



# A Phenomological Study of the Performance-Based Budgeting Model (PBB) in the Financial Management System of Private Universities Based on SAK EP and ISAK 35 at Universitas Ibn Khaldun Bogor

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**Abstract.** This study aims to phenomenologically examine the Performance-Based Budgeting (PBB) at Ibn Khaldun University Bogor (UIKA). Financial management at UIKA Bogor using the Financial Management Information System and Accounting (SIMKA) application based on SAK EP and ISAK 45. The research method used is descriptive qualitative, with data collection through distributing questionnaires and in-depth interviews with saturated samples of 37 respondents consisting of 7 leaders and 30 financial management staff at UIKA Bogor. The results show that UIKA Bogor has implemented Performance-Based Budgeting (PBB). The budget plan prepared is an elaboration of the vision, mission, goals, targets, strategic plans, work programs, and activities. To assess the achievement of targets and objectives have been set in the internal quality assurance system. The implementation of PBB still needs to be improved, including the adjustment budget plan if there are changes, the measurement and evaluation of the effectiveness of PBB implementation at the end of each budget year, and the socialization of NEW SIMKA as a new management information system that implements SAK EP and ISAK 35 to all users. The suboptimal understanding of users towards NEW SIMKA is an obstacle to PBB.

**Keywords:** *Performance-Based Budgeting, The Phenomenologically Models New SIMKA.*

## 1 Introduction

Budgeting is part of the financial planning and control process. The budget is a planning tool that outlines various future programs. Performance-based budgeting (PBB) is one of the agendas for reforming the financial management of public organizations. (PBB) as one of the agendas for reforming the financial management of public organizations (1). Performance-based budgeting is based on output and outcome, which is achieved by paying attention to efficiency in achieving these outputs and outcomes (2). The results of the research on the implementation of performance-based budgeting in the

West Sumba Regency Government and in Batu Hospital concluded that PBK has been running in accordance with the regulated mechanism which has an impact on the effectiveness of budget control (2). Preparation of performance-based budgets requires performance indicators, and each planned work program needs to be evaluated to ensure that the budget set is in accordance with the achievements realized (3,4). Every university expects an improvement in its quality, therefore The performance-based budgeting can help universities to achieve their goals and targets (5).

Performance-based budgeting is a more modern concept and is a development of the traditional budgeting system. A conventional budgeting system is also known as a line-item budget. The traditional budgeting system has several weaknesses, among others, the absence of adequate information for decision-making, too oriented to control and lack of attention to the planning and evaluation process, very little attention to the report on the implementation of the revenue and expenditure budget, neglect of performance achievements, the realization of budgeted revenues and expenditures. Budget drafters do not have rational reasons in setting revenue targets and do not pay attention to the planning and evaluation process (6,7). Traditional budgeting models are considered rigid, inflexible, and difficult to adapt to change (8). Traditional budgeting does not consider the effectiveness and efficiency of the budget and how the budget contributes to outputs, outcomes, and objectives (9). Because of its various functions and roles in the financial management process, as well as being a solution to existing problems, the performance-based budgeting model is very urgent to build and apply (10).

PBB is divided into three categories: 1. There seems to be no connection between financing decisions and performance achievements. 2). The target achievement of result is referred to as budgeting. As a result, PBB needs performance evaluation metrics to gauge the goals and outcomes of financial investment. Moreover, the accomplishment of the performance aim can be assessed by going over each performance indicator. 3). Resources are directly correlated with outcomes attained by direct performance budgeting, often known as the managerial performance approach. The current year's performance will influence the following year's budget (11).

Financial management at Universitas Ibn Khaldun (UIKA) Bogor using the Financial Management Information System and Accounting (SIMKA) application based on SAK EP and ISAK 45. Technology and information systems are expected to increase transparency, accuracy, speed, and ease in processing data into valuable information in decision-making (12). Performance-based budgeting will also greatly influence leadership success due to proper and up-to-date financial management (13,14). On April 11, 2019, the Financial Accounting Standards Board of the Indonesian Institute of Accountants ratified ISAK 35. ISAK 35 regulates the presentation of financial statements of non-profit entities. ISAK 35 contains an explanation of PSAK 1, especially related to adjustments to the descriptions used in the financial statements. Private Entity Financial Accounting Standards (SAK EP) is an adaptation of IFRS for private businesses that has been adjusted to Indonesian conditions. On June 30, 2021, SAK EP was published by the Financial Accounting Standards Board of the Indonesian Institute of Accountants (DSAK IAI) and will be implemented in January 2025 to replace SAK ETAP. SAK EP and ISAK 35 are accounting standards that are suitable for the financial reporting of private businesses that are not accountable to the public. SAK EP and ISAK

35 guide private universities in preparing financial statements and generally accepted accounting principles. Ibn Khaldun University Bogor is one of the Private Universities that in its financial management has implemented the latest accounting standards SAK EP and ISAK 35 (15)

This study aims to design a Performance-Based Budgeting (PBB) model in the Private Higher Education Financial Management System based on SAK EP and ISAK 35 including formulation of the Performance-Based Budgeting (PBB) model and conducting a phenomenological study of the implementation of Performance-Based Budgeting (PBB) in the Private Higher Education Financial Management System based on SAK EP and ISAK 35. The formulation of PBK in the financial system based on SAK EP and ISAK 35 as the most updated model is urgent to implement.

## 2 Methods

The research method is an attempt to carefully and meticulously investigate and trace a problem using scientific methods to gather, process, and analyze data and draw conclusions (16,17). The budgeting process is a social phenomenon arranged by social interaction between multiple stakeholders, which is the rationale for using a phenomenological method. The phenomenological technique is suitable for real-world situations because it directly presents the relationship between the researcher and the informant directly. The goal of the phenomenological approach is to comprehend how people respond to each other and to society as a whole, as well as the experiences that are recognized through interaction (18). As a research methodology, phenomenological study is a unique qualitative method to help academics analyze situations and events based on a person's life experiences (18–20). Phenomenological analysis is concerned with how to dig up information about an event, produce interpretations, organize information, and provide a comprehensive picture of the phenomenon. Understanding how people interpret a phenomenon and its main ideas is the goal of phenomenology. Li's research employs a phenomenological approach to investigate the lived experiences of educators working in a neoliberal institution. The outcome demonstrated that teachers struggled to be effective educators. Additionally, when a teacher's educational activities or intentions conflict with neoliberalism, they experience bad emotions (21).

Before formulating research questions, it is a good idea to understand the theoretical framework and basic concepts of phenomenology (22). The four steps in phenomenological research methodology include bracketing, intuiting, analyzing, and describing. Bracketing is the process of identifying the implemented PBB at UIKA Bogor. Researchers must understand both theoretical and practical studies related to financial management and PBB and can identify the data correctly. Intuition is a phase of shared understanding related to the phenomenon to be analyzed. Researchers must master the substance of the research and the phenomena being studied. Analysis is the process of interpreting data to achieve a correct and comprehensive description of the phenomenon. Describing is an important step in phenomenological research methodology. In the descriptive stage, the researcher understands, defines, and describes the phenomenon

and compiles sharp and critical recommendations for its findings both in written and oral form (23).

The sample used in this study is saturated. The saturated sample includes all elements of the population of the financial management unit at the university, faculty, and postgraduate school levels consisting of leaders and administrative staff. The research sample consisted of thirty-seven people, consisting of seven leaders, seven section heads, nine sub-section heads, one bureau head, and thirteen staff. Universitas Ibn Khal-dun Bogor has six faculties and one graduate school with 35 study programs. The following is a list of six faculties and postgraduate schools at UIKA Bogor, including the Faculty of Teacher Training and Education with five study programs; The Faculty of Law with two study programs; The Faculty of Economics and Business with five study programs; The Faculty of Islamic Religion with eight study programs; The Faculty of Engineering and Science with seven study programs; The Faculty of Health Sciences with two study programs, and Graduate School with six study programs.

Data collection was carried out by distributing questionnaires using google forms and direct interviews with leaders and administration staff within Universitas Ibn Khal-dun Bogor, then analyzed qualitatively descriptively based on the theme in the application of the Performance-Based Budgeting (PBB) model. Because organizational culture and leadership style have a significant impact on PBB implementation success, executives were asked to participate in this study (24)

The research begins with a research socialization by explaining the background, scope, objectives, gaps, urgency, and benefits of the research. This socialization also explained the substance and the research questions of the questionnaire, so that respondents do not make mistakes in filling out the questionnaires. The next data collection was conducted through interviews with the heads of the financial management sector. In-depth interviews provide much important information about financial management and budget preparation carried out at the end of each academic year. There are two reports prepared at the end and the beginning of each academic year, namely the current year's budget realization report and the next year's budget planning. Some of the questions asked included the understanding of performance-based budgeting (PBB), The role of the PBB in improving the reputation and achievement of the vision, mission, goals, targets, strategic plans, and work programs of higher education institutions, the role of the PBB in improving the quality of financial reporting for internal and external users of higher education institutions, the role of the PBB in encouraging innovation in the tridharma of higher education institutions, the role of the PBB in the efficiency of financing from external funding and investment, and improving the quality of education at the institution.

### **3 Results & Discussions**

The first question given to respondents was about how the public is familiar with the PBB. Respondents were quite familiar with the PBB 48.6%, as many as 45.9% were familiar, and about 5.5% were not familiar with performance-based budgeting. It can be concluded that the majority already know about the concept of PBB because almost

all respondents have a financial education background or worked in the financial sector. Respondents' understanding of performance-based budgeting is based on several factors, namely involvement in the implementation of PBB so that they understand well the procedures for implementing PBB, knowledge and skills about implementing PBB obtained from training, technical guidance and other workshop activities, adequate educational background and the principle of employee placement in accordance with the principle of the right man on the right place.

Regarding the implementation of performance-based budgeting, almost all respondents, about 91.8% knew and were directly involved in the preparation of performance-based budgeting. The remaining did not know about performance-based budgeting implementation. Likewise, respondents' understanding of the implementation of performance-based budgeting is based on several things, namely involvement in the implementation of PBB, so that they understand well the procedures for implementing PBB, knowledge and skills about PBB implementation obtained from training, technical guidance, and other workshop activities, adequate educational background and the principle of employee placement of the right man on the right place. Some administrative staff who do not know the implementation of PBB are new employees placed in the finance department. Over time, with the provision of training, technical guidance, and involvement in the preparation of PBB, they will gradually understand and be able to implement PBB better.

Financial planning in the 2019 UKA statutes is regulated in Article 109 concerning Financial Planning, and quality standard number 5 concerning the regulation of financial planning, which includes stages of expenditure, reporting and accountability, management and supervision, and planning and budgeting stages. Financial Management Standards of Ibn Khaldun University Bogor, obtained from the SPMI Quality Standards of Ibn Khaldun University Bogor, which consists of rational, parties involved, definition of the term, standard content statement, standard achievement strategy, indicators of standard achievement per year, dan related documents (strategic plan, financing guide, and Standard Operating Procedures (SOP).

Active participation from stakeholders can strengthen the budgeting process. The involvement of leaders can build a conducive environment for PBB to occur. The Vice Chancellor for Resources said: *"UIKA Bogor provides openness for every employee in developing their work patterns. This situation greatly supports the success of the implementation of PBB by the rules determined by involving various related elements. In addition, leaders who are given authority and responsibility in financial management in each of their agencies have sufficient ability or capacity."*

Then the Vice Dean of the Faculty of Science and Technology said: *"The academic community of UIKA Bogor is happy to be able to realize a good education process. Of course, with the implementation of this PBB, it is hoped that it will further support the achievement of the reputation of the superior tridharma of education so that UIKA will have more selling value in society."*

Some of the obstacles found in the implementation of PBB include those conveyed by the Vice Chancellor for Resource Management. The Vice Chancellor for Resources, said: *"The main obstacle in the implementation of the PBB program is the absence of a*

*supportive and integrated information system, which can support the achievement of campus goals.*

"The Vice Dean for Resources Management of the Faculty of Economics and Business, the Vice Dean for Resources Management of the Faculty of Teacher Training and Education, and the Vice Dean for Resources Management of the Faculty of Islamic Religion, have similar opinions, namely: *UIKA does not have a performance assessment guidebook as a reference for measuring the effectiveness of human resources, and it will affect the success of PBB implementation.*

### **3.1 Elements of Performance-Based Budgeting**

In the context of the implementation of Performance-Based Budgeting, based on the Planning and Budgeting Reform Guidelines (2009), there are main elements that must be determined first, namely: Vision and Mission to be achieved, Purpose, Goal, Program, and Activities.

The Vice Chancellor for Resources said: *"The implementation of PBB is highly expected to be the basis for UIKA leaders to set Visions, Missions, Goals, so that it can be a guide for leaders in agencies to make programs and activities that are more directed and measurable"*

The Vice Dean for Resources of the Faculty of Islamic Religion opined: *"The implementation of PBB is very helpful for the Vision, Mission, Goals, and can be reduced to the basics of making programs and activities that can be measured from budgeting to accountability"*

However, the Vice Dean for Resources of the Faculty of Economics and Business and the Vice Dean of the Faculty of Technology and Science gave an opinion: *"PBB is enough to help support the Vision, Mission, Goals, and also enough to help faculty leaders make programs, which can be carried out by the faculty's internal team"*

A strategic plan is a document that outlines the vision, mission, goals, and strategies as a basis for implementing Performance-Based Budgeting (PBB). The organization's vision, mission, and goals must be translated into measurable strategic goals and objectives.

The Vice Chancellor for Resources said: *"The university strategic plan has been running as written in the internal quality assurance standards published every year, and is a guideline for each faculty to make a strategic plan, then it is downgraded again into programs and activities with their respective budgets"*

The Deputy Dean for Resources of the Faculty of Teacher Training and Education gave his opinion: *"The Faculty Strategic Plan is a derivative of the university strategic plan. Faculty activity refers to the university's strategic plan described in programs and activities. If all faculties implement procedures, the Faculty and university can be good and excellent.*

### **3.2 Programs and Performance Evaluation**

Performance shows the achievement of a person's target in realizing the expected hopes and goals. Performance evaluation is an assessment of the performance achieved by

providing feedback on utilizing organizational resources. The Vice Chancellor for Resources said: *"The work plan and program have been prepared and successfully implemented based on the strategic plan. A Performance evaluation is carried out to ensure the achievement of the target. One of the steps in evaluating target achievement is through an internal quality audit mechanism. Evaluation is also carried out by comparing the previous year with the current year/month. Any things that have not been achieved are notes for future improvements."*

The Deputy Dean for Resources of the Faculty of Teacher Training and Education gave his opinion: *"The preparation of the work plan refers to historical data on past inputs, processes and outputs which are the agreement of all elements in the organization."*

The Vice Dean of the Faculty of Technology and Science opined: *"The term of reference is based on the strategic plan. The changes felt after implementing a performance-based budget through terms of reference are better control of funds. There is no longer a deficit budget where the expenditure budget is greater than the revenue budget."*

### 3.3 Performance Indicators

Decree of the Minister of Education, Culture, Research, and Technology Number 210/M/2023, each university can adopt key performance indicators to determine performance plans, prepare work plans and budgets, and prepare contract documents or performance agreements. This strengthens the use of key performance indicators in more appropriate and transparent decision-making, reduces waste, and increases operational efficiency. Performance Indicators are measuring tools used to assess the extent to which an organization achieves its goals and objectives. In the context of performance-based budgeting, performance indicators are important because they help link budget allocations to expected results. Indicators consist of input, process, output, outcome, benefit, and impact.

The Deputy Dean of the Faculty of Technology and Science gave his opinion: *"Performance Indicators have been listed in the internal quality assurance standards, faculty are obliged to use as a reference to measure performance."*

The Vice Dean for Resources of the Faculty of Teacher Training and Education gave about the Performance Indicators: *"The way to make performance indicators at faculty of Islamic religion is through the output/output of activities that are adjusted to the accreditation instruments and the faculty strategic plan"*

The Vice Dean of the Faculty of Technology and Science also opined: *"The Performance indicators in the faculty refer to the standards applicable to the university. There are obstacles in its implementation, there are several standards that are not achieved, including those caused by the standards being set too high or caused by a work culture that does not yet support achieving these standards.."*

New SIMKA is new financial management and accounting information system is a solution to manage and monitor finances at Ibn Khaldun University. New SIMKA is a financial management system that can be operated by admins flexibly. New SIMKA is designed to make it easier for admins to process finances and reduce errors made if

financial management is done manually. New SIMKA is a development of SIMKA. If SIMKA is based on SAK ETAP and PSAK 45, New SIMKA is based on the latest accounting standards applicable in Indonesia, namely SAK EP and ISAK 35.

Based on the respondents' answers about the New SIMKA application, most respondents did not know about this application. They are evidenced by the respondents' diverse answers when asked about the application's name. This condition shows the existence of a financial management information system, New SIMKA, is not yet known by users. Based on interviews with several vice deans, the latest economic and accounting information system has not been socialized and implemented because the latest financial management system was only designed in 2023 and will be socialized in 2024.

## 4 Conclusion & Suggestion

Based on the results of the analysis of the conditions found as discussed in the previous chapter, the conclusions are as follows:

1. In general, the leaders and financial management staff at UIKA Bogor have understood the meaning of Performance-Based Budgeting, namely budgeting that is oriented towards the performance output produced.
2. Performance-based budgeting at UIKA Bogor is implemented based on direction, objectives, and stages, including planning, transparent implementation, evaluation together, and coordinated with related units. Performance measurement and evaluation are carried out by connecting output and outcome indicators.
3. The determination of Performance Indicators documented in the internal assurance quality standards of Universitas Ibn Khaldun Bogor. However, it is still partially or inconsistent with the work program.
4. Performance reporting is the basis for budgeting in the following period. Some positive things found are the existence of clear instructions and directions and the involvement of leaders in the implementation of performance-based budgeting.
5. Performance-based budgeting affects the culture of organizational implementers and leads to positive goals that have an impact on the orientation to provide the best service.
6. Performance-based budgeting has a positive impact, namely increasing the effectiveness and efficiency of work implementation.
7. The thing that is a limitation and is a recommendation for further improvement is the application system that has not been integrated and fully understood by users.
8. The suggestions that researchers can submit as a result of this study are as follows: 1) Implementation of Performance-Based Budgeting needs to be improved towards a better direction. 2) Commitment and direction from leaders at all levels and increasing the ability of leaders in performance-based budgeting to continue to be refined and review and overcome existing obstacles.



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