

Implementation Of Risk Management Strategies And Its Implications On Financial Performance At The Financial And Asset Office Of South Sulawesi Province

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Abstract

This study analyzes the effectiveness and contribution of PBB-P2 Tax, Billboard Tax, and Restaurant Tax to Local Revenue (PAD) in Mojokerto Regency for the period 2022 to 2024. Using a quantitative approach and secondary data from the Mojokerto Regency Local Government Budget Implementation Report, this study found that all three taxes consistently exceeded their annual revenue targets, thereby being classified as “highly effective.” Specifically, the PBB-P2 tax achieved an effectiveness rate of 107.45% (2022), 101.17% (2023), and 104.01% (2024), and made a significant contribution to PAD, ranging from 27.89% to 43.36% annually. Restaurant tax followed with effectiveness rates of 120.78%, 101.84%, and 112.18%, and a steadily increasing contribution from 2.74% in 2022 to 3.54% in 2024. Billboard taxes, although also highly effective at over 101% annually, contribute the least to PAD, ranging from 1.01% to 1.12%, but show a positive upward trend. These findings indicate that while all taxes are managed efficiently, their respective contributions to PAD vary, presenting an opportunity for local governments to optimize underperforming tax sectors—particularly billboard and restaurant taxes—to enhance overall PAD.

Keywords: PBB-P2 Tax, Billboard Tax, Restaurant Tax, Tax Effectiveness, Contribution, PAD, Mojokerto Regency

INTRODUCTION

In an increasingly dynamic and uncertain business environment, risk is an unavoidable element. The South Sulawesi Provincial Financial and Asset Agency, which plays a vital role in the economy, faces numerous risks that can impact its stability and performance. These risks include credit risk, operational risk, market risk, and liquidity risk. Therefore, implementing an effective risk management strategy is crucial to ensure business continuity and maintain stable financial performance. (Dewi Aristi, 2023).

In an era of globalization and increasingly fierce competition, risk management is a crucial aspect of operations. The South Sulawesi Provincial Financial and Asset Agency faces various risks, such as credit risk, market risk, operational risk, and liquidity risk. Implementing an effective risk management strategy can help identify, measure, and manage these risks to minimize potential losses.

As the regional financial manager, the South Sulawesi Provincial Finance and Assets Agency (BPKP) needs to ensure that its risk management strategies provide added value in maintaining efficiency and accountability. Amidst the dynamics of regulations and the complexity of regional financial management, strengthening risk management is a strategic step in supporting sustainable regional fiscal performance.

As one of the agencies, the South Sulawesi Provincial Finance and Assets Agency (BPKP) has a significant responsibility to manage risk effectively. This research aims to explore how the South Sulawesi Provincial Finance and Assets Agency (BPKP) implements risk management

strategies and how these strategies impact its financial performance amidst constantly changing market dynamics. However, with the development of various financial innovations and the increasing complexity of public transactions and finances, the challenges in risk management are also increasing. Suboptimal implementation of risk management strategies can result in declining financial performance, financial losses, and even a loss of trust from customers and other stakeholders.

This research focuses on analyzing the implementation of risk management strategies in the finance department of the South Sulawesi Province Regional Finance and Assets Agency and their impact on financial performance. By understanding how these strategies are implemented and evaluating their impact, this research is expected to provide deeper insight into the effectiveness of risk management at the South Sulawesi Province Regional Finance and Assets Agency. Furthermore, the results of this study can provide useful recommendations for improving risk management and financial performance, as well as contribute to the academic literature in the field of risk management.

This research also aims to identify and analyze the risk management strategies implemented by the finance department of the South Sulawesi Province Regional Finance and Assets Agency and to evaluate their impact on financial performance. Thus, this research is expected to provide deeper insight into the relationship between risk management and financial performance.

RESEARCH METHODS

This type of research is descriptive qualitative. Qualitative descriptive research is a research approach that aims to understand and explain phenomena or situations comprehensively and in-depth. The focus of the research on the proposal "Implementation of Risk Management Strategy and its Implications for Financial Performance at the Regional Finance and Assets Agency Office of South Sulawesi Province" is to understand how the implementation of risk management strategy at the Regional Finance and Assets Agency Office of South Sulawesi Province affects its financial performance. The research location is at the Office of the Regional Finance and Assets Agency of South Sulawesi Province, Jl. Urip Sumoharjo No. 269, Panaikang, Makassar City, South Sulawesi 90231. The type of data used is qualitative data. Qualitative data is non-numerical, more descriptive in nature and can provide in-depth understanding of the phenomena being studied.

Informants in research are individuals or actors who truly understand and master the problem and are directly involved in the research. By using qualitative research methods, researchers are closely involved in the implementation of risk management strategies and their implications for financial performance. Therefore, in this case, sampling involves gathering as much information as possible from various sources. The second purpose of informants is to identify the information that forms the basis and design of the theory being developed.

The data collection techniques used include interviews, document analysis, observation, and regulatory document analysis. Through interviews with the Head of General Affairs, Personnel and Legal Affairs, Treasury, Regions 1 (one) and 2 (two), and operational staff at the South Sulawesi Provincial Financial and Asset Agency, researchers will gain an in-depth understanding of the implementation of risk management strategies and their perceptions of their impact on financial performance.

RESULTS AND DISCUSSION

This research used a descriptive qualitative method to examine the implementation of risk management strategies and their implications for financial performance at the South Sulawesi Provincial Financial and Asset Agency.

1. The risk management strategy at the South Sulawesi Provincial Financial and Asset Agency is evident in the existence of a clear accountability system, supported by a detailed and organized organizational structure. This structure regulates the division of duties, authority, and responsibility according to management levels. The focus of risk management covers financial, operational, and strategic risks, through the process of identifying, assessing, monitoring, and controlling risks. Furthermore, mitigation policies are implemented to prevent losses that could impact financial performance and stability. Overall, risk management plays a crucial role in creating transparent, accountable, and sustainable financial management.

The implementation of a management system is a structured process for managing various aspects of an organization that requires commitment from all parties. In the context of risk management, this system is implemented by integrating risk management principles into all financial aspects. The process includes identifying, analyzing, and managing risks to minimize potential losses. With this approach, risk management helps organizations achieve their goals effectively.

The success of risk management implementation is determined by several key factors, such as leadership commitment, supportive regulations, risk management capabilities, and adequate technology utilization. With this combination of factors, the risk identification, analysis, and monitoring process can be effective and sustainable, thus optimally supporting the achievement of organizational goals. A risk management policy is a guideline used by an organization to manage various types of risks, such as credit, operational, and market risks. The process includes systematic and optimal risk identification, measurement, mitigation, and monitoring. The goal is to maintain stability, improve performance, and ensure the organization's sustainability and accountability. Through the identification process, the organization identifies the types and sources of potential risks. Next, risks are measured to determine their impact and likelihood of occurrence. Furthermore, mitigation or risk reduction efforts are implemented through appropriate strategies, accompanied by regular monitoring to ensure risks remain within acceptable limits.

Financial Technology (Fintech) positively and significantly affects the financial performance of banks listed on the Indonesia Stock Exchange. This indicates that when there is an increase in fintech transactions, the bank's financial performance will increase. Fintech has had a major impact on the banking sector in Indonesia. The banking sector benefits from innovation in financial products and services, but also faces challenges that come with increasingly tight competition. Although there have been some negative impacts, such as declining market share and data security risks, Indonesian banks now realize the importance of digital transformation and collaboration with fintech to remain competitive and provide relevant services to the community.

Moving forward, banks in Indonesia need to continue to innovate, adapt to new technologies, and strengthen regulations that support the fintech industry. Collaboration between the banking and fintech sectors, as well as improving data security and protection systems, will be key to maintaining the integrity and sustainability of the digital financial ecosystem in

Indonesia. By implementing a structured risk management system, this office is able to improve accountability and transparency in financial governance. Identified risks can be minimized, thereby preventing potential disruptions to operations. This directly supports efficiency in task execution and strengthens the stability of the organization's overall performance. This implementation also demonstrates the organization's commitment to maintaining the sustainability and integrity of regional finances. With continuous monitoring and the implementation of appropriate risk mitigation, the Regional Finance and Asset Agency Office is able to create a more controlled, effective, and responsive work environment to changes and challenges. Overall, the implementation of risk management in this office has had a significant positive impact on creating better, more focused, and more sustainable financial and asset governance.

2. Financial performance assessments at the South Sulawesi Provincial Finance and Asset Agency are conducted systematically and comprehensively, from planning evaluation to implementation and reporting. This process involves close monitoring and periodic evaluations using key indicators such as budget realization, spending efficiency, and regulatory compliance. The results of these assessments serve as a critical basis for performance improvement and strategic decision-making to support development and quality public services in South Sulawesi Province.

3. Risk management plays a strategic role in supporting and strengthening financial performance, particularly in the context of regional financial management, such as at the South Sulawesi Provincial Financial and Asset Agency. The relationship between risk management and financial performance is closely linked, as both support each other in maintaining stability, transparency, and accountability in public financial governance.

The implementation of effective and systematic risk management is a key foundation for achieving healthy and sustainable financial performance. This process includes the identification, assessment, mitigation, and control of various types of risks, including financial, operational, and strategic risks, that have the potential to disrupt budget stability and the achievement of regional financial goals. In practice, this risk management is supported by a clear organizational structure, appropriate division of tasks and responsibilities, and consistent internal policies.

Integrating risk management principles into all financial processes offers significant benefits. With this approach, potential risks can be identified early and responded to quickly, thereby minimizing losses and supporting the achievement of organizational goals efficiently and effectively. In this regard, the success of risk management implementation is greatly influenced by several important factors, including:

- a. Leadership commitment
- b. Availability of adequate regulations
- c. Human resource competency
- d. Utilization of appropriate technology

The implementation of a risk management system supported by regular monitoring and timely information technology enables accurate and effective risk control. This is crucial for maintaining public trust and creating transparent financial governance. However, challenges remain in its implementation, such as limited risk management expertise, a lack of technology optimization, and an organizational culture that does not fully support a risk management

approach. These challenges need to be addressed through capacity building, strengthening internal systems, and sustainable policy adjustments.

Thus, structured and sustainable risk management not only serves as a mitigation tool against uncertainty but also as a crucial element in creating quality financial governance. This system helps organizations respond to change, avoid losses, and create fiscal stability, which is the foundation for achieving competitive and sustainable regional development goals.

The interview results above indicate that effectively implemented risk management at the South Sulawesi Provincial Financial and Asset Agency Office directly contributes to improved financial performance. With a structured system, risks can be identified and appropriately controlled, thus supporting transparency, efficiency, and regional financial stability. This demonstrates that risk management is a crucial foundation for achieving financial management and sustainable regional development goals.

The results of this study align with research conducted by M. Faisal (2022) and Muhammad Wahyudin (2024), which demonstrated that the implementation of risk management strategies and their implications for financial performance is successful if carried out systematically through thorough planning, continuous monitoring, and the implementation of mitigating actions for identified risks.

However, unlike the research conducted by Fania Mutiara Savitri (2022), which focused more on several risks arising from the operational, technical, and strategic activities of the Lapar Cafe MSME based on risk management concepts, the research conducted by Muhammad Wahyudin (2024) focused more on various risk mitigation strategies, such as product diversification, the use of digital technology for marketing and financial transactions, and optimizing the use of more stable local raw materials.

CONCLUSION

1. The implementation of the risk management system at the South Sulawesi Provincial Financial and Asset Agency Office has been carried out systematically and structured, encompassing the identification, assessment, monitoring, and mitigation of financial, operational, fiscal, liquidity, and market risks. The integration of risk management principles into all aspects of financial management is supported by a clear organizational structure, a clear division of responsibilities, strict supervisory policies, and the use of real-time monitoring technology. Despite challenges such as limited human resources and infrastructure, this implementation has had an overall positive impact on increasing accountability, transparency, efficiency, and stability of the organization's financial performance. This demonstrates that risk management is a crucial element in supporting good and sustainable regional financial governance.
2. Impact on financial performance at the South Sulawesi Provincial Financial and Asset Agency Office has had a significant positive impact on the organization's financial performance. With a systematic and integrated approach, risk management can improve financial stability, strengthen accountability, and promote efficiency and transparency in the management of regional finances and assets. The use of real-time risk monitoring technology and strict supervision also strengthen the effectiveness of its implementation.

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