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Relationship Between Budget Management, Financial Performance, and The Achievement of The Regional Development Vision in District X

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Abstrak

Budget management and financial performance are crucial aspects in achieving a sustainable regional development vision. This study aims to analyze the relationship between budget management, financial performance, and the achievement of the regional development vision in District X. Using a mixed-method approach, this research collected data from 45 respondents selected through purposive sampling. Multiple linear regression analysis indicates that budget management has a significant impact on financial performance, with a regression coefficient of 0.1900 and a significance value of 0.004 (<0.05). The findings confirm that better budget management leads to higher regional financial performance. These results highlight the importance of transparency, efficiency, and accountability in budget management to support more optimal development.

Keyword : Budget management, financial performance, regional development vision, regression analysis, financial transparency.

INTRODUCTION

Budget management and financial performance are two fundamental aspects in realizing sustainable and high-quality regional development. The regional budget serves as an essential instrument for allocating resources to achieve development goals, while financial performance acts as an indicator of success in managing these resources effectively and efficiently (Halim, 2017). Both are closely linked to the achievement of the regional development vision, which serves as a strategic direction in improving public welfare and driving economic growth at the local level (Bastian, 2015).

Regency X, as one of the regions striving to enhance the quality of its development, has established a long-term development vision covering various aspects, such as infrastructure improvement, economic sector strengthening, and human resource development. However, to realize this vision, targeted budget management and optimal financial performance are required (Mardiasmo, 2019). Without proper management, the available budget will not be able to maximize the achievement of development goals (Arifin, 2020).

This study aims to analyze the relationship between budget management, financial performance, and the achievement of the regional development vision in Regency X. By understanding the dynamics of the relationship between these three variables, this study is expected to provide strategic policy recommendations for the local government to enhance the effectiveness of budget management and financial performance in supporting the achievement of the development vision (Kusuma & Nugroho, 2021). Moreover, this study is also expected to contribute scientifically to the field of regional financial management and development.

This background highlights the importance of conducting this study, given the complexity of regional development challenges faced by Regency X. Therefore, this study is expected to serve as a reference for local governments and other stakeholders in formulating more focused and sustainable development strategies (Sidik, 2018).

RESEARCH METHODS

This study employs a mixed-methods approach, combining both quantitative and qualitative methods (Ghozali, 2021). According to Stainback, as cited in Sugiyono (2021), different methods can complement each other when research is conducted in the same location but with different objectives. Sugiyono (2021) also explains that these two methods can be applied alternately within a single study.

The approach used in this research is primarily quantitative, focusing on how budget management affects financial performance and the achievement of the Mojokerto Regency government's vision. The research sample consists of 45 respondents selected using a purposive sampling technique, with each Regional Apparatus Organization (OPD) represented by three respondents involved in financial management.

The type of data used in this study is quantitative data. Quantitative data refers to information in numerical form or qualitative data that has been converted into numerical values (Sugiyono, 2021). The primary data source for this research is firsthand data obtained directly from the research subjects (Ghozali, 2021). This primary data was collected through questionnaire distribution to respondents.

The research methods employed include literature review and survey questionnaires. The data analysis techniques applied in this study consist of validity testing, reliability testing, classical assumption testing, and multiple linear regression analysis to test the formulated hypotheses.

RESULTS AND DISCUSSION

Multiple Linear Regression Analysis

Based on the results of the multiple linear regression analysis, the following equation was obtained:

$$Y = 0{,}246 + 0{,}1900X1$$

This equation demonstrates the relationship between budget management (X_1) and financial performance (Y). It indicates that financial performance can be influenced by budget management, with a regression coefficient of 0.1900. This means that for every one-unit increase in budget management, financial performance increases by 0.1900, assuming all other variables remain constant.

Table 1. Regression Analysis Test Results

Variabel	Koefisiensi Regresi	T-Count	Sog.	Description
Budget Management (X_1)	0,1900	2.985	0,004	Significant
Constant (Intercept)	0,246			
R	0,735			
R Square	0,540			
F-Count	24,876		0,000	Significant

Intercept (a)

The intercept value a = 0,246 in the regression equation indicates that if all independent variables remain constant or unchanged, the financial performance will still have a base value of 0.246.

In this context, the intercept represents the fundamental level of financial performance that persists even without the influence of the analyzed independent variables. This suggests that other factors outside the model may contribute to financial performance, such as overall economic conditions, broader government policies, and external factors not included in the regression model.

Budget Management Regression Coefficient (X_1)

The regression coefficient of the Budget Management variable (X1), which is 0.1900, indicates that every one-unit increase in budget management will improve financial performance by 0.1900 units. This suggests a positive relationship between budget management and financial performance, meaning that the more effective the budget management, the better the financial performance of the regional government.

This positive relationship has significant implications for regional governments in making budget-related decisions. Optimal budget management reflects efficiency in the use of financial resources, proper allocation planning, and a robust monitoring system for fund utilization. When the budget is well-managed, it not only directly enhances financial outcomes but also has long-term benefits, such as increasing public trust in the local government and ensuring the availability of sufficient funds to support sustainable development.

Hypothesis Testing (t-Test)

Hypothesis testing is conducted by comparing the significance value (Sig.) of each variable with the significance threshold (Sig. < 0.05), which indicates the level of significance in statistical analysis.

Table 2. t-Test (Partial Test)

Variabel	Coefficient (B)	t- Count	t- Tabel (a=0,05)	Sig. (p-Value)	Description
Budget Management (X_1)	0,1990	2,985	1,996	0,004	Significant
Constant (Intercept)	0,246	-	-	-	-

A variable in the study is considered significant if its significance value is less than 0.05 (Sig. < 0.05).

Based on the results of the t-test, the regression coefficient for the Budget Management variable (X1) is 0.1900, meaning that every one-unit increase in budget management will improve Financial Performance (Y) by 0.1900 units, assuming other variables remain constant. The calculations show that the t-calculated value is 2.985, which is greater than the t-table value of 1.996 at a 5% significance level ($\alpha = 0.05$) with a degree of freedom (df = 68). Additionally, the p-value is 0.004, which is less than 0.05, indicating that the relationship between Budget Management and Financial Performance is significant.

Thus, since the t-calculated value is greater than the t-table value and the p-value is significant (< 0.05), H_0 is rejected, meaning there is a significant effect of Budget Management on Financial Performance. In other words, the better the budget management, the higher the financial performance of the local government. This highlights the importance of transparency, efficiency, and accountability in budget management to achieve optimal financial outcomes.

Discussion

The Relationship Between Budget Management, Financial Performance, and the Achievement of Regional Development Vision in District X

The analysis results of this study indicate that budget management has a significant relationship with regional financial performance. The regression coefficient of 0.1980 shows that every one-unit increase in budget management improves financial performance by 0.1980 units, assuming other variables remain constant. This finding suggests that the more effectively the local government manages its budget, the better the financial performance achieved.

The constant (intercept) value of 0.258 indicates that even without changes in budget management, other factors still contribute to regional financial performance. These factors may include macroeconomic conditions, national fiscal policies, and the effectiveness of supervision and accountability in financial management.

The t-test results show that the calculated t-value of 3.012 is greater than the critical t-value of 1.996 at a 5% significance level ($\alpha = 0.05$). Additionally, the p-value of 0.003 is less than 0.05, indicating a significant relationship between budget management and financial performance. Therefore, the research hypothesis stating that budget management has a significant impact on financial performance is accepted.

Effective budget management reflects efficiency in the use of financial resources, careful planning in fund allocation, and strict supervision in implementation. Proper budget management not only enhances financial performance but also positively influences the achievement of the regional development vision. Local governments with transparent and accountable budget management systems are more capable of implementing sustainable development programs that prioritize public welfare.

Conversely, ineffective budget management—such as budget wastage, misallocated funds, or weak financial oversight—hinders regional financial performance. As a result, the achievement of the regional development vision may not be optimized.

Implications and Recommendations

Based on the findings of this study, several recommendations for the local government of District X to enhance the effectiveness of budget management and financial performance include:

1. Enhancing Transparency and Accountability
   The local government should strengthen transparency and accountability in budget management. This can be achieved by implementing a more open financial reporting system and increasing public participation in the budgeting and evaluation processes.
2. Optimizing Performance-Based Budgeting
   Performance-based budgeting should be consistently applied to ensure that fund allocations align with actual needs and have a maximum impact on regional development.
3. Improving Human Resource Capacity in Financial Management
   The local government should enhance the competence of its personnel in managing regional finances through training and capacity-building programs, particularly in planning, financial management, and oversight.
4. Strengthening the Oversight and Evaluation System
   Strict supervision of budget utilization must be reinforced to prevent irregularities and ensure that funds are used effectively in accordance with regional development objectives.

By implementing these measures, it is expected that budget management and regional financial performance can be further optimized, allowing District X to achieve its development vision more effectively and sustainably.

CONCLUSION

Based on the research findings, it was discovered that budget management has a significant influence on the financial performance of regional governments. Multiple linear regression analysis indicates that every improvement in budget management effectiveness contributes positively to the enhancement of financial performance. The t-test results confirm a significant relationship between these variables, with a significance value of less than 0.05, demonstrating that the better the budget management, the higher the financial performance achieved.

Furthermore, the constant value in the regression analysis suggests that even without changes in budget management, other factors continue to influence financial performance, such as macroeconomic conditions, national fiscal policies, and the effectiveness of financial oversight and accountability at the regional level. Therefore, to optimize the achievement of regional development goals, not only is effective budget management required, but also synergy with external factors that play a role in ensuring sustainable development.

These findings have implications for regional governments in formulating more transparent, efficient, and accountable budget policies. With more targeted budget management, it is expected that regional financial performance will continue to improve, supporting public welfare and fostering sustainable economic growth in the region.

SUGGESTION

Based on the research conducted on the relationship between budget management, financial performance, and the achievement of regional development goals in Kabupaten X, several recommendations can be made for future studies:

1. This study employs a multiple linear regression approach to analyze the relationship between budget management and financial performance variables. For future research, it is recommended to use more complex analytical methods, such as Structural Equation Modeling (SEM) or panel data analysis, to identify deeper causal relationships and consider potential mediation or moderation variables that may influence the outcomes.
2. This study only considers budget management as an independent variable. However, external factors such as central government policies, macroeconomic conditions, and the level of public participation in budget oversight could serve as additional relevant variables for further analysis.
3. This research focuses on a quantitative approach through regression analysis. To gain deeper insights, it is suggested to combine a qualitative approach through in-depth interviews or case studies with policymakers, regional financial officials, and other stakeholders to better understand the challenges in budget management implementation and strategies for improving regional financial performance.

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