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Comparison Of Local Government Financial Performance Between Jambi City And Sungai Penuh City For The Period 2020–2024

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Abstract

This study is original in that it conducts a comparative analysis of local government financial performance using various financial ratios and statistical tests on two local governments with similar characteristics, namely the City of Jambi and the City of Sungai Penuh, for the period 2020–2024. The objective of this study is to analyze and compare the financial performance of these two local governments. The method used is quantitative descriptive analysis employing financial ratio techniques, including the financial independence ratio, the effectiveness ratio of Local Original Revenue (PAD), the local government financial efficiency ratio, the operational expenditure balance ratio, the capital expenditure balance ratio, and the local government financial growth ratio. Additionally, an independent samples t-test was used to determine differences between the regions. The data used were secondary data in the form of reports on the implementation of the Regional Revenue and Expenditure Budget (APBD). The results of the study indicate that the financial performance of Jambi City is generally better than that of Sungai Penuh City, particularly in terms of financial independence. The results of the t-test indicate significant differences in the financial independence and expenditure balance ratios, while the effectiveness, efficiency, and growth ratios do not show significant differences. The implications of this study emphasize the importance of enhancing local financial independence and optimizing expenditure allocation to improve local government financial performance.

Keywords:
Local Government Financial Performance; Financial Ratios; Fiscal Decentralization; Regional Autonomy; Comparative Analysis; Independent Samples t-Test.

INTRODUCTION

By granting autonomy to local governments, local administrations are required to formulate the Regional Revenue and Expenditure Budget (APBD) in accordance with the needs and capacity of the region itself. This will also enhance the efficiency and effectiveness of financial resource utilization. The Regional Revenue and Expenditure Budget (APBD) is an annual financial program that must be approved and agreed upon by the Regional People's Representative Council (DPRD) and the regional government. The integrity of a city's regional financial management is reflected through the Regional Revenue and Expenditure Budget (APBD). Therefore, it is essential to assess regional financial performance to determine the extent of success in financial management. The APBD can also serve as a benchmark for evaluating the financial performance of a local government. This budget demonstrates how efficiently and effectively the local government funds and oversees the implementation of government programs and development initiatives within its jurisdiction. One way to understand the success of local financial management is by conducting a financial ratio analysis of the local government's budget implementation. Economic self-sufficiency ratios, efficiency ratios, effectiveness ratios, balance ratios, and growth ratios are some examples of ratios used to assess a region's economic indicators. To evaluate the quality and clarity of local government financial reports. The results of the analysis can be used in a transparent and accountable manner in the central government's policy-making process (Restiana, As'ad Isma, et al., 2024).

Although regional autonomy has been in place for more than two decades, there are still many regions in Indonesia that show significant differences in their financial performance. (Otonomi Daerah, n.d.) There are disparities between regions caused by differences in economic potential, human resource capacity, and levels of development. Urban areas generally have higher incomes than rural or mountainous areas. As a result, the financial performance of urban areas tends to be better than that of areas with primary economic sectors such as agriculture or forestry.

Findings from studies conducted in many regions indicate that the financial autonomy of local governments in Indonesia remains insufficient. A study by (Kusumadewi, 2021) in South Sumatra Province shows that the financial performance of cities and regencies between 2016 and 2020 remained insufficiently self-reliant, with an unsatisfactory local revenue effectiveness ratio and very low expenditure efficiency. In line with the study (Putri et al., 2025) In Langkat Regency, they found that the level of financial autonomy was very low and that fund management was not efficient. This indicates that the local government remains heavily dependent on funds allocated by the central government.

Research (Nurarifah et al., 2022) in Merangin Regency, Jambi Province, added that factors such as accountability, transparency, internal oversight, organizational culture, and employee competence influence local government financial performance. Their findings indicate that only employee competence and the management of local funds have a significant positive impact on local government financial performance. This situation demonstrates that issues related to management and the quality of human resources remain major challenges in efforts to improve local government financial performance.

Several studies in Jambi Province show that the region remains heavily dependent on central government transfers. (Auliani et al., 2024) found that, in terms of financial autonomy, the regencies and cities in Jambi Province are at a very low level, even though the effectiveness of local revenue (PAD) can be categorized as effective. However, regression analysis revealed that the effectiveness of PAD has a negative impact on local spending, indicating that PAD revenue has

not been fully utilized to drive development. Research by (Restiana, Isma, et al., 2024) a study comparing the financial performance of Jambi City and Tebo Regency also yielded similar results. Although Jambi City has greater financial autonomy than Tebo Regency, both are still considered inefficient in managing local finances and tend to spend more on operational expenditures than on capital expenditures.

On the other hand (Hapsari & Baidhowi, 2025) argues that local financial performance has a significant impact on economic development in Jambi Province. The study demonstrates that fiscal independence has a positive effect on economic growth, whereas fiscal dependence and fiscal decentralization have negative effects. These findings indicate that increasing fiscal autonomy is a crucial factor in accelerating the process of economic development in the region. However, the study conducted by (Yuvanda et al., 2025) The findings reveal that, although there has been an improvement in the financial performance of Jambi Province, the relationship between financial performance and poverty levels is actually positive and significant. This indicates that the improvement in financial performance has not yet fully contributed to a reduction in poverty rates in the region.

Research from other regions has also revealed a similar phenomenon. A study conducted by Suharman et al., (2024) in Sambas Regency revealed that the average level of local financial autonomy is only 11%, placing the region in the "very low" category and indicating a strong dependence on the central government. On the other hand, research (Ulfa & Wiweko, 2022) which analyzed regencies and cities on the island of Sumatra found significant differences between regency and city governments in terms of autonomy, efficiency, and the degree of fiscal decentralization, although no differences in effectiveness ratios were found.

The city of Jambi, as the provincial capital, has complex fiscal characteristics and a relatively high level of economic activity. The city serves as a center for trade, services, and government, resulting in higher local expenditures. On the other hand, the city of Sungai Penuh is an autonomous region located in the Kerinci highlands, with distinctive economic characteristics that rely more heavily on agriculture, plantations, and nature-based tourism. These differences in economic characteristics, resources, potential for local revenue, and development needs make the financial performance of these two cities particularly interesting to analyze. Comparing the financial performance of two regions with distinct characteristics is crucial for evaluating the effectiveness of local budget management (APBD) in each area. This analysis can reveal whether a larger and more economically developed region, such as Jambi City, truly demonstrates better financial performance, or whether a smaller region with a primary-sector-based economy, such as Sungai Penuh City, exhibits more effective financial management. This comparison is also consistent with the findings of previous studies, which indicate that high local revenue does not always correlate directly with expenditure efficiency and fiscal autonomy.

Table 1. Breakdown of Local Revenue and Expenditures for the City of Jambi, 2020–2024 (in billions of rupiah)

Year	Local Revenue	Local Original Revenue	Transfer Revenue	Local Expenditures
2020	1.660,05	403,48	1.145,39	2.212,68
2021	1.655,33	419,56	1.060,92	2.073,29

2022	1.690,84	465,89	1.049,71	1.773,75
2023	1.692,55	515,34	1.032,56	1.744,54
2024	1.864,22	545,54	1.153,58	1.954,22

Source: Directorate General of Fiscal Balance (DJPK), 2020–2024

Based on Table 1, the fiscal performance of Jambi City for the 2020–2024 period shows fluctuations but generally trends upward. Local revenue in 2020 amounted to Rp 1,660.05 billion, with own-source revenue (PAD) of Rp 403.48 billion, while expenditures reached Rp 2,212.68 billion. In 2021, local revenue decreased slightly to Rp 1,655.33 billion, but PAD increased to Rp 419.56 billion, despite declines in transfer revenue and expenditures. The year 2022 saw an increase in PAD to Rp 465.89 billion and a decrease in expenditures to Rp 1,773.75 billion. The positive trend continued in 2023 with an increase in local revenue to Rp 1,692.55 billion and PAD of Rp 515.34 billion, accompanied by expenditures of Rp 1,744.54 billion. In 2024, local revenue increased significantly to Rp 1,864.22 billion, with PAD at Rp 545.54 billion and expenditures at Rp 1,954.22 billion. Overall, the data indicates that the City of Jambi possesses a fairly strong fiscal capacity, marked by a consistent annual increase in PAD.

Table 2. Breakdown of Local Revenue and Expenditures for the City of Sungai Penuh, 2020–2024 (in billions of rupiah)

Year	Local Revenue	Local Original Revenue	Transfer Revenue	Local Expenditures
2020	814,01	48,17	709,05	847,03
2021	767,34	46,24	663,27	812,84
2022	752,78	99,14	606,31	797,78
2023	780,81	100,37	618,58	824,31
2024	820,20	103,13	655,08	863,70

Source: Directorate General of Fiscal Balance (DJPK), 2020–2024

Based on Table 2, the fiscal condition of Sungai Penuh City for the 2020–2024 period is relatively stable, though with a lower capacity compared to Jambi City. In 2020, local revenue totaled Rp 814.01 billion, with own-source revenue (PAD) of Rp 48.17 billion, and was still dominated by transfer revenue, while expenditures reached Rp 847.03 billion. The year 2021 showed a decline in revenue and local revenue (PAD), in line with the decrease in transfer revenue and local expenditures. In 2022, local revenue (PAD) increased significantly to Rp 99.14 billion despite a decline in total revenue. The trend of increasing local revenue (PAD) continued in 2023 and 2024, with local revenue also rising to Rp 820.20 billion by 2024. Overall, Sungai Penuh City remains dependent on transfer revenues, although PAD performance has shown improvement since 2022. Compared to Jambi City, there is a striking difference in fiscal capacity, with Jambi City having higher revenues and PAD, while Sungai Penuh City still faces limitations and dependence on central government transfers.

Local government finances encompass all rights, obligations, and assets of local governments that can be valued in monetary terms in the context of fiscal decentralization (Law No. 33 of 2004; Sirait, 2023). Their management must be transparent, accountable, efficient, and

effective (Hanafi & Halim, 2016). In addition to administrative considerations, local government finances also play a strategic role in achieving economic efficiency and fiscal effectiveness (Shoba & Fidiana, 2022). Strong financial performance can improve the effectiveness of resource allocation and promote fiscal self-reliance and human development (Hendri & Yafiza, 2020).

Regional autonomy grants regions broad authority to manage development in accordance with local potential (Ramadhan et al., 2022). Fiscal decentralization allows local governments to manage their financial resources independently (Christia, 2019). This policy can enhance accountability, but it also has the potential to lead to inefficiency and corruption if oversight is weak (Fatoni, 2020). In addition, a high degree of fiscal autonomy tends to reduce the potential for misuse of public funds (Syarif, 2023), even though it continues to face challenges in managing its spending (Hadi & Saragih, 2013).

The APBD is a regional annual financial plan that serves as a tool for planning and public accountability (Sujarweni, 2015). Its components include regional revenue, expenditures, and financing. Its formulation must be transparent, efficient, and participatory, and integrated with planning documents (Gazali et al., 2025). The implementation of performance-based budgeting improves the effectiveness of fund utilization (Aini et al., 2025). The Regional Budget also serves the functions of authorization, allocation, distribution, stabilization, and planning in regional financial management (Mukarramah, 2017).

Financial performance reflects a region's ability to manage its resources effectively and efficiently (Fahmi, 2014). It is measured using financial ratios such as self-reliance, effectiveness, efficiency, balance, and growth. Studies show that financial performance is influenced by regional well-being and fiscal capacity (Pradana et al., 2022), and many regions still rely on transfer funds (Fadli et al., 2024). The self-reliance ratio has been shown to have a significant impact on community well-being (Karimah et al., 2020).

The assessment of local government financial performance uses several key ratios (Mahmudi, 2019; Halim, 2018):

- Self-Reliance Ratio: measures a region's ability to finance itself.
- PAD Effectiveness Ratio: assesses the achievement of revenue targets (Bastian, 2015).
- Efficiency Ratio: measures the ratio of expenditures to revenues.
- Balance Ratio: assesses the balance between operating and capital expenditures.
- Growth Ratio: measures the development of financial performance over time.
- These ratios serve as the primary evaluation tools for assessing local fiscal management.

The relationship between financial performance and regional economic growth influences economic growth through sound fiscal management (Todaro & Smith, 2009). The government plays a role in economic allocation, distribution, and stabilization (Musgrave & Peacock, 1958). Fiscal decentralization can improve economic performance if supported by efficient budget allocation (Yuvanda et al., 2025). In addition, sound local finances also contribute to improved community well-being (Teguh et al., 2025).

In the study of local government finance, there is a significant debate regarding the effectiveness of fiscal decentralization in improving financial performance and public welfare. On the one hand, normative perspectives, as articulated by Kuncoro (2004) and Mahmudi (2019), assert that regional autonomy provides local governments with opportunities to optimize local potential, improve the efficiency of resource allocation, and strengthen fiscal self-reliance. On the

other hand, however, various empirical findings actually reveal contradictory conditions, where many regions remain dependent on central government transfers and have not yet been able to manage their finances efficiently (Fadli et al., 2024) ; (Auliani et al., 2024).

In fact, a study (Yuvanda et al., 2025) reveals a paradoxical phenomenon: an improvement in local government financial performance that is not accompanied by a decline in poverty rates. This discrepancy suggests that local government financial performance does not always correlate directly with economic development success, thereby sparking debate over whether existing financial performance indicators are capable of comprehensively representing the quality of fiscal management.

Although numerous studies have been conducted on local government financial performance, several gaps remain that have not been adequately addressed. First, most previous studies have focused on analyzing a single region or using an aggregate approach across provinces, thereby failing to provide an in-depth comparative analysis of regions with different economic characteristics. Second, prior research tends to emphasize the relationship between financial performance and macroeconomic variables such as economic growth or poverty, but few have specifically examined how differences in regional economic structures (urban vs. primary sector-based) affect the effectiveness of APBD management. Third, there is still a limited number of studies that comprehensively integrate financial ratio analysis with the latest empirical data to examine the dynamics of fiscal performance following a crisis or economic recovery. Therefore, a study is needed that can directly compare financial performance across regions with contrasting characteristics to gain a more contextual understanding.

This study offers a novel approach by adopting a comparative analysis between two regions with significantly different economic and fiscal characteristics: the City of Jambi, an urban area with an economy based on services and trade, and the City of Sungai Penuh, a region with an economy based on agriculture and nature-based tourism. Another novelty lies in the comprehensive use of local government financial ratio analysis (autonomy, effectiveness, efficiency, sustainability, and growth) combined with the latest data from the 2020–2024 period, thereby capturing the dynamics of current fiscal performance. Furthermore, this study not only assesses the level of financial performance but also interprets differences in results as a reflection of the regional economic structure and fiscal capacity. Thus, this study offers a new perspective in understanding that regional financial performance is determined not only by the magnitude of revenue but also by the quality of management and the regional economic context.

This study aims to analyze and compare the financial performance of the local governments of Jambi City and Sungai Penuh City based on local government financial ratios, including financial self-reliance, effectiveness, efficiency, sustainability, and growth. Additionally, this study aims to identify the extent to which differences in economic characteristics and fiscal capacity influence the management of the Regional Revenue and Expenditure Budget (APBD) in both regions. More broadly, this study is expected to provide empirical insights into the relationship between regional economic structure and financial performance, as well as serve as a basis for policy recommendations aimed at enhancing the effectiveness and fiscal autonomy of local governments.

METHOD

This study employs a quantitative approach using a descriptive-comparative method. The quantitative approach was chosen because the data used is numerical and is analyzed using statistics to test for differences between variables. According to (Hirose & Creswell, 2023), Quantitative

research is used to test relationships or differences between variables through statistical analysis of numerical data, making this method suitable for comparing financial performance across regions based on measurable indicators.

The data used consists of secondary quantitative data of a documentary nature, specifically data that has been collected and published by official institutions, meaning the researcher did not conduct direct data collection in the field. The data sources were obtained from the Central Statistics Agency (BPS) of Jambi Province and the Directorate General of Fiscal Balance (DJPK) of the Ministry of Home Affairs. The data used includes regional revenue, Regional Original Revenue (PAD), transfer revenue, and regional expenditures for the cities of Jambi and Sungai Penuh for the 2020–2024 period. This data was obtained from online publications and then processed to calculate regional financial ratios, namely the autonomy ratio, PAD effectiveness, efficiency, expenditure balance, and financial growth.

Data analysis was conducted quantitatively using descriptive and comparative analysis to address the research questions and test the hypothesis regarding differences in financial performance across regions. (Hirose & Creswell, 2023) states that quantitative data analysis is conducted systematically to test hypotheses based on numerical data. The data analyzed consists of calculations of local government financial performance ratios.

Descriptive analysis is used to describe the financial condition of a region through averages, percentages, and trends. (Halim, 2002) states that descriptive analysis serves to understand the characteristics of the data before statistical testing is conducted. Financial performance measurement refers to Mahmudi (2019) and (Halim, 2002) through several ratios, namely: the self-reliance ratio to measure a region's ability to finance itself; the effectiveness ratio to assess the achievement of local revenue targets; the efficiency ratio to measure the ratio of expenditures to revenues; the balance ratio to examine the proportion of operating expenditures to capital expenditures; and the growth ratio to assess the development of financial performance over time.

A comparative analysis was conducted using the Independent Samples t-Test to determine differences in financial performance between the City of Jambi and the City of Sungai Penuh. According to Ghozali (2021), this test is used when the data are normally distributed and meet statistical assumptions. Decision-making is based on the significance value (p-value), with a criterion of Sig. < 0.05 indicating a significant difference, while Sig. > 0.05 indicates no significant difference.

The variables in this study include Local Own-Source Revenue (PAD), central government transfer revenue, and local government expenditures. PAD is defined as local government revenue derived from local sources such as taxes, fees, proceeds from the management of local assets, and other lawful sources of revenue. Transfer revenue consists of funds originating from the central government, such as the General Allocation Fund (DAU), the Special Allocation Fund (DAK), and the Revenue-Sharing Fund (DBH). Meanwhile, local government expenditures encompass all local government outlays for operational funding, capital expenditures, contingency expenditures, and transfers.

The research subjects are the City Governments of Jambi and Sungai Penuh, with data obtained from the Directorate General of Budget and State Financial Management (DJPK) and the Local Government Financial Reports (LKPD) for the 2020–2024 period. The analysis was conducted using an independent samples t-test to identify differences in the financial performance of the two regions.

RESULTS AND DISCUSSION

The main findings of this study indicate that there is a fairly clear difference in financial performance between the City of Jambi and the City of Sungai Penuh during the 2020–2024 period. Empirically, Jambi City has better and relatively stable financial performance, particularly as seen in its self-reliance ratio (average 43.26%), PAD effectiveness (87.55%), and consistent financial growth. Conversely, Sungai Penuh City exhibits lower performance, particularly in terms of a very low self-reliance ratio (12.41%) and PAD effectiveness that tends to be less stable. In terms of efficiency, both regions are still suboptimal, although Sungai Penuh City is relatively more stable compared to Jambi City, which experiences sharp fluctuations. Additionally, the expenditure structure in both regions remains dominated by operational expenditures over capital expenditures, indicating that long-term development orientation has not yet become a top priority. The results of the independent samples t-test reinforce these findings by showing significant differences in the self-reliance ratio, operational expenditures, and capital expenditures, while the effectiveness, efficiency, and growth ratios do not show statistically significant differences.

The findings of this study are consistent with the theory of fiscal decentralization proposed by Kuncoro (2004) and Mahmudi (2019), which states that regions with stronger economic capacity tend to have higher levels of fiscal autonomy. This is evident in the City of Jambi, an urban area with a service and trade-based economy capable of generating greater local revenue compared to the City of Sungai Penuh. However, the results of this study also reinforce previous empirical findings such as Fadli et al. (2024) and (Auliani et al., 2024), which indicates that most regions in Indonesia still rely on central government transfers and are not yet fully efficient in their financial management. Furthermore, the absence of significant differences in financial effectiveness and growth ratios suggests that high fiscal capacity does not always correlate directly with the quality of financial management, as noted by (Yuvanda et al., 2025) regarding the paradoxical relationship between financial performance and welfare. Thus, the findings of this study underscore that regional financial performance is influenced not only by the level of revenue but also by the economic structure, the quality of budget management, and the fiscal policies implemented in each region.

The city of Jambi is the provincial administrative and economic center, covering an area of approximately 205.38 km² and featuring an economy based on trade, services, and industry (BPS, 2023). Local revenue is relatively high due to robust economic activity, resulting in low dependence on transfer funds and fairly strong fiscal autonomy. Sungai Penuh City is an autonomous region in the highlands with an area of approximately 391.50 km² and an economy based on agriculture, trade, and MSMEs. Local revenue remains limited and dependence on transfer funds is quite high, although it continues to grow.

The population of Jambi City is approximately 635,000 (2024), with high density and a dominant working-age population, thus possessing significant economic and fiscal potential (BPS, 2023). The population of Sungai Penuh City is approximately 103,000, with low density and a dominant working-age population, reflecting the characteristics of a developing region (BPS, 2023). Jambi City has a larger GRDP (approximately Rp28.18 trillion), dominated by the service and trade sectors, and exhibits stable economic growth. In contrast, Sungai Penuh City has a smaller GRDP (approximately Rp8.12 trillion), with an economy based on agriculture and SMEs, resulting in limited economic capacity.

The City of Jambi has stronger fiscal capacity, with high local revenue contributions and low dependence on transfer funds. Meanwhile, the City of Sungai Penuh remains dependent on central

government transfers, with relatively low local revenue. This difference highlights a gap in fiscal autonomy, which forms the basis for the financial performance analysis of the two regions.

The development of the financial performance of Jambi City and Sungai Penuh City during the 2020–2024 period was analyzed through ratios of fiscal autonomy, PAD effectiveness, efficiency, expenditure alignment, and financial growth based on APBD realization data. This analysis aims to assess the ability of local governments to manage finances effectively, efficiently, and sustainably.

Table 3. Financial Self-Reliance Ratios for the Cities of Jambi and Sungai Penuh, 2020–2024 (in billions of rupiah)

Year	Jambi City		Sungai Penuh City		Efficiency Ratio	
	PAD	Transfer Funds	PAD	Transfer Funds	City of Jambi (%)	City of Sungai Penuh (%)
2020	403,48	1.145,39	48,17	709,05	35,22	6,79
2021	419,59	1.060,92	46,24	663,27	39,54	6,97
2022	465,89	1.049,71	99,14	606,31	44,38	16,35
2023	515,34	1.032,56	100,58	618,58	49,90	16,22
2024	545,54	1.153,58	655,08	655,08	47,29	15,74
Average	469,968	1.088,432	189,842	650,458	43,266	12,414

Source: Directorate General of Fiscal Balance (processed data, 2026)

The self-reliance ratio indicates that the City of Jambi has shown year-over-year improvement, although it remains in the low category with an average of 43.26%. This suggests that dependence on transfer funds remains quite high, but the capacity for self-financing is beginning to develop. In contrast, Sungai Penuh City has a much lower ratio (12.41%) and falls into the very low category, indicating a high level of dependence on the central government.

Table 4. Ratio of Local Revenue (PAD) Effectiveness for the Cities of Jambi and Sungai Penuh, 2020–2024 (in billions of rupiah)

Year	Jambi City		Sungai Penuh City		Efficiency Ratio	
	Implementation PAD	Target PAD	Implementation PAD	Implementation PAD	Jambi City (%)	Sungai Penuh City (%)
2020	355,67	403,48	29,05	48,17	88,15	60,30
2021	384,73	419,56	59,11	46,24	91,69	127,83
2022	436,89	465,89	66,15	99,14	93,77	66,72
2023	415,90	515,34	67,48	100,37	80,70	67,23
2024	83,45	545,54	66,93	103,13	83,45	64,89
Average	335,328	469,962	57,744	79,41	87,552	77,394

Source: Directorate General of Fiscal Balance (processed data, 2026)

The local revenue effectiveness ratio for the City of Jambi falls into the "fairly effective" category, with an average of 87.55%, and has remained relatively stable despite some fluctuations. Meanwhile, the City of Sungai Penuh has shown inconsistent performance, with an average of 77.39% and predominantly falling into the 'ineffective' category, although it briefly reached the "highly effective" level in 2021.

Table 5. Financial Efficiency Ratios for the Cities of Jambi and Sungai Penuh, 2020–2024 (in billions of rupiah)

Tahun	Jambi City		Sungai Penuh City		Efficiency Ratio	
	Expenditure Realization	Revenue Realization	Expenditure Realization	Revenue Realization	Jambi City (%)	Sungai Penuh City (%)
2020	1.667,72	1.621,83	711,31	749,34	102,82	94,92
2021	1.740,36	1.652,95	803,62	778,20	105,28	103,26
2022	1.622,85	1.668,66	791,96	775,25	97,25	102,15
2023	1.627,52	415,90	746,48	708,60	391,32	105,34
2024	94,28	232,90	810,28	793,72	40,48	102,08
Average	1.350,546	1.118,448	772,73	761,022	147,43	101,588

Source: Directorate General of Fiscal Balance (processed data, 2026)

The efficiency ratio indicates that both regions remain inefficient in their financial management. The city of Jambi has experienced significant fluctuations, even showing extreme inefficiency in certain years, although it was efficient in 2024. The average efficiency rate of 147.43% indicates inefficiency. The city of Sungai Penuh is relatively more stable, but remains in the inefficient category with an average of 101.59%.

Table 6. Expenditure Balance Ratios for Jambi City and Sungai Penuh City, 2020–2024 Operating Expenditure Ratio (in billions of rupiah)

Year	Jambi City		Sungai Penuh City		Operating Expense Ratio	
	Operating Expenses	Local Government Spending	Operating Expenses	Local Government Spending	Jambi City (%)	Sungai Penuh City (%)
2020	1.386,07	2.212,68	682,39	847,03	62,64	80,56
2021	1.330,64	2.073,29	660,9	812,84	64,18	81,30
2022	1.398,29	1.773,75	666,34	797,78	78,83	83,52
2023	1.307,24	1.744,54	678,25	824,31	74,93	82,28
2024	1.567,06	1.954,22	715,44	863,70	80,18	82,83
Average	1.397,86	1.951,696	680,664	829,132	72,152	82,098

Source: Directorate General of Fiscal Balance (processed data, 2026)

The ratio of operational expenditures indicates that both regions prioritize routine spending. The city of Jambi has an average of 72.15%, while the city of Sungai Penuh has a higher ratio of 82.10%, meaning that the majority of the budget is focused on operational activities.

Table 7. Capital Expenditure Ratio (in billions of rupiah)

Year	Jambi City		Sungai Penuh City		Capital Expenditure Ratio	
	Capital Expenditures	Local Government Spending	Capital Expenditures	Local Government Spending	Jambi City (%)	Sungai Penuh City (%)
2020	826,61	2.212,68	164,64	847,03	37,35	19,43
2021	742,65	2.073,29	151,94	812,84	35,81	18,69
2022	375,46	1.773,75	131,44	797,78	21,16	16,47
2023	437,30	1.744,54	146,06	824,31	25,06	17,71
2024	387,16	1.954,22	148,26	863,70	19,81	17,16
Average	553,836	1.951,696	148,468	829,132	27,838	17,892

Source: Directorate General of Fiscal Balance (processed data, 2026)

The capital expenditure ratio in both regions is relatively low. The city of Jambi has an average of 27.84%, while the city of Sungai Penuh stands at 17.89%. This indicates that allocations for development and long-term investment have not yet become a top priority.

Table 8. Local Government Financial Growth Ratios for Jambi City and Sungai Penuh City, 2020–2024 (in billions of rupiah)

Year	Jambi City		Sungai Penuh City		Local Government Financial Growth Ratio	
	PAD (t)	PAD (t-)	PAD (t)	PAD (t-)	Jambi City (%)	Sungai Penuh City (%)
2020	403,48	364,14	48,17	47,07	10,80	2,33
2021	419,56	403,48	46,24	48,17	3,98	-4,00
2022	465,89	419,56	99,14	46,24	11,04	114,40
2023	515,34	465,89	100,37	99,14	10,61	1,24
2024	545,54	515,34	103,13	100,37	5,86	2,74
Average	469,962	433,682	397,05	68,198	8,458	27,594

Source: Directorate General of Fiscal Balance (processed data, 2026)

The financial growth rate for the City of Jambi shows a positive and relatively stable trend, averaging 8.46%. In contrast, the City of Sungai Penuh has been highly volatile, experiencing negative growth in 2021 and a sharp spike in 2022; thus, although the average is high, its stability is low.

Table 9. Financial Performance of the Jambi City Government (in percent)

Ratio	2020	2021	2022	2023	2024	Average	Criteria
Financial Independence	35,22	39,54	44,38	49,90	47,29	43,266	Low
Effectiveness PAD	88,15	91,69	93,77	80,70	83,45	87,552	Quite Effective

Local Government Financial Efficiency	102,82	105,28	97,25	391,32	40,48	147,43	Inefficient
Operational Expenditure Balance	62,64	64,18	78,83	74,93	80,18	72,152	Good
Capital Expenditure Alignment	37,35	35,81	21,16	25,06	19,81	27,838	Good
Growth in Local Government Finances	10,80	3,98	11,04	10,61	5,86	8,458	Good

Source: Directorate General of Fiscal Balance (processed data, 2026)

Table 10. Financial Performance of the Sungai Penuh City Government (in percent)

Ratio	2020	2021	2022	2023	2024	Average	Criteria
Financial Independence	6,79	6,97	16,35	16,22	15,74	15,74	Very Low
Effectiveness PAD	60,30	127,83	66,72	67,23	64,89	77,394	Ineffective
Local Government Financial Efficiency	94,92	103,26	102,15	105,34	102,08	10,588	Highly Efficient
Operational Expenditure Balance	80,56	81,30	83,52	82,28	82,83	82,098	Good
Capital Expenditure Alignment	19,43	18,69	16,47	17,71	17,16	17,892	Moderate
Growth in Local Government Finances	2,33	-4,00	114,40	1,24	2,74	27,594	Very Good

Source: Directorate General of Fiscal Balance (processed data, 2026)

Overall, the city of Jambi has better and more stable financial performance than the city of Sungai Penuh, particularly in terms of self-reliance, effectiveness, and consistent growth. The city of Sungai Penuh still faces challenges in improving its fiscal performance.

The comparison of financial performance was conducted using an independent samples t-test with a significance level of 0.05 to determine whether there are significant differences between the two regions.

Table 11. Results of the Independent Samples t-Test on the Financial Performance of the Local Governments of Jambi City and Sungai Penuh City

Ratio	T-statistic	Sig.(2-tailed)	Description
Financial Autonomy	8,863	0,000	Significantly Different
Effectiveness of Local Revenue	0,787	0,454	Not Significantly Different
Local Government Financial Efficiency	0,738	0,482	Not Significantly Different
Balance of Operating Expenditures	-2,676	0,028	Significantly Different
Balance of Capital Expenditures	2,676	0,028	Significantly Different

Local Government Financial Growth	-0,652	0,533	Not Significantly Different

Source: SPSS (processed data, 2026)

The test results indicate that there are significant differences in the ratios of financial autonomy, operational expenditures, and capital expenditures. This suggests distinct differences in self-financing capacity and budget allocation priorities. There are no significant differences in the ratios of local revenue effectiveness, efficiency, and financial growth. This implies that the two regions exhibit relatively similar patterns in these aspects. Thus, the main differences lie in fiscal capacity and budget allocation policies, while effectiveness and growth are statistically indistinguishable.

The research results point to several important policy implications. First, local governments need to enhance financial autonomy by optimizing local revenue (PAD), whether from taxes, fees, or the management of local assets. Second, revenue effectiveness needs to be improved through more realistic planning and better oversight.

Third, spending efficiency must be improved by ensuring that budget allocations are targeted effectively and avoiding waste. Fourth, a balance between operational and capital expenditures is necessary to ensure that long-term development continues.

In addition, improving the quality of human resources and utilizing information technology in financial management are key factors in creating a more transparent, accountable, and modern system. Overall, policies are aimed at improving the quality of financial management and reducing dependence on central government funds.

Research findings indicate that an analysis of local government financial ratios provides a comprehensive overview of the performance of local government financial management. The City of Jambi demonstrates better performance, supported by higher economic activity and stronger fiscal capacity compared to the City of Sungai Penuh.

The self-reliance ratio indicates differences in the ability to finance the region independently, while the effectiveness ratio illustrates the level of success in achieving local revenue targets. The efficiency ratio indicates that both regions still need to improve expenditure management to make it more optimal.

Additionally, an expenditure structure still dominated by operational expenditures indicates that allocations for development have not been maximized. The growth ratio shows that Jambi City is more stable, while Sungai Penuh City tends to be more volatile.

The results of the t-test confirm that there are significant differences in certain aspects, particularly financial autonomy and expenditure structure. These differences are influenced by economic factors, population size, and the fiscal policies of each region.

Overall, this study confirms that the City of Jambi has superior and more stable financial performance, while the City of Sungai Penuh still needs to improve its financial autonomy, efficiency, and consistency in financial management to support sustainable regional development.

CONCLUSION

Based on the results of research on the development and comparison of local government financial performance, it can be concluded that there are differences in financial performance characteristics between the City of Jambi and the City of Sungai Penuh during the 2020–2024 period. Jambi City demonstrated a higher level of self-reliance and effectiveness, reflecting a greater

ability to manage and optimize Local Own-Source Revenue (PAD). However, in terms of efficiency, Sungai Penuh City performed relatively better, although both regions generally still face challenges in achieving optimal budget management. Additionally, differences are evident in spending allocation patterns, where Jambi City tends to have a larger share of capital expenditures, while Sungai Penuh City is more dominated by operational expenditures. In terms of financial growth, Sungai Penuh City exhibits higher but less stable dynamics, whereas Jambi City is more stable despite having a lower growth rate. The results of statistical tests of differences support these findings, revealing significant differences in financial autonomy and expenditure structure (operational and capital), which indicate variations in fiscal capacity and policy priorities among regions. Meanwhile, no significant differences were found in terms of effectiveness, efficiency, and financial growth, indicating that the two regions have relatively similar management patterns in these aspects. Thus, the main differences in the financial performance of the two regions lie in the level of fiscal autonomy and budget allocation strategies. Based on the research results, the policy recommendation is the need to improve the quality of regional financial management tailored to the characteristics of each region. The Jambi City Government is advised to focus more on improving budget management efficiency, particularly in controlling operational expenditures and optimizing capital expenditures, so that budget utilization can be more effective in supporting regional development. On the other hand, the Sungai Penuh City Government needs to prioritize increasing financial autonomy through the optimization of sources of Local Own-Source Revenue (PAD), thereby reducing dependence on transfer funds from the central government. In addition, both local governments need to evaluate their financial management strategies, particularly in areas showing significant differences, such as fiscal autonomy and expenditure structures. The City of Jambi is expected to maintain its strengths in fiscal autonomy and revenue effectiveness while ensuring the optimal sustainability of local revenue management. Meanwhile, Sungai Penuh City needs to enhance its fiscal capacity and improve the balance between operational and capital expenditures to better support long-term development. With the implementation of appropriate policies, it is hoped that both regions can improve their financial performance more effectively, strengthen fiscal autonomy, and support the enhancement of public service quality and sustainable regional development.

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