

THE EFFECTIVENESS OF DIRECT EXPENDITURE BUDGET ON PERFORMANCE

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ABSTRACT

This paper described the implementation of the budget directly to the performance-based budget and analyzed it. The data source of this study from secondary data, namely data obtained from documents and archives obtained from the Medan Helvetia District Office. While the data collection techniques in this study were carried out by observation, interviews, and documentation studies. The data analysis technique used is a comparative descriptive analysis that uses the preparation of performance-based direct spending budgets set by the general bureau and secretarial equipment of Medan Helvetia Subdistrict. The results of the research obtained using the Budget and Expenditure of the Medan Helvetia Subdistrict Office are quite effective. Budget and spending effectiveness ratio from 2019 effectiveness ratio of 84.22%, in 2020 effectiveness ratio of 93.33%, in 2021 effectiveness ratio of 97.7%.

Keywords: *Direct Expenditure Budget and Performance Based Budget*

1. INTRODUCTION

The performance budget reflects several things, namely: the purpose and objectives of the request for funds, costs and the programs proposed to achieve this goal. Qualitative data that can measure achievement and work carried out for each - each budgeting with a performance approach focuses on the efficiency of organizing an activity. To be able to prepare a performance-based budget, you must first develop a strategic plan. The preparation is carried out objectively and involves all components within the government and society. So that the system can determine price standards, performance benchmarks and minimum service standards that are applied based on laws and regulations.

According to the Directorate of Supervision of Regional Financial Implementation, performance-based budgeting is a budgeting method for management to link each funding outlined in activities with expected outputs and results, including efficiency in achieving these outputs. The importance of the effectiveness of budget oversight and budget preparation, budget execution up to budget accountability reporting because of its impact on government accountability, in relation to the function of government in providing services to the community. Forms of budget reform in an effort to improve the budgeting process in implementing performance-based budgeting. Through a performance-based budgeting approach, the Medan Helvetia sub-district is required to set performance standards for each.

To be able to make a performance-based APBD, Medan Helvetia District must have strategic planning. Strategic planning is prepared objectively and involves all components within the government. With this system, the local government will be able to measure its financial performance is reflected in the APBD. One aspect that is measured in the performance appraisal of local government is the financial aspect in the form of a performance-based budget. In order to carry out a performance measurement, it is necessary to determine indicators in advance, including input indicators in the form of funds, human resources, and work methods.

At present there are still several problems related to the implementation of ABK in the Medan Helvetia District Office, including the notion that the budget is an "allocation" that must be spent by each unit to carry out its activities for one fiscal year. Another problem is related to the formulation of

performance indicators that cannot be fully used as a benchmark for the success of an activity or program. However, with the commitment and contribution of all parties as well as the support of a comprehensive set of regulations, it is hoped that in monitoring there will continue to be improvements and progress in the implementation of ABK.

This performance-based supervision is not only based on needs and balances, but also based on objectives whose implementation focuses on the effectiveness and efficiency of implementing a program or activity. Even though performance-based budgeting has started since 2015, it is still common to find budget use in subsequent years where realizations cannot be fulfilled because the programs or activities made are not in accordance with the objectives. This happens because there is a tendency to use the old mindset, namely budget absorption must be 100% without being accompanied by effective implementation.

2. LITERATURE REVIEW

2.1. Regional Revenue and Expenditure Budget (APBD)

According to Law no. 33 of 2004, "Regional revenue and expenditure budget, hereinafter referred to as APBD, is a regional annual financial plan that is determined based on regional regulations regarding APBD". According to Saragih (2013: 127), "APBD is an important description or benchmark of the success of a region in increasing the potential of the regional economy. That is, if the regional economy experiences growth, it will have a positive impact on increasing regional income (PAD). The Regional Income and Expenditure Budget (APBD), is the regional government's annual financial plan approved by the Regional People's Representative Council. The elements of APBD according to Halim (2014:15-16) are as follows:

1. An activity plan for a region, along with a detailed description
2. There is a source of revenue which is the minimum target to cover costs related to the activity, and there are costs which are the maximum limit for expenses to be carried out
3. Types of activities and projects set forth in the form of numbers,
4. The budget period is usually 1 (one) year.

Mardiasmo (2011) says that one of the important aspects of local government that must be carefully regulated is the issue of regional financial and budget management. The regional budget or APBD is the main policy instrument for local governments, occupying a central position in efforts to develop the capabilities and effectiveness of local governments. Regional budgets should be used as a tool for determining the amount of income and spending, a tool for decision-making and development planning as well as a tool for future spending authority and a standard measure for performance evaluation and a coordination tool for all activities in various work units.

2.2. Performance-based budgeting

Performance-based budgeting is basically a budgeting system that focuses on the results to be achieved. Bastian (2016) states that "budgets are based Performance is a budgeting system that is oriented towards organizational output which is closely related to the vision and mission and strategic planning of the organization. Furthermore, according to Mardiasmo (2012) "performance budgeting is a system of preparing and managing regional budgets that is oriented towards achieving results or performance. This performance reflects the effectiveness and efficiency of public services, which means it is oriented to the public interest".

According to Halim (2017) "performance-based budgeting is a budgeting system for management to link any funding outlined in activities with the expected output and outcome including efficiency in achieving the outcome of the output". The outputs and outcomes are set forth in the performance targets that have been made for each performance unit. In Law Number 17 of 2003, performance-based budgeting is a budgeting system based on performance or work achievements to be achieved.

2.3. Performance Based Budget Indicators

Performance-based budgeting (PBK) is an approach in the budgeting system that pays attention to the link between funding and expected outputs and results, including efficiency in achieving these results and outputs. The main indicators of performance-based budgeting are:

1. Planning

To be able to arrange ABK, every organization must have a strategic plan. Strategic planning is prepared objectively and involves all organizational components. In order to carry out a performance measurement, it is necessary to determine indicators in advance, including input indicators in the form of funds, human resources, and work methods. In order for input to be informed accurately in a budget, it is necessary to evaluate its fairness. In assessing the fairness of the input with the resulting output, the role of Standard Expenditure Analysis (ASB) is very much needed. ASB is an assessment of the fairness of the workload and costs used to carry out an activity. To fulfill the implementation of autonomy in the financial sector with the issuance of various new government regulations,

2. Implementation

Budget implementers will use the resources for which they will be held accountable not for execution of the budget in accordance with the items of expenditure committed, but for the quantity and quality of results promised from the resource package allocated to them in the budget. Implementation of the budget requires input flexibility whereby the budget executing official must be given greater flexibility to choose the expenditures he makes to produce services in the most efficient manner. This can be done by reducing the number of restrictions that must be followed on budget expenditures based on economic classification (line items) in traditional budgeting. Compared to traditional line-item budgeting,

3. Monitoring

Budget monitoring is arranged according to expenditure classification up to the details of expenditure objects. This has implications for tight control of inputs which results in a lack of flexibility for managers (budget users) in using their budgets. Thus, the provisions regarding budget spending regulated in existing laws and regulations have not supported the flexibility of budget spending by users budget as an official who has authority in carrying out budget expenditures.

4. Shopping Efficiency

Spending efficiency is used to measure the level of budget savings made by the government. The number resulting from this efficiency ratio is not absolute, but relative. We can only say that this year government spending is relatively more efficient compared to last year. The local government is considered to have implemented budget efficiency if the efficiency ratio is less than 100%. Conversely, if it exceeds 100%, it indicates that there has been a waste of the budget.

5. Program Achievements

The achievement of the budget implementation program or the achievement of financial performance illustrates the amount of budget allocation and absorption used to achieve performance targets. Performance measurement is a management tool used to improve the quality of decision making and accountability.

3. METHODOLOGY

This research approach uses a descriptive research approach. According to Surakhmad (1992, p.35), Descriptive Research is research that gives phenomena as they are in accordance with their appearance. The data analysis technique used in the preparation of this research is descriptive comparative analysis, namely using the preparation of performance-based direct expenditure budgets determined by the general bureau and secretariat equipment of Medan Helvetia District. With the stages namely:

1. Data collection and supporting theory.
2. Conducting interviews.
3. Perform analysis of research results.
4. Interpret the data and describe the research results.
5. Provide Conclusions and Suggestions

4. RESULTS

4.1. Research result

Based on the vision, mission, goals, strategic targets and policy directions that have been set out in the Strategic Plan, efforts to achieve them are then elaborated more

systematically through the formulation of priority programs for the Medan Helvetia sub-district. The programs that support each target are as follows:

Table 1. Programs for Target Achievement

No	Strategic target	Number of Programs Supported
1	Service improvement community administration	Service improvement program public
2	Improved quality planning development	1. Upgrade program society participation in building villages 2. Coaching program general governance subdistrict 3. Social coaching program district society

4.2. Key Performance Indicator Achievements in 2019

In general, the Medan Helvetia District government has carried out its duties in order to achieve the goals and targets set in the Medan City Government's regional medium-term development plan for 2019-2021.

Measurement of performance targets from predetermined strategic goals will be carried out by comparing between performance targets and actual performance. The main performance indicators for Medan Helvetia District in 2019 are as follows:

Table 2. Achievements of the Main Performance Indicators of Medan Helvetia District in 2019

No	Indicator	Unit	Target	Realization	Percentage mark%
1	Satisfaction Index Society (IKM)	Mark	80	82.6	103
2	Percentage of Yang Village Finish Planning and Timely Reporting	%	85	77.5	91.1
3	Average Percentage APBDes suitability with the RPJMDes	%	80	75	93.7
4	Realization Percentage Priority Program District Musrenbang	%	80	70	87.5
	Average amount				93,057

Based on the results of performance measurements on the 4 (four) main sub-district performance indicators, it was concluded that 3 (three) main performance indicators had high criteria, while the presentation indicator for the realization of the sub-district musrenbang priority program was at a moderate level, so it was concluded that the average achievement indicator was 93.07%. very high criteria.

Table 3. Realization of the Direct Expenditure Budget for Medan Helvetia District, Medan City Government

Year	Expenditure Budget Targets	Realization
2019	Rp. 602,015,400	Rp. 507,015,932
2020	Rp. 766,878,760	Rp. 731,068,934
2021	Rp. 885,412,500	Rp. 865,477,392

4.3. Analysis and Calculation of Effectiveness

Halim 2014 defines effectiveness as an illustration of the government's ability to realize the planned expenditure budget compared to the targets set based on the government's real potential. The level of effectiveness is calculated by comparing the realization of the expenditure budget with the target budget that has been set which can be seen in the table and the level of effectiveness can be calculated from 2019 - 2021

The level of effectiveness is classified into several categories, namely: According to Kepmendagri number 690,900,327 of 1996. Regarding guidelines for evaluating financial performance, the more effective the calculation is, the closer to 100% the more effective it will be. The following are the effectiveness criteria

Table 4. . Effectiveness Indicators

Percentage	Criteria	Sign/ Code
>100%	Very effective	SE
>90%-100%	Effective	E
>80%-90%	Effective enough	CE
>60%-80%	Less effective	TO
>60%	Ineffective	TE

Based on the table, it can be seen that the level of effectiveness of the direct expenditure budget for the Medan Helvetia District Office, Medan City Government in 2019 was at a ratio of 84.22% (Quite effective), then in 2020 the effectiveness ratio was 93.3% (Effective), and in 2021 the efficiency ratio 97.7% (Effective) seen from the number of targets and the realization of direct spending in the Medan Helvetia District, the Medan City Government has increased, so that it can be interpreted that the performance of the Medan Helvetia District Office, the Medan City Government, has increased (Effectively) every year.

4.4. Efficiency Calculation Analysis

Budget efficiency measurement is carried out by dividing the cost of indirect expenditure budget expenditure by the total realization of the direct expenditure budget and the indirect expenditure budget.

Table 5. Efficiency Indicators

Efficiency Value	Criteria
<20%	Not efficient
21-85%	Efficient

Efficiency measurement:

1. If the result is <20%, it means it is not efficient
2. If the result is between 21% to 85%, it means efficient
3. If the result is > 85% it means it is very efficient.

Table 6. Level of Indirect Expenditure Budget Efficiency in Medan Helvetia District, Medan City Government

Year	Budget Targets	Realization	Ratio	Criteria
	Shopping No Direct		Effectivene ss	Effectiveness
2019	IDR 1,935,166,200	IDR 1,925,918,000	99.52%	Very efficient
2020	IDR 1,731,282,000	IDR 1,925,918,000	100%	Very effective
2021	IDR 1,630,148,759	Rp. 1,925,918,000	100%	Very effective

Based on table 6, it can be seen that the level of indirect budget efficiency for the Medan Helvetia District Office in 2019 was at a ratio of 99.52% (very efficient), then in 2020 the effectiveness ratio was 100 (very efficient), and in 2021 the efficiency ratio was 100% (very efficient) seen from the number of targets and the realization of indirect spending in the Medan Helvetia District, the Medan City Government has increased, so it can be interpreted that the efficiency of the performance of the Medan Helvetia District Office, the Medan City Government, has experienced a good increase.

Indra (2006) explains that effectiveness is the success of achieving a predetermined goal. Effectiveness only talks about output issues. If the organization has succeeded in achieving its goals, then the organization is running effectively. Or in other words Effectiveness is the success or failure of the output with the goals or objectives to be achieved.

Efficiency is the most important thing, because an organization is considered more efficient if the efficient ratio tends to be above one. The bigger the number, the higher the efficiency level. In absolute terms, this ratio does not indicate the financial position and performance of the organization. However, the level of efficiency of various programs in two organizations working in the same industry can be compared. If the ratio results are greater than one compared to the ratio results for the same program in other organizations, the program can be said to be more efficient.

A budget can be interpreted as a package of statements regarding estimates of revenues and expenditures that are expected to occur in one or several future periods. The budget always includes data on receipts and expenditures that occurred in the past. Most public sector organizations distinguish between additional capital and revenue, as well as additional income and expenditure.

This research is in line with the results of research from Dwi Nofita Sari (2018) who conducted a study entitled Analysis of the Effectiveness and Efficiency of Budget Implementation. This study aims to determine the Effectiveness and Efficiency of Budget Implementation. The research method used is descriptive analysis method. The results of the research used show the results of the analysis of the calculation of the efficient level and effectiveness of spending, it can be seen that the Samarinda City government has carried out spending efficiency as evidenced by the level of efficiency from 2011 to 2015 it has been effective. The equation in this study is that both research is about analysis effectiveness and efficiency of the budget and spending on government agencies. The difference is that from the results of previous studies it was inefficient due to unrealized expenditure programs and several other programs whose realization was not optimal so they did not reach the target.

5. CONCLUSIONS

Based on the results of the research and discussion, the following conclusions can be drawn:

1. The use of the Medan Helvetia District Budget and Expenditures is classified as effective. The ratio of effectiveness of the budget and spending from 2019 the ratio of effectiveness is 84.22%, in 2020 the ratio of effectiveness is 93.33%, in 2021 the ratio of effectiveness is 97.7%. The level of effectiveness of the budget and spending has increased every year. This is a good thing because it is accompanied by improved budget management. The Effectiveness Ratio describes the ability of the sub-district government to realize the planned revenue, then compared with the target set based on the real potential of the area.
2. The use of budget and spending in Medan Helvetia District is classified as efficient. The efficiency ratio of the budget and spending in 2019 is 99.52%, in 2020 the efficiency ratio is 100%, in 2021 the efficiency ratio is 100%. The level of budget and expenditure efficiency is a measure of the success of an activity which is assessed based on the amount of costs or resources used to achieve the desired results.

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