



The Measurement of Regional Government Financial Performance Using the Value for Money Principle

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Abstract. *The purpose of this study is to determine and analyze the financial performance of the local government of Banyuwangi Regency using the concept of value for money at the Regional Financial and Asset Management Agency of Banyuwangi Regency. The method used is descriptive qualitative, with primary and secondary data. Data analysis techniques use the concept of value for money with economic, efficient, and effective ratios. The results of this study state that the Banyuwangi Regency Government, through economic, efficiency, and effectiveness ratios in budget realization reports in the 2019-2022 period fully applies the principle of value for money.*

Abstrak. Tujuan penelitian ini adalah untuk mengetahui dan menganalisis kinerja keuangan pemerintah daerah Kabupaten Banyuwangi dengan menggunakan konsep *value for money* pada Badan Pengelolaan Keuangan dan Aset Daerah Kabupaten Banyuwangi. Metode yang digunakan adalah deskriptif kualitatif, dengan data primer dan sekunder. Teknik analisis data menggunakan konsep *value for money* dengan rasio ekonomis, efisiensi, dan efektif. Hasil penelitian ini menyatakan bahwa Pemerintah Kabupaten Banyuwangi melalui rasio ekonomis, efisiensi, dan efektivitas pada laporan realisasi anggaran pada periode tahun 2019-2022 Badan Pengelolaan Keuangan dan Aset Daerah Kabupaten Banyuwangi belum sepenuhnya menerapkan prinsip dari *value for money*.

Keywords:

Financial
Performance;
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Introduction

Governance organizations in the public sector aim primarily to provide a form of welfare to society. Since the enactment of regional autonomy, there has been rapid development in Indonesia in public sector accounting (Erika & Wahyuni, 2023). Regional autonomy, which is regulated in Law No. 32 of 2004 that the rights, authorities, and responsibilities to autonomous regions manage internal government

affairs and the interests of local communities in accordance with laws and regulations. Granting autonomy authority to regions in Indonesia provides flexibility to manage and increase sources of income, with the aim of improving community welfare and the progress of the region.

The public sector in Indonesia is often seen by the public as a hotbed of inefficiency, waste, leakage of funds, and institutions that continue to experience losses. A bad image is still seen in the majority of public services, the cause is still the lack of professionalism of officers in the service sector provided (Halawa & Putri, 2023).

The management carried out on local government finances based on the Government of the Republic of Indonesia No. 12 of 2019 concerning regional financial management explains that regional finances must be managed in an orderly, efficient, economical, effective, transparent and responsible manner with a focus on a sense of justice, propriety, benefits for the community, and compliance with the provisions provided by laws and regulations. Regional Financial Management consists of planning, implementing, administering, reporting, accounting, and reporting regional finances with the aim of realizing good governance and clean governance (Makmur, 2022).

Therefore, the public is required to better critically assess the performance of local governments, which requires transparency and accountability of institutions from the public sector, including in terms of the use of public money and guarantees for the economical, efficient, and effective use of public funds in the correct practices used by public financial management (Sampow & Pangkey, 2022).

Because of Performance accountability must be disclosed because of performance in the public sector. Performance measurement is an important factor in every entity, including the government in the public sector and has a major role in evaluating the mandatory responsibilities of organizations, especially to provide services in the public to be more optimal and in accordance with the interests of the community (Irfansyah & Septariani, 2022)

Local government performance measures based on performance-based budgets can be measured using the concept of value for money. According to Mardiasmo (2018), Value for money is the concept of managing organizations in the public sector based on three main elements, namely economy, efficiency and effectiveness. The main purpose of value for money is to ensure the implementation of a system of public accountability by government institutions to the community, which is called public accountability as a form of accountability for the success or failure of the implementation of the mission of the organization. Therefore, the accountability system in supervising local finances and budgets must include a performance-oriented approach. This will support public accountability for local government, which supports the sustainability of regional autonomy.

The Regional Financial and Asset Management Agency of Banyuwangi Regency is tasked with improving the quality of the implementation of the local government of Banyuwangi Regency, development to services to the community, especially in the financial sector. In preparing its financial budget, the Regional Financial and Asset Management Agency (BPKAD) of Banyuwangi Regency refers to the Regional Long-Term Development Plan (RPJPD) which is prepared every 25 years and the Regional Medium-Term Development Plan (RPJMD) which is prepared every 5 years, which will later be translated into the Annual Work Plan (RKT) and become a reference in making the annual Budget Work Plan (RKA) and Budget Implementation List (DPA).

Table 1. Regional Revenue Budget Realization Report
Banyuwangi Regency 2019-2022

Year	Regional Revenue		%
	Budget	Realization	
2019	3.218.323.725.779,46	3.143.282.624.113,33	97,67%
2020	3.234.613.912.526,52	3.266.231.248.972,23	101,04%
2021	3.014.536.797.351,26	3.181.210.231.920,83	105,53%
2022	3.181.065.619.305,19	3.236.145.965.510,90	101,73%

Source: Processed data, 2024.

Table 2. Regional Budget Realization Report
Banyuwangi Regency 2019-2022

Year	regional Expenditure		%
	Budget	Realization	
2019	3.283.412.076.860,80	3.021.315.752.989,13	92,02%
2020	3.417.594.498.312,85	3.140.638.904.668,47	91,90%
2021	3.314.730.486.501,15	3.093.593.254.516,97	93,33%
2022	3.559.876.724.653,35	3.327.251.697.808,09	93,47%

Source: Processed data, 2024.

Data from tables 1 and 2 show fluctuations in regional income and expenditure from year to year. In 2019, realized revenue reached 97.67% of the set target, while realized expenditure 92.02%. For 2020, revenue increased further than the target to 102.70%, but spending decreased to 91.90%. The following year, revenue increased to 105.53% and expenditure rose to 93.33%. However, in 2022, revenue again decreased to 101.73%, while spending increased to 93.47% of the budgeted target.

Revenue realization from 2020 to 2022 always exceeded the established budget, while regional expenditures from 2019 to 2022 were relatively stable and did not exceed the established budget, indicating no budget deficit. However, expenditure realization is always below the total amount in the targeted budget, indicating that the programs within the target have not been fully achieved. The community expects accountability for the performance of the public sector, including the performance expected by the community from the Regional Government of Banyuwangi Regency in regulating and managing their regional finances economically, efficiently and effectively based on the principle of value for money. The purpose of this study is to analyze the financial performance of the Regional Government of Banyuwangi Regency using measurement using the "value for money" method using certain indicators. From these indicators, it can be seen whether Banyuwangi Regency has fully used this principle.

Research Methods

In this study, the scope is the Financial Statements of the Regional Government of Banyuwangi Regency for the period 2019 to 2022. This study applies qualitative descriptive research methods, descriptive research, namely research on understanding the value of single or multiple variables independently, without making comparisons or correlations with other variables (Sugiyono, 2017).

The research was conducted at the Regional Financial and Asset Management Agency of Banyuwangi Regency located on Jl. Adi Sucipto No.28, Taman Baru, Banyuwangi District, Banyuwangi Regency, East Java. The population in this study

is the Financial Report of the Regional Government of Banyuwangi Regency. Meanwhile, the sample taken for this study is the Financial Report of the Regional Government of Banyuwangi Regency for 2019 - 2022.

This study applied purposive sampling techniques. This technique is a selective method in choosing research data sources with various considerations (Sugiyono, 2017). So with this, this study uses the Banyuwangi Regency Government Budget Realization Report for 2019 - 2022. Data collection techniques for this study were collected by observing documents available at the Regional Financial and Asset Management Agency (BPKAD) of Banyuwangi Regency. In addition, data collection is also carried out through literature studies that are relevant to previous research on the concept of "value of money". This research uses qualitative descriptive method by applying the concept of value for money in measuring performance. The analysis was carried out through the calculation of the value of the economic ratio, efficiency, and effectiveness of the budget realization report of the Banyuwangi Regency Government. This measurement is based on Kepmendagri No. 600,900-327 of 1996 as follows:

Rasio Economic

According to Mahmudi (2015) Economic measurement can be done with mathematical calculations as follows:

$$\text{Economic Ratios} = \frac{\text{Expenditure Realization}}{\text{Expenditure Budget}} \times 100\%$$

Table 3. Economics Criteria

Performance Value Percentage	Criterion
>100%	Very Economical
90% - 100%	Economy
80% - 90%	Quite Economical
60% - 80%	Less Economical
<60%	Uneconomical

Source: Kepmendagri No.600.900-327

Efficiency Ratio

According to Mahmudi (2015) the level of efficiency by measuring compares the realization of expenditure with the budget target as follows:

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

Table 4. Efficient Criteria

Performance Value Percentage	Criterion
<60%	Highly Efficient
60% - 80%	Efficient
80% - 90%	Quite Efficient
80% - 100%	Less Efficient
>100%	Inefficient

Source: Kepmendagri No.600.900-327

Effectiveness Ratio

According to Mahmudi (2015) the ratio in effectiveness, measured by comparing actual physical or non-physical achievements with predetermined achievement targets with the following calculations:

$$\text{Effectiveness Ratio} = \frac{\text{Revenue Realization}}{\text{Revenue Budget}} \times 100\%$$

Table 5. Effective Criteria

Performance Value Percentage	Criteria
$\geq 100\%$	Very Effective
90% - 100%	Effective
80% - 90%	Quite Effective
60% - 80%	Less Effective
$\leq 60\%$	Ineffective

Source: Kepmendagri No.600.900-327

Results And Discussion

Result

The measurement of value for money is calculated based on the budget realization report of the Regional Government of Banyuwangi Regency for the period 2019 to 2022, as follows:

Rasio Economists

Table 6. Economic Ratio Year 2019 - 2022

Year	Actual Expenditure	Budgeted Expenditure	Economic Ratio
2019	3.021.315.752.989,13	3.283.412.076.860,80	92,02%
2020	3.140.638.904.668,47	3.417.594.498.312,85	91,90%
2021	3.093.593.254.516,97	3.314.730.486.501,15	93,33%
2022	3.327.251.697.808,09	3.559.876.724.653,35	93,47%

Source: BPKAD Banyuwangi Regency processed, 2024.

Based on the table above, the economic ratio of the Banyuwangi Regency Government in 2019 reached 92.02%, followed by 2020 at 91.90%, in 2021 at 93.33%, and in 2022 at 93.47%. This shows a decrease in economic ratios from 2019 to 2020 but increased in 2021 and 2022.

The decrease in the economic ratio from 2019 to 2020 by 0.12% was due to an increase in expenditure realization from Rp. 3,021,315,752,989.13 in 2019 to Rp. 3,140,638,904,668.47 in 2020, as well as an increase in budget expenditure from Rp. 3,283,412,076,860.80 in 2019 to Rp. 3,417,594,498,312.85 in 2020.

In 2021, there was an increase in the economic ratio of 1.43%. This increase was caused by a decrease in expenditure realization from Rp. 3,140,638,904,668.47 in 2020 to Rp. 3,093,593,254,516.97 in 2021, as well as a decrease in budget expenditure from Rp. 3,417,594,498,312.85 in 2020 to Rp. 3,314,730,486,501.15 in 2021.

In 2022, there was an increase in the economic ratio by 0.14%. This increase was due to an increase in expenditure realization from Rp. 3,093,593,254,516.97 in 2021 to Rp. 3,327,251,697,808.09 in 2022, as well as an increase in budget expenditure from Rp. 3,314,730,486,501.15 in 2021 to Rp. 3,559,876,724,653.35 in 2022. The economic ratio of the Banyuwangi Regency Government from 2019 to 2022 shows economic conditions, because it is within the criteria of 90% - 100%.

Efficiency Ratio

Table 7. Efficiency Ratio Year 2019 - 2022

Year	Realization of Regional Expenditure	Revenue Realization	Efficiency Ratio
2019	3.021.315.752.989,13	3.143.282.624.113,33	96,12%
2020	3.140.638.904.668,47	3.266.231.248.972,23	96,15%
2021	3.093.593.254.516,97	3.181.210.231.920,83	97,25%
2022	3.327.251.697.808,09	3.236.145.965.510,90	102,82%

Source: BPKAD Banyuwangi Regency processed, 2024.

From the table above, it can be seen that the efficiency ratio for 2019 is 96.12%, in 2020 it is 96.15%, in 2021 it is 97.25%, and in 2022 it is 102.82%. From 2019 to 2022, there was a gradual increase in the value of the efficiency ratio. Although in those years the efficiency ratio was in the range between 90% to 100%, for 2022 the efficiency ratio value exceeded 100%, which shows the inefficiency of performance in that year.

The increase in the efficiency ratio in 2020 by 0.04% was due to an increase in expenditure realization from 2019 of Rp. 3,021,315,752,989.13 in 2020 to Rp. 3,140,638,904,668.47 followed by an increase in revenue realization from 2019 of Rp. 3,143,282,624,113.33 in 2020 to Rp. 3,266,231,248,972.23.

The increase in the efficiency ratio in 2021 of 1.09% was due to a decrease in expenditure realization from Rp. 3,140,638,904,668.47 in 2020 to Rp. 3,093,593,254,516.97 in 2021, as well as a decrease in revenue realization from Rp. 3,266,231,248,972.23 in 2020 to Rp. 3,181,210,231,920.83 in 2021.

In 2022, the efficiency ratio has increased again and also exceed 100% due to greater expenditure realization compared to revenue realization. In 2021, realization increased considerably, namely 5.57% due to an increase in expenditure realization from 2021 of Rp. 3,093,593,254,516.97 in 2022 to Rp. 3,327,251,697,808.09 followed by an increase in revenue realization from 2021 of Rp. 3,181,210,231,920.83 in 2022 to Rp. 3,236,145,965,510.90.

Effectiveness Ratio

Table 8 Effective Ratio Year 2019 - 2022

Year	Revenue Realization	Revenue Budget	Efficiency Ratio
2019	3.143.282.624.113,33	3.218.323.725.779,46	97,67%
2020	3.266.231.248.972,23	3.234.613.912.526,52	100,98%
2021	3.181.210.231.920,83	3.014.536.797.351,26	105,53%
2022	3.236.145.965.510,90	3.181.065.619.305,19	101,73%

Source: BPKAD Banyuwangi processed, 2024.

Based on the resulting table, the effectiveness ratio for 2019 was 97.67%, in 2020 it was 100.98%, in 2021 it was 105.53%, and in 2022 it was 101.73%. In 2020, 2021, and 2022 the effectiveness ratio is very effective, because the ratio is more than 100%, while in 2019 it is effective because the ratio is between 90% - 100%.

The increase in the effectiveness ratio for 2020 of 3.31% was due to an increase in revenue realization, from 2019 of Rp. 3,143,282,624,113.33, in 2020 to Rp. 3,266,231,248,972.23, followed by an increase in the revenue budget, from 2019 of Rp. 3,218,323,725,779.46 in 2020 to Rp. 3,234,613,912,526.52.

For 2021, the effectiveness ratio increased by 4.55%, this increase was generated due to a decrease in expenditure realization for 2020, amounting to Rp. 3,266,231,248,972.23 in 2021 to Rp. 3,181,210,231,920.83 followed by a decrease

in budget revenue from 2020 of Rp. 3,234,613,912,526.52 in 2021 to Rp. 3,014,536,797,351.26.

The decrease in the effectiveness ratio in 2022 of 3.80% was due to an increase in revenue realization, from 2021 of Rp. 3,181,210,231,920.83 in 2022 to Rp. 3,236,145,965,510.90 followed by an increase in budget revenue, from 2021 of Rp. 3,014,536,797,351.26 in 2022 to Rp. 3,181,065,619,305.19.

Discussion

The following is the data from the calculation, on the Financial Performance of the Banyuwangi Regency Government, based on the Value for Money ratio of economic, efficiency and effectiveness ratios:

Table 9. Measurement of the Economic Level, Efficiency and Effectiveness of Banyuwangi Regency Year 2019-2022

Year	2019	2020	2021	2022
Rasio Economists	92,02%	91,90%	93,33%	93,47%
Criterion	Economy	Economy	Economy	Economy
Efficiency Ratio	96,12%	96,15%	97,25%	102,82%
Criterion	Less Efficient	Less Efficient	Less Efficient	Inefficient
Effectiveness Ratio	97,67%	100,98%	105,53%	101,73%
Criterion	Effective	Very Effective	Very Effective	Very Effective

Source: Processed data, 2024.

The economic ratio of the Banyuwangi Regency Government in 2019 was 92.02%, in 2020 it was 91.90%, in 2021 it was 93.33%, and in 2022 it was 93.47%. The economic growth rate in 2019–2020 decreased but increased in 2021 and 2022. The expenditure discussed is the total expenditure. The economic ratio of the Banyuwangi Regency Government between 2019-2022 shows economic criteria, with values between 90% to 100%, in accordance with the standards set in Kepmendagri No.600,900-327 of 1996. This economic analysis aims to evaluate the financial performance of the Banyuwangi Regency Government in obtaining and managing resources well, avoiding waste and unproductive expenditure. In addition to focusing on budget savings, economic success also includes achieving optimal outputs, because savings without achieving maximum targets become meaningless. It emphasizes the importance of converting budgets into secondary inputs such as labor, materials, infrastructure, and capital goods with more efficient financial management.

The efficiency ratio during the 2019-2022 period is likely to increase, although it is still below the optimal level. The efficiency ratio in 2019 reached 96.12%, in 2020 it was 96.15%, in 2021 it was 97.25%, and in 2022 it reached 102.82%. Despite the improvement throughout the period, the efficiency value is still suboptimal. In 2019, 2020, and 2021, the efficiency ratio showed less efficient because it was in the 90% to 100% figure, while in 2022 it showed inefficient criteria because it exceeded 100%. This budget inefficiency is caused by waste that occurs in certain sectors. The amount of budget realization compared to the revenue received shows that financial management is still inefficient and there seems to be waste without paying attention to the principles of savings and efficiency of regional spending. Achieving the budget target is meaningless if the costs incurred for achieving it are greater than the income received.

The effectiveness ratio during the period 2019-2022 reached a very efficient ratio. In 2019, the effectiveness ratio reached 97.67%, followed by 2020 with 100.98%, 2021 with 105.53%, and 2022 with 101.73%. This indicates that the activity is running effectively, making optimal use of resources to achieve the desired results. Effectiveness in 2020, 2021, and 2022 reached a very high level because it almost reached 100%, while in 2019 it was classified as an effective criterion because it was in the range of 90% to 100%. Effectiveness measurement indicates the impact of program outcomes on the achievement of objectives. Effectiveness is a measure of an organization's success in achieving its goals. The more outputs produced are related to the achievement of goals or objectives, the more efficient the work process of such an organization. This shows that the Banyuwangi Regency Government has succeeded in implementing its staffing program, because the budget target has been achieved.

Conclusions And Advice

The conclusion of this study is that overall, the economic ratio of the Banyuwangi Regency government shows economic criteria. This indicates that the Banyuwangi Regency Government has succeeded in controlling expenditure, because the amount spent is not significantly greater than what has been budgeted. Meanwhile, overall, the efficiency ratio shows that the Banyuwangi Regency government is still inefficient, because there is still the use of regional expenditures that exceed regional revenues. However, the effectiveness ratio shows that the Banyuwangi Regency government is categorized as very effective, which indicates success in carrying out work programs, because budget realization has reached the set target. Thus, it can be concluded that the financial performance of the Banyuwangi Regency Government, based on the principle of Value for Money, is still not optimal.

As for the suggestions given for this study, the Banyuwangi Regency Government needs to improve planning for the implementation of activities for the future to ensure efficiency in implementation. It is important to establish appropriate measures so that the objectives of the activity can be achieved, so that the impact can be evaluated quickly. This step aims to optimize the use of regional budgets that are currently less effective and to monitor the excessive use of funds. Thus, it is expected that agencies can consider more carefully the allocation of regional expenditures, avoid waste of funds, and ensure their use in accordance with the set targets.

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