Local government performance: financial condition perspective

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Abstract

The government performance measurement is essential to assess target achievement and public services, one of which is measured from the perspective of financial conditions. This study aimed to measure the performance of the regency and municipal in Jambi Province. The measurement used eight ratios of the basic factors of local governments' finance to analyze financial conditions. Furthermore, Jambi municipal and Sungai Penuh municipal are the regions with the best financial condition viewed from regional income factors. At the same time, Tanjabbar has the best financial condition from regional expenditure factors. From operational factors, the best position was held by three regions: Kerinci, Tanjabbar, and Sarolangun Regencies. Additionally, Muaro Jambi Regency has the best financial condition viewed from the debt structure factor. Overall, the regencies and municipalities in Jambi Province are in good financial condition. Four regions are averagely good, six regions have better financial conditions, and one region is in the best financial condition compared to those included in the assessment process.

INTRODUCTION

The implementation of New Public Management (NPM) makes the government must work and provide services for consumers such as private organizations (Tarofder et al., 2017; Thomas & Nadiyasu, 2017). Good NPM practices in Indonesia, such as performance appraisal, local financial management accountability, public service improvement, innovation, civic engagement in the planning process, and one-stop service, are outstanding examples of NPM practices in local governments in Indonesia (Rosyadi & Dharma, 2014). Local governments are increasingly aware of the importance of conducting periodic performance evaluations (Iacuzzi, 2022).

Performance measurement is important for local governments to assess their ability to achieve their goals. One way to measure the performance of government organizations is to assess the financial condition of the region (Maulina & Rhea, 2019; Pundissing & Pagiu, 2021). Financial conditions are evaluated to be able to provide an early warning so that the regions can immediately anticipate them.

The regional government must manage all funds from any sources to provide services to the community, and the results of financial accountability are shared with the stakeholders. Ritonga (2016) stated that the studies conducted in Indonesia and internationally to assess the financial condition of local governments were very limited. In contrast, local stakeholders in Indonesia certainly need information regarding the financial condition of local governments.

The financial condition assessment results will inform whether the region is experiencing financial difficulties. Accounting research has been conducted to evaluate the financial health of companies/ private and banking. For local governments, the results can be used to help detect signs of financial difficulty so that it can be prevented to improve community services (Skica et al., 2020; Padovani et al., 2018). For the legislature and public, the results of the assessment are used to evaluate and supervise the financial management of local government, which has yet to be done (van Helden & Reichard, 2019)

The indicators often used to measure the financial performance of local governments are the acquisition of Own-source Revenue (in Indonesia, it's called *Pendapatan Asli Daerah* or abbreviated as PAD), expenditure, and financial independence ratio. The development of the three indicators for regency/municipality in Jambi Province from 2019 to 2021 is presented in Table 1.

Table 1. PAD (in billion), expenditure (in billion), and financial independence ratio regency/ municipal in Jambi Province in 2019-2021

R/M	2019			2020			2021			Average
	OI	Exp	F.I. Ratio	OI	Exp	F.I. Ratio	OI	Exp	F.I. Ratio	
Batanghari	91.57	1,341.86	7%	104.23	1,196.95	9%	148.44	1,253.60	12%	9%
Bungo	140.33	1,386.88	10%	126.13	1,294.68	10%	126.13	1,294.68	10%	10%
Kerinci	85.90	1,330.74	6%	81.67	1,229.59	7%	100.78	1,143.50	9%	7%
Merangin	106.16	1,448.97	7%	100.32	1,422.30	7%	107.88	1,495.15	7%	7%
Muaro Jambi	93.79	1,148.46	8%	92.80	1,391.58	7%	110.75	1,326.75	8%	8%
Sarolangun	66.05	1,031.83	6%	70.10	1,221.82	6%	44.65	1,093.05	4%	5%
Tanjabbar	120.22	1,702.41	7%	115.56	1,390.38	8%	118.53	1,443.09	8%	8%
Tanjabtim	53.92	1,188.86	5%	49.65	1,095.36	5%	81.60	1,049.21	8%	6%
Tebo	83.24	1,119.84	7%	78.46	1,021.78	8%	92.92	1,145.76	8%	8%
Kota Jambi	393.43	1,661.36	24%	355.67	1,667.72	21%	384.73	1,057.41	36%	27%
Sungai Penuh	27.25	809.31	3%	59.11	803.62	7%	99.14	803.62	12%	8%
Average	114.71	1,288.23	8%	12.15	1,248.71	9%	128.69	1,191.44	11%	9%

Source: Processed Data

The independence ratio illustrates the ability of local governments to finance their government activities, development, and services to the people who have paid taxes and retribution as a source of income needed by the region (Basri & Nabiha, 2014; Tama, 2015; Mulyani et al. 2021). Local governments are considered independent if they can finance their activities (Zelmiyanti, 2016), shown by the high ratio of regional independence. Jambi municipal is the only local government with an independence ratio above 15%. The low independence ratio proves that the regencies and cities in Jambi Province are still very dependent on funds from the central government.

Local governments deal with some conditions, programs, and activities that must be performed along with the limitations, including financial problems. Therefore, it is required that local governments can streamline their financial management. Regrettably, the apparatus still have limited ability to assess the health of local governments as to whether they are at risk (McDonald, 2018)

In addition, the regional government is required to apply the pattern of entrepreneurship in community service as an effort to utilize resources to increase

productivity and effectiveness. Government officials must be prudent and prioritize opportunities to do work and structure to achieve value for money (efficient, effective, and economical) (Sama et al., 2014; Vela-Barguws et al., 2018).

Financial condition is a major concern for the government. They need to make the public sure that their regional finances are in good health. This can promote the community's support and legitimacy. Legitimacy aims to form a general view (Gaus, 2011). A government organization needs legitimacy to be more accepted by the community (Rahayu, 2016). Therefore, they must be positive and open to the public in delivering information about their performance (Halim & Kusufi, 2014; Anggadini, 2023). The community will participate if the local government has won the trust. Nevertheless, even though government organizations adhere to the principles of entrepreneurship, they don't work on a profit-oriented basis. Services to the community remain a top priority.

Many studies have been conducted on measuring the financial condition of local governments, both in Indonesia (Nirwana, 2020; Ritonga et al., 2019; Winarna, 2017 and Ritonga & Buanaputra, 2022) and other countries (Czupich, M., 2020; López-Hernández et al., 2018 and Cuadrado-Ballestero & Bisogno, 2019). Likewise, the assessment of financial conditions for private companies has also been widely studied by accounting researchers. Research on the local government's financial condition is later than the private sector.

The assessment of financial conditions can refer to the Fiscal Trend Monitoring System Model (FTMS). FTMS is an early warning system to predict financial conditions (Ritonga, 2016). Local governments can also detect fiscal difficulties early if they do not meet standards in operations, debt, and community needs for several years using the Kloha Model (Kloha, Weissert, & Kleine, 2005). The Brown Model measures local government's financial condition, assessed from income, expenditure, operating position, and debt structure, but from a different perspective. Some indicators include income, expenditure, operational position, and debt structure (Maher & Nollenberger, 2009; Maher et al., 2020). Brown's model is used in this study. In addition, Ritonga et al. (2012) also developed indicators and other models for evaluating financial conditions.

This study aims to assess the financial condition of districts and cities in Jambi Province. However, research related to the financial condition of local governments is highly required. Leaders must continuously evaluate and monitor financial conditions in their jurisdiction (Maher & Nollenberger, 2009).

METHODS

This study used the data from audited financial statements of the regency (R) and municipality (M) in Jambi Province. Data is sourced from each official website of the local government and the official website of the Director General of Regional Government Fiscal Balance of the Republic of Indonesia. A quantitative descriptive approach was employed to analyze the results of data processing. We did not consider obtaining an audit opinion; accordingly, all financial statements in 2013-2021 were used in this study. Ratios connect the components in the financial statements that were mostly used to assess the financial condition of private companies, for instance, to predict a company's bankruptcy (Altman, 1968). These ratios were also developed for local governments, such as those proposed by Brown (1993).

The application of the accrual basis by local governments referring to

Government Regulation No. 71 of 2010 concerning Government Accounting Standards makes government financial reports more informative. The new financial reporting model allows regions to comprehensively inform operational activities and financial positions (Kioko, 2013). Financial conditions can be evaluated by using financial statement data. The local government's financial condition was evaluated using four basic factors of local government finances by Brown (1993). The income factor consists of three ratios: the expenditure factor with one ratio, the operational position factor of three ratios, and the debt structure factor of ratios.

Data analyzed referring to the stages of financial condition assessment suggested by Brown (1993) as follows:

1. Calculating key financial ratios that consist of four main aspect ratios.
2. Comparing the ratios between local governments. Local government ratios were divided into quartiles-1 (25% of local governments having the lowest ratio score -1); quartile-2 (25% of local governments having a ratio above the lowest score of 0); quartile-3 (25% of local governments having a ratio above the quartile-2 ratio obtained a score of 1) and quartile-4 (25% of the local governments having the highest ratio obtained a score of 2).
3. Assess the condition score by adding all the ratio scores obtained from the second stage. It was performed to determine the comprehensive value of the local government's financial condition. The local governments whose total condition score was 0 or more were considered to have the best financial conditions. A score of 5 to 9 was considered better than most local governments. A total score of 1 to 4 was considered average. A score of 0 to -4 was considered worse than most other regional governments, and a score of -5 or less was considered one of the worst financial conditions among the analyzed local governments.

RESULTS AND DISCUSSION

Brown (1993) developed ten indicators divided into four basic factors of local government finance to measure financial conditions. In this study, the regency and municipal governments' performance in Jambi Province was measured using financial conditions as a perspective divided into eight ratios. The long-term direct debt ratio was not used because most of the regencies and municipalities in Jambi Province did not have a balance in this account. The discussion is grouped into four basic financial factors:

Regional revenue factors

One of the authorities granted to the regional government after implementing regional autonomy is to provide flexibility and optimization to explore sources of regional income, although they still have to pay attention to the community's economic, social, and cultural conditions and do not conflict with relevant regulations (Tanjung et al., 2021; Kis-Katos. & Sjahrir, 2017; Iek & Blesia, 2019; Musviyanti et al., 2022)

The financial condition can be assessed from income factors using three ratios: the ratio of total income to population, the comparison of total income from own sources with total revenue of general funds, and the comparison of general funds from other sources with the total sources of general funds. These ratios reflect whether the region can increase income sources and regional revenue to finance each population.

Local governments have good financial conditions if the ratio of total income to the population is high. Brown (1993) asserted that a high ratio indicates the ability of regions to obtain additional income. The higher the indicator ratio, the healthier the condition. It is because local governments can provide services to their communities. It

aligns with Kloha et al. (2005), stating that fiscal distress occurs when the government cannot provide services to the public and cannot pay bills.

Table 2. Income to population ratio, regency/municipal in Jambi Province, 2013-2021

R/M	2013	2014	2015	2016	2017	2018	2019	2020	2021	Average
Sungai Penuh	6.53	6.94	7.19	8.04	7.72	7.99	8.97	8.09	7.96	7.71
Kerinci	3.44	3.71	4.14	4.49	5.07	5.06	5.44	5.02	4.71	4.57
Tanjabtim	4.37	0.23	4.31	5.07	4.99	5.01	5.44	4.75	5.02	4.35
Batanghari	3.74	3.69	3.51	4.08	4.39	4.44	4.84	4.35	4.38	4.16
Tanjabbar	3.69	3.61	2.98	3.92	3.99	4.21	4.92	4.19	4.80	4.03
Sarolangun	3.09	3.28	3.56	3.87	4.07	4.14	4.29	3.76	3.83	3.77
Merangin	2.61	2.88	3.16	3.47	3.54	3.48	3.88	3.48	3.87	3.38
Bungo	2.87	3.08	3.07	3.30	3.56	3.44	3.60	3.33	3.56	3.31
Tebo	2.49	2.72	2.67	2.94	2.96	3.15	3.26	3.01	3.42	2.96
Muaro Jambi	2.54	2.56	2.69	2.89	2.88	3.05	3.16	2.91	3.41	2.90
Kota Jambi	2.08	2.32	2.41	2.69	5.20	2.72	2.81	2.65	2.66	2.84
Average	3.40	3.18	3.61	4.07	4.40	4.24	4.60	4.14	4.33	4.00

Notes: Tanjabbar = Tanjung Jabung Barat; Tanjabtim = Tanjung Jabung Timur
Source: Processed data

Table 2 shows that Sungai Penuh municipality, an area of division from Kerinci regency, had the best income and population ratio. In contrast, Jambi municipality had the lowest ratio. This is due to the higher population of Jambi municipality than other regencies and municipalities in Jambi Province. This municipality has nominally higher regional income than other regions; however, this ratio is low since it has the highest population density.

Moreover, the financial condition of the regional income can be seen from the high and low amount of revenue coming from own funds compared to total revenue (Table 3).

Table 3. Own funds income to revenues ratio, regency/municipal in Jambi Province, 2013-2021

R/M	2013	2014	2015	2016	2017	2018	2019	2020	2021	Average
Kota Jambi	0.13	0.19	0.19	0.18	0.13	0.21	0.23	0.22	0.23	0.19
Tanjabtim	0.03	0.72	0.04	0.04	0.07	0.05	0.05	0.05	0.07	0.12
Bungo	0.09	0.10	0.10	0.10	0.14	0.11	0.10	0.10	0.15	0.11
Batanghari	0.05	0.07	0.08	0.07	0.08	0.08	0.07	0.09	0.11	0.08
Tanjabbar	0.05	0.07	0.07	0.07	0.08	0.07	0.07	0.08	0.08	0.07
Kerinci	0.05	0.06	0.07	0.08	0.07	0.07	0.07	0.07	0.08	0.07
Tebo	0.04	0.06	0.07	0.06	0.07	0.07	0.07	0.07	0.08	0.07
Sarolangun	0.04	0.07	0.09	0.08	0.07	0.10	0.05	0.06	0.04	0.07
Merangin	0.05	0.06	0.07	0.04	0.06	0.07	0.07	0.07	0.08	0.06
Muaro Jambi	0.05	0.06	0.06	0.05	0.06	0.07	0.07	0.07	0.08	0.06
Sungai Penuh	0.04	0.06	0.06	0.05	0.05	0.04	0.03	0.03	0.08	0.05
Average	0.06	0.14	0.08	0.08	0.08	0.08	0.08	0.08	0.10	0.09

Source: Processed data

Sources of public own regional funds were from local revenue, including regional taxes, regional levies, and other legal revenues. The high ratio achievement for this indicator indicates the good condition of regional financial health. The closer the ratio to 1, the healthier the regional financial position.

Table 3 shows that only Jambi municipality, Muaro Jambi regency, Merangin regency, and Sungai Penuh municipality had an average ratio below 0.07. however,

these were still considered low because no region reached an average ratio of 25%. Jambi municipality continued to experience an increase in 2019 and 2021, and the ratio reached 0.23.

The region's financial condition can also be seen from its ability to extract sources of income from other public funds, which is presented in Table 4.

Table 4. Revenues from other general funding to total general funding ratio, regency/municipal in Jambi Province, 2013-2021

R/M	2013	2014	2015	2016	2017	2018	2019	2020	2021	Average
Kota Jambi	0.87	0.81	0.81	0.82	0.87	0.79	0.77	0.78	0.77	0.81
Tanjabtim	0.97	0.28	0.96	0.96	0.93	0.95	0.95	0.95	0.93	0.88
Bungo	0.91	0.90	0.90	0.90	0.86	0.89	0.90	0.90	0.85	0.89
Batanghari	0.95	0.93	0.92	0.93	0.92	0.92	0.93	0.91	0.89	0.92
Tanjabbar	0.95	0.93	0.93	0.93	0.92	0.93	0.93	0.92	0.92	0.93
Kerinci	0.95	0.94	0.93	0.92	0.93	0.93	0.93	0.93	0.92	0.93
Tebo	0.96	0.94	0.93	0.94	0.93	0.93	0.93	0.93	0.92	0.93
Sarolangun	0.96	0.93	0.91	0.92	0.93	0.90	0.95	0.94	0.96	0.93
Merangin	0.95	0.94	0.93	0.96	0.94	0.93	0.93	0.93	0.92	0.94
Muaro Jambi	0.95	0.94	0.94	0.95	0.94	0.93	0.93	0.93	0.92	0.94
Sungai Penuh	0.96	0.94	0.94	0.95	0.95	0.96	0.97	0.97	0.92	0.95
Average	0.94	0.86	0.92	0.92	0.92	0.92	0.92	0.92	0.90	0.91

Source: Processed data

Overall, the regencies and municipalities in Jambi province in 2013-2021 had a relatively high ratio of other revenue sources compared to the total amount of general funds. It demonstrates that the regions still depend on the sources of revenue from the central. A low ratio indicates the good financial condition. Sungai Penuh municipality had the lowest ratio of other regions, although it reached 95% on average.

Local expenditure factors

The expenditure aspect used in this study views the financial condition regarding expenditure on infrastructure spending. Ritonga (2014) asserted that the ratio of operational expenditure and low total expenditure shows the region's potential to allocate more budgets to capital expenditure. An overview of the Jambi regency and mmunicipalities'achievement can be seen in Table 5.

Table 5. Operating expenditures to total expenditures ratio, regency/municipal in Jambi Province, 2013-2021

R/M	2013	2014	2015	2016	2017	2018	2019	2020	2021	Average
Tanjabbar	0.59	0.55	0.74	0.78	0.67	0.69	0.59	0.75	1.00	0.70
Tanjabtim	0.61	0.65	0.70	0.66	0.74	0.72	0.72	0.79	0.78	0.71
Kota Jambi	0.76	0.77	0.73	0.72	0.72	0.72	0.74	0.73	0.53	0.71
Muaro Jambi	0.59	0.67	0.70	0.76	0.70	0.76	0.72	0.81	0.80	0.72
Sungai Penuh	0.65	0.72	0.73	0.71	0.75	0.74	0.78	0.77	0.79	0.74
Tebo	0.65	0.60	0.73	0.77	0.76	0.75	0.76	0.86	0.83	0.75
Sarolangun	0.74	0.73	0.73	0.79	0.78	0.81	0.60	0.80	0.85	0.76
Merangin	0.76	0.76	0.75	0.74	0.78	0.84	0.84	0.81	0.77	0.78
Batanghari	0.73	0.75	0.84	0.83	0.50	0.87	0.81	0.87	0.86	0.79
Kerinci	0.75	0.76	0.81	0.77	0.81	0.83	0.78	0.82	0.86	0.80
Bungo	0.75	0.81	0.84	0.90	0.87	0.84	0.83	0.88	0.91	0.85
Average	0.69	0.70	0.75	0.77	0.73	0.78	0.74	0.81	0.82	0.76

Source: Processed data

According to Ritonga (2016), a low ratio indicates well-maintained infrastructure. Bungo regency had the highest operational expenditure ratio; on average, 85% of regional expenditure was spent on operational expenses such as salary, goods, and services. One of the highest regional burdens was employee salary expenditure. The regencies and cities that became the parent before the division received a high ratio; this could indicate the high personnel expenditure that had to be spent each year.

Operational position factors

The operational position aspect can be seen from the three ratios presented in Table 6 – 8. The three regions with the best performance comparison of total income with the best total expenditure are the Jambi Municipality (average ratio of 1.19), Sarolangun Regency, whose ratio was 1.05; and Muaro Jambi Regency, whose ratio was 1.03; Tanjabtim Regency had the lowest ratio which was 0.90.

Table 6. Total revenue to total expenditures ratio, regency/municipal in Jambi Province, 2013-2021

R/M	2013	2014	2015	2016	2017	2018	2019	2020	2021	Average
Kota Jambi	1.01	1.03	0.97	1.03	2.05	1.03	1.02	0.97	1.56	1.19
Sarolangun	1.06	1.06	0.94	1.00	1.06	1.11	1.26	0.95	1.03	1.05
Muaro Jambi	0.92	0.98	1.07	1.05	0.97	1.06	1.22	0.95	1.05	1.03
Tebo	1.03	0.99	0.96	0.97	1.05	1.05	1.03	1.06	1.02	1.02
Bungo	0.95	1.00	0.96	1.06	1.08	0.97	0.97	0.98	1.13	1.01
Tanjabbar	0.99	0.83	0.91	1.24	1.02	1.03	0.96	1.02	1.07	1.01
Kerinci	1.01	1.04	1.06	0.90	1.02	1.04	0.98	0.98	1.04	1.01
Merangin	1.03	1.01	1.01	0.99	0.97	1.01	1.04	0.96	0.92	1.00
Sei. Penuh	1.00	1.08	0.95	0.95	1.00	0.97	1.01	1.00	0.97	0.99
Batanghari	0.99	1.00	0.94	1.03	0.61	1.03	0.98	1.00	1.07	0.96
Tanjabtim	0.98	0.05	1.00	1.03	1.03	0.96	1.01	0.96	1.11	0.90
Average	1.00	0.92	0.98	1.02	1.08	1.02	1.04	0.99	1.09	1.01

Source: Processed data

Overall, the regencies and cities in Jambi Province reached ratios above 0.8. The high ratio in this indicator shows the region's potential to experience positive equity.

A budget surplus (also called 'SILPA') that the region can use to finance regional expenditure must also be considered in measuring performance. Table 7 compares SILPA with the revenue from general fund sources from other general funds.

Table 7. SILPA to revenues from general fund ratio, regency/municipal in Jambi Province, 2013-2021

R/M	2013	2014	2015	2016	2017	2018	2019	2020	2021	Average
Tanjabtim	0.10	4.79	0.05	0.06	0.05	0.11	0.07	0.08	0.07	0.60
Tanjabbar	0.42	0.11	0.01	0.19	0.20	0.21	0.14	0.18	0.05	0.17
Sarolangun	0.15	0.19	0.10	0.08	0.13	0.23	0.11	0.06	0.04	0.12
Sungai Penuh	0.20	0.24	0.17	0.09	0.08	0.05	0.07	0.12	0.06	0.12
Kota Jambi	0.14	0.16	0.12	0.10	0.05	0.13	0.16	0.13	0.06	0.12
Tebo	0.14	0.10	0.05	0.01	0.05	0.07	0.07	0.12	0.03	0.07
Kerinci	0.06	0.08	0.13	0.07	0.08	0.10	0.06	0.03	0.02	0.07
Merangin	0.08	0.08	0.08	0.05	0.02	0.03	0.07	0.05	0.05	0.06
Muaro Jambi	0.05	0.02	0.04	0.07	0.04	0.10	0.07	0.02	0.04	0.05
Bungo	0.07	0.06	0.02	0.03	0.10	0.06	0.02	0.01	0.01	0.04
Batanghari	0.10	0.08	0.01	0.03	0.02	0.04	0.01	0.01	0.01	0.04
Average	0.14	0.54	0.07	0.07	0.07	0.10	0.08	0.07	0.04	0.13

Source: Processed data

Related to the results in table 6, it can be seen that Tanjabtim had the highest ratio. The high ratios indicate that the regions can finance expenditures in a possible deficit. Batanghari regency had the lowest average ratio for the past nine years.

In addition to the comparison, the financial condition from the operational aspect can also be seen from the region's ability to pay its short-term obligations (Table 8). Researchers only use total cash and cash equivalents. Because the local district and city governments in Jambi Province do not have short-term investments, all regions have long-term investments. Still, they cannot be used anytime for operational activities.

Table 8. General cash to general funds obligations ratio, regency/municipal in Jambi Province, 2013-2021

R/M	2015	2016	2017	2018	2019	2020	2021	Average
Tebo	4.69	0.16	1.19	2.42	107.23	1,080.63	199.39	199.39
Tanjabbar	0.37	77.37	49.99	2.67	217.15	444.33	135.31	135.31
Muaro Jambi	37.73	35.08	9.96	19.87	459.10	128.10	114.97	114.97
Sarolangun	224.94	4.42	9.06	18.20	252.22	43.70	92.09	92.09
Tanjabtim	6.19	14.40	55.95	94.50	131.03	63.06	60.86	60.86
Merangin	38.80	4.49	1.35	3.96	182.92	129.71	60.21	60.21
Kerinci	4.57	8.21	3.62	5.84	96.24	60.74	29.87	29.87
Sei. Penuh	19.27	18.68	36.21	14.42	9.06	21.96	19.93	19.93
Kota Jambi	13.98	2.67	2.33	3.95	32.12	24.87	13.32	13.32
Batanghari	0.80	2.78	11.62	11.52	5.48	42.92	12.52	12.52
Bungo	0.27	0.96	12.87	3.92	6.26	1.32	4.27	4.27
Average	31.97	15.39	17.65	18.30	136.26	185.58	67.52	67.52

Source: Processed data

From Table 8, it appears that the level of this ratio was quite high in all regencies and municipalities in Jambi province. The high ratio is not only an indicator to measure financial condition but also shows the effectiveness of cash management. Excessively high ratios demonstrate excessively high cash balances and short-term investments; thus, optimizing asset management to improve community services is necessary.

Debt structure factors

The general debt structure is an indicator to assess financial conditions. The deficit significantly contributes to increased government debt (László, 2022). Since the post-Keynesian era, government debt and GDP and their relationship and fluctuations have been important components of macroeconomic theories (Yared, 2019; Nguyen & Luong, 2021). Scholars have proposed that when the government issues additional public bonds and implements fiscal deficit policies, it can effectively expand domestic demand and promote regional economic development (Wu, 2020). In addition, others have demonstrated that the effects of raising debts and levying taxes on finance are the same and that the behavior of local governments raising debt will not affect social resources, investment, labor supply, and other factors, which proves the neutrality of debt (Coibon et al. 2021).

This study compared general funding obligations to the total revenue of general funds in 2013-2021, presented in Table 9. The lower the ratio, the better the financial condition of a region. This ratio demonstrates the region's ability to pay short-term debt from the normal annual income flow.

Table 9. General fund obligations to total revenue of general funds ratio, regency/municipal in Jambi Province, 2013-2021

R/M	2015	2016	2017	2018	2019	2020	Average
Muaro Jambi	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Tanjabtim	0.01	0.01	0.00	0.00	0.00	0.00	0.00
Batanghari	0.01	0.01	0.00	0.00	0.00	0.00	0.00
Sei. Penuh	0.01	0.00	0.00	0.00	0.01	0.01	0.01
Merangin	0.00	0.01	0.01	0.01	0.00	0.00	0.01
Sarolangun	0.00	0.02	0.01	0.01	0.00	0.00	0.01
Tanjabbar	0.03	0.00	0.00	0.01	0.00	0.00	0.01
Kerinci	0.03	0.01	0.02	0.02	0.00	0.00	0.01
Kota Jambi	0.01	0.03	0.02	0.03	0.00	0.00	0.02
Bungo	0.05	0.03	0.01	0.01	0.00	0.00	0.02
Tebo	0.01	0.08	0.05	0.03	0.00	0.00	0.03
Average	0.01	0.02	0.01	0.01	0.00	0.00	0.01

Source: Processed data

Five regencies and cities in Jambi Province performed similarly for this indicator because the average ratio in five years is 0.01. Tebo Regency is the only region having a ratio of 0.03. This ratio can still be considered good because it is below 0.1. Low ratios indicate short-term liabilities that can be easily served by a normal stream of annual income (Ritonga, 2016).

On average, the financial condition of regencies and municipalities in Jambi Province is good when viewed from this indicator, as the ratio of all regions was below 0.05. Low ratios indicate local governments can pay debt service requirements when due (Ritonga, 2016). Debt repayment ability ratios are often used to measure financial conditions (Maher & Nollenberger, 2009) in government and private organizations. Although the focus on this ability is still too narrow, it is necessary to pay attention to broader financial conditions (McDonald, 2018).

The regency and municipality of Jambi Province's financial condition analysis

Based on the data analysis of the ratios in Tables 2 to 9, an analysis was conducted based on the stages described in the research method. This combined analysis determines the financial conditions of the regency and municipality governments in Jambi Province from the best to the worst. The results of the combined analysis can be seen in Table 10.

Table 10. The Status of financial conditions, regency/municipal in Jambi Province, 2013-2021

R/M	Status of financial conditions
Tanjabbar	Best
Tanjabtim	Best
Kota Jambi	Better
Sarolangun	Better
Muaro Jambi	Average
Tebo	Average
Kerinci	Average
Sungai Penuh	Average
Merangin	Average
Batanghari	Average
Bungo	Average

Source: Processed data

Table 10 shows that overall the financial condition of the regencies and municipalities in Jambi Province was in a good average position and above. Tanjabbar dan Tanjabtim regency had the best condition. However, from the results of each factor and indicator, Tanjabbar Regency held the highest position only in the two operational factors and expenditure factors. Tanjabtim Regency held the highest position in the three revenue factors: operational, expenditure, and debt. In other factors and indicators, Tanjabbar was never in the lowest position. Tanjabtim was in the lowest position in one operational factor; instead, it was average or above average. So, when the ratios of Tanjabbar dan Tanjabtim regency were calculated had the best position.

Furthermore, from the dimensions of regional independence (Table 1), Tanjabbar dan Tanjabtim regency was still below 10%; from the financial condition of the eight indicators proposed by Brown (1993), however, it had the highest score. Brown's 10 indicators have the power to evaluate the financial condition of local governments (this research only used 8 indicators). Nevertheless, Ritonga (2016) pointed out some weaknesses of those indicators (Brown, 1993), one of which is the total score to the ratio of financial conditions is a relatively non-absolute interpretation.

According to Brown (1993), a local government that scores negatively does not mean it is in a bad financial condition because each ratio is assumed to have the same weight without concerning the more important ratios. In addition, Brown also does not explain the basic groupings of local governments (best, better, average, good, worse, and worst) (Ritonga, 2016). However, using Brown Indicators can be an early warning for the government regions to determine their financial condition to develop policies and take anticipatory measures to avoid financial distress.

CONCLUSION AND RECOMMENDATION

Conclusion

The regions that obtained the best financial condition ratios from the income factor are Jambi and Sungai Penuh municipalities. Tanjabbar Regency held the best financial condition for regional expenditure. From the operational factor, the best position was obtained by Jambi municipality, Tanjabtim, and Tebo regencies. Muaro Jambi regency had the best financial condition from the debt structure factor. Overall, the financial condition of regencies and municipalities in Jambi Province is good. Seven regions' statuses are average, two regions have better financial condition status, and two regions have the best financial condition compared to other regions.

Recommendation

Local governments must pay attention to the performance of local governments in terms of financial conditions. The results of this assessment can be an early warning so local governments can take policies and preventive measures to avoid financial distress. An important strategy that local governments must carry out is to increase their regional income. Intensification and extensification of regional taxes and fees need to be analyzed properly. Local governments should consider increasing their regional income from cultural and natural tourism services.

The limitation of this research is researchers did not consider differences in the acquisition of BPK's (Indonesia Audit Board) opinion as well as population and area in determining the research subjects. All financial reports of the regency and municipality in Jambi Province were used in this study.

For future research, it is suggested to eliminate the limitations of this study. In

addition, future research is also recommended to analyze the relationship between financial ratios in assessing local government financial performance.

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