



ANALYSIS OF EXPENDITURE PERFORMANCE IN THE BUDGET REALIZATION REPORT IN BATUKUDA VILLAGE, MANCAK DISTRICT, SERANG REGENCY

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Abstract

This study aims to determine the expenditure performance in the budget realization report in Batukuda Village, Mancak District, Serang Regency, for the 2017-2020 fiscal year using an analysis of spending variance, spending growth, shopping compatibility analysis, and spending efficiency analysis. The analytical method used in this research is descriptive quantitative. Based on what has been done, a) Expenditure performance in terms of expenditure variance analysis is good because the realization of expenditure is smaller than the budget, except for 2017. After all, it exceeds the specified criteria. b) Expenditure performance in expenditure growth analysis cannot be said. Positive because in 2018 and 2020 there was a decrease in spending or negative results, c) Expenditure performance in terms of the compatibility analysis of expenditure was more dominant than capital expenditure compared to operating expenditure of 50.74% and 41.62%, capital expenditure received the criteria not balanced with the proportion of 5-20%, while operating expenditures had an unbalanced criterion with a proportion of 60-90%, d) Expenditure performance in terms of the expenditure efficiency ratio can be said to be efficient because the criteria are below 100% except for 2017.

Keywords: Expenditure Performance, Variance, Growth, Harmony, Expenditure Efficiency.

INTRODUCTION

Financial reports are generated using relevant data and conducted by accurate accounting and assessment procedures, allowing a clear view of the company's financial status (Kasmir, 2018, p. 66). The financial reports must adhere to the principles outlined in PP No. 71 of 2010 regarding Government Accounting Standards. Each Regional Work Unit (SKPD) produces these financial reports, which form the foundation for compiling financial reports for provincial, district, or city governments (Erlina, Rambe, and Rasdianto, 2017).

The regional government financial report, which is a combination of the financial reports of the SKPD in the regional government, according to the conceptual framework of PP No. 71 of 2010, Paragraph 24, is prepared to provide relevant information regarding the financial position and all transactions carried out by a reporting entity during one reporting period. Financial reports are mainly used to compare the realization of revenue, expenditure, transfers and financing with the established budget, assess and evaluate the financial condition, effectiveness and efficiency of a report and help determine provisions for laws and regulations. Along with the reform in the field of state finance, changes need to be made in various fields to support the reform in the field of state finance to run well (Ratnasari & Munawaroh, 2019).

One of the significant changes is the change in government accounting. The accounting process produces financial information for several parties according to their goals. Preparing financial reports guided by government accounting standards is a framework for increasing the quantity of financial

reports. The financial reports in question can increase credibility, enable transparency and accountability in the management of regional government finances, and enable good governance.

The local government's Budget Realisation Report (LRA) offers valuable insights for evaluating the region's financial performance. In comparison to the balance sheet, the LRA holds greater significance. It is the first type of regional financial report generated before the balance sheet, operational report, and cash flow report are prepared. The budget serves as the foundation for governance and regional development, playing a crucial role as a tool for stabilisation, allocation, distribution, public resource management, planning, organisational control, and performance evaluation. Consequently, the LRA is one of the most critical reports for regional financial accountability. Through the LRA, report readers can conduct financial performance analyses, including income, expenditure, and financing analyses.

Inadequate budget planning can lead to issues with the budget that is owed. A common trend observed in districts and cities regarding budget planning during the implementation of regional government is the misappropriation of APBD funds, such as corruption involving budget funds and discrepancies arising from expenditures that exceed the regional government budget. Based on the background description above, the expenditure performance analysis is used to evaluate whether Batukuda Village, Mancak District, and Serang Regency have used the APBD economically, efficiently, and effectively. So the author is interested in research titled "Expenditure Performance Analysis in the Budget Realisation Report in Batukuda Village, Mancak District, Serang Regency 2017-2020".

LITERATURE REVIEW

Shopping Performance

Performance in regional finance refers to the extent to which targeted outcomes are achieved, particularly in managing regional revenues and expenditures. This performance is measured using specific financial indicators established by policy frameworks or legal regulations over a defined timeframe (Herry, 2018).

On the other hand, regional expenditure encompasses all disbursements made from the regional or state treasury, which lead to a decrease in the budget surplus for the fiscal year in question and are not intended to be recovered by the government. As outlined in the Minister of Home Affairs Regulation No. 13 of 2006 on regional financial management later amended by Regulations No. 59 of 2007 and No. 21 of 2011 regional spending is recognized as a financial obligation of the local government that results in a reduction of the region's net assets.

Shopping Performance Analysis

Regional spending analysis is critical to evaluate whether the regional government has used the

APBD economically, efficiently, and effectively (value for money). To what extent has the regional government carried out budget efficiency, avoiding unnecessary spending and spending that is not on target? By using a performance-based budgeting system, the spirit of carrying out efficiency (savings) on every expenditure must be embedded in the soul of every regional government employee. The government no longer needs to be oriented towards spending the budget, which results in no waste of the budget, but must be oriented towards the output and outcome of the budget (Mahmudi, 2019)

Budget Realisation Report

Based on the conceptual framework of PP No. 71 of 2010, the budget realization report presents an overview of sources, allocations, and ideas of financial resources managed by the central/regional government. It compares the budget and its realisation in one reporting period and provides information on realising the reporting entity's budget and standing.

Theory Required: Agency Theory

According to Jensen and Meckling (1976), an agency relationship is a contract between principal and agent, considering the delegation of some decision-making authority to the agent. As agents, managers are morally responsible for maximising the owners' profits (principals) while also being interested in maximising their welfare. Agency theory can also be applied to the public sector. A democratic country has an agency relationship between the community and the government, or a relationship between the regional government and the central government. The central government gives authority to regional governments, and they must also be accountable for their duties to the central government. On the other hand, regional governments must also maximize their welfare. In the public sector, the agency relationship can be seen in the budget preparation. The regional government here, the province, prepares a budget. The budget is submitted to the centre after approval from the centre; the regional government carries out activities based on the previous budget. Finally, the regional government must be accountable for realizing the budget with the central government.

Previous Research Results

Based on a research journal conducted by Ratnasari and Munawaroh (2019) entitled "Analysis of Spending Performance in the Budget Realisation Report (LRA) at the Berau Regency Social Service." This study shows that it rejects the previously proposed hypothesis, because spending performance in the Budget Realization Report (LRA) at the Berau Regency Social Service decreased in 2017, as evidenced by the fact that in 2017 the amount of budget and budget realization were lower than in 2016, the variance of spending in 2017 (9.79%) was higher. Lower than 2016 (15.60%), the spending growth ratio in 2017 decreased by 22.20%.

Based on a research journal conducted by Halkadri Fita and Zahro Ilmi Efendi (2020) entitled

"Analysis of Budget Realisation Reports for Measuring the Performance of the Regional Government of South Solok Regency." The results of this study indicate that the regional financial independence ratio is 8.04% with a very low independence category, the regional financial dependence ratio is 91.18% in the very high dependence category, the degree of regional financial decentralization is 7.32% with a very low degree of decentralization category, the variance of total revenue is IDR. 11,434,995,893 in the unprofitable category, total revenue realization growth of 5.45% in the good category, revenue effectiveness ratio of 98.57% is in the effective category, PAD effectiveness ratio is 102.13% in the very effective category, the ratio of operational expenditure realization to total expenditure realization is 69.04%, the ratio of capital expenditure realization to total expenditure realization is 30.77% and the total expenditure efficiency ratio in 2014 to 2018 is 92.75% in the less efficient category.

Based on a research journal conducted by Erisandi Sapura, Imam Nazarudin Latif, and Rina Masitoh Haryadi (2019) entitled "Analysis of Spending Performance in Budget Realisation Reports at the Energy and Mineral Resources Service of East Kalimantan Province." The results of the analysis presented can be seen that, a) Spending performance reviewed from the analysis of spending variance can be said to be good because spending realization is smaller than the spending budget, b) Spending performance reviewed from the analysis of spending growth has not been said to be positive because in 2017 and 2018 there was a decrease in spending or negative results, c) Spending performance reviewed from the analysis of spending harmony is more dominant in operating spending compared to capital spending because operating spending is above 90% of total spending, d) Spending performance reviewed from the spending efficiency ratio can be said to be efficient because the criteria are below 100%.

Based on a research journal conducted by Liando and Elim (2016) entitled "Analysis of Spending Performance in Budget Realisation Reports at the Revenue, Financial Management and Regional Assets Service of the Sangihae Islands Regency." The results of this study indicate that the analysis of spending variance in the budget realisation report for the 2011-2014 fiscal year shows that the spending performance of the Sangihae Islands Regency Government is considered good and continues to improve every year, as well as budget utilisation.

Research Framework

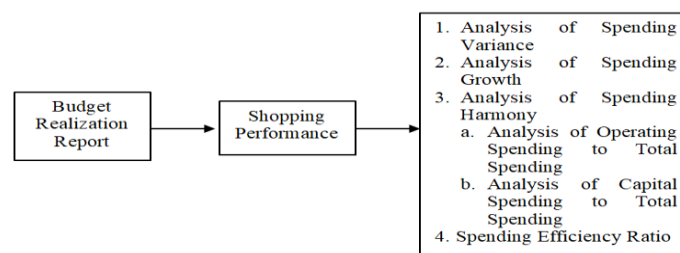


Figure 1: Framework of Thought

METHOD

Operational Definition of Variables

The researcher determines a research variable based on the research that will be conducted or an attribute of an existing object, and data completes that variable. In this study, the author uses spending performance as the independent variable and budget realization as the dependent variable.

Research methods

This study uses a quantitative descriptive research method, where data is collected, compiled, grouped and analysed to determine spending performance in the budget realisation report in Batukuda Village, Mancak District, Serang Regency.

Data Types

The type of data used in this study is qualitative data. The data sources used in this study are primary data obtained directly from the research object or research location (Batukuda Village, Mancak District, Serang Regency) in the form of data and information relevant to the research, through direct interviews. Moreover, secondary data, data obtained from other parties or other sources related to this study that have been processed and obtained through available documents, including data from the Batukuda Village Budget Realisation Report, Mancak District, Serang Regency, for 2017-2020.

Data collection technique

This research uses data and facts from various sources. The author uses library and field research methods as data collection techniques.

Data Analysis Techniques

This research employs several analytical methods, including Expenditure Variance Analysis, Expenditure Growth Analysis, and Expenditure Harmony Analysis. These analyses compare Operating Expenses to Total Expenses and Capital Expenses to Total Expenses. Additionally, they incorporate the Expenditure Efficiency Ratio.

RESULTS STUDY AND DISCUSSION

Spending Variance Analysis

The realization of spending was Rp.1,233,986,978, and the regional budget was Rp.1,204,502,178, which resulted in a spending variance analysis of Rp.29,494,800 or 2.45%. Associated with the criteria for assessing the performance spending variance analysis, it is included in the performance criteria of less than good, because there is a capital expenditure account whose

budget is smaller than its realization. Capital expenditure is an expenditure made in the context of capital formation, which is of a nature to add fixed assets/inventory that provides more benefits than an accounting period and shows that the realization of spending exceeds budget spending.

In 2018, the realization of spending decreased by Rp. 1,049,180,000, and the regional budget also decreased by Rp. 1,112,857,579, which resulted in a spending variance analysis of Rp.-63,677,579 or -5.72%. When associated with the criteria for assessing the spending variance analysis, spending performance is included in the good criteria performance, because there is a capital expenditure account that reduces the realisation of its capital expenditure and shows that the realisation of spending is less than < budget spending.

In 2019, the realization of spending increased by Rp. 1,385,900,000, and the regional budget increased by Rp. 1,389,682,171 because there was an additional General Allocation Fund (DAU), which resulted in a spending variance analysis of Rp.-3,782,171 or -0.27%. When associated with the criteria for assessing the spending variance analysis, spending performance is included in the good criteria performance and shows that spending realization is less than < budgeted spending.

Meanwhile, in 2020, the realization of spending decreased by Rp. 1,235,796,500, and the spending budget decreased by Rp. 1,287,840,594, resulting in a spending variance analysis of Rp.-52,044,094 or -4.04%. When associated with the criteria for assessing the spending variance analysis, spending performance is included in the good criteria performance and shows that spending realisation is less than < spending budget.

Spending Growth Analysis

The results of the calculation of the growth analysis of spending were 110.08%, which means that if associated with the assessment criteria, it is included in the positive criteria because the results of the analysis show the assessment standards that have been set. The increase shows the high realisation of capital expenditures compared to employee and goods and services expenditures, namely, capital expenditures with a realisation of Rp. 726,416,303 while employee expenditures with a realization of Rp. 314,400,000 and goods and services expenditures with a realization of Rp. 193,170.67.

For 2018, the results of the calculation of the growth analysis of spending were -15%. If associated with the assessment criteria, the results are included in the negative criteria because the analysis results show the assessment standards that have been set. The decline shows the high realization of capital expenditures compared to operating expenditures, because there is one activity that has not been realized and operating expenditures have been fulfilled in the previous year so that capital expenditures are higher, spending costs for the purchase of equipment and machinery such as the purchase of laptops and printers than operating expenditures. In 2019, the growth analysis calculation results show that spending is 32%. Suppose it is associated with the assessment criteria. In

that case, it is included in the positive criteria because the analysis results show the assessment standards that have been set and are still within reasonable limits. The increase is due to adding the General Allocation Fund (DAU) from the Ministry of Finance (Kemenkeu) for additional activities throughout Indonesia.

Meanwhile, for 2020, the expenditure growth analysis calculation results were -11%. When associated with the assessment criteria, this is included in the negative criteria because the analysis results show the assessment standards that have been set.

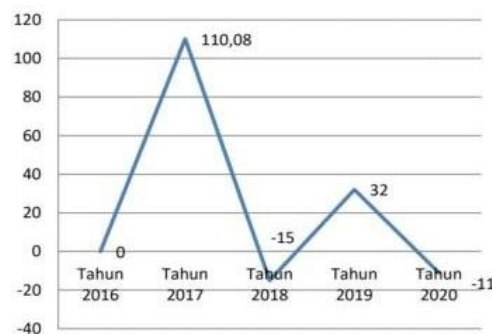


Chart 1 Analysis of Expenditure Growth in Fiscal Year 2017-2020

The graph above shows a prominent increase and decrease in spending growth in Batukuda Village, Mancak District, Serang Regency, from 2017 to 2020. The percentage level of spending growth in 2017 was 110.08%. In 2018, there was a very significant decline of -15%. In 2019, spending growth increased by 32%. While in 2020, spending growth decreased by -11%.

Shopping Harmony Analysis

The analysis of spending harmony helps know the balance between spending. It is related to the budget function as a distribution, allocation, and stability tool. The regional government must create spending harmony for the function to run well. The following are some spending harmony analyses, including:

1. Analysis of Operating Expenditure Against Total Expenditure

The table above shows that in 2017, the ratio of operating expenses to total expenses was 41.13%. Suppose this is associated with the assessment criteria for the ratio of operating expenses to total expenses. In that case, it is included in the unbalanced criteria with a 60-90% proportion for the ratio of operating expenses to total expenses. In 2018, it resulted in a ratio of operating expenses to total expenses of 48.43%. When associated with the assessment criteria for the ratio of operating expenses to total expenses, this is included in the unbalanced criteria with a proportion of 60-90% for the ratio of operating expenses to total expenses. In 2019, it resulted in a ratio of operating expenses to total expenses of 34.38%. When associated with the assessment criteria for the ratio of operating expenses to total expenses, this is included in the unbalanced criteria with a proportion of 60-90% for the ratio of operating expenses to total expenses. Meanwhile, in 2020, it

resulted in a ratio of operating expenditure to total expenditure of 42.53%. When associated with the assessment criteria for the ratio of operating expenditure to total expenditure, this is included in the unbalanced criteria with a proportion of 60-90% for the ratio of operating expenditure to total expenditure.

2. Analysis of Capital Expenditure Against Total Expenditure

The table above shows that 2017 capital expenditures to total expenditures were 58.87%. Suppose this is associated with the assessment criteria for capital expenditures to total expenditures. In that case, it is included in the unbalanced criteria with a 5-20% proportion for the capital expenditure ratio to total expenditures. In 2018, the ratio of operating and total expenses was 51.57%. When associated with the assessment criteria for the ratio of capital expenditure to total expenses, this is included in the unbalanced criteria with a proportion of 5-20% for the ratio of capital expenditure to total expenses. In 2019, the ratio of operating expenses to total expenses was 65.62%. When associated with the assessment criteria for the ratio of capital expenditure to total expenses, this is included in the unbalanced criteria with a proportion of 5-20% for the ratio of capital expenditure to total expenses. Meanwhile, for 2020, the ratio of operating expenses to total expenses was 26.89%. When associated with the assessment criteria for the ratio of capital expenditure to total expenses, this is included in the unbalanced criteria with a proportion of 5-20% for the ratio of capital expenditure to total expenses.

Shopping Efficiency Ratio

The spending efficiency ratio 2017 was 102.45%, which means that it exceeded the specified criteria because there was a surplus from the previous year's budget calculation and SILPA. The criteria for assessing the spending efficiency ratio include inefficient criteria with a size of >100%. In 2018, it produced a spending efficiency ratio of 94.28%, which means 5.72% of the budget was not absorbed or used for regional spending. The criteria for assessing the spending efficiency ratio include the efficient criteria <100% for the spending efficiency ratio. In 2019, it produced a spending efficiency ratio of 99.73%, meaning 0.27% of the budget was not absorbed or appropriately used for regional activities or spending. When associated with the criteria for assessing the spending efficiency ratio, it is included in the efficient criteria with a size of <100% for the spending efficiency ratio. Meanwhile, in 2020, it produced a spending efficiency ratio of 95.96%, meaning that 4.04% of the budget was not properly absorbed or used for regional spending activities. When associated with the criteria for assessing the spending efficiency ratio, it is included in the efficient criteria with a size of <100% for the spending efficiency ratio. This year's operating expenditure decreased by 3.77% from the previous year, and even in 2020, it was still efficient.

CONCLUSION

Based on the analysis and discussion that have been carried out, the following conclusions can be drawn:

1. The spending performance in Batukuda Village, Mancak District, Serang Regency for the 2017-2020 budget year, reviewed from the spending variance analysis in 2017, the spending variance analysis was said to be less than good because the spending realization was greater than the spending budget because there were remaining funds from the previous year's budget in the current budget year's APBD or also called SILPA. While in 2018-2020, the spending variance analysis was good because the spending realization was smaller than the spending budget.
2. The spending performance in Batukuda Village, Mancak District, Serang Regency is not considered positive because spending decreased or had negative results in 2018 and 2020.
3. The spending performance in Batukuda Village, Mancak District, Serang Regency, for the 2017-2020 budget year, when viewed from the analysis of spending harmony, was more dominated by capital spending than operating spending, with an average capital spending of 50.74% and an average operating spending of 41.62%.
4. The spending performance in Batukuda Village, Mancak District, Serang Regency, in terms of the spending efficiency ratio for the 2017-2020 budget year, can be considered efficient because the criteria are below 100%. Except in 2017, the spending efficiency ratio was above 100% because there were remaining funds from the previous year's budget in the current budget year's APBD, also known as SILPA.

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