



# Performance-Based Budget Implementation: Stages of Budget Planning (Study at IAIN Syaikh Abdurrahman Siddik Bangka Belitung)

Zahwan Zaki<sup>1\*</sup>, Abdyl Aziz Sanapia<sup>2</sup>, Hendrikus T. Gedeona<sup>3</sup>, Edi Sutrisno<sup>4</sup>

<sup>1,3,4</sup> Politeknik STIA LAN, Jakarta, Indonesia

<sup>2</sup> Politeknik STIA LAN, Bandung, Indonesia

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## ABSTRACT

Based on the accreditation scores of institutions and study programs, researchers identified that IAIN SAS Bangka Belitung faced problems in implementing performance-based budgeting. Further identification was carried out by analyzing budget realization and performance audit results, showing that the implementation of performance-based budgeting at the budget planning stage at IAIN SAS Bangka Belitung was not optimal. This research aims to determine and analyze the implementation of performance-based budgeting at the budget planning stage at IAIN SAS Bangka Belitung which is not yet optimal. The research method used is a qualitative method with a phenomenological approach. Data collection was carried out through interview and documentation techniques. The data analysis process is assisted by using an application (NVivo software). The key informants in this research came from internal parties at IAIN SAS Bangka Belitung who were directly involved in the budget planning stages. This research resulted in the finding that the reason why the implementation of performance-based budgeting at the planning stage at IAIN SAS Bangka Belitung was not optimal was because: 1) In the budget planning process, performance information had not been maximally utilized from existing planning documents at IAIN SAS Bangka Belitung; 2) The planned activities of the IAIN SAS Bangka Belitung work unit are not all relevant to the performance objectives set out in the IAIN SAS Bangka Belitung strategic plan document; and 3) There are no documents issued by the planning party as a guide or signpost in preparing the work plan.

**Keywords:** *Performance Based Budget, Planning, performance information.*

## 1. Introduction

State Islamic Religious Universities (PTKIN) which are under the Ministry of Religion, currently number 59 universities spread across various provinces in Indonesia, consisting of 37 universities with institutional status as Non-Tax State Revenue Work Units (PNBP), 21 universities university with institutional status as a Public Service Agency, and one university with institutional status as PTN BH (Legal Entity State University). State Islamic Religious Universities (PTKIN) are public sector institutions that have one of their budget sources coming from the State Revenue and Expenditure Budget (APBN) of the Ministry of Religion. Of course, the use of the budget must be accountable through state financial management and in accordance with applicable laws and regulations.

The researcher took one of the research loci in the PNBP work unit at PTKIN Indonesia, taking into account the lowest PTKIN accreditation score predicate. In addition to the institution's accreditation score still being low, there are 14 study programs for Strata 1 (one) and 2 (two) study programs for Strata 2 (two) levels that do not yet have an A grade (based on the seven standard accreditation instrument assessment criteria), and there are no programs studies that have a Superior score (based on the assessment criteria of the IAPT 3.0 and IAPS 4.0 accreditation instruments). Based on the accreditation scores of these institutions and study programs, researchers identified that IAIN SAS Bangka Belitung was indicated to have problems in implementing performance-based budgeting. Furthermore, the implementation of IAIN SAS Bangka Belitung's performance-based budget is seen from budget implementation, namely from the budget

realization side. Based on the 2022 IAIN SAS Bangka Belitung budget performance evaluation report document, it shows that the problem with budget implementation that often occurs is the accumulation of budget realization at the end of the fiscal year which has an impact on the efficiency and effectiveness of state spending. From a budget planning perspective, this phenomenon indicates weak implementation of performance-based budgeting principles at IAIN SAS Bangka Belitung. Furthermore, ABK implementation is seen from the results of performance audits. From the notification of the results of the performance audit carried out by the Inspectorate General of the Ministry of Religion, it was identified that the implementation of performance-based budgeting at IAIN SAS Bangka Belitung had not been implemented optimally, in the sense that there were still findings in the budget planning function. This research aims to determine and analyze the implementation of performance-based budgeting at the budget planning stage at IAIN SAS Bangka Belitung which is not yet optimal.

The phenomenon of implementing performance-based budgeting in the Indonesian public sector still finds various weaknesses known from research results. The findings of the study by Ruli Hartanto, et.al (2018) show that the implementation of performance-based budgeting at the Regional Office of the Provincial National Land Agency, NTB still faces various obstacles. These obstacles include not all units being able to plan well, the low quality of human resources and not implementing a reward and punishment system. The results of Adhi et.al's (2019) study show that at the planning stage, the proposed activity plans were not based on the performance targets to be achieved and were not supported by valid supporting data. At the budget implementation stage, there are still frequent changes to what was previously planned and control activities are less effective through direct supervision carried out by leadership elements. At the budget evaluation stage, it is still limited to the use of funds and the percentage of activity implementation, and a comprehensive evaluation has not been carried out regarding the impact of program implementation. The results of Marsus and Mas'udin's (2020) study found that the main problems and challenges in implementing performance-based budgeting in Indonesia include difficulties in formulating performance, a lack of ability to link performance-based budget components with budget allocations and a lack of competent human resources. Another finding is in Firmansyah's (2021) study, it was found that there are many weaknesses in the practice of performance-based budgeting, such as high levels of political and power interference, minimal behavior by officials who are able to encourage the successful implementation of performance-based budgeting, a budgeting culture that is still far from the benefits of budgeting, lack of control, etc. Meanwhile, Rahardjo and Chariri (2022) in their study concluded that reform and implementation of performance-based budgeting in government in Indonesia has been going on for almost two decades, but there are still obstacles and the results have not been optimal, including decoupling between concept and implementation, performance achievements have not been achieved. expectations, as well as the understanding of the actors involved regarding the budget concept, there are still many shortcomings.

## 2. Literature Review

Performance-based budgeting is a budgeting system that is carried out by paying attention to the relationship between the budget (input) with the output (output) and the expected results (outcomes) from activities and programs, including efficiency in achieving these outputs and results (Mahmudi, 2016, p.69) . Rowe (2004) states that there are five characteristics of good performance indicators, namely: 1) Relevance. Assessments regarding the relevance of a particular performance indicator depend on the purpose for which it is collected and how it is used to inform policy, planning, practice and reform; 2) Cost Effectiveness. Regardless of the perceived utility of a particular indicator, cost-effectiveness and logistical feasibility are important considerations that need to be taken into account; 3) Timeliness. This feature has two key components: timeliness and recency; 4) Reliability. Determining the reliability of a performance indicator involves evaluating the extent to which the measurement is accurate; 5) Validity. This refers to the important issue of data integrity.

Schick (OECD, 2018) states that performance budgeting is the systematic use of performance information to inform budget decisions, either as direct input for budget allocation decisions or as contextual information for planning budgets, as well as building greater transparency and accountability throughout the budget process, by providing information to legislators and the public about spending objectives and results achieved.

Performance-based budgeting is also defined as a process for developing and incorporating performance measurements of government operations, services and programs into the budget process, which is intended to introduce some rationality into subjective and political decision-making processes (Willoughby in Hijal-Moghrabi, 2021). Another purpose of performance budgeting is to link performance measures of program outcomes to resource allocation (Smith in Hijal-Moghrabi, 2021). Performance-based budgeting is also

known as a budgeting system where input costs are linked to performance. In all its forms, performance-based budgeting seeks to increase spending efficiency by systematically linking funding to results, using performance information to achieve this linkage (Robinson in Michiel S.de Vries, Jurac Nemeč (2019).

Performance budgeting can be said to be a process of organizational change. In budgeting, budget actors must consider output, results, cost effectiveness and other performance dimensions of public programs. These considerations are in order to realize public accountability and maximize returns on public investment, this is due to limited public resources and unlimited public needs and demands. However, to implement such a system requires significant changes in many government managerial systems, such as strategic planning, organizational process design and control, personnel practices, information technology management, organizational culture, and the use of incentives (Ho, 2019).

The most basic form of performance-based budgeting is that which aims to ensure that in formulating the government budget, key decision makers systematically take into account the results that expenditure will achieve. The essential requirements for this most basic form of performance-based budgeting are: 1) Information about the objectives and results of government spending, in the form of key performance indicators and simple forms of program evaluation; 2) A budget preparation process designed to facilitate the use of this information in funding decisions budgets, including simple spending review processes and ministry spending decisions (Robinson & Last, 2009). Meanwhile, according to Hager et.al, (2001, p. 10-11), the basics of performance-based budgeting are: 1) Objectives; 2) Performance measures; 3) Relatedness; and 4) Accountability. Mercer (2003) added that there are eight basic elements that need to be included in a performance-based budget, namely: 1) Department mission; 2) Strategic plan objectives integrated into the account structure; 3) Strategic objectives; 4) Strategic performance objectives; 5) Performance measures; 6) Performance indicators/results; 7) Daily activities / sub-activities; and 8) Unit costs.

### 3. Research Methods

The research method used is a qualitative method with a phenomenological approach. Data collection was carried out through interview and documentation techniques. The data analysis process is assisted by using an application (NVivo software). The list of informants comes from internal IAIN SAS Bangka Belitung, as in the following table.

No.	Informant	Role	Total
1.	Chancellor / Budget User Authority	As the highest leader in higher education, who is responsible for implementing performance-based budgets at the budget planning stage	1 person
2.	Commitment Making Officer	Play a role in budget planning	1 person
3.	Head of the Internal Supervisory Unit	Play a role in monitoring budget planning	1 person
4.	JF Planner	Play a role in budget planning	2 person
5.	Dean of Faculty	Play a role in planning budgets within the Faculty.	1 person
6.	Head of Quality Assurance Agency	Play a role in budget planning.	1 person
		<b>Total</b>	<b>7 person</b>

To provide more accurate data analysis results, in this research the data analysis process was assisted by using an application (NVivo software).

### 4. Results and Discussion

#### 4.1 Research Results

To answer the question of why the implementation of performance-based budgeting at the budget planning stage at IAIN SAS Bangka Belitung was not optimal, interviews were conducted with several informants. The indicators used as a basis for interviews refer to the theoretical basis of research as follows: performance information indicators: Schick (OECD, 2018), performance objective indicators: Mercer (2003), performance indicators: Rowe (2004), and performance measurement indicators: Mahmudi (2003). 2019). From the results of interviews with key informants at IAIN SAS Bangka Belitung, it is described as follows:

##### 4.1.1 Performance Information

Based on interviews with the Chancellor, JF Planner, Commitment Making Officer, Head of SPI, Faculty Dean, and Head of LPM at IAIN SAS Bangka Belitung, there are statements regarding the implementation of budget planning from performance information indicators as follows.

Budget planning at IAIN SAS Bangka Belitung refers to planning documents such as the Development Master Plan (RIP), Strategic Plan (Renstra), and Operational Plan (Renop). RIP is the basis for development for the next 20 years, while Strategic Plan is used for 5 year planning. The preparation of the budget is guided by regulations such as Presidential Regulations, Government Regulations, Decrees of the Minister of

Religion, Regulations of the Minister of Finance, and other related regulations. This is done before the determination of the indicative ceiling. The Chancellor emphasized a priority scale that is in line with the vision and mission of the Ministry of Religion and PTKIN, especially IAIN, such as based on accreditation and digital transformation (Rector, interview 2023). However, according to PPK, the use of planning documents in budget preparation is still not optimal. Budgeting patterns still tend to use data on employee expenditure and routine operational activities from the previous year (PPK, interview 2023). The Internal Audit Unit (SPI) is involved in preparing planning documents and conducting budget reviews to see compliance with the Work Terms of Reference (TOR) as a source of performance information (Head of SPI, interview 2023).

Then a statement from another informant stated that understanding of planning documents was still lacking: more understanding of the Strategic Plan (Renstra) than the Master Development Plan (RIP) and Operational Plan (Renop). At IAIN SAS Bangka Belitung, planning documents are still given little attention in relation to budget preparation. Lack of socialization and discussion of planning documents: there has been no socialization of planning documents and discussion of performance achievements to leaders and units at IAIN SAS Bangka Belitung. Use of planning documents as a source of performance information: Strategic Plan documents are used as a source of information to measure performance. Performance Agreement Documents (Perkin) and Annual Work Plans (RKT) are also used as sources of performance information. Use of planning documents in budget preparation: Many budget preparations at the faculty and unit level are still not in line with the Strategic Plan. Budget preparation is often only based on proposals from faculties and units without being linked to the Strategic Plan. Efforts to improve quality culture: IAIN SAS Bangka Belitung continues to strive to build a quality culture guided by established standards, such as Strategic Plan and RIP. However, budgeting and planning are still not fully based on established standards. Ideally, program and budget preparation at the faculty and unit level should be evaluated by the Quality Assurance Institute (LPM) and the Internal Monitoring Unit (SPI) to ensure compliance with accreditation standards and objectives (Planner2, Dean of FSEI, and Head of LPM, interview 2023).

Meanwhile, research findings at the budget planning stage at IAIN SAS Bangka Belitung, viewed from performance information indicators using NVivo 12 Plus software, in the word frequency criteria menu: word cloud and word tree, found that: there are weaknesses in the planning documents. The planning documents at IAIN SAS Bangka Belitung, namely the Development Master Plan (RIP), Strategic Plan (Renstra) and Operational Plan (Renop) documents are still in the process of being revised internally at IAIN SAS Bangka Belitung, because they are not in accordance with the Ministry of Religion's Strategic Plan document the latest. This shows that budget planning has not been optimal in terms of performance information through planning documents.

Confirming the research findings above, researchers conducted a documentation review at IAIN SAS Bangka Belitung. The results of the documentation review show that the strategic plan documents at IAIN SAS Bangka Belitung (2019-2023) still refer to the old Indonesian Ministry of Religion Strategic Plan (2015-2019). Meanwhile, currently, there is the latest Strategic Plan for the Ministry of Religion of the Republic of Indonesia (2020-2024). Findings in the field indicate that the IAIN SAS Bangka Belitung Strategic Plan is still in the revision process to adapt the 2020-2024 Ministry of Religion Strategic Plan. Since 2022-2023, budget preparation at IAIN SAS Bangka Belitung does not include the Strategic Plan as part of the information in budget preparation. The document used as a reference in preparing the budget is the performance agreement document (perkin), between the Chancellor of IAIN SAS Bangka Belitung and the Director General of Islamic Education, Ministry of Religion of the Republic of Indonesia.

#### **4.1.2 Performance Objectives**

Based on interviews, there are statements regarding the implementation of budget planning from performance objective indicators as follows. Various statements related to efforts to achieve the organization's vision, mission and goals through the implementation of budget planning. Several informants stated that the vision, mission and goals had been taken into account in the planning process, but had not been maximally detailed in setting targets. Apart from that, there was also a statement that the planned activities were not fully aligned with the objectives set out in the strategic planning document, as well as the need for improvements in integrating organizational planning and budgeting (Rector, PPK, Planner1, Planner2, Dean of FSEI, and Head of LPM, interview 2023).

Then, research findings at the budget planning stage at IAIN SAS Bangka Belitung, in terms of performance objectives using NVivo 12 Plus software, in the word frequency criteria menu: word cloud and word tree, it was found that: there were weaknesses in the planned activities. The planned activities of the IAIN SAS Bangka Belitung work unit are not all relevant to the objectives set out in the IAIN SAS Bangka Belitung strategic plan document. Apart from that, there are no documents issued by the planning party as a guide or

signpost in preparing activities, such as activities that support the vision and mission and activities that are priorities. It is understandable that planners in preparing the budget have not fully paid attention to the vision and mission of IAIN SAS Bangka Belitung and have not paid attention to the performance targets in the IAIN SAS Bangka Belitung strategic plan document.

Confirming the findings above, there are several performance targets in the IAIN SAS Bangka Belitung strategic plan that have not been achieved. For example, in 2022-2023 the procurement of infrastructure has not yet reached the performance target. There are several infrastructure facilities that IAIN SAS Bangka Belitung does not yet have, such as the provision of an integrated laboratory, which should be based on the 2019-2023 strategic plan, the provision of an integrated laboratory should be available. This condition shows that the performance objectives in performance-based budget planning have not been achieved.

#### **4.1.3 Performance Indicators**

Based on interviews (2023) with informants, the results of research on the implementation of budget planning from performance indicators were found as follows. Implementation of budget planning from performance indicators has not been implemented optimally, especially related to academic quality assurance. However, performance indicators have been included in the Activity Reference Framework (TOR), including input, output, outcome, benefit and impact, although not all of them are complete. Apart from that, aspects of relevance, cost effectiveness, timeliness, reliability and validity have been taken into account in preparing the TOR and Cost Budget Plan (RAB), although there are still several notes that need to be revised (Rector, PPK, Planner1, Planner2, Dean of FSEI, and Head of LPM, interview 2023).

Then, research findings at the budget planning stage at IAIN SAS Bangka Belitung, viewed from performance indicators using NVivo 12 Plus software, in the word frequency criteria menu: word cloud and word tree, found that: Performance indicators in the Terms of Reference (KAK) activities of each work unit within IAIN SAS Bangka Belitung, including input, output, outcome and beneficiaries have been reviewed by the planning team. Since 2022, every TOR activity at the budget preparation stage has gone through a review stage from the Quality Assurance Institute (LPM) and the Internal Monitoring Unit (SPI) IAIN SAS Bangka Belitung.

#### **4.1.4 Performance Measures**

Based on interviews with informants, information was obtained regarding the implementation of budget planning from performance measures. In general, informants stated that in preparing the budget, they were guided by related regulations, such as Input Cost Standards (SBM) from the Minister of Finance Regulations, Internal Cost Standards (SBI) set by the Chancellor, and the Standard Accounts Agency (BAS). Apart from that, the informant also considered the principle of value for money, namely effective, efficient and economical, as well as providing beneficial value to society. However, there is a statement from LPM that in 2023, they will not be involved in the process of reviewing the Terms of Reference (KAK) documents as in the previous year (Rector, PPK, Planner1, Planner2, Dean of FSEI, and Head of LPM, interview 2023).

Then, research findings at the budget planning stage at IAIN SAS Bangka Belitung, viewed from performance measures using NVivo 12 Plus software, in the word frequency criteria menu: word cloud and word tree, found that cost standards are the basis for budget planners in preparing budgets in every IAIN SAS Bangka Belitung work unit. Cost standards include input cost standards (SBM), output cost standards (SBK), internal cost standards (SBI), and other cost standards, as well as paying attention to standard account bodies (BAS).

#### **4.2 Discussion**

Research findings on performance information indicators show that performance information originating from planning documents, performance reports and Work Terms of Reference (KAK) helps planners in making budget decisions so that budget planning at IAIN SAS Bangka Belitung will be better in the future. However, the IAIN SAS Bangka Belitung working unit has weaknesses in the planning documents, it seems that there is no integration and synchronization in terms of planning documents, so that the result is not optimal in making budget decisions at IAIN SAS Bangka Belitung, such as determining the budget amount in each work unit which is at IAIN SAS Bangka Belitung.

The performance objective indicators show that when preparing the budget, the budget planner has paid attention to the vision, mission and objectives of IAIN SAS Bangka Belitung, although this has not been done optimally. Apart from that, the preparation of the budget does not fully take into account the performance targets set in the IAIN SAS Bangka Belitung strategic plan document.

Research findings on indicators and performance indicators show that budget planners have paid attention to the performance indicators in the Performance Reference Framework (KAK), including input, output, outcome, benefit and impact. However, not all indicators in each activity are complete, in general only performance indicators up to output. Apart from that, the budget planner has ensured that the performance indicators in each activity plan have taken into account relevance, cost effectiveness, timeliness and reliability.

From the basic theory in performance-based budgeting stated by Robinson & Last (2009), Hager et.al, (2001, p. 10-11), and Mercer (2003), performance information indicators, performance objectives, performance indicators, and Performance measures are important indicators in performance-based budget planning.

Research findings show that indicators at the budget planning stage have several weaknesses, this hampers the implementation of performance-based budget planning at IAIN SAS Bangka Belitung.

The role of leaders and implementers has a big influence in realizing effective, efficient and economical budget planning. The problem related to planning documents that have not been synchronized between IAIN SAS Bangka Belitung and echelon I Education Ministry of the Ministry of Religion, is an issue that must be resolved immediately by the leaders at IAIN SAS Bangka Belitung. In addition, performance objectives must be clear and detailed in the planning documents and in the Work Terms of Reference (TOR) in each work plan. Performance indicators and performance measures need to be clarified further when preparing the budget at IAIN SAS Bangka Belitung. This is one of the reasons why the implementation of performance-based budgeting at IAIN SAS Bangka Belitung has not been optimal.

## 5. Conclusion

There are several reasons why the implementation of performance-based budgeting at IAIN SAS Bangka Belitung has not been optimal, namely: a) In the budget planning process, performance information has not been utilized optimally from the planning documents at IAIN SAS Bangka Belitung, this is because the planning documents at IAIN SAS Bangka Belitung, especially the Strategic Plan (Renstra) document is still in the process of being revised internally at IAIN SAS Bangka Belitung, because it is not in sync with the latest Ministry of Religion Strategic Plan document; b) There are activities planned by the IAIN SAS Bangka Belitung work unit, not all of which are relevant to the objectives set out in the IAIN SAS Bangka Belitung strategic plan document; and c) There are no documents issued by the planning party as a guide or signpost in preparing activities, such as activities that support the vision and mission and activities that are priorities. For this reason, integration and synchronization is needed in terms of planning documents at IAIN SAS Bangka Belitung. In addition, it is necessary to disseminate budget planning regulations to implementers at the beginning of each fiscal year, especially regarding budget preparation.

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