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Analysis of Budget Realization on the Performance of the Regional Government at Enrekang Regency for the Fiscal Year 2021–2023 in South Sulawesi Province

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The authors declare that this research was conducted independently and without any involvement of commercial, financial, or other external interests that could be perceived as having the potential to influence the objectivity, integrity, or outcomes of the study.

Abstract

Purpose: This study aims to examine the dynamics of budget realization and its relationship with the performance of the Regional Government in Enrekang Regency during the fiscal years 2021–2023. Specifically, it investigates how financial management indicators reflect the efficiency, independence, and development priorities of the regional government.

Research Design and Methodology: The study focuses on regional government agencies in Enrekang Regency and employs an analytical approach using a range of financial ratio indicators. Key ratios analyzed include budget efficiency, financial independence, fiscal decentralization, and expenditure harmony, which together provide a comprehensive assessment of the region's fiscal performance.

Findings and Discussion: The analysis reveals that the management of Regional Original Revenue (PAD) remains largely ineffective. The budget efficiency ratio fluctuates between 90% and 100%, with an average of 98.88%, indicating relatively inefficient financial management. The financial independence ratio suggests a high reliance on external funding, while the fiscal decentralization ratio is very low, highlighting limited capacity for fiscal autonomy. Moreover, the expenditure harmony ratio shows a strong emphasis on operational expenditures over capital expenditures, which may constrain long-term developmental investments. These findings suggest that despite budget allocations, structural inefficiencies and dependence on external funds hinder the regional government's overall performance.

Implications: The study underscores the need for improved fiscal management strategies in Enrekang Regency, particularly in enhancing revenue generation, promoting fiscal independence, and balancing operational and capital expenditures to support sustainable long-term development. These insights are valuable for policymakers aiming to strengthen regional financial governance and optimize budgetary outcomes.

Introduction

Fiscal decentralization places a significant responsibility on regional governments to manage financial resources autonomously through the Regional Revenue and Expenditure Budget (APBD). Under the theory of fiscal federalism, decentralization is expected to enhance the efficiency and responsiveness of public service delivery by aligning budgetary decisions with local needs and preferences (Bastian, 2010; Mardiasmo, 2014). In this context, the effective and efficient realization of the APBD becomes a critical indicator of local government performance, reflecting not only financial management capabilities but also the ability to translate policy priorities into tangible developmental outcomes.

Empirical studies indicate that fiscal decentralization can positively influence regional economic performance when local governments successfully mobilize their own-source revenues (PAD) and allocate resources strategically. For example, research on Indonesian regions found that higher PAD significantly enhances fiscal independence and stimulates economic growth when paired with productive spending (Tajuddin & Kessi, 2025). This aligns with the notion that regional financial autonomy—measured by PAD effectiveness and decentralization ratios—serves as a cornerstone of sustainable local development (Wulandari, 2001; Bastian, 2010). Conversely, excessive reliance on central transfers such as Special Allocation Funds (DAK) may undermine local efficiency by creating a fiscal illusion, where increased resources do not translate into better development outcomes (Tajuddin & Kessi, 2025).

Despite the theoretical promise of decentralization, its practical implementation often encounters significant challenges. A common concern is the persistent imbalance between operational and capital expenditures in regional budgets, where routine spending dominates at the expense of development-oriented investment (Mutiarin, 2025). Such spending patterns undermine the core objective of fiscal decentralization by limiting the ability of local governments to support long-term infrastructure improvements, public service expansion, and economic resilience. National-level analyses similarly reveal that fiscal decentralization in Indonesia has not uniformly delivered improvements in budget impact and efficiency, partly due to weak alignment between budgetary allocations and public needs (Mutiarin, 2025).

The challenge of achieving both autonomy and efficiency is compounded by structural features of Indonesia's decentralization framework. Local governments across the archipelago continue to exhibit varying levels of fiscal independence and decentralized governance performance, with lower levels of local revenue contribution relative to total revenue undermining genuine autonomy (Pabayo, 2025; Astriana & Khoirunrofik, 2024). In many cases, intergovernmental transfers reduce incentives for revenue mobilization at the local level, perpetuating dependence on central funds and limiting the capacity of subnational governments to make autonomous fiscal decisions (Khoirunisa & Sulaeman, 2023).

Moreover, fiscal decentralization has broader implications for governance and public accountability. Evidence suggests that decentralization can improve governance performance when revenue and expenditure responsibilities are effectively aligned and monitored, although outcomes vary depending on institutional capacity and regional context (Astriana & Khoirunrofik, 2024). Weak accountability mechanisms risk not only inefficiency but also governance issues such as corruption and misallocation of public funds, highlighting the imperative of transparency and strong financial oversight (Fatoni, 2020).

Given these complexities, Enrekang Regency—like many regions in Indonesia—faces ongoing challenges in strengthening its financial independence and improving the quality of budget management. Despite efforts to increase locally generated revenues, the region remains heavily reliant on external funding sources, which may limit its ability to fully exercise fiscal autonomy. This reliance underscores the importance of strategic financial planning and efficient public resource management to support sustainable regional development.

A persistent concern in Enrekang is the imbalance between operational and capital expenditures. When operational costs absorb the majority of budget allocations, the scope for long-term investments in critical sectors such as infrastructure, human capital, and public services remains constrained. Such expenditure patterns can impede the implementation of development projects and hinder the realization of strategic objectives aimed at enhancing economic resilience and community welfare.

Given these challenges, a comprehensive analysis of budget realization and financial performance in Enrekang Regency is essential. Such an analysis not only offers insights into the effectiveness of fiscal management and structural inefficiencies but also informs policy reforms that can strengthen regional financial governance and promote sustainable development outcomes in the context of Indonesia's decentralized governance system.

Literature Review

The theoretical foundation of this study is rooted in the principles of regional financial management, as articulated by Mardiasmo (2014) and Halim (2012). Within this framework, the regional budget is not merely a planning tool but also serves as a mechanism for controlling and evaluating local government performance. Effective budget management requires systematic monitoring of financial outcomes through specific analytical indicators that provide insights into fiscal efficiency, effectiveness, and sustainability.

Several key financial ratios are commonly employed to assess regional government performance. The effectiveness ratio measures the ability of a region to realize its Regional Original Revenue (PAD) relative to established targets (Mahmudi, 2015). This ratio reflects how well revenue-collection objectives are met and serves as a benchmark for evaluating fiscal management outcomes. Complementing this, the efficiency ratio, as defined by Halim (2007), evaluates the prudence and cost-effectiveness of budget utilization, indicating whether allocated funds are deployed in an economically optimal manner.

Another critical dimension is financial autonomy. The financial independence ratio illustrates the extent to which a regional government can fund its activities without relying on central government transfers (Halim & Kusufi, 2012). A higher level of independence signifies stronger local fiscal autonomy and reduced vulnerability to external financial fluctuations. Similarly, the fiscal decentralization ratio examines the proportion of PAD relative to total revenue, providing insight into the region's capacity to generate internal resources and exercise self-governance (Wulandari, 2001). Finally, the expenditure harmony ratio assesses the balance between operational and capital expenditures, indicating whether financial allocations adequately support both short-term administrative needs and long-term developmental investments.

Together, these indicators create a comprehensive framework for analyzing regional financial performance. They enable systematic evaluation of how effectively, efficiently, and sustainably local governments manage their fiscal resources, offering critical insights to improve budgetary practices and enhance overall governance in regional development.

Beyond the domestic perspective, this study also incorporates an international lens by integrating Performance-Based Budgeting (PBB) as a theoretical framework to examine the relationship between budget realization and government performance. International literature indicates that PBB, in line with the principles of New Public Management (NPM), shifts the focus from input control to output and outcome evaluation, making the budget a more effective instrument for assessing public sector performance (Mauro et al., 2017; Schick, 1990). Furthermore, decentralization theory suggests that granting fiscal autonomy to local governments improves the efficiency and relevance of budget execution, enabling governments to better respond to local needs (Ferri et al., 2020). Integrating performance indicators into budgetary processes is therefore crucial for evaluating how effectively local governments achieve developmental outcomes (Robinson, 2015).

By combining the principles of regional financial management with insights from PBB and decentralization theory, this study provides a robust conceptual framework for understanding and improving fiscal governance at the regional level.

Research Design and Methodology

This study employs a quantitative descriptive approach to examine the financial performance of the Enrekang Regency Regional Government. The research focuses on analyzing budget realization and fiscal management over the fiscal years 2021–2023. Data for the study were obtained from the official financial reports of the Enrekang Regency Government, accessed through the regional government's official website. These reports provide comprehensive information on budget allocations, revenue realization, and expenditure patterns, forming the basis for a systematic analysis of regional financial performance.

The analytical framework involves the calculation and interpretation of five key financial ratios. These ratios include effectiveness, efficiency, financial independence, fiscal decentralization, and expenditure harmony, which collectively provide insights into the capacity of the regional government to manage its budget responsibly and sustainably. By applying this ratio-based analysis, the study aims to identify strengths and weaknesses in fiscal management, assess the alignment of expenditures with development priorities, and evaluate the overall efficiency and effectiveness of public fund utilization.

Findings and Discussion

Findings

Effectiveness Ratio

The effectiveness ratio, which measures the achievement of Regional Original Revenue (PAD) relative to set targets, ranged from 86% to 92%, with an average of 88.87%. This result indicates a moderately effective performance, suggesting that the regional government is partially successful in meeting its revenue targets. While the achievement is satisfactory, it highlights areas for improvement in revenue collection mechanisms to ensure more consistent attainment of PAD objectives.

E***fficiency Ratio***

The efficiency ratio, ranging from 90% to 100% and averaging 98.88%, points to relatively inefficient budget management. Although a high proportion of the budget is being utilized, the near-maximum ratio indicates that expenditures may not be optimally allocated or leveraged to generate maximum benefit. This suggests that operational spending is prioritized over strategic investments, limiting the cost-effectiveness of public fund utilization.

Financial Independence Ratio

Analysis of the financial independence ratio reveals a high reliance on external funding, primarily from central government allocations. This dependence indicates that the region has limited capacity to fund its own activities independently, which constrains fiscal autonomy. The instructive pattern of reliance on central funds suggests that regional decision-making is significantly influenced by national fiscal policies, reducing the flexibility of local budget planning.

Fiscal Decentralization Ratio

The fiscal decentralization ratio is very low, below 10%, highlighting the weak capacity of the region to generate internal revenues relative to total income. This finding underscores the challenges in achieving self-sufficient financial governance and points to the need for structural reforms to enhance PAD generation and strengthen local fiscal authority.

Expenditure Harmony Ratio

The expenditure harmony ratio demonstrates a clear imbalance between operational and capital expenditures, with operational costs dominating the budget. This pattern reflects a consumptive orientation in spending, which may hinder long-term development initiatives. Insufficient allocation to capital investment constrains infrastructure improvement, public service expansion, and sustainable economic growth, emphasizing the need to reorient budget priorities toward development-oriented expenditures.

In summary, the findings show that although budget realization in Enrekang Regency is relatively high, the quality of budget management remains suboptimal. The region faces challenges in efficiency, fiscal independence, and development-oriented spending. These results highlight the need for strategic financial management reforms aimed at improving revenue collection, optimizing expenditure allocation, and enhancing fiscal autonomy. Addressing these issues is crucial to achieving sustainable economic growth and strengthening the overall performance of the regional government.

Discussion

Efficiency Ratio

The efficiency ratio ranged from 90% to 100%, with an average of 98.88%, indicating a relatively low level of budget efficiency. A high efficiency ratio suggests that expenditures approach the budget limit without generating proportional benefits, reflecting limited cost-effectiveness in budget utilization. Empirical studies in similar regional contexts show that high efficiency ratios often result from prioritizing routine operational costs over strategic or development-oriented investments (Nurabiah et al., 2018).

In Enrekang Regency, inefficiency appears rooted in budget planning that emphasizes administrative and recurrent expenses, such as personnel costs and operational overheads, leaving limited room for strategic investments that promote developmental outcomes. Improving efficiency requires integrating performance-based budgeting, prioritizing expenditures aligned with strategic objectives, and applying outcome-oriented metrics to ensure that budget utilization generates measurable public benefits (Wahyudin & Sugianal, 2024).

Effectiveness Ratio

The findings show that the effectiveness ratio of Enrekang Regency averaged **88.87%**, indicating a moderately effective realization of Regional Original Revenue (PAD). An effectiveness ratio below 100% reflects that revenue targets were not fully achieved, highlighting limitations in revenue mobilization capacity (Wahyudin & Sugianal, 2024). Similar studies on Indonesian local governments report that effectiveness ratios below the target threshold are often linked to administrative constraints, limited taxpayer compliance, and weak enforcement of local tax regulations (Romdani et al., 2025; Faradilla & Hanifa, 2024).

This moderate effectiveness suggests that while the regional government has some success in converting planned revenue into actual receipts, institutional mechanisms for consistent target achievement are insufficient. Factors such as structural and economic constraints limiting the tax base, as well as suboptimal revenue-enhancing strategies (e.g., tax assessment, collection systems, and incentives), contribute to underperformance. The inability to fully realize PAD may hinder the financing of strategic programs and affect the sustainability of public services and long-term development initiatives.

Financial Independence Ratio

Analysis of the financial independence ratio reveals a high dependence on external funds, particularly central government transfers, while the contribution of PAD remains limited. Such dependence constrains local fiscal autonomy, as budgetary flexibility is reduced and regional decision-making is influenced by central fiscal policies (Hasan et al., 2025). Dependence on external funding has several implications. First, it limits the region's ability to allocate funds according to local priorities. Second, reliance on central transfers can reduce incentives for local governments to innovate in revenue mobilization, perpetuating structural fiscal vulnerabilities, especially during periods of national budget tightening. To strengthen fiscal independence, Enrekang Regency must enhance PAD collection through diversification of revenue sources, improved institutional capacity, and the development of local economic sectors capable of generating sustainable income streams.

Fiscal Decentralization Ratio

The fiscal decentralization ratio in Enrekang Regency is very low, below **10%**, indicating weak local fiscal capacity. This low ratio reflects a small share of PAD relative to total revenue and demonstrates that the region is unable to finance most of its obligations independently (Marlianita & Saleh, 2020). Similar patterns are observed in other Indonesian regions, where low fiscal decentralization is associated with limited local decision-making authority and reduced fiscal flexibility (Wawan Erizona et al., 2025).

Low fiscal decentralization constrains the alignment of budgetary resources with local development priorities. It emphasizes the need to strengthen local revenue systems, expand economic activities, and encourage private sector participation to increase the fiscal base. Enhancing decentralization is critical for achieving greater autonomy, improving accountability, and supporting sustainable regional development.

Expenditure Harmony Ratio

The expenditure harmony ratio shows a clear imbalance, with operational expenditures dominating over capital expenditures. This indicates a predominantly consumptive orientation in public spending, which limits resources for long-term development projects. Excessive operational spending can crowd out investments in infrastructure, human capital, and economic growth drivers (Nurabiah et al., 2018).

For sustainable development, fiscal planning should prioritize capital expenditures that enhance public service quality and stimulate economic growth. Investment in infrastructure, education, and technology is essential to support long-term socio-economic progress. Realigning budget priorities toward development-oriented spending is therefore a critical policy consideration for Enrekang Regency.

Overall, the findings reveal that although budget realization in Enrekang Regency is relatively high, the quality of budget management remains suboptimal. Moderate effectiveness, limited efficiency, high dependence on external funding, weak fiscal decentralization, and a consumptive expenditure pattern collectively constrain the region's ability to optimize public financial resources.

These results highlight the need for comprehensive fiscal reforms, including enhancing PAD collection, improving expenditure efficiency, increasing capital investment, and strengthening fiscal autonomy. Addressing these challenges is essential for supporting sustainable economic growth, improving public service delivery, and enhancing the overall performance of regional government financial management.

Conclusion

The financial performance of the Enrekang Regency Regional Government during the fiscal years 2021–2023 indicates that, while budget realization is relatively high, several aspects require improvement. Specifically, efficiency in budget utilization remains suboptimal, and the level of fiscal independence is limited due to high reliance on external funding. Additionally, the imbalance between operational and capital expenditures reflects a predominantly consumptive orientation in spending, which constrains long-term development investment. To enhance the effectiveness of the Regional Revenue and Expenditure Budget (APBD), the regional government should focus on improving expenditure efficiency, strengthening revenue mobilization to increase fiscal autonomy, and rebalancing budget allocations toward development-oriented capital expenditures. Implementing these measures would support more productive financial management, foster sustainable economic growth, and improve the overall capacity of the regional government to achieve its strategic development objectives.

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