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EFFECTS OF VALUE FOR MONEY ON REGIONAL BUDGET (APBD) PERFORMANCE IN KONAWE ISLAN REGENCY AS A NEW AUTONOMOUS REGION IN THE PERIOD OF 2014-2016

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Abstract—This research aims to analyze and test effects of Value for Moneywith indicators of Economics , Efficiency and Effectiveness on Financial Performance of the Regional Government of Konawe Islam Regency. Data analysis methods is by descriptive method and hypothesis testing is by multiple linear regression analysis. Effects ofValue for Moneywith Economics indicator on Financial Performance of the Regional Government of Konawe Islam Regency has good Economics criteria, with mean ratio by 84 %. Results of multiple linear regression analysis is positive and significant, with values ofTarithmeticby 2.974 and Ttableby 2.306. Effects of Value for Moneywith Efficiency indicator on Financial Performance of the Regional Government of Konawe Islam Regency has good efficiency criteria, with mean ratio by 84%. Results of multiple linear regression analysis is positive and significant, with values of Tarithmeticby 2.751 and Ttableby 2.306. Effects of Value for Money with Effectiveness indicator on Financial Performance of the Regional Government of Konawe Islam Regency has good effectiveness criteria, with mean ratio by 94%. Results of multiple linear regression analysis is negative and significant, with values of Tarithmeticby -4.706 and Ttableby 2.306. It means that Value for Moneywith effectiveness indicator cannot improve Financial Performance of the Regional Government of Konawe Island Regency.

Index Term: Value for Money, Economics, Efficiency, Effectiveness.

1 INTRODUCTION

Regional autonomy regulates in the Law UU No. 23/2014 concerning Regional Government regulating various regional authorities, one of which is authority of regional financial management and Law No. 33/2004 concerning Financial Balance between Central Government and Regional Government. Then, it leads to a logical consequence namely emergence of a phenomenon of increasingly demands for public accountability and transparency given by local governments when applying the concept of Value for Money in their activities (John, 2002; Mardiasmo, 2006), based on three main elements, namely economics, efficiency and effectiveness

Public has given a serious attention to financial performance of local governments since reformation erain which opened up opportunities for wider community to speak up their ideas. As a consequence, the regional government is required to be able to use carefully their owned funds so that they are able to produce quality public services according to the minimum standards provided to the community. Mardiasmo (2007) stated that government financial performance serves as the focus of attention in state financial management. Such financial performance of the government is how the regional government obtains and uses its funds in carrying out the relevant regional development. Therefore, it is necessary to measure the government performance so there will be a statement of success by the regional government and any necessary improvement.

One concrete effort to realize transparency and accountability in state financial management is submission of government financial accountability reports that meet punctuality principle and prepared by following Government Accounting Standards (SAP). This is stipulated in the Law No. 17/2003 concerning State Finance which requires the form and content of the accountability report for the implementation of the State Budget (APBN) / Regional Budget (APBD) to be compiled and presented in accordance with Government Accounting Standards as stipulated by government regulations. It must submit types of financial statements in the forms of budget realization reports, balance sheets, cash flow statements and notes to financial statements (CaLK).

It is very important to measure the financial performance of local government in order to assess its accountability of organizational performance in public services. Accountability does not merely indicate ability to spend public funds, but includes the ability to show that the public funds have been spent economics ly, efficiently, and effectively (Mardiasmo, 2007).

According to Mardiasmo (2009),it is necessary for any perceivable indicators or benchmarks in measuring the performance of local governments. The performance measure as referred is Value for Moneywith its indicators is stated in the levels of economic, efficiency, and efficiency levels. Economics is a concept connecting the number of inputs with input values, while efficiency compares the number of inputs and outputs and effectiveness connects outputs with outcomes that are usually expressed by financial ratios based on local government financial statements.

There is an increasingly rapid development by public sector organizations, both at central and regional levels. However, this has led to emergence of a phenomenon of increasing demands for public accountability and transparency given by the government. The public sector is often seen as a main source of fund waste and often losing institution. In addition to this, there are also new demands, namely that public sector organizations pay attention to value for money in carrying out their activities (John, 2002). Value for money is a concept of managing public sector organizations based on three main elements, namely: economics, efficiency, and effectiveness (Mardiasmo, 2006).

Value for Moneyaims to increase accountability of public sector institutions and improve government its performance (Geoffrey et al., 2002). In the context of regional autonomy, Value for Money is seen as a bridge to deliver local governments to achieve good governance, namely transparent, economics , efficient, effective, and accountable local governments. So, the Value for Money concept is extremely required as a support for regional financial management and regional funds. To support the implementation of public fund management based on the concept of Value for Money, it is necessary for a good system of financial management and regional budgets. Abu and Kabir (2003) stated that the benefits of implementing the Value for Money concept in public sector organizations include increasing effectiveness of public services in terms of delivery services on target, spending more oriented allocations to the public interest, and improving awareness of public money as the root implementation of accountability public.

Similarly, the Regional Government of KonaweIsland Regencyas divided by the New Autonomous Region based on Law No. 13 of 2013 technically has fulfilled the requirements, especially the financial requirements to finance its program and activities in government administration and development. However, there is sill a low level of financial independence and there is still high level of dependence on the central government, as shown in the following table:

Table 1.1 Plan and Realization of Transfer Revenue of the Government of KonaweIsland Regency Period of 2014-2016.

Year	Plan of Transfer Budget (Rp)	Realization of Transfer Budget (Rp)	Percentage (%)
1	2	3	4
2014	124.019.998.430	118.250.052.580	95,35
2015	471.450.282.493	445.032.458.740	94,39
2016	542.491.138.458	500.512.168.710	92,26

Source: LPPD of Konawe 2014-2016

Based on Table 1.1 above, it can be seen that there is still a very high level of dependence by the regional government of Konawe Islands Regency District government on the budget given by the central government, meaning that the region is yet independent in managing its region economic potential. It was seen in 2014 that the transfer funds from the central government were planned to be IDR 124,019,998,430 and then realized to be IDR 118,250,052,580 or 95.35% of the total Regional Budget (APBD) of IDR 134,728,048,430. In 2015 the transfer funds from the Central Government were planned to be IDR 471,450,282,493 and then realized to be IDR 445,032,458,740 or equal to 94.39% of the total Regional Budget (APBD) of IDR 486,232,003,492. Whereas in 2016, the transfer fund was planned to be IDR 542,491,138,458 and realized by IDR 500,512,168,710 or 92.26% of the total APBD of IDR 562,276,246,962. Meaning, for 3 (three) consecutive years, there has been a increasing number of realization of these transfers even though the percentage has declined.

Starting from the above phenomena, the researchers are interested in doing re-research (replication) with different approaches, methods, time and place to prove the phenomenon, with the title of Effects of Value for Money on Regional Budget Performance of Konawe Island Regency As a New Autonomous Region (DOB) in the period of 2014-2016. The research objectives are (1) to test and analyze the effect of simultaneous value for money with economic, efficiency and effectiveness indicators on financial performance by Local Government, (2) to test and analyze the effect of value for money with economic indicator on the financial performance of Local Government, (3) To test and analyze the effect of value for money with efficient indicator on the financial performance of Local Governments and (4) To test and analyze the effect of value for money with effectiveness indicator on the financial performance of the Regional Government of Konawe Island Regency.

2 Literature Review

2.1 Financial Performance

According to Been Lee (1970) in Alfatih (2004) administration improvement aims to improve regularity, improve method and improve working performance. Wallis (1989) in Rakhmat (2005) said that administration improvement includes three aspects, namely changes as improvement on previous conditions, improvement by deliberate efforts and not a coincidence, and long term and non-temporary.

According to Bastian (2006), preparation of performance-based budget requires a well-organized, consistent and structured public administration system so that budget performance can be achieved based on predetermined measurements. According to Tjokroamidjojo (1985) in Sinaga (2008) stated that it is necessary for administrative reform to be addressed at improving administration to support regional development.

Financial performance analysis is a critical process of reviewing, calculating, measuring, interpreting data reviews, and providing solutions to company finances in a given period.

According to Munawir (2012) stating that the purposes of measuring company financial performance is:

1. Knowing the level of liquidity. Liquidity shows the ability of a company to fulfill financial its obligations that must be resolved when billed.
2. Knowing the level of solvability. Solvability shows the abil-

ity of a company to fulfill its financial obligations if the company is liquidated, both short-term and long-term financial.

3. Knowing the level of rentability. Rentability or often referred to as profitability shows the ability of a company to generate profits for a certain period.
4. Knowing the level of stability. Stability shows the ability of a company to conduct its business stably, which is measured by considering the company's ability to pay its debts and pay the interest expense for its debts on time.

2.2 Measurement of Financial Performance of Regional Government

In general, performance is a descriptionof achievement on the implementation of an activity or program in order to realize goals, objectives, vision and mission of the organization (Bastian, 2012). But according to Regulation of the Government No. 8 of 2006, performance is the output or outcome of an activity or program that is intended or has been achieved in connection with the use of a budget in a measurable quantity and quality. Thus, performance reflects results or work performance that can be achieved by a person, work unit, and or an organization for a certain period in accordance with the authority and responsibility in an effort to achieve goals legally and according to morals and ethics.

Performance measurement is an activity of assessment to achieve certain targets derived from organizational strategy goals (Lohman, 2003). Performance measurement can be done using relevant rating system. The rating must be easy to use according to what will be measured, and reflect any things that determine the performance (Werther and Davis, 1996).

Financial problems relate to regional economics, especially concerning the financial management of a region, about how sources of revenue are taken and distributed by the Regional Government (Devas, 1995). While success of regional development is reflected in the size of the Regional Original Income (PAD) in financing regional development. The biggest and most sustainable development fund potential is sourced from the community itself which is collected from taxes and regional levies (Basri, 2003).

Therefore, increasing role or portion of PAD towards the APBD without burdening the public and investors is one indication of the success of the regional government in implementing regional autonomy, more important is how local governments manage regional finance efficiently and effectively (Saragih, 2003).

For investors, information about company financial performance can be used to see whether they will maintain their investment in the company or look for other alternatives. If the company performance is good, the business value will be high. With a high business value, investors look at the company to invest their capital so that there will be an increase in stock prices. Or it can be said that stock prices serve as company value.

As for the company, information on the companyfinancial performance can be used for the following things:

1. To measure the achievements by an organization in a certain period that reflects success level of the implementation of its activities.
2. In addition to being used to look at organizational performance as a whole, performance measurement can also be used to assess the contribution of a part in achieving overall corporate goals.
3. It can be used as a basis for determining company strategy for future periods.
4. It provides instructions in decision making and organizational activities in general and divisions or parts of the organization in particular.
5. As a basis for determining investment policies in order to increase company efficiency and productivity.

2.3 Ratio Analysis

Ratio analysis can disclose important relations and be used as a comparison in determining difficult conditions and trends to be detected by studying each component forming the ratio (Wild, Subramanyan, Hasley, 2004).

According to (Harahap, 2006; Lutfia, 2011) financial ratio is the number obtained from comparison result of a financial report post with other posts with relevant and significant relationship.

So, it can conclude that financial ratio analysis is an analytic procedure used to compare financial posts in the financial statement in the ongoing year with any related posts from financial statement in previous periods. The financial ratio tool used is ratio analysis developed based on financial data taken from regional revenue and expenditure budget (Halim, 2004) namely:

Regional Financial Independence Ratio

Regional financial independence ratio (fiscal autonomy) shows ability of local governments to finance their own governance, development and service delivery to people who have paid taxes and retributions as a source of regional income. Regional financial independence is indicated by size of regional income compared to regional income from other sources, such as central government assistance or loans.

The independence ratio describes regional dependence on external funding sources. The independence ratio also describes level of community participation in regional development. Higher independence ratio leads to higher community participation in paying regional taxes and retributions as the main components of local revenue. Higher community payment on regional taxes and retribution leads to higher community welfare (Mahmudi, 2010), with the following formulations:

$$\text{Independence Ratio} = \frac{\text{Regional Origin Revenue}}{\text{Assistance of Central orProvincial Government and Loans}} \times 100\%$$

Effectiveness Ratio of Regional Financial

The effectiveness ratio illustrates ability of local governments to realize planned local revenues compared to the set targets based on regional real potential. Regional capacity will be in effective category if the ratio achieved reaches a minimum of 1 (one) or 100 percent. However, higher effectiveness ratio leads to better regional ability.

In order to obtain a better measure, it is necessary to compare the effectiveness ratio with the efficiency ratio achieved by the local government (Mahmudi, 2010), with the following formulations:

$$\text{Effectiveeness Ratio} = \frac{\text{Realization of PAD Revenue}}{\text{Target of PAD Revenu}} \text{ X } 100\%$$

Efficiency Ratio of Regional Government

The efficiency ratio is a ratio that describes the comparison between the number of costs incurred to obtain income and realization of income received. For this reason, it is necessary for the regional government to calculate carefully the number of costs to realize all incomes that will be received so that it can determine whether income collection activity is efficient or not.

It is necessary since even though the regional government has succeeded in realizing revenue based on its determined targets, there will lead to meaningless success if it turns out that the costs to realize the revenue target are greater than the realization of received income.

Performance of the regional government in revenue collection will be in efficient category if the ratio achieved is less than 1 (one) or below 100 percent. Smaller efficiency ratio means better performance so that it is necessary for Regional Government to calculate carefully the number of the costs to realize all of the received income so that it can determine whether the collection activity is efficient or not.

It is necessary since even though the regional government has succeeded in realizing revenue based on its determined targets, there will lead to meaningless success if it turns out that the costs to realize the revenue target are greater than the realization of received income.

$$\text{Efficiency Ratio} = \frac{\text{Costs spent to collect PAD}}{\text{Realization of Regional Original Revenue}} \text{x } 100\ \%$$

Activity Ratio of Regional Financial

This ratio illustrates local governmentpriority to fund allocation in routine expenditure and development expenditure optimally. Higherpercentage of allocated funds for routine expenditure means smaller percentage of investment expenditure (development expenditure) used to provide community economic infrastructure.

There is no definitive standard for the ideal level of ratio on routine and development expenditure toward the APBD, because it is strongly influenced by dynamics of necessary activities to achieve targeted growth. However, as regions in developing countries, role of regional governments to spur development implementation is still relatively small.

Therefore, the relatively small ratio of development expenditure requires to be improved according to the development needs in the region (Halim in Lutfia, 2011), with the following formulations:

$$\text{Ratio of Routine Expenditure on Regional Budget - APBD} = \frac{\text{Costs spent to collect PAD}}{\text{Realization of Regional Original Revenue}} \text{x } 100\ \%$$

Debt Service Coverage Ratio (DSCR)

DSCR ratio is a comparison between the sum of regional original revenue, regional portion of land and building tax, receipt of natural resources and other parts of the region and general allocation funds after compulsory expenditure, with the sum of principal installments, interest and other due loan costs.

Regional Section (BD) in the Regional Budget and report on the realization of tax and non-tax revenue sharing. Whereas compulsory expenditure is a DAK (Special Allocation Fund) plus employee expenditure (DAK + Employee Expenditure) (Mahmudi, 2010), with the following formulations:

$$\text{DSCR} = \frac{\text{PAD Regional Part of DAU}-\text{obligated Expenditure}}{\text{total (Basic Installment of Loan Costs}} \text{ x } 100\%$$

2.4 Financial Ratio Analysis

There is APBD financial ratio analysis by comparing the results achieved from one period compared to previous period so that it can determine the existing tendency. By this analysis, the government can assess regional financial independence in financing the implementation of regional autonomy, measure effectiveness and efficiency in realizing regional income, measure the level of government activities in spending regional income, measure contribution of each source of income in regional income formation, and measure feasibility / Inadequate Regional Government in returning basic loan installments.

Concept of Value for Money

Value for Moneyis a concept of managing public sector organizations based on three main elements, namely: economics, efficiency, and effectiveness (Mardiasmo, 2009).

Economics is acquisition of inputs with certain quality and quantity at the lowest price. Economics is a comparison of inputs with input values expressed in monetary units. Economics is related to the level of public sector organizations can minimize used input resources, namely by avoiding wasteful and unproductive expenditures.

Efficiency is achievement of maximum output with certain inputs or the lowest use of inputs to achieve certain output. Efficiency is a comparison of output or input related to a set of performance standards or targets.

Effectiveness is the level of achievement of program results with a set target. In a simple term, effectiveness is a comparison of outcomes with output.

Value for Money can be achieved if the organization has used the smallest input costs to achieve optimum output in order to achieve organizational goals. Implementation of value for moneyconcept in public sector organizations is intensively applied in line with increasing demands for public accounta-

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bility and implementation of good governance, in order to improve public sector accountability and performance (Mardiasmo, 2009).

Regional financial performance is the level of achievement of a work result in the area of regional finance which includes regional expenditure and revenue using the financial system that is established through a policy or statutory provision for a budget period. Measurement of performance is in the form of financial ratios from accountability report system of regional heads in the form of reports on APBD calculations.

According to Halim (2008) Regional Revenue and Expenditure Budget is a plan for financial operation of the regional government, in which one party describes the highest estimated expenditure to finance each regional activity and project within a budget year, while on another hand, it describes estimated revenue and revenue sources covering the intended expenditure.

3 Conceptual Framework And Hypotesis

3.1 Conceptual Framework

The conceptual framework in this study is an in-depth study, both in terms of theory and based on empirical studies of Value for Money. The conceptual framework is formulated from problem formulation as described previously and an explanation of each variable and pattern of relationships formed by these variables. Some previous studies illustrate that Value for Money is a measurement of financial performance.

Based on the problem formulation and the research objectives to be achieved, this thesis is directed at testing and analyzing the APBD Performance Analysis from the Value for Money perspective. In developing this concept based on relevant theories and based on partial previous studies, the integrated conceptual framework of this research is shown in Figure 3.1 as follows:

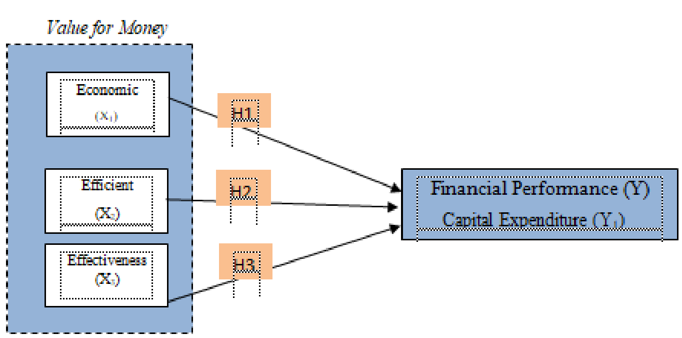

Figure 3.1 :Research Conceptual Framework

Hypotheses

H1: Value for Money with economic, efficiency and effectiveness indicators has significant positive effects on the financial performance of the regional government in Konawe Islands Regency.

H2: Value for Money with economic indicator has significant positive effects on the financial performance of the regional government in Konawe Islands Regency.

H3: Value for Money with efficiency indicator has significant positive effects on the financial performance of the regional government in Konawe Islands Regency.

H4: Value for Money with effectiveness indicator has significant positive effects on the financial performance of the regional government in Konawe Islands Regency.

4 Research Methods

The research location is carried out at the regional Government of Konawe Islands Regency with the object is Konawe Islands Regional Revenue and Expenditure Budget Performance Fromthe PerspectiveofValue for Money. This study type is an empirical study that aims to obtain empirical evidence about the effect of Value for Money on economic, efficient and effectiveness indicators, on the Financial Performance of the regional Government of Konawe Islands Regency for the period of 2014-2016. This study uses time series data, because this study only focuses on an event from 2014 to 2016 and data collection is done only once.

The types of data in this study consist of: (a) Quantitative data and qualitative data related to the performance of regional financial management. Financial statements of the regional government of Konawe Islands Regency 2014 to 2016 including all required data and information in measuring variables and analyzing data and also for testing hypotheses in research.

Data Collection Techniques through observation, documentation techniques covering local government financial statements from 2014 to 2016 which are compiled based on the Government Accounting Standard Statement (PSAP) Number: 1 concerning Preparation of Government Financial Reports. And other legislation related to the preparation, presentation, and financial reporting of regional governments.

The data analysis method used is a multiple regression model to test the effect of Value for Moneywith economic indicators, efficiency and effectiveness on local government financial performance with one indicator (Halim, 2012) which is an indicator of harmony with the model equation as follows:

$$Y=\alpha+\beta1EK+\beta2EFS+\beta3EFT+e$$

Informatioan:

Y	= FinancialPerformance(ratio of capital expenditure).
α	= Interceptof regression equation.
$\beta1$–$\beta3$	= Regression coefficient.
EK	= Economic,
EFS	= Efficient,
EFT	= Effectiveness.
e	= Error coefficient

5 Research Results And Discussion

5.1 Data Analysis and Hypotheses Testing

Based on the analysis results with multiple linear regression, it is obtained the results as presented in the table 5.1. as follow:

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Variables	Unstandardized coefficient		t	Sig	Correlation Partial	Notes
	B	Std Error				
Economics (X_1)	1.139	0.444	2.974	0.018	0.725	Significant
Efficiency (X_2)	1.402	0.510	2.751	0.025	0.697	Significant
Effectiveness (X_3)	-1.919	0.408	-4.706	0.002	-0.857	Significant
Constanta (a) =	2.035		$F_{arithmetic}$ = 214.299			
Multiple Correlation (R) =	0.994		Sig F = 0,000			
Multiple determination Coefficient (R-square)	0.988		F_{table} = 4.066			
Adjusted Square =	0.983		T_{table} = 2.306			
Durbin – Watson =	2.024		SEE = 0.782			

$$\hat{Y} = \alpha + \beta x1 + \beta x2 + \beta x3 + e$$

$$Y = 2.035 + 1.319\,X1 + 1.402\,X2 - 1.919\,X3 + e$$

H1. Value for Money with economic (X1), efficient (X2), effectiveness (X3) indicator has simultaneous effects on the Financial Performance of the regional government of Konawe Islands Regency.

Based on results of testing (F test) of the three independent variables namely Economics (X1), Efficiency (X2) and Effectiveness (X3), they are variables that influence on the Financial Performance of the regional Government of Konawe Islands Regency (Y). This can be seen from unstandardized value of the largest regression coefficient (beta coefficient) of 1,319 for Economic indicator, 1,402 for Efficient and -1,919 for Effectiveness indicator, in which the correlation coefficients are 0.725, then 0.697 and -0.857.

Based on the above equation, it shows that constant value (β0) by 2,035 means that the Financial Performance of the regional Government of KonaweIsland Regency (Y) will be remain 2,035, even though Economic, Efficient and Effectiveness variables are zero. From the regression equation, it can be concluded that if the performance is increased by 2,035, the Economic factor increases by 1,319, Efficient increases by 1,402 and there is a decrease in the Effectiveness indicator by -1,919.

H2. Value for Money with economic (X1) indicator influences on the Financial Performance of the Regional Government of Konawe Islands Regency.

Results of data analysis show that Value for Money with Economic (X1) indicator has positive and significant effects on the financial performance of the Regional Government of Konawe Islands Regency (Y). This is indicated by t test results at the confidence level of 0.95 or actual level α = 0.05 free degrees of 8, in which tarithmetic= 2.974>ttableis 2,306 or with a probability value = 0.018 <0.05. Thus, the first hypothesis can be accepted stating that the Value for Money variable with Economic (X1) indicator has positive and significant effects on the Financial Performance of the regional government of Konawe Islands Regency (Y).

H3. Value for Money with an efficient (X2) indicator influences on the Financial Performance of the regional government of Konawe Islands Regency.

For more details, proofing the second hypothesis can be seen in the following description:

Results of data analysis show that Value for Money with efficient (X2) has indicator positive and significant effects on the Financial Performance of the regional government of KonaweIsland Regency (Y).

This is indicated by t test results at the confidence level of 0.95 or actual level α = 0.05 free degrees of 8, in which tarithmetic= 3.875>ttableis 2,306 or with a probability value = 0.025 <0.05. Thus, the second hypothesis can be accepted stating that the Value for Money variable with Efficient (X2) indicator has positive and significant effects on the Financial Performance of the regional government of Konawe Islands Regency (Y).

H4. Value for Money with effectiveness (X3) indicator influences on the Financial Performance of the regional government of Konawe Islands Regency.

Results of data analysis show that Value for Money with effectiveness (X3) indicator has significant negative effects on the Financial Performance of the regional government of KonaweIsland Regency (Y). This is indicated by t test results at the confidence level of 0.05 or actual level α = 0.05 free degrees of 8, in which tarithmetic= -4.706>ttableis 2,306 or with a probability value = 0.002 <0.05. Thus, the third hypothesis can be accepted stating that the Value for Money variable with Effectiveness (X3) indicator has positive and significant effects on the Financial Performance of the regional government of Konawe Islands Regency (Y).

This is because the aspect of budget planning carried out by the Regional Government Budget Team (TAPD) of Konawe Islands Regency is not mature in setting revenue targets, because during the periods of 2014-2016, the realization of Revenue / Expenditure of the Regional Budget (APBD) is always in below level of predetermined targets.

5.2 Discussion of Research Results

a. Economics, efficient and effective influence simultaneously on the financial performance of the government of Konawe Islands Regency.

Based on results of simultaneous tests (F Test), it obtains the results simultaneously stating that economic, efficient and effectiveness indicators on the financial performance of the government of Konawe Islands regency has F-arithmetic of 214,299 with a Sig F value smaller than alpha 5% (0,000 <0.05). So that, it can be concluded that with a confidence level of 95%, it is stated that economic, efficient and effectiveness indicators have simultaneous effects on the financial performance of the Government of Konawe Islands Regency.

Economics means using anythings carefully and wisely to obtain good results. Economics also means the lowest cost. Efficiency is acting by minimizing losses in using economic resources. So, this efficiency is measured by output and cost ratios. Effectiveness is achievement of goals so that it cannot be separated from the relationship between achieving goals and produced output.

Empirical facts show that, in general, the Government of Konawe Islands Regency has allocated regional expenditure to public interests, as well as there is an awareness of using public funds for accountability. Although from the aspect of effectiveness (partial), there is a decrease.

These results confirm the statement of the University of Cambridge (JumaniaSeptariani and RahmaniahSekayu 2016), that the British Council Higher Education (HEFCE) described the Value for Money as a term used to assess whether an organization has obtained maximum benefits from goods and services in obtaining and providing available resources.

Then, in line with the opinion expressed by Mahmudi (2005), that the concept of Value for Moneyserves as an important concept in public sector organizations in which Value for Money has a definition as appreciating value of money. Value for money can be achieved if an organization has used the smallest input costs to achieve optimum output in order to achieve organizational goals.

These results are in line with the research results of JumaniaSeptariani and RakhmaniaSekayu (2016) using the concept of Value for Money (economy, efficiency, and effectiveness) in financial management in the Government of MusiBanyuasin Regency which has been realized in the realization of good governance because it has been already economics , efficient and effective.

Implementation of the Value forMoney concept in the financial management in MusiBanyuasin Regency can make better use of finance in terms of accountability and the way the funds is used for public interests and direct feedback.

b. Effect of Value for Money with Economic Indicator on the Financial Performance of the government of Konawe Islands Regency.

Based on testing results of the hypothesis in Table 5.15, this is indicated by t test results at the confidence level of 0.95 or the actual level α = 0.05 free degrees 8, where tarithmetic= 2.974>ttableis 2,306 or with probability values = 0.018 <0, 05, which economic factor has positive and significant effects on the Financial Performance of the government of Konawe Islands Regency. This means that more Economics acquisition of inputs with certain quality and quantity will influence on improving the Financial Performance of the government of Konawe Islands Regency.

These results indicate that the Value for Money variable with Economic indicator is able to explain variations in changes in Financial Performance in the government of Konawe Islands Regency. This indicates that Value for Money with Economic indicator can improve Financial Performance according to the organizational goals.

Referring to the perspective of Value for Money based on description of economic ratio data, then it meets the economic criteria, as well as results of a significant positive hypothesis test. Value for money can be achieved if the organization has used the smallest input costs to achieve optimum output in order to achieve organizational goals.

But the empirical facts show that Value for Money with economic indicator is derived from a decrease in the Dollar Exchange Rate which influences on strengthening of Rupiah Currency value;for example, Four-Wheel Vehicle Purchases based on e-catalogs, negotiating land prices between the government and the community with a requirementthat previous landowners will work on the project / activity on the land.

The results of this study are in line with the Value for Money concept stating that economics is the acquisition of inputs with certain quality and quantity at the lowest price. Economics is a comparison of inputs with input values expressed in monetary units and related to the level of public sector organizations can minimize used input resources, namely by avoiding wasteful and unproductive expenditures (Mardiasmo, 2002).

Whereas according to Mahmudi (2005) Economics is the relationship between market and input (cost of input). In other words, economics is the practice of purchasing input goods and services with a certain level of quality at the best price (spending less).

This result is not supported by a statement given by Samuelson (2009), stating that Economy is a method used by a person or group of people in utilizing limited resources to obtain various kinds of commodities and products and to distribute them so that they can be consumed by many people . (http://pengertian.website/pengertian-ekonomi/accessed on, 20/06/18).

This result is in line with Stewardship Theory which describes a situation in which managers are not motivated by individual goals but rather addressed at their main outcome goals for the benefit of the organization, so the theory has a psychological and sociological basis that has been designed in which executives as stewards are motivated to act according to the principal's wishes, besides that the steward behavior will not leave his organization because the steward tries to reach his organization targets. This theory is designed for researchers to test situations in which executives in a company serving as servants can be motivated to act in the best way for the sake of its principals (Donaldson and Davis, 1989, 1991).

c. Effect of Value for Money with Efficiency Indicator on the Financial Performance of the government of Konawe Islands Regency.

Based on testing results of the hypothesis in Table 5.15 stating that Value for Money with Efficient indicator has positive and significant effects on the Financial Performance of the government of Konawe Islands Regency;it is indicated by t test results at trust level, 0.95 or actual level α = 0.05 free degrees 8, where tarithmetic= 3.875 <ttable is 2,306 or with probability values = 0.025 <0.05.Thus, the second hypothesis can accepted stating Value for Money with Efficient (X2) indicator on the Financial Performance of the government of KonaweIsland Regency (Y). This means that efficiency in government spending will influence on improvement of the Financial Performance of the government of Konawe Islands Regency.

These results indicate that the Value for Money variable with the Efficiency indicator is able to explain variations in changes in Financial Performance in the Konawe Islands Regency Government. Meaning that Value for Money with Efficient indicator can optimally improve the Financial Performance in accordance with organizational goals.Value for money can be achieved if the organization has used the smallest input costs to achieve optimum output in order to achieve organizational goals.

But the empirical facts show that budget efficiency is obtained from remaining tender funds, the remaining balance of budget calculations (SILPA) and delayed program / activity funds, as well as maintenance funds (retention) from contractors. It is also added by inability of some heads of regional apparatus organizations (OPD) to optimize absorption of budget realization with various reasons such as late budget disbursement, implementation of time-tight activities with the end of the fiscal year and limited human resource capacity, due to available human resources (SDM) generally have educational background.

d. Effect of Value for Money with Effectiveness Indicator on Financial Performance of government Konawe Islands Regency

Based on testing results of the hypothesis in Table 5.15 or t test stating that Value for Money with Effectiveness indicator has negative and significant effects on the Financial Performance of the government of Konawe Islands Regency; it is evidenced by the results of hypothesis testing which value of tarithmeticis - 4,706>ttable= 2,306 with a significant level of T of 0,002 when compared with the significant level α = 0,05, then the value of tarithmeticis smaller than ttableor T probability value is smaller than α = 0.05 with a confidence level of 95%.

Thus, the third hypothesis is rejected stating the Value for Money variable with the Effectiveness (X3) indicator has significant negative effects on the Financial Performance of the government of Konawe Islands Regency (Y). This means that, referring to the aspect ratio of effectiveness, the criteria are not effective, because regional ability is said to be effective if the effectiveness ratio is at least equal to 100%. Higher effectiveness ratio leads to better financial performance. Conversely, if the effectiveness ratio is below 100%, financial performance in in bad or ineffective category.

While t test results show significantly negative, meaning that empirically, it is because the budget planning carried out by the government of Konawe Regency Regional Budget Team (TAPD) is not mature / poor in setting revenue targets, because during the periods of 2014-2016, realization of the revenue / the receipt of the Regional Budget (APBD) was always below the determined target. As well as the amount of budget taken from balancing fund or General Allocation Fund (DAU) and Special Allocation Fund (DAK) is not transferred to the Regional Government because of low level of budget absorption capacity due to high level of not-distributed budget in the Regional Cash.

Then, the Special Allocation Fund (DAK) is not transferred to the Regional Government due to the failure to achieve physical and financial realization in accordance with the technical guidelines for the budget management taken from the special allocation fund (DAK) so that it influences on the planned goals and established programs.

e. **Research Limitations**

Data periodization presented in this study is limited to only 3 years starting in 2014-2016, because at the time of this study, the available data are only from 2014-2016.

Financial performance based on Value for Money with economic, efficiency and effectiveness indicators is therefore possible to develop at ratio values other than the economic, efficiency and effectiveness ratios.

This study only determines at financial performance aspect, because it is possible to determine performance of the Regional Government of Konawe Islands Regency from non-financial aspects.

6 Conclusion And Recommendation

6.1 Conclusion

Based on the calculation of Value for Money ratios in the period of 2014-2016 with economic, efficient and effectiveness indicators supported by multiple linear regression analysis, the following conclusions are obtained:

1. Effect of Value for Money with Economic indicator on the Financial Performance of the government of Konawe Islands Regency Government is in (good) criteria, which the mean ratio is 97.73%. While the results of multiple linear regression analysis are significantly positive. This means that more Economics acquisition of inputs with certain quality and quantity leads to better financial performance of the government of Konawe Islands Regency.
2. Effect of Value for Money with Efficient indicator on the Financial Performance of the government of Konawe Islands Regency Government is in (good) criteria, which the mean ratio is 93.64%. While the results of multiple linear regression analysis are significantly positive. This means that more efficient government expenditure leads to improvement on financial performance of the government of Konawe Islands Regency.
3. Effect of Value for Money with Effectiveness indicator on the Financial Performance of the government of Konawe Islands Regency Government is in (not good) ineffective criteria, which the mean ratio is 93.68%. While the results of multiple linear regression analysis are significantly negative. This means that higher level of effectiveness ratio leads to better financial performance. Because Value for Money with the effectiveness indicator of its financial ratio is below 100%, the financial performance of the government of KonaweIsland Regency is ineffective.

6.2 Recommendations

Based on the conclusions above, the suggestions in this study are as follows:

1. For policy makers, especially the Government of Konawe Island Regency, it is recommended that their financial management is based on the concept of Value for Money with economic, efficient, and effective indicators.
2. The Government of Konawe Islands Regency should always optimize its Financial Performance since its Value for Money is always below 100%.
3. Especially on the effectiveness indicator, it should be optimized since the revenue plan is not realized according to the determined plan / target.
4. For other researchers who are interested in the study, this study can be continued by financial performance data at

least 5 (five) years and it can develop other financial performance ratios in addition to economic, efficient and effectiveness ratios.

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