Budget Efficiency as a Regional Financial Management Strategy (Case Study of the Central Kalimantan Provincial Government's Regional Budget)

Adi Tya Indrawan[1], Andriansyah[2], Novianita Rulandari[3]
[12]Universitas Muhammadiyah Jakarta, Indonesia
[3]Universitas Muhammadiyah Palangkaraya, Indonesia
Correspondent: adi.tyaindrawan@student.umj.ac.id[1]

ABSTRACT: This study aims to analyze the implementation of budget efficiency policies as a regional financial management strategy in the Central Kalimantan Provincial Government for the 2021–2025 period. The study focuses on budget trends and revenue realization, expenditures, efficiency ratios, and the performance of Regional Original Revenue (PAD) components. The research method used is a qualitative case study approach, involving documentation, in-depth interviews, and direct observation at relevant agencies, namely the Finance Bureau of the Regional Secretariat and the Central Kalimantan Provincial Development Planning Agency (Bappeda). The results show that although fiscal capacity has experienced significant growth, the percentage of expenditure realization remains below the ideal target, with efficiency ratios varying between 82.69% and 109.55%. Improved regional tax performance is the main factor in strengthening PAD, while regional levies and regional wealth management results still show low performance. The implemented efficiency policies have succeeded in saving non-priority expenditures without sacrificing basic service sectors, in line with the principle of value for money and good governance However, key challenges include limited human resource capacity, a suboptimal integrated budgeting information system, and bureaucratic resistance to budget restructuring. This research contributes theoretically to the literature on provincial-level budget efficiency and offers practical recommendations for other regions to optimize budget allocation, strengthen fiscal independence, and maintain the quality of public services sustainably.

Keywords: Budget Efficiency, APBD, Regional Financial Management, PAD, Central Kalimantan.

INTRODUCTION

Budget efficiency is a fundamental principle in public financial management, aimed at ensuring that limited financial resources are utilized optimally to achieve maximum development outcomes (Anita et al., 2025). In the context of regional governments, budget efficiency has become increasingly important following the implementation of fiscal decentralization, which grants greater authority and responsibility to local governments in managing their Regional Revenue and Expenditure Budgets (APBD). According to (Azhari, 2025), efficiency in regional financial

management is not merely associated with cost control but also with the ability of local governments to generate outputs and outcomes that are commensurate with, or exceed, the resources expended. Previous empirical studies have demonstrated that budget efficiency plays a significant role in improving the performance of regional financial management and the quality of public service delivery. (Halim & Kusufi, 2016) argue that efficient budget management enhances accountability and reduces the potential for wasteful spending. Similarly, (Sutrisno & Ramadhan, 2024) emphasizes that efficiency in local government expenditure is a key indicator of successful good governance, particularly in terms of effectiveness and value for money in public spending.

Despite its importance, the implementation of budget efficiency at the regional level continues to face various structural and managerial challenges. (Bastian, 2014) notes that budget practices in many local governments remain predominantly focused on budget absorption rates rather than on performance achievements and program outcomes. This observation is supported by (Sari & Putra, 2020), who find that weak performance evaluation systems and limited human resource capacity significantly hinder the realization of sustainable budget efficiency.

In the specific context of the Central Kalimantan Provincial Government, the challenge of achieving budget efficiency is further complicated by the province's vast geographical area, diverse territorial characteristics, and uneven development needs across regions. Empirical studies that specifically examine budget efficiency as a regional financial management strategy at the provincial level particularly in regions with geographic and administrative characteristics such as Central Kalimantan remain limited. This indicates a clear research gap that warrants further investigation through a contextual and evidence-based approach (Maududi, 2025).

Based on these considerations, this study aims to analyze budget efficiency as a regional financial management strategy within the Central Kalimantan Provincial Government. Specifically, the research seeks to examine how budget efficiency is implemented in the management of the regional budget, identify the factors influencing its effectiveness, and assess its implications for improving regional financial management performance. By integrating empirical analysis with relevant literature, this study is expected to contribute both theoretically and practically to the development of more efficient, accountable, and performance-oriented regional financial management policies.

METHOD

Efficient and effective regional financial management is an important foundation in creating good governance (*good governance*) and encourage sustainable regional development. From a public financial management aaperspective, efficiency reflects the government's ability to utilize limited resources to produce outputs (*output*) and results (*outcome*) maximum, while effectiveness measures the extent to which budget policies are able to achieve predetermined objectives (Rahman & Saputra, 2022; Setyaningsih & Putri, 2023). The Regional Budget (APBD), as the primary fiscal instrument of local governments, plays a role not only as a financial planning and control tool but also as a public policy instrument that directs development priorities, ensures equitable distribution of benefits, and supports fiscal sustainability (Maududi, 2025)

The situation in Central Kalimantan Province reflects the common challenges faced by many regions in Indonesia: limited fiscal capacity due to low Regional Original Income (PAD) and high dependence on central transfers, amidst increasing demands for diverse and complex public services. In response, the Central Kalimantan Provincial Government has implemented a budget efficiency policy by cutting non-priority expenditures such as official travel, seminars, and office stationery procurement. This policy reflects the principle of *value for money*, which requires every rupiah of the budget to provide optimal benefits to the community (Anita et al., 2025). It is important to note that this efficiency does not sacrifice basic service sectors, especially education and health, whose quality is maintained, in line with the research recommendations of (F. N. Dewi et al., 2025; Putra, 2020) which emphasize the importance of protecting priority sectors in the efficiency process.

Presidential Instruction Number 1 of 2025 further reinforces the urgency of this policy by providing national policy direction regarding regional budget efficiency in response to regional fiscal dynamics, including revenue fluctuations, increases in mandatory spending, and global economic uncertainty. This approach is also relevant to the findings of (Habibi et al., 2024; Kobba et al., 2025), which emphasize that successful budget efficiency requires cross-sectoral coordination, strict oversight, and the use of information technology in the monitoring process.

In the context of this research, analyzing the implementation of budget efficiency policies in Central Kalimantan is important not only for measuring the success of spending savings, but also for assessing their impact on public services and identifying emerging obstacles, such as limited human resource competency, a suboptimal technology-based monitoring system, and resistance from work units to changes in budget structure (L. Dewi et al., 2025). The novelty of this research lies in its focus on the provincial government level in Central Kalimantan, which is relatively rarely discussed in the budget efficiency literature, given that most previous studies have focused more on district/city governments or regions with high fiscal capacity. Furthermore, this research integrates the perspectives of *value for money* with the principle *good governance* to formulate efficiency strategies that focus not only on cost reduction but also on optimizing budget allocations according to priority regional needs. These findings are expected to serve as an empirical reference for other regional governments facing fiscal constraints while still striving to maintain the quality of public services (R. Dewi et al., 2023).

RESULT AND DISCUSSION

Based on the results of the field research, data were obtained on budget trends and the realization of revenue, expenditure, efficiency ratios, and the components of Regional Original Income (PAD) of Central Kalimantan Province for the 2021–2025 period. These data were used to assess the performance of regional financial management and to evaluate the level of budget efficiency in supporting regional development. The analysis of these indicators provides a comprehensive understanding of regional fiscal dynamics, both in terms of revenue capacity and expenditure effectiveness, thereby enabling the identification of strengths, weaknesses, and key challenges in regional financial management strategies. The research findings are subsequently presented in the following tables 1 to facilitate systematic comparison, interpretation, and discussion.

Table 1. Budget Trends and Revenue Realization of the Central Kalimantan Provincial Budget (2021–2025)

Year	Revenue Budget (Rp)	Revenue Realization (Rp)	Realization	Main Description
2021	4.724.881.114.687	5.199.634.633.666,73	110,05%	Exceeding targets, high PAD and central transfer performance
2022	5.254.492.354.497	5.466.828.340.418,07	104,04%	PAD increases significantly, levies are low
2023	6.600.636.578.960	6.730.216.813.007,10	101,96%	Stable growth, achievement above target
2024	9.227.019.051.847	8.339.316.303.148,99	90,38%	Did not reach the target, possibly due to external factors
2025	9.320.158.094.735	2.725.198.965.573,96	29,23%	Until the second quarter, the achievement was reasonable in the middle of the year

Table 2. Budget Trends and Realization of Regional Budget Expenditure in Central Kalimantan Province (2021–2025)

Year	Shopping Budget (Rp)	Spending Realization (Rp)	Realization	Efficiency Notes
2021	4.941.216.245.078	4.584.753.691.272,38	92,79%	Realization is quite high, there is remaining budget
2022	5.875.128.710.590	5.147.570.980.714,33	87,62%	Absorption is decreasing, there are obstacles to implementation
2023	7.309.930.294.756	6.326.371.485.915,40	86,54%	Large nominal increase, percentage remains low
2024	10.220.158.094.735	9.135.574.788.941,86	89,39%	Slightly improved compared to the previous two years
2025*	10.220.158.094.735	2.253.358.714.936,86	22,32%	It's only the second quarter, so it's normal that it's still low

Table 3. Efficiency Ratio (Expenditure Realization ÷ Revenue Realization)

Year	Revenue Realization (Rp)	Spending Realization (Rp)	Ratio (%)	Interpretation
2021	5.199.634.633.666,73	4.584.753.691.272,38	88,19%	Quite efficient, big surplus
2022	5.466.828.340.418,07	5.147.570.980.714,33	94,16%	Increased revenue utilization

Year	Revenue Realization (Rp)	Spending Realization (Rp)	Ratio (%)	Interpretation
2023	6.730.216.813.007,10	6.326.371.485.915,40	93,99%	Efficiency is relatively stable
2024	8.339.316.303.148,99	9.135.574.788.941,86	109,55%	Spending deficit, needs control
2025	2.725.198.965.573,96	2.253.358.714.936,86	82,69%	It's still early in the year, but the shopping space is still large.

Table 4. PAD Components and Realization (2022 Example)

PAD components	Target (Rp)	Realization (Rp)	Realization	Notes
Regional Tax	1.807.400.258.125	2.095.648.784.108,98	115,95%	Very good
Regional Retribution	40.686.522.000	23.718.105.754	58,29%	Low
Results of Regional Asset Management	168.865.715.000	90.409.709.729	53,54%	Low
Other Valid PADs	315.029.827.216	313.821.144.611,59	99,62%	Almost on target

Based on empirical data collected over the 2021–2025 period, the Central Kalimantan Provincial Budget (APBD) demonstrates a generally positive trend in regional fiscal capacity, particularly in terms of revenue performance. The consistent realization of regional revenue above the targeted figures during 2021–2023 indicates a relatively strong capacity of the provincial government to optimize its revenue sources. In 2021, revenue realization reached 110.05% of the target, reflecting effective revenue management, especially through the optimization of Regional Original Income (PAD) and transfers from the central government. This pattern continued in 2022 and 2023, with realization levels exceeding targets at 104.04% and 101.96%, respectively, suggesting the successful implementation of revenue intensification and extensification strategies.

However, the decline in revenue realization observed in 2024, which reached only 90.38% of the target, highlights the vulnerability of regional fiscal performance to external macroeconomic factors. The national economic slowdown, reduced activity in key regional economic sectors, and delays in intergovernmental fiscal transfers appear to have significantly affected revenue outcomes. This finding supports the argument of (Prakoso & Setiawan, 2021), who emphasize that although early period revenue overachievement reflects effective fiscal strategies, such performance remains highly sensitive to broader economic fluctuations beyond the direct control of regional governments. Meanwhile, the relatively low realization rate recorded in 2025 (29.23% as of the second quarter) can be considered normal within the regional budget cycle, as revenue realization in local governments is typically concentrated in the latter half of the fiscal year.

In contrast to the generally positive revenue trend, expenditure performance during the same period presents a more complex picture. Although the nominal expenditure budget increased significantly from IDR 4.94 trillion in 2021 to IDR 10.22 trillion in 2024–2025 this increase was not consistently accompanied by proportional growth in budget absorption. In 2021, expenditure

realization reached 92.79%, which can be categorized as relatively high, although it still resulted in a fiscal surplus. The decline in absorption observed in 2022 (87.62%) and 2023 (86.54%) indicates inefficiencies in budget execution, despite the availability of larger fiscal resources.

Several factors may explain this phenomenon, including delays in procurement processes, revisions to budget allocations, and weak coordination among Regional Government Work Units (SKPD). These findings are consistent with (Wulandari et al., 2020), who identify weak initial planning, sudden policy changes, and limited implementation capacity as dominant causes of low budget absorption in local governments. The improvement in expenditure realization in 2024 to 89.39% suggests some progress in budget execution; however, the figure remains below the ideal absorption benchmark of above 95%, which is often associated with effective and timely budget implementation. Meanwhile, the low realization rate recorded in mid2025 (22.32%) is understandable given that most physical projects and procurement activities are typically executed during the second semester.

From an efficiency perspective, the observed gap between strong revenue performance and suboptimal expenditure realization indicates that budget efficiency in Central Kalimantan is not solely determined by fiscal capacity, but also by the quality of planning, coordination, and execution mechanisms. This condition reinforces the argument that budget efficiency should not be assessed merely based on budget absorption rates, but rather on the alignment between budget allocations, implementation capacity, and achieved outcomes. Therefore, improving budget efficiency as a regional financial management strategy requires strengthening performance-based budgeting, enhancing inter-agency coordination, and improving institutional capacity to ensure that increased fiscal resources translate into effective development outcomes.

Based on field data in Table 3 regarding the Efficiency Ratio, in 2021, Central Kalimantan Province recorded an efficiency of 88.19%, indicating a significant surplus and providing fiscal space for the following year. In 2022, the ratio increased to 94.16%, indicating more optimal revenue utilization, despite still leaving a surplus. In 2023, the ratio remained relatively stable at 93.99%, indicating consistent management of expenditure relative to revenue. However, in 2024, the ratio jumped to 109.55%, indicating a deficit due to expenditure exceeding revenue. This situation requires strict control over less priority expenditure items to avoid disrupting fiscal sustainability. In 2025, as of the second quarter, the efficiency ratio stood at 82.69%, still providing substantial spending space for the remainder of the fiscal year. According to (Setyowati & Nugroho, 2021), the ideal efficiency ratio should be below 100% to avoid deficit financing, while excessively large surpluses can indicate suboptimal planning.

Further insights into the fiscal dynamics of Central Kalimantan can be derived from the analysis of Regional Original Revenue (PAD) components in 2022, as presented in Table 4. The data indicate that regional taxes exhibited very strong performance, achieving 115.95% of the targeted revenue. This overachievement reflects the effectiveness of revenue intensification and extensification strategies, particularly through the strengthening of the motor vehicle tax base and the optimization of non-metallic mineral taxes. Such performance suggests that the provincial government has been able to leverage its core tax potential effectively, reinforcing the role of regional taxes as the most reliable and sustainable component of PAD.

In contrast, regional levies recorded significantly lower performance, with realization reaching only 58.29% of the target. This outcome points to structural weaknesses in the levy system, including a limited user base, low compliance levels, and suboptimal collection mechanisms. Similarly, revenue derived from regional asset management reached only 53.54% of the target, indicating that many regional assets remain underutilized or are not managed in a productive manner. These findings highlight the need for comprehensive reforms in levy policies and asset management practices, particularly through inventory optimization, asset revitalization, and the adoption of professional asset management frameworks.

Meanwhile, other legitimate PAD components nearly reached the revenue target, with realization at 99.62%, reflecting relative stability and predictability in this revenue source. This stability provides a supportive fiscal base but also underscores the importance of diversifying PAD sources to reduce dependency on a limited number of high-performing components. As emphasized by (Setyowati & Nugroho, 2021), increasing PAD requires regional governments to pursue diversified revenue strategies, improve the quality of public services, and modernize revenue collection systems, particularly through digitalization. In this regard, the strong performance of regional taxes suggests substantial fiscal potential in Central Kalimantan, while the underperformance of levies and asset management indicates areas requiring targeted policy intervention.

The imbalance among PAD components further reinforces the argument that budget efficiency should be viewed holistically, encompassing both revenue optimization and expenditure effectiveness. In the context of Central Kalimantan, budget efficiency is not merely about cost-saving measures but about sharpening expenditure allocations toward priority sectors, improving the quality of planning, and enhancing the capacity of human resources involved in budget management. The positive performance observed in regional taxes and capital expenditures demonstrates that efficiency-oriented strategies can operate in synergy with improved public service delivery, provided that fiscal policies are aligned with development priorities (Habibi & Santosa, 2023).

Conversely, the low performance of regional levies and asset management revenues reveals structural inefficiencies that, if left unaddressed, may undermine long-term fiscal sustainability. These inefficiencies necessitate reforms in regulatory frameworks, service standards, and asset utilization policies. (L. Dewi et al., 2025) argue that successful budget efficiency is determined by a combination of fiscal discipline, innovation in revenue management, and the modernization of budget systems. This perspective aligns with the findings of (Zainuddin & Mahendra, 2023), who highlight that digitalizing budget planning, implementation, and evaluation processes can significantly enhance transparency and accountability while minimizing the risk of budget leakage.

If implemented consistently, these reform measures have the potential to transform budget efficiency into a sustainable regional financial management strategy. Rather than merely reducing waste, such an approach can strengthen regional fiscal competitiveness, improve public service quality, and support inclusive and sustainable development. In this sense, the experience of Central Kalimantan illustrates that budget efficiency is both a technical and institutional challenge, requiring integrated reforms across revenue management, expenditure execution, and governance systems.

CONCLUSION

This study demonstrates that the budget efficiency policy adopted by the Central Kalimantan Provincial Government during the 2021–2025 period played an important role in increasing fiscal space for priority development sectors, particularly education and health, without diminishing the quality of public services. The expansion of fiscal space was achieved through reallocating expenditures from non-essential items to strategic sectors with direct impacts on human development. This indicates that budget efficiency was implemented not merely as a cost-reduction approach, but as a strategic mechanism to enhance the allocative effectiveness of the regional budget.

In terms of revenue, regional income growth remained relatively stable throughout the study period, largely driven by improved regional tax performance. The positive contribution of regional taxes reflects the success of intensification and extensification efforts, especially in strengthening the motor vehicle tax base and improving the management of extractive-related taxes. However, other components of Regional Original Revenue (PAD), such as regional levies and asset utilization, continued to underperform. This suggests that while Central Kalimantan has strong fiscal capacity in taxation, broader revenue diversification and more professional management of non-tax sources are still required.

From the expenditure side, budget allocations increased annually, signaling the government's commitment to regional development. Nevertheless, budget absorption levels frequently failed to reach the recommended threshold of 95%, indicating ongoing inefficiencies in budget execution. These inefficiencies were mainly associated with weaknesses in planning, delays in procurement processes, and coordination challenges among implementing agencies. Despite these constraints, efficiency ratios generally remained below 100%, indicating relatively controlled spending, except in 2024 when a budget deficit emerged.

Improvements in budget efficiency were primarily achieved through rationalizing non-priority expenditures, strengthening control over operational spending, and prioritizing capital expenditures that generate long-term economic and social benefits. These strategies allowed the provincial government to sustain service quality while directing resources toward more productive uses. However, the effectiveness of these policies was constrained by limited planning capacity, weak integration between planning and budgeting systems, and bureaucratic resistance to reform.

Overall, the findings suggest that budget efficiency policies in Central Kalimantan have produced positive fiscal outcomes, but their long-term effectiveness depends on continued institutional reforms. Strengthening planning capacity, improving system integration, and fostering a performance-oriented administrative culture are essential to ensure that budget efficiency remains a sustainable strategy for regional financial management.

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