

# Performance-Based Budget Implementation in Improving Local Government Performance in Datuk Bandar, Tanjung Balai

Anggi Pratama Nasution<sup>1\*</sup>, Bagus Handoko<sup>1</sup>

<sup>1</sup>Faculty of Social Science, Universitas Pembangunan Panca Budi Medan, Indonesia

## ABSTRACT

Performance-Based Budgeting can be interpreted as a form of budget whose sources are linked to the results of government-level services. The budget itself is structured on a performance-oriented approach to output. The budget cycle is the period or timeframe from when the budget is drafted up to the time law passes the calculation of the budget. The budget cycle consists of several stages, preparation, ratification, implementation and evaluation reporting. This research was conducted at all offices in Datuk Bandar Subdistrict, Tanjung Balai City. The purpose of this study is to find out how the implementation of Performance Based Budget in improving the performance of local government with case studies in Datuk subdistrict Bandar Kota Tanjung Balai. Data were taken using questionnaires on those obtained from Budget Authorities and Treasurer at five urban villages and one subdistrict. This data is processed by using the descriptive-analytic method with the qualitative approach. The results of this study indicate that all performance-based budget activities that include planning, implementation, reporting and evaluation as a form of performance improvement at all agencies in Datuk Bandar, Tanjung Balai has been in accordance or running well.

**Keywords:** *Budget Planning, Budget Implementation, Budget Reporting, Budget Evaluation, Local Government Performance*

## 1. INTRODUCTION

Regional Budget Management It is a process that requires the involvement of all levels of society, and empowers local governments to perform local financial management so that the role of the government is as a catalyst and facilitator because the government knows better the goals and development goals that will be achieved[1][2][3]. As a catalyst and facilitator because the government is more aware of the targets and development objectives to be achieved, as a catalyst and facilitator, of course, require various facilities and supporting facilities in the framework of the implementation of development on an ongoing basis[4][5][6].

Government agencies as mandated in the Act, required a change in mindset to arrange their programs, and design their budget activities based solely on orientation to achieve one goal. In the management of state money by Law No.17 of 2003 mandates that in preparing the budget for government agencies should be performance-oriented[7][8][9]. Mardiasmo [10]states that in the preparation of the desired regional budget are: (a) The Regional Budget shall rest on the public interest; (b) the Regional Budget shall be managed with excellent results and low cost; (c) the Regional Budget should be able to provide transparency and accountability rationally for the entire budget cycle; (d) Regional Budget shall be managed with performance oriented approaches for all expenditures and revenues; (e) Local

Budgets should be able to foster professionalism of work in each related organization; (f) Regional Budget must be able to give the executors the flexibility to maximize the management of their funds by paying attention to the principle of value for money[11][12].

## 2. THEORIES

Sinambela[13] states that participation in the preparation is assessed as a managerial approach that can improve organizational performance. Subordinates who feel their aspirations are respected and have an effect on the budget being drafted will have more responsibility and moral consequences that will enhance performance as targeted in the budget[14].

## 3. METHODOLOGY

Research conducted in this research is to use a descriptive-analytic method with the qualitative approach. The use of this approach is tailored to the primary objectives of the study, which is to describe and analyze the performance of the government within the district Datuk Bandar. Previously, the questionnaire was first tested, test validity and reliability test. This approach is tailored to the primary objectives of the study, which is to describe and analyze the performance of the government at Datuk Bandar. Data collection techniques on the implementation of Performance Based Budgeting using structured questionnaire consists of closed questions in the

form of a list of statements given or distributed to the respondent to be filled.

Answers based on the perceptions of each respondent using nine questions for Planning, three questions for Budget Implementation, three questions for Reporting and three questions for Evaluation. While on Government Performance Variables At Datuk Bandar Districts use seven questions. Chi-square test analyzed the collected data. This test aims to determine the extent of Implementation of the performance-based budget on Government Performance. The p significance formulation of fewer than 0.05 means that there is significant influence between the Performance-Based Budget Implementation and the Government Performance.

4. RESULT AND DISCUSSION

4.1 Validity Test

Validity test result states that not all r count is bigger r table. Where r table value for the sample as much as 20 is 0,359 as can be described in the following table.

Table 1: Validity Test

Variable	Item	r	r <sub>table</sub>	Result
Performance Reporting	Statement 1	0,389	0,359	Valid
	Statement 2	0,378	0,359	Valid
	Statement 3	0,389	0,359	Valid
	Statement 4	0,378	0,359	Valid
	Statement 5	0,389	0,359	Valid
	Statement 6	0,378	0,359	Valid
	Statement 7	0,389	0,359	Valid
	Statement 8	0,378	0,359	Valid
	Statement 9	0,389	0,359	Valid
Budget Implementation	Statement 1	0,378	0,359	Valid
	Statement 2	0,389	0,359	Valid
	Statement 3	0,378	0,359	Valid
	Statement 4	0,389	0,359	Valid
	Statement 5	0,378	0,359	Valid
	Statement 6	0,389	0,359	Valid
	Statement 7	0,378	0,359	Valid
	Statement 8	0,389	0,359	Valid
	Statement 9	0,378	0,359	Valid
Budget Reporting	Statement 1	0,378	0,359	Valid
	Statement 2	0,389	0,359	Valid
	Statement 3	0,378	0,359	Valid
	Statement 4	0,389	0,359	Valid
	Statement 5	0,378	0,359	Valid
	Statement 6	0,389	0,359	Valid
	Statement 7	0,378	0,359	Valid
	Statement 8	0,389	0,359	Valid
	Statement 9	0,378	0,359	Valid
Government Performance	Statement 1	0,378	0,359	Valid
	Statement 2	0,389	0,359	Valid
	Statement 3	0,378	0,359	Valid
	Statement 4	0,389	0,359	Valid
	Statement 5	0,378	0,359	Valid
	Statement 6	0,389	0,359	Valid
	Statement 7	0,378	0,359	Valid
	Statement 8	0,389	0,359	Valid
	Statement 9	0,378	0,359	Valid

4.2 Reliability Test

The reliability of a variable construct is said to be good if it has a Cronbach's Alpha value > 0.60. Reliability of questionnaire question which has been submitted by the author to respondent in this research will be seen in reliability statistic presented in the following table.

Variable	Cronbach's Alpha	Reliability	Result
Performance Reporting	0,729	0,6	Reliable
Budget Implementation	0,745	0,6	Reliable
Budget Reporting	0,774	0,6	Reliable
Government Performance	0,775	0,6	Reliable

Table 2: Reliability Test

The previous table describes the value of Cronbach's Alpha > 0.60, so it can be concluded that statement constructs through questionnaires on Budget Planning, Budget Implementation, Budget Reporting, Budget Evaluation and Government Performance are reliable and acceptable.

4.3 Descriptive statistics

Data related to achievement of government performance in Kecamatan Datuk described in the following table.

Kategori	Kecamatan Datuk		
	Frequency	Percentage	Valid Percentage
Good	19	95%	95%
Sufficient	1	5%	5%

Table 3: Government performance

From the table above, it is known that a small percentage of respondents, i.e., 5% mentioned that Government Performance is sufficient and almost all respondents are 95% stated Government Performance is good.

4.4 Effect of Budget Planning in Improving Government Performance in Datuk Bandar

The effect of Budget Planning in Improving Government Performance in Kecamatan Datuk Bandar can be seen the following table.

Table 4: Crosstab Influence Planning in Improving Government Performance

Kategori	Kecamatan Datuk		
	Frequency	Percentage	Valid Percentage
Good	19	95%	95%
Sufficient	1	5%	5%

There are four respondents whose budget planning is adequate, but the government's performance is appropriate, and one budget planning person has been appropriate, but the government's performance is sufficient and last as many as 15 people planning their budget in line with the performance of the government. To know the effect of budget planning on government performance can be known from Chi-Square data test in the following table.



Table 5: Chi-Square Test Influence of Budget Planning on Government Performance Datuk Bandar

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	.263 <sup>a</sup>	2	.808		
Continuity Correction <sup>b</sup>	.000	2	.999		
Likelihood Ratio	.259	2	.809		
Fisher's Exact Test				.808	.808
N of Valid Cases	20				

a. 0 cells (.000%) have expected count less than 1. The minimum expected count is .50.  
b. Continuity Correction applied only for 2x2 tables.

In the Chi-Square test table, the Pearson line of Chi-Square shows the price of  $\alpha$  0.263 (a),  $df = 2$ , and  $p\text{-value} = 0,608 > 0,005$ , meaning that there is no influence between budget planning and government performance in Datuk Bandar. Furthermore, to know the level of closeness of the influence of budget planning performance with the performance of government in Datuk Bandar subdistrict is described in the following table.

Table 6: The level of closeness of Budget Planning relationship to the performance of Datuk Bandar District Government

	Value	Approx. Sig.
Nominal by Nominal Contingency Coefficient	.114	.608
N of Valid Cases	20	

The value of contingency coefficient of 0.114 which shows the level of closeness of the influence of budget planning on the performance of low-value government means the influence of budget planning on the performance of the government in Datuk Bandar district in the opinion of these respondents is low.

#### 4.5 Effect of Budget Implementation in Improving Government Performance in Datuk Bandar

The Effect of Budget Implementation in Improving Government Performance in Datuk Bandar can be seen in the following table.

Table 7: Crosstab Effect of Implementation in

#### improving Government Performance

There is one respondent whose budget implementation is not good but performance in government enough, and two people budget execution is not good but its government performance accordingly (yes). Next, there is one person budget execution is enough but its government performance accordingly (yes). Finally, as many as 16 people execution of the budget and performance is also appropriate (yes). To determine the effect of budget execution on government performance can be known from Chi-Square data test in the following table.

Table 8: Chi-Square Test, Effect of Budget Implementation on Datuk Bandar Government

In the Chi-Square test table, the Pearson row of Chi-Square shows the price of  $\alpha$  5.965 (a),  $df = 2$ , and  $p\text{-value} = 0.051 > 0.005$ , meaning that there is no influence between budget execution and government performance in Datuk Bandar. Furthermore, to know the level of closeness influence the implementation of the budget with the performance of government in Datuk Bandar Subdistrict is described in the following table.

Table 9: The level of closeness of Budget Execution to Government Performance in Datuk Bandar

	Value	Approx. Sig.
Nominal by Nominal Contingency Coefficient	.479	.051
N of Valid Cases	20	

The value of Contingency Coefficient of 0.479 which indicates the closeness of the influence of budget execution on government performance is sufficient to mean the effect of budget implementation on government performance in Datuk Bandar. The opinion of this respondent is enough.

**4.6 Effect of Budget Reporting in Improving Government Performance in Datuk Bandar**

The Effect of Budget Reporting in Improving Government Performance in Kecamatan Datuk Bandar can be seen in the following table.

Table 10: Crosstab Effect of Budget Reporting In

PELAPORAN\_ANGGARAN \* KINERJA\_PEMERINTAH Crosstabulation

Count		KINERJA_PEMERINTAH		Total
		CUKUP	YA	
PELAPORAN_ANGGARAN	TIDAK	0	3	3
	CUKUP	1	3	4
	YA	0	13	13
Total		1	19	20

improving Government Performance

There are three respondents whose budget reporting is not good, but the performance of the government is appropriate (yes). Furthermore, there is one person reporting enough budget, but government performance is also enough and three people who report enough budget but its government performance accordingly (yes). Lastly, as many as 13 people reporting the appropriate budget and suitability of its performance is also appropriate (yes). To determine the effect of budget reporting on government performance can be known from the Chi-Square data test in the following table.

Table 11: Chi-Square Test, The Effect of Budget Reporting on Datuk Bandar Government Performance

In the Chi-Square test table, the Pearson Chi-Square line shows the price of  $\chi^2 = 4,211$  (a),  $df = 2$ , and  $p\text{-value} = 0,122 > 0,005$ , meaning there is no influence between budget reporting and government performance in Datuk Bandar sub-district. Furthermore, to know the level of closeness of the influence of budget reporting with the performance of government in Datuk Bandar Subdistrict is described in the following table.

Table 12: Level of Close Budget Relationship Relation to Government Performance Datuk Bandar

The value of contingency coefficient of 0.417 which indicates the level of influence of budget reporting influence on government performance is sufficient to mean the effect of budget execution on government performance in Datuk Bandar in the opinion of this respondent is enough.

**4.7 Effect of Budget Evaluation in Improving Government Performance in Datuk Bandar**

The Effect of Budget Evaluation in Improving Government Performance in Datuk Bandar is as illustrated in the following table.

Table 13: Crosstab Impact of Budget Evaluation In

improving Government Performance

There is one respondent who evaluates the budget enough, and the performance of his government is enough. Furthermore, there is seven people budget evaluation enough, but the performance of the government is appropriate (yes). Subsequently, there are 12 members of the appropriate budget evaluation (yes) and the performance of the government is appropriate (yes). To determine the effect of budget reporting on government performance can be known from the Chi-Square data test in the following table.

Table 14: Chi-Square Test, Influence of Budget Evaluation on Datuk Bandar Government Performance

In the Chi-Square test table, the Pearson Chi-Square line shows the prices of  $\alpha$  1,579 (a),  $df = 1$ , and  $p\text{-value} = 0.209 > 0.005$ , meaning there is no influence between budget evaluation and government performance in Datuk Bandar sub-district. Furthermore, to know the level of closeness influence of budget evaluation with government performance in Datuk Bandar Subdistrict is described in the following table.

Table 15: Level of Close Budget Evaluation Relationship to Government Performance Datuk Bandar Subdistrict

The value of contingency coefficient of 0.271 indicating the closeness of the influence of budget evaluation on the performance of low-value government means the effect of budget evaluation on the performance of government in Datuk Bandar district in the opinion of this respondent is low.

#### 4.8 Discussion

Budget planning is structured to ensure that development activities are effective, efficient and targeted. The overall planning of the regional budget includes the preparation of the General Policy of the Regional Budget of Acceptance and Expenditure up to the drafting of the Regional Budget of Acceptance and Expenditure consisting of several stages of the local budgeting process. The weakness of the relationship between performance-based budget planning on government performance within the Datuk Bandar sub-district shows that the function of structural officials planning in Datuk Bandar sub-district is weak although their commitment to

organizational goals is very high. It is proved by the results of research that says that although they are weak in planning the government's performance is high.

##### 4.8.1 The Effect of Budget Implementation on Government Performance in Datuk Bandar Subdistrict

Budget Implementation covers the implementation of revenue, expenditure and financing budgets. Implementation of the Budget shall be implemented after the Implementation Document of the Budget of the Regional Device Work Unit shall be determined by the Regional Finance Manager with the approval of the Regional Secretary. Budget execution involves more people than its preparation and considering feedback from the real experience. The influence of performance-based budgeting on Performance of the Government is worth a Performance performance in the Datuk Bandar sub-districts related to the division of tasks on structural officials where the division of activities is less appropriate to the primary task and function. It may be due to the lack of qualified personnel and adequate and harmonious competencies so that even though the main tasks and functions are within the scope of his position but in the implementation of the budget the responder does not participate in a little so that they answer the budget execution of its performance is appropriate.

##### 4.8.2 The Effect of Budget Reporting on Government Performance in Datuk Bandar Subdistrict

The budget execution accountability report is carried out periodically covering the Budget Implementation Document in all Datuk Bandar sub-districts which is the task of the finance department, so it is only natural that the respondent states that the relationship between the budget execution report and the government's performance is sufficient.

##### 4.8.3 The Effect of Budget Evaluation on Government Performance in Datuk Bandar Subdistrict

Performance evaluation is an activity to assess or see the success and failure of an organization or work unit in carrying out the duties and functions imposed on it. The purpose of the performance evaluation is for the organization concerned to know the achievement of the realization, progress, and constraints encountered or the causes of non-achievement of performance to achieve the mission that has been planned so that the agency is expected to improve the

performance in the future. The evaluation of budget performance is weak enough to affect the performance at the Datuk Bandar sub-district which means that the structural officials have less commitment always periodically to evaluate the budget. Seven respondents evidence this claimed to conduct the budget evaluation in sufficient category.

## 5. CONCLUSION

The planning factor had four respondents who stated that they were involved in the budget planning and most of the respondents 16 people stated that they were involved in the budget planning was appropriate or good. The implementation factor has three respondents who stated that the involvement of the budget implementation is not good, one person stated good enough, and as many as 16 people stated the involvement in budget execution was appropriate or good. The reporting factor of three respondents stated that the involvement of budget reporting is not good. Furthermore, four respondents stated that their involvement in budget reporting is quite good and most respondents are 13 people stated that their budget reporting has been appropriate or good. The evaluation factor has eight respondents who stated their involvement in the budget evaluation is almost enough and most respondents as many as 12 people stated that the involvement of budget evaluation has been appropriate or good. The above explanation concludes that all performance-based budgeting activities that include planning, implementation, reporting, and evaluation are as a form of performance improvement across all agencies in Datuk Bandar, Tanjung Balai has been appropriate or running well.

## REFERENCES

- [1] N. Darise, *Akuntansi Keuangan Daerah (Akuntansi Sektor Publik)*, Jakarta: PT. Indeks, 2008.
- [2] P. H., *Pengelolaan Keuangan Daerah*, Jakarta: Salemba Empat, 2010.
- [3] S. Yuwono, I. T. Agus dan Hariyadi, *Penganggaran Sektor Publik, Pedoman Praktis Penyusunan, Pelaksanaan dan Pertanggungjawaban APBD (Berbasis Kinerja)*, Malang: Bayumedia Publising, 2005.
- [4] A. K. Sari, H. Saputra dan A. P. U. Siahaan, "Financial Distress Analysis on Indonesia Stock Exchange Companies," *International Journal for Innovative Research in Multidisciplinary Field*, vol. 4, no. 3, pp. 73-74, 2018.
- [5] H. Umar, *Desain Penelitian Akuntansi Keprilakuan*, Jakarta: PT. Raja Grafindo Persada, 2008.
- [6] Whicker dan M. Lynn, *Federal Deficit and Financing the National Debt*. In: *Handbook of Fiscal Policy.*, New York: Marcel Dekker Inc., 2002.
- [7] M. Mahsun, *Pengukuran Kinerja Sektor Publik*, Yogyakarta: BPFE Universitas Gajah Mada, 2009.
- [8] H. M. Ritonga, A. P. U. Siahaan dan Suginam, "Marketing Strategy through Markov Optimization to Predict Sales on Specific Periods," *International Journal for Innovative Research in Multidisciplinary Field*, vol. 3, no. 8, pp. 184-190, 2017.
- [9] Rusiadi, A. Novalina, P. Khairani dan A. P. U. Siahaan, "Indonesia Macro Economy Stability Pattern Prediction (Mundell-Flamming Model)," *IOSR Journal of Economics and Finance*, vol. 7, no. 5, pp. 16-23, 2016.
- [10] Mardiasmo, *Otonomi dan Manajemen Keuangan Daerah*, Yogyakarta: Penerbit Andi, 2002.
- [11] H. A. Hasibuan, R. B. Purba dan A. P. U. Siahaan, "Productivity Assessment (Performance, Motivation, and Job Training) using Profile Matching," *SSRG International Journal of Economics and Management Studies*, vol. 3, no. 6, pp. 73-77, 2016.
- [12] Mahmudi, *Analisis Laporan Keuangan Pemerintah Daerah*, Edisi Kedua, Yogyakarta: STIM YKPN, 2010.
- [13] E. Sinambela, *Tesis: Pengaruh Partisipasi Dalam Penyusunan Anggaran Terhadap Kinerja Manajerial*, Medan: Universitas Sumatra Utara, 2003.
- [14] Haryanto, *Tesis: Pengukuran Kinerja Dinas Pendidikan dan Kebudayaan Kabupate Jepara Tahun 2007*, Yogyakarta: Universitas Gajah Mada, 2009.