

OPTIMIZING PUBLIC BUDGET PERFORMANCE THROUGH VALUE FOR MONEY PRINCIPLES: A QUALITATIVE STUDY OF INEFFICIENCY IN PUBLIC EXPENDITURE

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Abstract

Public expenditure is a fundamental fiscal instrument for governments to deliver public services, stimulate economic development, and improve public welfare. Despite substantial increases in public budget allocations, inefficient expenditure management remains a persistent challenge, resulting in a mismatch between financial resources utilized and the benefits generated. Previous studies have primarily examined public expenditure efficiency using quantitative approaches focused on capital expenditure and economic growth, leaving limited discussion of inefficiency across the entire public budgeting cycle. This study aims to identify the forms of public expenditure inefficiency, examine the factors contributing to inefficiency, and analyze the application of the Value for Money (VfM) framework in identifying and reducing inefficiency in public expenditure management. A qualitative descriptive approach was employed using secondary data collected through library research, including scholarly journals, academic books, government regulations, official reports, and policy documents. The data were analyzed through data reduction, data display, and conclusion drawing based on the Value for Money dimensions of economy, efficiency, and effectiveness. The findings reveal that public expenditure inefficiency occurs in multiple forms, including excessive bureaucratic expenditure, poorly targeted programs, inefficient procurement, delayed budget absorption, weak planning and monitoring, program duplication, underutilized infrastructure, low-quality outputs, and corruption-related irregularities. These inefficiencies are driven by weak institutional capacity, inaccurate data, limited transparency, fragmented coordination, and inadequate accountability mechanisms. The study highlights that the consistent implementation of the Value for Money framework can strengthen accountability, improve budget governance, optimize public expenditure performance, and ensure that public resources generate sustainable benefits for society.

Keywords: Public Expenditure, Expenditure Inefficiency, Value for Money, Public Budget, Public Sector.



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INTRODUCTION

Public expenditure through the State Budget (APBN) and Regional Budget (APBD) constitutes a fundamental fiscal instrument for governments to deliver public services, stimulate economic growth, and improve societal welfare. Effective and efficient public expenditure management plays a critical role in supporting regional development and enhancing citizens' quality of life. Well-targeted budget allocations accelerate the development of essential infrastructure, improve the accessibility and quality of education and healthcare services, and promote sustainable economic growth at the local level. Conversely, suboptimal expenditure management may result in resource wastage, reduce the quality of public service delivery, and undermine public trust in government institutions. Such conditions have the potential to impede development processes and widen social and economic disparities across regions (Putri, 2025).

In 2025, Indonesia's state expenditure was projected at approximately IDR 3,621.3 trillion, with realized expenditure reaching around IDR 3,451.4 trillion by the end of the fiscal year. For 2026, the government proposed a larger expenditure allocation of approximately IDR 3,786.5 trillion in the Draft State Budget (RAPBN), which subsequently increased to approximately IDR 3,842 trillion following its official approval. Despite the substantial increase in fiscal allocations, larger public budgets do not necessarily guarantee optimal budget utilization. Public expenditure inefficiency remains a persistent challenge, as reflected in the imbalance between financial resources expended and the outcomes achieved. In many instances, significant budget allocations have not generated proportional benefits for the community, indicating deficiencies in the effectiveness and efficiency of public financial management.

From a theoretical perspective, public financial management should adhere to the Value for Money (VfM) framework, which emphasizes the principles of economy, efficiency, and effectiveness. Value for Money is a public financial management approach designed to ensure that the utilization of public resources generates optimal outputs and outcomes while maintaining economically prudent, efficient, and effective resource allocation (Haqiqi dkk., 2025). This framework asserts that every unit of public expenditure should maximize public value and contribute meaningfully to policy objectives. However, the practical implementation of Value for Money principles remains inconsistent. Various challenges continue to emerge, including inadequate budget planning, procurement practices that do not correspond to actual needs, and excessive spending on less productive expenditure categories.

The persistence of public expenditure inefficiency has become a significant concern because it affects not only the sustainability of public financial management but also the quality of public services and citizens' trust in government. Inefficient budget utilization limits the government's capacity to achieve development objectives and reduces the overall impact of public spending on community welfare. Within this context, the Value for Money approach provides a comprehensive analytical framework for assessing

whether public expenditures are allocated economically, implemented efficiently, and capable of producing effective outcomes that generate tangible benefits for society.

Accordingly, this study addresses three research questions: (1) What are the major forms of inefficiency in public expenditure? (2) What factors contribute to the occurrence of public expenditure inefficiency? (3) How can the principles of Value for Money be applied to identify and reduce inefficiency in public expenditure management?

Previous studies have primarily focused on evaluating the efficiency of government expenditure, particularly capital expenditure, and its relationship with economic growth using quantitative approaches. These studies generally emphasize statistical relationships among variables and measure efficiency through numerical indicators, thereby concentrating on the outputs generated from budget utilization.

In contrast, this study adopts a descriptive qualitative approach to obtain a more comprehensive understanding of the phenomenon of public expenditure inefficiency. Rather than assessing efficiency solely from the perspective of expenditure outcomes, this research examines the entire budget management process, encompassing budget planning, implementation, and oversight. This process-oriented perspective enables a deeper exploration of the institutional and managerial factors that contribute to inefficiency in public financial management.

The novelty of this research lies in employing the Value for Money concept as the primary analytical framework, integrating the dimensions of economy, efficiency, and effectiveness into a holistic evaluation of public expenditure management. Through this framework, the study not only examines the level of efficiency achieved but also identifies the diverse forms of inefficiency and the underlying factors that trigger them throughout the budgeting process.

Furthermore, unlike previous research that has concentrated predominantly on a single expenditure category, such as capital expenditure, this study examines public expenditure more broadly, encompassing various categories of government spending within the public sector. This broader analytical scope is expected to provide a more comprehensive understanding of inefficiency in public financial management while contributing to the development of the Value for Money literature in the context of public sector governance.

Therefore, the objective of this study is to examine and understand the various forms of inefficiency in public expenditure management. Specifically, the study seeks to identify the factors that contribute to inefficiency in managing public expenditure and to analyze the application of the Value for Money principles as an analytical framework for identifying and minimizing inefficiency in public expenditure management. The findings are expected to provide theoretical contributions to the public sector accounting literature and practical insights for improving the effectiveness, efficiency, and accountability of public budget management in Indonesia.

LITERATURE REVIEW

Public Expenditure

Public expenditure constitutes one of the primary fiscal mechanisms through which governments allocate financial resources to provide public services, develop infrastructure, and promote socioeconomic welfare. At both the national and regional levels, public expenditure represents a strategic component of fiscal policy because it finances government programs and public investments intended to improve citizens' quality of life and support sustainable development (Putri, 2025). Consequently, the effectiveness of public expenditure management is closely associated with the government's ability to achieve development objectives and ensure equitable distribution of public services.

From a macroeconomic perspective, public expenditure plays an important role in stimulating economic activity through government investment in infrastructure, education, healthcare, and other productive sectors. Increased public spending is generally expected to generate multiplier effects by encouraging investment, expanding employment opportunities, and increasing household income. Therefore, larger public expenditure allocations are often associated with higher levels of economic growth at both the national and regional levels. However, fiscal expansion must be balanced with sustainable revenue generation because excessive taxation or public contributions may reduce household purchasing power and potentially weaken economic activity (Nourmanita, 2016).

Public expenditure also reflects the government's commitment to achieving inclusive development. Budget allocations that are aligned with public priorities contribute to improved accessibility of essential services, poverty reduction, and regional competitiveness. Nevertheless, the effectiveness of public expenditure depends not only on the size of the budget but also on the quality of planning, implementation, monitoring, and evaluation throughout the budgeting cycle. As a result, improving public expenditure management has become a central issue in public sector governance and public financial management.

Public Expenditure Inefficiency

The concept of public expenditure efficiency is rooted in allocative efficiency theory proposed by Armen Alchian and Harold Demsetz (1972), which emphasizes the optimal allocation of scarce resources to maximize societal welfare. Within the context of regional economics and public finance, expenditure efficiency refers to the government's ability to allocate budgetary resources to priority sectors capable of generating the greatest economic and social benefits. Accordingly, efficiency extends beyond minimizing expenditure; it involves maximizing the value and impact generated from every unit of public spending.

An efficient public budgeting system requires strong fiscal institutions capable of implementing evidence-based budgeting, where expenditure decisions are formulated based on empirical evidence, medium-term development priorities, and projections of long-term socioeconomic impacts. Evidence-based budgeting enables governments to allocate resources according to actual public needs while improving accountability and transparency in fiscal decision-making. Strengthening fiscal governance is therefore essential for reducing budget misallocation and improving the overall performance of public expenditure management.

From a social perspective, efficient public expenditure particularly capital expenditure has a direct influence on public welfare through the provision of infrastructure, accessible public facilities, and high-quality public services. When government spending successfully produces infrastructure and services that address community needs, public confidence in government institutions increases. Moreover, citizens' positive experiences with public development programs strengthen community ownership, encourage participation in planning and budget oversight, and reinforce social cohesion. Over the long term, these outcomes contribute to stronger governmental legitimacy and support the achievement of broader development agendas, including the Sustainable Development Goals (SDGs) (Haryati dkk., 2025).

Government expenditure generally increases alongside economic development because expanding economic activity requires greater public investment and government intervention. This trend is also reflected in the increasing contribution of government expenditure to Gross Domestic Product (GDP). However, higher levels of public expenditure do not automatically generate positive economic outcomes. When government programs are poorly targeted or disconnected from societal and economic needs, public spending fails to create significant multiplier effects, thereby reducing its contribution to economic development (Rambe, 2020).

Public expenditure inefficiency frequently arises from weaknesses in budget planning, implementation, procurement, and oversight mechanisms. Poor expenditure planning may result in programs that do not correspond to priority development needs, while ineffective procurement systems increase the risk of excessive costs and resource wastage. Similarly, inadequate internal controls and monitoring mechanisms reduce the government's ability to detect deviations, prevent budget leakage, and ensure accountability in expenditure implementation (Rambe, 2020).

Another source of inefficiency concerns weaknesses in performance measurement within the budgeting process. Performance indicators established during budget formulation may not accurately capture program objectives, leading to inaccurate evaluation of government performance. Furthermore, although budget implementation must follow approved fiscal regulations, changing economic and policy conditions often require revisions to the APBN or APBD during implementation. Effective expenditure management therefore requires adaptive budgeting while maintaining accountability and

consistency with development objectives. Several studies also argue that government performance improves when expenditure levels are appropriately aligned with program requirements, suggesting that larger expenditures may generate more effective outputs and outcomes when they correspond to actual public needs (Pattisahusiwa & Lahaya, 2019).

Based on these perspectives, public expenditure inefficiency can be defined as a condition in which government expenditures through the APBN or APBD fail to generate optimal outputs, outcomes, or public benefits relative to the financial resources utilized. Inefficiency indicates that public resources are not managed in a manner that maximizes public value, thereby reducing the effectiveness of fiscal policy in achieving development goals.

Value for Money in the Public Sector

The Value for Money (VfM) concept has become one of the most widely adopted frameworks in public sector financial management for evaluating government performance and ensuring accountability in the use of public resources. Rather than focusing solely on budget absorption or expenditure realization, Value for Money emphasizes whether public spending generates optimal benefits through the integrated principles of economy, efficiency, and effectiveness (Haqiqi dkk., 2025). This framework supports good governance by ensuring that limited public resources are utilized responsibly to maximize public welfare.

Within public sector organizations, Value for Money shifts performance assessment from a purely financial perspective toward a comprehensive evaluation of the relationship among inputs, outputs, and outcomes. Government performance is therefore measured not only by the amount of budget spent but also by whether expenditures produce intended services, achieve policy objectives, and generate meaningful societal impacts. Consequently, Value for Money contributes to preventing resource wastage, increasing productivity, improving accountability, and strengthening public trust in government institutions (Haqiqi dkk., 2025).

Economy

The economy principle focuses on acquiring resources at the lowest possible cost while maintaining the required quality standards. Economic performance reflects the government's ability to plan budgets carefully, avoid unnecessary expenditures, and select procurement methods that provide the best value for public funds. In public financial management, economy emphasizes prudent spending and cost-conscious decision-making without compromising service quality. According to Haqiqi dkk. (2025), financial performance is categorized as economical when the economic ratio exceeds 100 percent, indicating that budget utilization has achieved favorable cost performance relative to established standards.

Efficiency

Efficiency refers to the government's capacity to utilize available resources optimally in producing maximum outputs with minimum inputs. Efficient expenditure management minimizes resource wastage while ensuring that public programs are implemented using appropriate financial, human, and material resources. In the Value for Money framework, efficiency is achieved when expenditure inputs produce the greatest possible outputs without unnecessary costs. Haqiqi dkk. (2025) explain that expenditure performance is considered efficient when the efficiency ratio is below 100 percent, with lower ratios indicating higher levels of operational efficiency.

Effectiveness

Effectiveness measures the extent to which government programs achieve predetermined objectives and intended outcomes. Effective public expenditure requires clearly defined performance indicators, measurable targets, and continuous monitoring and evaluation. Government programs are considered effective when outputs translate into meaningful outcomes that improve community welfare and address public policy objectives. Therefore, effectiveness reflects the degree to which planned goals are successfully accomplished through public expenditure implementation (Haqiqi dkk., 2025).

Collectively, these three dimensions provide an integrated framework for evaluating public expenditure performance. Economy ensures prudent resource acquisition, efficiency ensures optimal resource utilization, and effectiveness ensures that expenditure generates intended public outcomes.

The Relationship between Public Expenditure Inefficiency and Value for Money

Public expenditure inefficiency is conceptually inseparable from the Value for Money framework because inefficiency represents a failure to achieve one or more of its three fundamental principles: economy, efficiency, and effectiveness. Inefficiency emerges when public expenditures do not generate proportional benefits relative to the resources consumed, resulting in budget wastage, disproportionate input-output relationships, or unsuccessful achievement of policy objectives. Consequently, inefficient expenditure management indicates that public resources have not produced maximum public value.

The Value for Money framework functions as an analytical and evaluative instrument for identifying inefficiency throughout the public budgeting cycle. By examining expenditures through the dimensions of economy, efficiency, and effectiveness, governments can assess whether budget allocations have been implemented prudently, utilized optimally, and directed toward achieving intended development outcomes. Budget allocations that fail to meet these criteria signal the presence of inefficiency and highlight areas requiring policy improvement and managerial intervention.

Furthermore, applying Value for Money promotes continuous improvement in public financial management by strengthening accountability, transparency, and performance-based budgeting practices. The framework enables policymakers and public managers to identify inefficiencies in planning, procurement, implementation, and oversight while supporting evidence-based decision-making for future budget allocations. Accordingly, Value for Money serves not only as a performance measurement framework but also as a strategic governance approach for optimizing public expenditure management and ensuring that public funds generate sustainable benefits for society.

RESEARCH METHOD

This study employed a qualitative research approach using a descriptive qualitative method to obtain an in-depth understanding of the phenomenon of public expenditure inefficiency in the public sector. A descriptive qualitative design was considered appropriate because the objective of the study was not to test hypotheses or establish causal relationships, but rather to explore, describe, and interpret the forms, underlying causes, and characteristics of inefficiency in public expenditure management within the context of public financial governance.

The study relied exclusively on secondary data collected through a library research approach. Secondary data were obtained from scholarly journal articles, academic books, government regulations, official reports, policy documents, and other authoritative publications relevant to public expenditure management and the Value for Money framework. The selection of literature was conducted purposively by considering the credibility, academic relevance, and consistency of each source with the research objectives to ensure the validity and reliability of the analysis.

Data analysis was conducted using descriptive qualitative analysis, following three interconnected stages: data reduction, data display, and conclusion drawing. During the data reduction stage, relevant information concerning public expenditure inefficiency and Value for Money principles was identified, categorized, and synthesized from the selected literature. The data display stage involved organizing the findings into thematic categories to facilitate the interpretation of patterns and relationships among the identified forms of inefficiency and their contributing factors. Finally, conclusions were drawn through an interpretative analysis of the synthesized evidence.

The analytical framework of this study was based on the Value for Money (VfM) concept, which encompasses the dimensions of economy, efficiency, and effectiveness. These three dimensions served as the primary analytical lens for identifying and evaluating the forms of public expenditure inefficiency, examining the factors contributing to inefficient budget management, and assessing how the Value for Money framework can be applied to improve accountability and optimize public expenditure management in the public sector.

RESULTS AND DISCUSSION

This section presents the research findings and discusses them within the Value for Money (VfM) framework. Following the qualitative descriptive approach, the findings are organized into four major themes: (1) the forms of public expenditure inefficiency, (2) an analysis of inefficiency from the Value for Money perspective, (3) the factors contributing to public expenditure inefficiency, and (4) the implications and improvement strategies for public expenditure management. The discussion integrates the findings with the theoretical framework and previous literature to explain the significance of the identified patterns in public sector financial management.

Forms of Public Expenditure Inefficiency

The analysis indicates that public expenditure inefficiency manifests in various stages of the public budgeting cycle, ranging from budget planning and implementation to monitoring and evaluation. These inefficiencies demonstrate that substantial public expenditure does not automatically translate into effective public service delivery or improved societal welfare. Instead, weaknesses in fiscal governance reduce the ability of public spending to generate optimal outputs and outcomes.

The findings identify ten major forms of public expenditure inefficiency, summarized in Table 1.

Table 1. Forms of Public Expenditure Inefficiency

No.	Form of Inefficiency	Description
1	High bureaucratic expenditure	Budget allocations are dominated by routine operational expenditures, such as official travel, meetings, and administrative honoraria, rather than expenditures directly supporting public service outputs.
2	Poorly targeted programs	Inaccurate beneficiary data results in social assistance and economic programs failing to reach intended recipients.
3	Inefficient procurement	Procurement processes involve purchasing goods above market prices or acquiring items that do not correspond to priority public needs.
4	Delayed budget utilization	Slow budget absorption causes expenditure concentration at the end of the fiscal year, often reducing project quality.
5	Weak planning and coordination	Poor inter-agency coordination leads to overlapping projects and programs that do not address community priorities.
6	Insufficient monitoring	Limited field monitoring and evaluation reduce opportunities for continuous program improvement.
7	Program duplication	Similar programs are implemented by multiple institutions without adequate coordination, resulting in redundant spending.
8	Underutilized outputs	Completed infrastructure or facilities remain unused or are utilized below their intended capacity.

No.	Form of Inefficiency	Description
9	Low-quality outputs	Projects are completed but fail to meet required technical or service quality standards.
10	Corruption and budget irregularities	Misappropriation and misuse of public funds represent the most severe form of expenditure inefficiency.

Source: Research findings based on qualitative analysis.

These findings suggest that inefficiency is not limited to financial waste but also reflects weaknesses in institutional governance, accountability mechanisms, and strategic budget allocation. Consequently, inefficiency reduces the government's capacity to transform fiscal resources into meaningful public value.

Public Expenditure Inefficiency from the Value for Money Perspective

The Value for Money framework provides a comprehensive analytical perspective for evaluating whether public expenditure satisfies the principles of economy, efficiency, and effectiveness. The analysis reveals that most forms of public expenditure inefficiency simultaneously violate more than one dimension of Value for Money, indicating systemic weaknesses in public financial management.

Table 2. Analysis of Public Expenditure Inefficiency Using the Value for Money Framework

Form of Inefficiency	Economy	Efficiency	Effectiveness
High bureaucratic expenditure	Not economical	Inefficient	Ineffective
Poorly targeted programs	Less economical	Inefficient	Ineffective
Inefficient procurement	Not economical	Inefficient	Less effective
Delayed budget utilization	Less economical	Inefficient	Ineffective
Weak planning	Not economical	Inefficient	Ineffective
Insufficient monitoring	Less economical	Inefficient	Ineffective
Program duplication	Not economical	Inefficient	Less effective
Underutilized outputs	Not economical	Highly inefficient	Ineffective
Low-quality outputs	Not economical	Inefficient	Ineffective
Corruption and budget irregularities	Highly uneconomical	Highly inefficient	Ineffective

Source: Research findings based on the Value for Money analysis.

The findings demonstrate that public expenditure inefficiency is fundamentally characterized by the inability to achieve Value for Money across all three dimensions. High bureaucratic expenditure illustrates a failure of the economy principle because substantial resources are allocated to administrative activities instead of public service delivery. Likewise, poorly targeted programs violate the effectiveness principle because expenditures fail to achieve intended policy outcomes.

Procurement inefficiency also reflects failures in both economy and efficiency. Purchasing goods and services above market prices or acquiring unnecessary items increases public expenditure without proportional improvements in service quality or development outcomes. Similarly, delayed budget absorption reduces efficiency because expenditures become concentrated toward the end of the fiscal year, increasing implementation risks and reducing project quality.

The most severe forms of inefficiency are underutilized public outputs and corruption. Infrastructure that remains unused represents an extreme mismatch between financial inputs and public outcomes, while corruption undermines every principle of Value for Money by diverting resources away from their intended developmental purposes. Overall, these findings indicate that ineffective planning, implementation, and oversight weaken the government's ability to maximize public value from public expenditure.

Factors Contributing to Public Expenditure Inefficiency

The qualitative analysis reveals that public expenditure inefficiency results from interconnected institutional, managerial, and governance-related factors throughout the budget management cycle.

1. Bureaucratic Orientation Toward Administrative Spending

One of the primary causes of inefficiency is the persistence of bureaucratic practices that prioritize administrative activities over performance-oriented public programs. A significant proportion of government expenditure is allocated to operational spending rather than programs that generate direct benefits for society. This allocation pattern reduces fiscal space for productive public investment and limits the developmental impact of government spending.

2. Inaccurate Data and Weak Verification Systems

Another important factor is the limited quality of beneficiary databases and weak verification and evaluation mechanisms. Inaccurate data reduce the accuracy of social assistance distribution and economic intervention programs, causing eligible beneficiaries to be excluded while ineligible recipients may receive government support. Consequently, program effectiveness declines because public expenditure fails to reach its intended targets.

3. Weak Procurement Governance

The findings also identify weaknesses in procurement governance as a significant contributor to expenditure inefficiency. Limited transparency, inadequate internal and external oversight mechanisms, and opportunities for price mark-ups increase procurement costs beyond reasonable market values. These conditions reduce the economic value generated by public expenditure and increase the risk of financial losses.

4. Limited Human Resource Capacity and Inter-Agency Coordination

Inefficiency is further reinforced by insufficient human resource capacity and poor coordination among government institutions. Limited technical competencies in budget planning and implementation reduce the quality of expenditure decisions, while weak coordination increases the likelihood of overlapping or duplicated government programs. These conditions indicate that budgeting processes have not been fully supported by integrated planning based on accurate needs assessments and reliable evidence.

5. Delayed Budget Absorption

Lengthy bureaucratic procedures contribute to slow budget implementation and delayed expenditure realization. As budget utilization accumulates toward the end of the fiscal year, government agencies often implement projects under compressed timelines, increasing the likelihood of reduced infrastructure quality and inefficient resource utilization.

6. Weak Monitoring and Evaluation

The study also identifies insufficient monitoring and evaluation systems as a major institutional weakness. Limited field supervision prevents early detection of implementation problems and reduces opportunities for continuous improvement. As a result, ineffective programs may continue without corrective interventions, thereby reducing the overall effectiveness of public expenditure.

7. Corruption and Budget Irregularities

Finally, corruption and budget irregularities represent the most critical drivers of public expenditure inefficiency. Weak internal control systems, limited institutional integrity, and inadequate law enforcement create opportunities for misuse of public funds during budget planning and implementation. These practices not only generate financial losses but also undermine public trust and reduce the effectiveness of government programs.

Implications of Public Expenditure Inefficiency

The findings indicate that public expenditure inefficiency has multidimensional implications affecting fiscal sustainability, public welfare, and national development

Fiscal Implications

From a fiscal perspective, inefficient expenditure leads to budget wastage because allocated funds fail to generate proportional public benefits. Inefficient input-output relationships reduce fiscal efficiency and weaken the government's capacity to manage limited public resources effectively. Furthermore, uncontrolled expenditure without corresponding performance improvements may contribute to wider budget deficits by increasing the gap between government revenues and expenditures.

Social Implications

For society, inefficient public expenditure reduces both the quality and accessibility of public services. Poorly targeted expenditure allocations increase social inequality by limiting access to government assistance for eligible beneficiaries. Consequently, vulnerable communities receive fewer benefits from public spending, reducing the government's ability to improve social welfare and inclusive development.

Development Implications

From a development perspective, inefficient expenditure undermines infrastructure quality, weakens the economic multiplier effect of government spending, and delays the achievement of development targets. Infrastructure projects implemented inefficiently often fail to provide sustainable long-term benefits, while ineffective government programs reduce the contribution of public expenditure to economic growth and societal welfare.

These findings reinforce the argument that expenditure inefficiency affects not only financial performance but also broader governance outcomes, including service quality, development effectiveness, and public confidence in government institutions.

Strategies for Improving Public Expenditure Efficiency through Value for Money

The analysis suggests that improving public expenditure management requires comprehensive reforms across the entire budgeting cycle. These reforms should strengthen transparency, accountability, and the consistent application of the Value for Money principles.

1. Strengthening Evidence-Based Budget Planning

Improving budget planning requires accurate and relevant data to ensure that government programs correspond to actual community needs. The adoption of evidence-based budgeting enables expenditure decisions to be informed by evaluation findings and empirical evidence, thereby improving the precision, efficiency, and effectiveness of budget allocations.

2. Enhancing Monitoring and Oversight

Stronger monitoring mechanisms are necessary to ensure compliance with budget regulations throughout implementation. Regular audits and direct field monitoring facilitate early detection of implementation problems and reduce the risk of significant financial losses caused by budget irregularities.

3. Institutionalizing the Value for Money Framework

Applying Value for Money requires evaluating every government program according to its economic, efficiency, and effectiveness performance. Clear performance indicators enable governments to assess whether public expenditure generates optimal value and contributes to intended development outcomes.

4. Digitalizing Public Financial Management

The implementation of e-budgeting systems improves budget accuracy, operational efficiency, and transparency while reducing opportunities for budget manipulation. Digital platforms also enhance public participation by providing citizens with greater access to budget information and strengthening governmental accountability.

5. Developing Human Resource Capacity

Improving the competencies of public financial managers through continuous training strengthens professionalism and integrity in budget management. Enhanced human resource capacity supports better planning, implementation, and financial oversight while reducing administrative errors and budget misuse.

6. Integrating Government Programs

Better coordination among government institutions can reduce overlapping activities and duplicated expenditure. Program integration promotes more efficient resource allocation by combining similar initiatives into coordinated interventions that generate greater public benefits.

7. Strengthening Law Enforcement and Internal Control

Effective law enforcement against corruption and stronger internal control systems are essential for preventing budget misuse from the planning stage through program implementation. Strong accountability mechanisms increase deterrence against financial irregularities and support more transparent and responsible public financial governance.

Discussion

Public Expenditure Inefficiency as a Reflection of Weak Public Financial Governance

The findings demonstrate that public expenditure inefficiency is not merely a fiscal or administrative issue, but a multidimensional governance problem that affects the overall performance of public financial management. The analysis shows that inefficiency occurs throughout the budgeting cycle, including budget planning, implementation, procurement, monitoring, and evaluation. This finding indicates that increasing public expenditure alone is insufficient to improve public welfare unless the allocation and utilization of public resources are managed according to the principles of accountability, transparency, and performance orientation.

This finding is consistent with the theoretical perspective of public expenditure management, which argues that government expenditure should generate optimal public value rather than merely achieving budget absorption targets. As explained by Putri (2025), public expenditure serves as a strategic fiscal instrument for delivering public services and promoting regional development. However, the present findings reveal that substantial government expenditure may still produce limited social and economic outcomes when budget management fails to prioritize community needs and measurable performance outcomes.

Moreover, the findings reinforce the argument of Rambe (2020) that inefficiency in government expenditure frequently originates from weaknesses in planning, implementation, and expenditure control. Instead of functioning as an instrument for

economic development, inefficient expenditure creates fiscal waste and reduces the government's capacity to maximize the developmental impact of public spending.

Forms of Public Expenditure Inefficiency in the Budgeting Cycle

The first research question examines the forms of inefficiency occurring in public expenditure management. The findings identify ten recurring forms of inefficiency, including excessive bureaucratic expenditure, poorly targeted government programs, inefficient procurement practices, delayed budget utilization, weak planning and coordination, insufficient monitoring, duplicated programs, underutilized infrastructure and facilities, low-quality outputs, and corruption or budget irregularities.

These forms of inefficiency illustrate that public expenditure problems occur not only during budget implementation but also during policy formulation and program evaluation. High bureaucratic expenditure reflects a spending pattern in which operational and administrative activities consume a significant share of the budget, leaving fewer fiscal resources available for productive expenditures that directly benefit society. Similarly, poorly targeted programs demonstrate that inaccurate beneficiary databases and inadequate needs assessments reduce the effectiveness of government interventions.

Another significant finding concerns delayed budget absorption, which frequently results in expenditure concentration during the final months of the fiscal year. This practice often encourages rushed project implementation, reduces infrastructure quality, and limits opportunities for effective supervision. Weak coordination among government institutions also contributes to overlapping programs and duplicated expenditure, indicating fragmented public planning processes rather than integrated development strategies.

The presence of underutilized public facilities and low-quality project outputs further suggests that expenditure performance should not be evaluated solely through completion rates or budget realization percentages. Instead, the usefulness and sustainability of outputs must become key indicators of successful public expenditure management. Consequently, these findings support the argument that inefficiency represents a mismatch between allocated resources and the public value generated through government programs.

Public Expenditure Inefficiency from the Value for Money Perspective

The second research question focuses on how the Value for Money framework identifies public expenditure inefficiency. The findings demonstrate that nearly all identified forms of inefficiency violate one or more dimensions of Value for Money economy, efficiency, and effectiveness indicating that weaknesses in public financial management are systemic rather than isolated incidents.

From the perspective of economy, inefficiency appears when government institutions fail to obtain goods and services at the most reasonable cost while maintaining appropriate quality standards. High bureaucratic expenditure and procurement above market prices indicate uneconomical budget utilization because public resources are consumed without maximizing value. This finding aligns with Haqiqi dkk. (2025), who emphasize that economic performance requires prudent spending and cost-conscious procurement decisions within public sector organizations.

From the perspective of efficiency, the findings reveal substantial imbalances between inputs and outputs. Delayed budget utilization, duplicated programs, and weak inter-agency coordination increase resource consumption without generating proportional improvements in public services. Similarly, infrastructure that remains unused represents an extreme example of inefficient expenditure because substantial financial inputs fail to produce meaningful outputs or utilization. These findings demonstrate that efficiency is closely associated with the government's institutional capacity to convert fiscal resources into productive outputs while minimizing waste.

The effectiveness dimension provides the strongest explanation for many identified inefficiencies. Poorly targeted social programs, low-quality outputs, and ineffective monitoring indicate that government expenditure frequently fails to achieve intended policy objectives and societal outcomes. Therefore, effectiveness should be evaluated based on measurable public benefits rather than expenditure realization alone. This interpretation supports the Value for Money framework proposed by Haqiqi dkk. (2025), which argues that government performance must be assessed through the integrated relationship among inputs, outputs, and outcomes.

Collectively, the findings indicate that the Value for Money framework offers a comprehensive mechanism for evaluating public expenditure performance beyond financial compliance. Rather than focusing exclusively on budget realization, the framework enables governments to determine whether public resources have been allocated economically, utilized efficiently, and transformed into effective public outcomes.

Factors Contributing to Public Expenditure Inefficiency

The third research question investigates the factors responsible for public expenditure inefficiency. The findings reveal that inefficiency is generated by multiple interconnected institutional and managerial factors rather than a single causal mechanism. These factors originate from deficiencies in planning, implementation, monitoring, institutional capacity, transparency, and accountability.

One of the principal contributing factors is a bureaucratic culture that prioritizes administrative expenditure over performance-oriented public programs. This orientation encourages government institutions to emphasize routine operational spending instead of

expenditures that directly improve public welfare. Consequently, fiscal resources become concentrated on administrative processes rather than developmental outcomes.

The study also identifies inaccurate data management and weak verification mechanisms as important contributors to poorly targeted government programs. Without reliable beneficiary databases and evidence-based planning, social assistance and development programs cannot effectively reach intended recipients. This finding highlights the importance of evidence-based budgeting as an essential component of effective public financial governance.

Another important factor involves weaknesses in procurement governance. Limited transparency, inadequate supervision, and opportunities for procurement irregularities increase expenditure costs while reducing the economic value generated by government spending. Furthermore, limited human resource capacity and insufficient coordination among government agencies reduce planning quality and increase the likelihood of overlapping or duplicated programs.

Weak monitoring and evaluation systems further exacerbate expenditure inefficiency because implementation problems are often detected too late for corrective action. Continuous evaluation mechanisms are therefore essential for improving program quality and ensuring accountability throughout implementation. Finally, corruption and budget irregularities remain the most severe contributors to inefficiency because they undermine every stage of the budgeting process, reduce institutional integrity, and divert public resources away from development objectives.

Overall, these findings indicate that public expenditure inefficiency is strongly influenced by governance quality, institutional capacity, and accountability systems, reinforcing previous studies that emphasize the importance of strengthening fiscal institutions in improving expenditure performance (Rambe, 2020; Pattisahusiwa & Lahaya, 2019).

Implications for Public Financial Management and Policy Reform

The findings have important theoretical and practical implications for public sector accounting and public financial management. From a theoretical perspective, this study extends the application of the Value for Money framework by demonstrating that inefficiency should be analyzed holistically across the budgeting cycle rather than measured solely through expenditure outcomes or quantitative efficiency indicators. This qualitative perspective complements previous studies that primarily focused on capital expenditure efficiency and economic growth using quantitative approaches.

From a practical perspective, the findings suggest that improving public expenditure performance requires comprehensive governance reforms rather than increasing expenditure allocations alone. Strengthening evidence-based budgeting, improving procurement transparency, enhancing monitoring and evaluation systems, implementing digital budgeting platforms such as e-budgeting, increasing human

resource capacity, integrating inter-agency programs, and reinforcing internal control and law enforcement mechanisms are critical strategies for minimizing inefficiency and improving accountability.

These improvement strategies demonstrate that the consistent implementation of the Value for Money principles can transform public expenditure into a more accountable, efficient, and outcome-oriented fiscal instrument. Consequently, the application of economy, efficiency, and effectiveness principles is expected to optimize public budget performance while ensuring that government expenditure generates sustainable benefits for society and supports the achievement of national development objectives.

CONCLUSION

This study concludes that public expenditure inefficiency remains a significant challenge in public financial management, as inefficiencies occur across multiple stages of the budgeting cycle, including planning, procurement, implementation, monitoring, and evaluation. The findings identify several recurring forms of inefficiency, including excessive bureaucratic expenditure, poorly targeted government programs, inefficient procurement practices, delayed budget absorption, weak planning and inter-agency coordination, insufficient monitoring, program duplication, underutilized public infrastructure, low-quality outputs, and corruption or budget irregularities. These findings demonstrate that public expenditure inefficiency extends beyond financial waste and reflects broader weaknesses in governance, institutional capacity, and accountability mechanisms.

The study also finds that public expenditure inefficiency is driven by interconnected institutional and managerial factors. Bureaucratic orientation toward administrative spending, inaccurate beneficiary data, limited transparency in procurement, insufficient human resource capacity, fragmented coordination among government institutions, weak monitoring and evaluation systems, and inadequate internal control collectively reduce the quality of public expenditure management. Consequently, these weaknesses prevent government programs from achieving optimal outputs and intended public outcomes.

Furthermore, the Value for Money (VfM) framework proves to be an effective analytical approach for identifying and evaluating inefficiency in public expenditure management. The analysis shows that most forms of inefficiency simultaneously violate the three core dimensions of Value for Money economy, efficiency, and effectiveness indicating that public expenditure performance should be evaluated not only by budget realization but also by the extent to which public resources are utilized prudently, converted into quality outputs, and generate meaningful societal outcomes. Therefore, consistent implementation of Value for Money principles can strengthen accountability, improve fiscal governance, optimize budget performance, and ensure that public expenditure creates sustainable value for society.

Suggestions for Future Research

This study provides several directions for future research to advance the literature on public expenditure management and the Value for Money framework in the public sector.

First, future studies are encouraged to employ mixed-method or quantitative approaches to measure the level of public expenditure efficiency using financial performance indicators, Data Envelopment Analysis (DEA), or other efficiency measurement models. Such approaches would complement the qualitative findings by providing empirical evidence on the magnitude of expenditure inefficiency across government institutions.

Second, future research may conduct comparative studies across provinces, districts, municipalities, or government agencies to examine differences in the implementation of Value for Money principles and identify contextual factors that influence public expenditure efficiency in different institutional settings.

Third, researchers are encouraged to investigate the effectiveness of digital public financial management innovations, such as e-budgeting, e-procurement, and integrated financial information systems, in reducing inefficiency, improving transparency, and strengthening accountability throughout the budgeting process.

Finally, future studies may explore the relationship between Value for Money implementation and broader governance outcomes, including public trust, service quality, sustainable development performance, and the achievement of the Sustainable Development Goals (SDGs). Such research would provide a more comprehensive understanding of how improvements in public expenditure management contribute to long-term public sector performance and societal welfare.

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