



Analysis of Public Sector Financial Performance With The Value For Money Approach In Bogor Regency

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Abstract

Financial performance is essential to ensure accountability and efficiency in public sector organizations, especially in government. Public Sector Financial Performance requires assessment as a form of evaluation, so that financial performance becomes more optimal. The process of regional financial management consists of three stages: planning, implementation, and accountability, according to Minister of Home Affairs Regulation Number 13 of 2006 Concerning Regional Financial Management Guidelines. The Financial Performance of the Bogor Regency Government in this study uses the Value for Money (VfM) approach with 3 (three) main factors, namely: Economic, Efficiency, and Effectiveness of the 2014-2023 Fiscal Year. The financial reports produced have been in accordance with government accounting standards agreed upon by all parties involved, therefore used as a guideline to produce fair, clear, and complete financial reports to ensure transparency. The budget implementation report is a financial report that describes the future budget and budget allocation managed by the government during the reporting period. The financial performance of the Bogor Regency public sector is economical, with an average of 100.58%. However, efficiency is still a concern, with an average of 99.21%, which needs more attention. The results of this analysis can be used as evaluation material for the Bogor Regency Government so that its public sector financial performance is more efficient, so that the Bogor Regency Government can improve the quality of service to the community to be more optimal.

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Introduction

The latest developments in financial performance are one of the most important things to pay attention to in public sector organizations, including government. Since the introduction of performance-based budgeting, all government activities must be able to achieve good government financial performance. The Bogor Regency Regional Government was chosen as the object of research considering the wide coverage area, natural resource potential, and population, where in 2023, the increase in Bogor Regency's income was mostly contributed by PAD which increased by 41.2 percent from 2020 to IDR 3.97 trillion. The Balancing Fund also increased to IDR 4.16 trillion, while other income reached IDR 1.27 trillion (Setiawan, 2024). The application of public accountability in public sector organizations can reduce waste and financial losses that cause economic infeasibility. One of the tools that can be used to assess the accountability of a government agency is to examine its financial performance through calculations and analysis of the achievement of goals and the realization of revenue and expenditure in the framework of the Regional Revenue and Expenditure Budget (APBD), both in terms of input, output, results, impacts, and benefits. The Bogor Regency Regional Government is very important to conduct a financial performance evaluation to check whether its work program has been implemented properly, it is hoped that in the evaluation of its financial performance it will pay attention to value for money in carrying out its activities. So that it contributes to the supervisory function of the use of the Regional Revenue and Expenditure Budget (APBD), both in terms of input, output, outcome, impact, and benefits, in the Bogor Regency Government.

Based on Geography, the Bogor Regency Regional Government is part of West Java Province, with an area of 2,991.78 km² consisting of 40 Districts with the center of government in Cibinong District. Meanwhile, based on Demography, the Bogor Regency Regional Government has a population of 5,627,021 people with details of 2,886,400 men and 2,740,621 women (Badan Pusat Statistik Kabupaten Bogor, 2022). With a large area and large population, the Bogor Regency Regional Government has a fairly large APBD, so that in its implementation it requires supervision and evaluation. In Bogor Regent Regulation Number 9 of 2023 concerning Amendments to Bogor Regent Regulation Number 82 of 2022 concerning Explanation of Regional Revenue and Expenditure Budget for Fiscal Year 2023, the Bogor Regency Regional Government has Regional Revenue data of IDR 9,010,295,323,165 and Regional Expenditure of IDR 9,844,472,394,909 so that there is a deficit of IDR 834,177,071,744 and this is an evaluation material for the Bogor Regency Regional Government, where Regional Revenue which was originally planned at IDR 8,549,986,694,820 increased by IDR 460,308,628,345 to IDR 9,010,295,323,165 but the regional expenditure budget for the 2023 Fiscal

year which was originally planned at IDR 9,192,814,361,779 increased by IDR 651,658,033,130 to IDR 9,844,472,394,909 (Peraturan Bupati Bogor Nomor 9 Tahun 2023, 2023).

Therefore, performance assessment with a value for money approach becomes very important as a form of evaluation. Value for Money is a concept for evaluating the performance of public sector organizations, not only from a financial perspective, but also using non-financial aspects to evaluate the success of public sector activity programs (Isna Ardila & Ayu Anindya Putri, 2015). The concept of value for money is basically also a concept to measure the effectiveness and cost efficiency of a program, activity, or performance of a public sector organization. Therefore, value for money becomes an important concept in public sector organizations and is therefore often referred to as the core of performance measurement in the public sector.

Literature Review

Public sector organizations are organizations that are engaged in public services and state administration within the framework of the state constitution (organizations related to state finances) (Sarsiti, 2020). This public sector organization is needed to ensure that the government can provide public services to the community fairly and evenly, and to ensure that public services are provided according to the needs of the community, therefore this public sector organization is protected by law (Sitepu et al., 2024). The driving force of the public sector is public sector organizations, which means organizations for the purpose of public welfare (EdyWibowo et al., 2023). In other words, public sector organizations are entities managed by the government and aim to serve the public interest rather than gain private profit. Public resources such as taxes usually provide funding for these organizations. Public services such as health, education, transportation, security, and infrastructure are part of the public sector.

Public sector organizations perform three roles: (1) Basic Service Provision: Providing services that cannot be provided by the private sector, such as security, education, and health, (2) Economic Stabilization: Maintaining economic stability by controlling inflation, unemployment, and economic growth, and (3) Resource Equity: Ensuring that resources and services are distributed fairly throughout society. To ensure that public sector organizations are not profit-oriented, measuring their performance is essential to ensure that they are working effectively, efficiently, and accountably in providing services to the public. The financial reports that are prepared must follow government accounting standards that represent the approval of all groups so that they can be used as guidelines in preparing financial reports that are fair, clear and complete in order to achieve

transparency. The budget realization report is a financial report that explains the incoming budget and budget allocations managed by the government in one reporting period (Hasibuan, 2023).

The process of regional financial management consists of three stages: planning, implementation, and accountability, according to Minister of Home Affairs Regulation Number 13 of 2006 Concerning Regional Financial Management Guidelines (Budiharjo et al., 2024). Financial Performance is an analysis to see to what extent an organization or company has implemented financial implementation rules properly and accurately (Francis Hutabarat, 2020). In other words, public sector financial performance is a measure or evaluation of how effectively, efficiently, and accountably a government institution or entity manages its finances. This is different from private sector financial performance, where the main focus is on generating profits. The public sector prioritizes providing services to the community and using public funds wisely to achieve public policy goals.

Measuring the public sector performance is an important matter to be implemented to assess the success of local financial management and promote public accountability (Praptama et al., 2023). Financial Performance Measurement is the process of assessing the achievement of goals and targets set by the organization to support the achievement of the organization's mission, including assessing the efficiency and effectiveness of the organization's activities (Hantono et al., 2021). Public sector financial performance measurement is an evaluation process used to assess how well the government or public sector entity manages its financial resources to achieve public service objectives and fulfill accountability obligations for the use of public funds. This measurement involves various indicators and techniques intended to ensure that state financial management is efficient, effective, transparent, and accountable. Value for money is the core of performance measurement in government organizations. Government performance cannot be assessed from the output produced alone, but also needs to consider input, output, and outcome together, and for some things it is necessary to add measurement of distribution and service coverage (Anik Yuesti et al., 2020).

Value for money is also a public sector performance indicator that shows whether the budget spent provides good value for society (Erlinda Nur Aulia & Agustina Prativi Nugraheni, 2022). In other words, Value for Money (VfM) is a concept that evaluates the extent to which resources (money, time, and energy) spent by an organization or business produce optimal results. In the context of the public sector, VfM refers to the management of public budgets and resources efficiently, effectively and economically to achieve the greatest benefit for society. VfM is based on three main elements, namely: (1) Economy: Use input (resources) at the lowest possible cost without reducing quality. For example, procurement of goods and services at the best price according to the required quality

standards, (2) Efficiency: The relationship between input and output, namely how efficiently the resources used can produce output. The less input is needed to produce the same output, the more efficient the output is, (3) Effectiveness: The extent to which the desired goals or results are achieved. Effectiveness is measured by the extent to which the output produced achieves the desired results, for example improving public services or having a positive impact on society.

Table 1. Percentage of Results from 3 (Three) Factors of the Value for Money Concept

Percentage	Economic Results	Efficiency Results	Effectiveness Results
>100%	Very Economic	Inefficient	Very Effective
90%-100%	Economic	Less efficient	Effective
80%-90%	Quite Economic	Quite efficient	Quite Effective
60%-80%	Less Economic	Efficient	Less Effective
<60%	Not Economic	Very efficient	Not Effective

Source: (N. Qolbuniah & A.B. Setiawan, 2022)

The benefits that will be obtained from implementing the value for money (VfM) concept in the public sector are: (1) Increasing the efficiency of public services, (2) increasing the quality of public services, (3) reducing the costs of public services by minimizing inefficient losses and maximizing the use of cost-effective inputs, (4) allocating spending funds that are more in line with the public interest, and (5) increasing public awareness of money as a basis for public accountability (Mardiasmo, 2021).

Method

This study uses a descriptive quantitative approach, with the intention of determining the level of financial performance indicators in the Bogor Regency Regional Government. Descriptive quantitative research is a research method that aims to objectively describe a situation using numbers, starting from data collection, interpretation, appearance and results (Arikunto, 2019).

This study also uses a qualitative descriptive approach with the intention of describing and analyzing the financial performance of the public sector in the Bogor Regency Regional Government. A qualitative descriptive approach to describing and analyzing financial performance in the public sector using the value for money method, covering aspects of economic performance, efficiency and effectiveness (Silaban et al., 2024). Performance measurement is important for assessing organizational accountability in providing better public services. Accountability does not only include

the ability to show how public money is used, but also includes the ability to use public money economically, efficiently and effectively (value for money) (Talitha et al., 2023).

Financial performance which is the core of measuring financial performance in government organizations is Value for Money (Yap, 2023). This study uses annual data to analyze changes by comparing the components of the Bogor Regency Government performance report for the period 2014-2023, determining the ten-year period from the period 2014-2023 because the period is a long-term trend and data taken directly from the official website djpk.kemenkeu.go.id (DJPK Kementerian Keuangan, 2024). For data processing in this study, the concept of Value for Money (VfM) is used, which consists of three main factors, namely: economy, efficiency, and effectiveness with the intention of assessing the financial performance of the public sector of the Bogor Regency Government, whether it can be said to be economical, efficient, and effective in the use of funds in its government. Because with the use of economical, efficient, and effective funds, the Bogor Regency Regional Government can be said to be good in terms of the use of its regional fund allocation.

Result and Discussion

Based on Law Number 23 of 2014 concerning Regional Government related to Regional Revenue and Expenditure Budget - Regional Autonomy and Government, to organize the Bogor Regency Regional Government based on its regional authority, clean and strong financial resources are needed to provide maximum service and welfare to local residents within its area. In addition, the provision of financial resources to the Bogor Regency region must also be balanced with the administrative burden imposed on the region concerned.

The balance of these financial resources can guarantee the implementation of administrative tasks entrusted to the Bogor Regency Regional Government to carry out its duties, functions, and roles in prosperity and progress in its region. If a region does not have sufficient financial capacity to finance regional government affairs, especially mandatory government affairs that are closely related to basic services, the central government can use the Special Allocation Fund (DAK) instrument, namely funds sourced from the State Budget (APBN) which are allocated to certain regions with the aim of helping to fund special activities that are and become regional affairs in accordance with national priorities.

In carrying out administrative tasks that are the authority of the region, the regional head and DPRD as the organizers of regional government issue regional regulations as the legal basis for the implementation of regional autonomy in accordance with the conditions and aspirations of the community and the characteristics of the region. Regional regulations made by the region only apply

within the jurisdictional boundaries of the region concerned. The following is the data on the Budget Report and Realization of Regional Revenue and Expenditure of Bogor Regency for the 2014-2023 Fiscal Year, namely:

Table 2. Budget Report and Realization of Regional Revenue and Expenditure of Bogor Regency (Fiscal Year 2014-2023) (In Billions of Rupiah)

Year	Income		Expenditure	
	Budget	Realization	Budget	Realization
2014	4.295,69	5.378,09	4.921,32	4.899,88
2015	5.230,64	6.032,85	6.262,70	5.638,20
2016	5.795,15	5.973,28	7.015,44	6.465,30
2017	6.070,12	6.975,05	6.563,22	6.875,74
2018	2.261,05	2.328,70	2.530,75	2.406,59
2019	6.078,64	8.137,99	6.401,09	7.771,22
2020	2.434,34	2.428,58	2.604,49	2.354,87
2021	2.253,44	2.644,78	2.541,73	2.637,73
2022	7.740,24	9.029,61	8.367,50	9.310,40
2023	2.891,12	2.967,48	3.110,73	3.029,02

Source: (DJPK Kementerian Keuangan, 2024)

Table 2 shows differences between the budgeted and realized revenue from 2014 to 2023, and the Bogor Regency Regional Government appears to have succeeded in obtaining Revenue above the previously determined Budget (Target), this can be seen in Fig. 1. below.

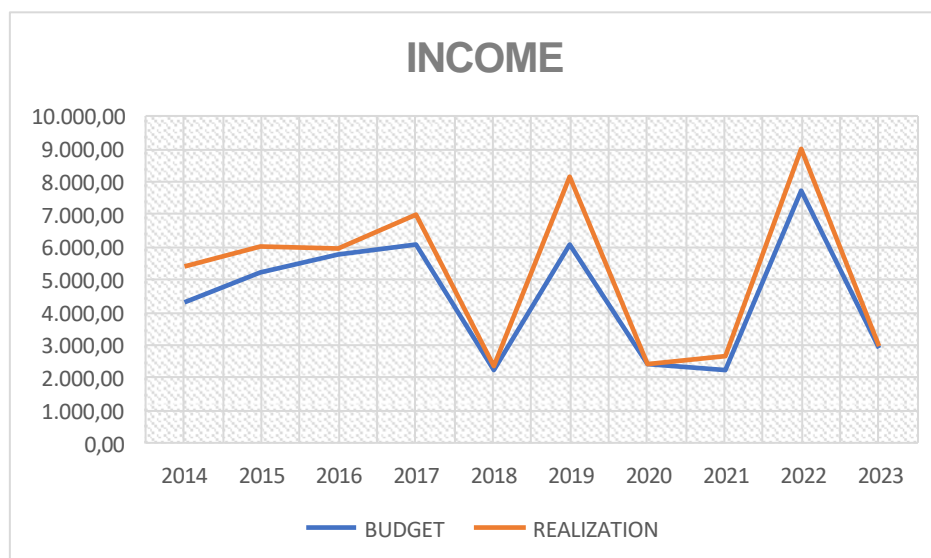


Fig. 1. Budget and Revenue Realization Graph for Fiscal Year 2014-2023

From Table 2 (two) above, it can be seen that there is a difference between the Budget value and the Cost Realization (Spending) value in the 2014-2023 Budget Year, and the Bogor Regency Regional Government appears to have experienced Lluctuations from the previously set Budget (Target), this can be seen in Figure 2 (two) below.

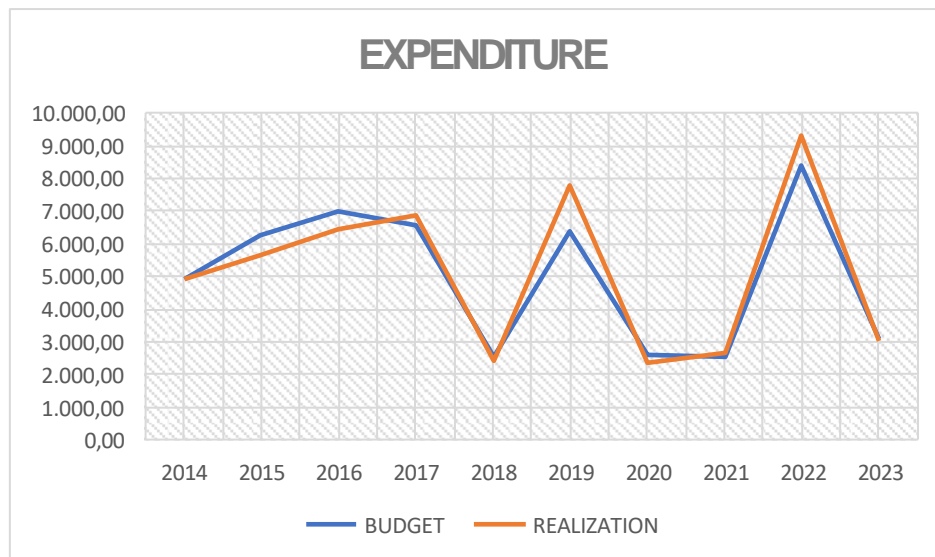


Fig. 2. Budget and Expenditure Realization Graph for Fiscal Year 2014-2023

From the data in Table 2 (two) above, Value for Money (VfM) can be calculated, which consists of three main factors, namely: economy, efficiency and effectiveness, to be able to assess the financial performance of the public sector in the Bogor Regency Regional Government.

The economic level is the comparison between the agency's expenditure and the established budget, which shows the relationship between the cost of obtaining one unit of input (Nahdia & Sugiartono, 2023). Based on Table 3., the Financial Performance of the Bogor Regency Regional Government can be said to be Very Economical with an average result of 100.58% (one hundred point Lifty eight percent).

Table 3. Economic Ratio

YEAR	EXPENDITURE		PERCENTAGE (%)	CONCLUSION
	BUDGET	REALIZATION		
2014	4.921,32	4.899,88	99,56	Economical
2015	6.262,70	5.638,20	90,03	Economical
2016	7.015,44	6.465,30	92,16	Economical
2017	6.563,22	6.875,74	104,76	Very Economical
2018	2.530,75	2.406,59	95,09	Economical
2019	6.401,09	7.771,22	121,40	Very Economical
2020	2.604,49	2.354,87	90,42	Economical
2021	2.541,73	2.637,73	103,78	Very Economical
2022	8.367,50	9.310,40	111,27	Very Economical
2023	3.110,73	3.029,02	97,37	Economical

Then, efficiency measurements are used to determine the relationship between the realization of the expenditure budget and the income generated. The level of efficiency is achieved when the realization of the expenditure budget is in accordance with the income received.

Table 4. Efficiency Ratio

YEAR	REALIZATION		PERCENTAGE (%)	CONCLUSION
	BUDGET	REALIZATION		
2014	4.899,88	5.378,09	91,11	Less Efficient
2015	5.638,20	6.032,85	93,46	Less Efficient
2016	6.465,30	5.973,28	108,24	Inefficient
2017	6.875,74	6.975,05	98,58	Less Efficient
2018	2.406,59	2.328,70	103,34	Inefficient
2019	7.771,22	8.137,99	95,49	Less Efficient
2020	2.354,87	2.428,58	96,96	Less Efficient
2021	2.637,73	2.644,78	99,73	Less Efficient
2022	9.310,40	9.029,61	103,11	Less Efficient
2023	3.029,02	2.967,48	102,07	Inefficient

Based on Table 4., the Financial Performance of the Bogor Regency Regional Government can be said to be Less Efficient with an average result of 99.21% (ninety nine point twenty one percent).

Effectiveness measurement is used to measure how effective a government agency is in achieving the revenue budget it receives, and the calculation of this effectiveness is based on data on the revenue realization budget and revenue budget targets.

Table 5. Effectiveness Ratio

YEAR	PENDAPATAN		PERCENTAGE (%)	CONCLUSION
	BUDGET	REALIZATION		
2014	4.295,69	5.378,09	125,20	Very Effective
2015	5.230,64	6.032,85	115,34	Very Effective
2016	5.795,15	5.973,28	103,07	Very Effective
2017	6.070,12	6.975,05	114,91	Very Effective
2018	2.261,05	2.328,70	102,99	Very Effective
2019	6.078,64	8.137,99	133,88	Very Effective
2020	2.434,34	2.428,58	99,76	Effective
2021	2.253,44	2.644,78	117,37	Very Effective
2022	7.740,24	9.029,61	116,66	Very Effective
2023	2.891,12	2.967,48	102,64	Very Effective

Based on Table 5 (Live), Financial Performance in the Bogor Regency Regional Government can be said to be Very Effective with an average result of 113% (one hundred and thirteen percent).

Table 6. Percentage (%) of 3 (Three) Main Value for Money (VfM) Factors

YEAR	PERCENTAGE (%)		
	ECONOMICS	EFFICIENCY	EFFECTIVENESS
2014	99,56	91,11	125,2
2015	90,03	93,46	115,34
2016	92,16	108,24	103,07
2017	104,76	98,58	114,91
2018	95,09	103,34	102,99
2019	121,4	95,49	133,88
2020	90,42	96,96	99,76
2021	103,78	99,73	117,37
2022	111,27	103,11	116,66
2023	97,37	102,07	102,64
AVERAGE	100,58	99,21	113,18

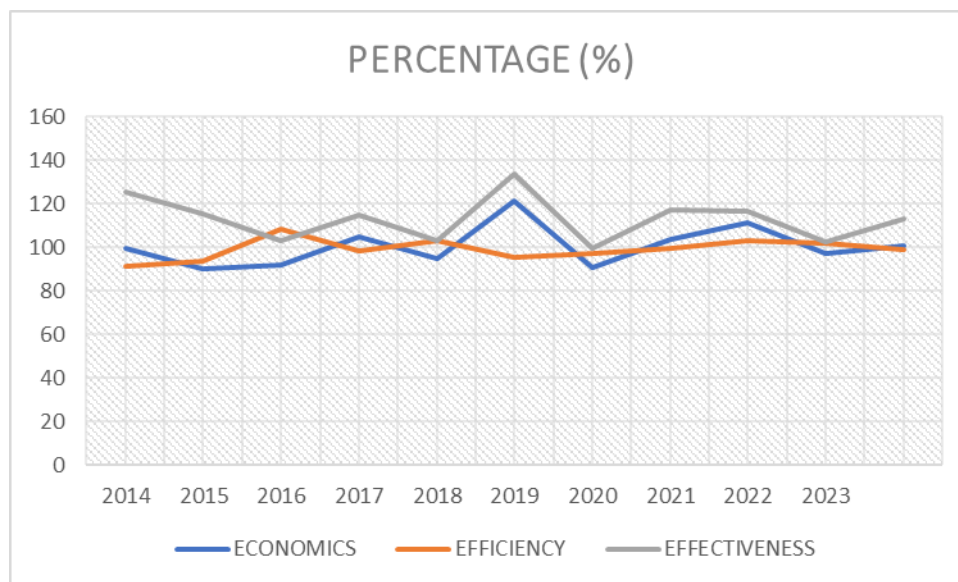


Fig. 3. Percentage Graph of Economic Efficiency And Effectiveness

Conclusion

Based on the results of the analysis of the financial performance of the public sector in the Bogor Regency Government using the Value for Money (VfM) approach during the 2014-2023 Fiscal Year, it can be said that the financial performance of the public sector of Bogor Regency is already economical with an average of 100.58% and is very effective with an average of 113%. However, for efficiency with an average of 99.21%, it still needs to be improved and this can be used as evaluation material for the Bogor Regency Government so that its public sector financial performance is more efficient, so that the Bogor Regency Government can improve the quality of service to the community to be more optimal, and the implications of these findings can be useful for other regional governments in Indonesia or for literature on public sector financial performance. As a suggestion for the Bogor Regency Government in the future, it is a little more efficient in terms of the use of funds in the following budget year period.

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