

**Proceeding Book of
The 2nd International Conference on Business and Banking Innovations
(ICOBBI) 2020
“Nurturing Business and Banking Sustainability”
Surabaya, 14 - 15th August 2020**

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FOREWORD

Alhamdulillah, praise be to Allah Subhanahu Wa Ta'ala for granting us the opportunity to organize and publish the proceedings of the 2nd International Conference on Business and Banking Innovations (ICOBBI) with the topic “*Nurturing Business and Banking Sustainability*”. This proceeding contains several researches articles from many fields in Marketing, Management Technology, Finance, Banking, Human Resources Management, Information System Management, and Islamic Economics.

The 2nd International Conference on Business and Banking Innovations was held on 14th – 15th August 2020 by virtual (online) meeting and organized by the Master Management Study Program of STIE PERBANAS Surabaya in Collaboration with six Higher Education Institutions in Indonesia and five Universities from Asia countries. Keynote speakers in this conference were: Prof. Angelica M..Baylon, Ph.D (Director of the Maritime Academy of Asia and the Pacific, Philippines), Chonlatis Darawong, Ph.D. (Head of the Master of Business Program Sripatum Chonburi University - SPU Graduate School Bangkok, Thailand), Prof. Madya Dr. Reevany Bustami (Director of Centre for Policy Research and International Studies Universiti Sains Malaysia), Associate Prof. Dr. Elisha Nasruddin (Graduate School of Business Universiti Sains Malaysia), Associate Prof. Pallavi Pathak Ph.D. (School of Management Sciences, Varanasi, India) and Prof. Dr. Tatik Suryani (Head of the Master of Management Study Program of STIE Perbanas Surabaya, Indonesia).

I would like to give high appreciation to the Rector of STIE Perbanas Surabaya for his support at this event. Acknowledgments and thank you to all the steering and organizing committees of the ICOBBI for the extra ordinary effort during the conference until this proceeding published. Thank you very much to all presenter and delegates from various Universities. Beside it, I would like to express our gratitude to the six universities, namely Universitas 17 Agustus Surabaya, Universitas Surabaya, Universitas Dr. Soetemo Universitas Dian Nuswantoro Semarang, STIE 66 Kendari, Institut Institut Bisnis dan Keuangan Nitro Makassar which has been the co-host of this event.

Hopefully, the proceeding will become a reference for academics and practitioners, especially the business and banking industry to get benefit from the various results of the research field of Business and Banking associated with Information Technology. Proceedings also can be accessed online on the website <https://pascasarjana.perbanas.ac.id>.

Chair of the Master Management Study Program
STIE Perbanas Surabaya

Prof. Dr. Tatik Suryani, M.M.

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Measuring the Performance of the Surabaya City Regional Budget Value for Money Analysis, 2014-2019

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ABSTRACT

This research aimed to see the financial performance of Surabaya City's Government on revenue and expenditure. The methodology of this research uses value for money analysis with indicators of economics ratios, effectiveness ratios and efficiency ratios. Secondary data used in the form of fiscal budget allocation and realization of Surabaya City Government Report in the year 2014-2019. The result showed that (1) Three component calculations of financial performance of Surabaya City's government on revenue and expenditure based on value for money analysis show good results; (2) On economic ratios calculation, financial performance shows the economics level; (3) On efficiency ratio, financial performance shows very efficient level; (4) On effective-ness ratio, financial performance shows on level of effective to very effective.

1. INTRODUCTION

The granting of regional autonomy rights to regional governments as stipulated in Law Number 32 of 2004 provides an opportunity in determining the revenue budget and its own expenditure in accordance with the potential and needs of the region. The implementation of regional autonomy provides logical consequences in the form of the importance of financial management that is as effective and efficient as possible, starting from planning, implementation, supervision (Susetyo, 2008). To find this out, it is necessary to measure financial performance, where one of them can use value for money analysis. This performance measurement has two benefits, among others (Jumingan, 2006): (1) used to determine the level of financial management success; and (2) knowing in utilizing all assets owned by an area. Based on the objectives in measuring regional financial performance, it becomes one of the interesting studies to be explored in more depth.

Conceptually, the calculation of value for money emphasizes the principle of 3E (Economical, Efficient, and Effective), where this concept is not new. This is justified by Mardiasmo, (2009), where this value for money is an important principle of managing a government performance budget on an economic basis (through minimizing inputs by avoiding wasteful spending); efficient (achieving maximum output with certain inputs, or certain outputs with the lowest inputs) and effective (achieving program results with specified targets). Where the three main points are interrelated and inseparable spelled out partially.

The Surabaya City Government is one of the regional governments that also carries out regional autonomy. In managing its budget, the Surabaya City Government always pays attention to the disclosure of public information and transparency in budget management. Based on the assessment of the Supreme Audit Agency, the Surabaya City Government obtained an unqualified opinion during the span of the study period, even the highest scores in all districts or cities in East Java Province.

However, the success of the Surabaya City Government's performance does not necessarily indicate that the Surabaya City Government's performance has fully applied the value for money principle. So, for this condition it is necessary to do a measurement of the achievement of the revenue and expenditure budget performance of the Surabaya City Government by using value for money analysis. It is hoped that this research can be used as a basis and assessment in policy making, especially in the management of income and expenditure management more economically, effectively and efficiently.

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2. THEORETICAL FRAMEWORK AND HYPOTHESES

Value for Money Calculation

Technically, the calculation of value for money used in this study contains three aspects of measurement, namely in terms of economy, efficiency and effectiveness, where each of the elements used are interconnected (Mardiasmo, 2009):

1. Economic performance measurement

To find out this economic performance, the following calculations can be made (Purwiyanti, 2017):

$$\text{economic ratio} = \frac{\text{Input}}{\text{Input Price}} \times 100\% \dots\dots\dots 1$$

$$\text{economic ratio} = \frac{\text{Realization of Expenditures}}{\text{Expenditure Budget}} \times 100\% \dots\dots\dots 2$$

Table 1. Criteria for Calculation of Financial Performance on an Economics

Percentage of Performance	Criteria
> 100 percent	Uneconomics
100 percent	Balance
<100 percent	Economics

Source: Putra dan Putu, (2013); Khikmah, (2014)

2. Performance measurement in terms of efficiency

To find out the performance in terms of efficiency, the following calculations can be performed (Purwiyanti, 2017):

$$\text{efficiency ratio} = \frac{\text{Output}}{\text{Input}} \times 100\% \dots\dots\dots 3$$

$$\text{efficiency ratio} = \frac{\text{Realization of Expenditures}}{\text{Revenue Budget}} \times 100\% \dots\dots\dots 4$$

Table 2. Criteria for Calculation of Financial Performance on the Basis of Efficiency

Percentage of Performance	Criteria
>100 percent	Very efficient
90 percent - 100 percent	Efficient
80 percent - 90 percent	Efficient enough
60 percent - 80 percent	Less efficient
<60 percent	Not efficient

Source: Putra dan Putu, (2013); Khikmah, (2014)

3. Performance measurement in terms of effectiveness

To find out the performance in terms of effectiveness, the following calculations can be made (Purwiyanti, 2017):

$$\text{effectiveness ratio} = \frac{\text{Outcome}}{\text{Output}} \times 100\% \dots\dots\dots 5$$

$$\text{effectiveness ratio} = \frac{\text{Realization of Expenditures}}{\text{Expenditure Budget}} \times 100\% \dots\dots\dots 6$$

Table 3. Criteria for Calculation of Financial Performance on the basis of Effectiveness

Percentage of Performance	Criteria
>100 percent	Very effective
90 percent - 100 percent	Effective
80 percent - 90 percent	Effective enough
60 percent - 80 percent	Less effective
<60 percent	Ineffective

Source: Putra dan Putu, (2013); Khikmah, (2014)

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3. RESEARCH METHOD

In this study, the object of research is Surabaya City Government. The emphasis is on measuring the performance of Surabaya City Government with value for money analysis, which is determined in terms of economics, efficiency, an effectiveness of the allocation and realization of budgeting. The processed data is secondary data sourced from annually report of allocation and realization of budgeting of Surabaya City Government during the spa of the research period.

4. DATA ANALYSIS AND DISCUSSION

Before carrying out the process of calculating the performance of the Surabaya City Government during the span of the research period, it is necessary to first know and analyze the total allocation and realization of the revenue and expenditure budget. The data was obtained from a public report issued by the Surabaya City Government, as follows:

Table 4. Total Allocation and Realization of Surabaya City Government Revenue and Expenditure, 2014-2019 (in billions of rupiah)

Description	2014		2015		2016		2017		2018		2019	
	Budgets	Realization	Budgets	Realization	Budgets	Realization	Budgets	Realization	Budgets	Realization	Budgets	Realization
Income	4,868.98	11,935.79	5,318.33	5,445.22	6,720.30	6,036.23	6,934.15	7,177.50	7,185.04	7,292.20	8,079.74	5,310.92
Locally-generated revenue	3,247.46	3,782.65	3,782.65	4,035.65	3,944.47	4,090.21	4,709.65	5,161.84	4,758.97	4,973.03	5,273.65	5,460.76
Balance Funds	1,597.89	1,510.88	1,510.88	1,384.77	2,770.83	1,941.02	2,174.48	1,965.64	2,197.71	2,088.87	2,609.33	2,299.29
Other Legal Revenue	23.63	6,642.26	24.80	24.80	5.00	5.00	50.02	50.02	228.36	230.29	196.77	-2,449.14
Expenditure	7,071.52	7,924.81	7,924.81	6,490.36	8,114.62	7,151.66	8,955.96	7,912.41	9,259.20	8,167.67	9,887.18	8,101.71
Operating Expenditures	5,050.93	5,428.46	5,428.46	4,705.23	5,960.10	5,362.27	6,101.58	5,394.52	6,529.10	5,731.53	6,902.87	5,713.03
Capital Expenditures	2,010.59	2,486.35	2,486.35	1,785.13	2,144.52	1,789.39	2,844.37	2,517.89	2,720.10	2,430.06	2,974.30	2,387.82
Unexpected Shopping	10.00	10.00	10.00	-	10.00	-	10.00	-	10.00	6.09	10.00	-
Surplus / Deficit	-888.05	-2,202.54	-1,045.13	-2,606.48	-1,115.44	-1,394.32	-734.91	-2,021.81	-875.48	-2,074.16	-831.194	-1807.43

Source: Surabaya City Government (2014-2019)

Overall, both the allocation and realization of the Surabaya City Government revenue and expenditure items during the span of the study period fluctuated with an upward trend. In terms of revenue, the highest position was obtained from regional own-source revenue, which contributed around 68 percent both in terms of allocation and realization. According to Law No. 28 of 2009, states that all regional financial resources are extracted from the existing potentials in the region such as the results of local taxes, regional levies and others as well as financial revenues that have been regulated by local regulations. As for expenditure items, the highest position was by operating expenditure which reached 71 percent both in terms of allocation and realization followed by capital expenditure which reached 29 percent. The amount of this operational expenditure is dominated by personnel expenditure and goods and services expenditure, capital expenditure is dominated by road, irrigation and network expenditure as well as building and building expenditure.

The comparison between revenue and expenditure made by the Surabaya City Government shows a budget deficit over the span of the study period. According to the Directorate General of Regional Fiscal Balance, Ministry of Finance, this APBD deficit occurs when the amount of revenue is smaller than the amount spent. So that if the APBD experiences a deficit, the Surabaya City Government will finance it with financing receipts including the previous year's remaining Budget Calculation (SiLPA), the use of reserves, loan receipts, proceeds from the sale of separated regional assets, and the receipt of loans or receivables. Because when there is a deficit in the APBD, there is no special funding channeled from the state budget to cover the deficit. The results of the calculation of value for money from the three ratios both economic, efficiency, and effectiveness of the performance of the City Government of Surabaya, are shown in Table 5 below:

Table 5. Surabaya City Government Financial Performance Ratio Fiscal Year 2014-2019

	2014	2015	2016	2017	2018	2019
Economic Ratio	80.71%	81.90%	88.13%	88.35%	88.21%	91.89%
	(Economic)	(Economic)	(Economic)	(Economic)	(Economic)	(Economic)
Efficiency Ratio	162.76%	122.04%	106.42%	114.11%	113.68%	100.27%
	(Very Efficient)	(Very Efficient)	(Very Efficient)	(Very Efficient)	(Very Efficient)	(Very Efficient)
Effectiveness Ratio	98.98%	102.39%	89.82%	103.51%	101.49%	101.08%
	(Effective)	(Very Effective)	(Effective)	(Very Effective)	(Very Effective)	(Very Effective)

Source: Author's calculations (2020)

Based on the calculation results show that economic ratios show results that are consistent with economic criteria over the span of the study period. For the efficiency ratio shows over the span of the study period, the performance of the Surabaya City Government in allocating its inputs to its outputs obtained very efficient results. As for the effectiveness ratio, during the vulnerable period the research experienced fluctuations but it was still in a good range that is effective to very effective.

The Surabaya City Government through the Regional Financial and Tax Management Agency emphasizes the importance of local taxes as one of the sources of local revenue that has a strategic role in improving the region's financial capacity and will be used for regional needs with the goal of benefit or community welfare. In this context, the Surabaya City Government has the authority to manage its own finances after the implementation of regional autonomy on the basis of Law No. 32 of 2004. In government governance the budget has a role that is vital enough, as a tool for policy, planning, control, and assessment of performance to realize community prosperity (Halim dan Kusufi, 2012).

The negative stigma of managing public services such as budget inefficiencies, sources of leakage, budget wastage, institutions that always have a deficit does not occur in the performance of the Surabaya City Government. The success in managing this good regional budget is a key factor for the success of the Surabaya City Government. Where the Surabaya City Government pays attention to the openness of public information in managing its budget as stipulated by Law No. 14 of 2008 and following up the Instruction of the Minister of Home Affairs of the Republic of Indonesia Number: 188.52 / 1797 / SJ concerning Improvement of Regional Budget Management Transparency. So that all reports on the budget allocation and realization of the Surabaya City Government can be accessed in general. This provides an opportunity for the public so that the use of public funding sources including the allocation of financial resources of the Surabaya City Government which is reflected in the regional budget can run economical-

ly, efficiently and effectively.

In addition, support from technological factors also drives the success of budget management. The Surabaya City Government has implemented an e-government system, which is a management information system in the form of implementation of public services based on information and communication technology, which is used as an interactive media of information and communication between the government and community groups and fellow government institutions themselves (Chamid, 2013; Nur, 2014). The successful implementation of e-government needs to be appreciated in the government system because it will have a significant impact on improving agency performance (Baker, 2008). According to Gunawan, (2016); Widjaja dan Pratama, (2008), the existence of e-government, caused the Surabaya City Government to innovate in its financial system by implementing an e-budgeting system so as to facilitate government performance in managing the budget.

Examining the Performance of Government of Surabaya City Government

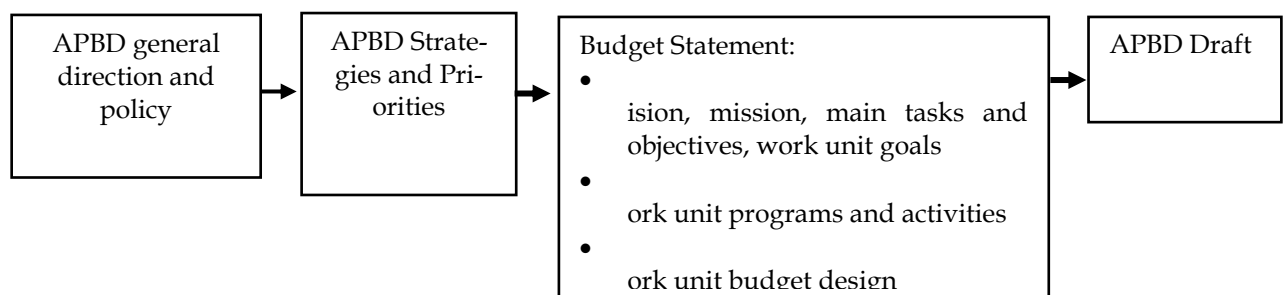
Performance in this case is the level of success achieved by the Government as an entity that is realized from the implementation of various activities and programs that have been planned in accordance with the vision, mission, goals and objectives. Because essentially every activity or program carried out by the Surabaya City Government can be measured and evaluated. What needs to be considered in this context is the work ethic of the Surabaya City Government. Moreover, there is the implementation of regional autonomy which gives freedom to local governments, including the Surabaya City Government, in managing their regions for the benefit, prosperity and welfare of their citizens. The implementation of government performance has the following objectives (Mardiasmo, 2009):

1. Conduct better strategy communication both bottom up and top down
2. Performs both in a financial and non-financial context in a balanced way so that its development can be traced
3. Accommodating the understanding of the interests of middle and lower level managers in achieving the objectives and expected results
4. As an effective tool in achieving satisfaction based on an individual approach and rational collective ability

Analysis of Surabaya City Government's Regional Revenue and Expenditure Budget (APBD)

Financial budget is a tool or instrument used by regional heads to evaluate the work units that are underneath. According to (Indrayani & Khairunnisa, 2018) basically the APBD contains a financial plan obtained and used by the regional government in the framework of implementing public services in one fiscal year. The process of preparing the APBD can be seen from the chart below:

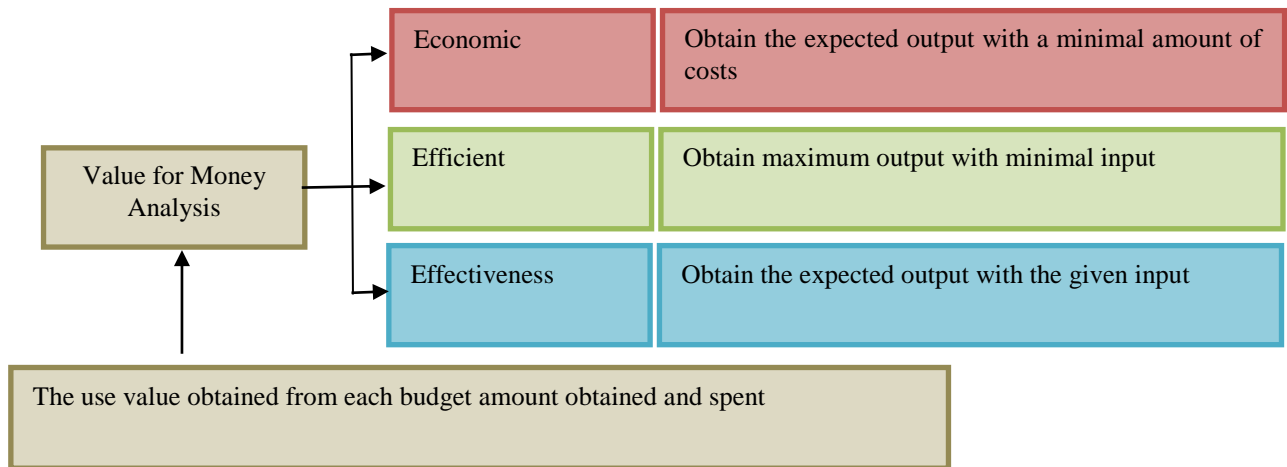
Figure 1. APBD Preparation Process



Source: Indrayani and Khairunnisa, (2018)

One method that can be used in measuring the performance of the Surabaya City Government is using the *value for money* method. According to Khalikussabir, (2007) , the context of *value for money* is not only useful in measuring the cost of goods and services but also includes elements of cost quality, resources used, provision for use, time constraints, ease in assessing whether all of these elements are simultaneously forming a *value* or good value. This was also justified by the Directorate General of Treasury, Ministry of Finance (2019), which stated that the *value for money* in the implementation of this budget was a review so that budget performance could be carried out economically, efficiently and effectively as a form of state responsibility through the city and district governments to the payers taxes, donors and donors (see Figure 2).

Figure 2. Value For Money In Implementing Budget



Source: Directorate General of Treasury, Ministry of Finance, (2019)

This means that there is a basic framework in calculating *value for money* as a performance analysis, namely (Mahmudi, 2007; Mahsun, 2006; Mardiasmo, 2009) : (1) components of vision, mission, goals, objectives and targets; (2) components of *input* , process, *output* , and *outcome* , (3) components of economic measurement , efficiency and effectiveness .

The form of implementation of the concept of *value for money*, is expected that the Surabaya City Government as a public sector institution can increase its level of accountability as well as the implementation of *good governance*. When this can be achieved there is a sense of public trust in the performance of the Surabaya City Government. Mechanical calculation of *value for money* that is used in this study contains three aspects, namely measurement in terms of economy, efficiency and effectiveness, where each element used is interconnected, namely (Mardiasmo, 2009):

1) Economic performance measurement

In this case, in terms of economic performance measurement only considers input (*input*) used. Categorizing terms of economic performance (see Table 1). Some main points that must be considered, among others (Sari, 2014) : (1) Is the organization's expenditure greater than budgeted ?; (2) is the organization's expenditure greater than the expenses of other similar organizations so that it can be compared ?; (3) Does the organization use its financial resources optimally? If you look at the performance of the Surabaya City Government from an economic perspective, if the input is smaller than the input price, it is included in the economic category (Andriani, 2019). This means that the realized expenditure funds used are smaller than the allocated expenditure budget. So, in other words the thing that needs to be done by the Surabaya City Government is to save the budget or reduce unnecessary or no wasteful costs, so the thing that is the main concern in this context is the budget priority.

2) Measurement of performance in terms of efficiency

Performance measurement efficiency is measured by comparing expenditure (*output*) and input (*input*). An efficient indicator in this case when the greater the *output* of the *input* used. Categorizing performance in terms of efficiency (see Table 2). If you look at the performance of the Surabaya City Government in terms of efficiency, if the *output* produced is greater than the *input* used, it is included in the efficient category (Andriani, 2019). This means that the revenue budget obtained by the Surabaya City Government is greater than the realization of expenditure. So that what is the focus of the Surabaya City Government is to produce a certain product or work that is achieved by using adequate resources or minimal funds.

3) Performance measurement in terms of effectiveness

Effectiveness in measuring performance to determine the success or failure of the organization in achieving its objectives. Effectiveness does not state how much expenditure is used to achieve its goals. Categorizing performance in terms of effectiveness (see Table 3). If you look at the performance of the Surabaya City Government in terms of effectiveness, if the output is greater than the outcome level, it is included in the effective category (Andriani,

2019). This means that the realization of revenue allocated by the Surabaya City Government is greater than the revenue budget. So that the results achieved which are proxied by the realization of revenue value exceed the specified goals or targets which are proxied by the allocation of income

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

To be able to answer this research question, the authors measured the performance of the Surabaya City Government in managing its income and expenditure budget using value for money analysis. The focus of attention in terms of the economy, efficiency and effectiveness of budget management. Where as a whole the calculation of the three components shows good results. Over the span of the study period the economic ratio showed consistent results and tended to increase. This shows that the performance of the Surabaya City Government succeeded in making budget savings in other words able to determine budget priorities so as to minimize unnecessary costs. The efficiency ratio shows very efficient results over the span of the study period. This indicates that the Surabaya City Government has succeeded in producing the performance achieved by using the lowest possible source of funds, this is evidenced by the comparison between the budget obtained by the amount of the realized expenditure. As for the effectiveness ratio, it tends to fluctuate in the effective to very effective range. For the effectiveness of this budget is reflected in the level of realization of revenue allocated by the Government of the City of Surabaya that is greater than the allocation of revenue.

Although the three indicators of financial performance measured by using value for money analysis show relatively good performance, it is still not perfect. The thing that can be emphasized by the Surabaya City Government is to determine potential outposts of its regional income, especially local original revenue so that in the future the ratio of income and expenditure from the Surabaya City Government does not experience a budget deficit. So it is expected that with the improved financial performance ratio the Surabaya City Government is able to increase its financial performance calculation index through the calculation of value for money, especially in the three economic aspects, efficiency, and effectiveness.

Suggestions for future research, essentially the components of the calculation of financial performance by using value for money analysis which only focus into three aspects (economic, efficiency and effectiveness). However, there are two other components, namely: equity (equity) and equality (equality) which can be added so that research on the calculation of the performance of the Surabaya City government budget becomes more comprehensive. Performance calculations from other municipal and district governments both in the scope of East Java and National can also be included for future research

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