

IMPLEMENTATION OF BUDGET ABSORPTION ON FINANCIAL PERFORMANCE AT THE PERSONNEL AND HUMAN RESOURCES DEVELOPMENT AGENCY OF DAIRI REGENCY

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ABSTRACT

This study aims to analyze the implementation of budget absorption and its impact on financial performance at the Civil Service and Human Resource Development Agency (BKPSDM) of Dairi Regency. Budget absorption serves as a key indicator of the effectiveness of local government program implementation. The data reveal fluctuations in budget realization from 2019 to 2021, showing an upward trend in the final quarter of each fiscal year. Employing a descriptive qualitative approach, this research uses both primary data through interviews and secondary data derived from financial reports and budget realization documents. The results show that the low level of budget absorption at the beginning of the year was influenced by unrealistic planning, delays in administrative processes, and limited human resource capacity in financial management. Conversely, in the final quarter, activities accelerated sharply, causing a workload concentration. Improvement efforts include enhancing planning systems, increasing staff competence, and optimizing digitalization in local financial processes. The findings are expected to provide valuable insights for local governments in improving the efficiency and accountability of public financial management.

Keywords: Budget Absorption, Financial Performance, Public Financial Management, BKPSDM, Local Government

ABSTRAK

Penelitian ini bertujuan untuk menganalisis implementasi penyerapan anggaran dan pengaruhnya terhadap kinerja keuangan pada Badan Kepegawaian dan Pengembangan Sumber Daya Manusia (BKPSDM) Kabupaten Dairi. Penyerapan anggaran merupakan indikator utama dalam menilai efektivitas pelaksanaan program pemerintah daerah. Data menunjukkan adanya fluktuasi tingkat penyerapan anggaran dari tahun 2019 hingga 2021, dengan kecenderungan realisasi meningkat pada triwulan terakhir. Penelitian ini menggunakan pendekatan deskriptif kualitatif dengan memanfaatkan data primer melalui wawancara serta data sekunder berupa laporan keuangan dan dokumen realisasi anggaran. Hasil penelitian menunjukkan bahwa tingkat penyerapan anggaran yang rendah pada awal tahun dipengaruhi oleh perencanaan yang belum realistis, keterlambatan proses administrasi, serta keterbatasan sumber daya manusia dalam pengelolaan keuangan. Sebaliknya, pada akhir tahun anggaran, kegiatan mengalami percepatan yang menyebabkan penumpukan beban kerja. Upaya peningkatan efektivitas dilakukan melalui perbaikan sistem perencanaan, peningkatan kompetensi aparatur, serta optimalisasi digitalisasi dalam proses keuangan daerah. Hasil penelitian ini diharapkan dapat menjadi acuan bagi pemerintah daerah dalam meningkatkan efisiensi dan akuntabilitas pengelolaan keuangan publik.

Kata Kunci: Penyerapan Anggaran, Kinerja Keuangan, Pengelolaan Keuangan Daerah, BKPSDM, Efektivitas Program

I. INTRODUCTION

Budget absorption is one of the main indicators used to assess the effectiveness of the implementation of regional government programs and activities. A high level of budget absorption reflects efficient planning and program execution, while a low level often indicates obstacles in the

stages of planning, implementation, or evaluation. In the context of local governance, the effectiveness of budget absorption serves as a direct reflection of the government's ability to carry out development programs as outlined in the Regional Government Work Plan (RKPD) and the Strategic Plan (Renstra) of regional agencies.

The Personnel and Human Resources Development Agency (BKPSDM) of Dairi Regency, as one of the regional apparatus organizations, holds a strategic role in managing human resources—the backbone of public policy implementation. The effectiveness of BKPSDM's performance is strongly influenced by its ability to manage the budget efficiently, transparently, and accountably. In recent years, the level of budget absorption at BKPSDM Dairi Regency has shown significant fluctuations. Although in 2021 the absorption rate reached 89.68%, there were still deviations from the established targets, particularly in the first and second quarters.

The phenomenon of “low absorption in the early year” has become a classic issue in many government institutions, including at the regional level. This situation is generally caused by several factors, such as delays in the preparation of budget implementation documents (DPA), lengthy procurement processes, and insufficient readiness of human resources in understanding regional financial mechanisms. In addition, changes in national policies—such as the implementation of e-budgeting and e-planning systems—also demand administrative adjustments that do not always run smoothly at the regional level.

BKPSDM Dairi Regency faces similar challenges. Based on budget realization reports, absorption in the first quarter tends to fall below 40%, while the peak realization occurs in the fourth quarter. This pattern indicates an imbalance in the distribution of activities throughout the fiscal year. Consequently, the effectiveness of human resource development programs and administrative activities cannot be optimized sustainably. This condition also affects the quality of public services and overall financial performance.

The importance of this study lies in the need to understand more deeply how the implementation of budget absorption influences the financial performance of BKPSDM Dairi Regency. By analyzing absorption patterns, inhibiting factors, and optimization strategies, this research is expected to provide tangible contributions to improving the efficiency of regional financial management. Furthermore, the findings can serve as a reference for similar institutions in enhancing performance-based budgeting and planning systems.

Several previous studies have shown that low budget absorption at the beginning of the year is directly related to weak planning and coordination among work units. For instance, research by Hutagalung et al. (2020) emphasized that budget management in local governments is often hindered by a lack of synchronization between macro-fiscal policies and technical implementation at the agency level. Meanwhile, an international study by Nguyen and Dang (2022) also found similar issues in Southeast Asia's public sector, where low budget absorption often results from limited technical capacity of officials and overly rapid regulatory changes.

In the local context, Dairi Regency—one of the regions striving to strengthen good governance—must ensure that every rupiah allocated in the Regional Budget (APBD) is utilized optimally. Budget absorption is not merely an administrative issue; it also concerns public accountability and citizens' trust in the local government. Thus, this study is not only relevant to BKPSDM but also has broader implications for the effectiveness of regional financial management and the achievement of sustainable development goals (SDGs).

The main objectives of this research are to analyze the implementation of budget absorption at BKPSDM Dairi Regency, identify the factors influencing absorption effectiveness, and assess its impact on financial performance. Specifically, this study seeks to answer the following questions: (1) What are the patterns of budget absorption at BKPSDM Dairi Regency during the 2019–2021 period? (2) What factors hinder the implementation of budget absorption? and (3) What optimization strategies can be applied to improve the financial performance of the agency?

The results of this research are expected to provide both theoretical and practical benefits. Theoretically, it will enrich the body of knowledge on public financial management at the regional level,

particularly regarding performance-based budgeting implementation. Practically, the findings are expected to serve as valuable input for the Dairi Regency Government in formulating more efficient, transparent, and result-oriented budgeting and planning policies.

II. THEORETICAL REVIEW

Concept of Budget Absorption

Budget absorption is a process that illustrates the extent to which funds allocated in the Regional Revenue and Expenditure Budget (APBD) are realized to support the implementation of government programs and activities. According to the Ministry of Finance of the Republic of Indonesia (2021), budget absorption is a measure of program implementation success based on the percentage of expenditure realization compared to the total allocated budget. Therefore, the level of budget absorption can serve as a key indicator of planning effectiveness, implementation efficiency, and the quality of financial control within a government institution.

In the context of public financial management, good budget absorption reflects effective coordination among planning, budgeting, implementation, and reporting processes. This aligns with the public management theory proposed by (Osborne & Gaebler, 1992) in the concept of Reinventing Government, which emphasizes efficiency, accountability, and performance in the public sector. A regional government capable of managing its budget effectively not only demonstrates administrative compliance but also exhibits strategic ability in allocating resources to achieve optimal development outcomes.

Uneven budget absorption often becomes a common issue in government bureaucracy. According to (Halim, 2018), the phenomenon of “low budget absorption” at the beginning of the fiscal year and “spending rush” at the end of the year reflects weaknesses in budget planning and execution systems. The main causes of this situation include delays in approving budget implementation documents, obstacles in procurement processes, and limited human resource capacity in financial management. At the regional level, these issues can affect the quality of public services and hinder the achievement of development performance indicators.

Public Sector Financial Performance Theory

Public sector financial performance reflects the government’s ability to manage economic resources efficiently and effectively to meet public needs. According to (Mahmudi, 2019), financial performance can be measured using indicators of efficiency, effectiveness, and accountability. In a performance-based budgeting system, budget absorption becomes one of the main benchmarks to assess the extent to which public funds are utilized in line with predetermined objectives.

The public finance theory emphasizes that every government expenditure must generate value for money for society. This concept stems from institutional economics theory (Musgrave & Musgrave, 1989), which states that public financial management should aim for allocative efficiency and equitable distribution of benefits. In practice, regional government financial efficiency is not only measured by high budget absorption but also by the ability to achieve results that are proportional to the costs incurred.

Empirical studies in various countries show that improving regional financial performance is strongly influenced by the quality of governance and fiscal transparency. According to the OECD (2020), regions with transparent, performance-based financial systems tend to maintain more stable budget absorption rates and positively impact local economic growth. This implies that strengthening institutional capacity, financial information systems, and bureaucratic integrity are fundamental factors in ensuring sustainable fiscal management.

Relationship Between Budget Absorption and Financial Performance

The relationship between budget absorption and financial performance is direct and significant. Optimal budget absorption indicates that a government agency can implement its programs according to its work plan and output targets. Conversely, low absorption suggests inefficiency in the implementation process, such as unrealistic planning, administrative delays, or technical barriers in the field. In this context, budget absorption serves as a leading indicator for evaluating public financial performance.

Research conducted by (Dewi & Suaryana, 2021) shows that timely budget absorption improves government spending efficiency and accelerates the achievement of performance targets. Another study by Arifin and Hidayat (2020) in regional governments confirmed that delays in budget execution lead to low fund absorption and reduce program effectiveness. Thus, the relationship between budget absorption and financial performance is mutually reinforcing: high absorption supports performance achievement, while good performance strengthens fiscal management credibility in the following periods.

In the context of BKPSDM Dairi Regency, budget absorption plays an important role in supporting various programs for developing the competence of civil servants through training and capacity-building initiatives. A good level of budget absorption allows the timely and targeted implementation of capacity-building programs, which ultimately enhances institutional performance and public service quality. Conversely, low absorption may hinder the realization of critical activities such as training, certification, and career development for civil servants.

Factors Affecting Budget Absorption

According to the findings of BPKP (2021), several key factors influence the level of budget absorption, namely: (1) budget planning, (2) procurement processes, (3) human resource capacity, (4) financial administration systems, and (5) leadership commitment. These factors interact to determine the success of budget implementation within government institutions.

Unrealistic planning is often a primary cause of low absorption. When budget allocations are not based on accurate needs analysis, implementation tends to face revisions and delays. Meanwhile, slow procurement processes pose major obstacles, particularly for agencies that have not effectively implemented e-procurement systems. In addition, limited technical skills among personnel in finance and procurement often cause delays due to administrative errors or incomplete documentation.

Non-technical factors such as inter-departmental coordination and leadership commitment also play significant roles. A study by (Suyono & Wahyudi, 2022) found that managerial support and active supervision from leadership contribute positively to accelerating budget absorption. In this regard, visionary and responsive leadership can foster a performance-oriented organizational culture.

Theoretical Framework

Based on theories and previous research findings, it can be concluded that budget absorption is a key variable influencing the financial performance of government institutions. Conceptually, this study is grounded in public financial management theory and organizational effectiveness theory. According to (Robbins, 2018), organizational effectiveness can be achieved when institutions manage resources optimally to accomplish their goals. In public financial management, such effectiveness is reflected in the institution's ability to absorb its budget as planned and deliver tangible benefits to society.

The theoretical framework of this study positions budget absorption as the independent variable influencing financial performance as the dependent variable. The relationship between the two is mediated by internal organizational factors such as human resource competence, financial administration systems, and managerial oversight. Therefore, improving budget absorption—supported by strengthened governance and personnel capacity—is expected to produce better and more sustainable financial performance.

III. RESEARCH METHOD

This study employs a descriptive qualitative approach aimed at obtaining an in-depth understanding of the implementation of budget absorption and its impact on financial performance at the Personnel and Human Resources Development Agency (BKPSDM) of Dairi Regency. The qualitative approach was chosen because it allows the researcher to explore real-world phenomena contextually, emphasizing the meaning and process of regional financial policy implementation rather than merely focusing on quantitative outcomes (Creswell, 2018).

The research was conducted within the BKPSDM office environment of Dairi Regency, North Sumatra Province. The location was selected purposively, considering that BKPSDM holds a strategic role in budget management directly related to improving the quality of the regional civil service human

resources. The research activities included data collection, observation, interviews, and document analysis.

The data used in this research consisted of both primary and secondary data:

1. Primary data were obtained through in-depth interviews with structural officials, expenditure treasurers, and financial staff at BKPSDM Dairi Regency who are directly involved in the processes of budgeting, implementation, and reporting. Semi-structured interviews were conducted to allow broader exploration of information regarding the factors influencing budget absorption.
2. Secondary data were gathered from official regional government documents, such as Budget Realization Reports (LRA), Work and Budget Plans (RKA), Budget Implementation Documents (DPA), and audit reports from the Audit Board of Indonesia (BPK) and the Financial and Development Supervisory Agency (BPKP). These data were used to trace patterns of budget absorption from 2019 to 2022.

The collected data were analyzed using the interactive analysis model of Miles and Huberman (1994), consisting of three main stages:

1. Data reduction, which involves selecting, focusing, and simplifying raw data;
2. Data display, which presents the results of data collection in tables, charts, and analytical narratives; and
3. Conclusion drawing/verification, which interprets the findings to answer the research questions.

The analysis was carried out inductively by identifying relationships between the budget absorption process, emerging obstacles, and their implications for financial performance. Quantitative data, such as budget realization figures, were used to support the descriptive analysis, while qualitative data helped explain the underlying causes and effects behind absorption patterns.

To ensure data validity, this study applied source and method triangulation. Data validity was tested by comparing information from interviews with observations and official documents. Meanwhile, reliability was strengthened through member checking, by confirming interview results with informants to ensure that the researcher's interpretation accurately reflected real conditions in the field.

Through this approach, the study is expected to provide a comprehensive and in-depth picture of the dynamics of budget absorption at BKPSDM Dairi Regency and the factors influencing its financial performance.

IV. RESULTS AND DISCUSSION

The Personnel and Human Resources Development Agency (BKPSDM) of Dairi Regency implemented three main programs during the 2022 fiscal year, namely:

1. The Supporting Program for Regency/Municipal Government Affairs,
2. The Apparatus Human Resources Development Program, and
3. The Regional Personnel Program.

Based on the analysis of the Budget Realization Report (LRA) documents, the total allocated budget in 2022 amounted to IDR 5,083,876,273, with a realization of IDR 4,559,220,589, or 89.68% of the total budget. The detailed breakdown of budget absorption is presented in the following table:

Table 1. Budget Realization of BKPSDM Dairi Regency in 2022

No	Program Activities	Budget (IDR)	Realization (IDR)	Percentage (%)
1	Regency/City Local Government Affairs Support Program	1.241.550.000	1.078.000.000	86,84
2	Apparatus Human Resource Development Program	2.890.200.000	2.879.750.000	99,63
3	Regional Personnel Program	952.126.273	601.470.589	63,18
	Total	5.083.876.273	4.559.220.589	89,68

Source: BKPSDM Dairi Regency, 2022 Budget Realization Report (data processed)

The table above shows that the Apparatus Human Resources Development Program had the highest realization rate at 99.63%, while the Regional Personnel Program had the lowest realization rate

at 63.18%. This indicates that human resource capacity-building activities were given higher priority compared to administrative personnel activities.

The difference in realization levels reflects the varying urgency of each program's activities. Human resource development programs generally follow a fixed schedule of training and education sessions, whereas personnel administration programs depend on situational administrative needs such as appointments, transfers, and employee performance evaluations.

Budget Absorption Trends 2019–2021

Table 2. Trends in Budget Absorption of BKPSDM Dairi Regency in 2019–2021

Quarterly	2019 (%)	2020 (%)	2021 (%)
Jan – Mar	45	40	35
Apr – Jun	62	55	50
Jul – Sep	80	70	68
Okt – Des	90	78	85

Source: Financial data of BKPSDM Dairi Regency, processed (2024)

The graph above shows a tendency for budget realization to accumulate in the fourth quarter, indicating the phenomenon of a spending rush. This pattern suggests that most activities are carried out toward the end of the year due to delays in the initial stages of program implementation. Although the overall absorption rate has increased from year to year, the concentration of spending at the end of the fiscal year has the potential to reduce both efficiency and effectiveness in program execution.

According to interviews with officials from BKPSDM's finance division, one of the main causes of low budget absorption at the beginning of the year is delays in the procurement process, particularly those conducted through the e-procurement system. In addition, several financial administrative processes are still performed manually, which slows down verification and fund disbursement.

The graph also illustrates that budget realization levels increase significantly each quarter, with the highest absorption occurring in the fourth quarter. This pattern reinforces the spending rush phenomenon—an acceleration of spending at the end of the fiscal year. Based on interviews with the BKPSDM expenditure treasurer, this condition is caused by delays in procurement, activity revisions, and the late preparation of Budget Implementation Documents (DPA). This finding aligns with the study by (Arifin & Hidayat, 2020), which emphasized that low absorption rates early in the fiscal year are generally associated with weak planning and coordination among program implementers. In the context of BKPSDM, these problems arise due to limited financial personnel and administrative workloads that tend to accumulate toward the end of the fourth quarter.

Analysis of Budget Absorption Effectiveness (Value for Money Approach)

The effectiveness of budget absorption at BKPSDM can be analyzed using the value for money approach, which evaluates three key dimensions of public financial management: efficiency, effectiveness, and economy.

1. Efficiency refers to the extent to which the budget is used to generate maximum output with minimum cost. Based on the realization analysis, BKPSDM's efficiency ratio in 2022 reached 89.68%, indicating that the utilization of funds was quite optimal, although not yet fully maximized.
2. Effectiveness is measured by the achievement of activity targets. Most human resource development programs were successfully implemented, including 15 training programs for civil servants (ASN) and 3 functional position certification activities.
3. Economy relates to the ability to obtain inputs at the lowest possible cost without compromising quality. The e-procurement-based procurement process helped reduce operational costs by approximately 5% compared to the previous year.

Thus, based on the value for money principle, BKPSDM's financial performance can be categorized as fairly effective and efficient, particularly in the implementation of strategic programs that support the enhancement of civil servant (ASN) capacity.

Composition of Expenditures by Type of Spending

To gain a more detailed understanding of how the budget was utilized, an analysis was conducted on the expenditure structure based on spending categories.

Table 3. Composition of BKPSDM Expenditure in Dairi Regency Based on Type of Expenditure in 2022

Employee Type	Amount (IDR)	Percentage (%)
Employee Spending	2.621.000.000	57,5
Employee Goods and Services	1.638.000.000	35,9
Capital Expenditure	300.220.589	6,6
Total	4.559.220.589	100

Source: LRA BKPSDM 2022 (processed)

The analysis of expenditure composition shows that most of the funds were absorbed by employee spending (57.5%), which includes salaries, allowances, and performance incentives. Nevertheless, the proportion of goods and services expenditures (35.9%) is still considered ideal, as it was allocated for human resource capacity-building activities, training programs, and operational costs for personnel administration services. The proportion of capital expenditure (6.6%) is relatively small, indicating limited investment in non-personnel infrastructure such as digital equipment and training facilities.

This comparison indicates that the budget structure of BKPSDM remains oriented toward routine expenditures and has not yet fully adopted a performance-based budgeting approach. According to the OECD (2020), an expenditure structure dominated by personnel costs can reduce fiscal flexibility in promoting innovation and long-term investment in the public service sector.

Analysis of Factors Inhibiting Budget Absorption

The research findings indicate that there are several dominant factors influencing the low level of budget absorption, as summarized in the following table:

Table 4. Factors Inhibiting the Absorption of the Dairi Regency BKPSDM Budget

No	Inhibiting Factors	Description	Impact on Performance
1	Unrealistic Budget Planning	The targets and activity schedules do not match field conditions.	Postponement of activity implementation and revision of DPA
2	Slow Procurement Process	Tendering and administrative processes take a long time	Delay in program implementation
3	Limited Financial HR Capacity	Financial staff are not yet proficient in using financial applications	Input errors and reporting delays
4	Weak Inter-Sectoral Coordination	There is no synchronization between the personnel and finance fields.	Duplication or overlapping of activities
5	Inconsistent Leadership Commitment	Lack of monitoring of the implementation schedule	Decrease in discipline and accountability

Source: Primary data from interviews, 2025 (processed)

The above findings are consistent with the study by (Suyono & Wahyudi, 2022), which stated that weak coordination and low staff capacity are the main causes of delays in budget realization at the regional level. This condition indicates that efforts to improve the effectiveness of budget absorption should focus on managerial aspects and the technical competence of personnel

Efforts to Optimize Budget Absorption and Improve Financial Performance

The Personnel and Human Resources Development Agency (BKPSDM) of Dairi Regency has undertaken several strategic measures to enhance the effectiveness of budget absorption and improve financial performance. Based on observations and interviews, these measures include:

1. Strengthening performance-based planning, by integrating e-planning and e-budgeting systems to ensure alignment between activity plans and budget availability.

2. Enhancing human resource capacity, through regional financial management training and technical workshops on the use of the SIPD (Regional Government Information System) application.
3. Accelerating the procurement process, by maximizing the use of e-procurement and implementing early procurement planning to allow activities to begin sooner.
4. Conducting regular monitoring and evaluation, by setting financial performance indicators and quarterly budget absorption targets.

These steps have produced positive results. Based on interviews with the Head of the Finance Subdivision at BKPSDM, the implementation of a digital financial system in 2022 contributed to improved reporting speed and transparency in fund utilization.

Conceptually, the improvement in budget absorption effectiveness at BKPSDM can be explained through the public financial management theory proposed by (Mahmudi, 2019), which states that financial effectiveness depends on three main pillars: efficiency, transparency, and accountability. In the case of BKPSDM, these three pillars have shown progress through the adoption of digital technology and the integration of financial information systems.

Implications for Regional Financial Performance

The financial performance of the Personnel and Human Resources Development Agency (BKPSDM) of Dairi Regency is not only measured by the level of budget absorption but also by the agency's ability to achieve its planned outputs and outcomes. Based on internal evaluation results, the increased budget absorption in the human resource development program directly contributed to the rise in the number of civil servants (ASN) participating in competency training, functional position certification, and performance assessments through the e-Kinerja system.

These implications indicate that higher budget absorption correlates positively with the achievement of institutional performance. This finding reinforces the study by Dewi and Suaryana (2021), which stated that optimizing budget absorption has a direct impact on improving the quality of public service outputs.

Thus, it can be concluded that improving financial management systems, enhancing human resource competence, and implementing information technology are the key factors in increasing the effectiveness of budget absorption and financial performance within local government institutions, particularly at BKPSDM Dairi Regency.

Strategies for Optimizing Budget Absorption

Based on the research findings, the Personnel and Human Resources Development Agency (BKPSDM) of Dairi Regency has implemented several strategies to improve the effectiveness of budget absorption and financial performance, including:

- a. Integration of planning and budgeting systems, by linking e-planning and e-budgeting to avoid data inconsistencies.
- b. Enhancing employee competencies, particularly in mastering financial applications and online procurement systems.
- c. Developing a quarterly-based annual activity schedule, to prevent the accumulation of activities at the end of the fiscal year.
- d. Implementing a reward and punishment system, which evaluates each division's financial performance based on the timeliness of budget realization and accuracy of reporting.
- e. Conducting quarterly monitoring and evaluation, using measurable Key Performance Indicators (KPIs).

These measures are consistent with the recommendations of the BPKP (2021), which emphasize the importance of synchronizing regional digital financial systems to accelerate the budget absorption process and enhance fiscal transparency.

Implications for Bureaucratic Reform and Financial Performance

The effectiveness of budget absorption has been proven to contribute significantly to improvements in bureaucratic performance and public service delivery. At BKPSDM, the increased absorption of the civil servant (ASN) training program budget has had a direct impact on enhancing employee productivity and the quality of personnel administrative services. The implementation of the

e-Kinerja system, integrated with the budgeting process, has also strengthened the individual accountability of government officials.

This aligns with the concept of performance-based government proposed by Osborne and Gaebler (1992), which emphasizes that budget efficiency can be achieved when every employee activity is directly linked to measurable performance outcomes. Therefore, improving the effectiveness of budget absorption is not merely an administrative target but an integral part of the transformation of regional financial governance toward a professional, adaptive, and results-oriented bureaucracy.

Comparative Analysis of Budget Absorption Across Regions

To strengthen the interpretation of findings, the budget absorption performance of the BKPSDM of Dairi Regency was compared with two other regions that share similar fiscal characteristics and organizational structures—namely, the BKPSDM of Toba Regency and the BKPSDM of Pakpak Bharat Regency. Based on financial reports from 2021–2022, the budget absorption rate of BKPSDM Toba reached 91.20%, while BKPSDM Pakpak Bharat achieved 83.75%. With a realization rate of 89.68%, BKPSDM Dairi is positioned in the middle range.

Interestingly, all three regions demonstrated a nearly identical temporal absorption pattern—low in the first and second quarters and rising sharply toward the end of the fiscal year. This comparison confirms that the issue of budget absorption is not specific to any single institution but rather represents a structural pattern within Indonesia's regional financial system. The main contributing factors include:

1. Delays in the approval of regional budgets (APBD) and budget implementation documents (DPA) due to political processes and coordination issues among regional agencies;
2. Procurement processes that remain administratively rigid and lack flexibility;
3. Uneven capacity of financial human resources across organizational units; and
4. Limited integration of financial information systems among institutions.

This cross-regional analysis aligns with the reports by BPKP (2021) and the findings of the OECD (2020), both of which emphasize that the effectiveness of regional public finance depends on the synchronization between systems, regulations, and institutional capacity. Therefore, while BKPSDM Dairi's nearly 90% absorption rate can be considered good, there is still room for improvement in the efficiency of program implementation and the even distribution of workloads throughout the year.

From a national policy perspective, these findings reflect the common challenges of regional financial reform following the implementation of the Regional Government Information System (SIPD) introduced by the Ministry of Home Affairs. Although the policy aims to enhance transparency and accountability, it initially created administrative bottlenecks due to uneven adaptation of personnel to the new system. In this context, the case of BKPSDM Dairi illustrates that the digitalization of financial management must be accompanied by capacity-building strategies and strengthened bureaucratic leadership. As Robbins (2018) pointed out, the effectiveness of public organizations is determined not only by structure and procedures but also by individual behavior and organizational culture.

Furthermore, this study directly relates to the direction of Indonesia's National Policy on Good Governance and Bureaucratic Reform 2025–2030, where the main performance indicators for regional governments include:

- a. Efficiency in budget utilization (budget efficiency)
- b. Compliance with public accountability principles
- c. Use of information technology for transparency and
- d. Improvement of supervision and performance evaluation systems.

BKPSDM Dairi has shown notable progress in the third and fourth indicators through the implementation of e-planning and e-procurement systems, which have positively impacted reporting speed and budget efficiency. However, further improvement in the first and second dimensions is still needed to ensure that higher absorption rates are accompanied by measurable accountability improvements.

These findings reinforce Mahmudi's (2019) argument that sustainable regional financial performance can only be achieved through the integration of internal control, risk management, and performance auditing. In the context of BKPSDM Dairi, this integration can be realized by strengthening

coordination among the finance, personnel, and human resource development divisions throughout each cycle of budget planning and reporting.

Social and Organizational Dimensions in the Effectiveness of Budget Absorption

The effectiveness of budget absorption affects not only financial reports but also the social and organizational dynamics within an institution. Based on interview findings, the increased speed of budget realization has proven to enhance employee motivation, as planned activities can be executed promptly without administrative delays. The e-Kinerja system, which is integrated with the budgeting system, enables employees to see the direct connection between individual performance and institutional outcomes. This fosters a collective sense of responsibility toward the use of public funds. Thus, effective budget absorption also plays a key role in driving organizational cultural change toward a more adaptive and results-oriented bureaucracy.

According to Robbins (2018), public organizations with strong cross-unit communication and participatory leadership are more capable of adapting to systemic and regulatory changes. In the context of BKPSDM Daiiri, this is reflected in the improved coordination between the finance and human resource development divisions following the implementation of digital systems.

From the public's perspective, more effective budget absorption also enhances public trust in local government performance. Citizens can directly experience the benefits of implemented programs, such as civil servant (ASN) training, improved administrative services, and faster processing of transfers and promotions. Hence, the effectiveness of budget absorption has a dual impact: improving internal performance while simultaneously strengthening the external legitimacy of local governance.

When linked to the organizational effectiveness theory (Robbins, 2018), this study demonstrates that the effectiveness of budget absorption is a manifestation of overall organizational effectiveness. An effective organization is not only one that executes activities on schedule but also one that successfully converts financial resources into tangible performance and development outcomes.

From the perspective of public financial management theory (Mahmudi, 2019), the effectiveness of budget absorption is influenced by four key components:

- a. Realistic planning,
- b. Efficient implementation,
- c. Rigorous supervision, and
- d. Transparent reporting.

BKPSDM Daiiri Regency has shown progress in all four aspects, although it still faces challenges in maintaining consistency of implementation across all quarters. Therefore, it can be concluded that effective budget absorption serves not only as a technical benchmark but also as a macro indicator of the overall health of a public organization. BKPSDM Daiiri has taken the right path toward financial reform; however, the sustainability of these improvements depends largely on leadership commitment, human resource strengthening, and consistent application of public accountability principles.

V. CONCLUSION AND RECOMMENDATIONS

The results of this study show that budget absorption at the Personnel and Human Resources Development Agency (BKPSDM) of Daiiri Regency during the 2019–2022 period tended to fluctuate, with a significant increase toward the end of each fiscal year. This condition indicates that the planning and implementation systems have not yet operated optimally throughout the year. Although, in aggregate, the budget absorption rate reached more than 85%, the concentration of program implementation in the fourth quarter reflects an imbalance in time and resource management. The low absorption rate at the beginning of the year was primarily caused by administrative delays, slow procurement processes, and limited human resource capacity in financial management. In addition, the lack of synchronization among divisions hindered the timely implementation of activities. However, improvements through the implementation of e-planning, e-budgeting, and e-procurement systems have begun to show positive results in accelerating budget realization and enhancing financial accountability.

Conceptually, effective budget absorption plays a crucial role in strengthening the financial performance of government institutions. BKPSDM Dairi Regency has demonstrated progressive steps in improving the efficiency of budget utilization, particularly in its civil service human resource development programs. The implementation of performance-based budgeting and the digitalization of financial administration have improved transparency, efficiency, and the speed of financial reporting. Going forward, the success of budget management at BKPSDM will largely depend on management's consistency in applying the principles of good governance. Strengthening staff capacity, enhancing the integration of financial information systems, and improving internal supervision are key prerequisites for achieving sustainable financial performance.

The regional government must also strengthen result-oriented evaluation mechanisms, ensuring that every rupiah spent generates added value for improving public service quality and overall regional development.

In conclusion, this study affirms that the effectiveness of budget absorption is not merely an administrative matter but a fundamental indicator of efficient, transparent, and accountable financial governance. The findings are expected to serve as a reference for other government institutions in designing strategies to enhance budget absorption in line with fiscal efficiency principles and the achievement of sustainable regional development goals.

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