

Government Financial Performance Analysis

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ARTICLE INFO

Keywords: Financial Performance, Effectiveness Ratio, Efficiency Ratio, Economic Rasio

Received : 17, January

Revised : 20, February

Accepted: 18, March

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ABSTRACT

The aim of this research is to find out the performance of the central government using the value for money method. Measurement of financial performance is useful as a periodic government report in evaluating the level of effectiveness and efficiency of an organization in monitoring estimated costs with actual costs as well as tool for monitoring and evaluation materials of the organization. The object of this research is the Ministry that exists in Indonesia with a total sample obtained by 23 Ministries. This study is a quantitative descriptive study. The results of this study are the Economic Ratio for 2020 with economic results. In 2021, with economic outcomes. Efficiency ratio for 2020 with fairly efficient results. In 2021, the results are inefficient. Efficiency ratio in 2020 with very effective results. In 2021, with very effective results. Implications of this research to various parties especially to governments and regulators for the formulation of public policy in the central government environment.

INTRODUCTION

Public sector organizations at this time are experiencing a heavier point of use, estimating economic pay and social costs, and the negative impact on the activities carried out. Many desires result in accounting can be accepted with lightning and recognized as the necessary science to regulate public affairs. Public sector accounting in the beginning was a specialized activity of something relatively small work. At the moment, the public sector accounting is again facing ways to make more necessary science (Erawan et al., 2018).

Changes in performance and professionalism mean that change the way on government agencies in improving service to society. These changes directly impact many sides and benefits can also be felt. Changes in the accounting system have a direct impact on the parties directly involved in financial management. However, the benefits of change cannot be felt directly by society and the stakeholders. (Prasetyo et al., 2022).

Performance measurements can be used to account for the success of the group and can also be used either under the categorization of the repayment system or under the category of the industry strategy or the group on the chart to create good governance. This article emphasizes the public servants in distributing quality services to citizens, urging to raise clean administrative management from obscurity. The public sector performance measurement system is something that is intended to help in accounting for income. Government performance is something that has become a focus on domestic financial management. Meaning, the measurement of performance can prove how the financial situation of the government and the government's power to obtain and use the budget for the development of the state. Therefore, it is necessary to measure the performance of the government, as long as the progress achieved by the government in carrying out its tasks (Rempowatu & Tirayoh, 2016).

Measurement of financial performance is used as a periodic government report in evaluating the level of effectiveness and efficiency of an organization in monitoring estimated costs with actual costs as well as as monitoring tools and materials for evaluation of the organization (Fitri & Khotimah, 2022). Financial analysis is a dividing tool for governments in implementing corrective actions as well as analyzing large amounts of combined information from financial information (Emin Öcal et al., 2007). One of the issues that can be made to account for the accountability of a government agency is by looking at its financial capabilities through calculation and analysis of target income and realization of income and expenditure on the State Revenue and Shopping Budget (APBN), both from the input, output, outcome, impact, as well as its profits (Ardila & Putri, 2015). One of the tools in measuring government performance is using value for money.

LITERATURE REVIEW

Stewardship Theory

Stewardship Theory is a theory that explains an environment in which management is not motivated by people's ambitions, but rather focuses on

directing their significant outcomes toward the group's needs (Donaldson, 1991).

In the Stewardship Theory, behaving like a steward in this regard is a ruler with the function of an energy base manager as well as the principal is a person who behaves like an energy basis owner. There is an agreement between the steward and the principal who is based on the belief, many of them correspond to the mission of the group. In the condition of government organization accountability is the role of the government as a trusted holder (steward) to take responsibility for its activities on the trusted donor party (principal) by disclosing all data, good success or defeat felt by the group. The zone group has a mission to distribute services to the public and can be held accountable to citizens as a result the philosophy of stewardship can be applied to the form of government organization problems (Jatmiko, 2020)

The application of stewardship theory to this research can explain the existence of the Central Government as an institution that can be relied upon to act in the public interest by carrying out its duties and functions appropriately so that the performance of agencies in regional financial and asset management bodies can make financial accountability entrusted to it, so that tasks and functions can be performed optimally. To fulfill these responsibilities, stewards direct all of their skills and knowledge toward the formulation and execution of lucid, precise, organized, and efficient responsibilities.

Value for Money

Value for Money is a design on ability measurement. Value for Money is a marker of the ability of a public sector to share data on whether the calculation (budget) spent produces a specific number for the community. The signifier that is interpreted is economic, efficient, and efficient. The Value for Money analysis application is believed to be able to justify public sector accountability and justify public sector capabilities. The application of Value for Money in public sector groups, among others, as follows. Improving the effectiveness of public services, in the sense that the services provided are right on target.

1. Improving the quality of public services.
2. Reducing the cost of public services due to the loss of inefficiencies and savings in the use of inputs.
3. Expenditure allocation that is more oriented to public interests, not certain groups or groups (*Kerjasama Pemerintah Dengan Badan Usaha Kementerian Keuangan Republik Indonesia, 2022*)

Value for money is a public sector group management plan that is based on 3 important parts. In a systematic illustrative way, value for money can be observed in the following figure:

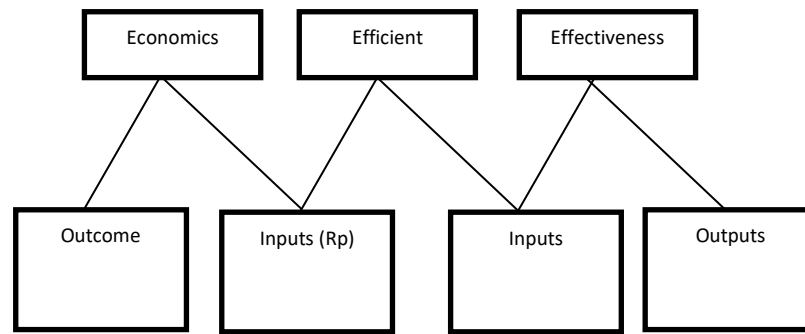


Figure 1. Value for Money Systematic
Source: Mardiasmo, 2009

Research Question

Based on explanations of the phenomena and theories that have been explained regarding government financial performance, this study aims to determine the performance of the central government using the value for money method. Based on this, the research questions to be discussed in this study are.

RQ1: How is the Financial Performance of the Central Government using Economic Ratios?

RQ2: How is the Financial Performance of the Central Government using Efficiency Ratios?

RQ3: How is the Financial Performance of the Central Government using the Effectiveness Ratio?

The implications of this research are for various parties, especially the government and regulators in making public policies within the central government.

METODOLOGY

This research is a quantitative research. Data analysis used is descriptive quantitative analysis to determine the level of financial performance indicators in public sector organizations. The object of this research is Thirty Three (33) Ministries in Indonesia. The sample used in this study was selected using purposive sampling with the condition that it had the data needed for this study, namely secondary data derived from financial reports and financial reports available to third parties. The analysis period used in this study is financial data for 2020-2021. Performance measurement analysis uses the Value For Money concept based on three main factors, namely economy, efficiency, and effectiveness, which are expressed as ratios and categorized into criteria, as follows.

Economics Ratios

Economics is the practice of purchasing goods and input services of a particular quality level at the best possible price. When it comes to government agencies, economies of scale are shown by how much money is set aside to pay for certain activities. The measurement of economic level requires information

that starts with information on spending calculations and their realization. Measurement for economic indicators is as follows.

$$\text{Economics Ratio} = \frac{\text{Expenditure Realization} \times 100\%}{\text{Expenditure Budget}}$$

The criteria for achieving performance based on economic ratios are as follows.

Table 1. Value of Economic Performance Description

Value of Economic Performance Description	Explanation
>100%	Very Economical
90% - 100%	Economical
80%-90%	Quite Economical
60%-80%	Less Economical
<60%	Uneconomical

Efficiency Ratios

Measuring the input level of public sector organizations to the output level of the public sector Measuring the level of ability requires payment realization data to obtain income information. The measurement of ability is formulated as follows:

$$\text{Efficiency Ratio} = \frac{\text{Realized Expenditure} \times 100\%}{\text{Realized Income}}$$

The criteria for achieving performance based on the efficiency ratio are as follows.

Table 2. Value of Efficiency Performance Description

Value of Efficiency Performance Description	Explanation
>100%	Not efficient
90% - 100%	Less Efficient
80%-90%	Efficient Enough
60%-80%	Efficient
<60%	Very Efficient

Effectiveness Ratios

Effectiveness is the relationship between the output (output) with the goal or target (outcome) to be achieved. Measuring the efficiency level requires data on revenue realization and income calculations or targets.

$$\text{Effectiveness Ratios} = \frac{\text{Revenue Realization} \times 100\%}{\text{Revenue Budget}}$$

The criteria for achieving performance based on the effectiveness ratio are as follows.

Table 3. Value of Efficiency Performance Description

Value of Efficiency Performance Description	Explanation
>100%	Very Effective
90% - 100%	Effectiveness
80%-90%	Enough Effectiveness
60%-80%	Less Effectiveness
<60%	No Effectiveness

RESEARCH RESULT

Value for Money Analysis

Purposive sampling was used for this study. A total of 33 ministries and 23 samples were chosen based on the criteria. The following is the calculation of each ratio.

Economics Ratios

Table 4. Economics Ratios

No	Name of Ministry	Percentage	
		2020	2021
1	Coordinating Ministry for Economic Affairs	96%	98%
2	Coordinating Ministry for Human Development and Culture	89%	99%
3	Ministry of State Secretary	92%	97%
4	Ministry of Foreign Affairs	95%	96%
5	Ministry of Defence	95%	96%
6	Ministry of Law and Human Rights	93%	96%
7	Ministry of Finance	94%	97%
8	Ministry of Education, Culture, Research and Technology	88%	95%
9	Ministry of Health	10%	97%
10	Ministry of Labor	98%	90%
11	Ministry of Industry	94%	97%
12	Ministry of Trade	93%	95%

13	Ministry of Energy and Mineral Resources	94%	98%
14	Minister For Public Works and Human Settlements	142%	95%
15	Ministry of Transportation	10%	97%
16	Ministry of Communication and Informatics	98%	97%
17	Ministry of Agriculture	96%	97%
18	Ministry of Environment and Forestry	94%	87%
19	Marine and Fisheries Ministry	113%	99%
20	Ministry of Villages, Development of Disadvantaged Regions and Transmigration	96%	95%
21	Ministry of Cooperatives and Small and Medium Enterprises	99%	100%
22	Ministry of Tourism and Creative Economy	93%	96%
23	Ministry of Youth and Sports	95%	95%
AVERAGE		90%	96%

Based on the data in Table 4, all ministries in 2020 have an average of 90% with an economic conclusion. Meanwhile, in 2021 the average economic ratio is 96% with an economic conclusion. There is an increase of 6% from 2020 to 2021.

Efficiency Ratios

Table 5. Efficiency Ratios

No	Name of Ministry	Percentage	
		2020	2021
1	Coordinating Ministry for Economic Affairs	153437%	33274%
2	Coordinating Ministry for Human Development and Culture	14820%	21093%
3	Ministry of State Secretary	644%	628%
4	Ministry of Foreign Affairs	1608%	1872%
5	Ministry of Defence	2376%	1634%

6	Ministry of Law and Human Rights	422%	448%
7	Ministry of Finance	5%	5%
8	Ministry of Education, Culture, Research and Technology	540%	717%
9	Ministry of Health	71%	1300%
10	Ministry of Labor	2997%	1003%
11	Ministry of Industry	916%	1096%
12	Ministry of Trade	3270%	105%
13	Ministry of Energy and Mineral Resources	16%	6%
14	Minister For Public Works and Human Settlements	6721%	20501%
15	Ministry of Transportation	449%	422%
16	Ministry of Communication and Informatics	31%	92%
17	Ministry of Agriculture	1520%	2356%
18	Ministry of Environment and Forestry	142%	126%
19	Marine and Fisheries Ministry	561%	474%
20	Ministry of Villages, Development of Disadvantaged Regions and Transmigration	8590%	10329%
21	Ministry of Cooperatives and Small and Medium Enterprises	10013%	373%
22	Ministry of Tourism and Creative Economy	5237%	5394%
23	Ministry of Youth and Sports	2664%	6070%
Average		9437%	4753%

Source: Data yang Diolah, 2023

Based on the data in Table 5, the overall ministry average in 2020 has an average of 9437%, with the conclusion that it is not efficient. Meanwhile, in 2021, the average economic ratio is 4753% with an inefficient conclusion.

Effectiveness Ratios

Table 6. Effectiveness Ratios

No	Name of Ministry	Percentage	
		2020	2021
1	Coordinating Ministry for Economic Affairs	14%	119%
2	Coordinating Ministry for Human Development and Culture	570%	86%
3	Ministry of State Secretary	69%	93%
4	Ministry of Foreign Affairs	100%	113%
5	Ministry of Defence	0%	86%
6	Ministry of Law and Human Rights	89%	71%
7	Ministry of Finance	93%	111%
8	Ministry of Education, Culture, Research and Technology	123%	143%
9	Ministry of Health	110%	0%
10	Ministry of Labor	114%	99%
11	Ministry of Industry	79%	1049%
12	Ministry of Trade	109%	95%
13	Ministry of Energy and Mineral Resources	110%	175%
14	Minister For Public Works and Human Settlements	458%	223%
15	Ministry of Transportation	111%	94%
16	Ministry of Communication and Informatics	123%	106%
17	Ministry of Agriculture	226%	133%

18	Ministry of Environment and Forestry	107%	121%
19	Marine and Fisheries Ministry	78%	86%
20	Ministry of Villages, Development of Disadvantaged Regions and Transmigration	9512%	262%
21	Ministry of Cooperatives and Small and Medium Enterprises	142%	2107%
22	Ministry of Tourism and Creative Economy	109%	52%
23	Ministry of Youth and Sports	113%	60%
Average		546%	238%

Based on the data in Table 6, the overall ministry average in 2020 has an average of 546% with the conclusion Very Effective. Meanwhile, in 2021 the average economic ratio is 238% with the conclusion Very Effective.

DISCUSSION

Economics Ratios

Operational activities are said to be cheap if they can eliminate or reduce the emergence of unnecessary costs. The smaller the value of the economic ratio, the better the Ministry's performance in using the predetermined budget (Prasetyo et al., 2022). Economic measurements only think about the input used. The questions raised were: (a.) Is the group's fee greater than what was budgeted? (b.) Was the group's payout higher than that of other similar comparable groups? (c.) Has the group used its financial energy base to the fullest? (Sari, 2014). Comparison of cheap or reimbursement is said to be good if the level of spending that is realized is smaller than what has been budgeted (Pratama et al., 2022a). Almost all ministries receive economic value, only a few ministries receive very economic value, namely the Ministry of Maritime Affairs and Fisheries and the Ministry of Public Works and Public Housing in 2021.

Budget discipline is one way to avoid excessive disbursements and can reduce institutional spending, so as to achieve economic goals. This result supports the institution to prioritize the public interest by avoiding excessive and unnecessary disbursements. These results are in line with research conducted by Prasetyo et al. (2022) which states that the economic ratio of the regional public service agency (BLUD) at the secondary health center in Surakarta has economic conclusions.

Efficiency Ratio

Operational activities can be said to be efficient if a product or product made specifically uses the lowest possible resources and budget. Capacity is the analogy between output and input. The level of ability to manage finances by looking at the analogy between the realization of income calculations and the realization of spending calculations (Andriani, 2014). Almost all ministries get inefficient results, only a few ministries get very efficient results, namely the Ministry of Finance, the Ministry of Energy and Mineral Resources in 2020 and 2021. In addition, the Ministry of Communication and Informatics gets very efficient results in 2020. This is because not all government facilities can be utilized to obtain Non-Tax State Income (PNBP) but the largest government facilities are used for services to the community. This is in line with the stewardship theory, namely government agencies act in accordance with the public interest by carrying out their duties and functions appropriately. The results of the efficiency ratio study are in line with research conducted by Pratama et al. (2022) which states that achieving efficiency in the local government of Pekalongan Regency is not efficient.

The Central Government as an institution that can be trusted to act in accordance with the public interest by carrying out its duties and functions properly so that the performance of agencies in regional financial and asset management bodies can make financial accountability entrusted to them, so that the tasks and functions carried out can be achieved optimally. To carry out these responsibilities, the stewards direct all their capabilities and expertise in the development and implementation of clear, precise, orderly and effective responsibilities.

Effectiveness

The greater the contribution of results in achieving certain goals, the more effective the organization, program, or activity. When economics focuses on inputs and on outputs or efficiency in processes, effectiveness focuses on results (Prasetyo et al., 2022). Based on the data in Table 3, the overall ministry average in 2020 has an average of 546% with the conclusion Very Effective. Meanwhile, in 2021 the average economic ratio is 238% with the conclusion Very Effective. Overall the ministry got very effective results because the score was above 100%. In this case, it proves that the ministry has been successful in carrying out its work program. This is in line with the theory of stewardship, namely that government institutions have carried out their duties and functions to the fullest by directing all capabilities and expertise into clear accountability. The results of the effectiveness ratio research are in line with research conducted by (I. Sari et al., 2021) namely the achievement of effectiveness in the South Tangerang regional government resulted in very efficient conclusions.

CONCLUSIONS AND RECOMMENDATIONS

The Economic Ratios for 2020 have an average of 90% with an economic conclusion. Meanwhile, in 2021 the average economic ratio is 96% with an economic conclusion. There is an increase of 6% from 2020 to 2021. The Efficiency Ratio for 2020 has an average of 9437% with a fairly efficient conclusion. Meanwhile, in 2021 the average economic ratio is 4753% with an inefficient conclusion. The Effectiveness Ratio in 2020 has an average of 546% with the conclusion Very Effective. Meanwhile, in 2021 the average economic ratio is 238% with the conclusion Very Effective. The government must be able to optimize revenue from existing potential revenues. The Government's initiative and willingness is needed in an effort to increase agency revenue (Non-Tax State Revenue). Increasing Revenue can be done by the Government by optimally implementing Non-Tax State Revenue and carrying out systematic and continuous supervision and control.

ADVANCED RESEARCH

This study only uses research objects at the central ministry. Further research can add research objects.

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