

Performance Based Budgeting Model in Village Government

Nonni Yap¹, Duwi Riningsih²

Faculty of Economics and Business, Kadiri University, East Java
nonni_yap@unik-kediri.ac.id¹, duwi_riningsih@unik-kediri.ac.id²

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ABSTRACT

This article analyzes what arises from the use of traditional budgets with budget reforms, namely applying Performance-Based Budgeting (PBB) to the APBD. Appropriate, clear and real application and accountability are needed so that government and development violations can take place in an efficient and successful manner. The development of community needs will become the basis for thinking about how to operate autonomy so as to achieve the goal of increasing the standard and quality of people's lives. This article uses a qualitative method, namely data acquisition which is carried out through a literature review study and with the stages of presenting data and results of research data. The results show that there are significant differences in financial performance based on economic ratios, effectiveness, and regional independence ratios indicating that efforts to implement performance-based budgeting have been able to reduce the uneconomic use of regional expenditures used by the government and the ability of local governments to realize planned revenues compared to set targets has been running effectively. Then for benchmarks and performance through health and education services it shows an increase in the human development index number.

Keywords: *Budget, Data, Development, Government*

INTRODUCTION

One of the public's hopes in the era of transparency and accountability is the realization of good governance and spending is not on the purpose of spending the budget in question. Determination of the amount of the budget is incremental or based on last year's budget value with the addition of a certain percentage. The budget is determined on the basis of the previous year's budget, without considering whether the budget has achieved predetermined targets or certain expenditures are still required. As an implication of increasing demands for governance,

accountability, and clear goals with the implementation of performance-based budgeting (Anggarini & Puranta, 2010). The emergence of chaos from planning that has been prepared before is caused by budgets that are ineffective and not performance-oriented or based on traditional budgets that are used more focused on input aspects (Mardiasmo, 2009). With the existence of the new order with a government that is not transparent and not accountable as evidenced by the rampant practices of Corruption, Collusion and Nepotism (KKN).

Performance-based budgeting plays an important role as

a form of financial management reform. In New Public Management (NPM), Performance-based budgeting is again attracting the interest of academics and practitioners, which is reflected in the various approaches and research results that have enlivened the debate on this topic (Mauro, Cinquini, & Grossi, 2017). Management of Regional Finances and Regional Budgets in the form of budget reform where the main aspect of budget reform is the change from traditional budgeting to performance budgeting, namely a budget preparation and management system that is oriented towards achieving results or performance (Adisasmita, 2011).

The performance budgeting system is closely related to the measurement of public sector performance not only discussing how public money is spent, but also from an economic, efficiency, effectiveness and outcome perspective (Halim & Kusufi, 2014). The lack of optimal local government performance in financial management is caused by a lack of understanding of the performance budgeting process, especially in the process of setting performance indicators contained in the Budget Work Plan (Pratama, et al., 2018), so that (Prakoso, 2017) demands local governments to able to carry out the determination of these indicators, thereby being able to provide space for budget savings in several sectors which were previously seen as experiencing inefficiencies in a budget.

According to (Parhusip, 2016) that since 2013, the Indonesian government has started using spending reviews with the aim of

identifying spending inefficiencies and widening fiscal space, besides that (Luthfia & Siregar, 2016) aims to prevent inefficiencies in the use of government budgets that cannot be controlled by the government which has a negative and insignificant effect on program implementation. Then, according to (Rachmandiansyah, 2015) the presence of a spending review is seen as a mechanism for overcoming problems in budget planning and budget execution problems.

Previous research has examined a lot about the factors that influence the implementation of performance-based budgeting (Fitri, Ludigdo, & Djamhuri, 2014; Ningtias, Susbiyani, & Martiana, 2019). To add to and deepen the discussion of the literature, this study seeks to evaluate the implementation of performance-based budgeting by comparing the financial performance of the periods before and after the implementation of performance-based budgeting. Kurrohman (2013) is one of the very few researchers who seeks to evaluate the implementation of performance-based budgeting through assessing value for money ratios which consist of economic ratios, efficiency ratios, and effectiveness ratios.

Andriani and Hatta (2012) conducted research related to the Analysis of Implementation of Performance-Based Budgeting in the Central Government, from the results of research data analysis found several things related to the factors that influence the implementation of performance-based budgeting, namely activity budgeting that has not been based on priority scale and limited funds and

no detailed performance indicators for the activities carried out.

Performance Based Budgeting (PBB) Performance-based budgeting is the output or work performance of the activities to be carried out with a budgeting orientation directed at effectiveness, efficiency and economy (Pratama et al., 2018). Meanwhile, according to Sancoko (2008) the principle of performance-based budgeting is a budget that has a relationship between state spending and expected results (output and outcome) (Kurrohman, 2013). PBB is a budget model that has a focus on resource allocation based on the performance of a program/activity (Prakoso, 2017). PBB was created to create efficiency, effectiveness and accountability for the use of public expenditure budgets, with outputs and outcomes according to development priority levels so that all budget expenditures are able to be accountable transparently to the public (Kurrohman, 2013). According to Kong (2005), there are three types of performance measurement orientations in budgeting (Prakoso, 2017):

1) Focus on resources

Where the government budget has a focus only on measuring the performance of resources

METHOD

According to (Anggito & Setiawan, 2018) that this article uses qualitative research which is data collection with a natural background, then further interprets and interprets this phenomenon and there is a problem that needs to be identified in

inputs, such as financial or other resources.

2) Focus on organization

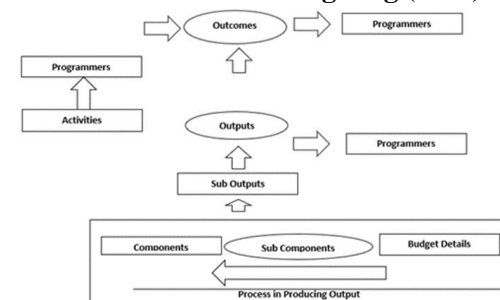
Where the government budget also focuses on the performance of organizational processes and results, including finance, services and programs and/or activities.

3) Focus on the customer

Government budgets put emphasis on performance measures (satisfaction, quality services and results).

So that it can be interpreted in general, Performance Based Budgeting is a budgeting system that has a focus on the relationship between funding and expected results including the efficiency of achieving results so that it will encourage the principles of transparency, efficiency, effectiveness and accountability (Kurrohman, 2013).

Figure 1. Budget Structures in Performance Based Budgeting (PBB)



depth and requires a more detailed understanding of the problem.

Then the research data was obtained by means of literature studies through online and offline methods in the form of documents, literature, articles, journals, documentation, activity publication archives, internet site links, and others related to research objects and supporting research analysis.

Furthermore, qualitative data analysis techniques are carried out with the stages of data codification, data presentation and drawing conclusions (Afrizal, 2015). In this study the use of data analysis techniques was carried out by codifying research data stages, presenting data and research results, providing research conclusions which were then carried out by interpreting the research results.

RESULTS AND DISCUSSION

General Conditions of Regional Expenditure Budget According to Permendagri No.13 of 2006 concerning Guidelines for Regional Financial Management and has been updated again with Permendagri No.21 of 2011 explaining the structure of the APBD is a unified activity and financial plan consisting of regional income, regional spending and regional financing .

Judging from the aspect of regional spending, it can be grouped into two types namely; 1) Indirect Expenditure (BTL), namely shopping that are not related to programs and activities; 2) Direct Expenditure (BL) is expenditure directly related to programs and activities.

There is an alleged budget mark-up in the APBD preparation process because personnel spending is certain and measurable (Sigiro, 2016). On the other hand, regional financial capacity by comparing the expenditure budget if the amount spent is greater than the amount of regional income in the APBD, it will cause a budget deficit every year (Sigiro, 2016). To reduce the occurrence of a larger budget deficit,

the regional government needs to make efforts to make efficiency of the allocation of regional spending stipulated in the APBD.

Spending Review Regional Expenditures

Spending review, according to Robinson (2013), was a tool to enhance the improvement on the expenditures priority (allocation efficiency) that can be used in order to secure the reallocation process of the government resources in giving the full public services (Prakoso, 2017). Further, according to Dunn (2015), spending review is the best way in the frame of fiscal consolidation as an evaluation method that can be used by the government for public policy analysis upon the regional government expenditures budget based on Spending-Based Performances (PBB) as follows:

Changes in Regional Original Revenue Policy

Local Own Revenue increased by IDR 20,963,109,943 dominated by an increase in revenue objects in Regional Taxes with a percentage increase of 15.38% from the Initial Target set in the 2021 APBD. Meanwhile, the decrease occurred in Regional Retributions of 37.52%, Regional wealth management results of 14.96% and other legitimate local revenue of 14.56%.

Table 1. Policy on Changes in Regional Original Income for 2021

No. Ref.	DESCRIPTION	APBD	APBD CHANGES	DIFFERENCE	%
1.	Local Tax Results	1.132.381.367.807	1.133.264.477.789	28.883.109.982	2,58%
01	Local Tax Results	724.000.000.000	835.318.661.807	111.318.661.807	15,39%
02	Regional Revenue	134.291.000.000	83.899.410.000	-50.391.590.000	-37,53%
03	Regional Wealth Tax Separated	14.007.000.000	11.911.788.354	-2.095.211.646	-14,96%
04	Locally generated revenue	240.003.367.807	222.134.615.589	-17.868.752.218	-14,56%

Source: BPPKAD Gresik District in 2022

Review on Indicator and Performances

The review on the expenditures budgets was done by grouping each similar unit known as the best performances in one unit within one similar unit group. It measures the difference between the performance of one unit with the best performances. It is generally known as the term benchmarking method (Parhusip, 2016). The grouping of similar units was done to keep the quality of expenditures budget, i.e., on education and health care expenditures as an investment effort for human resources development. Spending review on budget management can benefit as a whole. However, it was not being found how

big the influence of spending review upon the improvement of output quality or services (Parhusip, 2016). Should there be improvements in services or output, it can be examined from the LAKIP of each organization (Parhusip, 2016).

Bureaucratic Reform Index

The Bureaucratic Reform Index is the result of an evaluation of the implementation of Bureaucratic Reform (RB) in Gresik Regency which was carried out through 2 (two) stages, namely the Self-Assessment Implementation of Bureaucratic Reform carried out by the Gresik Regency Government Bureaucratic Reform Evaluation team and external Evaluation carried out by the Ministry of Administrative Reform and Bureaucratic Reform or a team assigned by the National Bureaucratic Reform Management Unit (UPRBN). The most recent Bureaucratic Reform Index for the Local Government of Gresik Regency was 69.40 with an A rating.

Table 2. Bureaucratic Reform Index for 2020 and 2021

No	Uraian	Baseline 2020	Target	2021 Realisasi	Capaian	Nilai
Index		69,40	71,2	69,40	97,47% ST	
-Reform						
Bureaucracy						

Source: Regional Secretariat's Ortala Section for 2021

Established Strategic Policy

The deviation need analysis is done with analysis on the need deviation by counting the deviation between operational expenditures and the average of operational expenditures realization within a one-year budget (Parhusip, 2016). In other words, to measure the real need for operational expenditures according to the needs and identify the saving potential. For operational expenditures within

regional expenditures were allocated for staff expenditures, goods and services expenditures, interest, grants, and social aid.

Table 3. Strategic Policy set in 2021

No	Strategic Policy	Legal basis	Objectives/Problems Solved	
1	Developing governance accountability through open and smart government	Regulation of the Minister of Administrative Reform and Bureaucratic Reform Republic of Indonesia Number 7 of 2021 Concerning Competition Public Service Innovations in Ministries/Institutions, Local Governments, State-Owned Enterprises, and Regional-Owned Enterprises	Public Service Incubation	innovation
		<ul style="list-style-type: none"> ● Regulation of the President of the Republic of Indonesia Number 59 of 2017 concerning the Implementation of the Achievement of Sustainable Development Goals ● Peraturan Menteri Dalam Negeri Republik Indonesia Nomor 100 Tahun 2018 Tentang Penerapan Standar Pelayanan Minimal 	Integration Intersectoral	Planning

		Presidential Regulation (PERPRES) Number 39 2019 concerning One Indonesian Data	Implementation through evaluation synchronization of assistance
No	Strategic Policy	Legal basis	Objectives/Problems Solved
			OPD
		Presidential Regulation No.95 of 2018 concerning Electronic-Based Government Systems	System Dashboard Development NOC Support Information
		Presidential Regulation No. 95 of 2018 concerning Electronic-Based Government Systems	Increasing Clustering Server Capacity to become Local Government Cloud Computing
		Law Number 43 of 2009 concerning Archives	Improving the quality of archival management in order to increase accountability for the performance of local government agencies.
			Youth Development in Sociopreneurship Development
			Organizing thematic annual festivals
2	Encourage resource creation that human quality and having good moral character through improving the quality of education and health	Government Regulation in Lieu of Law Number 1 of 2020 concerning State Financial Policy and System Stability Finance for handling the 2019 Corona Virus Disease Pandemic	Handling Covid-19 Health Pandemic Emergency

		Government Regulation in Lieu of Law Number 1 of 2020 concerning State Financial Policy and System Stability Finance for handling the Corona Virus Disease Pandemic	Recovery impacted by Covid-19	Pandemic Economic
No	Strategic Policy	Legal basis	Objectives/Problems Solved	
		2019		
		Regent Regulation Number 19 of 2020 Concerning Amendments to Regent Regulation Number 16 of 2020 Concerning Social Safety Nets, Economic Stimulants, and Direct Village Cash Assistance Handling the 2019 Corona Virus Disease (Covid-19) Pandemic Gresik Regency	Implementation of the Social Safety Net or Social Safety Net	
		Decree of the Minister of Health of the Republic of Indonesia Number Hk.01.07/Menkes/382 /2020 Concerning Health Protocols for Communities in Public Places and Facilities in the Context of Prevention and Control of Corona Virus Disease 2019 (Covid-19)	Enforcement of New Normal Protocol Governance	
		Central Government Presidential Regulation (PERPRES) No. 15 of 2010 concerning the Acceleration of Poverty Reduction	Welfare improvement and life long education for 24,110 heads of poor women's households	

Central Government Presidential Regulation (PERPRES) No. 15 of 2010 concerning the Acceleration of Poverty Reduction	Improving the competitiveness and quality of life of poor people with disabilities includes a. 648 Blind, b. 560 Deaf, c. 261 Speech Impaired, d. 49 Blind, Deaf, and Speech, e. 184 Deaf and Speech Impaired, f. 1,475 Physically Impaired
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CONCLUSION

After seeing and matching between the traditional budget with the principles of regional spending to achieve good clean governance especially the principle of accountability and value for money, it seems clear that the traditional budgeting method is less able to fulfill it because it does not focus on performance results as on performance budgeting. The use of performance-oriented regional budgets, if realized, will have implications for regional governments to fulfill the principles of regional spending as a prerequisite, good governance. The conclusions above are quite reasonable because the performance budget is prepared strategically (directed and based on main objectives and functions) and is measurable so that it has high clarity of budget targets compared to traditional budgets. If observed further, the implementation of performance-based budgeting requires high professionalism from budget preparers, executors and evaluators.

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