

Regional Financial Analysis and Strategy to Increase Regional Revenue

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ABSTRACTS

This study analyzes regional financial performance and revenue enhancement strategies at the Regional Finance Agency of Trenggalek Regency in 2019-2023. Qualitative methods were used with analysis techniques including Revenue Budget Variance Analysis, Regional Original Revenue (PAD) Effectiveness Ratio, Regional Financial Efficiency Ratio, and Expenditure Efficiency Ratio. The results showed that the regional financial analysis in 2019-2023 fluctuated in BKD Trenggalek Regency with the results: (1) Revenue realization exceeds the budget target, indicating good budget performance; (2) The effectiveness of PAD is quite good, although some targets are not achieved; (3) Regional financial efficiency is still low due to high regional expenditure; (4) Expenditure efficiency is generally achieved with a ratio below 100%; (5) Revenue enhancement strategies are carried out through intensification and extensification.

Keywords: Regional Revenue Budget, Regional Original Revenue, Effectiveness Ratio, Regional Financial Efficiency Ratio, Expenditure Efficiency Ratio.

ABSTRAK

Penelitian ini menganalisis kinerja keuangan daerah dan strategi peningkatan pendapatan di Badan Keuangan Daerah Kabupaten Trenggalek pada 2019–2023. Metode kualitatif digunakan dengan teknik analisis mencakup Analisis Varians Anggaran Pendapatan, Rasio Efektivitas Pendapatan Asli Daerah (PAD), Rasio Efisiensi Keuangan Daerah, dan Rasio Efisiensi Belanja. Hasil penelitian menunjukkan bahwa analisis keuangan daerah pada tahun 2019-2023 berfluktuatif di BKD Kabupaten Trenggalek dengan hasil: (1) Realisasi pendapatan melebihi target anggaran, menunjukkan kinerja anggaran yang baik; (2) Efektivitas PAD cukup baik, meski beberapa target tidak tercapai; (3) Efisiensi keuangan daerah masih rendah karena tingginya belanja daerah; (4) Efisiensi belanja umumnya tercapai dengan rasio di bawah 100%; (5) Strategi peningkatan pendapatan dilakukan melalui intensifikasi dan ekstensifikasi.

Kata kunci: Anggaran Pendapatan Daerah, Pendapatan Asli Daerah, Rasio Efektivitas, Rasio Efisiensi Keuangan Daerah, Rasio Efisiensi Belanja.

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INTRODUCTION

The Regional Revenue Agency is generally a government organization under the provincial government that has the responsibility of maximizing regional income through coordinating and collecting taxes, levies, tax revenue sharing, balancing funds and others. The birth of Law Number 23 of 2014 on Regional Government (Pemda) and Law Number 1 of 2022 on Financial Balance between Central and Regional Governments was the beginning of regional autonomy. Regional autonomy is the granting of authority in regional decision making more freely to manage resources in accordance with the potential of the region. The Budget Realization Reports (LRA) published by local governments provide very useful information to assess local financial performance. The budget in government is the backbone of governance. The budget has an important role as a tool for stabilization, distribution, allocation of public resources, organizational planning and control and performance assessment. Therefore, the LRA is one of the main regional financial accountability reports (Mahmudi, 2019)

Government Accounting Standards (SAP) define revenue as all receipts from the State/Local General Treasury Account that increase equity in the relevant fiscal year period that the government is entitled to and does not need to be paid back by the government. In general, revenue can be understood as the right of local governments that increase net assets that occur as a result of past transactions. Local government revenue is different from local government revenue. Regional revenue is all types of cash receipts that enter the regional cash account either purely from regional income or from financing receipts (Mahmudi, 2019) . In the context of implementing regional autonomy and fiscal decentralization, local governments are required to have greater regional financial independence. With a greater level of financial independence, it means that the regions will no longer be highly dependent on assistance from the central and provincial governments through balancing funds. However, this does not mean that if regional financial independence is high then regions no longer need to receive balancing funds. Balance funds are still needed to accelerate development in the regions. The higher the level of financial independence, the regions can provide better quality public services, make long-term development investments, and so on. Therefore, attention to revenue management and regional income analysis is very important for local governments (Mahmudi, 2019) .

Regional financial management not only requires reliable human resources but also needs support from adequate financial capacity. The ability of local governments to explore regional financial capacity can be seen from regional financial performance as measured using regional financial ratio analysis. In carrying out regional autonomy, the local government of Trenggalek Regency is required to run the government efficiently and effectively, be able to encourage community participation in development, and increase equity and justice by developing all the potential possessed by each region (Hakim, 2018) . Research that has been conducted related to regional financial performance shows that the financial performance of BPKPD North Padang Lawas Regency seen from (1) the Fiscal Decentralization Degree Ratio after conducting the analysis can be said to be very lacking, because the average is 4.74% (2) the Financial Independence Ratio with its relationship pattern is still classified as an Instructive relationship because the average ratio is 7,07% (3) The Effectiveness Ratio of PAD in Padang Lawas Regency is classified as Effective because its effectiveness is above 100%, namely 91.69% (4) The Efficiency Ratio of Regional Finance in North Padang Lawas Regency can be said to be Efficient because the average efficiency is 94.74% (5) The

Compatibility Ratio is known that the average capital expenditure is 24% so that it can be said that the North Padang Lawas Regency Government is still prioritized for operating expenditure needs so that the capital expenditure ratio is relatively small (Harahap, 2021) . In contrast to previous research, this study not only focuses on analyzing regional financial performance, but also examines strategies that must be carried out to increase regional income at the Regional Finance Agency of Trenggalek Regency.

Strategy is a pattern or effort of an organization to formulate a certain vision and action in order to solve the problems faced by an organization to achieve certain goals by taking into account the internal and external conditions faced by the organization (Hasanusi, 2015) . Every government organization must want the objectives to be achieved effectively and efficiently in realizing the Regional Original Revenue (PAD) Budget, especially in the current globalization period, for this reason the government must prepare a budget realization report in accordance with applicable regulations. The realization report is a measuring tool to see the effectiveness of a region's financial performance in an effort to realize optimal public services and efforts to encourage regional economic development. The reason for analyzing the realization report of the Regional Revenue and Expenditure Budget is to assess the financial performance of government agencies. Where to assess performance to determine the level of effectiveness and efficiency of the organization in achieving predetermined goals (Daryanti & Ua, 2019) . Based on this explanation, this research was conducted to analyze regional financial performance and find out strategies to increase regional revenue at the Regional Finance Agency of the Trenggalek Regency Government in 2019 - 2023.

RESEARCH METHODS

Location and time of research

This research was conducted at the Regional Finance Agency of Trenggalek Regency, with the consideration that this area has great potential to increase regional income. The research time was conducted in January-April 2024.

Research approach

This type of research is qualitative research. The data collected in this study are primary data and secondary data. Primary data was obtained from direct interviews with the Head of the Regional Revenue / Tax Management Division and the Head of the Planning and Budgeting Division. Information collected regarding the policy and design of revenue enhancement strategies as well as data on the Realization Report of the Regional Revenue and Expenditure Budget (APBD). Secondary data in this study is the Regional Revenue and Expenditure Budget Realization Report (APBD) data obtained from the Regional Finance Agency of Trenggalek Regency.

Data Collection Methods

In qualitative research methods, data is usually collected using several qualitative data collection techniques, namely; 1). Interview, 2). Observation, 3). Documentation

Data Analysis

Data analysis with several stages. The first stage is the analysis of the financial performance of regional revenue divided into 3 parts, namely the analysis of revenue budget variance, the PAD effectiveness ratio, and the regional financial efficiency

ratio. The second stage is the analysis of regional expenditure using the expenditure efficiency ratio. The third stage is a strategy to increase local revenue using the interview method to informants. To find out more details, it is explained as follows:

1. Financial Performance Analysis of Regional Revenue
 - a. Revenue Budget Variance Analysis

$$\frac{\text{Realisasi Pendapatan Tahun } t}{\text{Anggaran Pendapatan Tahun } t} \times 100\%$$

The results of the calculation of the variance analysis of the revenue budget can be classified into the categories in table 1.

Table 1. Assessment Criteria for Revenue Budget Variance Analysis

Income Variance Criteria	Size
Good	Revenue Realization > Revenue Budget
Less Good	Revenue Realization < Revenue Budget

Source: Mahmudi (2019)

- b. PAD Effectiveness Ratio

$$\frac{\text{Realisasi Penerimaan PAD}}{\text{Target Penerimaan PAD}} \times 100\%$$

The results of the calculation of the PAD effectiveness ratio can be classified as table 2. below.

Table 2. Criteria for Assessing the Effectiveness of PAD

Percentage of Financial Performance	Criteria
>100%	Highly Effective
100%	Effective
90 - 99%	Effective Enough
75 - 89%	Less Effective
<75%	Ineffective

Source: Mahmudi (2019)

- c. Regional Financial Efficiency Ratio

$$\frac{\text{Realisasi Belanja Daerah}}{\text{Realisasi Pendapatan Daerah}} \times 100\%$$

The results of the calculation of the regional financial efficiency ratio can be classified in table 3. below.

Table 3. Regional Financial Efficiency Assessment Criteria

Percentage of Financial Performance	Criteria
>40	Inefficient
31 - 40	Less Efficient
21 - 30	Moderately Efficient
10 - 20	Efficient
<10	Highly Efficient

Source: Decree of the Minister of Home Affairs Number 77 of 2020 concerning technical guidelines for Regional Financial Management (Permendagri, 2020)

2. Regional Expenditure Analysis

In this analysis only uses 1 analysis, namely the analysis of the efficiency ratio of regional spending

$$\frac{\text{Realisasi Belanja}}{\text{Anggaran Belanja}} \times 100\%$$

Source: Mahmudi (2019)

The figures generated from this efficiency ratio are not absolute, but relative. This means that there is no standard that is considered good for this ratio. We can only say that this year's local government spending is relatively more efficient than last year's, or that Work Unit A is more efficient than Work Unit B. Local governments are considered to have carried out budget efficiency if the efficiency ratio is less than 100%, otherwise if it is more, it indicates that there has been a waste of budget (Mahmudi, 2019).

3. Strategy to Increase Regional Revenue

This regional income increase strategy is an effort to increase regional income owned by the Trenggalek Regency Government. The method used in this analysis is by using interviews with informants.

RESULTS AND DISCUSSION

1. Regional Revenue

a. Revenue Budget Variance

Local revenue variance analysis is carried out by calculating the difference between revenue realization and budgeted. Information on the budget difference is very helpful for the use of reports in understanding and analyzing the financial performance of revenue. Table 4. shows the calculation of the Regional Revenue Variance.

Table 4. Trenggalek Regency Revenue Budget Variance Calculation Year 2019 - 2023

Year	Revenue Realization (Rp)	Revenue Budget (Rp)	Percentage of Revenue Variance (%)	Assessment
2019	1.990.863.032.535,78	2.063.774.765.721,35	96,47%	Less Good
2020	1.831.177.618.127,90	1.808.114.315.310,64	101,28%	Good
2021	1.859.926.435.396,71	1.832.271.419.060,00	101,51%	Good
2022	2.046.436.048.932,63	2.043.554.187.495,00	100,14%	Good
2023	1.879.855.240.414,08	1.850.179.385.390,74	101,60%	Good

Source: Data Processed by Researchers, 2024

In 2019, the Revenue Budget Variance Analysis shows that regional financial performance is still less than optimal, marked by a percentage of revenue realization of 96.47%. This means that the revenue earned only reached 96.47% of the budgeted target. Although this revenue realization has not reached the target, the difference is not too significant, and this result is still considered reasonable because it is close to the budget target. This decline in performance is likely due to the financial deficit that occurred due to the non-achievement of targets in several revenue revenue items. In 2020, regional financial performance experienced a significant increase, with the percentage of revenue realization reaching 101.28%. This means that the revenue earned exceeded the budgeted target. This increase was largely due to an increase in Regional Original Revenue (PAD), especially from local taxes and levies, although this year was also colored by the impact of the Covid-19 pandemic.

In 2021, budget performance continued to improve with a percentage of revenue realization of 101.51%. This increase is mainly due to the increase in transfer revenue, which indicates an increase in the amount of transfers received by the regions. The year 2022 shows a still good performance, with the percentage of revenue realization reaching 100.14%. This increase mainly came from higher PAD revenue sources compared to the previous year. Finally, in 2023, the percentage of revenue realization reached 101.60%, which again showed good performance. The improved performance in this year was largely driven by an increase in revenue from local taxes.

Overall, the analysis of revenue budget variances from 2019 to 2023 shows an improving trend in regional financial performance. Although 2019 showed the lowest performance, results in subsequent years showed consistent improvement, mainly driven by increases in own-source revenues and transfer revenues. This reflects local government efforts to manage finances more effectively and efficiently, as well as the ability to adapt to challenges such as the pandemic.

b. PAD Effectiveness Ratio

The PAD effectiveness ratio shows the performance of the Balangan Regency government in realizing PAD. The amount of the effectiveness ratio is determined by the local government's efforts in realizing the PAD target that has been set and the amount of the target set. The ability of the region is categorized as effective if the ratio achieved is 100 percent. The higher the value of the PAD effectiveness ratio, the better the local government's PAD collection efforts.

Table 5. Trenggalek Regency PAD Effectiveness Calculation
 Year 2019 - Year 2023

Year	PAD Realization (Rp)	PAD Budget (Rp)	Percentage of PAD Effectiveness (%)	Assessment
2019	285.134.071.594,78	299.160.127.721,35	95,31%	Effective Enough
2020	257.977.450.483,90	256.605.156.975,64	100,53%	Highly Effective
2021	233.490.679.200,57	256.928.432.907,00	90,88%	Effective Enough
2022	422.488.717.357,63	412.882.874.335,00	102,33%	Highly Effective
2023	267.177.163.229,08	287.251.934.322,74	93,01%	Effective Enough

Source: Data Processed by Researchers, 2024

Analysis of the Effectiveness of Regional Original Revenue (PAD) based on Table 5. shows variations in the financial performance of Trenggalek Regency during the 2019-2023 period. In 2019, the percentage of PAD effectiveness ratio was 95.31%, which indicates that the district's financial performance was quite effective. However, this effectiveness was affected by the presence of a budget deficit, indicating that although most PAD targets were achieved, the region was still experiencing financial difficulties. In 2020, PAD performance improved significantly with the effectiveness percentage reaching 100.53%, indicating that the revenue earned was very effective and even slightly exceeded the budgeted target. This increase signaled an improvement in the management of PAD sources, although this year was also affected by the Covid-19 pandemic. However, in 2021, the PAD effectiveness ratio decreased to 90.88%, which falls into the moderately effective category. This decline was mainly due to the reduction in local retribution revenue due to the closure of several tourist attractions during the pandemic, which had a negative effect on local revenue.

In 2022, PAD performance improved again with an effectiveness ratio of 102.33%, indicating that regional financial performance was very effective. This increase was largely driven by an increase in revenue from local taxes, indicating a successful effort in optimizing revenue sources. However, in 2023, the effectiveness of regional own-source revenue decreased again with a ratio of 93.01%, which is still included in the moderately effective category. This decline is largely due to a deficit in local retribution revenue, which reduces total PAD revenue even though local taxes may remain stable or increase.

Overall, the analysis of Trenggalek Regency's PAD effectiveness over the past five years shows significant fluctuations. While there were years where PAD performance was highly effective, such as in 2020 and 2022, there were also years where effectiveness declined due to external factors such as the Covid-19 pandemic. This reflects the challenges local governments face in maintaining PAD effectiveness, especially in an unstable economic situation. Nonetheless, efforts to increase revenue from local taxes show the potential to strengthen local finances going forward.

c. Regional Financial Efficiency Ratio

The Regional Financial Efficiency Ratio describes the comparison between the amount of costs incurred to obtain income with the realization of income received.

Table. 6 Calculation of Regional Financial Efficiency Ratio of Trenggalek Regency Year 2019 - 2023

Year	Realization of Regional Expenditure (Rp)	Local Revenue Realization (Rp)	REC (%)	Ability Criteria
2019	2.025.841.017.382,55	1.990.863.032.535,78	102%	Inefficient
2020	1.861.988.825.777,	1.831.177.618.127,	102%	Inefficient
2021	1.840.127.791.074,27	1.859.926.435.396,71	99%	Inefficient
2022	2.167.412.235.228,31	2.046.436.048.932,63	106%	Inefficient
2023	1.939.016.718.970,73	1.879.855.240.414,08	103%	Inefficient

Source: Data Processed by Researchers, 2024

Analysis of the Regional Financial Efficiency Ratio (REKD) in Trenggalek Regency during the 2019-2023 period shows that the overall regional financial performance is in the less efficient category. In 2019, the regional financial efficiency ratio was recorded at 102%, which indicates that regional expenditure exceeded revenue realization, causing the region to experience a deficit. There is no specific assessment of financial efficiency, but this figure indicates that regional financial management is less than optimal, with regional expenditure not proportional to the revenue received.

In 2020, the financial efficiency ratio remained at 102%, indicating that the regional financial condition is still not efficient. In this year, regional expenditure increased significantly for handling Covid-19, while regional revenue, especially from retribution, decreased. This led to an imbalance between expenditure and revenue, which contributed to the low level of financial efficiency. In 2021, the efficiency ratio improved slightly to 99%, but was still classified as inefficient. Despite the decline in expenditure, revenue levels have not fully recovered, mainly due to the lingering impact of the pandemic. Thus, despite the small improvement, regional finance is still inefficient because the revenue generated has not been able to cover all regional expenditure.

In 2022, the efficiency ratio increased to 106%, but this indicates that efficiency is getting worse. This increase shows that regional expenditure is increasing faster than the revenue received, reflecting a wasteful budget. This unbalanced financial management indicates that the region is not successfully matching its expenditure with available revenue. In 2023, the efficiency ratio decreased slightly to 103%, but was still in the inefficient category. This high ratio indicates that regional expenditure again exceeds the revenue received, resulting in a budget deficit. The inability of regions to control expenditures in proportion to revenues reflects the ongoing challenge of managing regional finances effectively.

Overall, the REKD analysis for the 2019-2023 period in Trenggalek district shows a consistent pattern of financial inefficiency. Despite slight improvements in some years, the level of financial efficiency remains low due to disproportionate expenditure to revenue. A key challenge is how regions can balance expenditure with revenue, especially in the context of increased expenditure needs due to crises such as the pandemic. Further

efforts are needed to improve financial efficiency so that regions can manage resources more effectively and prevent sustained deficits.

2. Regional Expenditure

Table. 7 Calculation of Expenditure Efficiency Ratio of Trenggalek Regency
 Year 2019 - 2023

Year	Expenditure Realization (Rp)	Expenditure Budget (Rp)	Expenditure Efficiency Ratio (%)	Ability Criteria
2019	2.025.841.017.382,55	2.290.748.785.526,19	88,44%	Efficient
2020	1.861.988.825.777,28	2.012.857.898.039,71	92,50%	Efficient
2021	1.840.127.791.074,27	2.037.316.529.779,00	90,32%	Efficient
2022	2.167.412.235.228,31	2.420.666.082.302,00	89,54%	Efficient
2023	1.939.016.718.970,73	2.039.795.468.426,74	95%	Efficient

Source: Data Processed by Researchers, 2024

The Regional Expenditure Efficiency Ratio is used to assess the government's ability to save the budget and measure how effectively regional financial resources are managed. Based on the calculation results in Table 7, the efficiency value of regional expenditure in Trenggalek Regency shows a positive trend from 2019 to 2023. In 2019, the regional expenditure efficiency ratio was recorded at 77.24%, which indicates that regional expenditure is already efficient. This means that the government was able to use the budget sparingly, spending only around 77.24% of the total available budget. In 2020, the efficiency value increased to 92.50%, which is still in the efficient category. Despite the percentage increase, regional expenditure remained below 100%, indicating that the government was still able to save budget.

2021 recorded an efficiency value of 90.32%, which is also categorized as efficient. This ratio shows consistency in expenditure management, with budget savings still maintained. In 2022, the expenditure efficiency value decreased slightly to 89.54%, but was still categorized as efficient. This shows that despite a slight increase in budget utilization, local governments still managed to maintain efficiency in expenditure. In 2023, the efficiency value of regional expenditure reached 95%, which is also categorized as efficient. Although this value is close to 100%, the government still demonstrates the ability to manage the budget sparingly.

Overall, when viewed from 2019 to 2023, the efficiency ratio of regional expenditure, which is always below 100%, shows that budget savings are running well. The Trenggalek district government is consistent in the efficient use of the budget, which means they are able to minimize the use of resources without exceeding the set budget. The management of regional expenditure in Trenggalek Regency during this period showed a significant increase in efficiency. The average local expenditure efficiency ratio, which was always below 100%, reflects that the government was able to save budget and manage existing resources well. However, although efficiency has been achieved, there is still room for improvement in the utilization of budget resources so that regional financial management can be more optimal.

DISCUSSIONS

Strategy to Increase Regional Revenue

When researchers conducted research at the Regional Finance Agency of Trenggalek Regency using the interview method to informants, one of them was the head of revenue management / regional taxes regarding what strategies were carried out to increase regional income. This is explained by Mr. Toni Setiadji as follows:

"For the strategy itself there is intensification and extensification, intensification includes collection, billing, and supervision and extensification is including data collection, data maintenance, looking for new objects, re-data collection, and old objects are maintained again . Maintenance is for example PBB (Land and Building Tax), PBB if in accordance with the law every 3 years must be reassessed, the NJOP (Tax Object Selling Value) remains whether there are changes if there are developments in the area of land selling prices adjusted the NJOP is adjusted."

Based on the interview excerpt, there are strategies to increase revenue, namely by Intensification and Extensification. Intensification includes collection, billing, and supervision. Extensification includes data collection, data maintenance, finding new objects, re-data collection, and maintaining old objects. Examples of data maintenance such as PBB, PBB if in accordance with the law every 3 years must be reassessed, the NJOP (Tax Object Selling Value) remains what changes, if there is a development of the area, the selling price of the land is adjusted to the NJOP. The strategy of the Regional Finance Agency (BAKEUDA) in increasing Regional Original Revenue (PAD) is as follows:

a. Intensification Strategy

This strategy is carried out with reference to three aspects: The first aspect, institutional and management aspects, institutional strategies are implemented by placing employees in accordance with employee expertise in the field of tax management while management is carried out by streamlining and streamlining revenue through increasing the number of taxpayers and levy payers and increasing counseling activities to the public to foster public awareness of paying local taxes and levies, improving or adjusting aspects of management both collection administration in accordance with Trenggalek Regency Regional Regulation Number 8 of 2023 and operational, increasing juridical supervision and control and technical control as well as supervision and control of administration and providing sanctions for taxpayers and levy payers who are not obedient in paying local taxes and levies. The second aspect, improving the quality of Human Resources (HR) to improve the management of Regional Original Revenue (PAD) has been maximized enough as seen from the number of employees participating in training activities organized by the Regional Finance Agency (BAKEUDA) of Trenggalek Regency. The third aspect, billing and supervision of taxpayers who have been determined by the Regional Finance Agency (BAKEUDA) of Trenggalek Regency.

b. Extensification Strategy

This strategy is carried out with three aspects, namely; The aspect of data collection and monitoring system for new and old tax objects to increase Regional Original Revenue (PAD) has been carried out in a directed manner through identifying problems

experienced by taxpayers, especially corporate taxpayers and then issuing rules that can be implemented and adjusted to the conditions of taxpayers in accordance with local regulations. The second aspect is the development of tax objects to increase local revenue, the Trenggalek Regency Government develops potential taxes such as hotel and restaurant taxes, entertainment taxes, billboard taxes, and parking taxes. The third aspect, fostering participation for villages that have paid special payments of PBB P2 tax to increase Local Original Revenue (PAD) by getting tax repayment awards and sanctions (*punishment*) for taxpayers who are not obedient or obedient to carry out their obligations to pay taxes in the form of administrative sanctions in the form of 1% interest every month no later than 24 months calculated from the due date.

Regional financial analysis and strategies to increase regional revenue are critical components of sustainable development and public welfare improvement. Financial analysis involves evaluating revenue sources such as taxes, service charges, and intergovernmental transfers, as well as examining trends, diversification, and efficiency in budget management. Additionally, assessing expenditures and financial ratios, such as the revenue-to-expenditure ratio, is essential for determining a region's fiscal health. However, common challenges in regional financial management include dependency on government transfers, a limited tax base, and inefficiencies in resource allocation.

To address these challenges and enhance regional revenue, several strategies can be implemented. First, optimizing tax revenues by expanding the tax base, updating tax policies, and digitizing tax systems can improve transparency and compliance. Second, increasing non-tax revenues through better utilization of regional assets, such as leasing public properties, and enhancing revenue from licensing fees, service charges, and public-private partnerships (PPPs) can create new income streams. Third, promoting economic activities by attracting investments through tax incentives, supporting local industries, and leveraging tourism and cultural heritage can stimulate regional growth. Furthermore, innovative financing mechanisms such as municipal bonds for infrastructure development, green bonds for environmental projects, and community-driven development initiatives can provide additional resources for regional projects.

Efficient use of intergovernmental transfers is also crucial, requiring advocacy for equitable national revenue distribution and effective utilization of special-purpose grants. Success stories like Bali's thriving tourism sector and Surabaya's green city initiatives highlight the potential of targeted strategies. Regular evaluation of financial strategies and community involvement in budget planning are essential for ensuring the success of these initiatives. By adopting these approaches, regions can diversify their revenue streams, achieve long-term fiscal sustainability, and improve public service delivery.

CONCLUSION

Based on the analysis of regional financial performance during the 2019-2023 period, the Regional Finance Agency of Trenggalek Regency shows quite varied results. In terms of Regional Revenue Variance Analysis, financial performance is generally good, with revenue realization exceeding the budget target. However, the effectiveness of Regional Original Revenue (PAD) is only classified as moderately effective, because not all years managed to reach the target, except in 2020 and 2022. In terms of efficiency, regional finances are generally inefficient, with regional expenditure that has not been controlled so that the income obtained is still low compared to expenditure. However, the

Expenditure Efficiency Ratio shows efficient results, with ratios consistently below 100% and budgeted programs well realized.

The strategy to increase local revenue is carried out through intensification, including institutional improvements, improving the quality of human resources, as well as tax collection and supervision, and extensification which includes data collection, development of tax objects, and increasing community participation. The limitation of this study lies in the data covering only five years, which may not fully reflect long-term trends. For future researchers, it is recommended to extend the analysis period and consider external factors that may affect regional financial performance, such as policy changes and global economic conditions.

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