

VALUE FOR MONEY: ANALYSIS OF FINANCIAL PERFORMANCE OF BEKASI REGENCY LOCAL GOVERNMENT

Abstract.

This study aims to determine and analyze financial performance using the value for money method from the Bekasi regency local government. This type of research is quantitative and descriptive. The data used is secondary data. Data collection techniques use literature and documentation. The data analysis used is quantitative analysis using the value for money method based on three elements, namely economy, efficiency, and effectiveness. The results of the study show that the financial performance of Bekasi Regency from 2020 to 2022 in terms of economic measurement is considered good; in terms of efficiency measurement, it is considered on average good for 2020, 2021, and 2022, while in terms of measuring effectiveness, in 2020 and 2021 it is considered not good, and in 2022 it is categorized as effective because the effectiveness ratio is more than 100%.

Keywords: *economical, efficiency, effectiveness, value for money*

INTRODUCTION

Along with the implementation of regional autonomy in Indonesia, public sector accounting has made rapid progress. Regional autonomy, according to Law No. 23 of the Republic of Indonesia concerning Regional Government, (2014) is the right, authority, and obligation of autonomous regions to regulate and take care of the interests of local communities and their own households in accordance with applicable legislation. By having autonomy rights, each region or district will have the freedom to develop and process its sources of income in an effort to improve community welfare and national progress. It is not only the ability of public sector institutions to demonstrate how public funds are used, but also the ability to provide assurance that public funds are being used economically, efficiently, and effectively through the implementation of sound public management.

In the context of financial management of an organization, financial performance is defined as its measure. Ardila & Putri, (2015) stated that one of the important issues to be studied in public sector organizations including government is the financial performance of local governments. The government must be able to implement performance-based budgeting to achieve good government financial performance. According to Kopong, (2019), local government financial performance is driven by the main goal, which is to encourage employees to achieve organizational goals and meet established behavioral standards to achieve the desired results. In general, the purpose of performance measurement is to improve strategy communication and measure financial and non-financial performance accurately so that progress can be monitored for strategy achievement. Since there is no net profit as an indicator of local government's current financial performance, evaluating the efficiency of public sector organizations is crucial.

The performance of Bekasi Regent Dani Ramdan, who is in the spotlight, is now getting heavier after receiving a Fair With Exception (WDP) opinion from the Audit Board (BPK) on the Examination Results Report (LHP) on the 2022 Bekasi Regency Local Government Financial Statements (LKPD). Bekasi Regency DPRD Deputy Chairman Soleman admitted that he was disappointed with the WDP opinion from BPK RI. According to him, WDP's opinion showed the poor performance of Bekasi Regent Dani Ramdan (Viva.co.id, 2023).

The process of regional financial management consists of three stages: planning, implementation, and accountability, according to Minister of Home Affairs Regulation Number 13 of 2006 Concerning Regional Financial Management Guidelines, (2006) and Minister of Home Affairs Regulation Number 21 of 2011 Concerning the Second Amendment, (2011). One very important thing for public sector organizations, including governments, to study is financial performance. Since performance-based budgeting is implemented, all government agencies are required to have good financial performance.

According to Mahmudi, (2013), value for money is a performance measure used to measure the efficiency, economy, and effectiveness of an action, program, or organization. Economical means obtaining inputs at the lowest price in a given quantity and quality; efficiency means achieving maximum output with certain inputs; and effectiveness is the level of achievement of program results with set targets. Regional financial management and regional funds must be supported by a value-for-money approach to achieve the goal of improving local governance. To support the implementation of the concept of value for money in public fund management, a good regional financial and budget management system is needed.

Pratiwi & Ela's, (2017) study found that economic, efficiency, and effectiveness measurements in BPKAD Blitar Regency between 2015-2016 showed an increase in effectiveness and efficiency. In addition, Khalikussabir's, (2017) research on economic measurement, efficiency, and effectiveness from 2014 to 2016 at the Public Works Office of Probolinggo Regency consisting of Cipta Karya, Bina Marga, and Waters found that Bina Marga has a predicate of more economic value According to Hasibuan, (2017) research, financial management performance is still less effective and efficient. Enre, (2020) stated that, based on the Value for Money ratio from 2014 to 2018, program realization decreased every year. This shows that the financial performance of the Medan City Government is not good.

Based on the above problems and the results of previous research, researchers are interested in conducting research again with the title "Value for Money: Analysis of Bekasi Regency Financial Performance".

LITERATUR REVIEW

Stewardship theory is the main theory underlying this theory (Donaldson & Davis, 1991). In Miranti Dewi, (2018), this theory explains that management is motivated by their main outcome goals for the benefit of the organization rather than individual goals. Accounting research of public sector organizations such as government organizations and other non-profit organizations can use stewardship theory.

According to Mardiasmo, (2016), Value For Money is the idea of public sector organization management based on three things: economical, efficient, and effective.

1. Economic Ratio Value

The acquisition of certain inputs or resources at the lowest price is called economical, according to Mardiasmo, (2016). Economics relates to the extent to which public sector organizations can reduce input resources by avoiding unproductive and wasteful spending. Budget savings to obtain inputs by avoiding waste of operations, according to Mahmudi, (2016), are known as economics.

$$\text{Ekonomical} = \frac{\text{Budget Realization}}{\text{Budget}} \times 100\%$$

According to Mahsum, (2006), economic criteria are as follows:

1. If the comparative value is less than 100% ($X < 100\%$) then, economical.
2. If the comparison value is equal to 100% ($X = 100\%$) then, the economy is balanced.
3. If a comparison value of more than 100% ($X > 100\%$) is obtained, it is not economical.

2. Efficiency Ratio Value

According to Mardiasmo, (2016), efficiency is the relationship between input and output where the goods and services that an organization buys are used to achieve a certain output. According to Mahmudi, (2016), achieving maximum output by using the lowest input.

$$\text{Efficiency} = \frac{\text{Budget Realization}}{\text{Income Realization}} \times 100\%$$

According to Mahsum, (2006), the criteria for efficiency are as follows:

1. If the ratio value is less than 100% ($X < 100\%$) then, efficient.
2. If the comparison value is equal to 100% ($X = 100\%$) then, the efficiency is balanced
3. If a comparison value of more than 100% ($X > 100\%$) is obtained, then, it is inefficient.

3. Effectiveness Ratio Value

According to Mardiasmo, (2016), effectiveness is the relationship between output and goals where effectiveness is measured based on how far the level of output, policies and procedures of the organization achieve the goals that have been set. According to Mahmudi, (2016) Effectiveness is a comparison between the expected results with the actual results achieved.

$$Effectiveness = \frac{Income\ Realization}{Income\ Budget} \times 100\%$$

According to Mahsum, (2006), the effectiveness criteria are as follows:

1. If a comparison value of less than 100% ($X < 100\%$) is obtained, it is not effective.
2. If the comparison value is equal to 100% ($X = 100\%$) then, the effectiveness is balanced.
3. If a comparison value of more than 100% ($X > 100\%$) is obtained, then, it is effective.

METHOD

The research design used is quantitative descriptive. According to Sugiyono, (2017), descriptive research is a statistic used to analyze data by describing or describing the data that has been collected as it is without intending to make generally accepted conclusions or generalizations. Population is the entire object of research as a source of data that has certain characteristics in a study according to Sugiyono, (2017). The population in this study is the Bekasi Regency Regional Revenue Financial Report 2020-2022.

In this study, the sampling technique used was Purposive Sampling by selecting the APBD Report and the 2020-2022 APBD Realization Report. The Data Analysis technique used is to measure the financial performance of local governments using economic, efficient and effective ratios.

1. Collect data needed in research. The data is in the form of: APBD Report and APBD Realization Report for the 2020-2022 period,
2. Measuring financial performance using economic, efficiency and effectiveness ratios.

RESULTS

1. Economic Measurement

The calculation of the economic level is based on data from the Bekasi Regency government's Regional Budget Realization Report for the 2020-2022 fiscal year.

Table 1, Bekasi Regency Regional Budget Realization Report for Fiscal Year 2020-2022

| Tahun | Budget Realization (Rp in millions) | Budget (Rp in millions) | Economic Ratio |
|-------|-------------------------------------|-------------------------|----------------|
| 2020 | 4.787,48 | 5.801,94 | 82,52% |
| 2021 | 5.704,89 | 6.113,95 | 93,31% |
| 2022 | 6.169,83 | 6.467,18 | 95,40% |

(Data sources : APBD, 2023)

2. Efficiency Measurement

The calculation of the efficiency level is based on data from the Bekasi Regency government's Budget Realization Report for the 2020-2022 fiscal year.

Table 2. Realization of Bekasi Regency Regional Revenue and Expenditure Budget for fiscal year 2020-2022

| Tahun | Budget Realization (Rp in millions) | Income Realization (Rp in millions) | Efficiency Ratio |
|-------|-------------------------------------|-------------------------------------|------------------|
| 2020 | 4.787,48 | 5.092,17 | 94,02% |
| 2021 | 5.704,89 | 5.767,65 | 98,91% |
| 2022 | 6.169,83 | 5.896,62 | 104,63% |

(Data sources : APBD, 2023)

3. Effectiveness Measurement

The calculation of the efficiency level is based on data from the Bekasi Regency government's Budget Realization Report for the 2020-2022 fiscal year.

Table 3. Bekasi Regency Regional Revenue Budget Realization for fiscal year 2020-2022

| Tahun | Income Realization (Rp in millions) | Income Budget (Rp in millions) | Efficiency Ratio |
|-------|-------------------------------------|--------------------------------|------------------|
| 2020 | 5.092,17 | 5.826,94 | 87,39% |
| 2021 | 5.767,65 | 5.909,05 | 97,61% |
| 2022 | 5.896,62 | 5.603,41 | 105,23% |

(Data sources : APBD, 2023)

DISCUSSION

1. Economic Measurement

Based on the calculation of financial performance using the economic level in table 1, it shows that in 2020 the calculation ratio was 82.52% with economic criteria, in 2021 the calculation ratio increased by 93.31% with economic criteria while in 2022 the calculation ratio decreased by 95.40% with economic criteria. The greater the economic ratio, the financial performance of the local government is not good, but the budgeting of the Bekasi Regency local government shows that it can still be categorized as economical because from 2020-2022 the comparison value is less than 100%.

The results showed that the realization of the program measured from the economic level during 2020 to 2022 was on the economic criteria. Economic criteria show good performance of the Local Government of Sikka District. The economic concept is related to saving the budget to obtain inputs and not wasting the budget in the implementation of the organization's activity and operational programs. This is based on stewardship theory where management is not motivated by individual goals but rather aimed at their primary outcome goals for the benefit of the organization (Donaldson & Davis, 1991).

2. Efficiency Measurement

Based on performance calculations using the efficiency level, it shows that the Bekasi Regency Regional Government organizes programs with efficient levels in 2020 and 2021, with an achievement rate in 2020 of 94.02% and in 2021 a ratio calculation of 98.91%. In 2022, the calculation of the ratio is 104.63% with inefficient criteria.

The government's success in realizing the budget target in accordance with the set target has little meaning if it turns out that the costs incurred to realize the budget target are greater than the realization of the budget revenue received, this is what happens in 2022 because the efficiency ratio is above 100%.

3. Effectiveness Measurement

Based on performance calculations using the level of effectiveness, it shows that budgeting in the Bekasi Regency Regional Government in 2020 is said to be ineffective, the calculation ratio is 87.39%, in

2021 the calculation ratio is 97.61% with ineffective criteria. Meanwhile, in 2022, the calculation ratio is 105.23% with effective criteria because the calculation ratio exceeds 100%.

Measurement of the financial performance of the Bekasi Regency Regional Government using the value for money method based on the level of effectiveness carried out on the Bekasi Regency Regional Government shows that the realization of the program measured from the level of effectiveness during 2020 - 2021 is in the criteria of ineffectiveness. Entering 2022, the realization of regional revenues is greater than the budgeted regional revenues, it states that in that year the effectiveness of the Bekasi Regency regional government was well achieved.

CONCLUSION

The financial performance of Bekasi Regency from 2020 to 2022 in terms of economic measurement is considered good, in terms of efficiency measurement it is considered average for both 2020 and 2021 and 2022 to be inefficient, while in terms of measuring effectiveness in 2020 and 2021 it is considered not good on average and in 2022 it is considered effective. Thus, it is advisable to take steps to increase the level of efficiency, namely by reducing operational costs so that budget achievements are not greater than performance achievements. Meanwhile, steps that can be taken to increase the level of effectiveness are to increase performance realization in each program or activity in accordance with its performance indicators. Thus, so that the local government of Bekasi Regency can further improve the effectiveness of services to the community and achieve public accountability.

REFERENCES

- Minister of Home Affairs Regulation Number 21 of 2011 concerning the Second Amendment, (2011).
- Ardila, & Putri. (2015). Financial Performance Analysis using the Value For Money Approach at the Tebing Tinggi District Court. *Journal of Accounting and Business Research*, 15(1), 78–85.
- Donaldson, L., & Davis, J. (1991). Stewardship Theory or Agency Theory: CEO Governance and Shareholder Returns. *Australian Journal of Management*, 16(1), 9 – 64.
- Enre, D. T. (2020). Value for Money Analysis of Revenue Budgets in the Medan City Government.
- Hasibuan, D. (2017). Financial Performance Analysis Using the Value for Money Approach at the North Sumatra Province Transportation Service.
- Khalikussabir. (2017). Financial Performance Analysis Based on Value For Money (Case Study at the Water Works Department, Binamarga PU, & Cipta Karya Public Works Department, Probolinggo Regency). *Journal of Management Research*, 16(3), 1–22.
- Kopong, L. (2019). Comparative Analysis of Regional Government Financial Performance for the 2012–2016 Fiscal Year (Study of Four Expansion Districts of North Sulawesi Province). *Journal of Business and Management Research*, 7(1).
- Mahmudi. (2013). *Public Sector Performance Management*. Second Edition. Yogyakarta: YKPN College of Management Sciences.
- Mahmudi. (2016). *Public Sector Accounting (Revised Edition)*. UII Yogyakarta.
- Mahsum, M. (2006). *Public Sector Performance Measurement (Pe Print)*. BPFE Yogyakarta Publisher.
- Mardiasmo. (2016). *Public sector accounting*. Andy.
- Minister of Home Affairs Regulation Number 13 of 2006 concerning Regional Financial Management Guidelines, (2006).
- Miranti Dewi, N. (2018). The Influence of Internal Control Systems and Implementation of Regional Financial Accounting Systems on the Quality of Regional Financial Reports.
- Pratiwi, A. I., & Ela, N. (2017). Analysis of Value for Money Performance Measurement at the Blitar Regency Regional Financial and Asset Management Agency. *Vok@sindo Journal*, 5(2), 10–20.
- Sugiyono. (2017). *Quantitative, Qualitative, and R&D Research Methods*. Alphabeta CV.
- Law No. 23 RI Concerning Regional Government, (2014).

Viva.co.id. (2023). Bekasi Regency Receives WDP Opinion from BPK, Dani Ramdan's Performance is in the Spotlight. <https://www.viva.co.id/berita/nasional/1601738-kabupaten-bekasi-raih-opini-wdp-dari-bpk-kinerja-dani-ramdan-jadi-sorotan>

UNDER PEER REVIEW