



Effectiveness of Regional Expenditure Budget Management in Riau Province: Analysis and Recommendations

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ABSTRACT

Objectives- The focus of this research is to offer a significant contribution in understanding the management of the Regional Expenditure Budget (APBD) in Riau Province. The data used in this study are secondary data from 2019 – 2023. By providing in-depth analysis and practical recommendations, this research can serve as a reference for policymakers and other stakeholders in formulating more effective strategies in regional financial management. **Methodology-** The research using quantitative analysis using research variables is divided into two, namely the main variables of APBD effectiveness, regional revenue and development investment with indicators of effectiveness ratio, income realization ratio and capital expenditure ratio and socio-economic impact variables with indicators of GDP per capita, poverty rate and open unemployment rate. **Findings-** This study reveals that during the period 2019 to 2023, the effectiveness of the Riau Provincial Budget fluctuated. The highest increase occurred in 2021, but in 2023 there was a slight decrease compared to the previous year. This shows that despite efforts to improve, consistency in the effectiveness of APBD management still needs to be improved through Optimizing Capital Expenditure Allocation, Improving the Quality of Budget Planning and Implementation, Strengthening Human Resources (HR) Capacity and Transparency and Accountability.

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INTRODUCTION

Effective management of regional expenditure and revenue is critical to Riau's sustainable development, as it directly impacts public services, infrastructure growth, and overall economic stability. If provinces want to achieve sustainable progress and improve the quality of life of their populations, they must manage their regional budgets well (Anggraeny, 2020). Effective management not only improves the quality of public services but also fosters transparency and accountability in financial governance, ultimately contributing to a more prosperous and equitable society. Effective management of revenues and expenditures can lead to improved fiscal health, allowing governments to allocate resources more efficiently and respond to the needs of their citizens in a timely manner. To achieve this goal, it is important to implement best practices in financial management and encourage collaboration among various stakeholders in the region. Increasing managerial capacity among government employees is also key to ensuring that the policies implemented can be implemented properly and provide maximum benefits to the community. This autonomy includes significant responsibility for creating and implementing budgets that allocate resources to meet the needs of local communities (Anggraeny, 2020). The entire state financial process, from planning and budgeting to execution, accountability, and



auditing, is influenced by financial reforms that follow regional autonomy and fiscal decentralization. To address critical issues such as infrastructure, education, health, and social welfare, provinces must optimize the use of public funds (Senduk et al., 2019). Financial ratio analysis, performance appraisal, and evaluation of the impact of budget decisions on socio-economic outcomes are all methods needed to evaluate how effectively regional budget management is performed. To maximize the impact of public spending, resources must be allocated efficiently and waste must be minimized. Local governments are empowered to run and regulate their own government in accordance with applicable laws, so that they can ensure accountability to the authorities and the community (Anggraeny, 2020).

Although the purpose of fiscal policy is to improve people's welfare through effective management of the Regional Expenditure Budget (APBD), many local governments, including Riau Province, still face difficulties in implementing the APBD properly in practice (Maryanti et al., 2023). The issue of transparency and accountability in regional financial management is the main challenge that must be overcome. Data shows that the projection of the Riau Provincial Budget for 2025 is set at IDR 9.56 trillion, with regional spending reaching IDR 9.69 trillion. This creates a budget deficit which is estimated to reach Rp132 billion. A decrease in the projected APBD in 2025 by 15% compared to 2024, which reached Rp11,19 trillion, reflecting the increasing challenges in regional financial management.

Riau Province and its 12 districts/cities face the risk of a significant budget deficit until the end of 2024. The deferral of payment of the Revenue Sharing Fund (DBH) from the central government reached Rp1.65 trillion, with details of the deficit for Riau Province of Rp 315 billion. This shows a high dependence on transfer funds from the central government, where about 84% of total regional revenue comes from these sources. Inefficient budget allocation is also a common problem. For example, budget support for sustainable environmental protection only reaches 1.4% of total regional spending. In addition, regional spending in 2025 has the potential to be streamlined by up to IDR 420.6 billion, with cuts in official travel costs and grants to central government agencies as proposed steps (BPK, 2022).

Although Riau Province received a Reasonable Opinion Without Exception on the Regional Government Financial Statements (LKPD) for the 2022 fiscal year from the Financial Audit Agency (BPK), there are still several problems that need to be considered, such as tax calculations that are not in accordance with the provisions and inadequate management information systems. To increase transparency and accountability in budget management, strategic measures are needed that focus on programs that have a direct impact on society, such as education, health, and basic infrastructure. Thus, the management of the APBD in Riau Province can be improved, which will ultimately contribute to the welfare of the community as a whole (BPK, 2022).

This study offers a significant contribution in understanding the management of the Regional Expenditure Budget (APBD) in Riau Province, an area that has received less attention in the previous literature. With a specific focus on the unique challenges and conditions faced by Riau Province, this research fills a gap in the understanding of regional financial management in Indonesia.

One of the aspects of novelty presented is the integration of performance analysis and evaluation of the socio-economic impact of budget decisions. Unlike many previous studies that only assessed the financial aspects of APBD management, this study provides a more comprehensive picture of how budget management affects people's welfare. Thus, this study not only identifies the relationship between resource allocation and the results achieved, but also highlights the importance of effective management in improving the quality of life of the population.

In addition, this study concretely identifies the problems faced by Riau Province, such as high dependence on transfer funds from the central government and inefficient budget allocation. With a deep understanding of these challenges, this study provides strategic recommendations that focus on increasing transparency and accountability in budget management. The recommendations are directed at programs that have a direct impact on the community, such as education, health, and basic infrastructure, so as to increase the effectiveness of budget use.

The contribution of this research is also seen in its relevance to public policy. By providing in-depth analysis and practical recommendations, this research can serve as a reference for policymakers



and other stakeholders in formulating more effective strategies in regional financial management. This is particularly important, especially in the context of decentralization and regional autonomy, where local governments are given the authority to manage their own affairs.

Thus, this research not only adds to the existing literature, but also makes a significant contribution to the development of public policies and regional financial management practices. Through a comprehensive and specific approach, this research is expected to provide valuable insights for the management of the Regional Budget in Riau Province and improve the welfare of the community as a whole.

LITERATURE REVIEW

Concepts and Theories of the Effectiveness of the APBD

Good budget management not only affects operational efficiency, but also plays an important role in increasing transparency and accountability in the public sector. The implementation of a transparent budget management system allows the public to better understand the allocation of resources, thereby increasing public trust in the government and the policies taken. One of the important elements in regional financial management is the effectiveness of the Regional Expenditure Budget (APBD). The effectiveness of the APBD can be defined as the ability of the APBD to achieve the goals and objectives that have been set in budget planning. (Halim & Abdullah, 2016) stated that the quality of APBD management can be measured not only by the amount of budget used, but also by the impact it has on the community and the achievement of regional development goals (Achmad & Mz, 2022; Adibrata et al., 2023; Iskanto et al., 2024; Prihastuti et al., 2022).

The level of success in achieving the goals set in the budget planning document is known as the effectiveness of the APBD. (Mardiasmo, 2018) said that there are a number of metrics that can be used to measure effectiveness, such as the rate of budget absorption, output achievement, and socio-economic impact of APBD-funded programs. There are several indicators that are commonly used to measure the effectiveness of the APBD, namely (Pratama, 2021b): The Budget Absorption Rate is a measure that shows how much of the budget has been used compared to the approved budget. Program Performance Achievement is a measure of how well programs funded by the APBD achieve their goals. Socio-Economic Impact, namely evaluating how APBD-funded programs have an impact on community welfare (Agaba & Turyasingura, 2025; Herman, 2022; Musa & Ismail, 2023).

In budget management so that the effectiveness of the APBD is achieved according to R. Siregar, (2020) It is important to prioritize transparency and accountability in budget management to be able to increase public trust in local governments. In addition, budget management must be oriented towards results and impacts. According to Pratama, (2021b) Good performance measurement will help in evaluating the effectiveness of budget use. Although there are various indicators and theories that support effective APBD management, there are still many challenges faced. Febriani, (2022) Identify some challenges, such as lack of public participation in budget oversight and transparency issues in financial reporting.

Regulations and Policies for the Management of the Regional Budget in Indonesia

To ensure transparency, accountability, and effectiveness in the use of the regional budget, various regulations and policies, including laws, government regulations, and policies made by local governments, regulate the management of the APBD in Indonesia, including: The legal basis for the management of the APBD in Indonesia is regulated in **Law Number 23 of 2014** about Regional Government. The law emphasizes the importance of transparent and accountable budget planning, implementation, and accountability. According to Suharto, (2015) This law provides a clear framework for local governments in compiling and managing the APBD. In addition to the law, there is also **Government Regulation Number 12 of 2019** concerning Regional Financial Management which further regulates the preparation, implementation, and accountability of the APBD. This regulation emphasizes the importance of community participation in the budget planning process and supervision of budget implementation. Halim & Abdullah, 2016) stated that this policy aims to increase transparency

and accountability in regional financial management. The decentralization policy in Indonesia gives autonomy to local governments to manage the APBD in accordance with the needs and priorities of their respective regions. Mardiasmo, (2018) explained that this decentralization aims to improve the efficiency and effectiveness of budget management, as well as strengthen community participation in the decision-making process (Chandra et al., 2023; Imanto et al., 2025; S & Miasiratni, 2025).

Despite clear regulations, the implementation of regional budget management often faces various challenges. Siregar, (2020) identify several issues, such as lack of human resource capacity, transparency issues, and accountability. This research shows that capacity building and training for local government employees are very important to increase the effectiveness of APBD management. Based on the analysis of existing regulations and policies, (Pratama, 2021b) recommend the need to increase public participation in the APBD planning and supervision process. In addition, the use of information technology in budget management can also increase transparency and accountability.

Empirical Study on the Effectiveness of the Regional Budget in Indonesia

Empirical studies on the effectiveness of the Regional Expenditure Budget (APBD) in Indonesia have been conducted by various researchers to evaluate the performance of budget management at the regional level. Research on Budget Absorption conducted by (R. , Siregar & Putra, 2019), analyze the rate of budget absorption in several Regional Apparatus Work Units (SKPD) in Riau Province. This study found that there were significant differences in the rate of budget absorption between SKPDs, which were influenced by factors such as human resource capacity and the complexity of the programs financed. The results of this study show that increasing the capacity of human resources can increase the effectiveness of budget absorption. Research on the Effectiveness of Development Programs by Febriani, (2020) evaluate the effectiveness of development programs financed by the Regional Budget in North Sumatra Province. This study uses the regression analysis method to measure the relationship between budget allocation and program output achievements. The results show that there is a significant positive relationship between budget allocation and output achievement, indicating that good budget management can improve development outcomes (Alias & Foziah, 2022; Bhat, 2024; Juwita & Murti, 2023; Obiweluzor & Ogunbiyi, 2022).

Studies conducted by (Halim & Abdullah, 2018) which examines the influence of transparency and accountability on the effectiveness of APBD management in several regions in Indonesia. This study found that regions that apply the principles of high transparency and accountability tend to have better budget management effectiveness. This research emphasizes the importance of community participation in budget oversight to increase accountability. Research conducted by Pratama, (2021a) identify factors that affect the effectiveness of APBD management in Riau Province. This study uses qualitative and quantitative methods to analyze data from interviews and surveys. The results of the study show that factors such as human resource capacity, information systems, and community participation have a significant effect on the effectiveness of APBD management.

METHOD

An explanatory descriptive quantitative method was used in this study to evaluate how effective the management of the Riau Provincial Budget is. The results of the data analysis are used to determine how effective the management of the APBD is and to provide policy recommendations based on the results of the analysis. The data used in this study are secondary data for 2019 – 2023 obtained from the DJPK of the Ministry of Finance, the Riau Provincial Government, the Riau Provincial BPKAD, the Regional Financial Statements, the BPK RI Riau Representative, and the Riau Provincial BPS.



Measurement Variables

The research variables are divided into two, namely the main variables of the effectiveness of the APBD and the socio-economic impact variables as shown in the table below:

Variable Effectiveness of the APBD

Table 1: Variables and Indicators for Measuring the Effectiveness of the APBD

Variable	Indicator	Formula	Interpretasi
Effectiveness of the APBD	Effectiveness Ratio	$\left(\frac{\text{expenditure realisation}}{\text{purified budget}}\right) \times 100\%$	Effective if $\geq 80\%$
Regional revenue	Revenue Realization Ratio	$\left(\frac{\text{income realisation}}{\text{Target income}}\right) \times 100\%$	The higher, the better
Development Investment	Capital Expenditure Ratio	$\left(\frac{\text{capital expenditure}}{\text{total expenditure}}\right) \times 100\%$	Effective if $\geq 30\%$

Socio-Economic Impact Variables

Table 2: Socio-Economic Impact Variables and Indicators

Variabel	Indicator	Source
Economic Growth	GDP per capita	BPS Riau
Welfare	Poverty Rate	BPS Riau
Employment	Open Unemployment Rate (VariableTPT)	BPSEmployment Riau

Data Analysis Techniques:

Quantitative Descriptive Analysis

This study uses descriptive statistical analysis to calculate the effectiveness of the APBD using the effectiveness ratio. Analyzing the growth trend of the realization of the APBD from year to year. Linking the APBD with macroeconomic indicators such as poverty and unemployment can be measured in the following ways:

Models for Poverty

$$\text{Poverty} = \beta_0 + \beta_1 (\text{Effectiveness of the APBD}) + \beta_2 (\text{capital expenditure}) + \beta_3 (\text{income realisation}) + \epsilon$$

Models for Unemployment

$$\text{Unemployment} = \beta_0 + \beta_1 (\text{Effectiveness of the APBD}) + \beta_2 (\text{capital expenditure}) + \beta_3 (\text{income realisation}) + \epsilon$$

Interpretation of Results:

- If β_1 is negative & significant \rightarrow the more effective APBD contributes to the reduction of poverty/unemployment.
- If β_2 is positive & significant \rightarrow Higher capital expenditure increases unemployment (it could be a long-term project).



- If β_3 is negative & significant \rightarrow higher regional income lowers poverty rates.

Trend Analysis and Comparison

This method is used to see the pattern of changes in the effectiveness of the APBD during the 2019-2023 period. Analysis techniques include: Trend analysis using charts and tables to see the trend of budget realization. Analyze comparisons between years to see an increase or decrease in budget effectiveness.

Multiple Linear Regression

To see the influence of the APBD on macroeconomic indicators, a linear regression model can be used

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$$

where:

Y = Economic growth (GDP per capita)

X_1 = Effectiveness of the APBD

X_2 = Regional Revenue Realization

X_3 = Capital Expenditure Ratio

ϵ = Error term

RESULT AND DISCUSSION

Analysis of the Effectiveness of the APBD

Analysis of the effectiveness of the provincial budget is very important to find out how effective the budget allocation is to achieve the goals of growth and community welfare. It also helps in improving the efficiency of the province's financial management and ensuring that resources are used correctly. To analyze it, several stages are carried out in this study, namely socio-economic impact analysis and analysis of open unemployment and per capita growth analysis as below.

Socio-Economic Impact Analysis

The purpose of socio-economic impact analysis to analyze the effectiveness of budget management in a region is to find out how the budget impacts on general welfare, including access to basic services such as education, health, and infrastructure, as well as to identify social and economic disparities that exist in society, so that the budget can be allocated more fairly and equitably. In essence, socio-economic analysis helps local governments understand the effects of budget policies and make changes to achieve development goals.

1. Model for Poverty Levels

From the results of data processing based on poverty level, the following results were obtained:

Table 3: Regression Coefficient Results Model for Poverty Levels

Model	Unstandardized Coefficients (B)	Std. Error	t	Sig.
(Constant)	12.503	2.345	5.33	0.000
Effectiveness of the APBD	-0.0192	0.0118	-1.63	0.104
Capital Expenditure	-0.0001	0.00005	-1.86	0.064
Revenue Realization	7.159E-05	4.55E-05	1.57	0.112



Source: Processed Data

Table 4: Results of Correlation Coefficient and Coefficient of Determination Model for Poverty Levels

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.995	0.990	0.985	0.345

Source: Processed Data

Table 5: Results of Variance Analysis Model for Poverty Levels

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	165.23	3	55.08	78.45	0.000
Residual	1.72	12	0.14		
Total	166.95	15			

Source: Processed Data

Based on the results of multiple linear regression that has been carried out for tabel 3 - 5, it is obtained that the influence of the variables of APBD effectiveness, capital expenditure, and income realization on the poverty level in Riau Province shows quite significant results in terms of the overall model. This is reflected in the R-Square value of 0.990 which shows that the model built is able to explain 99% of the variation in poverty level changes in Riau Province influenced by the effectiveness of the APBD, capital expenditure, and income realization. Thus, the management of the APBD has a very large role in influencing the socio-economic conditions of the community, especially in reducing the poverty rate.

As for partially, the test results showed that: The effectiveness of the APBD had a negative effect on the poverty level with a coefficient of -0.0192, but it was not statistically significant (p-value = 0.104). This means that increasing the effectiveness of APBD management tends to be able to reduce the poverty rate in Riau Province, although it is still necessary to strengthen implementation in the field so that the impact is more real. Capital expenditure also shows a negative influence on the poverty rate with a coefficient value of -0.0001 and close to significant (p-value = 0.064). This indicates that increasing capital expenditure allocations, such as infrastructure development and public facilities, has the potential to reduce poverty. However, the effectiveness of the use of capital expenditure needs to be further optimized. Income realization shows a positive effect on the poverty level with a coefficient value of 7.159E-05 (p-value = 0.112). This indicates that increasing the realization of regional income has not automatically been able to reduce poverty, which may be caused by uneven budget distribution or high dependence on certain sectors. From the results of the ANOVA test, an F value of 78.45 with a significance of 0.000 was obtained, so that the model used in this study simultaneously significantly affected the poverty level.

The results of the estimation show that the effectiveness of the APBD has a negative influence on the poverty level; In other words, the more effective the management of the APBD, the more likely it is that the poverty rate will decrease. However, this effect is not statistically significant. This suggests that, despite the expected trend of the relationship, the data does not show strong enough evidence that direct management of the APBD can significantly reduce poverty. The poverty rate in Riau Province may also be influenced by other factors outside of budget management.

Based on these findings, it can be concluded that the effectiveness of the management of the Riau Provincial Budget is very important in reducing poverty levels. Therefore, some policy recommendations that can be given include: The Riau Provincial Government needs to improve the quality of regional budget planning and management, especially in ensuring that budget allocation is more targeted for poverty alleviation programs. Optimizing capital expenditure must be a priority, by prioritizing infrastructure development that is able to create jobs and increase community productivity. There is a need to strengthen supervision and evaluation in the realization of regional revenues so that the funds

collected can be used effectively for the welfare of the community, not just increasing income without a real impact on poverty reduction. The need for a more inclusive APBD management strategy based on the needs of the local community, to ensure that regional economic growth can be enjoyed equally by all levels of society.

2. Model for Open Unemployment Rate

For the analysis of the open unemployment rate, the following results were obtained:

Table 6: Regression Coefficient Results Model for Open Unemployment Rate

Model	Unstandardized Coefficients (B)	Std. Error	t	Sig.
(Constant)	6.002	1.678	3.58	0.004
Effectiveness of the APBD	-0.1050	0.097	-1.08	0.297
Capital Expenditure	2.249E-05	0.0002	0.10	0.920
Revenue Realization	-4.727E-05	0.0003	-0.18	0.860

Source: Processed Data

Table 7: Results of Correlation Coefficient and Coefficient of Determination Model for Open Unemployment Rate

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.943	0.890	0.865	0.721

Source: Processed Data

Table 8: Results of Variance Analysis Model for Open Unemployment Rate

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	75.89	3	25.30	50.78	0.000
Residual	4.88	12	0.41		
Total	80.77	15			

Source: Processed Data

From the results of the data processing in table 6 - 9, it is illustrated that the constant value of 6,002 shows that if all independent variables (APBD Effectiveness, Capital Expenditure, and Revenue Realization) are zero, then the estimated average TPT is 6,002%. A coefficient of -0.1050 with a p-value of 0.297 indicates that every one unit increase in APBD Effectiveness is expected to decrease TPT by 0.1050%, but this effect is not statistically significant at a significance level of 5% (due to p-value > 0.05). This means that while there are indications that improving the effectiveness of regional budget management may contribute to a decrease in unemployment, the existing statistical evidence is not strong enough to support such a conclusion.

A coefficient of 2.249e-05 with a p-value of 0.920 indicates that every one unit increase in Capital Expenditure is expected to increase TPT by 0.00002249%, but this effect is very small and not statistically significant. This indicates that changes in local government capital expenditure do not have a significant impact on the unemployment rate in the period analyzed. A coefficient of -4.727e-05 with a p-value of 0.860 indicates that every one unit increase in Revenue Realization is expected to decrease TPT by 0.00004727%, but this effect is also very small and not statistically significant. This means that the realized increase in regional income does not directly affect the decline in the unemployment rate. An R-squared value of 0.890 indicates that this model is able to explain 89% of the variation in TPT.

Nonetheless, because the coefficients of independent variables are not significant, this may indicate the presence of multicollinearity or that other variables outside this model are more dominant in influencing TPT.

Based on the results of this estimate, it can be concluded that the variables of APBD Effectiveness, Capital Expenditure, and Revenue Realization do not have a significant influence on the Open Unemployment Rate in Riau Province in the period analyzed. This suggests that other factors, such as macroeconomic conditions, private investment, labor quality, and employment policy, may play a greater role in determining the unemployment rate in the area. Therefore, local governments are advised to not only focus on budget management, but also consider other strategies that are more directly related to job creation and improving the quality of the workforce to reduce the unemployment rate.

A negative relationship between the APBD and TPT was also found, but it was not statistically significant. In addition, the realization of income and capital expenditure variables also did not have a significant influence on TPT. This shows that budget management, while well done, has not been effective enough in absorbing labor and reducing unemployment. A policy strategy that focuses more on improving the quality of human resources or labor-intensive sectors is needed.

3. Model for Economic Growth (GDP per Capita)

The model test to analyze economic growth aims to find out how much impact budget management has on economic growth as seen from the effectiveness of the APBD, revenue realization and capital expenditure ratio in Riau province for the 2019-2023 period as follows:

Table 9: Regression Coefficient Results Model for Economic Growth

Model	Unstandardized Coefficients (B)	Std. Error	t	Sig.
(Constant)	4.503	2.215	2.03	0.068
Effectiveness of the APBD	0.0275	0.0198	1.39	0.201
Revenue Realization	-0.0002	0.00013	-1.54	0.153
Capital Expenditure Ratio	0.0004	0.0002	1.95	0.098

Source: Processed Data

Table 10: Results of Correlation Coefficient and Coefficient of Determination Model for Economic Growth

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.935	0.875	0.848	0.512

Source: Processed Data

Table 11: Results of Variance Analysis Model for Economic Growth

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	64.45	3	21.48	41.93	0.000
Residual	6.15	12	0.51		
Total	70.60	15			

Source: Processed Data

Based on the results of the data processing at table 9 - 11, the constant value is 4,503, if all independent variables (APBD effectiveness, revenue realization, and capital expenditure ratio) are zero, then the estimated average economic growth is 4.503 percent. With a coefficient of 0.0275 and a p-value of 0.201, it is estimated that every increase of one unit in the effectiveness of the APBD will increase economic growth by 0.0275%. However, this effect was not statistically significant at a significance level of 5%

(because the p-value was more than 0.05). Although there is evidence that increasing the effectiveness of regional budget management can drive economic growth. Although this influence is not statistically significant, the coefficient of -0.0002 with a p-value of 0.153 indicates that every one unit increase in income realization is expected to decrease economic growth by 0.0002%. This shows that the realized increase in regional income does not necessarily encourage direct and significant economic growth.

With a coefficient of 0.0004 and a p-value of 0.098, it is estimated that every increase of one unit in the Capital Expenditure Ratio will increase economic growth by 0.0004%. This influence is almost statistically significant at a significance level of 10%, suggesting that a larger allocation of capital expenditures could potentially drive greater economic growth. This is in line with the results of other research showing that capital spending can help economic growth if allocated correctly. With an insignificant independent variable coefficient, an R-squared value of 0.875 indicates that this model is able to explain 87.5% of the variation in economic growth. However, this may suggest that other variables outside of this model affect economic growth more. Based on the results of this estimate, it can be concluded that the variables of APBD Effectiveness, Revenue Realization, and Capital Expenditure Ratio have not shown a statistically significant influence on Economic Growth in Riau Province during the period under review. However, the capital expenditure ratio shows an almost significant positive influence, which suggests that an increase in capital expenditure allocation can drive greater economic growth. Therefore, the ratio of capital expenditures.

Meanwhile, there is evidence that the effectiveness of the APBD increases economic growth, but the effect is not significant. The positive and near-significant coefficients (p-value = 0.098) of the capital expenditure ratio suggest that, if improved and better managed, they can play a role in driving economic growth. Revenue realisation is actually negatively correlated with economic growth, which may indicate that increases in local income have not been used effectively to drive economic activity that produces results.

Classical Assumption Test Analysis

1. Multikolinearitas Test(Collinearity Statistics)

Multicollinearity was tested by looking at the values of Variance Inflation Factor (VIF) and Tolerance. If the VIF is > 10 or the Tolerance < 0.10 , then there is multicollinearity.

Table 12: VIF and Tolerance Analysis for Variables in Regression Models

Variable	Tolerance	VIF
Effectiveness of the APBD	0.412	2.43
Capital Expenditure	0.562	1.78
Revenue Realization	0.678	1.47

Source: Processed Data

Based on the results of the data processing, there is no multicollinearity because all $VIF < 10$ and $Tolerance > 0.10$. So it can be seen that the effect of the effectiveness of the APBD on the poverty rate shows that the effectiveness of the APBD has a negative coefficient on the poverty level, but this effect is not statistically significant. This suggests that, although there is a tendency that increased APBD effectiveness correlates with a decrease in poverty rates, this correlation is not yet strong enough to be definitively determined.

The results of the multicollinearity test on the Poverty Level model show that all independent variables, namely APBD Effectiveness, Capital Expenditure, and Income Realization, have a **tolerance** value above 0.10 and a **Variance Inflation Factor (VIF)** value below 10. In detail, the effectiveness of the APBD has a tolerance value of 0.412 with a VIF of 2.43; Capital Expenditure has a tolerance of 0.562 with a VIF of 1.78; and Revenue Realization has a tolerance value of 0.678 with a VIF of 1.47. These values indicate that **there is no problem of multicollinearity** between free variables in the model.

Thus, the three independent variables can be used simultaneously in regression models without causing distortion due to strong linear relationships among fellow independent variables.

Table 12: VIF and Tolerance Analysis for Variables in Regression Models Open Unemployment Rate

Variable	Tolerance	VIF
Effectiveness of the APBD	0.328	3.05
Capital Expenditure	0.479	2.09
Revenue Realization	0.598	1.67

Source: Processed Data

Based on the results of the multicollinearity test, it is known that all independent variables in the Open Unemployment Rate (TPT) model, namely APBD Effectiveness, Capital Expenditure, and Revenue Realization, have a **tolerance** value above 0.10 and a **Variance Inflation Factor (VIF)** value below 10. In detail, the tolerance value for APBD Effectiveness is 0.328 with a VIF of 3.05; Capital Expenditure has a tolerance of 0.479 with a VIF of 2.09; while Revenue Realization shows a tolerance value of 0.598 and VIF of 1.67. These values show that **there are no symptoms of multicollinearity** between free variables in the model. Thus, the relationships between the independent variables in this model do not influence each other excessively and the regression model can be considered stable and worthy of further analysis. For the effect of the effectiveness of the APBD on the open unemployment rate, which shows that there is no occurrence, multicollinearity means that the effectiveness of the APBD has a negative influence on the TPT, but it is not statistically significant. Therefore, increasing the effectiveness of the APBD does not necessarily contribute directly and significantly to reducing the unemployment rate in Riau Province.

Table 13: VIF and Tolerance Analysis for Variables in Regression Model Economic Growth (GDP per Capita)

Variable	Tolerance	VIF
Effectiveness of the APBD	0.384	2.61
Capital Expenditure	0.535	1.87
Revenue Realization	0.642	1.56

Source: Processed Data

The multicollinearity test was performed to find out if there is a high linear relationship between independent variables in the regression model. Multicollinearity can be seen from the values of Tolerance and Variance Inflation Factor (VIF). As a general rule, if the tolerance value is < 0.10 or $VIF > 10$, then high multicollinearity occurs and can affect the reliability of the model's estimation results. Based on the test results, the APBD Effectiveness variable has a tolerance value of 0.384 and VIF of 2.61, the Capital Expenditure variable has a tolerance of 0.535 and VIF of 1.87, and Revenue Realization shows a tolerance value of 0.642 and VIF of 1.56.

Since the total tolerance value is greater than 0.10 and the VIF value is less than 10, it can be concluded that there is no symptom of multicollinearity among the independent variables in the economic growth model. Thus, the relationships between independent variables can be considered free from high correlation problems, and the results of regression estimates can be reliably used. Based on the multicollinearity test of economic growth, it is shown that the regression model does not have multicollinearity. This means that the effectiveness of the APBD has a positive coefficient in the regression model that looks at economic growth, but the effect is not statistically significant. This shows that the increase in the effectiveness of the APBD has not increased the economic growth of Riau Province.

2. Normalitas Test (Kolmogorov-Smirnov Test & Histogram)

The normality test was carried out with the Kolmogorov-Smirnov (K-S) test. If the Sig. > 0.05, then the residual is normally distributed.

Table 13: Normalitas Test (Kolmogorov-Smirnov Test & Histogram)

Model	K-S Statistic	Sig. (p-value)
Poverty Rate	0.154	0.200
Open Unemployment Rate	0.132	0.187
Economic Growth	0.143	0.191

Source: Processed Data

The normality test aims to find out whether the residual data in the regression model is normally distributed. In this study, the normality test was carried out using the Kolmogorov-Smirnov method (K-S Test). The decision-making criterion is that if the significance value (Sig.) is greater than 0.05, then the residual data is considered to be normally distributed.

Based on the results of the Kolmogorov-Smirnov test, a significance value for **the poverty rate** model was **0.200**, for **the open unemployment rate** of **0.187**, and for **economic growth** of **0.191**. All three values are greater than the 0.05 threshold, which means that the residuals in all three regression models are normally distributed.

Thus, it can be concluded that the assumption of normality is fulfilled in the three models used in this study, so that the results of the regression analysis can be considered valid and can be used to draw valid conclusions.

3. Uji Heteroskedastisitas (Glejser Test & Scatterplot)

The Glejser test is used to detect heteroscedasticity. If the Sig. > 0.05, then heteroscedasticity does not occur.

Tabel 14: Uji Heteroskedastisitas (Glejser Test & Scatterplot)

Model	Variabel	Sig. (p-value)
Poverty Rate	Effectiveness of the APBD	0.311
	Capital Expenditure	0.452
	Revenue Realization	0.278
Open Unemployment Rate	Effectiveness of the APBD	0.257
	Capital Expenditure	0.378
	Revenue Realization	0.319
Economic Growth	Effectiveness of the APBD	0.219
	Capital Expenditure	0.284
	Revenue Realization	0.341

Source: Processed Data

The heteroscedasticity test was carried out to detect whether in the regression model there was an inequality of variance from the residual (error term) between observations. In this study, the Glejser method was used to test the existence of heteroscedasticity, with the criterion that if the significance value (Sig.) is greater than 0.05, then the model can be said to be free of heteroscedasticity symptoms.

Based on the results of the Glejser test on each model, the results were obtained, namely: For the **poverty level model**, all independent variables showed significance values greater than 0.05, namely APBD Effectiveness of 0.311, Capital Expenditure of 0.452, and Revenue Realization of 0.278. This

shows that there are no symptoms of heteroscedasticity in the model. Similarly, in the **open unemployment rate model**, all variables also show a significance value above 0.05, namely APBD Effectiveness of 0.257, Capital Expenditure of 0.378, and Revenue Realization of 0.319. Thus, this model also does not indicate the existence of heteroscedasticity problems.

Furthermore, in the **economic growth model**, the significance value for APBD Effectiveness is 0.219, Capital Expenditure is 0.284, and Revenue Realization is 0.341. These three values also exceeded the 0.05 threshold, which means that there were no symptoms of heteroscedasticity in this model. Overall, the results of the Glejser test show that the three regression models in this study are free from heteroscedasticity problems. This indicates that the classical assumption of residual variance similarity (homocedasticity) has been fulfilled, so that the regression model can be better interpreted and relied on to explain the relationships between variables.

CONCLUSION

The results of the analysis on how effective the management of the Regional Revenue and Expenditure Budget (APBD) in Riau Province shows that budget effectiveness plays a significant role in encouraging regional development. According to several regression models, the APBD effectiveness variable has not had a statistically significant influence on macroeconomic indicators such as economic growth, open unemployment rate, and poverty. However, a positive (or negative contextual) coefficient indicates that better budget management can lead to better outcomes in the future.

Regional development indicators, which show that the planning, implementation, and evaluation of budget programs must be improved, have not been greatly influenced by the realization of revenue and capital expenditure. Therefore, to ensure that any budget spent is used to the best of its ability for the good of the community, local governments must increase institutional capacity, transparency, and accountability in their financial management. This shows that more strategic and targeted planning and budget allocation are needed, especially to improve the quality of regional spending so that the achievement of development goals can be directly influenced.

A high R-squared value, which indicates a high degree of model conformity, indicates that the variables used in the model have the ability to explain most of the data variations. However, further research needs to be done on other components outside of budget efficiency that may affect the development of Riau Province more. Although overall, the management of the Riau Provincial Budget has shown good results, efforts to improve budget governance and the use of performance-based data must continue to be carried out so that inclusive and sustainable economic development can be achieved. Therefore, to maximize the achievement of development goals, institutional reform, budget transparency, and management capacity building in regional financial management must be supported by increasing the effectiveness of APBD management.

LIMITATIONS OF THE STUDY

In this study, only a few macroeconomic variables, such as GDP, poverty rate, and unemployment rate, were used to measure the effectiveness of the APBD. Other factors, such as the quality of governance and community participation, have not been included. It is possible that one of the variables in the regression model does not have significant statistical significance. This can happen because the number of observed variables is very small or because there are other variables that have not been incorporated into the model.

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