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EFFECTIVE BUT NOT EFFICIENT: VALUE FOR MONEY IN URBAN WARD BUDGET MANAGEMENT

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Abstract:

Urban wards (kelurahan) are required to manage their budgets economically, efficiently, and effectively, yet evidence on how well this principle is applied at the sub-district level remains limited. This study examines the implementation of the value for money (VfM) principle in the Majidi Urban Ward Revenue and Expenditure Budget (APBKel) for Fiscal Year 2025, using a qualitative single case study design. Data were collected through in-depth interviews with ten purposively selected informants, field observation, and budget document review, analyzed using the interactive model of Miles, Huberman, and Saldana (2014) combined with the 3E ratio formula. The economy and efficiency dimensions fall into the less economical (93.12%) and less efficient (89.01%) categories, driven by year-end procurement pressure on infrastructure programs, while the effectiveness dimension is highly effective (115%) and output-outcome alignment is only partially met. Overall VfM performance is Adequate (2.33 on a 4-point scale), revealing an effectiveness-without-efficiency pattern typical of partial New Public Management adoption, with the systemic weakness traced to procurement planning rather than to officials' service motivation.

Keywords: *value for money; 3E ratio analysis; APBKel; New Public Management; output-outcome alignment; Majidi urban ward; East Lombok Regency; public sector budget performance*

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INTRODUCTION

The fiscal decentralization reform that has been rolling out since the early 2000s brought significant structural consequences for Indonesia's system of governance: responsibility for managing public finances is no longer a monopoly of the central government but is distributed down to the lowest levels of government. Urban wards (kelurahan), as the sub-district apparatus dealing directly with residents' day-to-day needs, stand at the forefront of this distribution of responsibility. Since Government Regulation Number 17 of 2018 on Sub-Districts was enacted, urban wards have received a special fund allocation from the Regency/City Budget (APBD) to finance two main areas: infrastructure development and community empowerment. The presence of this fund allocation, which has continued to increase year by year as reported by the Indonesian Ministry of Finance, raises a critical question: are these resources truly managed in a way that produces the greatest benefit for residents?

This question is not merely academic rhetoric. BPS (2024) data shows that the national realization of local government spending in 2023 reached 89.3 percent of the total budget ceiling a figure that, from an administrative accountability standpoint, appears encouraging. However, a high absorption rate does not automatically reflect the quality of management. Various studies show a gap between what is spent and the benefits actually felt by the community. This phenomenon drives the urgent need for a more substantive evaluation framework, one of which is value for money (VfM) an approach that assesses not only how much of the budget is absorbed, but how optimally resources are used to produce real change in public life.

In the public sector accounting literature, VfM rests on three interrelated dimensions: economy (acquiring quality inputs at the lowest possible cost), efficiency (converting inputs into outputs optimally), and effectiveness (ensuring that outputs achieve the stated objectives). Mardiasmo (2018) asserts that these three dimensions cannot be evaluated partially assessing only one or two dimensions will produce a misleading conclusion (Mardiasmo, 2018). International institutions such as OECD (2022) and the World Bank (2023) have

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adopted this 3E framework as a widely recognized standard for evaluating public budget performance, including within the PEFA (Public Expenditure and Financial Accountability) assessment protocol used to assess the quality of public financial management in developing countries (OECD, 2022; World Bank, 2023).

Majidi Urban Ward, located in Selong District, East Lombok Regency, West Nusa Tenggara Province, was selected as the locus of this study for several substantive considerations. First, East Lombok Regency recorded a poverty rate of 14.2 percent, above the national average, so the quality of urban ward budget management has direct and measurable social implications (Badan Pusat Statistik, 2024). Every rupiah not optimally managed at the urban ward level has the potential to erode the local government's capacity to meet the basic needs of its most vulnerable residents. Second, East Lombok is a region still in the process of recovering from the 2018 earthquake disaster and the impact of the COVID-19 pandemic, making budget allocation efficiency increasingly critical. Third, although VfM research at the regency/city level is fairly abundant, studies specifically targeting the urban ward level particularly in Eastern Indonesia remain very limited.

Putri et al. (2022), writing in the Jurnal Tata Kelola dan Akuntabilitas Keuangan Negara, concluded that VfM implementation in urban wards in Eastern Indonesia has not yet reached an adequate standard, particularly in the effectiveness dimension of social programs (Putri dkk., 2022). In a similar vein, Wulandari and Inapty (2020) found that the economy level of local government spending in West Nusa Tenggara Province falls into the adequate category, with considerable room for improvement on the efficiency side (Wulandari & Inapty, 2020). Together, these two findings form the research gap this study seeks to fill namely, an in-depth, contextual study of how the VfM principle is applied in APBKel management in one representative urban ward.

Based on this background, this study aims to: (1) analyze the degree of economy in resource acquisition within the 2025 Majidi

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APBKel; (2) assess the degree of efficiency in budget use per program; (3) measure the degree of effectiveness in achieving output targets; (4) evaluate the alignment between the outputs produced and the expected outcomes; and (5) formulate contextual recommendations that stakeholders can implement directly. The remainder of this article presents the theoretical foundation, the qualitative case-study method, the VfM findings across the three ratio dimensions and output-outcome alignment, and the conclusions and recommendations that follow from them.

Value for money rests on the premise that public resources entrusted to government must be used in such a way as to deliver the greatest possible benefit to the community. Bastian (2021) positions VfM at the core of the modern public sector accounting paradigm, which has shifted from merely recording financial transactions toward evaluating the fiscal impact on public welfare (Bastian, 2021). This shift is in line with the wave of state financial management reform that has swept through Indonesia since 2003, which has gradually shifted budgeting orientation from input-based to output/outcome-based.

Mahsun (2019) operationalizes VfM through three ratio formulas that can be applied directly to budget and realization data. The economy ratio is calculated by comparing actual spending against the budget ceiling the lower it is (below 100%), the more economical the input management. The efficiency ratio compares the actual cost incurred per unit of output against the planned standard cost. The effectiveness ratio measures the comparison between the output actually achieved and the target set at the outset the higher it is above 100%, the more it exceeds expectations (Mahsun, 2019). These three ratios do not stand alone: effectiveness without efficiency means the goal is achieved but with waste; efficiency without effectiveness means costs are saved but the target is missed.

Nordiawan and Hertianti (2019) add that meaningful VfM implementation requires three institutional prerequisites: a performance indicator system established from the outset of planning, a periodic monitoring mechanism that allows early detection of deviations, and an evaluation process that produces concrete

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recommendations for improving the next budget cycle (Nordiawan & Hertianti, 2019). Without these three prerequisites, VfM ratio figures become no more than a numerical report with no consequence for improvement a condition that in fact weakens the very function of public accountability they are meant to serve. This study grounds its argument in four complementary theories. First, agency theory (Jensen & Meckling, 1976) describes the relationship between the community as the principal, who delegates resource management to urban ward officials as the agent. In this relationship, information asymmetry between the two parties creates room for the agent to behave in ways not always oriented toward the principal's best interests. Weak procurement oversight mechanisms and delayed realization reporting are concrete examples of how this information asymmetry results in inefficiency that does not benefit the community. Pratolo et al. (2020) demonstrate that a strict performance-based accountability system can reduce this problem and significantly improve the efficiency of local government spending (Pratolo dkk., 2020).

Second, stewardship theory (Davis dkk., 1997) offers a more optimistic perspective: officials who genuinely internalize values of public service will optimize resources not because of external oversight pressure, but because of an intrinsic drive to provide the best possible service. This theory is useful for explaining why certain programs show far better VfM performance than others within the same urban ward entity namely, because of differences in the service orientation of their managers.

Third, Hood's (1991) New Public Management theory, as cited in (Mahmudi, 2019), encourages the adoption of results-oriented management principles within government bureaucracy. In the urban ward context, NPM is manifested through the setting of performance targets, periodic realization reporting, and program impact evaluation. Research shows that NPM adoption at the Indonesian urban ward level is partial the output-target-achievement dimension is adopted faster than the cost-efficiency dimension, which requires higher technical capacity (Rofikoh & Suryono, 2022). Fourth, public accountability theory (Bovens, 2007; Mardiasmo, 2018) asserts that

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governmental accountability cannot stop at clean financial reports it must extend to demonstrating that funded programs genuinely improve people's living conditions for the better.

A number of prior studies form the relevant empirical foundation. Wulandari and Inapty (2020) found that the VfM performance of local governments in West Nusa Tenggara Province falls into the adequate category economically but requires serious improvement on the efficiency and effectiveness side a regional picture that underlies the context of this study (Wulandari & Inapty, 2020). Putri et al. (2022) show that urban wards in Eastern Indonesia face structural weaknesses in the effectiveness dimension, mainly due to the absence of measurable outcome indicators in planning documents (Putri dkk., 2022). Hamidah and Fathurrahman (2021) reveal a consistent pattern that community empowerment programs are inherently more efficient than physical infrastructure programs, owing to greater flexibility in utilizing local resources (Hamidah & Fathurrahman, 2021). Rofikoh and Suryono (2022) demonstrate that urban wards that have adopted performance-based management record an average VfM score 23 percent higher than those that have not (Rofikoh & Suryono, 2022). Yudianto and Sugiarti (2021) add quantitative evidence that performance accountability has a significant effect on public satisfaction ($R^2 = 0.58$), confirming that investment in budget management quality correlates meaningfully with public perceptions of government performance (Yudianto & Sugiarti, 2021).

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METHOD

The approach used is qualitative, with a single case study design (Yin, 2018). This choice is grounded in the consideration that the phenomenon of urban ward budget management is laden with social, institutional, and contextual dimensions that cannot be reduced to statistics alone. The interpretivist paradigm underlying this approach allows the researcher to understand why and how the VfM principle is applied not merely how large the resulting ratios are (Creswell & Creswell, 2018). Majidi Urban Ward was selected because it meets the case study criteria put forward by Yin (2018): it is simultaneously typical (reflecting the general condition of urban wards in West Nusa Tenggara) and unique (a post-disaster context with a poverty rate above the national average) (Yin, 2018).

Informants were determined through a combination of purposive sampling and limited snowball sampling. The ten selected informants covered three categories: (1) key informants the Lurah/Ward Head (LM-1), Ward Secretary (LM-2), Treasurer (LM-3), and Head of the Community Empowerment Section (LM-4); (2) supporting informants a Selong District official (PS-1) and an auditor from the East Lombok Regency Inspectorate (PS-2); and (3) community informants the Chair of the LPM (MS-1), the Chair of Neighborhood Unit (RT) 05 (MS-2), a community figure (MS-3), and a program beneficiary (MS-4). The addition of informants was stopped once data saturation was reached, i.e., when new informants no longer contributed perspectives substantially different from those already gathered (Miles dkk., 2014).

Data collection used three synergistic techniques: semi-structured interviews that were recorded and transcribed verbatim; non-participant observation of the physical condition of program outputs and the urban ward's operational mechanisms; and document review covering the 2025 APBKel and its amendments, the quarterly Budget Realization Report (LRA), the Urban Ward Work Plan (RKKel), accountability reports, procurement documents for goods and services, and Inspectorate audit reports.

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Data analysis followed the interactive model of Miles, Huberman, and Saldaña (2014), which consists of three circular components: data condensation (thematic coding and categorization), data display (matrices, narratives, diagrams), and iterative conclusion drawing and verification (Miles dkk., 2014). *As a complement, the 3E ratios were calculated using Mahsun's (2019) formula Economy Ratio = (Actual Expenditure / Budget) × 100%; Efficiency Ratio = (Actual Output Cost / Actual Output) × 100%; Effectiveness Ratio = (Actual Output / Target Output) × 100% to provide a numerical basis that strengthens the qualitative interpretation. Data validity was ensured through source and technique triangulation, member checking, peer debriefing, and complete audit trail documentation* (Lincoln & Guba, 1985).

RESULTS and DISCUSSION

Across the four VfM dimensions, the 2025 Majidi APBKel shows a lopsided profile: strong on effectiveness (115%) and weaker on economy (93.12%) and efficiency (89.01%), with output-outcome alignment only partially met. This pattern departs from Wulandari and Inapty's (2020) finding that West Nusa Tenggara local governments are adequately economical but weak on efficiency and effectiveness — Majidi's economy result is worse, while its effectiveness result is markedly better. It also contrasts with Putri et al.'s (2022) finding of structural effectiveness weakness in Eastern Indonesian urban wards, suggesting that the effectiveness gains at Majidi have outpaced the efficiency and economy improvements typically reported elsewhere in the region. The subsections below examine each dimension in turn and then draw out what this pattern means for VfM theory and practice.

1.1. Profile of the 2025 Majidi APBKel

The 2025 Majidi APBKel was set at IDR 200,000,000, fully sourced from the General Allocation Fund (DAU) urban ward transfer. This budget is divided into two sectors: Infrastructure Development at IDR 82,700,000 (41%) and Community Empowerment at IDR 117,300,000 (59%). Total realization reached IDR 199,750,000, equivalent to 99.52 percent of the budget ceiling. This absorption rate exceeds the national average for urban ward spending realization as recorded by BPS (2024); however, as will be shown, a high realization rate does not necessarily correspond to management quality across all

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VfM dimensions (Badan Pusat Statistik, 2024). Majidi Urban Ward has a population of 8,742 within an area of 1.32 km², with 15 officials managing all programs.

Program/Activity	Budget (IDR)	Realization (IDR)	%	Sector
Neighborhood Road Construction	20.000.000	20.000.000	100%	Infrastructure
Drainage & Water Channel Construction	10.000.000	9.750.000	97.50%	Infrastructure
Multipurpose Building Rehabilitation	45.000.000	45.000.000	100%	Infrastructure
Procurement of Sanitation Facilities	7.700.000	7.000.000	90.91%	Infrastructure
Skills & Entrepreneurship Training	5.000.000	5.000.000	100%	Empowerment
Posyandu (Maternal-Child Health) Program	72.800.000	72.800.000	100%	Empowerment
Social Assistance & Elderly Empowerment	12.000.000	12.000.000	100%	Empowerment
Literacy & Education Program	27.500.000	27.500.000	100%	Empowerment
TOTAL	200.000.000	199.750.000	113%	

Table 1. Summary of the 2025 Majidi APBKel

1.2. Economy Dimension: Cost-Effectiveness in Resource Acquisition

The aggregate economy ratio of the Majidi APBKel, at 113 percent, places overall management in the less economical category (Mahsun, 2019). Two of the eight programs Drainage and Water Channel Construction (97.50%) and Procurement of Sanitation Facilities (90.91%) managed to reach the adequately economical category. In contrast, the remaining six infrastructure programs fell into the less economical zone.

The main cause of low economy in infrastructure programs is the concentration of procurement in the final quarter of the fiscal year.

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When supplier choices narrow under deadline pressure, room for price negotiation narrows as well. The Ward Treasurer (LM-3) confirmed this condition: the procurement process for sanitation facilities took place just before the books closed, when local distributors' stock was running low, causing the agreed price to exceed the initial estimate. The World Bank (2023) identifies the pattern of year-end procurement buildup as one of the most common indicators of weak budget-cycle management found in developing local governments (World Bank, 2023).

In contrast, the three community empowerment programs showed relatively better cost-effectiveness. This is largely due to officials' ability to leverage local resources training instructors from the local community, the urban ward's own multipurpose building used as a venue at no rental cost, and a network of partnerships with local business groups. This behavior of optimizing available resources reflects the stewardship values theorized by Davis et al. (1997): officials driven by a genuine commitment to service tend to find creative ways to multiply the benefit of every rupiah allocated (Davis dkk., 1997).

1.3. Efficiency Dimension: Input–Output Relationship

The weighted efficiency ratio of 89.01 percent places the Majidi APBKel in the less efficient category in aggregate. A consistent pattern emerges: community empowerment programs outperform infrastructure programs a finding that aligns with Hamidah and Fathurrahman (2021), who demonstrate the structural advantage of empowerment programs in terms of cost efficiency per unit of output in Indonesian urban wards (Hamidah & Fathurrahman, 2021).

The Skills & Entrepreneurship Training program was the only one to achieve the efficient category (75%). The key to its success was a resource-use strategy that went beyond the usual administrative constraints: rather than relying on costly external consultants, the program managers identified experienced local instructors, used urban ward facilities at no rental cost, and succeeded in attracting 50 participants, exceeding the target of 60 people. Every additional

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participant served within the same budget automatically reduced the cost per unit.

Effectiveness Dimension: Achievement of Output Targets

Program	Target Output	Realization	Indicator	Ratio	Category
Neighborhood Roads	25 x 1.5 x 7 m	25 x 1.5 x 7 m	Road Length	100.00%	Effective
Drainage & Water	50 Meters	50 Meters	Drainage Length	100.00%	Effective
Building Rehabilitation	2 Units	2 Units	Units Completed	100.00%	Effective
Sanitation Facilities	5 Units	5 Units	Units Distributed	100.00%	Effective
Entrepreneurship Training	50 People	60 People	Certified Participants	120.00%	Highly Effective
Posyandu (Maternal-Child Health)	12 Months (2 Sessions)	12 Months (2 Sessions)	Active Sessions	100.00%	Effective
Elderly Social Assistance	12 Months	12 Months	Elderly Served	100.00%	Effective
Literacy Program	732 Residents	878 Residents	Residents Participating	119.95%	Highly Effective
WEIGHTED AVERAGE	—	—	—	**115%**	**Highly Effective**

Table 2. Results of the 2025 Majidi APBKel Effectiveness Ratio Calculation

With an average ratio of 115 percent, the Majidi APBKel earned a highly effective rating on the output-achievement dimension. Eight programs exceeded their planned targets. Two empowerment programs stood out: Entrepreneurship Training (120%) and Literacy (119.95%). Exceeding the target on these two programs is not the result of overly conservative planning, but rather a reflection of community

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demand surpassing the estimated capacity a positive signal of the programs' relevance, while also a warning that the needs-assessment process in drafting the RKKel needs to be tightened so that allocations are more proportional.

This finding contains a theoretically interesting paradox: the Majidi APBKel excels on the output-achieving dimension but is weak on the cost-optimizing dimension. From an NPM perspective (Mahmudi, 2019), this condition is characteristic of partial NPM adoption results-based orientation has begun to take root, but the cost-efficiency discipline that is NPM's other demand has not yet been fully internalized. This phase, according to Rofikoh and Suryono (2022), is a common transitional stage for urban wards in the process of moving toward more mature public management (Rofikoh & Suryono, 2022).

1.4. Output-Outcome Alignment: Do the Achievements Make an Impact?

Analysis at the level of output-outcome alignment is the most nuanced dimension and, theoretically, the most meaningful one in this study, because it connects what was done with what actually changed in people's lives. Triangulation of in-depth interviews, physical observation, and secondary data produced a varied map of alignment across the existing programs.

The Maternal and Child Health Posyandu program is the best example of a well-documented causal link. The consistent implementation of 24 posyandu sessions covering nutrition monitoring, immunization, and maternal health education resulted in a decline in stunting prevalence from 18.4 percent (2024) to 13.2 percent (2025), a drop of 5.2 percentage points within a single fiscal year. Immunization coverage reached 96.5 percent, above the community immunity threshold. This is rare and valuable evidence: a clear output, a measurable outcome, and a traceable causal chain. The Multipurpose Building Rehabilitation program also shows high alignment the completed building is actively used more than 12 times per month for various community activities, confirming that the physical investment has not gone to waste.

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In contrast, the neighborhood road and drainage infrastructure programs face what the evaluation literature calls a partial output effect (Wirawan, 2020): output that does not reach the critical connectivity threshold fails to produce proportional benefits. The Chair of RT 05 (MS-2) described this condition plainly: the road built was of good quality, but because it was not yet connected all the way to the edge of the settlement, residents in the innermost areas still faced access barriers identical to those before the program was implemented. One unconnected stretch negates the benefit of the stretches that have been completed.

The systemic weakness most urgently requiring attention is the absence of outcome indicators explicitly set out in the RKKel for seven of the eight programs. The Posyandu program is the sole exception and it is no coincidence that it is also the only program able to demonstrate a measurable output-outcome link. The absence of impact indicators in planning is not merely an administrative issue; it reflects the as-yet-immature culture of results-based evaluation at the urban ward level, which Fajri (2020) identifies as a major obstacle to implementing performance-based budgeting (Fajri, 2020).

1.5. Summary of the VfM Assessment and Theoretical Discussion

VfM Dimension	Aggregate Ratio	Category	Score	Key Finding
Economy	93.12%	Less Economical	2	The buildup of infrastructure spending in Q4 reduced price-negotiating leverage.
Efficiency	89.01%	Less Efficient	2	Unit costs for infrastructure ballooned; empowerment programs were far more efficient.
Effectiveness	115%	Highly Effective	4	Most physical and non-physical outputs

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				exceeded their volume targets.
Output-Outcome	Partial	Adequately Met	2	The Posyandu program's impact is highly measurable, but infrastructure was hampered by connectivity issues.
OVERALL	Adequate	Adequate	2.33	*Effectiveness without efficiency (high output, not yet cost-optimal).*

Table 3. Value for Money Performance Assessment Matrix of the 2025 Majidi APBKel

The overall adequate rating (2.33 points) reveals a performance profile best described as effectiveness without efficiency officials succeeded in meeting output targets but have not yet optimized the acquisition and use of resources. From an agency theory perspective, this profile naturally forms when the pressure felt by the agent (officials) consists more of demands for measurable output realization ("the program must run, the quota of participants must be met") than demands for cost efficiency ("procurement must be competitive"). The existing incentive and oversight mechanisms are not yet strong enough to drive the second dimension.

On the other hand, the strong effectiveness performance is consistent with the operation of stewardship values at the program level particularly in the empowerment programs managed by officials with a high service orientation. Taken together, these findings from both theories support the argument that agency theory and stewardship theory are not dichotomous; both can operate simultaneously within a single entity, with differing intensity depending on each program's characteristics and institutional context.

CONCLUSION

This study produces five main conclusions. First, the effectiveness dimension of the 2025 Majidi APBKel falls into the Highly Effective category (115%), driven by five of the eight programs exceeding their output targets, reflecting a strong service orientation

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among officials. Second, the efficiency dimension falls into the Less Efficient category (89.01%); only the Entrepreneurship Training Program is efficient (75%) thanks to the optimization of local resources, while infrastructure programs are generally inefficient due to year-end procurement pressure. Third, the economy dimension falls into the less economical category (93.12%), with a budget remainder of only 4.47 percent, indicating a limited ability to negotiate prices competitively. Fourth, output-outcome alignment is only partially met; health and social programs have a real, direct impact on reducing stunting, while road infrastructure has not yet been fully integrated to the edge of the settlement. Fifth, overall VfM performance falls into the Adequate category with a final score of 2.33 (on a 4-point scale).

Two findings stand out as unexpected. First, Majidi's effectiveness result (115%) is considerably stronger than the effectiveness weaknesses reported for other Eastern Indonesian urban wards by Putri et al. (2022), suggesting that strong service motivation among frontline officials can produce high output achievement even where institutional systems remain underdeveloped. Second, the economy result (93.12%) is worse than the adequate economy rating Wulandari and Inapty (2020) report for local governments across West Nusa Tenggara province more broadly a discrepancy explained by the quarter-end procurement bottleneck specific to Majidi's infrastructure programs rather than by any province-wide pattern. Read together, these results show that effectiveness and economy do not move in lockstep at the urban ward level, and that aggregate provincial findings can mask considerable variation between individual wards.

Implications.

Theoretically, this study confirms the validity of Mahsun's (2019) 3E framework in the urban ward context, while also extending that framework by adding output-outcome alignment as an equally important fourth component. This study also provides empirical evidence that agency theory and stewardship theory operate simultaneously not dichotomously within a single entity, with differing dominance depending on each program's character. Practically, these

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findings provide a clear problem map: the systemic weakness lies in procurement planning (not in officials' service motivation, which has proven to be high), so interventions should be directed at fixing the system, not replacing people.

Recommendations

Four main recommendations are proposed. First, for the Majidi Urban Ward Government: develop an annual procurement calendar that requires the completion of vendor selection for infrastructure programs in Quarters I–II, and integrate measurable outcome indicators into every RKKel program starting in 2026, adapting the Posyandu Program as an internal model. Second, for the Selong District Government: regularly facilitate VfM analysis training and theory-of-change-based performance indicator development for all urban ward officials, along with special oversight (technical assistance) on quarterly budget management planning and audits of unit prices for materials/infrastructure before the APBKel document is approved. Third, for the East Lombok Regency Government: develop a uniform VfM evaluation standard for all urban wards and integrate outcome verification into the Inspectorate's audit protocol. Fourth, for future researchers: a multi-case comparative study of urban wards with differing human-resource capacities would produce findings with stronger analytical generalizability, while a three-to-five-year longitudinal design would be able to capture reform trends and the medium-term impact of empowerment programs.

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