



FINANCIAL PERFORMANCE OF THE SURABAYA GOVERNMENT BEFORE AND DURING THE COVID-19 PANDEMIC

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Abstract

This study aims to compare the financial performance of the Surabaya Government before and during the COVID-19 pandemic to identify any differences. The research method used is the quantitative analysis. The data is secondary in Budget Realization Reports for 2018-2021. The population in this study is the Surabaya City Budget Realization Report for 4 years from 2018 to 2021. The sample used in this study is a budget realization report in the form of local own-source revenue budget, local own-source revenue realization, regional revenue realization, transfer revenue realization, regional expenditure budget, and regional expenditure realization; the data analysis technique in this study is the Paired samples t-test. The test results show differences in Surabaya's financial performance in the degree of fiscal decentralization ratio and the Local Own-source Revenue effectiveness ratio. However, there is no distinction between the ratios of regional financial independence, regional financial efficiency, and economic expenditure ratio.

Keywords: Financial Performance, The Covid-19 Pandemic, Degree of Fiscal Decentralization Ratio, Local Own-source Revenue Ratio.

INTRODUCTION

The Covid-19 pandemic, as a non-natural disaster, has affected various sectors of life. Not only does it impact public health, but the pandemic has also caused the growth rate of the global economy to become unstable. The Indonesian government issued several policies to overcome this, such as the determination of the public emergency status for the Covid-19 pandemic, the issuance of Government Regulation instead of Law Number 1 Of 2020 concerning policies and state financial stability to deal with the Covid-19 pandemic and the implementation of community social restriction policies (Putra, 2021).

At the regional level, local governments are also required to handle the pandemic well, such as with the issuance of the Minister of Home Affairs Regulation Number 20 of 2020 concerning regional efforts to accelerate the handling of the Covid-19 pandemic by prioritizing the local government budget in handling Covid-19. This handling is applied by the regions as a form of the best service for the community by regional autonomy.

Since the enactment of regional autonomy, local governments have broader authority in managing their regions. Local governments generally strive to produce good regional performance, including their regional financial performance and the management of the regions carried out. According to the Minister of Home Affairs Regulation Number 77 of 2020 concerning regional financial management guidelines, performance is the result of a program or activity that is to be carried out or has been carried out about budget utilization. With good budget utilization from local

governments, it can improve the financial performance of local governments to provide optimal services to the community. The measurement of regional financial performance can provide an overview of the ability of local governments to fund government activities within the scope of regional development and social services to the community. (Vebiani et al., 2022).

Surabaya is one of the metropolitan cities in Indonesia. As one of the largest cities in Indonesia, Surabaya is also the center of business, trade, and modern shopping in East Java province. One of the components of local revenue, namely local own-source revenue in Surabaya City, is relatively high, coming from local tax revenue and local retribution. (Nuzulul Siswo Abdulaziz, 2021). However, the Covid-19 pandemic, confirmed in 2020, decreased Surabaya City's own-source revenue because the Surabaya people's income decreased dramatically due to the pandemic (JawaPos, 2021). In addition, this decrease in income is widely felt by the people of Surabaya, so it significantly impacts regional revenue. (Databoks, 2020).

Farouq Ishak et al. (2021) state that a decrease in local own-source revenue can impact regional financial performance. It is because local own-source revenue is the main foundation and reflection of the region in implementing regional autonomy. Therefore, local governments must be able to maintain their revenue even amid a pandemic. In this case, the local government of Surabaya City is also trying to maintain its own-source revenue, as indicated by an increase in the realization of Surabaya City PAD in 2021 of IDR 437,320,337,297 compared to 2020. Through this, there is an effort to recover local revenue by the Surabaya city government.

Financial performance analysis in the Surabaya City government sector has attracted the attention of researchers, such as research conducted by (Nuzulul Siswo Abdulaziz, 2021), which said that Surabaya City's financial performance is at a delegation level of independence with a very effective own-source revenue. Research on regional financial performance before and during the pandemic, conducted by (Onibala et al., 2021) says that there are differences in the regional financial performance of Southeast Minahasa Regency before and during the Covid-19 pandemic in terms of the ratio of the degree of fiscal decentralization and the local own-source revenue effectiveness ratio, while the regional financial independence ratio, the regional financial efficiency ratio had no differences.

It is different from the research of (Vebiani et al., 2022), which says that there are differences in the regional financial performance of West Java Province before and during the Covid-19 pandemic from local own-source effectiveness ratio and regional financial efficiency ratio. However, there are no differences in the regional financial independence ratio and the degree of fiscal decentralization ratio. While the research belongs to (Rheswari & Akbar 2022) said differently from previous research that the financial performance of Gresik Regency before and during the Covid-19 pandemic did not experience differences in terms of the regional financial independence ratio, the degree of fiscal decentralization ratio, local own-source effectiveness ratio, and the regional financial efficiency ratio.

METHOD

The method used in this research is quantitative research. The population in this study is Surabaya Government Budget Realization Report based on 2 years before and 2 years during the Covid-19 pandemic from 2018 to 2021 in 4 fiscal years. The sample used in this study is the components of the budget realization report in the form of the local revenue budget, the realization of local revenue, the realization of transfer revenue, the local expenditure budget, and the realization of local expenditure. The data collection technique in this research was carried out using documentation. At the same time, the type of data is secondary data. The data analysis technique used paired samples t-tests using the SPSS application.

RESULTS AND DISCUSSION

Descriptive Statistics Analysis

Table 1 Descriptive Statistics

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
KKD	4	146.858	173.368	161.23575	11.632762
DF	4	56.771	61.401	58.96450	2.495448
EFFECTIVE	4	85.201	104.498	95.33100	9.748991
EFFICIENT	4	93.902	106.458	101.22900	5.580211
ECONOMIC	4	87.056	92.240	89.08350	2.227615
Valid N (listwise)	4				

Source: SPSS Processing Results

Based on the table above, the mean value of all variables is greater than the standard deviation, so there is no data deviation.

Normality Test

Tabel 2 Normality Test

Tests of Normality						
	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	Df	Sig.
KKD	.200	4	.	.973	4	.860
DF	.301	4	.	.791	4	.087
EFFECTIVE	.292	4	.	.787	4	.081
EFICIENT	.223	4	.	.942	4	.666

ECONOMIC	.298	4	.	.900	4	.433
a. Lilliefors Significance Correction						

Source: SPSS Processing Results

Based on the normality test that has been carried out using the Shapiro-Wilk Test, it is found that the data of this research is usually distributed with a significance value > 0.05.

Paired Samples t-test

Table 3 Regional Financial Independence Ratios Before and During The Covid-19 Pandemic

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
1	KKD_Before – KKD_During	18.2322	11.7077	8.2786	-86.9569	123.4213	2.202	1	.271

Source: SPSS Processing Results

Based on the table above, the Sig. (2-tailed) of KKD or Regional Financial Independence Ratios before and during the Covid-19 pandemic is 0.271. Thus based on the interpretation of the significant differences, the value is 0.271; it can be concluded that there are no differences between regional financial Independence Ratios before and during The Covid-19 pandemic.

Table 4 Degree Of Fiscal Decentralization Ratios Before And During The Covid-19 Pandemic

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
1	DF_Before – DF_During	4.3027	0.4629	0.3273	0.1439	8.4615	13.146	1	.048

Source: SPSS Processing Results

Based on the table above, the Sig. (2-tailed) of DF or Degree Of Fiscal Decentralization Ratios before and during the Covid-19 pandemic is 0.048. Thus based on the interpretation of the significant

differences, the value is 0.048; it can be concluded that there are differences between the degree of fiscal decentralization ratios before and during The Covid-19 pandemic.

Table 5

Local Own-Source Revenue Effectiveness Ratios Before And During The Covid-19 Pandemic

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
1	Effectiveness_Before – Effectiveness_During	29.6489	0.4978	0.3520	25.1765	34.1213	84.233	1	.008

Source: SPSS Processing Results

Based on the table above, the Sig. (2-tailed) of Effectiveness or Local Own-source Revenues (PAD) Effectiveness Ratios before and during the Covid-19 pandemic is 0.008. Thus based on the interpretation of the significant differences, the value is 0.008; it can be concluded that there are differences between local own-source effectiveness ratios before and during the Covid-19 pandemic.

Table 6 Regional Financial Efficiency Ratios Before and During The Covid-19 Pandemic

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
1	Efficiency_Before – Efficiency_During	2.0983	12.0705	8.5351	-106.3504	110.5470	.246	1	.847

Source: SPSS Processing Results

Based on the table above, the Sig. (2-tailed) of Efficiency or Regional Financial Efficiency Ratios before and during the Covid-19 pandemic is 0.847. Thus based on the interpretation of the significant differences, the value is 0.847; it can be concluded that there are no differences between regional financial efficiency ratios before and during the Covid-19 pandemic.

Table 7 Economic Expenditure Ratios Before And During The Covid-19 Pandemic

		Paired Differences				t	df	Sig. (2-tailed)
		Mean	Std.	Std.	95% Confidence			

		Deviation	Error Mean	Interval of the Difference					
				Lower	Upper				
1	Economics_Before – Economics_During	2.2961	4.0834	2.8874	-34.3915	38.9836	.79 5	1	.572

Source: SPSS Processing Results

Based on the table above, the Sig. (2-tailed) of Economics or Economics Expenditure Ratios before and during the Covid-19 pandemic is 0.572. Thus based on the interpretation of the significant differences, the value is 0.572; it can be concluded that there are no differences between the economic expenditure ratio before and during the Covid-19 pandemic.

Differences Between Regional Financial Independence Ratios Before and During the Covid-19 Pandemic

Based on the paired samples t-test conducted for the regional financial independence ratio, it is found that the sig value is 0.271, which is greater than 0.05 ($0.271 > 0.05$), so it meant that there is no difference in the regional financial independence ratio before and during the Covid-19 pandemic. It is in line with research (Vebiani et al., 2022), which states that there is no difference in the ratio of regional financial independence. However, it is not by the research (Puspita & Pangastuti, 2022).

Based on the test conducted, it is stated that there is no difference in the financial performance of the Surabaya city region as measured by the level of regional financial independence. It is because there are reasonable efforts from the Surabaya city government to maintain its local revenue despite experiencing limitations due to the Covid-19 pandemic, one of which is by providing local tax incentives in the form of postponing local tax payments for 2 months from May to June 2020 to the people of Surabaya. With this, local governments can maintain a delegation level of independence.

Differences Between Degree of Fiscal Decentralization Ratios Before and During the Covid-19 Pandemic

Based on the paired samples t-test test that has been carried out for the ratio of the degree of fiscal decentralization, the sig value is 0.048, which is smaller than 0.05 ($0.048 < 0.05$) means that there is a difference in the ratio of the degree of fiscal decentralization before and during the Covid-19 pandemic measured. Research conducted by (Onibala et al., 2021) states a difference in the ratio of the degree of fiscal decentralization. However, it does not follow research (Rheswari & Akbar, 2022).

Through the test results conducted, it is stated that there is a difference in the regional financial performance of the city of Surabaya, as seen from the level of fiscal decentralization of the city of

Surabaya. It is due to the drastic decrease in Surabaya people's income during the Covid-19 pandemic, which has had an impact on Surabaya city's local revenue, making Surabaya city a modern business and shopping center experiencing changes in the form of a decrease in revenue so the Surabaya city government cannot optimize local own-source revenue contributions.

Differences Between Local Own-Source Revenue Effectiveness Ratios Before and During the Covid-19 Pandemic

Based on the paired samples t-test test that has been conducted for the local own-source effectiveness ratio, the sig value is 0.008, which is smaller than 0.05 ($0.008 < 0.05$) means that there is a difference in the local own-source effectiveness ratio before and during the Covid-19 pandemic. It is by research (Vebiani et al., 2022) that states a difference in the local own-source effectiveness ratio. However, it does not follow research (Rheswari & Akbar, 2022).

The test results show that the local own-source effectiveness ratio measures differences in the regional financial performance of Surabaya City. The existence of a policy of limiting community activities regionally and nationally makes people unable to carry out their activities as before, so this makes the Surabaya city local government unable to realize its revenue properly because community contributions indirectly affect local revenue, one of which is a decrease in local tax revenue in 2020, so that the level of local own-source effectiveness experiences differences during a pandemic.

Differences Between Regional Financial Efficiency Ratios Before and During the Covid-19 Pandemic

Based on the paired samples t-test test that has been carried out for the regional financial efficiency ratio, the sig value is 0.847, which is greater than 0.05 ($0.847 > 0.05$), means that there is no difference in the regional financial efficiency ratio before and during the Covid-19 pandemic. Research (Onibala et al., 2021) says the regional financial efficiency ratio is the same, but not by research (Vebiani et al., 2022).

Through the test conducted, it is stated that the level of regional financial efficiency measures no difference in the regional financial performance of Surabaya City. It is because, during the Covid-19 pandemic in 2020, Surabaya City's regional expenditure was relatively large for handling the pandemic. It has not changed because Surabaya City's regional expenditure has been classified as significant since before the pandemic. However, during the pandemic, the Surabaya city government still tried to maintain its regional income well so that it would be within the regional expenditures made so that the regional financial efficiency of Surabaya did not experience differences during the pandemic.

Differences Between Economic Spending Ratios Before and During the Covid-19 Pandemic

Based on the paired samples t-test test that has been carried out for the economic expenditure ratio, the sig value is 0.572, which is greater than 0.05 ($0.572 > 0.05$), meaning there is no difference in the economic expenditure ratio before and during the Covid-19 pandemic. It is in line with research conducted (Puspita & Pangastuti, 2022) that there is no difference in the economic expenditure ratio before and during the Covid-19 pandemic.

Through the test, it is stated that there is no difference in regional financial performance measured by economic expenditure. During the pandemic, the central and local governments are running national economic programs by encouraging budget expenditures, including regional spending policies, to accelerate the handling of the pandemic. With this, the realization of regional expenditure in the city of Surabaya has not changed because regional expenditure is realized to fulfill the acceleration of pandemic handling by the Surabaya city government so that the pandemic does not affect the economic level of regional expenditure in the city of Surabaya.

CONCLUSION

Based on the results of the research that has been conducted, it is found that the financial performance of the Surabaya City Region before and during the Covid-19 pandemic, there are differences in the degree of fiscal decentralization ratio and the local own-source effectiveness ratio. However, there is no difference in the regional financial independence ratio, regional financial efficiency ratio, and economic expenditure ratio. The decline in local own-source felt Surabaya City due to the Covid-19 pandemic had had a significant impact on regional revenue, affecting the regional financial performance of Surabaya City. The Surabaya City Regional Government cannot optimize its regional income from various sectors due to the pandemic that occurred. With the measurement of regional financial performance through this research, it is hoped that the Surabaya City Regional Government can continue to maintain its financial performance well, such as successfully maintaining a delegation level of independence amid the Covid-19 pandemic situation and getting back up to explore sources of regional income from various sectors so that the economic pace of the Surabaya community can run optimally again.

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