



Financial Performance Analysis of the Jambi Province Local Government Using the Value for Money Method (2017-2024 Period)

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ABSTRACT

This study aims to analyze the financial performance of the Jambi Provincial Government using the Value for Money approach, which covers the aspects of economy, efficiency, and effectiveness during the 2017–2024 period. The population of this study consists of all financial reports of the Jambi Provincial Government, while the sample is the Budget Realization Reports for the observed years, selected using a time series technique based on data availability. This research employs a quantitative approach with a descriptive research design. The data used include secondary data obtained from official budget realization reports and primary data collected through interviews conducted at the Jambi Provincial Finance and Asset Agency. Data collection techniques comprise documentation and interviews, and data analysis is carried out using economic, efficiency, and effectiveness ratios within the Value for Money framework. The results show that the financial performance of the Jambi Provincial Government during the study period is categorized as economical, as the expenditure realization ratio is below 100 percent, indicating budget savings. However, in terms of efficiency, the performance is still considered inefficient because the ratio exceeds 100 percent, which means expenditure realization is higher than revenue realization. Meanwhile, in terms of effectiveness, financial performance is classified as effective since revenue realization has met and even exceeded the predetermined targets. In conclusion, the Jambi Provincial Government has managed its budget economically and effectively, but improvements are still required to enhance efficiency in regional financial management.

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INTRODUCTION

Regional financial management is a crucial aspect of governance, focused on improving public welfare and the quality of public services. In the context of regional autonomy, local governments are required to manage financial resources transparently, accountably, and with a performance-oriented approach (Hartono et al., 2023). Good financial management is measured not only by the ability to absorb the budget, but also by the extent to which the budget is used

economically, efficiently, and effectively. Therefore, measuring local government financial performance is a crucial instrument for assessing the quality of public financial governance and as a basis for evaluating improvements in regional fiscal policy (Pasaribu, 2019).

The Value for Money concept has emerged as a relevant approach to assessing public sector performance because it emphasizes three key dimensions: economy, efficiency, and effectiveness. This approach not only assesses the amount of budget used but also compares the inputs, outputs, and outcomes generated from that budget use (Ulum & Sofyani, 2016). Thus, Value for Money provides a more comprehensive evaluation framework for assessing whether local government financial management has optimally benefited the public. In practice, the application of this concept is expected to encourage local governments to be more prudent in budget use, improve public service performance, and strengthen accountability in regional financial management (Sampow & Pangkey, 2022).

Various previous studies have shown that measuring local government financial performance using the Value for Money approach provides a more objective picture of the quality of budget management (Septariani, 2018). However, most studies still focus on district or city-level local governments and generally use relatively short observation periods (Muhammad, 2013). Furthermore, studies that track fluctuations between budget and realization over a longer period are still relatively limited, particularly at the provincial government level. This situation indicates a research gap that needs to be filled to obtain a more comprehensive picture of local government financial performance at the provincial level from a Value for Money perspective (Mardiasmo, 2021).

The Jambi Provincial Government, as a regional government entity, has a significant responsibility to optimally manage regional revenue and expenditure budgets. The dynamics of development needs, demands for public services, and limited fiscal resources require financial management that is not solely oriented toward budget absorption but also toward achieving quality performance. In practice, there is still a potential imbalance between the amount of budget disbursed and the results achieved, necessitating a systematic evaluation of regional financial performance (Sawir et al., 2025).

Based on this background, this study focuses on analyzing the financial performance of the Jambi Provincial Government using the Value for Money approach for the period 2017–2024. This period was chosen to provide a more comprehensive picture of regional financial management patterns in the medium to long term (Mahmudi, 2016). This study aims to assess the extent to which regional financial management has met the principles of economy, efficiency, and effectiveness, while also providing an empirical contribution to the development of public sector accounting studies, particularly regarding the evaluation of regional government financial performance (Aulia & Nugraheni, 2022). Therefore, the results of this study are expected to serve as a reference for regional governments in improving the quality of financial management and strengthening good governance practices at the regional level (Suriadi, 2025).

METHODS

This study uses a quantitative approach with a descriptive approach (Sekaran & Bougie, 2016). This approach was chosen to provide a systematic and objective overview of the Jambi Provincial Government's financial performance based on Value for Money indicators, which include economic, efficiency, and effectiveness aspects for the 2017–2024 period. The

quantitative descriptive research design allows researchers to analyze financial data measurably through the calculation of relevant performance ratios.

The population in this study is all Jambi Provincial Government financial reports. The research sample was determined using a time series sampling technique, namely the Jambi Provincial Government's Budget Realization Report (LRA) for the 2017–2024 period. This sample selection was based on the availability of complete and consistent data for analysis in accordance with the research requirements.

The research variables used are local government financial performance, operationalized through three main indicators in the Value for Money approach: the economic ratio, the efficiency ratio, and the effectiveness ratio. The economic ratio measures the comparison between realized expenditure and the budget, the efficiency ratio measures the comparison between realized expenditure and realized revenue, and the effectiveness ratio measures the comparison between realized revenue and the regional revenue target.

The types of data used in this study consist of secondary and primary data. Secondary data consisted of the Jambi Provincial Government Budget Realization Report for 2017–2024, obtained from relevant agencies. Primary data was obtained through interviews with the Jambi Provincial Finance and Regional Assets Agency to obtain supporting information regarding regional financial management. These data sources were selected to ensure the accuracy and completeness of the information used in the analysis.

Data collection techniques in this study included documentation and interviews (Daruhadi & Sopiati, 2024). Documentation was used to collect relevant financial report data, while interviews were used to obtain additional explanations regarding regional financial management policies and practices (Siagian & Indra, 2019). The data analysis technique used was quantitative descriptive analysis, calculating economic, efficiency, and effectiveness ratios based on the Value for Money approach (Ardila & Putri, 2015). The results of these ratio calculations were then interpreted to determine the financial performance categories of the Jambi Provincial Government for each observation year.

RESULTS AND DISCUSSION

The results of measuring the Jambi Provincial Government's financial performance using the Value for Money approach show a different picture for each indicator, namely economics, efficiency, and effectiveness, during the 2017–2024 period. In general, the economic aspect shows relatively consistent and stable performance. The economic ratio in all observation years was below 100 percent, indicating that realized expenditures consistently exceeded the established budget. This reflects adequate expenditure control and demonstrates the local government's ability to achieve savings in budget execution. Therefore, in terms of budget input usage, the Jambi Provincial Government's financial performance can be categorized as economical throughout the study period.

In contrast to the economic aspect, the results of the efficiency measurement show a fluctuating pattern. In several years, such as 2017, 2018, 2021, and 2024, the efficiency ratio was below 100 percent, thus categorizing performance as efficient. However, in 2019, 2020, 2022, and 2023, the efficiency ratio was above 100 percent, indicating that spending realization exceeded revenue realization. This situation indicates pressure on regional fiscal balance, where increased spending was not fully offset by increased revenue. Therefore, although efficiency performance

showed good results in some years, overall, there were still certain periods that reflected suboptimal efficiency in regional financial management.

Meanwhile, the effectiveness measurement results showed that in the 2017–2022 period, the effectiveness ratio was above or close to 100 percent, indicating that revenue realization was able to meet or even exceed the established targets. This reflects the regional government's considerable ability to realize regional revenue targets during that period. However, in 2023 and 2024, the effectiveness ratio was below 100 percent, indicating that revenue realization did not reach the established targets. This decline indicates challenges in regional revenue management in the final two years of the study period, both caused by internal management factors and by the dynamics of economic conditions that impact regional fiscal capacity.

Overall, the study results indicate that the Jambi Provincial Government's financial performance during the 2017–2024 period met economic standards and demonstrated effective performance for most of the period. However, in terms of efficiency, there are still inconsistencies in performance between years, indicating the need for improvements in expenditure management to better balance regional revenue capacity. These findings demonstrate that financial performance is determined not only by the ability to save money or achieve revenue targets, but also by the ability to sustainably balance budget inputs and outputs.

The results of this study confirm that the Value for Money approach can provide a more comprehensive picture of the quality of local government financial management. The finding that the Jambi Provincial Government's economic ratio is consistently below 100 percent indicates that the local government has been relatively successful in controlling spending and avoiding budget waste. Theoretically, this condition aligns with economic principles in the public sector, which emphasize obtaining inputs at the lowest possible cost without compromising service quality. Therefore, in terms of planning and implementing expenditures, the local government has demonstrated fairly prudent management practices.

However, these economic achievements are not always accompanied by stable efficiency performance. Fluctuations in the efficiency ratio, particularly in years when the ratio is above 100 percent, indicate that increases in spending are not fully offset by increases in revenue. From the perspective of public sector efficiency theory, this condition reflects an imbalance between input and output, which may indicate room for improvement in program planning, setting spending priorities, and optimizing regional revenue sources. This finding also aligns with various previous studies showing that many local governments are capable of managing budgets economically but still face challenges in achieving sustainable efficiency.

In terms of effectiveness, the research results show that for most of the observation period, local governments were able to achieve and even exceed their established revenue targets. This indicates relatively good performance in regional revenue planning and realization. However, the decline in effectiveness in 2023 and 2024 indicates that regional revenue performance does not consistently maintain a stable trend. In the context of public sector performance theory, this condition can be influenced by various factors, both internal, such as administrative capacity and planning quality, and external, such as macroeconomic dynamics and changes in fiscal policy.

When compared with previous research, this study's findings reinforce the conclusion that regional government financial performance is generally more likely to achieve the economic and effective categories than efficient ones. This suggests that the primary challenge in regional financial management lies not only in controlling expenditures or achieving revenue targets, but also in ensuring that each increase in expenditure actually produces commensurate outputs and

outcomes. Therefore, this research provides an empirical contribution to enriching public sector accounting studies, particularly regarding the evaluation of regional government financial performance through the Value for Money approach. It also emphasizes the importance of improving the quality of budget planning and control to achieve more efficient and sustainable performance.

CONCLUSION

This study aims to analyze the financial performance of the Jambi Provincial Government using a Value for Money approach, encompassing economic, efficiency, and effectiveness aspects for the 2017–2024 period. Based on the analysis and discussion, it can be concluded that, from an economic perspective, regional expenditure management consistently demonstrates good performance, as indicated by an economic ratio consistently below 100 percent. This indicates that the Jambi Provincial Government is able to control expenditures and utilize the budget relatively economically. From an efficiency perspective, financial performance fluctuates. In some years, regional financial management has been categorized as efficient, but in certain years, inefficiencies persist, as realized expenditure exceeds realized revenue. This finding indicates that, despite spending controls, the balance between regional expenditure and revenue has not been consistently maintained. Meanwhile, in terms of effectiveness, regional revenue performance generally qualifies as effective, particularly in the 2017–2022 period, where revenue realization has achieved or even exceeded established targets. However, in the final two years of the study period, effectiveness performance declined, resulting in revenue targets not being fully achieved. Overall, it can be concluded that the Jambi Provincial Government has been able to manage regional finances economically and relatively effectively, but still needs to make continuous improvements in increasing the efficiency of budget management so that regional financial performance becomes more optimal and sustainable.

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