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LOCAL GOVERNMENT PERFORMANCE MEASUREMENT BASED ON BALANCED SCORECARD: A STUDY AT SANGGAU REGENCY LOCAL REVENUE OFFICES

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ABSTRACT

A Balanced Scorecard is a tool or method for measuring the performance developed by Robert Kaplan and Norton. This method can help public organizations in controlling finances and measure the performance of the organization by using four perspectives: customer perspective, financial perspective, internal business process perspective, as well as employee and organization capacity perspective. This research is aimed to measure the performance of Regional Local Revenue Office of Sanggau Regency. The research method used is a descriptive qualitative approach. Research result exhibited organizational performance Year 2014-2017 reached 90,9%. It indicated an interpretation of high-performance achievement. Based on the research result, customer perspective is in accordance with community satisfaction survey which reached 79.085% in the good category. Financial perspective was observed through three ratios. Economic ratio level reached 83.24% which is economic ratio level, the efficiency ratio level reached 10.58% which is efficient. The level of effectiveness ratio reached 96.45% which ineffective. The internal business process perspective has been achieved well when observed from all strategic objectives achieved. Employee and organization capacity perspective was observed from the competence of employees which resulted in the good category. On the other hand, facilities and infrastructure category are not optimal.

KEY WORDS

Balanced scorecard, performance, revenue.

The performance of Local Government has been in the public spotlight since the reformation that opened the opportunity for the wider community to voice their opinions. A local government is required to be able to use the funds owned carefully to provide public services in accordance with minimum standards of service quality to the community. In order to measure the performance of local government, a performance measurement is required.

Sanggau Regency is one of the autonomous regions located in West Kalimantan Province. Geographically, the location of Sanggau Regency is very strategic, because it is located in the middle of West Kalimantan Province, crossed by trans-Kalimantan road, and is a land route to neighboring Malaysia and Brunei Darussalam. Based on the condition of the region, Sanggau Regency has great income source potential that will encourage the economic growth.

Sanggau Regency Local Revenue Offices has the main duty in revenue sector. Local revenue can be achieved maximally if it can be managed properly. However, there are several problems occurred such as Facilities and Infrastructure/office building not optimal, technical staff not adequate, employee professionalism not maximal, field operational vehicle not fulfilled, unfinished verification of PBB-P2, dependent on income from Central and Province. The incomplete system of taxation starting from the data of taxpayers, payment and presentation of taxpayer data, the value of tax objects PBB-P2 not appropriate in the field.

Based on the existing problem, it is necessary to measure the performance of Local Revenue Offices using Balanced Scorecard. It has four perspectives namely; customer perspective, financial perspective, internal business process perspective, employee, and organizations capacity perspective. This method measures the performance of the

organization based on the vision and mission of the organization and strategic objectives contained in the work plan Local Revenue Offices in Sanggau Regency. Performance measurement is not only observed in the financial sector but also the achievement of the organization's activities.

LITERATURE REVIEW

New Public Management. New Public Management (NPM) is generally viewed as an approach in public administration that applies the knowledge and experience gained in the business management and other disciplines to improve the public services performance efficiency and effectiveness in the modern bureaucracy. It started in the 1990s when public administration sciences introduce a new paradigm 'New Public Management'. It introduced concepts that are usually treated for business and private sectors. The core of this concept is to transform the performance that has been used in the private sector and business to the public sector (Miftah Thoha, 2008).

Implementing the NPM concept has led to drastic changes in the public sector management of traditional, bureaucratic, and hierarchical traditional management systems into a flexible and more accommodative model of public sector management. The application of the NPM concept can be viewed as a form of modernization or management reform and public administration, the depoliticization of power, or the decentralization of democratic promoting powers. It has also changed the role of government especially in terms of the relationship between government and society (Hughes, 1998 in Mahmudi, 2015).

Performance. In English, the term performance is a noun. One of the meaning is "*thing done*" or something conducted. Therefore performance is the result of work that can be achieved by a person or group of people within an organization, in accordance with the authority and responsibility of each in the framework of efforts to achieve the objectives of an organization concerned legally, not violating the law and in accordance with moral and ethics. (Dedi Rianto, 2010)

According to Mulyadi (2001) "Performance is the success of personnel, team or organizational unit in realizing predetermined strategic goals with expected behavior". According to TIM AKIP BPKP (2000), the definition of performance is a condition that must be known and informed to certain parties to understand the level of achievement of agency results associated with the vision of an organization and to know the positive and negative impact of an operational policy taken. In general, performance is the success of individuals or groups in achieving the vision.

Performance Measurement. Performance Measurement is a process of assessing the progress of work against predetermined goals and targets, including information on efficient use of resources in the production of goods and services; quality of goods and services (how well goods and services are delivered to customers and to how satisfied customers are); activity outcomes are compared with the intended purpose; and the effectiveness of actions in achieving goals (Robertson 2002 in Mahsun, 2006).

According to Mahmudi (2007), performance measurement is a tool to assess the success of the organization. In the context of public sector organizations, the organization's success will be used to gain legitimacy and public support. The community will judge the success of public sector organizations through the organization's ability to provide relatively cheap and quality public services. According to mahsun (2006) on public sector organizations, the measurement of success is more complex because measurable things are more diverse and sometimes abstract. Therefore measurements cannot be made only by using a single variable.

Balanced Scorecard in Public Sector Organization. The term Balanced Scorecard consists of two words namely Balanced and scorecard. The word balanced can be interpreted with the performance measured in a balanced way from the financial and nonfinancial sector, covering the short and long term. It involves the internal and external factors. The definition of the scorecard is a card used to record performance results scores for both current conditions and future planning (F.Rangkuti 2014).

The Balanced Scorecard is considered suitable for public sector organizations because not only it emphasizes the quantitative aspects of finance, but also the qualitative and nonfinancial aspects. This is in line with the public sector that places profit, not as a key performance measurement, but services that tend to be qualitative and non-financial. Although this concept is born in the business sector, public sector organizations can adopt the Balanced Scorecard concept. Adopting the style and technique of private sector management into the public sector is in line with the concept of New Public Management. The adoption of the Balanced Scorecard into public sector organizations aims to improve the performance of public sector organizations. The perspective in the Balanced scorecard is described as follows:

- **Customers Perspective.** The perspective of customers is the mainstay of all relationships from the perspective of the Balanced Scorecard concept. The overall objective of the public sector organization is to create community welfare. This perspective focuses on the fulfillment of community satisfaction through providers of goods and quality public services.
- **Financial Perspective.** The financial perspective in the private sector is used to measure the profit earned by the company, but in public sector organizations, it is used to measure the process of activities that have been budgeted to achieve economic, efficiency, and effectiveness.
- **Internal Business Process Perspective.** The implementation of internal business process perspective for the private and public sector is fundamentally similar. It aims to build organizational superiority through improvement of the internal process such as activity or vision and mission of sustainability.
- **Employee and Organization Capacity Perspective.** The employee and organization capacity perspective are used to assess the level of employee's competence, satisfaction, facilities, and infrastructure available to provide services.

Value For Money. Mardiasmo (2002) explained Value For Money as a concept of public sector organization management based on three main elements, namely economic, efficiency and effectiveness. **Economical:** obtaining inputs of a certain quality and quantity at the lowest price. Economical is the ratio of input with input value expressed in monetary unit. **Efficiency;** the achievement of maximum output with a given input for the lowest input use to achieve a particular output. **Efficiency** is the ratio of output/input associated with predetermined performance standards or targets. **Effectiveness:** the level of achievement of program outcomes with defined targets. In simple terms, effectiveness is the outcome compared with the output. The Value For Money concept consists of three main elements, namely:

Measures the level of austerity of expenditures by public sector organizations. The measurement of the economic level requires data on the expenditure budget and its realization. The following formula measures the economic level:

$$Economic\ Ratio = \frac{Realization\ of\ Expenditure}{Expenditure\ Budget} \times 100\%$$

Table 1 – Economic Ratio Criteria Table

Economic Performance Level	Criteria
> 100%	Not Economic
= 100%	Balanced Economic
< 100%	Economic

The efficiency ratio analysis is related to the relationship between output and input. In other terms, output per unit of input. An organization, program or activity is said to be efficient if it is able to produce a certain output using as low input as possible, or with a particular input capable of producing the maximum output. (Mahmudi, 2015) The efficiency ratio assessment illustrates the comparison between the magnitude of the target revenue and the realization of the received income, which is described below:

$$\text{Efficiency Ratio} = \frac{\text{Cost Realization to Obtain Revenue}}{\text{Realization of Local Own – Source Revenue}} \times 100\%$$

Table 2 – Efficiency Ratio Criteria Table

Efficiency Performance Level	Criteria
> 100%	Inefficient
= 100%	Balanced Efficiency
< 100%	Efficient

Effectiveness ratio analysis is a measure of the success of an organization in an effort to achieve established organizational goals. Effectiveness is the ratio of outcome and output. The outcome is the impact of a program or activity in the community while the output is the result achieved from an activity and policy programs. To measure the effectiveness of financial management, the researcher observed the comparison of the revenue budget with its realization and percentage of achievement levels. The following formula was used to measure effectiveness:

$$\text{Effectiveness Ratio} = \frac{\text{Realization of Revenue}}{\text{Budget Revenue}} \times 100\%$$

Table 3 – Effectiveness Ratio Criteria Table

Effectiveness Performance Level	Criteria
> 100%	Effective
= 100%	Balanced Effectiveness
< 100%	Ineffective

Table 4 – Vision, Mission, Strategic Objectives and Main Performance Indicators of Sanggau Regency Local Revenue Offices

Vision: Increasing Regional Income Through Excellent Service		
Mission 1: Creating a Community Obeying Taxes and Levies		
Objective	Strategic Objective	Key Performance Indicators
Increasing Sanggau District's Optimal Own-Source Revenue from the Tax Sector	Achieved Regional Revenue target from the tax sector Increased taxpayer from compulsory tax sector Implementation of the refinement of the legal basis of levies	Issuance of Local Taxes Total Regional Tax Revenues and Levies Total Regional Revenue Percentage of local taxpayer on regional tax Regional Regulation (Perda) and Regent's Regulation (Perbup) Local Revenue Collection compiled
Mission 2: Develop an accountable tax administration system		
Creating efficient and effective regional Financial Management Achieve strong and steady regional financial capacity	Availability of local financial revenue management facilities Implementation of supervision, coordination and control on revenue sector.	Develop and maintain Local Tax Management System (SIMAPADA) Develop and Maintain Tax Object Management Information System (SISMIOP) PBBP2 Implementation of supervision and control on revenue sharing of taxable and non-taxable
Mission 3: Implement the intensification and extensification of regional income		
Increase revenue, supervision, and coordination Increasing the potential of unexplored revenue sources	Improvement of potential revenue database Discovering new taxpayer source	Total Regional Tax object registered
Mission 4: Improving professional apparatus		
Improving the capacity of the apparatus in the management of local taxes Fully operational personnel administration and apparatus infrastructure facilities	Improving the capacity of the apparatus in the management of local taxes Fully operational personnel administration and apparatus infrastructure facilities	

METHODS OF RESEARCH

This research used descriptive research. It aimed to describe certain situations, attitudes, behaviors, views, phenomena, processes taking place in society. Researchers collected facts regarding local government performance to be measured using four perspectives in a balanced scorecard. This study used a qualitative approach in which researchers endeavored to understand the phenomena related to the local government's performance. It would be described further using words and sentences.

Data Collection. Data collection used primary sources and secondary sources. Primary sources are data sources that directly provide data to data collectors, and secondary sources are sources that do not directly provide data to data collection, for example through others or documents (Sugiono, 2015). Qualitative research is conducted through the following data collection methods:

- Interview. Interviews are a means of collecting data by asking questions directly to the informants who are authorized in a matter. Interviews in this study were conducted during office hours i.e five working days implemented within one month. The frequency and duration of the interview are tentative because it depends on the data required by the researcher until the data is saturated. At the interview, the researcher used aids such as notebooks, research instruments and sound recorder and picture in the form of mobile phones.
- Observation. John W Creswell (2014) states that qualitative observation is an observation in which the researcher goes directly to the field to record activity in the research location. The type of observation used was moderate participative observation, the researchers directly involved with the daily activities being observed. Researchers collected data in some activities but not all of them. Observations were conducted over five working days of the week with a period of one month.
- Documentation. Documentation is a record of prevailing events by collecting evidence and statements such as pictures, photographs, Laws, Government Regulations, etc. (Tohardi, 2012). Documentation in this research was intended to support the results of data collection from observation and interview to ensure the results of research to be more credible and reliable. The documents required for this research are Financial Statement, LAKIP, RPJMD, Renstra and Renja documents.

RESULTS AND DISCUSSION

Customer Perspective. Based on data collected in the study, 150 sheets questionnaire were distributed to taxpayers annually by Sanggau Regency Local Revenue Offices officials. Measuring the level of community satisfaction used by the Regional Local Revenue Office of Sanggau Regency took reference from PERMENPAN-RB Number 16 the Year 2014 on Guidelines for Public Satisfaction Surveys on Public Services. There are nine scopes of the Community Satisfaction Survey used. The results of the distribution of SKM questionnaires from the Year 2014-2017 is described as follows:

Table 5 – Public Satisfaction Survey Table

No	Question	Score			
		2015	2016 Semester I	2016 Semester II	2017
1	What is your opinion about the suitability of the service equivalent to the type of service?	3,047	3,08	3,093	3,1
2	How does your understanding about the ease of service procedures in this unit?	3,013	3,053	3	2,98
3	How do you think about the speed in providing services?	2,953	2,953	2,913	2,773
4	What do you think about the fairness of cost/tariff in service?	3,007	3,66	3,693	3,147
5	What do you think about the conformity of service products between those listed in the service standard and the results are given?	3	3,087	3,047	2,993

6	What is your opinion about the competence/ability of the officer in the ministry?	3,147	3,08	3.073	2,953
7	What do you think of officer behavior in service related to politeness and friendliness?	3,113	3,247	3,18	3,093
8	How do you feel about the availability of service announcements?	3,4	3,56	3,56	3,173
9	What do you think about handling service user complaints?	3,353	3,573	3,62	3,28
Average Score		3,112	3,252	3,239	3,052
Service Unit IKM		77,79	81,29	80,97	76,29

Based on the public satisfaction survey table, the total satisfaction index of the total service unit is 79,085%, which means the level of service quality is a good category.

$$\text{Economic Ratio} = \frac{\text{Realization of Expenditure}}{\text{Expenditure Budget}} \times 100\%$$

Table 6 – Economic Ratio Measurement

Year	Expenditure Budget	Realization of Expenditure	Economic Ratio
2014	12.451.282.635,00	9.401.799.723,00	75,50%
2015	12.930.076.860,75	9.981.674.482,00	77,19%
2016	12.430.849.495	11.022.154.938	88,66%
2017	11.661.208.911	10.684.978.352	91,62%
Economic Ratio Average Score			83,24%

Based on the calculation of economic ratios, the average value is 83.24%. It indicates that Regional Local Revenue Offices achieved economic ratio level.

$$\text{Efficiency Ratio} = \frac{\text{Cost Realization to Obtain Revenue}}{\text{Realization of Local Own-Source Revenue}} \times 100\%$$

Table 7 – Efficiency Ratio Measurement

Year	Cost Realization to Obtain Revenue	Realization of Local Own-Source Revenue	Efficiency Revenue
2014	9.401.799.723	82.393.250.925	11,41%
2015	9.981.674.482	83.710.928.698	11,92%
2016	11.022.154.938	93.326.584.200	11,81%
2017	10.684.978.352	148.582.909.787	7,191%
Efficiency Ratio Average Score			10,58%

Based on the calculation of the efficiency ratio, the average value is 10.58%. It indicates the level of performance Sanggau Regency Local Revenue Office is at efficient level.

$$\text{Effectiveness Ratio} = \frac{\text{Realization of Revenue}}{\text{Budget Revenue}} \times 100\%$$

The effectiveness ratio is described as follows:

Table 8 – Effectiveness Ratio Measurement Table

Year	Realization of Expenditure	Realization of Revenue	Effectiveness Ratio
2014	1.145.515.208.678	1.138.019.505.150	100,65%
2015	1.247.676.355.321	1.291.870.964.684	96,58%
2016	1.325.818.216.698	1.439.630.663.762	92,09%
2017	1.521.097.883.937	1.576.477.454.803	96,49%
Effectiveness Ratio Average Score			96,45%

Based on the calculation, the average value of effectiveness ratio reached 96.45%. It indicates that the performance of Regional Local Revenue Office of Sanggau Regency is

ineffective. In the Year 2014 alone, the number reached more than 100%, specifically 100.65%. In the Year 2015-2017 the ratio is below 100% which indicates ineffectiveness. This is caused by the amount of local revenue received does not reach the set objective.

Internal Business Process Perspective. There are 6 strategic objectives to be measured using the internal business process perspective. The comparison of performance realization from the Year 2014-2017 is described as follows:

Table 9 – Performance Achievement Regional Revenue of Sanggau Regency Year 2014-2017

No	Strategic Objective	Year 2014 (%)	Year 2015 (%)	Year 2016 (%)	Year 2017 (%)	Average Achievement (%)
1	The achievement of Local Own-Source Revenue targets from the tax sector	82,95	107	91,22	105,18	96,59
2	Increased Compulsory Tax	60	117	111,79	86,69	95,37
3	Availability of local revenue financial management facilities	100	100	100	100	100
4	Implementation of supervision, coordination and control in revenue rector	79,37	73	60,51	83,19	74,02
5	Discovering new taxable sources	93,2	106	48,95	145,34	98,37
6	Implementing the refinement of the legal basis of levies	68,55	100	66,67	75	77,55
Average Score		80,67	100,5	79,86	99,23	90,07

Based on the performance measurement of the internal business process perspective, there are 6 strategic objectives observed from the result of annual performance report from the Year 2014-2017. The average value obtained 90,07. It indicates the interpretation of high-performance level at Local Revenue Board.

Employee and Organization Capacity Perspective. This perspective was observed through 3 aspects. Those are employee competence, employee satisfaction, and technology infrastructure/facilities. There are 2 programs or activities used to measure performance which is described as follows:

Apparatus Capability Improvement. The human resources apparatus contained in Sanggau Regency Local Revenue Offices amounted to 67 people consisting of 43 civil servants and 24 contract workers. Based on the level of education, there are 7 graduates of Strata 2, 22 people possessing Strata 1 education, 6 people with Diploma education, 30 people with high school education, 1 person with junior high school education and 1 person with an elementary education. Activities undertaken as an effort to improve the ability of the apparatus was conducted by providing education and training held annually. The capacity building activities are conducted internally and externally from the central government and provincial government level. To improve the employee discipline, work hour is set between 07.30 AM-15.30 PM with rest period 12.00 PM -13.30 PM. The office also provides uniform and equipment to employees.

Fulfillment of personnel administration operations and infrastructure facilities apparatus. Based on observations and data obtained by observing existing problems related to the operational personnel administration and apparatus infrastructure facilities, the researchers found the following facts: the infrastructure/office building is an old building formerly office of DPRD of Sanggau Regency, it experiences damage such as roof and deck leaking, walls are almost collapsed, heavy garage ceiling and almost collapsed, and the rooms are separated and not functional which affected coordination between fields and section becomes inefficient. Vehicle operational sector has not been met, as well as facilities and infrastructure is not maximal. The increasing number of employees is not offset by the increased facilities and supporting infrastructures such as computers, desks, and chairs.

CONCLUSION

Based on the research result and analysis to measure the performance of Regional Local Revenue Office in Sanggau Regency, the achieved performance measurement

reached 90.9% with a high level of interpretation. The details of performance measurement based on four perspectives in Balanced Scorecard is described as follows:

Customers Perspective. Sanggau Regency Local Revenue Offices has conducted measurement of public satisfaction by distributing questionnaires to 150 taxpayers using SKM survey as stipulated in PERMENPAN-RB Number 16 the Year 2014 on Guidelines for Public Satisfaction Surveys on Public Services. There is 9 scopes of employee satisfaction survey. The average IKM value in the Year 2014-2017 is 79.085% which represents good quality IKM Service.

Financial Perspective. Based on the analysis result using value for money, it measures the financial sector from the level of economic, efficiency and effectiveness, as described follows;

- Economic ratios measure the level of savings from expenditures made by the Sanggau Regency Local Revenue Offices. Analysis result obtained 83,24% average score which represents economic ratio level.
- Efficiency Ratio is related to the relationship between output and input. The analysis results obtained 10.58% which represents efficient ratio level.
- Effectiveness Ratio is a measure of the success of an organization in an effort to achieve organizational goals, comparing the outcome and output. Based on the analysis results, it obtained 96.45% score indicating ineffective ratio level. In 2015-2017 the number of ratios does not reach 100% because received revenue is less than the set objective.

Internal Business Process Perspective. Internal business process perspective contained 6 strategic objectives used to measure the performance of Sanggau Regency Local Revenue Offices. Based on data obtained, Internal Business Process perspective reached 90,07% score with a high level of interpretation. It also exhibited programs and activities that have been planned to be implemented.

Employee and Organization Capacity Perspective. There are 2 programs used in the employee and organization capacity perspective. In the first program, Local Revenue Offices has a sufficient number of employees and there are several education and training activities organized by the central and provincial government. However, facilities and infrastructure facilities require improvement considering its poor condition.

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