

**Comparative Analysis of Local Government Financial Performance  
Before and During Budget Refocusing  
(Study in Districts/cities in East Java Province)**

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doi: 10.51505/IJEBMR.2023.7810

URL: <https://doi.org/10.51505/IJEBMR.2023.7810>

Received: July 31, 2023

Accepted: Aug 03, 2023

Online Published: Aug 11, 2023

**Abstract**

This study aims to compare the local government financial performance before and during budget refocusing because affected by pandemic Covid-19 uses a comparative descriptive approach and aims to compare the financial independence ratio, the degree of decentralization ratio, the Local Own Revenue (PAD) effectiveness ratio, the efficiency ratio, the operating expenditure ratio, and the capital expenditure ratio. This study used panel data 38 local government using a purposive sampling technique. The method of analysis used in this research is descriptive quantitative method. The data used in this study uses secondary data from the Local Government Financial Reports (LKPD) of District/Cities in East Java Province for 2019-2020. Data analysis used the Paired Sample T-Test and Wilcoxon Ranked Test methods with SPSS software. The research show that no difference in local government financial performance before and during budget refocusing. This is influenced by the government's ability to generate Local Own revenue (PAD) and the ability of local governments to optimize their capabilities in managing regional finances. This research is expected to provide an overview and enrich research on financial performance, especially local government financial performance.

**Keywords:** comparative study, financial performance, budget refocusing

**1. Introduction**

New public health crises on 2019 that threatening the world with the emergence and spread of 2019 novel coronavirus (2019-nCoV) or the severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) (Singhal, 2020). Indonesia is one of the countries affected by Covid-19 from March 2020 to January 31, 2022 (Syafitri *et al.*, 2022). The COVID-19 pandemic had an impact on financial performance (Alviana & Megawati, 2021; Devi *et al.*, 2020; Lowardi & Abdi, 2021) and has a very significant impact on the Indonesia's economy (Sadiqin, 2021).

The Minister of Finance said that state budget revenue for the 2020 Fiscal Year decreased by IDR 312.8 trillion or 15.9% compared to conditions before Covid-19, namely the 2019 Fiscal Year (Keuangan, 2021). Prior to Covid-19, regional revenues in the 2020 APBD nationally reached IDR 1,238.51 trillion with regional spending amounting to IDR 1,299.03 trillion. As

a result of Covid-19, regional revenues fell by IDR 228.56 trillion to IDR 1,009.95 trillion. Local Own Revenue (PAD) was cut by IDR 114.53 trillion due to the economic slowdown and activity restrictions, while transfers to the regions fell by IDR 94.2 trillion due to a portion of the budget being diverted for centralized handling of Covid-19 (Ishak, 2021).

Apart from the central government, local governments are also required to implement policies on budget refocusing. The implementation of budget refocusing of the budget raises problems in local government financial management. Problems related to regional government financial management are caused, among other things, by inadequate budgets, barrage of regulations, traumatic management of Unexpected Expenditure Funds (BTT) and unheard of a disaster such as the Covid-19 pandemic, which has a national scale impact (Basri & Gusnardi, 2021).

Local government has been in the public spotlight since the reform era (Subedi & Farazmand, 2020). This new era also brings changes to modern management in the public sector which focuses on performance or commonly referred to as performance-based management. Performance-based management is part of the new public management reform (Mahmudi & A. K., 2005). Local governments must be able to produce public services to the community according to minimum service quality standards and use the funds they have carefully (Rieuwpassa *et al.*, 2021).

The local government that also required to implement budget refocusing policy are district/city in East Java Province. East Java Province is a province of Indonesia located in the easternmost hemisphere of Java Island. East Java Province won the highest performance achievement for the 2019 Regional Government Implementation Performance Evaluation (EKPPD), from the 2018 Regional Government Implementation Report (LPPD) for 9 times (Meilisa, 2020). The East Java Provincial Government received an Unqualified Opinion Award (WTP) from the Central Government in 2021. Regency/City local governments received an Wajar Tanpa Pengecualian or Unqualified Opinion Award (WTP) and there were also those who received a Qualified Opinion (WDP), Opinion Not Giving Opinion (TMP), and Unreasonable Opinion (TW) (BPK RI, 2020; JawaPos.com, 2021). The entities with good financial statements and free from material misstatement get the Unqualified Opinion Award (WTP) (Mariani & Utami, 2019).

The local government uses the opinion award to imaging to the public (Bandiyono, 2021). The measurement of performance of local government and quality of their financial accountability is good or not uses the audit opinion. The local government that get Unqualified Opinion Award (WTP) does not always indicate have a good performance (Mariani & Utami, 2019). The local government performance, especially the financial performance is used as an indicator that the local government is developing (Masitha & Djuminah, 2019). The local government financial performance is the level of achievement of work results in the financial sector that has been determined through policies during one budget period (Susanto, 2019). The purpose of this study was to determine and analyze the local government financial performance before and during budget refocusing in districts/cities in East Java Province.

### **Literature Review and Hypotheses**

Performance in organizations consists of two types, namely measurement of financial performance and measurement of non-financial performance (Majid, 2019). Financial performance is the result or output of an activity or program that will or has been achieved, which is related to the use of the regional budget with quality and quantity that can be measured from its efficiency and service to the community (Rieuwpassa *et al.*, 2021). Financial performance is the level of achievement of a result of work in the area of regional finance which can be determined through laws or policies during a budget period (Susanto, 2019).

Financial performance is seen from a comparison of financial ratios using accounting data calculated based on information from the previous period (Sayadi, 2020). Analysis of financial ratios that can be applied to APBD includes effectiveness ratios, efficiency ratios, financial independence of local government ratios, and growth ratios are some of the parameters that can be used in analyzing the financial performance of Regional Governments in managing finances in their respective regions (Adnyani & Wiagustini, 2018; Aulia & Rahmawaty, 2020; Fitra, 2019; Kurniasih *et al.*, 2020; Rahmasari, 2021; Rieuwpassa *et al.*, 2021; Sartika, 2019; Siregar & Mariana S, 2020; Susanto, 2019; Zukhri, 2020). Permendagri No 19 of 2020 states that the dimension index of the Regional Government's financial condition has formulations including Financial Independence, Financial Flexibility, Operational Solvability, Short-term Solvability, Long-term Solvency and Service Solvability).

Hypothesis 0 ( $H_0$ ) proposed in this study is a different test hypothesis that there is no difference in financial performance before and during budget refocusing, and Hypothesis 1 ( $H_1$ ) which means that there are differences in financial performance before and during budget refocusing. Hypothesis 0 ( $H_0$ ) consists of:

1. There is no difference in financial independence of local government before and during budget refocusing

Hidayah *et al.* (2021) conducted research on local governments in the Province of Central Java found the result that there were differences in financial independence of local government between before and during the Covid-19 pandemic. Lestari (2009) conducted the research in the City of Kediri and found that there were differences in regional financial independence between before and after the implementation of performance-based budgeting. Lestari (2009) states that the payment of taxes and fees made by the community in financial independence of local government is the main component of PAD which can cause changes after the implementation of performance-based budgeting.

The policy of budget refocusing for prevention, handling, and recovery in all sectors due to the Covid-19 pandemic has affected changes in the APBD structure. These changes are in the revenue target and regional expenditure allocation. Revenue targets and regional expenditure allocations have decreased due to the budget refocusing policy (Mediacenter, 2020). This show that budget refocusing will trigger the financial independence of local government.

2. There is no difference in the degree of decentralization before and during budget refocusing

Lestari (2009) conducted research in the City of Kediri found that there were differences in the value of fiscal decentralization between before and after the implementation of performance-based budgeting. Murni (2020) conducted research on districts/cities in Aceh Province found that there were differences in the value of fiscal decentralization between before and after the enactment of Kepmendagri Number 29 of 2002.

Sartika (2019) states that the degree of decentralization provides information regarding the level of contribution of Local Own Revenue (PAD) to total regional revenue. This is connected with the policy of budget refocusing for prevention, handling, and recovery in all sectors due to the Covid-19 pandemic has affected changes in the APBD structure. These changes are in the revenue target and regional expenditure allocation. Revenue targets and regional expenditure allocations have decreased due to the budget refocusing policy (Mediacenter, 2020). This show that the budget refocusing will trigger a degree of decentralization that focuses on PAD.

3. There is no difference in Local Own Revenue (PAD) effectiveness before and during budget refocusing

Lestari (2009) conducted research in the City of Kediri and found that there were differences in the effectiveness of Local Own Revenue (PAD) between before and after the implementation of performance-based budgeting. Zulkarnain & Andriansyah (2018) stated that the higher the effectiveness ratio, the better the performance of the Regional Government. Talumewo *et al.* (2020) states that the effectiveness ratio has an effect on financial performance. Mahmudi (2016) states that the PAD effectiveness ratio must be matched with the Local Own Revenue (PAD) efficiency ratio.

Mediacenter (2020) state the policy of budget refocusing for prevention, handling, and recovery in all sectors due to the Covid-19 pandemic has affected changes in the APBD structure. Lestari (2009) states that effectiveness relates to the level of achievement of goals or targets or results in use. This show that the budget refocusing will trigger Local Own Revenue (PAD) effectiveness which focuses on Local Own Revenue (PAD) realization.

4. There is no difference in efficiency before and during budget refocusing

Rahmasari (2021) states that the efficiency ratio is a ratio that describes the level of efficiency of an activity or government program. Susanto (2019) suggests that local government performance is said to be efficient if the ratio achieved is less than one or below 100%. The smaller the efficiency ratio, the better the performance of the local government. Abdulaziz & Utami (2021)states that this ratio compares expenditure realization to income realization. Regional financial performance is said to be efficient if the efficiency value is less than 100%.

The policy of budget refocusing for prevention, handling, and recovery in all sectors due to the Covid-19 pandemic has affected changes in the revenue targets and regional expenditure allocations have decreased due to the budget refocusing policy (Mediacenter, 2020). Lestari (2009) state that efficiency is closely related to the concept of productivity. The ratio measurement by comparing the resulting output to

the input used (output costs). This show that local governments are expected to spend their funds in accordance with the objectives of budget refocusing.

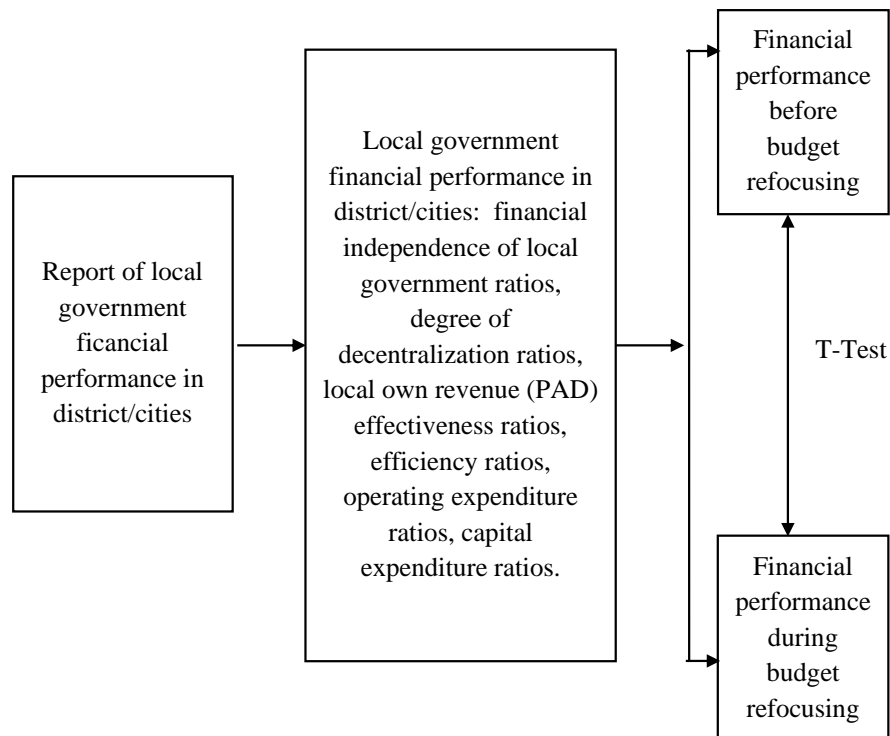
5. There is no difference in operating expenditure before and during budget refocusing  
Hendawati *et al.* (2017) states that there is no definite standard regarding the ideal operating expenditure ratio because it is heavily influenced by changes in development activities and the amount of investment required to achieve the growth target. Most of the local governments are still focusing on the implementation of development, so that operating expenditures will be worth less than capital expenditures. Widodo (2022) states that regional governments with high incomes tend to have a higher share of operating expenses compared to local governments with low incomes.

Sari *et al.* (2021) states that the ability of the local government to carry out financing activities for the implementation of the tasks of development, equity and justice by developing their potential is reflected in the ability of the Regional Government to manage the APBD. This means that operational expenditure which is usually no greater than capital expenditure can reflect the financial performance of the local government through its ability to manage the APBD. The policy of budget refocusing for prevention, handling, and recovery in all sectors due to the Covid-19 pandemic has affected changes in the revenue targets and regional expenditure allocations have decreased due to the budget refocusing policy (Mediacenter, 2020). This shows that budget refocusing policies will trigger an emphasis on operating expenditure.

6. There is no difference in capital expenditure before and during budget refocusing  
Asnidar & Hardi (2019) states that capital expenditure has an effect on financial performance. The amount of capital expenditure depends on the financial condition of the region with the regulations that have been set. (Hendawati *et al.* (2017) states that there is no definite standard regarding the size of the ideal capital expenditure ratio because it is strongly influenced by changes in development activities and the amount of investment needed to achieve the growth target. Most of the local governments are still targeting the implementation of development, so that capital spending will be of greater value than spending operations.

Regulation of the Minister of Finance Number 35/2020 states that the amount of rationalization of spending on goods and services and capital spending must be reduced by at least 50%. The policy of budget refocusing for prevention, handling, and recovery in all sectors due to the Covid-19 pandemic has affected changes in the revenue targets and regional expenditure allocations have decreased due to the budget refocusing policy (Mediacenter, 2020). This shows that budget refocusing policies will trigger an emphasis on the amount of capital costs.

## Contextual Framework



**Figure 1. Research Framework Model**

## 2. Introduction

### Research Design and Data Collection Techniques

This study uses quantitative research, namely research that aims to predict, describe, develop, and test theories (Cooper & Schindler, 2014). The data for this study were obtained in two period, or it can be called panel data (Hidayat *et al.*, 2018). This study uses a secondary data in the form of Local Government Financial Reports (LKPD) from Supreme Audit Agency (BPK) East Java Province Representative. The sampling technique used in this study is purposive sampling. This is a type of non-probability sampling where the sample is a sample that meets the criteria determined by the researcher (Ghozali, 2013). The criteria used are as follows:

1. Districts/City Local Government in East Java Province.
2. Districts/City Local Governments that provide Local Budget Revenue and Expenditure Reports (APBD) and Local Government Financial Performance Reports (LKPD) which are published from 2019 to 2020.
3. Districts/City Local Governments that obtain Unqualified Opinion Award (WTP)

The number of samples in this study refers to the numbers of districts/cities in East Java Province, namely 38 districts/cities. This study uses purposive sampling technique, so there are 3 districts/cities were eliminated. The number of samples in this study are 35 districts/cities.

### Measurement and Variable Operation Definition

This research is sourced from the APBD Budget Realization Report for all districts/cities in East Java obtained from official website <https://www.bpk.go.id/> in the form of APBD realization report, taken from the Local Government Financial Report (LKPD) Districts/Cities in East Java in 2019-2020. This study uses secondary data, according to Sekaran & Bougie, (2016) secondary data is data sourced from literature, company documents, and books.

The operational definitions of the sub-variables used in this study are as follows:

#### 1. Financial Performance (KK)

According to Deborah & Mangantar (2020); Fitra (2019); Kusmila *et al.* (2018); Sartika (2019); Siregar & Mariana S (2020) local government financial performance consists of several ratios, namely:

##### a. Financial Independence of Local Government Ratios (RKD)

According to Deborah & Mangantar (2020) financial independence of local government ratios is proportion of local own revenue to transfer fund from central government, province government, and loan.

Financial Independence of Local Government Ratios formula, namely:

$$RKD = \frac{\sum \text{Local Own Revenue (PAD)}}{\sum \text{Transfer Fund from Central Government + From Province Government + Loan}} \times 100\%$$

##### b. Degree of Decentralization Ratios (RDD)

According to Sartika (2019) degree of decentralization ratios is proportion of local own revenue to local government revenue.

Degree of Decentralization of Local Government Ratios formula, namely:

$$RDD = \frac{\sum \text{Local own Revenue (PAD)}}{\sum \text{Local Government Revenue}} \times 100\%$$

##### c. Local Own Revenue (PAD) Effectiveness Ratios (REV)

According to Kusmila *et al.* (2018) local own revenue (PAD) effectiveness ratios is proportion of local own revenue (PAD) to target of local own revenue (PAD).

Local Own Revenue (PAD) Effectiveness Ratios formula, namely:

$$REV = \frac{\sum \text{Realization of Local Own Revenue (PAD)}}{\sum \text{Target of Local Own Revenue (PAD)}} \times 100\%$$

##### d. Efficiency Ratios (REF)

According to Sartika (2019) efficiency ratios is proportion of realization of revenue to tealization of expenditure.

Efficiency Ratios formula, namely:

$$REF = \frac{\sum \text{Realization of Revenue}}{\sum \text{Realization of Expenditure}} \times 100\%$$

e. Operating Expenditure Ratios (RBO)

According to Siregar & Mariana S, (2020) operating expenditure ratios is proportion of realization of operating expenditure to realization of local government expenditure.

Operating Expenditure Ratios formula, namely:

$$RBO = \frac{\sum \text{Realization of Operating Expenditure}}{\sum \text{Realization of Local Government Expenditure}} \times 100\%$$

f. Capital Expenditure Ratios (RBM)

According to Fitra (2019) capital expenditure ratios is proportion of realization capital expenditure to local government expenditure.

Capital Expenditure Ratios formula, namely:

$$RBM = \frac{\sum \text{Realization Capital Expenditure}}{\sum \text{Local Government Expenditure}} \times 100\%$$

### Data Analysis Technique

Data analysis technique in this research is uses descriptive comparative statistical analysis methods. comparative descriptive analysis is a data analysis that aims to provide an overview of the phenomenon under study by comparing the facts of two different objects or samples. The data Hypothesis analysis method in this research is uses Paired Sample T-Test for Financial Independence of Local Government Ratios, Degree of Decentralization Ratios, Local Own Revenue (PAD) Effectiveness Ratios, Operating Expenditure Ratios, Capital Expenditure Ratios, Financial Performance. The secondary method uses Wilcoxon Ranked Test for Efficiency Ratios.

## 3. Result

### a. Paired Sample T-Test

T-Test is used for statistical tests with two independent variables and normally distributed data. Statistical tests with two paired independent variables using Paired Sample T-Test. The basis for decision making on the paired sample t-test is if the significance value or Sig. < 0.05, then there are differences in the two data groups,  $H_0$  is rejected and  $H_1$  is accepted. If the significance value or Sig. > 0.05, then there is no difference between the two data groups so that  $H_0$  is accepted and  $H_1$  is rejected (Ghozali, 2013).



Table 1. Outer of Paired Sample T-Test

Paired Samples Test									
Paired Differences									
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference		t	Df	Sig. (2-tailed)
					Lower	Upper			
Pair 1	RKD_SBLM – RKD_SLMA	-0,01550	0,02544	0,00569	-0,02741	-0,00359	-2,725	19	0,013
Pair 2	RDD_SBLM – RDD_SLMA	-0,00500	0,01573	0,00352	-0,01236	0,00236	-1,422	19	0,171
Pair 3	REV_SBLM – REV_SLMA	-0,06850	0,10569	0,02363	-0,11797	-0,01903	-2,898	19	0,009
Pair 4	RBO_SBLM – RBO_SLMA	-0,02800	0,03750	0,00839	-0,04555	-0,01045	-3,339	19	0,003
Pair 5	RBM_SBLM – RBM_SLMA	0,06450	0,03120	0,00698	0,04990	0,07910	9,245	19	0,001
Pair 6	KK_SBLM – KK_SLMA	-0,00800	0,02308	0,00516	-0,01880	0,00280	-1,550	19	0,138
RKD = Financial Independence of Local Government Ratios; RDD = Degree of Decentralization Ratios, REV = Local Own Revenue (PAD) Effectiveness Ratios; RBO = Operating Expenditure Ratios; RBM = Capital Expenditure Ratios; KK = Financial Performance									

From the table above the result of data processing with the help of SPSS program can be interpreted as follows:

- 1) Financial performance Sig. (2-tailed) of 0.138, it can be said that  $0.138 > 0.05$  then  $H_0$  is accepted and  $H_1$  is rejected which means that there is no difference in the financial performance of the Local Governments Districts/Cities in East Java Province before and during the budget refocusing.
- 2) Local financial independence ratios Sig. (2-tailed) of 0.013, it can be said that  $0.013 < 0.05$  then  $H_0$  is rejected and  $H_1$  is accepted which means that there are differences in the local financial independence of the Districts/Cities Local Governments in East Java Province before and during the budget refocusing.
- 3) Degree of decentralization ratios Sig. (2-tailed) of 0.171, it can be said that  $0.171 > 0.05$  then  $H_0$  is accepted and  $H_1$  is rejected, which means that there is no difference in the degree of decentralization of the Districts/Cities Local Governments in East Java province before and during the budget refocusing.
- 4) Effectiveness ratios Sig. (2-tailed) of 0.009, it can be said that  $0.009 < 0.05$  then  $H_0$  is rejected and  $H_1$  is accepted which means that there are differences in the effectiveness of the Districts/Cities Local Governments in East Java province before and during the

budget refocusing.

- 5) Operating expenditure ratio Sig. (2-tailed) of 0.003, it can be said that  $0.003 < 0.05$  then  $H_0$  is rejected and  $H_1$  is accepted which means that there are differences in operating expenditure of the Districts/Cities Local Governments in East Java province before and during the budget refocusing.
- 6) Capital expenditure ratio Sig. (2-tailed) of 0.001, it can be said that  $0.001 < 0.05$  then  $H_0$  is rejected and  $H_1$  is accepted which means that there is a difference in capital expenditure of the Districts/Cities Local Governments in East Java province before and during the budget refocusing.

#### b. Wilcoxon Ranked Test

Wilcoxon Signed Rank Test is used as statistical test on non-normally distributed paired sample data. The non-normally distributed paired sample data are considered not eligible in parametric statistical testing, especially in the Paired Sample T-Test. The Wilcoxon test is often used as an alternative to the paired sample t-test (Sekaran & Bougie, 2016; Windi *et al.*, 2021). Just like the paired sample t-test, the basis for decision making on the Wilcoxon Signed Rank Test is if the significance value or Sig.  $< 0.05$ , then there are differences in the two data groups,  $H_0$  is rejected and  $H_1$  is accepted. If the significance value or Sig.  $> 0.05$ , there is no difference between the two groups of data so that  $H_1$  is accepted and  $H_0$  is rejected. In this study the Wilcoxon Signed Ranked Test will be used to test the efficiency ratio hypothesis before and during refocusing. The results of the Paired Sample T-Test and Wilcoxon Signed Rank Test using SPSS version 27 are presented in the following table.

Table 2. Outer of Wilcoxon Ranked Test

Test Statistics <sup>a</sup>	
	REF_SLMA - REF_SBLM
Z	-2.769 <sup>b</sup>
Asymp. Sig. (2-tailed)	.006

a. Wilcoxon Signed Ranks Test

b. Based on positive ranks.

The results of the Wilcoxon Signed Rank Test in the table above show that the Asymp.Sig. (2-tailed) worth 0.006, it can be said that  $0.006 > 0.005$  then  $H_0$  is accepted and  $H_1$  is rejected which means that there is no difference in the efficiency of the District/Cities Local Government in East Java Province before and during budget refocusing.

#### 4. Discussion

Based on the test result in this study is known as there is no difference in the financial performance of the Local Governments Districts/Cities in East Java Province before and during the budget refocusing. This research is in line with (Deborah & Mangantar, 2020; Hidayah *et al.*, 2021; Kusmila *et al.*, 2018; Mengkuningtyas & Adib, 2015; Murni, 2020; Rieuwpassa *et al.*, 2021; Zulkarnain & Andriansyah, 2018) and inconsistent with (Lestari, 2009). This means that there are differences in awareness and contribution of the community in helping to improve facilities and infrastructure through the payment of regional taxes and fees which can increase PAD before and during budget refocusing. In this study, there was an

increase in total PAD from the year before the implementation of the budget refocusing policy, accompanied by an increase in the number of transfers.

There are differences in the local financial independence of the Districts/Cities Local Governments in East Java Province before and during the budget refocusing. This research is in line with (Lestari, 2009) and inconsistent with (Kusmila *et al.*, 2018; Mengkuningtyas & Adib, 2015; Murni, 2020; Zulkarnain & Andriansyah, 2018). This can happen and is reasonable because the total PAD originating from regional tax revenues, regional retribution revenues, separated regional wealth management revenues, and other legitimate PAD received by most local governments has decreased due to the Covid-19 pandemic. 19 and total transfers originating from the central government in the form of balancing funds (tax revenue-sharing funds, natural resource revenue-sharing funds, general allocation funds, special allocation funds, special autonomy funds, and adjustment funds), provincial government transfers in the form of revenue-sharing funds which consists of regional tax revenue-sharing and other profit-sharing revenues, as well as funds originating from loans or financial assistance originating from other provincial regional governments as well as the central government which have increased which are used to fight the Covid-19 pandemic which has an impact on various sectors in accordance with budget refocusing policy.

There is no difference in the degree of decentralization of the Districts/Cities Local Governments in East Java Province before and during the budget refocusing. This research is in line with (Kusmila *et al.*, 2018) and inconsistent with (Lestari, 2009). This means that there is no difference in the level of authority and responsibility given by the central government to regional governments to carry out development properly through the contribution of PAD to total regional revenue before and during the budget refocusing. The number of local governments that fall under the less criteria indicates that the level of regional ability to generate revenue from internal sources which includes regional taxes, regional levies, separated regional wealth management results and other legitimate PAD is still lacking, but if explored further, the fact is that many local governments have experienced an increase in total PAD. The reason for the large number of local governments included in the less criteria is because on the other hand the total regional income derived from the amount of PAD, transfer income, and financial assistance has decreased. This is not in line with the theory of goal setting that specific goals will trigger an increase in local government financial performance

There are differences in the effectiveness of the Districts/Cities Local Governments in East Java Province before and during the budget refocusing. This research is in line with (Lestari, 2009) and inconsistent with (Adnyani & Wiagustini, 2018; Mengkuningtyas & Adib, 2015; Zulkarnain & Andriansyah, 2018). This means that there are differences in the level of regional ability in realizing or mobilizing or exerting its ability to collect the targeted PAD compared to the target set based on the real potential of the local government before and during the budget refocusing. The number of local governments that are included in the very effective criteria shows that many local governments have been able to effectively realize PAD compared to the targets or budgets that have been set and can fulfill the expected goals of the activities or programs that have been carried out during the budget refocusing.

There is no difference in the efficiency of the District/Cities Local Government in East Java Province before and during budget refocusing. This research is in line with (Deborah & Mangantar, 2020; Kusmila *et al.*, 2018; Mengkuningtyas & Adib, 2015) and inconsistent with (Lestari, 2009). This means that there is no difference in implementing regional programs and

activities efficiently before and during the budget refocusing. The large number of local governments that fall under the fairly efficient criteria indicates that there are still quite a number of local governments that incur greater costs in collecting PAD (such as local taxes) and are not fully optimal in managing regional finances.

There are differences in operating expenditure of the Districts/Cities Local Governments in East Java Province before and during the budget refocusing. This research is in line with (Widodo, 2022) and inconsistent with (Deborah & Mangantar, 2020). This means that there are differences in the ability of local governments to manage APBD before and during budget refocusing. many local governments have a proportion of operational spending ranging from 60% to 90% which dominates total district and city government spending. This means that the regional government is more focused on short-term expenditures which include personnel expenditures, goods and services expenditures, subsidies expenditures, grant expenditures, social assistance expenditures and financial assistance expenditures during the implementation of budget refocusing. The regional government of Ponorogo Regency, which has an average operational expenditure ratio of 45.82%, shows that the regional government of Ponorogo Regency is still focusing on implementing development, while other local governments in East Java are more focused on short-term spending which includes prevention, treatment and recovery in all sectors due to the Covid-19 pandemic. Of course, with the implementation of budget refocusing, what should take precedence are local government activities in the form of prevention, handling and recovery in all sectors due to the pandemic.

There is a difference in capital expenditure of the Districts/Cities Local Governments in East Java Province before and during the budget refocusing. This research is in line with (Widodo, 2022). The government of Pacitan Regency has the largest proportion of capital expenditure in East Java at 54.90%, while other regional governments range from 10% to 50%. The number of proportions owned by Pacitan Regency shows that the local government is focused on investment in the form of capital expenditure to provide medium and long-term benefits, but the budget refocusing policy should be a priority for the use of funds owned by the Pacitan Regency Government in the context of prevention, handling and recovery in all sectors due to the pandemic.

## **5. Acknowledgments**

This researcher has several limitations as a note for further research. This research uses a panel data approach with 2 period of financial report of local government. The next limitation is the data which is only examined on the condition of the Districts/Cities Local Governments in East Java Province, the coverage is not wide enough.

Future research is expected to be able to use a different design to be able to make comprehensive conclusions and to be able to explore variations from time to time. Future research is expected to use more data and more variable.

This research is expected to provide an overview for the public to continue to monitor the development of local governments through their financial performance.

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