International Journal of Business and Quality Research

https://e-journal.citakonsultindo.or.id/index.php/IJBQR
E-ISSN: 2985-9468

Effectiveness of Budget Absorption from a Public Financial Management Perspective at the Tourism Office of North Bolaang Mongondow Regency

Elfira Madamba[1], Arifin[2], Wiwin L. Husin[3], Darnawati[4]

[1]Master of Management Program, Graduate Program Universitas Ichsan Gorontalo, Indonesia

[2,3,4]Universitas Ichsan Gorontalo, Indonesia

*Corresponding author: arifin.unisan@gmail.com

Abstract

This study examines the effectiveness of budget absorption at the Tourism Office of North Bolaang Mongondow Regency from a Public Financial Management (PFM) perspective. It focuses on four interconnected financial management cycles: planning, implementation, reporting, and accountability. A descriptive qualitative approach was employed. Data were collected through observation, in-depth interviews with six purposively selected informants consisting of five internal agency personnel and one regional inspectorate auditor, and documentation of planning, budget execution, financial reporting, and audit follow-up for 2022–2024. Data were analyzed through the interactive model of Miles and Huberman and validated using source, technique, and theoretical triangulation. The findings show that budget absorption has not been fully effective. Financial planning complies procedurally with regional planning documents, but budget credibility remains weak, as absorption reached only 80–85%, program achievement lagged 13–14 percentage points behind absorption, and four programs were not implemented each year. Budget execution is constrained by internal delays, incomplete administrative documents, weak monitoring, procurement issues, and SIPD limitations, while year-end budget balances remained above IDR 800 million annually. Financial reporting improved, with publication time reduced from six months to three months, although disclosure quality and public feedback remain limited. Accountability improved in audit recommendation follow-up from 60% to 80%, but the absence of a formal follow-up SOP and weak outcome accountability remain challenges. The study proposes an integrated, context-specific PFM improvement model based on outcome-oriented indicators, early-year administrative readiness, periodic monitoring, informative reporting, and institutionalized audit follow-up procedures.

Copyright to the author of some rights reserved This work is licensed under aCreative Commons Attribution-ShareAlike 4.0 International License.

International Journal of Business and Quality Research
https://e-journal.citakonsultindo.or.id/index.php/IJBQR
E-ISSN: 2985-9468

Keywords: Public Financial Management; Budget Absorption; Budget Effectiveness; Local Government; Tourism Office

INTRODUCTION

Public financial management (PFM) is a central instrument for ensuring that public resources are planned, allocated, spent, reported, and accounted for in a manner that is transparent, efficient, effective, and accountable. The reform of public financial management in Indonesia, particularly following Law Number 17 of 2003 on State Finance and Law Number 1 of 2004 on State Treasury, has shifted public budgeting from administrative compliance toward performance and public accountability (Priharjanto & Hadiwibowo, 2021). The value-for-money perspective further emphasizes economy, efficiency, and effectiveness in the use of public funds (Mardiasmo, 2023).

The tourism sector is a strategic area for local economic development because it can generate local revenue, stimulate business activity, and create employment. North Bolaang Mongondow Regency has 41 tourism destinations distributed across six sub-districts, most of which are natural attractions. However, the potential of these destinations has not been fully translated into local revenue. Tourist visits increased only from 62,988 in 2022 to 66,263 in 2024, while tourism's contribution to regional own-source revenue (PAD) remained around 1.1%. The Regional Development Plan for 2024–2026 also indicated that tourism events had not significantly increased visitor numbers.

Budget data for 2022–2024 reveal a persistent gap between allocation and implementation. The Tourism Office's budget increased from IDR 4.85 billion in 2022 to IDR 5.60 billion in 2024, while realization rose from 80.00% to 85.00%. Nevertheless, year-end balances (SILPA) remained above IDR 800 million annually, and four programs were not implemented each year. Program output achievement was also lower than budget absorption. These conditions indicate that a relatively high absorption rate does not necessarily demonstrate that planned programs have been completed or that intended outcomes have been achieved.

Prior studies cited in the thesis identify planning quality, budget revisions, procurement delays, human resource capacity, financial reporting, and internal control as important elements of local public financial management. Research by Eprianto and Pramukty (2025) and Ternalemta et al. (2021), for example, highlights administrative and personnel constraints in local financial management. Studies on performance information and public-sector accountability also suggest that formal compliance may not automatically

Copyright to the author of some rights reserved This work is licensed under aCreative Commons Attribution-ShareAlike 4.0 International License.

International Journal of Business and Quality Research
https://e-journal.citakonsultindo.or.id/index.php/IJBQR
E-ISSN: 2985-9468

translate into the use of financial information for managerial improvement. Yet empirical analysis of the complete PFM cycle in a non-physical service sector such as tourism at the regency-level remains limited.

This study addresses that contextual gap by examining the four interconnected PFM cycles at the Tourism Office of North Bolaang Mongondow Regency. Its analytical contribution lies in explaining the distance between formal compliance and functional performance in a tourism agency, where program outcomes are not limited to physical outputs but include visitor growth, length of stay, local economic activity, and contribution to PAD. The study aims to describe and analyze the effectiveness of financial planning, implementation, reporting, and accountability, and to formulate a context-specific PFM improvement model.

THEORETICAL REVIEW

Public Financial Management

Public Financial Management refers to the systems, rules, processes, and institutional practices through which public resources are mobilized, allocated, spent, recorded, reported, and audited. In this study, PFM is examined as an integrated cycle comprising financial planning, budget implementation, financial reporting, and accountability. The analysis is informed by the Public Expenditure and Financial Accountability (PEFA) framework, whose performance dimensions provide a reference for assessing budget credibility, financial management, reporting, and external scrutiny (PEFA Secretariat, 2016). PEFA indicators are used here analogically as an analytical reference at the organizational-unit level, not as an official PEFA assessment.

Institutional Theory, Agency Theory, and Stewardship Theory

Institutional Theory explains how organizations respond to formal rules, norms, and external pressures. DiMaggio and Powell (1983) describe institutional isomorphism, while Meyer and Rowan (1977) explain how formal structures may become decoupled from actual organizational activities. This perspective helps interpret the difference between formal compliance with budgeting procedures and the actual capacity to achieve program outcomes. Pritchett et al. (2013) describe a related condition as isomorphic mimicry, in which organizations adopt the appearance of effective institutions without developing the capabilities required to perform effectively.

Agency Theory emphasizes the relationship between principals and agents, including information asymmetry and the need for monitoring and control (Jensen & Meckling, 1976). In local financial management, monitoring of schedules, procurement, expenditure

Copyright to the author of some rights reserved This work is licensed under aCreative Commons Attribution-ShareAlike 4.0 International License.

International Journal of Business and Quality Research
https://e-journal.citakonsultindo.or.id/index.php/IJBQR
E-ISSN: 2985-9468

classification, and reporting can reduce information gaps and improve compliance. Stewardship Theory, in contrast, highlights the potential of organizational actors to act in the collective interest through trust, commitment, participation, and shared goals (Davis et al., 1997). Together, these perspectives provide complementary explanations of formal compliance, control mechanisms, and internal organizational improvement.

Analytical framework

The study treats the four PFM cycles as mutually dependent. Planning establishes credible priorities and measurable outcomes; implementation translates allocations into activities and outputs; reporting communicates financial and performance information; and accountability evaluates compliance as well as results. Weaknesses in one cycle can affect the next. Accordingly, effectiveness is assessed not solely through the percentage of budget absorption, but also through program completion, timeliness, reporting quality, audit follow-up, and the relationship between expenditure and tourism outcomes.

METHOD

Research design and setting

This research used a descriptive qualitative approach to understand the processes and practices of PFM in their organizational context. The study was conducted at the Tourism Office of North Bolaang Mongondow Regency, North Sulawesi, Indonesia. The unit of analysis was the agency's financial management process during fiscal years 2022–2024.

Informants and data collection

Informants were selected purposively based on their direct involvement in the PFM cycle. The study involved six informants: five personnel from the Tourism Office and one auditor from the Regional Inspectorate. Primary data were obtained through in-depth semi-structured interviews and observation. Secondary data included the agency's work plans (Renja), regional government work plans (RKPD), budget implementation documents (DPA), budget realization reports (LRA), notes to financial statements (CaLK), audit reports, activity evaluation reports, visitor data, and relevant regulations.

Data analysis and credibility

Data analysis followed the interactive model of Miles and Huberman, comprising data collection, data reduction, data display, and conclusion drawing and verification (Miles & Huberman, 2014). Interview findings were compared with observations and documentary evidence. Credibility was strengthened through source triangulation, technique

Copyright to the author of some rights reserved This work is licensed under aCreative Commons Attribution-ShareAlike 4.0 International License.

International Journal of Business and Quality Research
https://e-journal.citakonsultindo.or.id/index.php/IJBQR
E-ISSN: 2985-9468

triangulation, and theoretical triangulation. The PEFA framework and Institutional, Agency, and Stewardship theories were used as analytical references. Because PEFA is designed for broader government-level assessment, its indicators are applied in this study as a relative analytical lens at the agency level.

RESULTS

Financial planning

The Renja of the Tourism Office was prepared with reference to the RKPD, the agency's strategic plan, and the available budget ceiling. Nevertheless, formal alignment did not ensure budget credibility. Budget realization increased from 80.00% in 2022 to 82.50% in 2023 and 85.00% in 2024, remaining below the 95–105% reference range used in the PEFA framework for aggregate expenditure outturn. Program achievement was 66.7%, 69.2%, and 71.4%, respectively, creating a gap of approximately 13–14 percentage points compared with budget absorption. Four programs were not implemented each year, and repeated budget revisions weakened planning stability.

Performance-based planning was acknowledged by informants but was not yet fully supported by reliable outcome data, particularly for non-physical tourism programs. Stakeholder participation by tourism and creative-economy actors was recognized conceptually, but the thesis found that it had not been documented as a consistent planning mechanism. Thus, planning was procedurally compliant but had not fully developed the credibility and outcome orientation required for effective PFM.

Financial implementation

The implementation cycle remained less predictable than the formal budget process suggested. SILPA exceeded IDR 800 million in each of the three years, while four programs remained unrealized annually. Interview and documentary evidence identified internal causes, including incomplete administrative submissions, delayed implementation, insufficient monitoring, and errors in expenditure classification. Procurement scheduling and repeated budget revisions also affected the pace of implementation.

The agency's use of the Regional Government Information System was constrained by network disruptions, data synchronization during budget amendments, and uneven operator understanding. The allocative structure showed improvement: the capital expenditure ratio increased from 75% in 2022 to 82% in 2024, while the operational-to-program expenditure composition shifted from 45:55 to 40:60. However, the Inspectorate identified instances of capital expenditure being classified under goods and services, which

Copyright to the author of some rights reserved This work is licensed under aCreative Commons Attribution-ShareAlike 4.0 International License.

International Journal of Business and Quality Research
https://e-journal.citakonsultindo.or.id/index.php/IJBQR
E-ISSN: 2985-9468

limits the reliability of this ratio. The improvement in allocative structure therefore did not automatically produce completed programs or stronger outcomes.

Financial reporting

Financial reporting showed the most visible progress among the four cycles. The publication period was shortened from six months to three months, and financial reports became available through the agency's official website in 2024. This development indicates improved responsiveness to transparency requirements, including those contained in Minister of Home Affairs Regulation Number 77 of 2020.

However, reporting quality remained constrained by delays in receiving supporting documents from internal divisions, changes to the budget, limited staff capacity, and errors in account classification. Notes to financial statements did not yet consistently explain the causes of SILPA and unrealized programs. Public disclosure also remained largely formal and one-way, with limited evidence of accessible presentation or feedback channels. Consequently, reporting had improved in timeliness and availability, but its role as a tool for explaining performance remained limited.

Financial accountability

The follow-up rate for recommendations from the Audit Board of Indonesia (BPK RI) increased from 60% in 2022 to 80% in 2024. The agency also developed layered supervision involving the agency secretary, the regional finance agency, and the Inspectorate, as well as joint evaluations involving current and former treasurers. These practices indicate stronger attention to compliance and internal learning.

Nevertheless, a formal standard operating procedure for audit recommendation follow-up had not been established. The process remained dependent on particular officials, making continuity vulnerable to personnel rotation and helping explain why 20% of recommendations remained unresolved. More fundamentally, accountability continued to emphasize avoiding audit findings rather than demonstrating program outcomes. In 2024, tourism visitor-target achievement was 78%, while tourism's contribution to PAD was approximately 1.1%. These figures indicate that compliance improvements had not yet been matched by strong outcome accountability.

Interdependence of the PFM cycles

The findings demonstrate that the four cycles are interdependent. Planning that is not sufficiently outcome-based and is frequently revised makes implementation difficult to predict. Delayed implementation and incomplete documents affect the timeliness and quality of reporting. Reporting that does not adequately explain performance weakens

Copyright to the author of some rights reserved This work is licensed under aCreative Commons Attribution-ShareAlike 4.0 International License.

International Journal of Business and Quality Research
https://e-journal.citakonsultindo.or.id/index.php/IJBQR
E-ISSN: 2985-9468

accountability for results. Finally, accountability focused mainly on the absence of audit findings provides limited feedback for the next planning cycle. The main constraints are therefore systemic rather than isolated to a single administrative stage.

DISCUSSION

Formal compliance and budget credibility

The planning findings illustrate a gap between procedural compliance and substantive performance. Alignment of the Renja with the RKPD and the availability of performance-based budget formats demonstrate institutional adaptation. However, the gap between absorption and program achievement, repeated revisions, and missing outcome data indicate that formal structures have not been fully translated into functional capability. This pattern is consistent with Institutional Theory and the concept of decoupling (Meyer & Rowan, 1977), as well as isomorphic mimicry (Pritchett et al., 2013). In a tourism agency, outcome-based planning requires indicators beyond the number of activities, including visits generated by promotional activities, length of stay, visitor expenditure, and contribution to PAD.

Monitoring, implementation capacity, and digital systems

The persistence of SILPA and incomplete programs indicates that budget absorption is affected by the agency's ability to manage schedules, procurement readiness, and administrative documentation. From an Agency Theory perspective, weak internal monitoring increases information asymmetry and delays the identification of implementation problems. Monitoring should therefore be conducted throughout the year rather than concentrated near year-end. SIPD constraints also show that digital transformation depends not only on system availability but on network reliability, user competence, and organizational readiness.

Reporting and accountability for outcomes

The shorter publication period and availability of reports represent meaningful progress in transparency. However, disclosure becomes substantively useful only when financial information explains variances, unrealized programs, and the relationship between spending and outcomes. Likewise, the increase in BPK recommendation follow-up demonstrates improved compliance, but the absence of a formal SOP creates institutional vulnerability. Stewardship Theory suggests that participatory evaluation and leadership commitment can support organizational learning, while Agency Theory explains the

Copyright to the author of some rights reserved This work is licensed under aCreative Commons Attribution-ShareAlike 4.0 International License.

continuing need for clear monitoring, responsibilities, and follow-up deadlines. These mechanisms should be directed toward both compliance and measurable public outcomes.

Context-specific PFM improvement model

The study's principal contribution is a context-specific improvement model that connects the four PFM cycles rather than treating them as separate administrative tasks. First, each non-physical tourism program should have measurable outcome indicators, baseline values, and annual targets. Second, procurement plans and administrative checklists should be prepared from the first quarter, supported by cumulative quarterly absorption targets and monthly physical and financial monitoring. Third, financial reports should explain budget variances and unrealized programs in accessible language and provide channels for public feedback. Fourth, audit follow-up should be institutionalized through a written SOP specifying responsible officers, deadlines, documentation, and reporting formats. These measures are intended to build functional capability, not merely add formal procedures.

CONCLUSION

Budget absorption at the Tourism Office of North Bolaang Mongondow Regency was not yet fully effective from a PFM perspective. Financial planning was aligned with formal regional documents but remained weak in budget credibility, outcome measurement, and documented stakeholder participation. Financial implementation was constrained by internal administrative delays, weak monitoring, procurement and SIPD issues, and annual SILPA above IDR 800 million. Financial reporting improved in publication timeliness and availability, although disclosure quality and public feedback remained limited. Accountability improved in the follow-up of BPK RI recommendations, but the absence of a formal SOP and the weak emphasis on program outcomes remained significant limitations. The four cycles should be strengthened as an integrated system. The agency needs outcome-based indicators for non-physical tourism programs, early-year procurement and document readiness, regular monitoring, explanatory and accessible reporting, and formalized audit follow-up. The study is limited to one agency and to verifiable secondary data for 2022–2024; PEFA indicators are used analogically rather than as an official assessment. Future research may include tourism business associations and destination communities, extend the observation period, and compare several local tourism agencies.

RECOMMENDATIONS

The Tourism Office should establish measurable outcome indicators for each non-physical program; document participatory planning with tourism and creative-economy

Copyright to the author of some rights reserved This work is licensed under aCreative Commons Attribution-ShareAlike 4.0 International License.

actors; publish procurement schedules from the first quarter; use administrative checklists for procurement and payment submissions; set quarterly absorption targets; monitor physical and financial progress monthly; improve SIPD user capacity; provide explanatory financial reports and public feedback channels; and adopt a formal SOP for BPK RI and Inspectorate recommendation follow-up. At the regency level, Bappeda and BPKAD should strengthen the alignment of agency plans with the RKPD, accelerate budget amendments, and improve SIPD network reliability. The Inspectorate should facilitate follow-up SOP development and early review of budget plans.

REFERENCES

Andrews, M., Pritchett, L., & Woolcock, M. (2013). Escaping capability traps through problem-driven iterative adaptation (PDIA).

Akbar, R., Pilcher, R., & Perrin, B. (2012). Performance measurement in Indonesia: The case of local government. [Bibliographic details should be checked against the thesis reference list].

Bastian, I. (2019). Public sector accounting: An introduction. Erlangga.

Cangiano, M., et al. (2025). [Reference on public financial management as listed in the thesis].

Davis, J. H., Schoorman, F. D., & Donaldson, L. (1997). Toward a stewardship theory of management. Academy of Management Review, 22(1), 20–47.

DiMaggio, P. J., & Powell, W. W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. American Sociological Review, 48(2), 147–160.

Eisenhardt, K. M. (1989). Agency theory: An assessment and review. Academy of Management Review, 14(1), 57–74.

Eprianto, & Pramukty. (2025). [Reference on budget absorption and procurement delays as listed in the thesis].

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. Journal of Financial Economics, 3(4), 305–360.

Copyright to the author of some rights reserved This work is licensed under aCreative Commons Attribution-ShareAlike 4.0 International License.

Mardiasmo. (2023). Public sector accounting. Andy.

Meyer, J. W., & Rowan, B. (1977). Institutionalized organizations: Formal structure as myth and ceremony. American Journal of Sociology, 83(2), 340–363.

Miles, M. B., & Huberman, A. M. (2014). Qualitative data analysis: A methods sourcebook (3rd ed.). SAGE Publications.

PEFA Secretariat. (2016). Public financial management performance measurement framework. Public Expenditure and Financial Accountability.

Priharjanto, & Hadiwibowo. (2021). Reform of state financial management and the role of PKN STAN. Jurnal Info Artha, 5(2), 108–117.

Pritchett, L., Woolcock, M., & Andrews, M. (2013). Looking like a state: Techniques of persistent failure in state capability for implementation. Journal of Development Studies, 49(1), 1–18. https://doi.org/10.1080/00220388.2012.709614

Riani, I. (2023). Analysis of public financial management in Merauke Regency. Jurnal Kajian Ekonomi dan Keuangan Daerah, 12(18), 20–54.

Santoso, Susan, et al. (2024). Budget absorption at the Regional Tourism Office of North Sulawesi Province. Journal of Innovation Research and Knowledge, 4(7), 4893–4906.

Schillemans, T. (2013). Moving beyond the clash of interests: On stewardship theory and the relationships between central government departments and public agencies. Public Management Review, 15(4), 541–562.

Sihite, M. (2024). The effectiveness of public financial management in enhancing government transparency and accountability in Medan City. Jurnal Ekonomi Revolusioner, 7(11), 169–174.

Sofiani, E., & Retnani, E. D. (2019). The influence of human resource competence and internal control systems on the quality of financial reports. Jurnal Ilmu dan Riset Akuntansi, 8(6), 1–18.

Sugiyono. (2019). Quantitative, qualitative, and R&D research methods. Alfabeta.

Copyright to the author of some rights reserved This work is licensed under aCreative Commons Attribution-ShareAlike 4.0 International License.

Suwanda, D. (2020). Risk management solutions in local government financial management. A Y E R Journal, 27(3), 34–81.

Syarif, Damayanti, & Idris. (2024). Factors influencing the effectiveness of e-Government implementation in electronic-based local financial governance using the TOE framework model. Akrual – Jurnal Bisnis dan Akuntansi Kontemporer, 17(2), 226–252.

Ternalemta, Kalangi, & Tinangon. (2021). The influence of human resource competence, the implementation of accrual-based accounting, government internal control systems, and the utilization of information technology on the quality of financial reports. Jurnal Riset Akuntansi dan Auditing GOODWILL, 12(1).

Law of the Republic of Indonesia Number 17 of 2003 concerning State Finance.

Law of the Republic of Indonesia Number 1 of 2004 concerning State Treasury.

Law of the Republic of Indonesia Number 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments.

Yoeti, O. A. (2016). Tourism planning and development. Balai Pustaka.

Copyright to the author of some rights reserved This work is licensed under aCreative Commons Attribution-ShareAlike 4.0 International License.