

Financial Performance Analysis in Achieving Good Governance at Kadow General Hospital Manado

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ABSTRACT

The financial performance of the Regional Public Service Agency describes the financial performance report and work performance in a certain period. This research investigates how the financial performance of the Central General Hospital Kadow Hospital and how to reform financial management to achieve good governance? This study applied descriptive qualitative methodology. The field observation was conducted by direct observations on the operational process of the financial accounting section monitors at the Kadow General Hospital. The data was collected by observations and interviews on the hospital leaders, employees, and other stakeholders. The secondary data served as a comparison material obtained from financial performance reports. Through the analysis of financial ratios based on the BLU Financial Performance Indicators, the weighting results indicate that the financial performance values of Kadow Hospital are classified as Healthy (Good).

Keywords: Financial Performance, Good Governance, Regional Public Service Agencies

JEL Classification: G10, G18, G19

INTRODUCTION

During the COVID-19 pandemic, many profit-oriented and service sector companies maintain and improve performance indicators. Ernawatiningsih and Edy (2021) argued that the accounting information system in Indonesia in its development is essential for both profit and non-profit companies. The accounting information system is used for operational and service activities. Similarly, Daisy Mui Hung et al, in general, the company performance of 7 Eleven declined. The impact of the massive spread of COVID-19 in Indonesia has suppressed all sectors of the economy, including the manufacturing sector. Manufacturing activity in the country declined at the fastest pace in March, following a decline in output and new demand due to factory closures and flooding that disrupted supply chains. This weakening economic performance also impacts the employment situation in Indonesia. The same happens in banking companies (Wolok & Kango, 2021).

RSUP Kandou Hospital is a regional government hospital of North Sulawesi Province with the status of a Regional Public Service Agency (BLUD) under the supervision of the Ministry of Health of the Republic of Indonesia, which is expected to be able to manage regional finances responsibly with quality and can be measured through its performance. This recent paper focuses on the issues of performance, financial capacity, and financial management reform to achieve Good Governance of BLUD of Kandau General Hospital.

LITERATURE REVIEW

BLUD Financial Ratio Analysis

Lukman (2013) defined Regional Public Service Agency (BLUD) as an agency within the government formed to provide the community with goods or services sold without prioritizing seeking profit. Performance is the level of implementation achievement of an activity/program. Wisdom is realizing the goals, objectives, vision, mission of the organization contained in the formulation of strategic planning Organization (Bastian, 2011).

To know the performance well, we need a system called performance measurement. It is a process of assessing the progress of work against predetermined goals and targets, including information on the efficiency of resource use in producing goods and services, quality of goods and services (how well goods and services are delivered to customers and to what extent the customer is satisfied). The results of the activities are compared with the desired intentions and the effectiveness of the actions in achieving the goals (Verbeeten, 2008).

BLUD performance measurement is a form of accountability implementation from applying the new public management concept in the context of bureaucratic reform in Indonesia. Performance measurement provides activity results that can describe what has been done and achieved by regional hospitals to identify opportunities and challenges for hospital development (Shaw, 2003). According to Agustina (2013), financial indicators are indicators of achievement of performance in the financial sector, including income and expenditure. The purpose of financial reports is to assess government accountability (Puspitasari, 2013). Maharani (2013) highlighted no difference in financial performance before and after implementing the BLU management pattern.

The financial performance of public sectors such as local governments, foundations, and public hospitals is not profit-oriented. Financial performance is about the level of achievement of work in the financial sector, including regional revenues and expenditures using financial indicators determined through a policy or statutory provision

for one budget period. The form of performance is in the form of financial ratios formed from elements of accountability reports by regional heads and agencies to calculate income and expenditure budgets. One way to analyze the performance is by analyzing the financial ratios of income and expenditure budget according to the applicable regulations (Halim, 2002). Halim suggested several financial ratios to measure financial performance accountability: independence ratio, effectiveness ratio, and growth ratio.

According to Halim (2008), the ratio of financial independence measures national and local government's ability in operational activities such as infrastructure development and provides good services to many people in a region. The formula used is:

$$\text{Independence Ratio} = \frac{\text{Receipt of Public Funds}}{\text{Total Receipts}} \times 100 \quad (1)$$

According to Agoes (2010), the effectiveness ratio can be measured by input and output or input-output comparison to achieve preset goals. This comparison illustrates how an agency allocates funds. It can be measured by the formula:

$$\text{Effectiveness Ratio} = \frac{\text{Realization of Acceptances}}{\text{Target acceptance}} \times 100 \quad (2)$$

Halim (2008) stated that the growth ratio measures how much local government maintains and increases success from period to period. Similarly, Ulum (2012) argued that the growth ratio measures how much the ability of public institutions to maintain and increase the success that has been achieved from period to period of revenue realization. The measurement of the budget growth rate is calculated using the formula:

$$\text{Growth Ratio} = \frac{\text{Realization Regional Spending } X_{n-1}}{\text{Realization Regional Spending } X_n} \times 100 \quad (3)$$

where,

X_n = Calculated Year

X_{n-1} = Previous Year

Several researchers carried out relevant previous research. Julita, Makhsun, and Asliana (2018) revealed that the financial performance achievements of ABC Hospital with full BLUD status for 2017 and 2018 were 114.47% and 34.21% for financial performance assessment of the maximum total score, which is classified as poor (unhealthy). Furthermore, Muhamad (2018) contended that implementing the financial management pattern of BLUD Ciparay Bandung Regency has been effective. The total performance appraisal is categorized as good; however, it still needs to improve service performance and suitable staffing in terms of quantity, competence, and institutional arrangements. Christiana, Purnama, and Ardila, 2020 contended that financial ratios could also be used to determine earnings management.

RESEARCH METHOD

According to Sugiyono (2016), a research method is a scientific way to obtain data with specific goals and uses. Based on this, four keywords need to be considered: scientific means, data, purposes, and uses. This research applied a descriptive qualitative method to examine the condition of natural objects where the researcher is the key instrument (Sugiyono, 2016). This type of research is descriptive, namely research that describes information data based on facts in the field. Descriptive research itself is the most basic research.

Data retrieval is sourced from the hospital's annual financial report of Kandou Hospital for 2017-2019. The steps taken are 1) preparation or planning, 2) field observation, by making observations directly on the operational process of the financial accounting of financial management at Kandou General Hospital, and 3) data collection, by observations and interviews providing a list of questions and structured statements to the respondents. They are hospital leaders, employees, and other stakeholders (hospital

service users). The secondary data collection was conducted as a comparison material obtained from financial performance reports.

RESULTS

The accountability report for the financial performance of the Kandou Manado hospital illustrates its performance achievements from 2017 to 2019. This performance achievement is a benchmark for the success of annual programs and activities. Analysis of performance achievements is carried out to improve performance in the future. The report on hospital accountability and performance is prepared to be responsible in writing for implementing the main tasks, functions, and resource management for the implementation of policies and programs/activities entrusted to every government agency. The accountability report contains financial performance indicators, as shown in Table 1.

Table 1. Results of Financial Performance Indicators of BLUD Kandou Hospital of 2017 – 2019

No.	Financial Performance Assessment Indicators		Weighted Value (per year)		
			2017	2018	2019
1.	Financial Ratios				
	A	Cash Ratio	0.25	0.25	0.50
	B	Current Asset Ratio	0.25	0.50	0.75
	C	Collection Period	0.50	0.00	0.00
	D	Fixed Asset Turnover	2.00	2.25	2.25
	E	Return On Asset	0.50	0.00	0.00
	F	Return On Equity	0.60	0.00	0.00
	G	Inventory Turnover	1.00	0.75	0.00
	H	The ratio of PNBPN Revenue to Operating Costs	2.50	2.75	2.75
	I	Patient Cost Subsidy Ratio	0.00	0.00	0.00
2.	BLU Financial Management Compliance				
	A	Definitive Business Plan and Budget	2.00	2.00	2.00
	B	Business plan and Definitive Budget	2.00	2.00	2.00
	C	Letter of Approval of BLU Income and Expenditure	2.00	2.00	2.00
	D	Accounting System Service Rates	1.00	1.00	1.00
	E	Accounting System	1.00	1.00	1.00
	F	Account Approval	0.50	0.50	0.50
	G	Cash Management	0.50	0.50	0.50
	H	Accounts Receivable Management	0.50	0.50	0.50
	I	accounts Payable	0.50	0.50	0.50
	J	Management of Goods and Services	0.50	0.50	0.50
	K	Management of Goods and Inventory	0.50	0.50	0.50
	Total		19.60	17.50	17.25

Source: Processed Data, 2020

There is an increasing trend based on the independence ratio, effectiveness ratio, and growth ratio from 2017 to 2019. It means that the financial performance of Kandou Hospital since the implementation of PPK-BLUD has increased consistently from 2017 to 2019. Table 1 shows the indicators for assessing the financial performance of Kandou general Hospital and the prospects for improvement in the coming years. The total value in 2018 was 17.50. Compared to 2017, which was 19.60, it decreased by 2.1 points. The total value in 2019 was 17.25. Compared to 2018, which was 17.50, it decreased by 0.25

points. This number is getting closer to the maximum value for the BLU Financial Performance Indicator, which is 20 points.

Table 2. Assessment Results Based on Service Performance Indicators of BLUD RSUP – Kandou Hospital in 2017 – 2019

No.	Performance Appraisal Indicators	Year		
		2017	2018	2019
1	Service Performance Indicators	33.00	32.25	32.25
2	Service Quality Work Indicators and Community Benefits	31.20	32.30	32.61
TOTAL		64.20	64.55	64.86

Source: Processed Data, 2020

Table 2 shows the service performance indicators. In 2017 it was 82.80. In 2018 it was 82.05 and in 2019, it was 82.01. The non-financial performance calculations, including service performance indicators, are above average. The hospital has good productivity growth, efficient service, good competitiveness, developed human resource competencies, developed services, and orderly administration.

In addition, non-financial performance can also be seen from the service quality performance and benefits for the community, which is stable from 2017 to 2019. It occurs because the hospital can maintain service quality, care for the community, customer satisfaction, and concern for the environment. Whether a regional public service agency is healthy or not can be seen from the calculation of financial performance and non-financial performance indicators with the following results.

Table 3. Results of Achievement of Financial Performance Indicators and Non-Financial Work Indicators of BLUD RSUP – Kandou Hospital in 2017 – 2019

No.	Performance Appraisal Indicators	TAHUN		
		2017	2018	2019
1	Financial Performance Indicators	18.60	17.50	17.25
2	Non-Financial Performance Indicators	64.20	64.55	64.86
TOTAL		82.80	82.05	82.01

Source: Data Processed, 2020

Table 3 shows that from 2017 to 2019 financial and non-financial performance has increased. These results also show that RSUP – Kandou Hospital has a Healthy AA (Good) financial and non-financial performance from 2017 to 2019. To increase the efficiency and effectiveness of financial management, PPK BLUD is measured by calculating the Cost Recovery Rate (CRR) and the level of independence (TK). The measurement results for the Cost Recovery Rate (CRR) and the level of independence (TK) are presented in Table 4.

Table 4. Assessment Results based on Cost Recovery Rate (CRR) and Independence (TK) BLUD Kandou Hospital Hospital in 2017 – 2019

No.	Indicators	Year		
		2017	2018	2019
1	Cost Recovery Rate (CRR)	102 %	119 %	133 %
2	Level of Independence (TK)	94 %	102 %	205 %

TOTAL	196 %	221 %	338 %
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Source: Processed Data, 2020

Table 4 shows that the Cost Recovery Rate (CRR) of BLUD RSUP – Kandou Hospital has increased to the highest in 2019, by 133%. This shows a surplus, meaning the hospital could finance operational activities from the income it received. The level of Independence (TK) can be categorized as good because it has a value of > 70%. Also, the calculation results of the Cost Recovery Rate (CRR) and the Level of Independence (TK) from 2017 to 2019 continued to increase from 196% in 2017 to 338% in 2019. This shows that BLUD RSUP Kandou Hospital has a good financial management effectiveness and efficiency level.

DISCUSSION

The results of the financial ratio analysis show that RSUP – Kandou Hospital has good financial health based on the observation period from 2017 to 2019. Through financial ratio analysis based on BLU Financial Performance Indicators (RK-IKK), the financial performance values' weighted results are pretty good and are increasing from year to year. In 2017, the score was 18.60 points from 30 points. This value continues to increase consistently every year. In 2019, the value reached 19.05 points. This value is getting closer to the maximum value of the BLU Financial Performance Indicator, which is 30 points.

RSUP Kandou Hospital, in 2017 received a value of 82.80 categorized as Healthy AA and continued to increase in 2019 with a score of 82.11 in the category Healthy AA. Thus the financial and non-financial performance of BLUD RSUP – Kandou Hospital from 2017 to 2019 was included in the Healthy criteria.

Furthermore, to determine the efficiency and effectiveness of financial management, PPK BLUD is measured by calculating the Cost Recovery Rate (CRR) and the Level of Independence (TK). The Cost Recovery Rate (CRR) in 2017 of 196% continues to increase until 2019 by 338%. This shows a surplus allowing the hospital to finance operational activities. Meanwhile, the level of independence (TK) BLUD in 2017 was 104% and continued to increase until 2019 by 307%. This shows that the operating income of BLUD can finance operational costs and investment costs.

From the calculation of the health level of financial and non-financial management, The hospital is included in the outstanding category (AA points). This situation is marked by an increase in the Cost Recovery Rate (CRR) and hospitals' increasing level of independence in financing their operational activities. On the other hand, the government budget's level of dependence on subsidies continues to increase from 2017 to 2019. This is because 2017 to 2019 is the initial stage of the BLUD RSUP – Kandou Hospital running PPK-BLUD, so that there is a need for subsidized investment funds.

From the data and research results, it is evident that the Central General Hospital (RSUP) – Kandou Hospital has implemented PK-BLUD with higher quality and more attention to determinant factors of financial performance. The measurement of the application of the principles of good government governance in this study applies the latest good governance principles (2014), which are specifically applied to the public sector, whereas in previous studies generally used transparency, accountability, responsiveness, independency, and fairness (TARIF).

Based on the BLU Financial Performance Indicators (RK-IKK), the weighting of the financial performance values is quite good and increases from year to year. In 2017, the score was 18.60 points from 30 points. This value continues to increase consistently until

2019 (19.05 points). This value is getting closer to the maximum value of the BLU Financial Performance Indicator (30 points).

Non-financial performance indicators consist of service performance, quality performance and benefits for the community. This indicator shows increasing results from 2017 to 2019. In 2017 it showed a value of 64.20 and continued to increase until 2019, amounting to 64.86. RSUP Kandou Hospital, in 2017, received a value of 82.80, which is categorized as Healthy AA and continued to increase in 2019 with a score of 82.11 in the same category. Thus, the financial and non-financial performance from 2017 to 2019 was included in the Health criteria.

Furthermore, the level of efficiency and effectiveness of PPK BLUD financial management is measured by calculating the Cost Recovery Rate (CRR) and the Level of Independence (TK). CRR in 2017, which is 196%, continued to increase until 2019 by 338%. This indicates a surplus implying the hospital's ability to finance operational activities from its income. Meanwhile, for the level of independence value in 2017 was 104% and continued to increase until 2019 (307%). This shows that the operating income can finance operational costs and investment costs because 2017 to 2019 was the initial stage of BLUD RSUP – Kandou Hospital to run PPK BLUD. It has a dependence on the Local Budget. It is hoped that Kandou Hospital hospital optimizes its operating income to reduce the dependence for the following year.

CONCLUSION

The results of research and analysis conclude that the financial performance of the regional general hospital, Kandow General Hospital Manado, for 2017 to 2019 is in a good category and the non-financial performance is in a good category. However, it has a dependence on regional revenue and expenditure budgets because 2017 to 2019 is the initial stage of the pattern of financial management of regional public service agencies.

This study has several limitations. The data was merely collected from BLUD RSUP – Kandou Hospital from 2017 to 2019 because the hospital implemented PPK BLUD in 2017, and a public accounting firm did not audit the BLUD financial statements in 2020. Since the research object is only one hospital, it is not able to provide a general comparison in running PPK BLUD.

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The authors declared no potential conflicts of interest with respect to the research, authorship, and or publication of this article.

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