

## IDENTIFICATION OF PROBLEMS IN IMPLEMENTING SMART CRITERIA IN LOCAL BUDGETING SYSTEM

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### Abstract

The budgeting system of local governments in Indonesia has referred to the Key Performance Indicators (KPI) of SMART (Specific, Measurable, Achievable, Relevant, and Timebound) criteria with a review of the suitability of goals and objectives. The purpose of this study is to identify problems during the adoption of the SMART Criteria KPI into the budgeting system. This study uses a descriptive qualitative method to answer several questions, namely: Has the Government implemented a specific budgeting plan? (Q.1); Has the government planned budgeting in a measured manner? (Q.2); Has the government used the budget fairly and achieved the targets written in the budget system? (Q3); Is the budget system planning relevant to its implementation? (Q4); Has the government done it in a timely manner? (Q.5). The results of the implementation of the SMART Criteria KPI were 68%, categorized as good but not perfect. The conclusion drawn is that this is because the budget system has not optimally integrated cost standards and minimum service standards in fund allocation.

### 1. INTRODUCTION

The budgeting system in Indonesia uses a budget system called the Regional Revenue and Expenditure Budget (APBD). APBD is an annual regional financial plan that is discussed and jointly approved by the Regional Government and the Regional People's Representative Council (DPRD), and then stipulated in regional regulations. (Ministry of Home Affairs Regulation Number 13 of 2006).

APBD as a budgeting system is the main policy instrument of local government and occupies a central position. It contains performance, both internal assessments and linkages in encouraging economic growth which can ultimately reduce disruption and thereby reduce poverty (Nurdiwaty and Zaman, 2016).

Budget classified as a functional classification, details of routine and development budgets are grouped by sector and further broken down into sub-sectors; organization classification, detailed by department; object classification, detailed according to the type of expenditure, such as personnel expenditure, official travel expenditure, maintenance expenditure, goods expenditure, subsidies and so on; and economic classification, distribution and regulation of the budget in routine and development activities (Sofyani et al., 2018).

In the implementation of this budgeting system, its performance needs to be measured. Performance needs to be measured because performance is an important part of the process of setting strategic targets, playing a role in assessing current and future levels of performance, knowing the level of achievement of local government goals, as well as creating accountability and achieving Value for Money (VFM). The

performance measured is the output/result of a program/activity that will or has been achieved in relation to budget use with measurable quantity and quality (Government Regulation Number 12 of 2019).

The budgeting system implemented in Indonesia pays more attention to the development and implementation process. The implementation of performance measurement so far has only been based on the percentage of budget absorption used without considering the results achieved (Mulihartanti, 2013).

In implementing the budgeting system, the government should refer to the SMART criteria, namely Specific, Measurable, Achievable, Relevant, and Timebound, which are very necessary. SMART criteria are Key Performance Indicators (KPI) which are indicators of the performance measurement of a government agency, which are mainly used in achieving certain goals and objectives. KPIs can also be used as a tool to measure the level of government performance (Eprianto and Dizar, 2022).

Integrating SMART criteria into the budgeting system can directly contribute to improving management performance in strategic matters. It is expected that this can encourage a paradigm shift in governance, namely from input and process orientation to effectiveness of results and benefits (outcomes); towards independence based on commitment, consistency towards the organization's vision and mission and professionalism (Ministry of State for Administrative Reform, 2008).

The research in this article was conducted in the territory of Indonesia, especially in Central Java Province. The implementation of the budgeting system is carried out by the Regional Government below it which includes 29 districts and 6 cities.

## 2. PROBLEM STATEMENT

Based on data from the Ministry of State Apparatus Empowerment and Bureaucratic Reform, (2018) stated that the implementation of the budget system in several regions was considered suboptimal in preventing budget waste. The results of performance measurement in the SMART criteria indicators in the local government budgeting system only achieved a score of 0.68, which means the performance level is only 68%. The result is already in the good category. However, the score is only slightly above the threshold criteria. This raises several questions about the performance of the government budgeting system.

1. Has the Government implemented a specific budgeting plan? (Q.1);
2. Has the government planned budgeting in a measured manner? Q.2);
3. Has the government used the budget fairly and achieved the targets written in the budget system? (Q3);
4. Is the budget system planning relevant to its implementation? (Q4);
5. Budget implementation and reporting must be timely because it affects many management decisions in the budgeting system. Has the government done it in a timely manner? (Q5).

## 3. LITERATURE REVIEW

To measure the performance of the budgeting system, achievement indicators are used to measure success. Achievement indicators are used to reveal the effectiveness

and efficiency of the process based on the goals and targets of the organization (Moroki and Rawung, 2023).

One of the indicators in the performance-based budgeting system is SMART which has specific criteria, meaning clear or not open to multiple interpretations; Measurement, meaning measurable; Achievable, meaning it can be achieved at a reasonable cost and with proper data collection; Relevant, meaning the information needed is appropriate for the person who will use the data; and Timely, meaning on time (collected and reported in a timely manner to influence many management decisions) (Oguz, 2022).

The assessment of the good or bad of a system can be seen from the percentage scale of its achievements. The percentage scale according to Sahertian (2010) can be seen in the table below.

**Table 1: System Performance Percentage Scale**

No	Performance Scales (%)	Categories
1	$0 < x \leq 20$	Very Less
2	$21 < x \leq 40$	Less
3	$41 < x \leq 60$	Enough
4	$61 < x \leq 80$	Well
5	$81 < x \leq 100$	Very Good

Integrating SMART criteria into the budgeting system has several advantages, namely it is more focused on results, more flexible in making budget shifts as long as it is intended to increase the efficiency and economy of budget use and within the limits of the rules that have been set and agreed upon together, and the achievement of targets, preparation and implementation of programs and activities, as well as analysis of budget determination and control and performance analysis can be better evaluated (Evaluability) (Ministry for Administrative Reform, 2008).

Conformity is needed starting from planning, budgeting, and measurement in the budgeting system. This will make it easier for local governments or users to assess performance and in reporting to achieve common goals. (Ministry of State for Administrative Reform, 2008).

#### 4. METHODOLOGY

The method used in this study is a descriptive qualitative method. Descriptive qualitative is a descriptive study and tends to use analysis because each process has a subjective perspective meaning that is more emphasized in this method (Sugiyono 2018). Meanwhile, Winartha (2006 as cited in Mulia, 2022) stated that this method is carried out by observing the problems to be studied, then analysing, describing, and summarizing various conditions and situations from the various data obtained.

Another explanation states that qualitative descriptive research is an appropriate method for research questions that are focused on gaining in-depth information about a less understood research area rather than a particular phenomenon. Qualitative descriptive research seeks to describe rather than explain. Explanatory frameworks and theories are not needed to explain the research and its results (Ayton, 2023; Fadillah et al., 2024).

Qualitative descriptive research displays data as it is without manipulation or other treatments. The purpose of this research is to present a complete picture of an event

or is intended to expose and clarify a phenomenon that occurs (Rusnandi and Rusli, 2021)

## 5. DISCUSSION

Based on the results of the research to respondents and then scoring the data obtained, the performance level of SMART criteria in the budgeting system obtained a score of 0.68 or 68%. The score can be seen in the table below.

**Tabel 1: SMART Criteria performance Score**

Q	Data																								Analysis										
1	1	1	1	1	1	1	1	1	0	1	1	0	1	0	0	1	1	1	1	1	1	0	1	0	0	0	0	0	1	0	1	0	1	0,88	
2	1	1	1	1	1	1	1	1	0	1	1	0	1	0	0	1	1	1	1	1	1	0	0	1	0	0	0	0	0	1	0	1	0	1	0,85
3	1	1	1	1	1	1	1	1	0	1	1	0	1	0	0	1	1	1	1	1	1	1	0	1	0	0	0	0	0	1	0	1	0	0	0,85
4	1	1	1	1	1	1	1	1	0	1	1	0	1	0	0	1	1	1	1	1	1	0	0	1	0	0	0	0	0	1	0	1	0	1	0,85
5	1	1	1	1	1	1	1	1	0	1	1	0	1	0	0	1	1	0	1	0	1	0	0	1	0	0	0	0	0	0	0	1	0	1	0,73
Average SMART Criteria																											0,68								

The standard of analysis that has been approved by the Regional Work Units Leader is proof that the Indonesian local government has implemented around 68% in determining the funds to be budgeted.

The score shows that the performance and relevance between the budget and the achievement of priority programs in the budgeting system are in the good category. The assessment can be seen in the Government Agency Performance Report. Most local governments have implemented provisions that require this report to be submitted a maximum of three months before being submitted by the Local Government Budget Team.

To improve SMART performance to 100% in the government budget system, local governments must have clear budget planning. This is proven by the fact that Indonesian local governments have formulated and approved clear cost analysis standards.

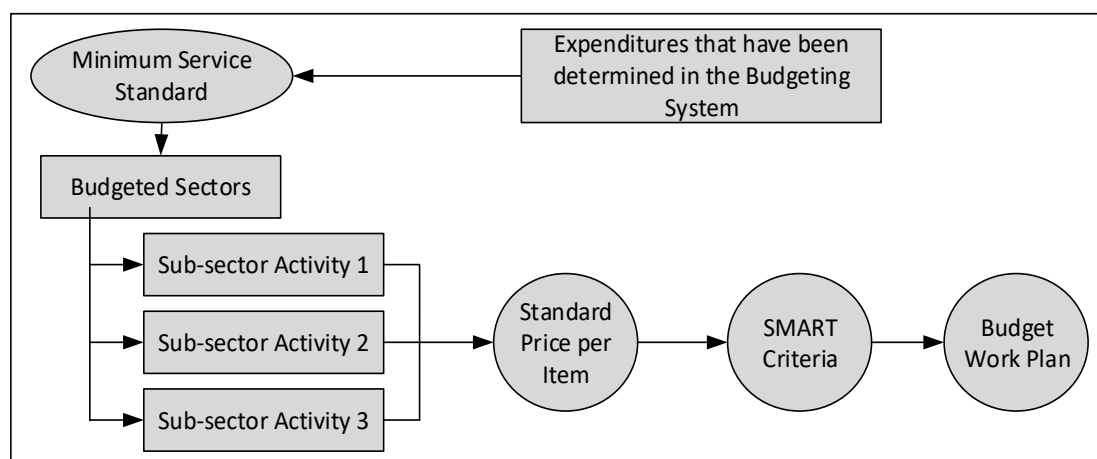
Standard cost analysis is used as a guideline for budgeting in order to implement funds appropriately. The standard cost analysis in this budgeting system is in accordance with the proposal from the relevant Regional Work Unit used to support funding when implementing the process of realizing previously determined priority programs.

In determining the local government budget, based on applicable provisions, the Indonesian local government, in this case the regent or mayor, submits a budget plan to the Regional People's Representative Council to obtain approval before the budget is ratified. This is manifested in the form of a Regional Medium-Term Development Plan document.

The use of SMART criteria in the budgeting system in Local government can be described as follows:

1. Specific means that the MSS elements must be specifically considered in the implementation of the budgeting system. The determination of the price per item must be adjusted to the service needs that have been determined. For example, in health services for the elderly, it consists of wheelchairs, breathing aids and patient beds. Funds or budgets must be adjusted to these specific needs.

2. Measurable means that the budget determination components must be measurable with reference to real unit price standards in the field. For example, in the fulfilment of elderly health services. Wheelchairs are budgeted at IDR 2.400.000 meaning that it must be realized 100% of IDR 2.400.000, the budget for breathing aids is IDR 1.136.000 then it must be realized 100% of IDR 1.136.000, patient beds are budgeted at IDR 7.750.000 also meaning that it must be realized 100% of IDR 7.750.000.
3. Achievement means that the achievement of fulfillment and use of funds must be in accordance with what has been planned beforehand.
4. Relevant means that the components measured must be based on actual needs when fulfilling health services. Health services provided in hospitals or health centres must meet a minimum standard, for example 1 room measuring 4x5m must use an inpatient bed with a size of 2100x900x590mm with a price of Rp. 7.750.000 (according to market prices).
5. Timely means the duration of spending for the implementation of health service fulfilment. for example, if the time given to fulfil the patient's mattress is targeted to be completed within 2 months, it must be completed within 2 months. The application of SMART indicators in fulfilling MSS for health services can be seen in the figure below.



**Figure 1: SMART Criteria Problem Identification Solution**

## 6. CONCLUSION

In this case, the SMART criteria in the budgeting system, the local government must be integrated with the minimum service standards which are then used in determining the amount of budget that will be used in the implementation of the budget. The amount of the planned budget compared to its implementation in various sectors that have been programmed is used as a measuring tool for the success of fund allocation.

The budget system that has been implemented with the SMART criteria application has a performance score of 68% in the good category. However, this is not yet optimal and still needs to be improved to achieve 100% performance. The reason why the application of SMART criteria only reached 68% is allegedly due to the process of minimum service standards and implementation of cost analysis standards per item not being maximized.



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