

International Journal of Economics and Financial Issues
ISSN: 2146- 4138
available at https://ijefijournal.com
International Journal of Economics and Financial Issues, 2026, 15(6), 94-103

ANALYSIS OF THE REVENUE BUDGET IN THE DAIRI DISTRICT APBD

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Received: 14 March 2026 **Accepted:** 16 March 2026 **DOI: 10.5281/zenodo.19535055**

Abstract. This study aims to evaluate the financial performance of the Dairi Regency Government in the 2024 and 2025 fiscal years. Using quantitative descriptive methods, this study analyzes budget realization data sourced from the Barata Dairi portal to determine the extent of regional spending independence and harmony. The analysis results indicate that Dairi Regency still has a very high fiscal dependence, with more than 85% of its revenue coming from central government transfers. In terms of spending, there is an imbalance in allocation where operational spending dominates at over 70%, while capital spending for long-term infrastructure drops drastically to below 1% in 2025. This indicates that the region is trapped in a bureaucratic routine (routine trap). Furthermore, there is a significant disparity in budget absorption between OPDs, such as the Regional Disaster Management Agency (BPBD), which absorbs below 50%. However, the regional government continues to demonstrate high compliance with mandatory spending on education and health. In conclusion, regulations on minimum capital spending limits and the implementation of stricter performance-based budgeting are needed to make regional financial management more productive and accountable to the public.

Keywords : Regional Budget (APBD), Regional Revenue, Regional Expenditure, Local Own- Source Revenue (PAD), Fiscal Perfomence, Public Financial Management, Regional Development, Mandatory Spending, Dairi Regency.

1.INTRODUCTION

The Regional Revenue and Expenditure Budget (APBD) serves as the primary financial policy tool for local governments in implementing autonomy, funding development projects, and advancing long-term public welfare. However, in its implementation, many local governments in Indonesia remain trapped in chronic structural problems, namely low fiscal independence accompanied by a very high dependence on transfer funds from the central government (Digdowiseiso et al., 2023). This situation creates fiscal vulnerability for regions, where national economic policies can directly hamper regional spending capacity for local strategic programs due to dependence on balancing funds from the central government and limited regional fiscal capacity (Syukri et al., 2025).

Although numerous studies have been conducted on budget effectiveness, focusing on achieving administrative targets (Kuntadi & Rosdiana, 2022), a crucial factor that is often overlooked is how the quality of regional spending significantly contributes to long-term economic growth. Spending allocations that are predominantly focused on operational expenditures rather than capital expenditures can be a major obstacle to creating a multiplier effect for the local economy, as operational expenditures tend to be routine and do not directly increase assets or long-term production

capacity (Saputra et al., 2021). This situation is exacerbated by the fact that many regions still face difficulties in managing their financial efficiency, as evidenced by the low budget absorption ratio at the technical unit level compared to the administrative unit level.

This is where the scientific problem identified in this study lies. There is a clear discrepancy between the overall effectiveness of budget reporting and the integrity of the data within the digital reporting system. While financial transparency through information systems like Barata Dairi is expected to increase accountability, the emergence of data anomalies, such as zero rupiah in transfer details despite the total realization being achieved, indicates a lack of integration in the regional financial information system. This suggests that the system is not yet fully capable of ensuring data consistency and accuracy across divisions, possibly triggered by integration and interoperability constraints between systems (Amalina, 2025). If this issue is not addressed, it will obscure an objective assessment of the region's true financial performance.

This study specifically focuses on analyzing the Dairi Regency Regional Revenue and Expenditure Budget (APBD) for the 2024 and 2025 fiscal years to assess the region's financial performance during the recent period of policy changes. The identified research gap indicates that existing sources have been limited in examining digital data integrity issues in a small region like Dairi Regency, particularly in relation to its very low capital expenditure, which accounts for less than one percent. The innovation of this research lies in the use of the latest data from 2025 to assess the impact of anomalies in digital synchronization on fiscal decision-making at the regional level. By answering previously unexplored questions about the relationship between digital reporting validity and fiscal independence during economic recovery, this study makes a critical contribution to improving regional financial management and digital transformation policies in Indonesia.

2.LITERATURE REVIEW

2.1 Regional Finance

The theory of regional finance explains that regional finance encompasses all rights and obligations of a region that can be measured in monetary terms in the context of administering local government. Regional finance plays a crucial role in supporting the implementation of regional autonomy, where local governments are granted authority to manage financial resources independently in order to improve public welfare. In this context, the Regional Revenue and Expenditure Budget (APBD) serves as the primary instrument for implementing regional fiscal policies.

According to public finance theory, the APBD consists of three main components: regional revenue, regional expenditure, and regional financing. Regional revenue reflects the fiscal capacity of a region, which is derived from Local Own-Source Revenue (PAD), transfers from the central government, and other legitimate sources. Meanwhile, regional expenditure represents government spending allocated to finance development programs and public services.

In the theory of fiscal decentralization, the financial capacity of a region plays a significant role in determining the success of regional development. The higher the regional revenue capacity, the greater the ability of local governments to independently finance development programs. This concept is aligned with regional planning frameworks, where financial capacity is measured through PAD, intergovernmental transfers, and support from investment and the private sector. In relation to the APBD of Dairi Regency for the 2025 fiscal year, the structure of regional finance reflects the application of these theories, where revenue is sourced from PAD, central government transfers, and other legitimate income. Furthermore, regional expenditure is allocated to priority sectors such as education, infrastructure, and community development, which represents the allocation function in public finance.

Moreover, in regional financial management theory, efficiency and effectiveness are essential aspects to ensure that every expenditure provides maximum benefits to society. In the implementation of the 2025 APBD of Dairi Regency, policies such as budget efficiency, rationalization, and reallocation of expenditures have been applied to support both national and regional priority programs. This indicates the local government’s effort to

optimize budget utilization in accordance with development needs.

In addition, the concept of mandatory spending in public finance emphasizes the importance of allocating minimum budgets to certain sectors, such as education and health. This policy aims to ensure the provision of basic public services. In the 2025 APBD of Dairi Regency, allocations to these sectors demonstrate the government's commitment to improving human resource quality and public welfare.

Based on the theories of regional finance and their implementation in the APBD of Dairi Regency for the 2025 fiscal year, it can be concluded that regional financial management is not only focused on achieving budget targets but also on ensuring the effectiveness of budget utilization in supporting regional development. Therefore, evaluating financial performance is essential to improve the quality of regional financial management in the future.

2.2 Public Budget Concept

The concept of public budgeting is a fundamental aspect of public finance that relates to the planning and management of financial resources to meet societal needs. Public budgeting functions as a tool for planning, controlling, and evaluating government performance in implementing development programs. In the context of local government, public budgeting is reflected in the Regional Revenue and Expenditure Budget (APBD).

Theoretically, public budgeting has three main functions: allocation, distribution, and stabilization. The allocation function is related to the provision of public goods and services, the distribution function aims to achieve equitable welfare, and the stabilization function is intended to maintain regional economic stability. These functions serve as the foundation for preparing the APBD to effectively address public needs.

The APBD, as a form of regional public budgeting, is prepared based on the principles of transparency, accountability, efficiency, and effectiveness. These principles are essential to ensure that budget management is conducted openly and can be accounted for to the public. In addition, the APBD should be performance-based, meaning that each budget allocation must have clear objectives and measurable indicators.

In the context of the APBD of Dairi Regency for the 2025 fiscal year, the concept of public budgeting is reflected in its structure, which consists of regional revenue, expenditure, and financing. Regional revenue is derived from Local Own-Source Revenue (PAD), central government transfers, and other legitimate sources. Meanwhile, regional expenditure is allocated to priority sectors such as education, health, infrastructure, and rural development. Furthermore, the implementation of public budgeting concepts in the 2025 APBD of Dairi Regency is evident in the policy of mandatory spending, particularly in the education and health sectors. Budget allocations that meet or exceed the minimum requirements demonstrate the local government's commitment to providing basic public services and improving human resource quality.

In addition, efficiency and effectiveness in budget management are key concerns in the implementation of the APBD. The relatively high realization of revenue and expenditure indicates the local government's effort to optimize budget utilization, although challenges remain in improving overall fiscal performance. In conclusion, the concept of public budgeting in the APBD of Dairi Regency for the 2025 fiscal year reflects the local government's efforts to manage financial resources optimally to support regional development. Therefore, evaluating budget implementation is essential to improve future planning and financial management.

2.3 Regional Budget Perfomence

The performance of the Regional Revenue and Expenditure Budget (APBD) is an important indicator in assessing the success of regional financial management. APBD performance can be measured through the level of revenue and expenditure realization, efficiency in budget utilization, and the ability of the region to achieve development targets. Evaluating the performance of previous budgets serves as an important basis for preparing future budgets.

Theoretically, regional financial performance reflects the ability of local governments to manage financial resources effectively and efficiently. Revenue realization indicates the region's ability to generate income, while expenditure realization reflects the government's capacity to implement planned

programs and activities. In addition, the balance between revenue and expenditure is an important indicator of fiscal stability. Based on the performance of the APBD of Dairi Regency in previous years, regional revenue has been largely dominated by transfers from the central government, while the contribution of Local Own-Source Revenue (PAD) remains relatively low. This condition indicates that the level of fiscal independence still needs to be improved to reduce dependence on central government transfers.

On the other hand, the realization of regional expenditure shows that most of the budget has been utilized to support development programs, particularly in the sectors of education, health, and infrastructure. However, there are still challenges related to expenditure effectiveness, such as delays in program implementation and less optimal outcomes from budget utilization.

Furthermore, previous performance evaluations indicate that the local government has made efforts to improve budget efficiency through expenditure control and the adjustment of program priorities. These policies aim to ensure that available resources are used optimally to meet public needs. The performance of previous APBD periods also highlights the importance of transparency and accountability in regional financial management. Local governments are required to present clear and accountable financial reports as a form of responsibility to the public.

In conclusion, the performance of the APBD of Dairi Regency in previous periods provides an overview of regional financial conditions and serves as an evaluation basis for the preparation of the 2025 APBD. Improving fiscal independence, optimizing regional revenue, and enhancing expenditure effectiveness are key priorities for improving financial performance in the future.

3.METHOD

This study employs a quantitative descriptive design aimed at presenting a systematic, factual, and accurate picture of the Dairi Regency Government's financial performance through an analysis of budget realization figures for 2024 and 2025. The methodological justification for using this approach is to conduct an in-depth and objective evaluation of fiscal variables such as revenue effectiveness, expenditure alignment, and the level of budget allocation compliance in regional work units (Habibi et al., 2024). The use of quantitative data is considered most appropriate because it minimizes subjectivity in assessing regional financial performance based on numerical target achievement, in keeping with the characteristics of quantitative research, which emphasizes numerical measurement and objectivity (Juliana et al., 2026).

A comparative approach is consistently applied in this study by assessing financial performance between the 2024 and 2025 budgets. This method is crucial for identifying revenue growth patterns, evaluating changes in budget allocation focus, and identifying data anomalies in digital reporting from year to year. The primary data was obtained through the Barata Dairi portal, the Dairi Regency Government's official and transparent budget information system. Data collection techniques used digital documentation methods, where researchers conducted in-depth observations, recorded data, and categorized data from the portal into a format that could be analyzed using descriptive statistics. A literature review was also conducted to strengthen the theoretical foundations related to regional expenditure management and fiscal independence (Rerung et al., 2025).

The analytical model in this study was developed in stages to produce comprehensive conclusions regarding regional fiscal health. The first analysis is the Revenue Effectiveness Analysis, which measures the local government's ability to achieve planned revenue targets (Yakub et al., 2022). This ratio is calculated using the following formula:

$$\textit{Effectiveness Ratio} = \frac{\text{Revenue Realization}}{\text{Revenue Target}} \text{ x } 100\%$$

The effectiveness criteria refer to the regional financial performance assessment standards, where a score above 100% is categorized as highly effective (Yakub et al., 2022). Furthermore, a Compliance Status Analysis (Mandatory Spending) was conducted to assess whether budget distribution in the education, health, and infrastructure sectors met

the minimum criteria stipulated in UU No. 1 of 2022. The level of compliance was evaluated by comparing the percentage of actual allocations against the limits set by national regulations to ensure the proper functioning of basic services.

The final step involved a spending alignment analysis, which calculated the proportion of operating expenditures to capital expenditures to assess regional budget priorities. A higher proportion of operating expenditures indicates a tendency to focus on public services and short-term bureaucratic needs, while a higher proportion of capital expenditures indicates a priority on infrastructure development and long-term investment (Simanjuntak et al., 2015). Researchers also conducted a qualitative analysis of technical variables to explain the anomalous Rp0 data found on the digital portal and conducted a variance analysis of budget absorption in 14 selected Regional Apparatus Organizations (OPDs) to identify performance disparities between work units that could impact service quality at the field level (Kuntadi & Rosdiana, 2022). The integration of various analysis models is supported by the implementation of data verification instruments to ensure the validity of research results in facing the challenges of digitalization in financial reporting.

4.RESULT AND DISCUSSION

4.1 Result

This section describes empirical results regarding the financial performance of the Dairi Regency Government obtained through the Barata Dairi transparency budget portal. Researchers conducted a detailed secondary data analysis by comparing the realization of the Regional Revenue and Expenditure Budget (APBD) between Fiscal Year 2024 and Fiscal Year 2025.

4.1.1 Analysis of Regional Revenue Realization and Transfer Fund Anomalies

Regional revenue is a crucial component that reflects fiscal independence and the region's capacity to fund development programs. According to the information collected, there have been stark contrasts in the revenue structure in Dairi Regency over the past two years.

Table 1. *Detailed Composition of Dairi Regency Revenue Realization for the 2024-2025 Fiscal Year*

Revenue Components	2024 Budget (Rp)	2024 Actual (Rp)	2025 Budget (Rp)	2025 Actual (Rp)
PAD	49.151.677.000	49.151.677.000	1.492.200.000	1.492.200.000
Transfer Revenue	1.148.501.149.600	20.731.851.950	0	0
Other Legitimate PD	61.904.034.374	61.904.034.374	0	0
TOTAL	1.220.990.326.000	1.191.999.279.399	1.197.015.499.604	1.117.955.948.823

Based on Table 1, the revenue structure in Dairi Regency shows a very large dependence on the central government, where for 2025, Transfer Revenue is planned to reach IDR 1.195 trillion from a total budget of IDR 1.197 trillion. The anomalous data phenomenon in the Barata Dairi system, where transfer details were recorded at Rp0 while total revenue realization reached Rp1.117 trillion (93.40%), indicates challenges in digital data integrity. This condition emphasizes that regional financial stability is very vulnerable to fluctuations in national fiscal policy because changes in central policy can affect the allocation of transfer funds, regional original revenue, and overall budget management, so that high dependence makes it difficult for regions to maintain financial stability when changes in national fiscal policy occur (Digdowiseiso et al., 2023). This is in line with the view that the minimal contribution of sustainable PAD will limit regional flexibility in financing independent development programs and hamper (Simanjuntak et al., 2025).

4.1.2 Measuring the Effectiveness of Achieving Revenue Targets

Effectiveness analysis is used to assess the extent to which local governments are able to achieve the revenue targets previously set in the regional budget (APBD).

Table 2. *Regional Revenue Effectiveness Ratio*

Year	Budget Target (Rp)	Realized Revenue (Rp)	Effectiveness Ratio (%)
2024	1.220.990.326.000	1.191.999.279.399	97,63%
2025	1.197.015.499.604	1.117.955.948.823	93,40%

Despite a decline in revenue, based on data from Table 2, the Dairi Regency Government has consistently maintained its Very Effective category, as the achievement percentage remains above the 90% minimum threshold. This achievement reflects that the budget planning function in Dairi Regency is based on realistic potential calculations (Antasena et al., 2023). The region's ability to maintain this ratio consistently reflects responsive administrative coordination in monitoring revenue flows to the regional treasury, despite fluctuations in macroeconomic conditions.

4.1.3 Regional Expenditure Harmony Structure

The expenditure compatibility analysis aims to assess which priority is given to the Dairi Regency Government's budget allocation, whether it focuses more on public service functions or bureaucratic operational needs. Using the collected realization data, the following is the regional expenditure structure for Dairi Regency:

Table 3. *Regional Expenditure Structure for the 2024-2025 Fiscal Year*

Expenditure Classification	2024 Realization (Rp)	2024 Proportion (%)	2025 Realization (Rp)	2025 Proportion (%)
Operating Expenditures	943.723.670.533	73,93%	268.170.976.841	21,86%
Capital Expenditures	61.270.279.632	4,8%	11.544.518.859	0,94%
Unforeseen Expenditures	5.000.000.000	0,39%	0	0,00%
Transfer Expenditures	204.997.221.000	16,06%	0	0,00%
TOTAL EXPENDITURES	1.195.095.993.041	93,62%	1.033.543.736.152	84,23%

Based on the information contained in Table 3, observations of Dairi Regency's budget realization indicate significant variations in absorption rates. In 2024, Operational Expenditure absorption reached 73.93%, while Capital Expenditure was only 4.8%. However, the situation changed drastically in 2025, when Operational Expenditure absorption fell to 21.86%, while Capital Expenditure fell below one percent, to 0.94%. This situation indicates problems in regional budget implementation due to several critical elements, with the main issue being the mismatch of technical data between the realization input from the Regional Apparatus Organization (OPD) and the Barata Dairi digital reporting portal. This led to a reporting lag or delay in data updates, which technically triggered the anomalous figure of Rp0 for several important expenditure items in 2025 (Prasetyo & Nasution, 2022), in addition to obstacles in the procurement process for goods and services that resulted in administrative delays in capital expenditure implementation. In reality, empirical factors indicate a significant imbalance in the spending structure, with the budget being used more for routine bureaucratic expenses such as salaries and allowances than for physical investment. This empirical evidence can be seen in the Capital Expenditure ratio, which has decreased from 4.8% to 0.94%, indicating that regions are trapped in a "routine trap," leaving insufficient fiscal space for fixed asset development. This condition indicates obstacles in regional budget execution, which is dominated by fulfilling bureaucratic consumptive needs rather than strengthening fixed assets. If this continues, it is feared that it will hamper the acceleration of regional economic growth (Simanjuntak et al., 2025), and could reduce the

quality of physical public services, which in turn negatively impacts community productivity in the long term.

4.1.4 Compliance with Mandatory Spending in Strategic Sectors

In accordance with the latest national regulation (UU No. 1 of 2022), local governments must allocate a portion of their total budget to critical sectors to ensure the quality of basic services.

Table 4. *Sectoral Achievements of Mandatory Spending*

Service Sector	Minimum Limit (UU)	2024 Achievement (%)	2025 Achievement (%)	Compliance Status
Education	20%	32%	37%	Very Compliant
Health	10%	31%	29%	Very Compliant
Public Infrastructure	25%	32%	29%	Compliant
Village Funds	8%	17%	16%	Very Compliant

The observations in Table 4 show excellent results in terms of compliance with budget regulations. The Dairi Regency Government allocated funds for education (37%) and health (29%), far exceeding the established minimum limits. According to (Prasetyo & Nasution, 2022), compliance with mandatory spending demonstrates the regional budget's political commitment to prioritizing improving the quality of human resources. However, fulfilling this responsibility places significant pressure on budget flexibility for other development sectors.

4.1.5 Budget Absorption Performance of Regional Apparatus Organizations (OPD)

Budget absorption at the work unit level directly reflects the effectiveness of development program implementation on the ground. The following is data on the achievements of the 14 selected work units.

Table 5. *Expenditure Realization in 14 Regional Apparatus Organizations (OPD) of Dairi Regency (2025 Fiscal Year)*

No	OPD Name	Budget (Rp)	Realization (Rp)	Percentage (%)
1	Sidikalang District	6.591.869.461,00	6.216.676.111,00	94,31 %
2	Community and Village Empowerment Agency	6.203.061.573,00	5.809.403.263,00	93,65 %
3	Population and Civil Registration Agency	5.675.741.391,00	5.183.348.983,00	91,32 %
4	Regional Development Planning and Research Agency	6.328.024.634,00	5.662.474.593,00	89,48 %
5	Communication & Informatics Agency	6.296.741.839,00	5.533.107.867,00	87,87 %
6	Environmental Agency	7.068.720.944,00	6.053.252.716,00	85,63 %
7	Gunung Sitember District	1.501.022.291,00	1.276.494.577,00	85,04 %
8	DPRD Secretariat	35.391.307.407,00	29.948.685.983,00	84,62 %
9	Sitinjo District	2.526.905.895,00	2.118.166.002,00	83,82 %
10	Personnel and Humar	4.689.841.085,00	3.894.928.508,00	83,05 %

	Resource Development Agency			
11	Tiga Lingga District	1.639.282.612,00	1.151.562.423,00	70,25 %
12	Social Service	4.587.684.001,00	2.918.590.659,00	63,62 %
13	Regional Disaster Management Agency	13.218.214.396,00	6.028.334.646,00	45,61 %
14	Sumbul District	5.731.534.980,00	2.543.313.065,00	44,37 %

Table 5 shows a significant disparity in absorption between various work units. Administrative work units such as Sidikalang District, the Community and Village Empowerment Office, and the Population and Civil Registration Office showed very satisfactory results (exceeding 90%). Meanwhile, technical work units such as the Regional Disaster Management Agency and Sumbul District showed absorption of less than 50%. This incident is often caused by internal factors such as limited human resources in financial management and external factors such as obstacles in the auction process for the procurement of goods and services. This analysis is further strengthened by the opinion (Sulcat et al., 2024) who stated that low absorption in certain regional apparatus organizations usually results in high Budget Surplus (SiLPA) which does not provide benefits to the region.

4.2 Discussion

This section explains the relationship between the data results obtained from the research with public finance theories and public sector management to provide comprehensive insight into financial performance in Dairi Regency.

4.2.1 Fiscal Independence Dynamics and the Effectiveness of the Digital Reporting System

Based on the data found, Dairi Regency shows a budget structure that is still heavily dominated by the central government because Transfer Revenue is the largest component in the APBD structure. This finding is similar to the results of research (Digdowiseiso et al., 2023) which states that many regions in Indonesia are still trapped in structural problems such as low fiscal independence accompanied by chronic dependence on central transfer funds. However, a significant difference in this study is the discovery of data anomalies on the Barata Dairi portal, where transfer details are recorded as zero rupiah even though the total realization has been reached cumulatively. This phenomenon reinforces the argument (Amalina 2025) that the implementation of local government information systems is often hampered by issues of data integration and validation that are not synchronized in real time. Therefore, reform of data validation protocols is urgently needed to ensure that digital transparency does not become merely an illusion for the public.

4.2.2 Analysis of Operational Expenditure Imbalances and Low Capital Investment

The study revealed a massive dominance of operational spending, while capital spending for long-term infrastructure development actually experienced a drastic decline by 2025. This condition aligns with the warning (Saputra et al., 2021) that spending allocations that are too focused on routine operations without balancing capital expenditures will hamper the multiplier effect on the local economy. Similarities with the study (Simanjuntak et al., 2015) are confirmation of the routine trap phenomenon that creates very limited fiscal space for physical development for the region. On the other hand, the difference is that despite very minimal physical investment, Dairi Regency still demonstrates very high compliance with mandatory spending on education and health, with portions far above the legal minimum. According to (Prasetyo and Nasution 2022), this reflects a political commitment to the quality of human resources even at the expense of flexibility in other development sectors.

4.2.3 Disparities in OPD Performance and Work Unit Managerial Effectiveness

A wide disparity in budget absorption was found between work units, with administrative units achieving optimal absorption, while crucial technical units such as the Regional Disaster Management Agency (BPBD) demonstrated low absorption performance. This low absorption problem in technical units is supported by

findings (Sulcat et al., 2024) which state that human resource competency constraints and administrative obstacles in the procurement of goods and services are often the main causes of unproductive Budget Surplus (SiLPA). The different analyses in this study emphasize that this absorption failure is rooted in a budget system that is not fully performance-based (Performance-Based Budgeting) as explained in theory (Temalagi et al., 2026). As a managerial solution, implementing a strict reward and punishment scheme for each OPD is crucial so that budget allocations truly have a tangible development impact on the community.

5. CONCLUSION

After conducting an in-depth analysis of the Dairi Regency Government's financial performance for the 2024 and 2025 fiscal years, this study successfully formulated several key points that address the objectives of a comprehensive regional fiscal evaluation. First, from a fiscal independence perspective, Dairi Regency remains highly dependent on the central government, as transfer revenues dominate the regional budget (APBD) structure, accounting for over 85 percent. Although administratively, its revenue target achievement is considered highly effective, exceeding 93 percent, its contribution to regional Original Regional Revenue (PAD) remains very small, preventing it from becoming a primary driver of independent regional development. This situation is further complicated by data integrity issues on the Barata Dairi portal, where anomalous reporting of transfer details was recorded as zero rupiah, despite the actual total realization being achieved. This high level of dependency makes regional financial stability highly vulnerable to changes in national policy (Digdowiseiso et al., 2023).

Second, regarding spending harmony, this study found a concerning imbalance in budget allocation, as the region appears to be caught in a "routine trap." Regional budgets are significantly more absorbed by routine or consumptive operational expenditures, with a share exceeding 70 percent. Meanwhile, capital expenditures for long-term infrastructure development have plummeted to below 1 percent by 2025. This is highly regrettable, as low physical investment could hamper regional economic growth and reduce the quality of public services in the future (Simanjuntak et al., 2025). However, regional governments remain compliant with mandatory spending regulations, allocating 37 percent to education and 29 percent to health, both figures far above the minimum required by law.

Third, regarding managerial performance at the work unit level, significant disparities in budget absorption among Regional Apparatus Organizations (OPDs) remain. Administrative work units such as sub-districts can absorb over 90 percent of the budget, but crucial technical units like the Regional Disaster Management Agency (BPBD) absorb less than 50 percent. This indicates that the regional budget system is not fully operational, based on actual performance on the ground (Temalagi et al., 2026). As a solution, the Dairi Regency Government needs to establish a minimum capital expenditure limit to ensure development funds are not wasted on routine bureaucratic matters. Furthermore, a Performance-Based Budgeting system with clear sanctions and rewards is needed to ensure each work unit is more accountable for managing its budget for the benefit of the wider community.

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