

# AN ANALYSIS OF EFFECTIVENESS AND EFFICIENCY BUDGET REALIZATION AS PERFORMANCE MEASUREMENT POLYTECHNIC MEDAN

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## ARTICLE INFO

### Keywords:

Budget Realization, Effectiveness, Efficiency

## ABSTRACT

Society in the modern era demands a clean government or good government that can provide accountable and transparent information in its financial management. Budgets managed by public sector organizations must apply the principles of efficiency and effectiveness which are indicators of the financial performance of a public sector entity. This study aims to determine the effectiveness and efficiency of the budget at the Medan State Polytechnic, for the 2019-2021 budget period. The research method used is quantitative descriptive analysis. Data collection techniques used are observation techniques, interviews, and literature study. The data analysis method used is the calculation of the measurement of effectiveness and efficiency. The results of this study indicate that the level of effectiveness in 2019-2021 is stated to be effective and the level of efficiency from 2019-2021 is overall very efficient. It is hoped that the Medan State Polytechnic will further improve the efficiency of the spending budget, requiring better coordination and budget preparation strategies as well as the implementation of budget realization.

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## 1. INTRODUCTION

The government as a public sector organization has the main task of creating social welfare, while the community has a role as a public fund to the government. Government services to the community will create accountability relationships so that the government must be accountable for all its activities and performance to the community. The success of the government as a public sector organization will be judged by the government's ability to provide quality public services. Government accountability to the community is expected to realize government accountability. An accountable government is a government that can be trusted and is responsible for managing public resources.

The budget has an important role in the public sector, namely to help improve the quality of resources, meet community needs that are not top of their needs, and provide trust to the public for the use of funds in certain activities by being accountable for these funds through accurate financial reports according to the reality on the ground. the budget is used in the next period as evaluation material in changing a performance system that is less effective into a performance system that is even more effective in helping the government to prosper the people. Agencies are accountable for all budgets obtained so that at the end of the period the performance of the agency can be assessed. Is it effective or not in its use?

Medan State Polytechnic is a form of tertiary institution that organizes vocational education as well as a work unit (Satker) of the Ministry of Research, Technology and Higher Education under the guidance of the Directorate General of Vocational Education (Directorate General of Vocational Education) which is obliged to carry out accounting and accountability reports for the implementation of the Revenue Budget and State spending by preparing a Budget Realization Report.

In line with bureaucratic reform in the framework of good governance (good governance) of the Medan State Polytechnic whose performance must be reported and accounted for to the public, it must realize the performance of an effective, transparent and accountable government. One way to find out the government's performance is by analyzing the financial statements of the budget that has been set and implemented. The Budget Realization Report (LRA) describes the comparison or difference between the budget and its realization in one reporting period. This report is one of the main financial accountability reports because the budget government is the backbone of government administration.

The phenomenon that often occurs in government agencies, including the Medan State Polytechnic, is the problem of budget absorption which must reach one hundred percent. Where the performance of the work unit will be assessed as not good if it cannot absorb the entire budget. So that each work unit will compete to spend the entire budget that has been allocated to support its program of activities without considering budget savings in carrying out these activities.

This is very contrary to the concept of efficiency where work units should not only be concerned with the achievement of their program of activities but also must be able to make savings on the costs incurred to realize their program of activities. Based on the description above, the author wants to know the financial performance of one of the public organizations, namely Medan State Polytechnic by analyzing the difference between the expenditure budget and budget realization contained in the Medan State Polytechnic Performance Report. Budget Realization as a Performance Measurement of Medan State Polytechnic".

## 2. METHOD

### 2.1. Budget Realization Report

Budget realization report (LRA) According to Rukayah et al., (2017) Budget Realization Report (LRA) is a report that presents an overview of the sources, allocation, and use of economic funding sources managed by the central/regional government, illustrating a comparison between the budget and its realization in one certain reporting period. Budget realization reports are reports made by government agencies that contain income, financing, and spending that have been implemented during a certain period. The elements in the LRA are:

1. Regional shopping
2. LRA income
3. area transfers
4. LRA surplus/deficit
5. Financing
6. Remaining more / less budget financing

### 2.2. Purpose of Budget Realization Report

The purpose of the Budget Realization Report is to establish the basis for presenting the Budget Realization Report to the government to fulfill accountability objectives as stipulated by laws and regulations. The objective of reporting the realization of the budget is to provide information about the realization and budget of the reporting entity in parallel. The comparison between the budget and its realization shows the level of achievement of the targets that have been agreed upon between the legislature and the executive by the applicable laws and regulations.

The Budget Realization Report is to provide information regarding the realization of income, expenditure, surplus or deficit, and financing of a reporting entity, each of which is compared with its budget. This information is useful for report users in evaluating decisions regarding the allocation of economic resources, accountability, and adherence of reporting entities to budgets by:

1. Provides information regarding sources, allocation, and use of economic resources.
2. Provides information regarding budget realization as a whole which will be useful in evaluating government performance in terms of the efficiency and effectiveness of budget use.

3. The Budget Realization Report provides useful information in predicting the economic resources that will be received to fund central and regional government activities in the coming period by presenting a comparative report.

### 2.3. Effectiveness and Efficiency

Effectiveness is the relationship between the output and the goals and objectives to be achieved. Related to the achievement of policy objectives and targets (utility). Operational activities are said to be effective if an activity process achieves the final goals and objectives of the policy. Effectiveness in government can be interpreted as completing activities on time and within the available budget limits, and can also achieving the goals and objectives as what has been planned. The greater the expenditure contribution that has been made to the value of achieving the specified goals or targets, the more it can be said that the work process of the intended work unit is effective.

Haryato, et al (2007) explained that efficiency is the achievement of maximum output with the lowest input. Efficiency is a comparison between the output and the input produced with a predetermined performance standard or target. Mardiasmo (2006) argues that efficiency is a measure of success that is assessed in terms of the number of resources/costs to achieve the results of the activities carried out.

Mardiasmo (2009: 121) explains that public sector performance measurement is a system aimed at helping public managers assess the achievement of a strategy through financial and non-financial measuring instruments. Performance measurement can be used as an organizational control tool. Performance measurement can be used as an organizational control tool because performance measurement is strengthened by establishing a reward or punishment system.

This research was conducted at the Medan State Polytechnic which is located at Jl. Alma mater No. 1 USU Campus, Medan 20155 in the finance section for 3 (three) months from August to October 2022. The method used is using documentation, interviews and studies literature. The data used in this study is secondary data in the form of the data obtained from the Medan State Polytechnic Performance Report for 2019-2021 is in the form of a Budget Realization Report. To analyze the data the method used in this study is a quantitative descriptive analysis method using efficiency and effectiveness ratios by looking at the percentage comparison of expenditure realization with the budget.

The data analysis method used in this research is quantitative descriptive analysis. The analysis technique used to describe or describe the data that has been collected quantitatively. (Sugiyono: 2014) The data analysis method used in this study is as follows: 1. Effectiveness Ratio Analysis The effectiveness ratio describes the comparison between the amount of expenditure realization and the specified expenditure target. The greater the contribution of expenditure realization to expenditure goals or targets (budget), it can be said that the more effective one unit is, and vice versa. According to Mahmudi (2005:92) "Effectiveness is the relationship between output and goals, the greater the contribution or contribution of output to achieving goals, the more effective the organization, program or activity." Effectiveness is the relationship between output and goals and objectives to be achieved.

The definition of effectiveness according to Hadi in Sukirno (2000) is that the final product in an operational activity has achieved its goals both in terms of the quality of the work, the quantity of work and the targeted time limit. According to Permendagri Number 13 of 2006 effectiveness can be the achievement of program results with predetermined targets, namely by comparing expenses with results. Meanwhile, Mardiasmo stated that effectiveness is the level of achievement of program results with set targets.

The effectiveness ratio is formulated as follows:

$$\text{rasio efektivitas} = \frac{\text{realisasi anggaran belanja}}{\text{anggaran belanja}} \times 100\%$$

To find out how the effectiveness of the management of the expenditure budget that occurred at the Medan State Polytechnic is by comparing the realization of the expenditure budget with the expenditure budget within one period.

The criteria for effectiveness are in accordance with the Decree of the Minister of Home Affairs Number 690,900,327 of 1996 concerning Criteria for Assessment and Financial Performance (Sari, DN, et al,

2018)[19] are as follows:

**Table 1.** Expenditure Effectiveness Performance Assessment Criteria

Shopping Effectiveness Criteria	Percentage (%)
Very effective	more than 100%
Effective	90-100%
Effective enough	80-90%
Less effective	60-80%
Ineffective	Below 60%

Source: (Sari, DN, et al, 2018)

Analysis Efficiency ratio describes the comparison between the level of output with the level of input of public sector organizations. The level of efficiency is measured by comparing the realization of the direct expenditure budget with the total realization of the expenditure budget (Mahsun in Widiyana, 2016: 20). The smaller the realization of the direct expenditure budget compared to the total realization of the expenditure budget, the more efficient it can be said, and vice versa. The following is the formula for calculating the efficiency ratio according to (Widiyana: 2016):

$$\text{rasio efisiensi} = \frac{\text{realisasi anggaran belanja langsung}}{\text{realisasi anggaran belanja}} \times 100\%$$

Based on the Performance Report of the Medan State Polytechnic (Performance Report of the Medan State Polytechnic: 2019) efficiency is the result of excess or remaining funds for goods and capital expenditures, therefore to find out how the state of efficiency in managing the expenditure budget that occurs at the Medan State Polytechnic is by comparing the realization direct expenditure (goods expenditure and capital expenditure) with the total realization of the expenditure budget within one period. Based on the Decree of the Minister of Home Affairs Number 690,900,327 of 1996 concerning Assessment Criteria and Financial Performance (Sari, DN, et al, the criteria for spending efficiency are as follows:

**Table 2.** Expenditure Efficiency Performance Assessment Criteria

Shopping Efficient Criteria	Percentage (%)
Very Efficient	<60%
Efficient	60%-80%
Efficient Enough	80%-90%
Less Efficient	90%-100%
Not efficient	>100%

Source: (Sari, DN, et al, 2018)

### 3. RESULT AND DISCUSSION

#### 3.1. The Data

The data used in this study is secondary data obtained from the 2019-2021 Medan State Polytechnic Performance Report. In this study to measure the performance of the Medan State Polytechnic, the researchers only focused on the realization of the expenditure budget in 2019-2021. Reports of the realization of the expenditure budget of the Medan State Polytechnic in the past 3 years have fluctuated. In 2019 the expenditure budget was IDR 133,816,294,000 with a budget realization of IDR 122,994,320,094. In 2020 the expenditure budget decreased to IDR 133,246,284,000 with a budget realization of IDR 120,334,808,440, while in 2021 the expenditure budget increased to IDR 123,794,513,000 with a budget realization of IDR 118,456,654,972.

#### 3.2. Analysis of the Effectiveness Ratio of Realization of the 2019-2021 Medan State Polytechnic Budget

According to Permendagri Number 13 of 2006 effectiveness is the achievement of program results with predetermined targets, namely by comparing expenses with results. The effectiveness of the realization of the Medan State Polytechnic budget for 2019-2021 can be seen in the calculations below:

$$\text{rasio efektivitas} = \frac{\text{realisasi anggaran belanja}}{\text{anggaran belanja}} \times 100\%$$

**Table 3.** Results of the Calculation of the Effectiveness Level of Realization of the 2019-2021 Expenditure Budget

Year	Budget	Expenditure Budget Realization	Effectiveness Ratio (%)	Criteria
2019	133,816,294,000	122,994,320,094	92.90%	Effective
2020	133,246,284,000	120,334,808,440	90.31%	Effective
2021	123,794,513,000	118,456,654,972	96%	Effective

Source: Processed Data

In 2019, the level of effectiveness based on the budget and expenditure realization obtained a percentage of 92.9% with effective criteria. In 2020, the level of effectiveness based on the budget and expenditure realization obtained a percentage result of 90.31%. In 2021, the level of effectiveness based on the budget and expenditure realization obtained a percentage result of 96% with effective criteria.

### 3.3. Analysis of the Realization Efficiency Ratio of the 2019-2021 Medan State Polytechnic Budget

To find out how the state of efficiency in managing the budget that occurs

At the Medan State Polytechnic for 2019-2021, namely comparing the realization of direct spending (goods spending and capital spending) with the total realization of the spending budget within one period. The efficiency of the realization of the 2019-2021 Medan state Polytechnic budget can be seen in the calculations below:

$$\text{rasio efisiensi} = \frac{\text{realisasi anggaran belanja langsung}}{\text{realisasi anggaran belanja}} \times 100\%$$

**Table 4.** Calculation results for the 2019-2021 Budget Efficiency Level

Year	Expenditure Budget Realization	Realization of Direct Shopping	Efficiency Ratio (%)	Criteria
		(BL. Goods + BL. Capital)		
2019	IDR 122,994,320,094	IDR 71,884,455,567	58.44%	Very Efficient
2020	IDR 120,334,808,440	IDR 64,809,715,474	54%	Very Efficient
2021	IDR 118,456,654,972	IDR 62,942,032,443	53%	Very Efficient

Source: Processed Data

In 2019 the realization of the expenditure budget amounted to IDR 122,994,320,094 and the realization of direct expenditure amounted to IDR 71,884,455,567, so the percentage efficiency for the realization of the direct expenditure budget was 58.44% with very efficient criteria. In 2018 the realization of the expenditure budget was IDR 120,334,808,440 and the realization of direct expenditure was IDR 64,809,715,474, so the results obtained were the percentage efficiency realization of the direct expenditure budget of 54% with very efficient criteria. In 2021 the realization of the expenditure budget was IDR 118,456,654,972 and the realization direct expenditure of IDR 62,942,032,443, then the results of the percentage efficiency of the realization of the direct expenditure budget are 53% with very efficient criteria.

### 3.4. Results of the Analysis of the Level of Effectiveness of the Medan State Polytechnic Using Ratio Analysis during the 2019-2021 Period

In 2019 both in terms of budget and output it was declared Effective with a budget of IDR 133,816,294,000 and realized IDR 122,994,320,094 so that the percentage of absorption capacity of the Medan State Polytechnic budget until December 2019 was 92.9% (Effective). This means that in 2019 the realization of the Polmed budget is in an effective position because it is above 90%. The amount of spending that is absorbed above the value of 90% is a form of good commitment in managing the budget. The success in absorbing the 2019 budget is the result of excellent cooperation and coordination between Polmed Leaders, planning, budgeting and the person in charge of each activity, where every quarter a Budget Absorption and Performance Coordination Meeting is held. So as to minimize any obstacles that hinder the implementation of activities.

In 2020 the achievement of the implementation of the Medan State Polytechnic budget to support the achievement of strategic targets as set out in the performance determination is IDR 133,246,284,000.00. to achieve the target set, the budget ceiling was successfully realized in the amount of Rp. 120,334,808,440.00 with an absorption percentage of 90.31% (Effective). Absorption of this budget cannot be compared to the previous year due to the Covid 19 Pandemic in 2020 so that the budget has decreased by around 2% from 2019 due to the remaining budget that was not absorbed, including excess ceilings in personnel spending, non-absorbed spending on goods for student practice , spending on energy and services decreased due to the condition of the covid 19 pandemic. to support the achievement of strategic targets as set out in determining the performance of the 2021 Medan State Polytechnic budget ceiling used in the amount of IDR 123,794,513,000. to achieve the target set, the budget ceiling was successfully realized in the amount of Rp. 118,456,654,972 with an absorption of 96% (Effective). Realization of the 2021 budget has decreased by around (1.5%) from 2020. All output details have been properly implemented and optimized, it's just that because of this pandemic, many activities have not been running properly so that the achievement of budget performance has not been optimally absorbed. In general, it can be concluded that the allocation and sources of financing along with the realization of funds and the output of the DIPA (Budget Executor Entry List) have been carried out properly and effectively.

### 3.5. Results of the Analysis of the Efficiency Level of the Medan State Polytechnic Using Ratio Analysis during the 2019-2021 Period

The efficiency ratio for the realization of the Medan State Polytechnic budget from 2019 to 2021 has decreased significantly. In 2019 it was stated to be efficient because the percentage of realization of goods expenditure was 88.4% and capital expenditure was 72.6% because there was an addition to the PNBP ceiling and the government. In 2020 and 2021 it was stated to be efficient due to a decrease in the spending budget by half of the total expenditure budget from the previous year because in 2020-2021, there was a transfer of the echelon 1 main nomenclature, from previously the Ministry of Research, Technology and Higher Education, to the Ministry of Education and Culture .

This has had an impact on the issuance of DIPA which was delayed until March 2020. In the same year the Covid-19 pandemic also occurred which resulted in Large-Scale Social Restrictions (PSBB) and Restrictions on Community Activities (PKM) which impacted on restrictions on mobilization, both personnel and goods and services. The decline in absorption in 2020 was mostly due to the Covid-19 pandemic which greatly affected the procurement process, implementation of activities, and other processes which directly resulted in budget absorption not being maximized.

## 4. CONCLUSION.

Based on the results of the research that has been done, the researchers conclude that the performance of the Medan State Polytechnic is already good in terms of the effectiveness of budget realization, but is not optimal in terms of efficiency of budget realization. This can be seen in the comparative analysis from 2019 to 2021, which shows an increase in the level of effectiveness and a decrease in the level of efficiency between the budget and its realization. The factors influencing the increase in effectiveness are improvements in preparing the budget implementation plan carried out by the Medan State Polytechnic every year, while the factors affecting the decreasing level of efficiency are the decline in the spending budget set in 2020.

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