

# ANALYSIS OF BUDGET MANAGEMENT AND ITS IMPLICATIONS FOR THE ORGANIZATIONAL PERFORMANCE OF THE REGIONAL OFFICE OF THE NATIONAL LAND AGENCY, LAMPUNG PROVINCE

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## Keywords

*Budget Absorption, Leadership Role, Physical Output Achievement*

## ABSTRACT

The National Land Agency of Lampung Province (BPN) Regional Office in the Lampung region faces challenges in managing budget absorption due to a top-down planning process and lack of comprehensive planning documents. However, delays in completing certain works funded by Non-Tax State Revenue (PNBP) reveal ongoing challenges in prioritizing programs and ensuring comprehensive performance evaluation. These challenges require improvements in strategic management and budget synchronization to enhance accountability, effectiveness, and the quality of program and activity results. This research uses a qualitative approach using a case study strategy. The results of this research can provide practical and policy contributions to the Regional Office of the BPN Lampung province in an effort to optimize budget and output produced.

## INTRODUCTION

In realizing accountable financial management, it is necessary to implement performance-based budgeting, where this system uses performance as a benchmark by paying attention to the relationship between budget and results (performance). The real manifestation of state financial management is the State Revenue and Expenditure Budget (APBN) which is described in the Budget Implementation List (DIPA) as a guideline for budget implementation for each Ministry/Institution. In the constitutional system, the budget is the driving force used as a basis for expenditure and revenue by the government to run the wheels of government (Rozai & Subagiyo, 2015).

The inspection report (LHP) of the Indonesian Financial Audit Agency (BPK) representing Lampung found a budget leak of IDR 5.1 billion. This finding was the result of a BPK inspection of physical activities at the Public Works Service, Education and Culture Service, Health Service, and Cooperatives Service and MSMEs. Have taken steps to follow up on the LHP. Progress in handling the findings is already 75 percent (Sobri, 2022). So, if at the end of the year there is still a remaining budget but output has been achieved, then this is not a failure. To strengthen the commitment to realizing transparency and accountability (Mulyani, 2022). in state financial management through APBN/APBD

accountability, the Ministry of Finance held a Working Meeting National Accounting and Government Financial Reporting in 2022 with the theme Guarding Financial Accountability and Performance to Recover Faster, Rise Stronger.

Budget absorption is considered as a representation of performance in government agencies, where the trend that has occurred so far is that budget absorption occurs at the end of the fiscal year. For example, research by Miliasih (2012) and Rahayu (2010) identified that the main cause of delays in budget absorption lies in internal problems of work units. In general, research has been conducted on the causes of low budget absorption, for example by Elimanafe (2015), Saridewi et al. (2015), and Arif (2012). Elimanafe (2015) concluded that the biggest factors influencing the absorption of the capital expenditure budget in Rote Ndao Regency are geographical factors and natural conditions. In contrast to research Arif (2012) with objects in 3 districts of Riau Province in 2011, it can be concluded that the internal conditions of regional financial management and different regional governments have different causal factors regarding the lack of APBD absorption. However, there are several factors that are almost the same between one region and another, namely regulatory factors, political factors, tender/auction factors and organizational commitment factors.

This research chose a qualitative approach using a case study strategy. This method was chosen to find out the gaps in the problems that exist due to the absorption of government budgets through several cases that occur in real terms in the field or in the community environment which have not been discussed more specifically by previous research by presenting several case studies. The focus of this qualitative research lies in the impact on budget absorption at the National Land Agency Office in the Lampung region by looking at variables such as the administration of budget absorption, causes of high budget absorption, output, performance, evaluation system and typology of budget absorption, problems faced in implementation. budget, budget implementation within the strategic management framework as well as the implications of budget absorption, output and performance. In this way, the results of this research can provide practical and policy contributions to the Regional Office of BPN Lampung Province in an effort to optimize budget absorption and output produced. Based on the above phenomenon, researchers conducted research with the title "Analysis of Budget Management and its Implications for the Organizational Performance of the Regional Office of the National Land Agency Lampung province".

Another problem faced by the phenomenon of high budget achievement is the reporting system. First, the performance report which is usually used to assess the accountability of public sector organizations is in the form of the Government Agency Performance Accountability Report (LAKIP) which is prepared annually by the echelon II work unit and contains a description of the performance achievements that have been achieved by the work unit only taking into account the output produced in quantity. , however, an assessment of the quality of the output has not been carried out. For example, Singapore, where performance measurement is not only oriented towards output quantity but also assesses the quality of output and reduces the number of irrelevant indicators (Jones, 2000). Apart from that, based on initial observations, the performance evaluation system released by the Ministry of Finance (SMART) is still insufficient because control is only carried out based on forms distributed to each work unit. Thus, the form can be filled out by authorized officials subjectively and as if the performance that has been achieved is high, which in reality may be contrary to actual conditions.

From the problems presented above, the main problem of high budget absorption can be formulated, namely that high financial absorption/achievement does not always reflect good physical output performance, seen from a quantity and quality perspective. There is not yet much empirical evidence of the relationship between high budget absorption and performance achievements in public sector organizations, so it is interesting to conduct further research regarding budget absorption carried

out by the Lampung Province BPN Regional Office and the resulting output. Based on the explanation above, it can be specifically concluded regarding budget absorption as follows:

1. A high level of budget absorption/achievement is not necessarily followed by high physical performance/output.
2. The quality of output in agencies with high budget absorption is not necessarily good in quality.
3. The performance reporting system only relies on high numbers of achievements without taking into account/considering evidence related to physical achievements.

The phenomenon of high budget absorption by government agencies has not been widely studied. Most of the budget absorption is carried out at the end of the fiscal year to pursue the absorption targets that have been set. Many studies have been conducted regarding the concentration of budget absorption at the end of the year, including research conducted by Mawikere et al. (2019). The research was carried out by selected managers in agencies and departments. The research results show that the influence of clarity of government budget targets on managerial performance has a significant influence, the influence of clarity of government budget targets on managerial performance through Job Relevant Information has a significant influence, and the influence of clarity of government budget targets on managerial performance through accounting control has a significant influence.

Another research that can be used as a reference relating to budget absorption was conducted by Sari et al. (2020). The results of research conducted with statistical testing show that PAD significantly influences total regional expenditure. This can be seen from the sig value of 0.000 which is smaller than the significance level of 0.05. Results of the influence of Budget Ratcheting in strengthening the relationship between PAD and Regional Expenditures. In the table above, it can be seen that the R square value in the first regression is 0.796 or 79.6%. After the second regression equation, the R square value increases to 0.816 or 81.6%. So from this data we get results which show that Palembang City is the city that has the highest level of budget ratcheting in Sumatra with a percentage of 65.9%, followed by Langsa City 50.39% and Padang City 45.76%.

Research on budget absorption was also carried out Mentari & Suardana (2016) with the title Job Satisfaction as a Moderating Influence of Budget Preparation Participation on the Managerial Performance of Regional Government Officials. The research was carried out by all public managers or work unit leaders or all officials in departments in Badung Regency who were directly involved and had experience in budget preparation. The conclusion from the first research was that there was a positive influence between participation in budget preparation and the performance of Badung Regency regional government officials. Second, there is a positive interaction effect between budget preparation participation on the managerial performance of Badung Regency regional government officials, strengthened by job satisfaction as a moderating variable.

Research on budget absorption performance was also carried out by Kristianingsih et al. (2022) Research was carried out by APBN Management Analysts, Program and Budget Preparers and Financial Report Preparers) for each state university. The results of this research show that budget management has a positive effect on the quality of budget absorption, while human resource competence and organizational commitment have no effect on the quality of budget absorption. The Internal Control System cannot moderate the influence of budget management and human resource competence on the quality of budget absorption, but the Internal Control System positively moderates the influence of organizational commitment on the quality of budget absorption.

Previous research was further conducted by Harahap et al. (2020). It show that the variables of budget planning, budget implementation and human resource competency influence the level of budget absorption. The administrative recording variable has no effect on the level of budget absorption.

Several previous studies have tried to provide information on the phenomenon of delays in budget absorption, however, information or results from previous research reveal problems in budget absorption in a broad scope. This is because the approach used in previous research was a quantitative approach with a diverse sample of work units. The positive side of previous research using a quantitative approach is the ability of the research results to be generalized, however, it cannot be denied that each government organization has different characteristics, not only in terms of type of authority and type of expenditure, but also differences in structural patterns. To gain a complete and comprehensive understanding of the success of budget absorption within the Lampung Province National Land Agency Regional Office.

The research carried out was based on a phenomenon of the tendency of previous research to only examine objects that have low absorption. This is different from research that will be carried out by researchers, where the high budget absorption that occurs makes researchers interested in conducting research. By using variable guides in budget delay research, researchers will explore the achievements of budget absorption carried out, identify the factors causing high budget absorption and discuss output, performance, evaluation systems and typology of budget absorption carried out, discuss problems faced in budget implementation in Regional Office of the National Land Agency of Lampung Province, discussed budget implementation within a strategic management framework, and discussed the implications of budget absorption, output and performance of Regional Office of the National Land Agency of Lampung Province.

## METHODS

The approach taken is through a qualitative approach. The type of qualitative research used in this research is a case study approach. The case study approach with a single case study design is the appropriate strategy to use in this research, because it meets one aspect of the criteria above, namely the case of budget absorption carried out by the Regional Office of the National Land Agency of Lampung Province which is relatively high, where so far research has been conducted regarding budget absorption. generally discussing delays or lack of budget absorption.

**Table 1.** Data types and data sources

No.	Data Type	Data source
1	Primary data	Information and participants; Participatory observation
2	Secondary Data	Documents in the form of: Report, Information Systems, Service Letter, Guide book, Setting, Photo

The informants in this research are stakeholders who play a role in financial management at the Lampung Province National Land Agency Regional Office who have a role in budget absorption activities. The informants in this research were 15 people who are detailed in the following table.

**Table 2.** Research Informants

No.	Informant Position	Informant Code
1	Budget planner analysis	P01
2	Analysis of budget implementation	P02
3	Head of planning subsection	P03
4	Soil Consolidation Analysis (KT)	P04
5	Expenditure treasurer	P05
6	Financial data processing	P06
7	Goods/services procurement officer	P07
8	Head of Finance and State Property (BMN) subsection	P08
9	Head of thematic mapping section	P09
10	Head of rights registration subsection	P10

<b>11</b>	Land Program Quality Control System Admin (SKMPP)	P11
<b>12</b>	Head of administration	P12
<b>13</b>	Head of Financial Affairs and State Property (BMN)	P13
<b>14</b>	Head of administrative subdivision	P14
<b>15</b>	Head of land appraisal section	P15

Determining informants in this research began by using purposive techniques. The next determination of informants is by using the snowball sampling technique. Several things were done to analyze data including capturing, recording, interpreting and presenting information. Data analysis in this research was carried out using a model data analysis procedure by Miles et al. (2014) which consists of three activity flows carried out simultaneously, namely data reduction, data presentation and drawing conclusions.

## **RESULTS**

### **Budget Absorption Procedures**

Planning and budgeting for programs and activities at the Lampung Province Regional Office of the National Land Agency (Kanwil BPN), which is part of the Ministry of ATR/BPN in the region, refers to the K/L Strategic Plan. However, research did not find any 2020–2024 Strategic Plan documents at the Lampung Province BPN Regional Office. The echelon II level strategic plan contains activity plans and physical output estimates that will be implemented over a 5 year period, which is an elaboration of the K/L Strategic Plan. This indicates that programs and budgets can be prepared even if the Strategic Plan document is not available. Apart from that, Focus Group Discussions (FGD) as a tool for expressing opinions were also not implemented in the planning process. FGDs usually involve employee official travel at the Ministry of ATR/BPN, aimed at evaluating the potential of each work unit. FGD activities are useful for understanding program needs and activities in accordance with available resources.

Based on information obtained from interviews and observations at the Lampung Province BPN Regional Office, the ongoing planning process is not yet fully participatory. This can be seen from the characteristics of budget planning which still follows a bottom-up approach. This bottom-up approach is visible in the management support program, where the activities included in the program focus on office operations. The management support program includes payment of salaries and allowances, as well as organizing office operations and maintenance. The basis for allocating the budget for this program is based on an evaluation of the amount of human resources and facilities and infrastructure owned, as well as transaction data from the previous year in the work unit.

Planning carried out top down is also reflected in several activities planned to be carried out at the Land Office (Kantah), but the budget is contained in the Regional Office Budget Implementation List (DIPA). This kind of condition can hamper the budget absorption process because it requires additional time to coordinate the submission of letters of assignment for implementing activities. The assignment letter submitted must be synchronized with the officer at the Land Office regarding the identity of the officer implementing the activity, while the Regional Office is only responsible for monitoring activities. Therefore, sometimes top down budget planning cannot accommodate all activities carried out both at the Regional Office and in Kantah. To overcome this kind of condition, the budget for these activities should have a Budget User Authorization Letter (SKPA) made or a revision of the DIPA to transfer the budget to the regions, so that there can be synchronization between the implementation of the budget and the implementation of these activities.

From the description above, it can be concluded that the program/activity planning system at the Lampung Province BPN Regional Office has not reached the expected theoretical standards. First, the top-down nature of planning from the Ministry of Agrarian Affairs and Spatial Planning/BPN at the

central level puts great pressure on work units at the provincial and district levels because they tend not to consider local resources. Second, the absence of planning documents at the provincial level makes it difficult to track regional activity/program road maps. While this may not directly impact budget execution, it can impact the evaluation process, particularly in determining benchmarks. Third, some budgets are still managed centrally at the Lampung Province BPN Regional Office, even though activities are carried out by the Land Office at the district/city level. This can cause delays in budget implementation because it requires time-consuming coordination.

### **Implementation**

Even though the treasurer pays for the proposed activities, not all payments are given directly to the activity implementers. For official travel activities, generally a travel advance payment is given in advance. After the activity has been completed, the Assignment Letter (ST), Official Travel Order (SPPD), official travel report, and proof of official travel are submitted to the treasurer to calculate the remaining or shortfall in payment.

Based on the examples of Assignment Letters and SPPD provided, researchers observed that official travel reports were considered as the result of the activities carried out. However, from the researcher's analysis, the report does not fully reflect the achievement of the objectives of the official trip, so it seems like it is only an administrative need. The accompanying official trip report does not describe the concrete results achieved from these activities. Supposedly, official travel reports can provide useful information for overall evaluation of activities.

Based on the description above, there are several problems that can be concluded in budget implementation at the Lampung Province BPN Regional Office. First, there are still payments to suppliers that do not comply with the provisions due to the limited number of suppliers who meet administrative requirements. Second, there are several activities carried out with unclear output where the results of the implementation tasks are not reported in detail, so they appear to be just administrative demands. Third, financial management staff do not understand the flow of budget disbursement because they rely on experience without paying attention to the guidelines provided every year.

### **Factors causing budget absorption**

Based on this information, employee transfers, whether in the form of promotions or transfers to functional positions, have a significant impact on the implementation of duties. This is because employees need to adapt to the new organizational environment. In this context, the role of leadership is very important in providing appropriate direction to achieve organizational goals. This direction is given starting from setting performance targets throughout a certain period. At the beginning of the fiscal year, all BPN work units in Lampung Province signed performance contracts with the echelons above them. This action shows the work unit's commitment to completing the work as stated in the performance contract. Apart from that, the Head of BPN Regional Office for Lampung Province also provided guidance by visiting the land office. Coaching is carried out by gathering all employees in the hall or during morning assembly.

Based on interviews and literature studies, it was concluded that the role of leadership has important significance in directing and encouraging employees to achieve predetermined goals. This applies especially to leaders who have a strong understanding of the organization's vision and mission, because each leader has a diverse leadership style.

## **Output, Performance, Evaluation System and Performance Typology of the Lampung Province BPN Regional Office in the Research Framework**

The results of the interviews show that the physical achievements for the management support program and implementation of other BPN technical tasks, as well as the BPN apparatus facilities and infrastructure improvement program, have almost reached 100%. However, validation of the achievements of this activity cannot be carried out because the LAKIP document is only prepared by the Lampung Province BPN Regional Office, which is a performance report for the work unit.

From the description above, it can be concluded that so far performance has often been measured based on budget absorption. The assumption is that a high level of budget absorption indicates that the allocated budget has driven economic growth. However, this approach is contrary to the Performance Accountability (ABK) approach, where performance assessment in budget implementation should be more focused on the output or results of the use of the budget. If you only use budget absorption as a measure, negative impacts can arise where each work unit will try to spend its budget without paying attention to the results produced or the benefits obtained.

Overall, there are several main issues related to the results achieved by the Lampung Province BPN Regional Office. First, the lack of careful planning in implementing activities has hampered the achievement of optimal output. For example, the determination of activity objects was carried out after the DIPA was received by the Lampung Province BPN Regional Office, which indicated a lack of systematic planning. Second, the importance of quality control is still not adequately recognized. Lack of quality control can result in the results or output produced not meeting established standards. More seriously, this can cause losses for the state because the budget that has been spent does not produce the expected results in accordance with existing standards.

## **CONCLUSION**

The Lampung Province National Land Agency Regional Office faces challenges in managing budget absorption due to a top-down planning process and lack of comprehensive planning documents. This disconnect creates pressure on provincial and district work units, making it difficult to align activities and programs with the master plan. Budget centralization at the regional office causes delays in implementation and weak internal control systems lead to administrative issues and audit findings. Effective leadership, characterized by performance monitoring meetings and the use of information systems and technology, supports budget absorption and program monitoring, enhancing financial management efficiency and accountability. The office has achieved high performance and budget use, categorized as Typology I, indicating high budget use and physical output. However, delays in completing certain works funded by Non-Tax State Revenue (PNBP) reveal ongoing challenges in prioritizing programs and ensuring comprehensive performance evaluation. Despite these achievements, the office faces significant problems in budget implementation, including land service arrears, synchronization issues in monitoring systems, and inadequate quality control. These challenges require improvements in strategic management and budget synchronization to enhance accountability, effectiveness, and the quality of program and activity results.

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