

## Analysis of the Effectiveness in Planning and Realization Regional Income and Expenditure Budget By the Government of Palangka Raya City Year 2019-2020

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### Abstract

*This study was aimed to determine the effectiveness of budget planning and the efficiency of realization of regional income and expenditure budgets by the Government of Palangka Raya city. The type of research was descriptive method by using quantitative approach. The data taken was a summary of the Budget Work Plan and Budget Realization from 2019 to 2020 which was obtained from the Government of Palangka Raya city Financial System, SIMDA. The data processing technique used was the calculation of the effectiveness ratio and the efficiency ratio of budget realization. Based on the results of calculations and data collection on planning and budget realization, it could be stated that the Government of Palangka Raya city had succeeded in compiling and planning its budget well up to the realization stage. However, it could also be seen that the realization of the budget was less efficient because the expenditure was greater than the income.*

### Keywords

budget planning;  
realization



### I. Introduction

Law Number 9 of 2015 states that regional autonomy is the authority of the regional government to regulate and manage their own affairs in their services to their communities according to their own initiatives based on the aspirations of the people in the bonds of the Unitary State of the Republic of Indonesia. By the existence of regional autonomy, regional governments have the rights to make their own initiatives, manage and optimize regional resources. The existence of the right to take the initiative is a basic idea in granting regional autonomy, because the basic idea of granting regional autonomy is where local governments can act according to the needs of the local area. One of important aspects of the regional financial management mechanism is regional planning and budgeting. This is an inseparable part because it is interrelated to each other. Planning and budgeting are two things that are indispensable as an initial stage to start and manage regional development effectively and efficiently. In order for these two things to work well, budgeting should not dictate the planning process, and on the contrary, planning needs to consider the availability of funds and regional financial capacity so that all planned can be realized.

The final result of a planning and budgeting is in the form of a written planning and budgeting document prepared in accordance to prevailing laws and regulations. For local governments, the result of planning and budgeting is the Regional Income and Expenditure Budget (APBD) document which is prepared in each fiscal year. The purpose of this study was to find out how effective budget planning was and how efficient was the realization of regional expenditures in year 2019 and 2020.

## II. Review of Literature

### 2.1 Planning

According to Nugroho and Wrihatnolo (2014) planning, in general, is a human effort to minimize uncertainty. The ideal planning are the steps taken by humans so that certainty could get closer in human life. Specifically, the meaning of planning is a derivative of foresight ability, namely the ability to measure (measuring). The essence of ideal planning is measuring. Samodra Wibawa (2014) stated that planning is the process of choosing a set of activities and deciding what to do, when, how, and by whom. According to Anggarini and Puranto (2016), planning, basically, is a process to determine appropriate future actions, through a sequence of choices, by considering available resources.

Company activities cannot run without the participation of employees. One of the things that employees must do in carrying out their work is communication. Communication planning is one thing that is very urgent to do in urban development activities. This is important, because communication planning aims to help achieve programs effectively and efficiently (Kholil, et al, 2019).

The development planning system, as stated in the law, includes five approaches in the entire planning series, those are:

- a. Political approach
- b. Technocratic approach
- c. Participatory approach
- d. Top-down approach
- e. Bottom-up approach

According to Bhishma. M., et.al (2013), in discussing planning aspects, there are three main aspects that must be considered. The three aspects referred to the results of the planning work (outcome planning), the organizational tools which are used to carry out the planning work, and the process or steps of conducting the planning work.

The descriptions of these aspects are as follows:

- 1) The results of the planning work are referred to the name of the plan which can differ from one planning job to another.
- 2) Planning tools are organizational units which are assigned and be responsible for carrying out planning work.
- 3) The planning process is the steps that must be carried out by the workers or implementer.

### 2.2 Budgetting

Budgeting is a planning tool, guideline, control and supervision tool in the financial sector which are used by profit-oriented and non-profit companies. By the implementation of budgeting, the development of the company / agency could be analyzed carefully and continuously. Budgeting can run well if there is an active support, both from the implementation of the top and bottom levels within the organization of the companies or institutions. It is related to human concern, especially the employees of an organization in carrying out their activities. The human resources referred to in this study are employees. According to Werdhiastutie et al (2020) the development of human resources should focus more on increasing productivity and efficiency. This can be realized because today's competition, especially among nations, is getting tougher and demands the quality of strong human resources as managers and implementers in an organization or institution. In order to understand the budgeting, this section will discuss theories related to budgets. Several experts expressed their opinion related to budgeting. For example, according to

Munandar (2014: 1) budgeting is a plan that is compiled systematically which includes all company activities stated in monetary units that are valid for a certain period of time in the future.

### III. Research Methods

The data analysis used in this research was descriptive analysis. Sugiyono (2010:147) stated that descriptive analysis is a statistic used to analyze data by describing or describing the data that has been collected as it is without intending to make conclusions that apply to the public or generalizations. The effectiveness ratio described the local government's ability to realize the planned PAD compared to the target set based on the real potential of the region. The ability of the regions to carry out their duties was categorized as effective if the ratio achieved was at least 1 (one) or 100 percent. As the effectiveness ratio was getting higher, so it also described better capability of the region. The level of effectiveness is measured by comparing the realization of the Income budget with the total Income budget (Mahsun: 2013).

$$\text{Effectiveness Ratio} = \frac{\text{realization}}{\text{budget}} \times 100\%$$

Minister of Home Affairs Decree No. 690,900-327 of 1996, regarding the criteria for the level of effectiveness of income are as follows:

1. If the comparison result is more than 100%, then the income is said to be very effective.
2. If the achievement is 100%, then the income is said to be effective.
3. If the achievement is between 90%-99%, then the income is said to be quite effective.
4. If the achievement is 75%-89%, then the income is said to be less effective.
5. If the achievement is below 75%, then the income is said to be ineffective.

The level of efficiency is measured by comparing the realization of the expenditure budget with the total budget (Mahsun: 2013). Minister of Home Affairs Decree No. 690,900-327 of 1996, regarding the criteria for the efficiency level of the expenditure budget are as follows:

1. If the comparison result is more than 100%, then the budget is said to be inefficient.
2. If the achievement is between 90%-100%, then the budget is said to be less efficient.
3. If the achievement is between 80% - 90%, then the budget is said to be quite efficient.
4. If the achievement results are between 60%-80%, then the budget is said to be efficient.
5. If the achievement is below 60%, then the budget is said to be very efficient.

### IV. Results and Discussion

As regulated in the provisions of Chapter IV of the Regulation of the Minister of Home Affairs Number 77 of 2020 concerning Technical Guidelines for Regional Financial Management regarding the Determination of the Regional Budget.

The stages and schedule for the preparation of the APBD to the RKA are as follows:

1. Preparation of RKPD (end of May)
2. Submission of the Draft of KUA and Draft of PPAS by the head of TAPD to the Regional Head (week 1 of June)
3. Submission of the Draft of KUA and Draft of PPAS by the Regional Head to the DPRD (mid of June)
4. Agreement between the Regional Head and DPRD on the Draft of KUA and Draft of PPAS (early of July)

5. Issuance of Regional Head Circular regarding Guidelines for the Preparation of RKA-SKPD and RKA PPKD (early of August)
6. Preparation and discussion of the RKA-SKPD and RKA-PPKD as well as the preparation of the Regional Budget Raperda (beginning of August to the end of September).

**Table 1.** Description of LRA Financial Simda 2019 and 2020 data

Year	Description	Budgeting	Realization
2019	<b>Income</b>	<b>1.156.943.931.746,58</b>	<b>1.132.558.506.014,27</b>
	1. Locally-generated income	167.097.325.132,67	172.362.106.484,76
	2. Transfer Income	974.852.905.613,91	945.052.698.529,51
	3. Other legitimate income	14.993.701.000,00	15.143.701.000,00
	<b>Expenditure</b>	<b>1.226.141.924.114,80</b>	<b>1.085.753.685.058,38</b>
	1. Operational Expenditure	982.574.838.688,25	859.423.487.481,84
	2. Capital Expenditure	237.790.823.953,80	222.575.655.325,54
	3. Unexpected Expenses	5.776.261.472,75	3.754.542.251,00
2020	<b>Income</b>	<b>1.112.457.409.949,51</b>	<b>1.136.619.686.771,90</b>
	1. Locally-generated income	162.791.588.722,83	179.969.506.137,59
	2. Transfer Income	887.842.080.226,68	879.377.578.949,31
	3. Other legitimate income	61.823.741.000,00	59.272.601.685,00
	<b>Expenditure</b>	<b>1.221.103.150.076,04</b>	<b>1.122.756.310.009,79</b>
	1. Operational Expenditure	942.398.109.897,60	860.136.635.193,55
	2. Capital Expenditure	185.511.581.308,74	178.473.091.298,24
	3. Unexpected Expenses	93.193.458.869,70	84.146.583.518,00

Source: LRA Financial Simda 2019 and 2020 data

Local Income in 2019, was planned as Rp. 167,097,325,132.67 and had decreased to Rp. 162,791,588,722.83 or 2.59% in 2020, transfer income in 2019 was planned for Rp. 974,852,905,613.91 and decreased to Rp. 887,842,080,226.68 or 8.94% in 2020, while for other legitimate income in 2019 of Rp. 14,993,701,000.00 and increased to Rp. 61,823,741,000.00 or 312.34% in 2020.

Operational expenditures in 2019 was planned for Rp 982.574,838,688.25 and had decreased to Rp 942,398,109,897.60 or 4.10% in 2020, capital expenditures in 2019 amounted to Rp 237,790,823,953.80 to Rp 185,511,581,308.74 or 22% in 2020, unexpected spending of Rp. 5,776,261,472.75 and jumped up to Rp. 93,193,458,869.70 or 1,513.4% in 2020.

The effectiveness ratio is the level of success of an organization in utilizing natural resources in an effort to achieve the expected goals or targets with the actual results achieved by referring to the assessment of the level of effectiveness according to Mahmudi (2010:143) which can be seen in the following table:

**Table 2.** The effectiveness ratio

Percentage	Criteria
>100%	Very effective
100%	Effective
90-99%	Quite effective
75-89%	Less effective
<75%	Ineffective

Source: Mahmudi (2010:143)

The results of the financial income effectiveness ratio of the Government of Palangka Raya city for the 2019 Fiscal Year, for the original budgeted Income of Rp. 167,097,325,132.67 and its realization of Rp. 172,362,106,484.76 so that the difference between the budget and realization was 103.15% and it was categorized as very effective. For transfer income, it was Rp. 974,852,905,613.91 and the realization was Rp. 945,052,698,529.51, so there was a difference of 96.94% and it was included in the criteria quite effective. Meanwhile, for other legitimate income, it was Rp. 14,993,701,000.00 and its realization was Rp. 15,143,701,000.00 so that there was a difference of 101.00% and it was included in the very effective criteria.

The results of the financial effectiveness ratio of the Government of Palangka Raya city for Fiscal Year 2020, for the original budgeted Income of Rp. 162,791,588,722.83 and its realization of Rp. 179,969,506,137.59, so there was a difference of 110.55% and was categorized as very effective. The transfer income was Rp. 887,842,080,226.68 and the realization was Rp. 879,377,578,949.31, so there was a difference of 99.05% and was included in the criteria quite effective. Meanwhile, for other legitimate income, it was Rp. 61,823,741,000.00 and the realization was Rp. 59,272,601,685.00 so that there was a difference of 95.87% and it was included in the criteria of being quite effective.

Efficiency is the relationship between inputs and outputs which can be seen whether the use of goods and services purchased and used by government officials can achieve certain benefits by referring to the assessment of the level of efficiency according to Mahmudi (2010:143) can be seen in the following table:

**Table 2.** The Efficiency

Persentase	Criteria
<60%	Very efficient
61-80%	Efficient
81-90%	Quite efficient
91-100%	Less efficient
>100%	Not efficient

Source: Mahmudi (2010:143)

The results of the efficiency ratio of the Palangka Raya city government's financial expenditure for the 2019 Fiscal Year, for the operating budget of Rp. 982,574,838,688.25 and the realization of Rp. 859,423,487,481.84 so that the difference between budget and realization was 87.47% and was categorized as quite efficient. For capital expenditures of Rp. 237,790,823,953.80 and the realization was Rp. 222,575,655,325.54 so that there was a difference of 93.60% and was included in the criteria of being less efficient. As for the unexpected expenditure of Rp. 5,776,261,472.75 and the realization was Rp. 3,754,542,251.54 so that there was a difference of 65% and it was included in the efficient criteria.

The results of the efficiency ratio of the Palangka Raya city government's financial expenditure for the 2020 Fiscal Year, for operating expenditures of Rp. 942,398,109,897.60 and the realization of Rp. 860,136,635,193.55 so that there was a difference of 91.27% and was categorized as less efficient. For capital expenditure of Rp. 185,511,581,308.74 and its realization was Rp. 178,473,091,298.24, so there was a difference of 96.21% and was included in the criteria of being less efficient. Meanwhile, the unexpected expenditure was Rp. 93,193,458,869.70 and the realization was Rp. 84,146,583,518.00, so there was a difference of 90.29% and it was included in the criteria of being quite efficient.

## V. Conclusion

1. The Government of Palangka Raya city APBD planning in total seems to be decreasing from 2019 to 2020, this could be seen from the data on the regional original income and transfer income which had decreased but there was a significant increase for other legitimate income. This was due to the impact of the Covid-19 outbreak which had greatly affected the performance of regional income and spending.
2. The effectiveness of the Palangka Raya City Government's financial income for the 2019 to 2020 fiscal year was seen on average above 95% and some even reached above 100% so that it could be said that the Government of Palangka Raya city had succeeded in realizing its Income and budgeting.
3. Expenditure efficiency showed quite efficient results because the realization did not exceed the predetermined budget. So that it could be said that the Government of Palangka Raya city was quite successful in planning and budgeting whose expenditure was not greater than the actual Income, although in realization it appeared that the budgeted expenditure was greater than the stated income.

## Suggestion

1. It is recommended that the Government of Palangka Raya city through the relevant Offices be more active in terms of exploring new sources of PAD and stipulated in the PERKADA so that it will increase income to finance development in the Palangka Raya City area.
2. It is recommended for transfer spending which is also experiencing a decreasing so that the BPKAD of Palangka Raya City can coordinate related to transfer funds which tend to experience a decline also from the Central Government.

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