



The Effectiveness and Efficiency of Budget Realization Performance Based on Incremental Budgeting in Lebung Gajah Village, Palembang

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Abstract

This study aims to determine and analyze the level of efficiency and effectiveness as well as the effect of processing village funds in Lebung Gajah Urban Village, Palembang based on Incremental Budgeting. The type of research in this research was descriptive quantitative research, namely analyzing financial data, spending and budget realization using efficiency and effectiveness ratios, and analyzing data documentation by measuring expenditure in Lebung Gajah Palembang Village. The results show that the budget based on Incremental Budgeting don't have a positive and significant effect on the effectiveness and budget realization reports in Lebung Gajah Urban Village, Palembang which was indicated by the results of the effectiveness ratio and efficiency ratio. The results of this study are expected to provide benefits for Lebung Gajah Urban Village, Palembang to improve the performance of budget realization based on budget increases.

Keywords: budget, efficiency, effectiveness, incremental budgeting

1. Introduction

The APBN is an instrument for regulating state expenditure and income in order to finance the implementation of government and development activities, achieve economic growth, increase national income, achieve economic stability, and determine the direction and priorities of development in general. In order for the APBN function to run optimally, the budget system and recording of receipts and expenditures must be carried out carefully and systematically. (Sustainable & Bagia, 2018). All Regional Revenues and Regional Expenditure must be recorded and managed in the Regional Revenue and Expenditure Budget (APBD). The Regional Revenue and Expenditure Budget (APBD) is the basis for regional financial management in one fiscal year. APBD is a plan for the implementation of all Regional Revenues and all Regional Expenditures in the context of implementing Decentralization in a certain fiscal year. The collection of all Regional revenues aims to meet the targets set in the APBD. Likewise, all regional expenditures and bonds that burden the regions in the context of implementing decentralization are carried out according to the amounts and targets set in the APBD. Because the APBD is the basis for regional financial management, the APBD is also the basis for regional financial control, inspection and supervision activities. The APBD budget year is the same as the APBN budget year, which starts on January 1 and ends on December 31 of the year concerned. So that the management, control and supervision of regional finances can be carried out based on this time frame (Ulfa, 2018)

The implementation of the use of regional revenues, expenditures, transfers and financing starts from the Regional Revenue and Expenditure Budget (APBD) which is evaluated every year. When implementing regional autonomy, there is delegation or granting of authority from the central government to regional governments in carrying out regional tasks as stipulated in the Regional Revenue and Expenditure Budget (APBD). The APBD is an overview of the programs and activities that will be carried out by the local government during a certain period of time which is the reference for the local government in implementing government.



According to (Fitra & Efendi, 2020) argues that the ability of local governments to manage regional finances is outlined in the Regional Revenue and Expenditure Budget (APBD) which directly or indirectly reflects the ability of local governments to finance the implementation of governmental tasks, development and community social services.

The Budget Realization Report published by local governments provides useful information for assessing government financial performance. The Budget Realization Report is one of the main financial accountability reports, because the budget in the government is the backbone of governance. To assess the government's performance in managing finances can be done by analyzing the financial reports that have been made. Financial report analysis as an analytical tool has been widely used to assess the performance of profit-oriented institutions or organizations, but it is still rarely done in non-profit oriented institutions or organizations, especially local government agencies (Pebriani, 2019).

By granting broad autonomy to the regions, it is hoped that it will accelerate the realization of social welfare through service improvement, empowerment and community participation. In addition, through broad regional autonomy it is hoped that it will be able to increase competitiveness by taking into account the principles of democracy, equity, justice, privileges and specificities as well as regional potential and diversity. In order to increase the efficiency and effectiveness of the implementation of regional autonomy. This autonomy is focused on the district or city area because the district or city area's financial relationship is outlined in the Regency Expenditure Budget (APBK) which describes the financial capacity of the region in financing co-administration activities. In carrying out regional autonomy, regional governments are required to run the wheels of government effectively and efficiently, be able to encourage community participation in development, and increase community equity and justice in development, as well as increase equity and justice by developing all the potentials of each region. Syahputra, 2017).

Research by Aji, Kirya & Susilia (2018) Through regional autonomy, it is hoped that the regions will be more independent in determining all their activities and the central government is expected to be less active in managing the regions. Regional governments are expected to be able to play their role in opening up opportunities to advance the region by identifying potential sources of income and being able to determine regional spending in a reasonable, efficient and effective manner, including the ability of regional apparatus to improve performance, being accountable to their superior government and to the public.

Table 1. Report on realization of the 2016 - 2020 Lebung Gajah Village Budget

Year	Budget	Shopping	Absorption (%)
2016	1.275.482.000	1.080.972.000	84,75%
2017	1.619.964.000	1.214.128.000	74,94%
2018	1.408.664.000	1.097.989.000	77,94%
2019	1.592.058.000	1.333.029.000	82,28%
2020	1.496.918.000	1.189.611.000	79,47%

Source: Lebung Gajah Village Office, 2020

From the data table 1 , it can be seen that income and spending have increased from year to



year. Based on the Village Regulation (PerDes) regarding the Village Mid-Term Development Plan (RPJMDes) for Lebung Gajah Village from 2016 to 2020, the use of village income must be able to finance village government activities, so that it can be seen that the absorption capacity of the budget is 100% realized. Implementation of general programs that are right on target, namely related to community development and development. This is in accordance with the incremental basis is an increase or decrease. All activities are a continuation of the previous year. With an analysis of the harmony of income and spending, how far is the activity spending used by the village government of the Lebung Gajah sub-district expressed in nominal form or the percentage of budget absorption realized. In order to find out more about the efficiency and effectiveness priorities for spending funds optimally, it is possible that there are items that need to be improved or even added.

2. Method

The data analysis technique used in this research is to use quantitative analysis. Quantitative analysis, namely data in the form of numbers that can be counted in real terms on the Budget Realization Report to assess the ratio of effectiveness and efficiency by comparing the realization of Revenue Receipts with the budgeted ones. Instrument testing is done by calculating the effectiveness and efficiency using formulas, tables and graphs.

Furthermore, it is important to evaluate the Effectiveness Trend to determine the direction of the development of the effectiveness dimension. Trend percentage is used when you want to see the development of a company. In calculating percentages, one year is used as the base year. Trend analysis of financial effectiveness is used to determine the direction of development of this effectiveness. If the percentage of the Effectiveness Trend is more than 100%, then there has been a development in Effectiveness. The greater the percentage of the effectiveness trend in Lebung Gajah Village, Sematang Borang Palembang District. Conversely, if the percentage is less than 100% then there is a decrease in effectiveness.

In this study, 2016 is the base year which will be used as the base year to see the direction of the development of Effectiveness in the following year (2017 to 2020). Thus the trend obtained later can be interpreted as the direction of development that occurs with the financial performance of the village budget. From this explanation, the effectiveness trend can be formulated as follows:

$$\text{Effectiveness} = \frac{\text{Shopping Realization}}{\text{Shopping Targets}} \times 100\%$$

Furthermore, efficiency is important to be assessed to determine the direction of development of the two financial dimensions. A district area in a certain year may not be able to meet the efficiencies to obtain confidence, although slowly there is a chance that it will lead to highly efficient efficiencies. Trend analysis of regional financial efficiency is used to determine the direction of development of this effectiveness. If the percentage of efficiency trend is more than 100%, then there has been an inefficiency development. The greater the percentage of inefficiency trends in the Lebung Gajah Village, Palembang. Conversely, if the percentage is less than 100%, there will be an increase in efficiency.

In this study, 2016 is the base year which will be used as the base year to see the direction of efficiency development in the following year (2017 to 2020). Thus the trend obtained later can be interpreted as the direction of development that occurs with the financial performance of the village budget. From this explanation, the efficiency trend can be formulated as follows:

$$\text{Efficiency} = \frac{\text{Shopping Realization}}{\text{Revenue Realization}} \times 100\%$$



3. Results and Discussions

3.1 Effectiveness Ratio

Analysis of the ratio of the effectiveness of regional government financial management can be formulated by using the comparison ratio between the realization of the expenditure budget and the specified expenditure budget multiplied by one hundred in the form of a percentage. According to Pekei (2016:76). Because of the importance of knowing the effectiveness of the expenditure budget, it is necessary to have an effectiveness ratio analysis. The effectiveness ratio describes the effectiveness of target achievement by comparing the budget target and its realization during an accounting period.

$$\text{Efficiency} = \frac{\text{Shopping Realization}}{\text{Shopping Targets}} \times 100\%$$

The value of the effectiveness ratio is obtained from the comparison as mentioned above which is measured based on Kepmendagri No. 690,900,327 of 1996 concerning Guidelines for Assessment and Performance where if the value of the effectiveness ratio is above 100% it is said to be very effective whereas if the ratio value is below 60% it is said to be ineffective according to the calculation results below.

$$\text{Year 2016} = \frac{1.080.972.000}{1.275.482.000} \times 100\% = 84,75\%$$

$$\text{Year 2017} = \frac{1.214.128.000}{1.619.964.000} \times 100\% = 74,94\%$$

$$\text{Year 2018} = \frac{1.097.989.300}{1.408.664.000} \times 100\% = 77,94\%$$

$$\text{Year 2019} = \frac{1.333.029.000}{1.619.964.000} \times 100\% = 82,28\%$$

$$\text{Year 2020} = \frac{1.189.611.000}{1.496.918.000} \times 100\% = 79,47\%$$

Based on the calculation of the effectiveness ratio value above, the effectiveness value above is measured based on Kepmendagri No. 690,900,327 of 1996 concerning Assessment and Performance Guidelines which are arranged in the following table:

Table 2. Spending effectiveness ratio for Lebung Gajah Village, Palembang City in 2016 - 2020

Year	Budget	Realization	Effectiveness Ratio	Criteria	Information
2016	1.275.482.000	1.080.972.000	84,75%	80%-90%	Effective enough
2017	1.619.964.000	1.214.128.000	74,94%	60%-80%	Less effective
2018	1.408.664.000	1.097.989.300	77,94%	60%-80%	Less effective
2019	1.619.964.000	1.333.029.000	82,28%	80%-90%	Effective enough
2020	1.496.918.000	1.189.611.000	79,47%	60%-80%	Less effective

From the calculation above, the effectiveness in 2016 was 95.09%, this was due to the remaining unrealized budget. In 2017 it decreased to 74.94%, this was due to several budgets

that had been spent in the previous year so that the percentage decreased (9.81%) from the previous year. In 2018 it increased to 77.94% compared to the previous year and in 2017 the percentage has increased (3%). in 2019 it experienced a very large increase, namely to 82.28%, this was due to changes in the realized budget so that the percentage increased to (4.34%), in 2020 it decreased again to 79.47%, this was a change in spending needs due to the Corona-19 outbreak, the percentage decrease was (2.81%). Basically in the analysis of effectiveness it is known that the ability of the Kelurahan to carry out its duties is said to be effective if the score achieved is at least 1 and a maximum of 100%. The higher the value of effectiveness describes the ability of the village the better. According to the results of the calculation of the effectiveness ratio above, it can be illustrated that the ability of the Lebung Gajah Village of Palembang City in carrying out its duties is not too stable because the effectiveness ratio value has decreased below 100%.

Figure 1 below aims to describe the level of effectiveness from 2016 to 2020 resulting from the calculation of the effectiveness ratio. This graph shows the level of effectiveness of regional financial management in Lebung Gajah Village in 2016 which was the best year where the level of effectiveness reached 84.75%, until then it was lowest in 2017 to 74.94%.

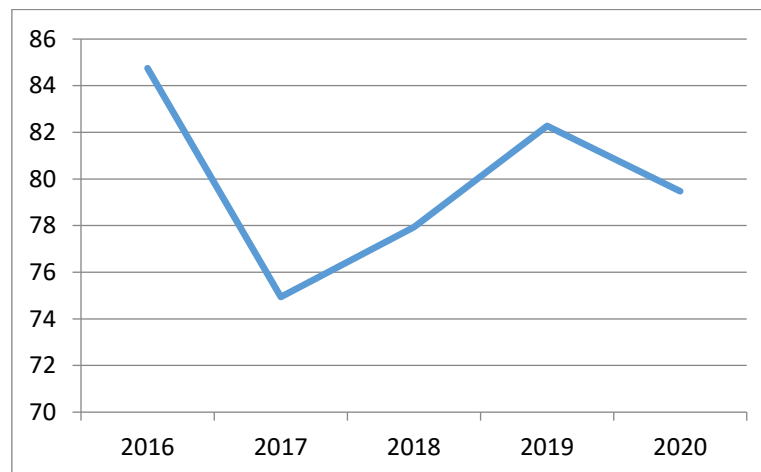


Figure 1. Trend of Expenditure Effectiveness Ratio in Lebung Gajah Village, Palembang City in 2016-2020

3.2 Efficiency Ratio

According to Pekei (2016: 75-76), efficiency can be measured by the ratio between output/output and secondary input/input, while the analysis carried out on Kelurahan financial management with routine expenditure uses a measure of the level of efficiency ratio, namely the comparison between the expenditure budget and the realization of the expenditure budget. multiplied by a hundred as a percentage. Therefore, it is not only necessary to know the level of efficiency, but also to know the level of efficiency of the expenditure budget. The efficiency ratio describes the efficiency of achieving targets by comparing the costs incurred by Lebung Gajah Village, Palembang City.

$$\text{Efficiency} = \frac{\text{Shopping Targets}}{\text{Revenue Realization}} \times 100\%$$

The efficiency ratio value is obtained from the comparison as mentioned above which is measured based on Kepmendagri No. 690,900,327 of 1996 concerning Guidelines for Assessment and Performance where if the value of the efficiency ratio is above 100% it is said to be very efficient whereas if the value of the ratio is below 60% it is said to be inefficient according to the calculation results below.



$$\text{Year 2016} = \frac{1.275.482.000}{1.080.972.000} \times 100\% = 117,9\%$$

$$\text{Year 2017} = \frac{1.619.964.000}{1.214.128.000} \times 100\% = 133,4\%$$

$$\text{Year 2018} = \frac{1.408.664.000}{1.097.989.300} \times 100\% = 128,2\%$$

$$\text{Year 2019} = \frac{1.619.964.000}{1.333.029.000} \times 100\% = 121,5\%$$

$$\text{Year 2020} = \frac{1.496.918.000}{1.189.611.000} \times 100\% = 125,8\%$$

Table 3. Expenditure Efficiency Ratio for Lebung Gajah Village, Palembang City in 2016-2020

Year	Budget	Realization	Effectiveness Ratio	Criteria	Explanation
2016	1.275.482.000	1.080.972.000	117,9%	>100%	Not efficient
2017	1.619.964.000	1.214.128.000	133,4%	>100%	Not efficient
2018	1.408.664.000	1.097.989.300	128,2%	>100%	Not efficient
2019	1.619.964.000	1.333.029.000	121,5%	>100%	Not efficient
2020	1.496.918.000	1.189.611.000	125,8%	>100%	Not efficient

From the calculation above, the efficiency in 2016 was 117.9%, this was due to a budget that was different from the realization. In 2017 it rose to 133.4%, this was due to additional spending so that the percentage increased (15.5%). In 2018 it decreased to 128.2%, this was due to a reduction in the amount of spending and a decrease in the budget but what was realized was not in accordance with what was budgeted so that the percentage decreased (5.2%). In 2019 it decreased, namely to 121.5%, this was due to an unrealized budget, so the amount of the budget was greater than the realization, the percentage also increased (6.7%). In 2020 it has increased again to 125.8%. This is due to changes in the budget. Basically, in the efficiency analysis it is known that the ability of the region to carry out its duties is said to be efficient if the criteria are below 60%. The higher the efficiency value, the lower the ability of the area. In accordance with the results of the efficiency calculation above, it can be illustrated that the ability of the Lebung Gajah Village of Palembang City to carry out its duties is very inefficient because the average is above 100%.

Figure 2 below aims to illustrate the efficiency level from 2016 to 2020 resulting from the calculation of the efficiency ratio. This graph shows the efficiency level of regional financial management in Lebung Gajah Village in 2016 which was the best year where the efficiency level reached 117.9%, until then the worst was in 2017 up to 133.4%.

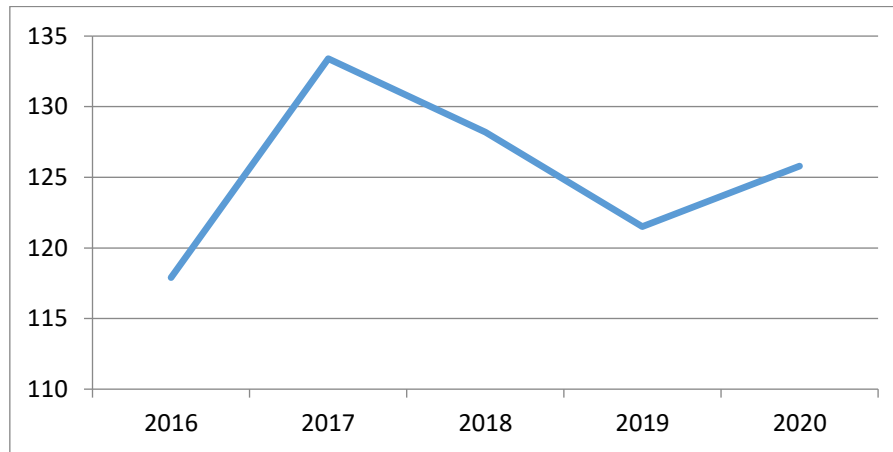


Figure 2. Trend of Expenditure Efficiency Ratio in Lebung Gajah Village, Palembang City in 2016 - 2020

4. Conclusions

Based on the results of the research and discussion regarding the analysis of the effectiveness and efficiency of the budget for assessing Incremental Budgeting in Lebung Gajah Village, Palembang City, the following conclusions can be drawn:

1. Incremental Budgeting-based budgeting has less positive and significant effect on the effectiveness and efficiency of budget realization reports in the Lebung Gajah Village, Palembang, as indicated by the results of the effectiveness ratio and efficiency ratio.
2. The effectiveness of the spending budget in the Lebung Gajah Village, Palembang City, for the 2016-2020 budget year has fluctuated greatly. The highest was in 2016 and the lowest was in 2017. The 2016 and 2019 budgets can be said to be quite effective but in 2017, 2018 and 2020 the level of effectiveness is still lacking because the realization and budget are different from the targets. This is because there is still a budget that is not realized effectively. For example, the expenditure and development budget has a budget but this has not been realized because there are still leftover items from the previous year and road and drainage construction that has not been realized.
3. Budget efficiency in the Lebung Gajah Village, Palembang City, for the 2016-2020 Fiscal Year has fluctuated greatly. The highest was in 2017 and the lowest was in 2016. The 2016-2020 budget was very inefficient. This is because there is still an unrealized budget and there are additional expenditures that are not in accordance with the reduction in expenditure. An example of a budget for development where the budget has changed but the realization is still small.

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