Value for Money Analysis in Measuring Financial Performance at the Makassar Agricultural Quarantine Center

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ABSTRACT

This study aims to determine the financial performance of the Makassar Agricultural Quarantine Center in 2018-2020 in terms of economic, efficiency, and effectiveness elements. This study aims to collect data on the realization of financial achievements contained in the Financial Statements and Performance Reports (LAKIN) of the Makassar Agricultural Quarantine Center for 2018-2020. The data analysis technique used is quantitative descriptive analysis on economic, efficiency, and effectiveness measurements. The results showed that the financial performance of the Makassar Agricultural Quarantine Center in 2018-2020 in terms of economic, efficiency, and effectiveness elements almost met the Value for Money requirements, where each aspect almost reached the maximum ratio value. In 2018, the financial ratio was 99.59%, the efficiency ratio was 92.70%, and the effectiveness ratio was 114.74%. Then in 2019, the economic, efficiency, and effectiveness ratios were 98.83%, 97.42%, and 115.30%, respectively. Meanwhile, for 2020, the financial ratio is 95.84%, the efficiency ratio is 71.46%, and the effectiveness ratio is 109.12%.

1. INTRODUCTION

The public sector can be understood as a provider of public services and public interests with the aim of not seeking profit (non-profit) from the government to the public in the form of goods or services. The performance of government agencies is in the spotlight with the increasing public awareness of the implementation of public administration, so it is necessary to be accountable to the community. The concept of performance measurement also needs to be done. Performance measurement is critical to assess organizational accountability in producing better public services. Performance appraisal can measure corporate activities in achieving goals and as material for future improvement. Performance appraisal is part of the management control process that can be used as a control tool. Performance measurement in government agencies is a management tool to improve the quality of decision-making and accountability (1). Performance measurement is needed to assess organizational accountability in producing better and targeted public services. Performance measurement of public sector organizations is carried out to meet three elements, according to Mardiasmo. First, to help improve government performance. Performance measures are intended to help the government focus on the goals and objectives of the work unit program. This will ultimately increase public sector organizations' efficiency and effectiveness in delivering public services.
Second, public sector performance measures are used for resource allocation and decision-making. Third, to realize public accountability and improve institutional communication (2).

Value for Money is the concept of managing public sector organizations based on three main elements: economy, efficiency, and effectiveness. Economical means obtaining inputs of a certain quality and quantity at the lowest price. Efficiency means the achievement of maximum output with specific information, while effectiveness implies the level of achievement of program results with set targets. The objectives desired by the community include accountability regarding the implementation of Value for Money, namely economic (careful saving) in the procurement and allocation of resources and efficient (efficient) in using resources in the sense that their service is minimized. The results are maximized and effective (successful) in achieving goals and objectives (2).

The government's performance in collecting revenue is said to be economical if the ratio achieved is less than 100%. The smaller the financial ratio means, the better the government's performance. Similarly, for the efficiency ratio, government performance is more efficient if the efficiency ratio achieved is less than 100%. The smaller the efficiency ratio means, the better the government's performance. The opposite applies to the effectiveness ratio. Government performance is categorized as effective if the effectiveness ratio achieved is 100%. The higher the effectiveness ratio describes, the better the public sector capabilities (3).

The Makassar Agricultural Quarantine Center is one of the government institutions in Makassar City that has strategic targets to increase added value and competitiveness of national agricultural products, ensure national strategic food quality and safety, control the spread of Quarantine Plant Disturbing Organisms (OPTK) and Quarantine Animal Disease Pests (HPHK) urgently need performance measurements for optimizing services provided to the community according to their duties and Function.

2. LITERATURE REVIEW

Value for Money

Value for Money is the concept of managing public sector organizations based on three main elements: economy, efficiency, and effectiveness. Value for Money is the core of performance measurement in government organizations. Government performance cannot be assessed regarding output produced alone but must consider inputs, results, and outcomes together (4). Performance appraisal based on Value for Money is built on three main components, namely: 1) Components of mission, vision, goals, objectives, and targets; 2) Input, process, output, and outcome components; 3) Details of measurement of economy, efficiency, and effectiveness.

Value for Money manages public sector organizations based on three main elements: economy, efficiency, and energy (5). a) Economic is the comparison of inputs with input values expressed in monetary units. Economics is related to the extent to which public sector organizations can minimize the input resources used by avoiding wasteful and unproductive expenditures. b) Efficiency is the use of the lowest input to achieve a specific output. Efficiency is a comparison of results or information associated with performance standards or targets that have been set. c) Effectiveness is the comparison of outcomes with outputs.

The desired objectives related to the implementation of Value for Money are (6) : 1) Improve the effectiveness of public services in the sense that the services provided are right on target, 2) Improve the quality of public services, 3) Lower the cost of public services due to eliminating inefficiencies and savings in using inputs, 4) Allocation of spending that is more oriented to the public interest, 5) Increase awareness of public money as the root of public accountability implementation.

Financial Performance

Law Number 22 and Number 25 of 1999 prioritize the reform process of public sector institutions in Indonesia. These two laws laid the groundwork for institutional reforms to establish good governance. Law Number 17 of 2003 Article 3(2) requires the regional apparatus task force to make a report on budget implementation to evaluate the results achieved. Similarly, Government Regulation Number 108 of 2000 concerning the achievement requirements of regional heads that regional heads are held accountable at the end of each fiscal year. For the submission of liability reports containing calculation reports and APBD Calculation Norms, Cash Flow Statements, and Regional Balance Sheets complete with performance assessments (7).

Regional financial handling is inseparable from Law Number 17 of 2003 concerning State Finance, Law Number 1 of 2004 concerning State Treasury, and Law Number 15 of 2004 concerning State Financial Management and Accountability Checks. With the enactment of Law Number 32 of 2004 and Law Number 33 of 2004, various basic principles contained in the State Finance Law, the State Treasury Law, and the State Treasury Accountability Management and Examination Law were reaffirmed and became a reference (7).
The objectives of performance measurement or appraisal in the public sector are as follows (4): a) Knowing the level of achievement of organizational goals. Performance measurement in public sector organizations is used to determine the achievement of organizational goals. From the perspective of internal control, performance measurement systems are designed to monitor the implementation of corporate plans, determine when they are successful, and how to improve them. Performance measurement systems focus on achieving organizational goals, measuring and reporting performance, and understanding how performance processes affect organizational learning, b) Provide employee learning facilities. The performance measurement system aims to improve the results of the efforts made by employees on how to act and provide a basis for changing behavior, attitudes, skills, or work knowledge that employees must have to achieve the best work results, c) Improve the performance of subsequent periods. Implementing a performance measurement system in the long term aims to form a culture of achievement within the organization. Performance or achievement culture can be created if the performance measurement system can produce an organizational atmosphere where everyone is required to excel. This atmosphere can be realized with continuous performance improvements, d) Provide systematic consideration in making decisions on reward and punishment. Performance measurement aims to provide a systematic basis for managers to give rewards (salary increases, benefits, promotions) or punishments (termination, postponement of promotion, reprimand). A modern performance management system is needed to support a performance-based pay system. High-performing organizations seek to create rewards, incentives, and salaries related to an individual's knowledge, skills, and contributions to organizational performance, e) Motivating employees. With performance measurement linked to compensation management, high-performing employees will get rewards. The reward motivates employees to perform higher with the expectation that high performance will get high compensation, f) Creating public accountability. Performance measurement shows how much managerial performance was achieved, how good the organization's financial performance is, and another version on which accountability assessments are based. Such arrangement must be measured and reported in the form of performance reports.

3. RESEARCH METHODS

Research Samples
The samples in this study are the Budget Realization Report and the Revenue Realization Report of the Makassar Agricultural Quarantine Center for 2018-2020

Data Analysis Techniques
Data analysis in this study uses quantitative descriptive methods, namely collecting data, compiling, and analyzing to draw definite conclusions about a problem. The calculation of value for money used in this study contains three aspects of measurement, namely in terms of economy, efficiency, and effectiveness (8):

Economic performance measurement, to determine the performance in terms of economy, the following calculations can be made:

\[
\text{Economic Ratio} = \frac{\text{realization of expenses}}{\text{pending budget}} \times 100\%
\]

<table>
<thead>
<tr>
<th>Performance Percentage</th>
<th>Criteria</th>
</tr>
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<tbody>
<tr>
<td>&gt;100%</td>
<td>Uneconomical</td>
</tr>
<tr>
<td>100%</td>
<td>Balanced</td>
</tr>
<tr>
<td>&lt;100%</td>
<td>Economical</td>
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</table>

Efficiency ratio = \( \frac{\text{realization of expenses}}{\text{revenue realization}} \times 100\% \)

<table>
<thead>
<tr>
<th>Performance Percentage</th>
<th>Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;90%</td>
<td>Highly efficient</td>
</tr>
<tr>
<td>90%-99%</td>
<td>Efficient</td>
</tr>
<tr>
<td>100%</td>
<td>Quite Efficient</td>
</tr>
<tr>
<td>&gt;100%</td>
<td>Inefficient</td>
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Performance measurement in terms of effectiveness, to determine performance in terms of effectiveness, the following calculations can be made:

\[
\text{Effectiveness ratio} = \frac{\text{Revenue realization}}{\text{Revenue budget}} \times 100\%
\]

**Table 3. Criteria for calculating financial performance on an effectiveness basis:**

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<tr>
<th>Performance Percentage</th>
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<tbody>
<tr>
<td>&gt;100%</td>
<td>highly effective</td>
</tr>
<tr>
<td>90%-100%</td>
<td>Effective</td>
</tr>
<tr>
<td>80%-90%</td>
<td>quite effective</td>
</tr>
<tr>
<td>60%-80%</td>
<td>less effective</td>
</tr>
<tr>
<td>&lt;60%</td>
<td>ineffective</td>
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4. RESULTS AND DISCUSSION

**Economic performance measurement**

The following results were obtained based on the calculation of the financial ratio at the Makassar Agricultural Quarantine Center. In 2018, the economic balance of 99.59% increased in 2019 to 98.83% but decreased in 2020 to 95.84%. The financial ratio from 2018 to 2020 remained below the range of 100%, indicating that the financial performance of the Makassar Agricultural Quarantine Center was within the economic criteria from 2018-2020.

Economic measurement aims to determine the performance of the Makassar Agricultural Quarantine Center in 2018-2020 in producing and managing the resources needed to avoid wasteful and unproductive costs. The Makassar Agricultural Quarantine Center considers cost-effective, and the products are made by assessing economic feasibility.

**Performance measurement in terms of efficiency**

The following results were obtained based on the calculation of the efficiency ratio at the Makassar Agricultural Quarantine Center. In 2018, the efficiency ratio was 92.70%, then increased in 2019 by 97.42% but decreased sharply in 2020 to 71.46%. From the results of the analysis, the financial performance of the Makassar Agricultural Quarantine Center in 2018 and 2019 was in the range of 90% to 99%, which can be categorized as efficient. Meanwhile, in 2020, the Makassar Agricultural Quarantine Center’s financial performance was 71.46%, below 90% so it can be classified as very efficient.

Efficiency measurement aims to determine the performance of the Makassar Agricultural Quarantine Center in 2018-2020 in the use of available resources to obtain outputs in the form of animal and plant quarantine services. Through the analysis of the efficiency ratio, it can be known how much efficiency for spending is in increasing the income of the Makassar Agricultural Quarantine Center.

**Performance measurement in terms of effectiveness**

The following results were obtained based on the calculation of the effectiveness ratio at the Makassar Agricultural Quarantine Center. In 2018, the effectiveness ratio was 114.74%, then increased in 2019, where the percentage was 115.30% but decreased in 2020 to 109.12%. From the results of the analysis, the financial performance of the Makassar Agricultural Quarantine Center from 2018 to 2019 exceeded 100% so it can be categorized as very effective.

Effectiveness measurement aims to determine the performance of the Makassar Agricultural Quarantine Center in 2018-2020. The results of the analysis that has been carried out prove that the Makassar Agricultural Quarantine Center can carry out its work program in accordance with the targets that have been set.

5. CONCLUSION

Based on the results of research and discussion, researchers can draw several conclusions as follows. First, performance measurement in terms of the economy has a percentage of more than 90%; in 2018 it was 99.59%, and in 2019 it was 98.83%. And in 2020, it was 95.84%, so the financial performance of the Makassar Agricultural Quarantine Center was categorized as economical. Second, performance measurement in terms of efficiency has a variable percentage but is still in the range of suitable categories. In 2018, the rate of efficiency ratio was 92.70%. In 2019 it was 97.42%, and in 2020 it was 71.46%, so the financial performance of the Makassar Agricultural Quarantine Center in 2018-2019 was in the efficient category, while in 2020, it was categorized as very efficient. Third, performance measurement in terms of effectiveness
has a percentage of more than 100%, namely in 2018 of 114.74%, 2019 of 115.30%, and 2020 of 109.12%, so the financial performance of the Makassar Agricultural Quarantine Center is categorized as very effective.

Suggestions that can be given by researchers in research are. First, the Makassar Agricultural Quarantine Center is expected to maintain and improve its financial performance so that its financial performance is in the economical, very efficient, and very effective category from year to year. Second, it is expected that researchers will then use other measuring tools to measure the financial performance of the public sector in addition to using a value for money.

6. REFERENCES
5. Sari NCF. Prinsip Pengukuran Kinerja Pemerintah Daerah Dengan Menggunakan Prinsip Value For Money (Study Kasus Kabupaten Sumenep Tahun 2010-2013). J Akunt AKUNESA. 2014;3;