

Analysis of Budget Realization Reporting to Assess Capital Expenditure in Tanah Laut Regency

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Abstract

This study aims to determine the financial performance of the Tanah Laut Regency Government in managing the regional capital expenditure budget based on the Budget Realization Report (LRA) in 2018-2021. The analytical method in this study uses 3 financial ratios for financial performance, namely analysis of expenditure variance, analysis of expenditure growth and expenditure efficiency ratios. The research design used is descriptive quantitative research. Data were collected by recording documents and then analyzed by financial ratios. The results showed (1) the analysis of expenditure variance was included in the good category (2) the analysis of expenditure growth was included in the fairly good category (3) the expenditure efficiency ratio was included in the good category.

INTRODUCTION

The development of public sector accounting in Indonesia is currently progressing after the implementation of the regional autonomy law. Local governments are required to carry out their activities or government schedules independently without having to continue to depend on the state and local governments are expected to improve efficiency, effectiveness, and accountability of the public sector in Indonesia.

Based on Law Number 23 of 2014 concerning Regional Government, it has regulated the affairs of Regional Autonomy, explaining that "Regional Autonomy is the right, authority, and obligation of autonomous regions to regulate and manage their own government affairs and the interests of local communities in the

system of the Unitary State of the Republic of Indonesia". The purpose of implementing regional autonomy is to make local governments accountable to the community and the legislature. The government is given the rights and obligations as well as the authority to carry out its activities independently.

The role of local governments in managing finances will determine the success of increasing economic growth in an area. Measurement of financial performance is very important to assess the accountability of local governments in financial management. One of them is the measurement of expenditure performance using operating expenditures, namely daily budget expenditures for local governments that provide short-term benefits which include personnel expenditures, goods and services expenditures, and capital expenditures, namely budget expenditures for the acquisition of tangible fixed assets that provide benefits for more than one period accountancy.

Regional Financial and Asset Management Agency (BPKAD) of Tanah Laut Regency is one of the local government institutions that has the task of managing and regulating regional finances. In addition, BPKAD also plays a special role in providing Regional Property or commonly referred to as Regional Assets, so it is very important for BPKAD to determine the analysis in using its regional budget and expenditure. Performance measurement/assessment is carried out to measure the achievement of the implementation of activities with the aim of achieving the mission of the Regional Financial and Asset Management Agency of Tanah Laut Regency. The mission of BPKAD is to build good government governance.

The Budget Realization Report was prepared with the aim of providing information regarding central/regional government financial activities that demonstrate compliance with the State Revenue and Expenditure Budget/Regional Revenue and Expenditure Budget. Budget Realization Reports published by local governments provide very useful information for assessing local financial performance. Mahmudi (2010) stated that expenditure in the Budget Realization Report is an important component and also reflects the performance of the budget which is the achievement of performance on the use of the budget. The nature of expenditure is relatively easy to do. However, it is very vulnerable to inefficiency and leakage. Therefore, planning, controlling, and

supervising expenditures are very important. After being spent and reported in the Budget Realization Report, an analysis of this expenditure must also be carried out to be used as the basis for evaluation, correction, and improvement in the future.

Based on the Budget Realization Report of the Finance Section at the Tanah Laut Regency, the amount of realized capital expenditure continues to fluctuate. However, in terms of actual growth, capital expenditure growth tends to decline every year. Performance analysis capital expenditure is very important to determine whether BPKAD has used the APBD economically, and as best as possible, does not spend unnecessary budgets and avoids expenditure that is not on target.

METHODS

The types of data used in this study are primary data and secondary data. According to Sugiarto (2017) primary data is information obtained from primary sources, namely information from sources, while secondary data is information obtained not directly from sources but from third parties. The analytical method used in this study is a quantitative descriptive analysis method, which aims to describe the performance of Tanah Laut Regency Government expenditure based on Financial Performance Ratios. The 3 ratios used to assess the performance include:

1) Expenditure Variance Analysis

Analysis of variance is an analysis of the difference or difference between the realization of budget expenditures. Analysis of variance is very simple but can provide very meaningful information. Expenditure Variance Analysis is formulated as follows:

$$\text{Expenditure Variance Analysis} = \text{Budget} - \text{Budget Realization}$$

According to Mahmudi (2016), if the expenditure realization exceeds the set budget, the expenditure performance is considered not good. On the other hand, if the actual expenditure is less than the budget, the performance is considered good.

2) Expenditure Growth Analysis

Expenditure growth analysis is useful for knowing the development of expenditure from year to year. In general, expenditure has a tendency to always go up. Analysis of capital expenditure growth can be calculated by the following formula:

$$\frac{\text{Expenditure Actual Year } t - \text{Expenditure Actual Year } t-1}{\text{Expenditure Actual Year } t-1} \times 100\%$$

To measure performance through an analysis of expenditure growth, it is enough to look at the percentage each year. If overall expenditure growth has increased from the previous year, then the performance is considered good. On the other hand, if the percentage continues to decline and even touches negative numbers, then the performance cannot be considered good.

3) Expenditure Efficiency Ratio

Expenditure efficiency ratio is a comparison between actual expenditure and budget. This expenditure efficiency ratio is used to measure the level of budget savings made by the government. The resulting figure from this efficiency ratio is not absolute, but relative. This means that there is no standard that is considered good for this ratio. We can only say that this year's local government expenditure is relatively more efficient than last year, Unit A is more efficient than Unit B. The regional government is considered to have made budget efficiency if the efficiency ratio is less than 100%, on the contrary if it is more, it indicates that there has been a budget wastage (Mahmudi, 2019:164). Efficiency Ratio of Capital Expenditure can be calculated by the following formula:

$$\text{Expenditure Efficiency Ratio} = \frac{\text{Expenditure Actual}}{\text{Expenditure Budget}} \times 100\%$$

RESULTS AND DISCUSSION

This section contains (concise form) data analysis and interpretation of results. Interpretation of results using theories from articles as used. The descriptions is given include theoretical, implicative, and managerial, or practical.

1. Expenditure Variance Analysis

Table 1. Difference in Expenditure Variance in 2018-2021

Year	Budget (IDR)	Realization (IDR)	Difference (IDR)	Ability Criteria
2018	360,048,757,057	307,362,098,369.60	(52,686,658,687)	Profitable
2019	292,970,630,760,32	265,871,491,410,50	(27,099,139,249,42)	Profitable
2020	236,510,505,932.20	208,749,071,699	(27,761,434,233.2)	Profitable
2021	466,438,684,170	443,098,788,114.83	(23,339,896,055.17)	Profitable

Source: Processed Data (2022)

The results of the data analysis for the 2018 fiscal year, the difference between the budget and its realization shows that there is an expenditure utilization of IDR 52,686,658,687, in 2019 it is IDR 27,099,139,249.42, in 2020 the utilization of expenditure is IDR 27,761,434,233.2, while in 2021 the use of expenditure is IDR 23,339,896,055.17.

According to Suryani Fajrin (2018) the smaller the difference between the budget and the realization of expenditures, the government in general has made good use of the APBD, especially capital expenditures. Overall in 2018-2021 the results of the expenditure variance ratio show a negative value, meaning that the budget realization does not exceed the budgeted amount so that the performance of the expenditure budget is considered good.

2. Expenditure Growth Analysis

Table 2. Expenditure Growth Rate 2018-2021

Year	Budget Realization (IDR)	Growth Rate	Ability Criteria
2018	307,362,098,369.60	0	-
2019	265,871,491,410,50	-0.05 %	Negative
2020	208,749,071,699	-0.19 %	Negative
2021	443,098,788,114.83	97.2%	Positive

Source: Data Processed (2022)

According to Mahmudi (2010), expenditure growth analysis is useful for knowing the development of expenditure from year to year. It can be seen that capital expenditure growth was negative in 2019 and 2020, which was -0.05 and -0.19. This is because the capital expenditure budget has decreased from the previous year. As for the cause of the decline in capital expenditures due to the lack of realization, the impact of the decline in the capital expenditure budget,

namely the reduced portion of expenditure automatically reduces the work of employees on the realization of the capital expenditure budget. Meanwhile, in 2021 capital expenditure growth experienced a significant growth of 97.2%. The reason for this expenditure growth is due to the increase in the budget received from the central government.

From the results of data analysis, the growth of government expenditure in Tanah Laut tends to fluctuate. From 2019 to 2020 there was no expenditure growth and only in 2021 expenditure experienced positive growth. So it is hereby stated that the performance of the budget seen from the growth of expenditure performance can be said to be quite good.

3. Expenditure Efficiency Ratio

Table 3. Expenditure Efficiency Ratio 2018-2021

Year	Budget	Realization	Efficiency Ratio %	Ability Criteria
2018	360,048,757,057	307,362,098,369.60	85%	Efficient
2019	292,970,630,760,32	265,871,491,410,50	90%	Efficient
2020	236,510,505,932.20	208,749,071,699	88%	Efficient
2021	466,438,684,170	443,098,788,114.83	95%	Efficient

Source: Data Processed (2022)

Based on the results of data analysis in 2018, the expenditure efficiency ratio was 85%, in 2019 the expenditure efficiency ratio increased to 90%, in 2020 the expenditure efficiency ratio decreased by 88%, and in 2021 the expenditure efficiency ratio increased again to 95%. According to Mahmudi (2010), if the figure generated from the ratio is less than 100%, it is considered to have made expenditure efficiency. The results of the analysis show that there is no expenditure efficiency ratio that exceeds 100%. This also proves that the government has made savings on the budget. From the discussion above, it can be seen that the performance of the capital expenditure budget seen from the efficiency ratio of expenditure performance is already good.

CONCLUSION

The results of the overall analysis of the Tanah Laut Regency government from the last four years of expenditure realization did not exceed the budget so that it could be categorized as good. Based on the results of the analysis, the growth of Tanah Laut Regency government expenditure has fluctuated over the last four years caused by the decline and increase in the capital expenditure budget each year. Expenditure performance if judged from the growth of expenditure can be said to be quite good. Based on the results of the analysis, the efficiency ratio of expenditure in the four years did not exceed 100%, which means that the realization of the capital expenditure budget did not exceed the allocated budget. This means that the government has made savings on the budget, therefore the performance of capital expenditures seen from the efficiency ratio of expenditure performance can be said to be good.

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