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ANALYSIS OF THE EFFECTIVENESS AND EFFICIENCY OF EXPENDITURE BUDGET IMPLEMENTATION IN BALIKPAPAN CITY

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ABSTRACT
The budget can be used as a guideline in carrying out its duties. Public sector organizations are required to consider value for money in making policies and carrying out their activities. The purpose of this study is to determine the level of effectiveness and efficiency of the implementation of the Balikpapan City regional budget for 2019-2022. The method used in this study is quantitative descriptive analysis with data analysis using effectiveness and efficiency measurement methods. The results of this study show that the level of effectiveness and efficiency of budget implementation in Balikpapan City in 2019-2022 has fluctuated. The implementation of the Balikpapan City regional budget in 2019-2022 as a whole meets the criteria of being quite effective. The lowest percentage of efficiency in 2019 was 95.01%, which falls under the category of less efficient. The highest efficiency rate was in 2020, with a percentage of 86.96%, with the criteria of being quite efficient. This study implies that fluctuations in the level of effectiveness and efficiency of Balikpapan City's APBD implementation may indicate factors that change from year to year. It is necessary to conduct in-depth analysis to identify the causes of such fluctuations in order to take appropriate corrective measures. Although there are fluctuations, the overall implementation of the Balikpapan City APBD is considered quite effective. This could be an indication that there are certain aspects that are managed well, but it is still necessary to focus on elements that may cause fluctuations.

Keyword: budget, effectiveness, efficiency.

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INTRODUCTION

The government in Indonesia consists of Provincial Governments, Regency Governments, and City Governments that have the right and obligations to regulate and manage their respective government affairs in order to improve the efficiency and effectiveness of government administration and services to the community. Regional development as an integral part of national development cannot be separated from the principle of regional autonomy (Keeping Up with Wardany, 2023). In carrying out the interests of the community, each Region has the obligation and right to govern itself in accordance with the principles of transparency, participation, and accountability to the community.

One aspect of management organized by the central government is regional financial management, where each Region is given the authority to explore its sources of income and allocate budgets according to its individual needs (Rachmadani et al., 2019). The enactment of Law Number 33 of 2004 concerning Financial Balance Between the Central Government and Regional Governments makes the government, in the delegation of duties, pay attention to the main key to national economic strength, namely maintaining fiscal stability and balance (Yessy et al., 2022). This is then outlined in the local government's annual financial plan, which is referred to as the Regional Revenue and Expenditure Budget (APBD) (Supena, 2021). APBD is an annual financial planning that involves a process of discussion and mutual agreement between the local government and the Regional People's Representative Council and is formalized through the establishment of Regional Regulations. As the main foundation, the APBD is used by local governments as a reference to manage budget allocations in accordance with predetermined needs and priorities.

The APBD preparation process must comply with specific guidelines that are clear and closely related to the fulfillment of government mandates and must be implemented effectively, efficiently, and impartially and provide benefits to the public interest in order to succeed (Kusumawati et al., 2022). Every government organization must have optimal performance to be more principle-oriented in Good Public and Good Governance due to public demands for transparency and public accountability in carrying out government obligations (Muhammad et al., 2018). The demand for transparency encourages the need for performance measurement or appraisal in local government agencies; this is the main focus due to increasing public awareness of the implementation of public administration. Other demands arise to ensure that government organizations are able to achieve a value commensurate with the expenditure made (value for money), emphasizing the need for governance to be wise in procurement and allocation of resources, efficiency in the use of resources by reducing the use as much as possible and optimizing the results, as well as effectiveness to achieve all expected goals (Yunina, 2019).

Regional financial management is one of the tangible manifestations of local governments in improving performance to achieve maximum results with structured management, starting from planning, allocation, implementation, budgeting, reporting, administration, supervision, and accountability to regional finances (Bunna, 2021). The performance of public sector organizations can be reflected in the established budget. A budget is expressed as a statement of estimated performance to be achieved over some time in financial measures (Nordiawan, 2006, p. 48).

Budgeting in financing a government agency is one of the crucial elements in management to achieve optimal results. In order to realize efficiency, effectiveness, and economic balance in regional expenditures, public sector organizations must pay close attention to budget allocation in accordance with planned programs. Suppose the use of the budget needs to be carried out properly in accordance with the regulations and allocations that have been set. In that case, this can lead to misappropriation of funds or non-achievement of scheduled programs. According to Trianto (2016), In his research, he stated that what needs to be considered in the principle of budget effectiveness and efficiency is how to use money as well as possible in order to produce maximum welfare service improvements for the benefit of the community.

In 2023, Balikpapan City will experience changes in the Regional Budget by being ratified through Balikpapan City Regional Regulation Number 4 of 2023 concerning Changes in Regional Revenue and Expenditure Budgets for Fiscal Year 2023 with a value of IDR 4.1 trillion. Budget changes occur due to developments that are different from assumptions in budget policy, such as budget exceeding or non-achievement of regional revenue projections, regional expenditure allocations, and sources and use of costs that have been previously determined. In an organization, the budget plays an important role as one of the financial plans that are organized systematically in order to support the achievement of the program objectives of an organization's activities. Therefore, in preparing the budget, it must pay attention to the level of efficiency of allocation and effectiveness of activities in achieving clear goals and objectives. So, based on the background above, the purpose of this study is to determine the level of effectiveness and efficiency of the implementation of the Balikpapan City regional budget for 2019-2022. So, the benefits of this research are to assess the extent to which the implementation of the Regional Revenue and Expenditure Budget (APBD) of Balikpapan City for the years 2019-2022 is able to achieve the established goals, evaluate the efficiency of the allocated budget in the APBD of Balikpapan City for the years 2019-2022, and identify the factors causing fluctuations in the effectiveness and efficiency levels of the APBD implementation from 2019 to 2022.

METHOD

This study used a type of quantitative descriptive research. According to Sugiyono (2014), quantitative descriptive research is research conducted to find out the value of independent variables, either one more variable (independent), without making comparisons or linking with other variables. This study is limited to only the variables of Effectiveness and Efficiency of Spending in Balikpapan City Government. This study was conducted with time series data from 2019-2022. The analytical tools used in this study are several comparative analysis tools and tables that describe the Balikpapan City Government Budget and Budget Realization calculation report for 2019-2022.

Calculation of the level of effectiveness

According to Prasetyo and Nugraheni (2020), To determine the percentage of effectiveness level, the effectiveness ratio measurement must be used. The measurement of this ratio is carried out by dividing the realization by the overall regional budget.

$$\textbf{Effectiveness Ratio} = \frac{\textbf{Budget Realization}}{\textbf{Target Budget}} \textbf{ x 100\%}$$

The criteria for the effectiveness ratio based on Kepmendagri Number 690.900.327 of 1996 concerning guidelines for assessment and financial performance are as follows:

Table 1. Effectiveness Rate

Financial Performance Percentage	Criterion
100%	Highly Effective
90% – 100%	Effective
80% – 90%	Quite Effective
60% – 80%	Less Effective
Below 60%	Ineffective

Source: Depdagri, Kepmendagri Number 690.900-327, 1996

Calculation of Efficiency Rate

According to Prasetyo and Nugraheni (2020), Assessing the efficiency of budget absorption must then compare the budget with its realization:

$$\textbf{Efficiency Ratio} = \frac{\textbf{Direct Expenditure Budget Realization}}{\textbf{Target Budget}} \textbf{ x 100\%}$$

The criteria for efficiency ratios based on Kepmendagri Number 690,900,327 of 1996 concerning guidelines for assessing financial performance are as follows:

Table 2. Efficiency Rate

Financial Performance Percentage	Criterion
100% and above	Inefficient
90% – 100%	Less Efficient
80% – 90%	Quite Efficient
60% – 80%	Efficient
Below 60%	Highly Efficient

Source: Depdagri, Kepmendagri Number 690.900-327, 1996

RESULTS AND DISCUSSION

In order to adjust the Regional Apparatus to Government Regulation Number 18 of 2016, the Balikpapan City Government applies the principles of efficiency, effectiveness, optimal distribution of tasks, appropriate control span, structured work procedures, flexibility, taking into account the availability of apparatus resources and the availability of financing to run all Government Affairs that are the responsibility of the Region, and the intensity of Government Affairs and Regional potential. The level of budget effectiveness and efficiency is a measure of Balikpapan City's performance achievements from 2019 to 2023, which is measured based on the achievement of target indicators.

Table 3. Target and Realization of Balikpapan City Government Budget for 2019-2023

Year	Target Budget (Rp)	Realization (Rp)
2019	2.786.277.578.346,00	2.405.320.741.662,33
2020	2.392.415.488.939,91	2.143.936.514.177,38
2021	2.826.437.016.519,00	2.375.021.817.795,28
2022	3.273.129.855.262,00	2.745.398.221.161,00

Source: Balikpapan City Government (Regional et al.), 2023

Based on the budget realization table above, the following calculations are carried out:

$$\text{Effectiveness in 2019} = \frac{2.405.320.741.662{,}33}{2.786.277.578.346{,}00} \times 100\% = 86{,}32\%$$

$$\text{Effectiveness in 2020} = \frac{2.143.936.514.177{,}38}{2.392.415.488.939{,}91} \times 100\% = 89{,}61\%$$

$$\text{Effectiveness in 2021} = \frac{2.375.021.817.795{,}28}{2.826.437.016.519{,}00} \times 100\% = 84{,}02\%$$

$$\text{Effectiveness in 2022} = \frac{2.745.398.221.161{,}00}{3.273.129.855.262{,}00} \times 100\% = 83{,}87\%$$

Table 4. Realization of Direct Expenditure Budget and Realization of Balikpapan City Government Budget for 2019-2022

Year	Direct Expenditure Realization (Rp)	Budget Realization (Rp)
2019	2.285.504.835.194,33	2.405.320.741.662,33
2020	1.864.524.887.248,48	2.143.936.514.177,38
2021	2.134.184.916.430,29	2.375.021.817.795,28
2022	2.591.224.588.074,63	2.745.398.221.161,00

Source: Balikpapan City Government (Regional et al.), 2023

Based on the budget realization table above, the following calculations are carried out:

$$\text{Efficiency in 2019} = \frac{2.285.504.835.194{,}33}{2.405.320.741.662{,}33} \times 100\% = 95{,}01\%$$

$$\text{Efficiency in 2020} = \frac{1.864.524.887.248,48}{2.143.936.514.177,38} \times 100\% = 86,96\%$$

$$\text{Efficiency in 2021} = \frac{2.134.184.916.430,29}{2.375.021.817.795,28} \times 100\% = 89,86\%$$

$$\text{Efficiency in 2022} = \frac{2.591.224.588.074,63}{2.745.398.221.161,00} \times 100\% = 94,38\%$$

The Level of Effectiveness of Balikpapan City Budget Implementation

Effectiveness is a key element in achieving the goals and objectives that the organization has set. An organization can be said to be effective if it successfully achieves the desired goals and objectives (See also, 2012). The effectiveness ratio in this study was used to analyze the data to see an overview of the ability of the Balikpapan City area to realize the budget.

Table 5. The Level of Budget Effectiveness of Balikpapan City Government Expenditure for 2019-2022

Year	Percentage Measurement	Criterion	Budget Effectiveness Level	Information
2019	80% – 90%	Quite Effective	86,32%	Quite Effective
2020	80% – 90%	Quite Effective	89,61%	Quite Effective
2021	80% – 90%	Quite Effective	84,02%	Quite Effective
2022	80% – 90%	Quite Effective	83,87%	Quite Effective

Source: Data processed by researchers, 2023

In table 5. It can be seen that the level of effectiveness in Balikpapan City during the 2019-2022 budget period fluctuated. In the 2019 budget period, the level of budget effectiveness is included in the criteria of being quite effective at 86.32% with a budget target of Rp.2,786,277,578,346.00,-. Meanwhile, in the 2020 budget period, it experienced a fairly rapid increase of 3.39%, so the effectiveness rate became 89.61%, which shows that budget implementation is carried out quite effectively. In 2020, the budget ceiling received was the lowest compared to previous years, which was Rp2,392,415,488,939.91;- Furthermore, in the 2021 budget period, it experienced a drastic decrease where the effectiveness rate was 84.02% with a budget target of Rp.2,826,437,016,519.00, - so that the value of this effectiveness level was included in the criteria for being quite effective. Finally, in the 2022 budget period, the effectiveness rate decreased again from the previous year by 0.15%, bringing the effectiveness rate to 83.87%. In 2022, the largest budget will be allocated, with a budget target of IDR 3,273,129,855,262.00.

Mahsun (2009) explained that The effectiveness ratio is able to describe how a body or organization manages to achieve pre-planned goals. During the budget period from 2019 to 2022, it shows a percentage above 80%, which indicates that the budget implementation has been implemented effectively. Although there was a fairly rapid increase, more than the level of effectiveness was needed to enter the effective criteria. This is because the realization of the budget still needs to be in accordance with the predetermined budget target due to the fact that there are still work programs that need to be implemented.

Efficiency Level of Balikpapan City Budget Implementation

Efficiency cannot be released with the concept of productivity. Mardiasm (2018) explains that efficiency is the achievement of goals (Output) at cost (Input), which is the lowest or minimum result to obtain (Output) associated with performance standards or targets that have been set. The efficiency ratio in this study is used to see the magnitude of the difference between direct budget realization and budget realization, where the difference from the budget is used to measure the financial efficiency of Balikpapan City.

Table 6. Balikpapan City Government Budget Efficiency Level 2019-2022

Year	Percentage Measurement	Criterion	Budget Efficiency Level	Information
2019	90% – 100%	Less Efficient	95,01%	Less Efficient
2020	80% – 90%	Quite Efficient	86,96%	Quite Efficient
2021	80% – 90%	Quite Efficient	89,86%	Quite Efficient
2022	90% – 100%	Less Efficient	94,38%	Less Efficient

Source: Data processed by researchers, 2023

It was based on table 6. Above, it can be seen that the level of efficiency in Balikpapan City shows fluctuating financial performance developments during the four budget periods from 2019 to 2022. In the 2019 budget period, the percentage change was in the level of efficiency at the inefficient criterion of 95.01% with the realization of the direct expenditure budget of Rp.2,285,504,835,194.33,-. Meanwhile, in the 2020 budget period, it experienced a drastic decrease of 8.05%, so the efficiency rate became 86.96%. This makes the efficiency criteria in this period quite efficient. In this 2020 budget period, the realization of the smallest direct expenditure budget was Rp.1,864,524,887,248.48,-. Furthermore, in the 2020 budget period, it decreased again, so the efficiency level was included in the criteria for being quite efficient at 84.02%. Finally, in the 2022 budget period, the efficiency rate increased again from the previous year to 94.38%, so it was included in the criteria of being less efficient. 2022, is the year when the realization of the direct expenditure budget is the largest compared to previous years, with a budget target of Rp.32,591,224,588,074.63,-.

Performance of efficiency can be measured through the comparison of the Input used with the Output that will be produced (Widowati & Fatimah, 2022). Throughout the budget period from 2019 to 2022, the efficiency level of the budget showed a percentage above 85%, which indicates that the implementation of the budget has been implemented in the criteria of being quite efficient and less efficient.

CONCLUSION

Based on the results of the research obtained, the conclusions of the study are as follows: 1) At the level of effectiveness, the implementation of the budget from 2019 to 2022 in Balikpapan City has fluctuated. This can be seen from the budget effectiveness ratio in 2019 of 86.32%, followed by 2020 of 89.61%, and 2021 of 84.02% and 83.87%. Therefore, the implementation of the budget in Balikpapan City is included in the criteria for being quite effective. 2) At the level of efficiency, the implementation of the budget from 2019 to 2022 in Balikpapan City shows fluctuating financial performance for four years. This can be seen from the budget efficiency ratio in 2019 of 95.01%, followed by 2020 of 86.96%, 2021 of 89.86%, and in 2022 of 94.38%. Therefore, the implementation of the budget in Balikpapan City is included in the criteria of being quite efficient and less efficient.

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