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## Participation in Direct Spending Budget Against Local Original Revenue

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### *Abstract*

*The main problem analyzed in this study is how large and significant the contribution of the realization of the direct expenditure budget of the Public Works and Spatial Planning Office of Central Aceh Regency to Regional Original Revenue was during 2018-2022. The aim is to determine the progress of budget realization and Regional Original Revenue, as well as Direct Expenditure Budget Participation on Regional Original Revenue obtained by the agency. To solve the above problem, Secondary data was collected at the Public Works and Spatial Planning Office of Central Aceh Regency, then the data was analyzed with a determinant coefficient and tested with a t-test at a confidence level of 0.05. The results of the study found that the development of budget realization during 2018-2022 decreased by 19.93% per year as a result of a decrease in direct expenditure by 20.44% per year, thus causing a decrease in Regional Original Revenue by 0.05% per year. In addition, the realization of direct expenditure is positively correlated at 24.3% with a contribution of 5.90% but not significant. For this reason, it needs to be optimized through intensive levy levies to obtain greater direct budget realization in the future.*

**Keywords:** budget realization, direct expenditure, local revenue

### **Introduction**

With the issuance of (Undang-Undang, 2014), each region in Indonesia is given the right of autonomy to regulate and manage its government affairs and the interests of local communities. (Asmin et al., 2021). The autonomy given to districts and cities is implemented by giving broad, real, and responsible authority to local governments proportionally. This means that the delegation of responsibility will be followed by arrangements for the distribution and equitable use of national resources, as well as the balance of central and regional finances. One of the impacts of regional autonomy and fiscal decentralization is the implementation of regional financial management reforms, including regional revenue and expenditure management. Thus, one aspect of regional autonomy that needs attention is the financial aspect, because regional independence is largely determined by the budget that can be realized by the regions for the implementation of various development programs/activities in the regions.

Furthermore, this development program/activity will determine the Local Original Revenue. Research (Praseptyaningtyas, 2018) States that budget realization and Regional Original Revenue are interrelated with each other and cannot be separated, because on the one hand budget realization will determine Regional Original Revenue, and on the other hand Regional Original Revenue determines budget realization for various implementation of development programs/activities. This relationship is because one of the sources of the

Regional Budget comes from the Regional Original Revenue itself plus a balanced fund, namely the General Allocation Fund, Special Allocation Fund, and other legitimate income. Increasing regional independence is closely related to the ability of regions to manage Regional Original Revenue. The higher the ability of the region to generate Regional Original Revenue, the greater the ability of the region. (Ramadhani, 2016), (Kartika & Kusuma, 2015). To use Regional Original Revenue by regional development aspirations, needs, and priorities, in principle, Regional Revenue aims to give authority to local governments to fund the implementation of regional autonomy potentially as a manifestation of decentralization. So that each region with the approval of the legislative institution will try to allocate the direct expenditure budget optimally to each Regional Apparatus Work Unit to obtain greater Regional Original Revenue. The amount of Local Original Revenue earned each year will be able to increase next year's direct expenditure budget. If this condition will continue, the independence of the region will also increase (Lomboan et al., 2014). Furthermore, in encouraging the rate of Regional Original Revenue Growth, it is necessary to pay attention to the most dominant factors that determine the efficiency of the direct expenditure budget in the budget planning phase, namely the difference between the proposed and approved budgets (Fahlevi & Ananta, 2015), dan (Febrianty et al., 2021)

A budget is a work plan of an organization for the future that is prepared in a quantitative manner, as defined by Rudianto as quoted by (Praseptyaningtyas, 2018), (Embrianto et al., 2016) That the budget is the organization's future work plan which is realized in quantitative, formal and systematic form. Then (Nafarin, 2012) and (Amin, 2019) state that a budget is a written plan regarding the activities of an organization that is expressed quantitatively and is generally expressed in units of money or within a certain period. In the public sector (Bastian, 2010), (M. B. A. Mardiasmo, 2021) Defining a budget is a package of statements concerning estimated receipts and expenditures that are expected to occur in one or more future periods. The budget is always included data on receipts and expenses that occurred in the past. This means that the budget is a work plan that is prepared in writing, systematically, and realized quantitatively in units of money within a certain period of time. Budget realization

Budget realization is a process that must be abducted to become a reality and in the process, there is a need for real action and implementation so that the realization can be by the desired expectations. Budget realization is used to provide information. Accountability accounting information is important information in the process of planning, supervision, and control. This means that budget realization is a series of activities using economic resources that are managed and measured in rupiah units, arranged according to certain classifications systematically for a period. (D. Mardiasmo & MBA, 2009), (Fitra, 2019) suggests that realization is the process of making real, embodiment, real execution. While (Nordiawan, 2007) and (Deddy & Ayuningtyas, 2010) Stating realization is a process that must be abducted to become a reality and real implementation so that realization can be by desired expectations.

In Law of the Republic of Indonesia Number 28 of 2009 concerning regional taxes and regional levies, Regional Original Revenue is a source of regional finance extracted from the area concerned consisting of local tax proceeds, regional retribution, management of separated regional wealth, and other legitimate local original income (M. Riduwan, 2009). Regional Original Revenue is all regional revenue derived from local original economic sources (Halim & Kusufi, 2007). Local Original Revenue includes local taxes, regional levies, the results of the management of separated regional wealth, and other legitimate local original revenues. (Siregar, 2015), other legitimate regional revenues are regional revenues

that are not included in the Local Original Revenue and equalization fund. Other legitimate local revenues include grants (goods or money and/or service money), emergency funds, tax revenue sharing funds from provinces to districts/cities, adjustment funds and special autonomy funds, and financial assistance from provinces or other local governments. Regional Original Revenue is regional revenue sourced from regional tax revenues, regional levy proceeds, the results of segregated regional wealth management, and other legitimate regional original revenues, which aims to provide power to regions and explore funding in the implementation of regional autonomy as a manifestation of the principle of decentralization. Local sources of original revenue consist of local tax revenues; the proceeds of the regional levy including from the services of the Regional Public Service Agency; the results of the management of the wealth of the separated regions; and other legitimate local native revenues.

## Methods

The data collection method used in this study is *Library Research*, where data or information is collected through literature/reference books to get theoretical support for this research. In addition, financial reports issued by the Public Works and Spatial Planning Office of Central Aceh Regency are also needed, especially reports on budget realization and Regional Original Revenue that can be generated by the agency. The data collection technique is used direct observation of predetermined objects.

The main data to be obtained in this study is the realization of direct expenditure budgets and Regional Original Revenue at the Public Works and Spatial Planning Office of Central Aceh Regency. These data are quantitative and time-series Seconds data. For this reason, the data analysis method used is a quantitative data analysis method using determinant coefficient analysis equipment (M. Riduwan, 2009) with the following formula:

$$= r^2 \cdot 100 \%$$

Where:

KP: Determinant Coefficient Quantity (determination)

$r$ : Correlation efficiency, calculated by Pearson Product Moment correlation

$$r = \frac{n(\sum XY) - (\sum X)(\sum Y)}{\sqrt{\{(n\sum X^2 - (\sum X)^2)\{n\sum Y^2 - (\sum Y)^2\}}}}$$

Where:

X: Realization of the direct expenditure budget of the Public Works and Spatial Planning Office of Central Aceh Regency (Rp)

Y: Local Original Revenue obtained by the Public Works and Spatial Planning Office of Central Aceh Regency (Rp)

n: Number of years (2018-2022)

$r$ : Correlation coefficient

The significance test of the estimation of the determinant coefficient above was tested by t-test at an error rate of  $\alpha = 0.05$  with free degree (db) =  $n - 2$  as follows:

$$t_{hitung} = \frac{r \sqrt{n-2}}{\sqrt{1-r^2}}$$

By testing method:

- a. If the account  $\geq t_{\text{table}}$ , it is significant, meaning that the research hypothesis that states that the realization of the budget of the Public Works and Spatial Planning Office of Central Aceh Regency contributes positively to the Local Original Revenue of Central Aceh Regency is **acceptable**
- b. If the calculate  $\leq t_{\text{table}}$  is not significant, it means that the research hypothesis that states that the realization of the budget of the Public Works and Spatial Planning Office of Central Aceh Regency contributes positively to the Local Original Revenue of Central Aceh Regency, can be **rejected**

## Results And Discussion

### 1. Budget Realization

In the public sector (government) budget realization is presented in the form of a Budget Realization Report, which is a financial report that presents an overview of the source, allocation, and use of economic resources managed by the Central/Regional Government, which describes the comparison between the budget and its realization in one reporting period. Its function is as a provider of information related to the budget and the realization of reporting entities in a certain period.

The results of research at the Public Works and Spatial Planning Office of Central Aceh Regency, show that the Budget Realization Report for 2018-2022 consists of:

- a. Indirect Expenditure, is budgeted expenditure not directly related to the implementation of programs and activities (Permendagri Number 13 of 2006). The indirect spending group is divided according to the type of expenditure consisting of basic salary and representation money, benefits, insurance, additional income, and incentives.
- b. Direct Expenditure, is budgeted expenditure directly related to the implementation of programs by utilizing the resources provided to achieve measurable results by the mission of the Regional Apparatus Work Unit. These resources are inputs to produce outputs in the form of goods/services (Permendagri No. 13 of 2006).

The progress of budget realization of the Central Aceh District Public Works and Spatial Planning Office during 2018-2022 as presented in Table 4.1, shows that there is a tendency for budget realization in these agencies to fluctuate from year to year during 2018-2022.

*Table: 1 Realization Budget by Expenditure Type from 2018-2022 in (Rp)*

Year	Budget Realization		Sum	Realization Development (%)
	Indirect Shopping	Direct Shopping		
2018	4.236.146.194	224.019.867.018	228.256.013.212	-
2019	4.509.077.491	105.153.231.888	109.662.309.379	-51,96
2020	3.960.805.384	117.415.344.719	121.376.150.103	10,68
2021	4.445.488.285	69.704.266.899	74.149.755.184	-38,91
2022	4.606.189.691	69.898.558.792	74.504.748.483	0,48
<b>Sum</b>	<b>21.757.707.045</b>	<b>586.191.269.316</b>	<b>607.948.976.361</b>	<b>-79,71</b>
<b>Average</b>	<b>4.351.541.409</b>	<b>117.238.253.863</b>	<b>121.589.795.272</b>	<b>-19,93</b>

*Source: Central Aceh District Public Works and Spatial Planning Office, 2023*

One of the main factors was caused by the Covid-19 outbreak so that some budget activities/programs were reduced/eliminated, so that during 2018-2022 the average budget realization decreased by 19.93% per year, due to a decrease in budget realization for direct

expenditures, namely expenditures allocated for the implementation of programs/activities at the Public Works and Spatial Planning Office of Central Aceh Regency.

Thus, the progress of budget realization of the Central Aceh District Public Works and Spatial Planning Office during 2018-2022 has decreased on average, due to a decrease in the budget realized for direct expenditures by 20.44% per year, while the budget realized for indirect expenditures has increased by an average of 2.53% per year.

## 2. Local Revenue

The results showed that the Regional Original Revenue obtained by the Public Works and Spatial Planning Office of Central Aceh Regency during 2018-2022 came from levies, namely retribution for the use of regional wealth - motor vehicles, retribution on cutting road bodies, levy on quality of fieldwork, levy on laboratory sample testing, and retribution for testing motor vehicles. The amount of each of these levy receipts during 2018-2022 can be seen in Appendix 2, then the development will be presented in Table 4.2, showing that the realization of Regional Original Revenue obtained by the Public Works and Spatial Planning Office of Central Aceh Regency during.

*Table: 2 Budget and Realization of Regional Original Revenue for 2018-2022 in (Rp)*

Year	Budget	Realization	Capacity (%)	Realization Development (%)
2018	1.068.000.000	452.847.640	42,40	-
2019	1.264.200.000	702.137.600	55,54	55,05
2020	1.264.200.000	376.129.000	29,75	-46,43
2021	1.086.262.500	299.105.000	27,54	-20,48
2022	1.120.100.000	333.990.000	29,82	11,66
<b>Sum</b>	<b>5.802.762.500</b>	<b>2.164.209.240</b>	<b>37,30</b>	<b>-0,20</b>
<b>Average</b>	<b>1.160.552.500</b>	<b>432.841.848</b>	<b>37,30</b>	<b>-0,05</b>

*Source: Central Aceh District Public Works and Spatial Planning Office, 2023*

In 2018-2022, an average of 37.30% per year of the budget was set with the development of budget realization fluctuating from year to year, and on average decreased by 0.05% per year. Thus, the development of Regional Original Revenue that can be obtained by the Public Works and Spatial Planning Office of Central Aceh Regency during 2018-2022 has decreased due to the decline in the budget realization of programs/activities due to the Covid-19 outbreak, so that the retribution that can be collected from the results of the implementation of these programs/activities has also decreased. Furthermore, this decrease in the levy will result in a decrease in Regional Original Revenue obtained by the Public Works and Spatial Planning Office of Central Aceh Regency.

## 3. Contribution of budget realization to Local Original Revenue

The implementation of regional autonomy authority that needs attention is to know the level of regional independence in financing governance and development activities through increasing regional revenue potential. For this reason, local governments through the Regional Apparatus Unit must strive hard to increase Regional Original Revenue. The greater the Regional Original Revenue that can be obtained by a region, the greater the District Budget that can be allocated for direct expenditure, namely expenditure for the implementation of regional

development programs/activities. Furthermore, the amount of direct expenditure that can be realized for various development programs/activities will be able to increase Regional Original Revenue because of the greater the possibility of sources of Regional Original Revenue that can be collected (realized).

Regional Original Revenue has been used as one of the indicators of regional independence, which is sought to increase through budget realization sourced from the Regional Budget and balancing funds (Special Allocation Fund and General Allocation Fund). It is hoped that the realization of the budget and Regional Original Revenue can encourage each other (positively correlated) to achieve one of the important aspects of regional autonomy, namely regional independence as proclaimed in Law Number: 23 of 2014 article 1 paragraph 6, where the right, the authority, and obligation of autonomous regions to regulate and manage their government affairs and the interests of local communities in the Unitary State system of the Republic of Indonesia. One form of regional autonomy implementation in the aspect of regional financial management is referred to as fiscal autonomy or fiscal decentralization. In other words, fiscal decentralization is community empowerment through the fiscal empowerment of local governments (Yustisia, 2015).

The higher the ability of the region to generate Regional Original Revenue, the greater the ability of the region to use the Regional Original Revenue by the aspirations, needs, and priorities of regional development. This means that the realization of the direct expenditure budget is expected to contribute positively to Regional Original Revenue and vice versa. This means that the greater the budget that can be realized for direct expenditure, it is expected that the greater the Regional Original Revenue. For this reason, this study analyzed the contribution (contribution) of budget realization of the Public Works and Spatial Planning Office of Central Aceh Regency to Regional Original Revenue during 2018-2022.

The results of the research that have been stated previously obtained several findings as follows:

- a. The budget realized for direct expenditure at the Public Works and Spatial Planning Office of Central Aceh Regency during 2018-2022, where the development has decreased by 20.44% per year.
- b. Regional Original Revenue obtained from the implementation of programs/activities of the Public Works and Spatial Planning Office of Central Aceh Regency during 2018-2022 only comes from retribution, where the development has decreased by 0.05% per year

The findings of the above research indicate that the development of budget realization is directly in line with the development of Regional Original Revenue. This indication shows the participation of the Direct Expenditure Budget to DPUP's Original Revenues of:

$$\begin{aligned}
 &= \frac{n(\sum XY) - (\sum X)(\sum Y)}{\sqrt{\{(n\sum X^2 - (\sum X)^2)\{(n\sum Y - (\sum Y)^2)\}}} \\
 &= \frac{5(263.636.537) - (2.164.209)(586.191.269)}{\sqrt{\{(5(1.040.554) - (2.164.209)^2)\{(5(84.772.959.516) - (586.191.269)^2)\}}} \\
 &= \frac{49.542.121}{204069943,7} = 0,243 \\
 &^2 = 0,243^2 = 0,059 \\
 &= ^2 \times 100 \% \\
 &= 0,059 \times 100 \% = 5,90 \%
 \end{aligned}$$



Thus, the contribution of the budget realization of the Central Aceh Regency Public Works and Spatial Planning Office to Regional Original Revenue during 2018-2022 is 5.90%.

4. Test the significance of the contribution of budget realization to Regional Original Revenue. The contribution of the realization of the direct expenditure budget to Regional Original Revenue amounted to 5.90%. This contribution is not significant at the confidence level  $\alpha = 0,05$   $\alpha$  with a free degree because where the results while the grades are obtained from the Student's Distribution  $df = n - 2$  atau  $df = 5 - 2 + 3$   $t_{hitung}$  0,434,  $t_{tabel}$  2,353. (K. Riduwan, 2012), Mean value  $t_{hitung} \leq t_{tabel}$  then it can be concluded that the realization of the direct expenditure budget contributes positively to Regional Original Revenue, but not significantly (not tangible). Based on the results of these tests, the hypothesis of this study states that The realization of the direct expenditure budget of the Public Works and Spatial Planning Office of Central Aceh Regency contributes positively to the Local Original Revenue of Central Aceh Regency, acceptable but not significant.

## Conclusion

The results of this study can be concluded that the Participation of Direct Expenditure Budget to Local Original Revenue obtained by the Public Works and Spatial Planning Office of Central Aceh Regency during the 2018-2022 period is positive by 5.90% and not significant. Nevertheless, there is hope to encourage the creation of regional independence in Central Aceh Regency in terms of financial aspects by the mandate of Law Number: 23 of 2014 concerning Regional Government, especially in Article 1 paragraph (6).

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