses a qualitative approach with data collection, namely literature study and field research. The results of the research shows that Musi Banyuasin Regency on average the effectiveness and independence of the region is still lacking. Musi Banyuasin Regency is still unable to finance its own government administration, regional development and services to the community. Musi Banyuasin Regency has also not been able to pursue sources of local revenue, especially in local taxes and levies and in collaboration with Village-Owned Enterprise.

Primahadi & Kurniawan (2021) studied on effectiveness analysis, contribution of regional taxes and levies to Local Own-source Revenue and the level of regional independence of Pariaman City. This research uses quantitative descriptive analysis. The results of this research are still very dependent on the central government as seen from

the level of independence with an instructive relationship pattern. In addition, the level of effectiveness of local taxes and levies of Pariaman City has increased and decreased but the effectiveness from 2014 to 2018 has been above 100% so it can be said to be effective.

There are several problems faced by the local government of Medan City, including problems related to transfer funds that dominate in the APBD, including regional potential that has not been maximized. This must be resolved immediately to increase local revenue so as not to depend on transfer funds. The following is a comparison table between transfer funds and local revenue:

Table 1. Comparison between Transfer Fund and Original Revenue of Medan City Year 2021-2023

Year	Transfer Funds (Rp)	Local Own-source Revenue (Rp)	Comparison
2021	3.036.989.942.122	2.159.475.572.085	1,4 : 1
2022	3.389.588.278.235	3.050.594.560.414	1,1 : 1
2023	3.436.326.519.543	3.457.629.712.317	0,9 : 1

Source: Website of the Bureau of Development Administration of the Provincial Secretariat. Sumut (2024)

The development of Local Own-source Revenue of Medan City has increased although it is less significant, so the local government must pay attention to the types of Local Own-source Revenue of Medan City regarding the contribution of each type of Local Own-source Revenue because of the very low contribution of them to regional revenue.

Table 2. Contribution of Local Own-source Revenue to Medan City's Regional Revenue Year 2021-2023

Year	Local Own-source Revenue (Rp)	Regional Revenue (Rp)	Contribution (%)
2021	2.159.475.572.085	12.498.660.912	172,77
2022	3.050.594.560.414	81.940.932.125	37,22
2023	3.457.629.712.317	296.348.944.071	11,66

Source: Website of the Bureau of Development Administration of the Provincial Secretariat. Sumut (2024)

Based on table 2 above, it can be seen that the contribution of Local Own-source Revenue has decreased every year to the total Regional Revenue. This contribution can be said to be very less than 11%. In this regard, in carrying out regional government, of course, the regions must make expenditures in order to meet the needs of organizing regional government. The following is the contribution of Local Own-source Revenue to the total expenditure of Medan City 2021-2023.

Table 3. Contribution of Local Revenue to Local Expenditure of Medan City Year 2021-2023

Year	Local Own-source Revenue (Rp)	Regional Expenditure (Rp)	Contribution (%)
2021	2.159.475.572.085	5.731.395.062.275	37,67
2022	3.050.594.560.414	7.668.720.191.488	39,77
2023	3.457.629.712.317	7.844.702.182.572	44,07

Source: Website of the Bureau of Development Administration of the Provincial Secretariat. Sumut (2024)

It can be seen in the table that in the last 3 years only under 44% can be financed by local governments themselves. Therefore, local governments require additional funds,

Ratio Analysis of the Degree of Decentralization, Regional Financial Independence, Regional Financial Dependence, Effectiveness in the City of Medan Local Own-Source Revenue

Ilham Khairi¹, Yenni Samri Juliati Nasution¹, Nur Ahmadi Bi Rahmani¹

namely transfer funds to cover the shortfall in their respective regional expenditures.

With this problem, Medan City is dependent on the central government in terms of its finances, therefore an analysis of Regional Revenue is needed in the form of calculations in measuring regional independence using the calculation of the Decentralization Degree Ratio, Regional Financial Independence Ratio, Regional Financial Dependency Ratio, and Regional Revenue Management Effectiveness Ratio to determine the level of regional financial independence of Medan city.

Local Government Financial Statements

Financial statements are reports that state the entity's financial condition at this time and in a future period. The specific purpose of financial statements is to present fairly in accordance with applicable accounting principles regarding financial position, results of operations and changes in financial position (Arista & Nurlaila, 2022).

Based on Government Regulation No. 71/2010 on Government Accounting Standards, government financial statements consist of budgetary reports, financial statements and Notes to Financial Statements. The budgetary reports consist of the Budget Realization Report and the Statement of Changes in Excess Budget Balance. The financial statements consist of the Balance Sheet, the Statement of Operations, the Statement of changes in equity and the statement of cash flows. Notes to Financial Statements is a report that details or further explains the items of the budget execution report and financial statements and is an inseparable report from the budget execution report and financial statements (Prayugo & Sulistyawati, 2021).

Degree of Decentralization Ratio

The degree of decentralization is seen from the ratio of Local Own-source Revenue to Total Regional Revenue. According to Mahmudi (2019) said that the Degree of Decentralization is calculated based on the ratio between the amount of Local Own-source Revenue and Total Regional Revenue. This ratio shows the degree of PAD contribution to Total Regional Revenue. The higher the PAD contribution, the higher the ability of the Regional Government to carry out decentralization (Anggi, 2022).

Regional Financial Independence Ratio

The regional financial independence ratio is calculated by comparing the amount of local revenue divided by the amount of transfer revenue from the central and provincial governments and regional loans. The higher this ratio indicates the higher the local government's financial independence (Nasution, 2022)

Regional Financial Dependency Ratio

In the implementation of regional autonomy, local governments are expected to explore the potential that exists in the region to increase local revenue, so that financial dependence on the central government can be reduced. The Regional Financial Dependency Ratio is calculated by comparing the amount of Transfer Revenue received by Regional Revenue with Total Regional Revenue. The higher this ratio, the greater the level of dependence of the Local Government on the Central and/or Provincial Government (Anggi, 2022).

Local Own-source Revenue Effectiveness Ratio

The Local Own-source Revenue effectiveness ratio, emphasizes the capability of the local government to be able to realize Local Own-source Revenue related to the target that was previously planned and determined. This target is based on consideration of the potential and real capabilities of the region (Nasution, 2022). This effectiveness ratio for PAD can be calculated by comparing the realized PAD revenue with the PAD revenue that reached the target.

METHODS

The method used in this research is a type of quantitative research with a descriptive approach. This research uses primary data and secondary data. Data are collected by observation through the official website of the Medan City APBD (Regional Revenue Expenditure Budget) Secretariat. This study uses the theory of financial ratio analysis initiated by (Mahmudi, 2019) which states that financial ratio analysis in measuring regional financial independence uses the Decentralization Degree Ratio, Regional Financial Independence Ratio, Regional Financial Dependency Ratio, and Regional Original Revenue Management Effectiveness Ratio (Wulandari et al., 2023).

RESULTS AND DISCUSSION

This study had analyzed Local Own-source Revenue in increasing regional financial independence in Medan City using the prior research conducted by (Mahmudi, 2019). The theory consists of financial ratios consisting of the ratio of the degree of decentralization, the ratio of regional financial independence, the ratio of regional dependence, and the ratio of the effectiveness of local revenue management.

Degree of Decentralization Ratio

The degree of decentralization illustrates an ability to increase local revenue in order to finance the implementation of its own government. This ratio is calculated by comparing the amount of local revenue with the total local revenue. The Decentralization Degree Ratio can be obtained using the formula:

$$\text{Degree of Decentralization Ratio} = \frac{\text{Local Own-source Revenue}}{\text{Total Regional Revenue}} \times 100\%$$

The calculation can determine that the degree of decentralization describes the contribution of Local Own-source Revenue to the total Local Revenue in the Medan City Regional Budget. The following is the calculation of the ratio of the degree of decentralization of Medan City:

$$2021 = \frac{2.159.475.572.085}{2.171.974.232.997} \times 100\% = 99,42\% \text{ (very good)}$$

$$2022 = \frac{3.050.594.560.414}{3.132.535.492.539} \times 100\% = 97,38\% \text{ (very good)}$$

$$2023 = \frac{3.457.629.712.317}{3.753.978.656.388} \times 100\% = 92,10\% \text{ (very good)}$$

Based on the above calculation, the degree of decentralization of Medan City can be determined. This calculation results in the contribution of Local Own-source Revenue to Total Local Revenue. The development of the degree of decentralization of Medan City can be seen in Table 4 as follows.

Tabel 4. Degree of Decentralization of Medan City Year 2021-2023

Year	Local Revenue (Rp)	Total Regional Revenue (Rp)	Percentage (%)	Criteria
2021	2.159.475.572.085	2.171.974.232.997	99,42	Very good
2022	3.050.594.560.414	3.132.535.492.539	97,38	Very good
2023	3.457.629.712.317	3.753.978.656.388	92,10	Very good

Source: Website of the Bureau of Development Administration of the Provincial Secretariat. Sumut (2024)

Ratio Analysis of the Degree of Decentralization, Regional Financial Independence, Regional Financial Dependence, Effectiveness in the City of Medan Local Own-Source Revenue

Ilham Khairi¹, Yenni Samri Juliati Nasution¹, Nur Ahmadi Bi Rahmani¹

Based on the table above, it can be seen that the decentralization degree ratio of Medan City has decreased every year. In 2021 - 2023 there was the biggest decrease of 5.28% in 2023. The lowest ratio was in 2023, which amounted to 92.10%. The average degree of decentralization of Medan City in the period 2021-2023 is at a percentage of 96.30%.

Regional Financial Independence Ratio

Low Local Own-source Revenue can cause the region to be more dependent on the Central Government and will also affect the financial independence of the region. The financial independence of a region can be calculated by means of the regional financial independence ratio. This ratio can describe the region's dependence on sources of funds originating from outside the local government. The level of dependence is determined by the size of the calculation ratio of the financial independence of the local government. If the calculation result is high, it shows that the local government's dependence on external funds is low (Sartika, 2019). Vice versa, if the calculation results are low, it shows the high dependence of local governments on funds sourced from outside (external) local governments. The formula used in calculating the regional financial independence ratio is as follows:

$$\text{Independence Ratio} = \frac{\text{Local Own-source Revenue}}{\text{Transfer} + \text{Province} + \text{Loan}} \times 100\%$$

From the formula it can also be concluded that Local Own-source Revenue is the main indicator in regional financial independence. Because if the Local Own-source Revenue is low, the level of regional financial independence will also be low. The following is the calculation of the regional financial independence ratio of Medan City in the 2021-2023 fiscal year:

$$2021 = \frac{2.159.475.572.085}{3.036.989.942.122} \times 100\% = 71,10\% \text{ (High)}$$

$$2022 = \frac{3.050.594.560.414}{3.389.588.278.235} \times 100\% = 89,99\% \text{ (High)}$$

$$2023 = \frac{3.457.629.712.317}{3.436.326.519.543} \times 100\% = 100,61\% \text{ (High)}$$

Based on the results of calculations that have been carried out by researchers, the determination of the ability of the region to carry out fiscal decentralization is determined from the amount of local revenue to the amount of transfer revenue. The following is the development of Regional Financial Independence of Medan City presented in table 5.

Table 5. Regional Financial Independence of Medan City Year 2021-2023

Year	Local Own-source Revenue (Rp)	Revenue Transfer (Rp)	Percentage (%)	Criteria
2021	2.159.475.572.085	3.036.989.942.122	71,10	High
2022	3.050.594.560.414	3.389.588.278.235	89,99	High
2023	3.457.629.712.317	3.436.326.519.543	100,61	High

Source: Website of the Bureau of Development Administration of the Provincial Secretariat. Sumut (2024)

Based on the table above, it can be seen that the presentation of the level of regional financial independence of Medan City has increased every year. In 2021 - 2023 there was the biggest increase of 18.89% in 2022. The lowest ratio was in 2021, which amounted to 71.10%. The average independence ratio of Medan City in the period 2021-2023 is at a

percentage of 87.23%. The Regional Financial Independence of Medan City in 2021-2023 has a delegative relationship pattern and excellent regional financial capacity. The percentage of Regional Financial Independence of Medan City has increased every year.

Regional Financial Dependency Ratio

In addition to the ratio of regional financial independence, the dependency ratio can also be calculated to determine how much the level of regional financial dependence on external revenues, especially transfer revenues. This ratio is almost the same as the degree of decentralization ratio but there are differences in terms of the components measured. This measurement can strengthen the results of the calculation of regional financial independence. This ratio shows how much the level of regional financial dependence on transfer funds from the central and/or provincial governments. The higher the calculation of this ratio, the greater the level of dependence of the local government on the central or provincial government and vice versa. The formula used in calculating the ratio of the degree of regional financial dependence is as follows:

$$\text{Dependency Ratio} = \frac{\text{Transfer Income}}{\text{Total Regional Revenue}} \times 100\%$$

Based on this formula, it can be seen that to determine the level of regional financial dependence can be known by comparing transfer revenues with total revenues, therefore this is where the difference between this ratio and the ratio of financial independence lies. The ratio of financial independence emphasizes more on local revenue, while this ratio uses total revenue. The following is a calculation using the Medan City regional dependency ratio:

$$2021 = \frac{3.036.989.942.122}{2.171.974.232.997} \times 100\% = 139,82\% \text{ (Very high)}$$

$$2022 = \frac{3.389.588.278.235}{3.132.535.492.539} \times 100\% = 108,20\% \text{ (Very high)}$$

$$2023 = \frac{3.436.326.519.543}{3.753.978.656.388} \times 100\% = 91,53\% \text{ (Very high)}$$

Based on the results of the above calculations, it shows that the amount of Regional Financial Dependency Ratio of Medan City is influenced by Transfer Revenue with Total Regional Revenue. The development of Regional Financial Dependency of Medan City can be seen in table 6 as follows.

Table 6. Regional Financial Dependency Ratio of Medan City Year 2021-2023

Year	Transfer Income (Rp)	Total Regional Revenue (Rp)	Percentage (%)	Criteria
2021	3.036.989.942.122	2.171.974.232.997	139,82	Very high
2022	3.389.588.278.235	3.132.535.492.539	108,20	Very high
2023	3.436.326.519.543	3.753.978.656.388	91,53	Very high

Source: Website of the Bureau of Development Administration of the Provincial Secretariat. Sumut (2024)

From the table above, it can be seen that the dependency ratio of Medan City has decreased every year. The results of the calculation of the Regional Financial Dependency Ratio of Medan City averaged 113.18% which when viewed in the table is in the >90% category, namely in the very high category. Thus, it can be concluded that Medan City Government Finance is still highly dependent on transfer revenues.

Effectiveness Ratio of Local Revenue Management

In addition, in measuring financial independence, the calculation of the effectiveness ratio analysis of local revenue management is also used. This ratio aims to measure the local government's ability to realize local revenue. This ratio is calculated by comparing the target of local revenue and the realization of local revenue. The following is the Regional Original Revenue Management Effectiveness Ratio formula:

$$\text{Effectiveness Ratio} = \frac{\text{Realization of Regional Original Revenue}}{\text{Target of Regional Original Revenue}} \times 100\%$$

From this formula, it can be seen that in measuring the ability of the region to realize local revenue, it can be calculated using the effectiveness ratio analysis by comparing the target of local revenue and the realization of local revenue. The following are the results of the calculation of the effectiveness ratio of Medan City Local Revenue:

$$2021 = \frac{5.021.257.837.136}{5.208.964.175.119} \times 100\% = 96,39\% \text{ (effective enough)}$$

$$2022 = \frac{5.657.816.889.106}{6.522.123.770.774} \times 100\% = 86,74\% \text{ (effective enough)}$$

$$2023 = \frac{5.813.878.846.669}{7.296.157.352.009} \times 100\% = 79,68\% \text{ (effective enough)}$$

Based on the above calculations, it can be seen that researchers determine effectiveness by comparing the realization of local revenue with the target of local revenue. The results of the calculation of the Effectiveness of Local Revenue Management of Medan City can be seen through the following table 7.

Table 7. Effectiveness Ratio of Medan City Regional Revenue Management Year 2021-2023

Year	Target (Rp)	Realization (Rp)	Percentage (%)	Criteria
2021	5.208.964.175.119	5.021.257.837.136	96,39	Moderately Effective
2022	6.522.123.770.774	5.657.816.889.106	86,74	Less Effective
2023	7.296.157.352.009	5.813.878.846.669	79,68	Less Effective

Source: Website of the Bureau of Development Administration of the Provincial Secretariat. Sumut (2024)

From the calculation results above, it can be seen that the Effectiveness Ratio of Medan City has decreased every year. The highest percentage occurred in 2021, which was 96.39% and the lowest was in 2023, which was 79.68%. When viewed from the average of the last 3 years, the effectiveness ratio is at 87.60% which is included in the Less Effective criteria.

Analysis of the Degree of Decentralization Ratio of Medan City

The results of the calculation of the Degree of Decentralization of Medan City with an average of 96.30% when viewed on an interval scale are on a scale of 0.00-100.00. It can be said that the degree of decentralization of Medan City is very good. With such circumstances, it can be said that Medan City can be said to be independent because it does not fully depend on the central government in financing its own government activities.

Analysis of Financial Independence Ratio of Medan City

The results of the calculation of the Financial Independence Ratio of Medan City when viewed from the average calculation of the regional financial independence ratio of Medan City gets an average of 87.23%. So it can be interpreted that the ratio of regional financial independence of Medan City is on the delegative interval scale with very good

regional financial capacity. This delegative relationship pattern indicates that the role of the central government gives responsibility or authority to the local government to carry out tasks or decision making related to the independence ratio including fund allocation, risk management, and investment decision making. While the level of use of funds derived from local revenue is very good and this region is included in the regions capable of implementing regional autonomy, because it can fulfill its government spending.

Regional financial independence is the government's ability to self-finance the activities of government activities, development and services to the people who have paid taxes and levies as a source of income needed by the region. It should be noted that the regional financial independence ratio is useful for assessing the ability of local governments to self-finance government activities, development, and services to the community. This ratio also indicates the level of regional dependence on financial assistance from the central or provincial government. The higher the independence ratio, the lower the region's dependence on external assistance, and vice versa.

Analysis of the Regional Financial Dependency Ratio of Medan City

The regional financial dependency ratio is a measure of how much a region depends on revenue from the central government or other regions to finance development and government activities. The higher the ratio, the greater the dependency of the region.

The results of the calculation of the Regional Financial Dependency Ratio of Medan City averaged 113.18% which when viewed in the table is in the >90% category, namely the Very High category. Thus, it can be concluded that Medan City Government Finance is still highly dependent on transfer revenues.

Basically, the higher the ratio, the greater the dependence of the region on transfer funds, and the smaller the ability of the region to self-finance development and governance, and the lower the ratio, the greater the ability of the region to be independent in financing development and governance activities, which means that the region is more fiscally independent.

Analysis of the financial Effectiveness Ratio of Medan City

The financial effectiveness ratio shows how well the local government realizes the Local Own-source Revenue in accordance with the predetermined target. This ratio is calculated by comparing the realization of Local Own-source Revenue with the budgeted Local Own-source Revenue target. The higher the effectiveness ratio, the better the local government's performance in managing local finances.

The results of the calculation of the Medan City Effectiveness Ratio averaged 87.60% which is included in the Less Effective criteria. This means that the local government is less able to realize the planned local revenue compared to the target set based on the real potential of the region.

The effectiveness ratio is one of the important regional financial performance indicators to be assessed. By understanding the effectiveness ratio, local governments can evaluate their performance in managing finances and take the necessary corrective measures. In addition to the effectiveness ratio, other financial ratios such as the efficiency ratio and the independence ratio can also be used to evaluate local financial performance.

CONCLUSION

The Medan City Government has experienced positive developments in its governance through the implementation of regional autonomy. Nevertheless, there are still some challenges that need to be overcome, especially related to the dependence on transfer funds from the central government which still dominates in the regional revenue and expenditure budget. The Medan City Government faces the problem of regional financial potential that has not been optimally utilized. To improve financial independence

and efficiency of regional financial management, efforts need to be made to reduce dependence on transfer funds and optimize local revenue through more effective and sustainable strategies. Thus, the Medan City government must implement appropriate measures to achieve a better level of financial independence and improve the overall welfare of the community.

REFERENCES

- Alfarabi, H. R., & Nasution², Y. S. J. (2023). Pengawasan Atas Penerimaan Pajak Hiburan dan Restoran: Studi Kasus di Dinas Pendapatan Daerah Kota Medan Tahun 2017-2021. *Economic Reviews Journal*, 3(1), 84–93. <https://doi.org/10.56709/mrj.v3i1.96>
- Anggi, A. A. S. (2022). Analisis Rasio Keuangan APBD untuk Menilai Kinerja Keuangan Daerah Kota Medan Tahun 2016-2020. *Akuntansi Prima*, 4(1), 104–115. <https://doi.org/10.34012/japri.v4i1.2614>
- Arista, R., & Nurlaila, N. (2022). Pengaruh Sistem Pencatatan Laporan Keuangan Terhadap Optimalisasi Kinerja Karyawan Pada Perusahaan Umum Daerah (Pud) Pasar Kota Medan. *SIBATIK JOURNAL: Jurnal Ilmiah Bidang Sosial, Ekonomi, Budaya, Teknologi, dan Pendidikan*, 1(5), 585–594. <https://doi.org/10.54443/sibatik.v1i5.66>
- Erawati, N. T., & Leny Suzan. (2015). Pengaruh Pendapatan Asli Daerah Terhadap Tingkat Kemandirian Keuangan Daerah Kota Bandung (Studi Kasus Pada DPKAD Kota Bandung Periode 2009-2013). *e-Proceeding of Management*, Vol.2, No.(23).3261.
- Harmain, H., Naser Daulay, A., & Tamara Enre, D. (2020). Analisis Value For Money Anggaran Pendapatan Pada Pemerintah Kota Medan. *Ad-Deenar: Jurnal Ekonomi dan Bisnis Islam*, 4(2), 1–24. <https://doi.org/10.30868/ad.v3i01.752>
- Mahmudi. (2019). *Analisis Laporan Keuangan Pemerintah Daerah* (4 ed.). Yogyakarta: STIM YKPN. 277-278.
- NASUTION, H. J. (2022). Analisis Rasio Keuangan Pemerintah Daerah Kabupaten Samosir. *Majalah Iptek Politeknik Negeri Medan Polimedia*, 24(3), 25–32. <https://doi.org/10.51510/polimedia.v24i3.451>
- Prayugo, E.-, & Sulistyawati, A. I. (2021). Analisis Sistem Informasi Akuntansi Dan Pengendalian Internal Persediaan Barang Dagang Pada Pt.Kimia Farmacabang Semarang. *Solusi*, 19(4), 335. <https://doi.org/10.26623/slsi.v19i4.4127>
- Primahadi, R., & Kurniawan, R. (2021). Analisis Efektivitas, Kontribusi Pajak Dan Retribusi Daerah Terhadap Pendapatan Asli Daerah (PAD) Serta Tingkat Kemandirian Daerah Kota Pariaman. *Ekonomis: Journal of Economics and Business*, 5(1), 84. <https://doi.org/10.33087/ekonomis.v5i1.312>
- Purnamasari, D., & Rodiyah, I. (2017). Analisis Kemandirian Keuangan Daerah Kabupaten Sidoarjo Tahun Anggaran 2010 – 2014. *JKMP (Jurnal Kebijakan dan Manajemen Publik)*, 5(1), 75–92. <https://doi.org/10.21070/jkmp.v5i1.814>
- Sahfitri, D. I., & Syafina, L. (2022). Sistem Pengelolaan Kinerja Keuangan Dan Administrasi Di Kantor Pemerintahan Walikota Medan. *CERMIN: Jurnal Penelitian*, 6(1), 253. https://doi.org/10.36841/cermin_unars.v6i1.1789
- Sartika, N. (2019). Analisis Rasio Keuangan Daerah untuk Menilai Kinerja Keuangan Pemerintah Daerah Kepulauan Meranti. *Inovbiz: Jurnal Inovasi Bisnis*, 7, 147–153.
- Septariani, J. (2019). Efektivitas Sumber Pendapatan Asli Daerah Dalam Meningkatkan Kemandirian Keuangan Daerah Pada Badan Pengelola Pajak Retribusi Daerah Kabupaten Musi Banyuasin. *Jemasi: Jurnal Ekonomi Manajemen dan Akuntansi*, 15(1), 23–33. <https://doi.org/10.35449/jemasi.v15i1.36>
- Siregar, A. A., & Kusmilawaty, K. (2022). Pengaruh Pajak Parkir Dan Pajak Restoran Terhadap Pendapatan Asli Daerah Kota Medan. *JAS (Jurnal Akuntansi Syariah)*, 6(1), 57–68. <https://doi.org/10.46367/jas.v6i1.553>
- Syam, F., & Zulfikar, A. (2022). Analisis Kemandirian Keuangan Daerah dalam

Peningkatan Kesejahteraan Masyarakat di Kabupaten Kaimana. *Jurnal Terapan Pemerintahan Minangkabau*, 2(2), 98–114. <https://doi.org/10.33701/jtpm.v2i2.2666>
Wulandari, R., Lestari, B. A. H., & Suryantara, A. B. (2023). Analisis Rasio Keuangan Dalam Mengukur Kinerja Keuangan Pemerintah Daerah Kota Mataram. *Jurnal RISMA*, 3(2), 61–80.