

## The Impact of Budget Allocation on Regional Development Performance in 2024

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Submitted: 2026-01-19 ; Accepted: 2026-02-02 ; Published: 2026-02-28

### Abstract

This study examines the impact of budget allocation on regional development performance with a case study in Cirebon Regency. The main problem is related to the effectiveness of the Regional Revenue and Expenditure Budget (APBD) in encouraging development in the era of fiscal decentralization, where budget allocation is often not optimal. The purpose of the research is to describe the pattern of budget allocation for the 2024 APBD, analyze development performance based on economic, social, and infrastructure indicators, and measure the influence of budget allocation on this performance. The method used is a literature study with a descriptive qualitative approach, analyzing APBD, PPAS, and related literature documents. The results of the study show that the Cirebon Regency Budget in 2024 is IDR 3.919 trillion, with revenue dominated by central transfers (76%) and operating expenditure reaching 73%, which limits productive investment. Development performance was hampered by high fiscal dependence and the dominance of routine spending, although capital allocation contributed positively to infrastructure. Factors such as participatory planning and increased PAD are needed to increase effectiveness. This study recommends the transformation of fiscal governance towards inclusive and sustainable development

**Keywords:** *Budget Allocation, Regional Development Performance, APBD, Fiscal Decentralization, Cirebon Regency*

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## INTRODUCTION

Regional development is a strategic process that aims to improve the welfare of the community through the provision of quality public services. In the context of local government, one of the important instruments that determines the success of development is budget allocation. The regional budget not only serves as a financial plan, but also reflects the development priorities that the government wants to achieve. Therefore, the availability, distribution, and effectiveness of the use of the budget are very decisive factors in the achievement of regional development performance.

In 2024, the Cirebon Regency Government will allocate budgets for various strategic sectors such as education, health, infrastructure, environment, and community economic development. However, the increase in the amount of the budget is not always directly proportional to the increase in development performance. Problems related to the effectiveness of budget absorption, inconsistencies between plans and program realization, and low achievement of development indicators are still challenges that need to be studied in depth.

This condition raises questions about the extent to which the 2024 budget allocation has had an impact on improving regional development performance. Differences in achievement between sectors, planning quality, and program implementation capabilities need to be analyzed to determine the effectiveness of budget use. Therefore, it is important to conduct research on the Impact of Budget Allocation on Regional Development Performance in 2024, as an effort to evaluate development achievements as well as provide recommendations for budget policies in the following year.

Regional financial management has a fundamental role in determining the success of development, especially since the enactment of regional autonomy and fiscal decentralization policies. Law Number 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments gives broader authority to local governments to regulate and utilize the budget according to local needs. However, even though the fiscal space is increasingly open, the effectiveness of the use of the regional budget is still an issue that requires attention, because its implementation often does not fully encourage improvement in development performance.

As the main fiscal instrument in the regions, the Regional Revenue and Expenditure Budget (APBD) plays an important role in achieving development goals. Precise, efficient, and aligned budget allocation is expected to improve the quality of public services, spur economic growth, and improve community welfare. However, in practice, a number of studies and evaluations show that the effectiveness and efficiency of budget use still face various obstacles, so that development achievements are not always as expected.

The 2024 Regional Transfer Policy (TKD), which reached IDR 814.72 trillion, marks the central government's commitment to strengthening regional fiscal capacity. The General Allocation Fund (DAU) and the Special Allocation Fund (DAK) are important instruments to support the improvement of public services and infrastructure development. However, some of the portions of DAU that have been determined to be used limit regional flexibility in budget management, so local governments are not completely free to determine priorities based on local needs (Sari, 2025).

Cirebon Regency is one of the areas in West Java Province that faces quite complex development challenges. The 2024 RKPD Musrenbang shows a number of urgent issues, such

as damage to road infrastructure that is still widely found, high levels of extreme poverty, and the need to accelerate inclusive economic growth. This condition requires local governments to be more careful in determining budget priorities, so that the allocated set really has an optimal impact on improving development performance (Sari, 2025).

Various studies on the relationship between financial performance and regional economic growth have yielded mixed findings. Several studies show that regional financial ratios such as effectiveness, efficiency, and independence have a significant influence on economic development and community welfare. However, there is also evidence that large regional spending does not always result in maximum development achievements. This indicates that there are problems in the process of planning, allocation, and budget implementation that have not fully supported optimal development results (Kresna Riady et al., 2023).

In this context, it is important to analyze the impact of budget allocation on the development performance of Cirebon Regency. This study is expected to be able to identify the effectiveness of budget use, assess the success of development based on economic, social, and infrastructure indicators, and produce policy recommendations for improving budget management in the future. The research findings are expected to make an academic and practical contribution to improving regional fiscal governance and supporting the acceleration of sustainable development.

Based on the background that has been explained, this study formulates a number of main problems that need to be studied further. First, what is the structure of the budget allocation in the Cirebon Regency Budget for the 2024 Fiscal Year and the extent to which the allocation is in line with regional development priorities. Second, how is the picture of the development performance of Cirebon Regency if analyzed through economic, social, and infrastructure indicators. Third, at what level does the budget allocation affect the achievement of regional development. Fourth, what factors play a role in determining the effectiveness of budget allocation so that it can support the achievement of development targets that have been set.

This study aims to provide a comprehensive overview of the budget allocation pattern in the 2024 Cirebon Regency Budget and assess its level of suitability with regional development goals. In addition, this study is intended to analyze regional development performance using economic, social, and infrastructure indicators. This research is also directed to identify and measure how much the influence of budget allocation on the achievement of development performance. Furthermore, this study aims to uncover the factors that determine the effectiveness of budget management in encouraging the creation of inclusive and sustainable development in Cirebon Regency

## **RESEARCH METHODOLOGY**

The research method in this journal uses literature study as a data collection technique, namely by understanding and examining various relevant theories from the literature related to the research topic. The approach used is descriptive qualitative, which aims to provide a deep understanding of social phenomena in a natural context without relying on statistical data (Scott, 2020). Researchers play a key role in the data collection process through identification, search, and construction of information from sources such as books, journals, and previous research. The data obtained was then analyzed inductively and its validity tested through triangulation

and member checking techniques, in order to produce a comprehensive understanding of the meaning, process, and social reality being studied (Saefullah, 2024)

## RESULTS AND DISCUSSION

### 1. Overview of Cirebon Regency Budget Allocation

The Cirebon Regency Government in designing the Regional Revenue and Expenditure Budget (APBD) for Fiscal Year 2024 is based on the principles of efficiency, transparency, and accountability in every regional financial management process. These principles are in line with the direction of national development policies as stated in the National Long-Term Development Plan (RPJPN) 2025–2045, which emphasizes the importance of more productive and sustainable fiscal governance. Based on Regional Regulation Number 8 of 2023 concerning the Cirebon Regency Budget, total regional revenue in 2024 will reach IDR 3.919 trillion. The revenue consists of two main sources, namely Regional Original Revenue (PAD) and Transfer Income.

Cirebon Regency's PAD in that year amounted to IDR 934.26 billion, which included regional taxes of IDR 389.68 billion, levies of IDR 495 billion, results of regional wealth management of IDR 16.02 billion, and other legitimate PAD worth IDR 33.55 billion. Meanwhile, transfer revenue reached IDR 2.985 trillion, with the largest portion coming from the central government of IDR 2.586 trillion, while transfers between regions contributed IDR 399.38 billion. This condition shows that Cirebon Regency's fiscal dependence on the central government is still relatively high, because PAD's contribution is only around 24% of the total regional revenue. The size of the central transfer reflects the limited ability of the regions to optimize the original source of income to the maximum (Scott, 2014).

In terms of expenditure, total regional spending in 2024 is set at IDR 4.048 trillion. The largest portion is allocated for operating expenditure with a total of Rp2.97 trillion or around 73% of the total expenditure. The operational expenditure component includes employee expenditure of IDR 1.885 trillion, expenditure on goods and services of IDR 961.36 billion, grants of IDR 114.45 billion, and social assistance of IDR 9.87 billion. Meanwhile, capital expenditure only reached IDR 289.93 billion or around 7%, which was intended for infrastructure development such as roads, networks, irrigation, and various other public facilities. This proportion shows that the budget orientation of Cirebon Regency is still more dominant on routine spending than productive investment that can encourage the acceleration of community economic development.

In addition to these two main types of expenditure, there were also unexpected expenditures of Rp78.6 billion for emergency purposes and transfer expenditures of Rp709.47 billion which were channeled to the village government and other institutions. To close the budget deficit of Rp129.58 billion, the government took advantage of financing receipts sourced from the previous year's Remaining Budget Calculation (SiLPA) and the disbursement of reserve funds. Based on the 2022 PPAS document, Cirebon Regency's budgeting policy still focuses on mandatory affairs such as education, health, and basic infrastructure, accompanied by support for elective affairs such as agriculture and tourism (Financing & Closing, 2022).

In general, the direction of Cirebon Regency's fiscal policy describes efforts to balance basic services and improving the economic quality of the community. However, the dominance of operating expenditure indicates that the APBD structure is not fully oriented towards productive development. In the context of regional autonomy as explained by Andriani (2020)

in the study of regional fiscal development, the role of local governments should be directed not only as administrative managers, but also as a driving force for local economic growth. Therefore, increasing the proportion of capital expenditure is an important step to strengthen regional fiscal capacity, expand employment, and improve people's welfare in a sustainable manner (Scott, 2014).

## 2. The Entanglement of Budget Allocation with Regional Development Performance

Regional development performance basically reflects the extent to which fiscal policies and budget allocation can encourage the improvement of community welfare, economic growth, and equitable development. In the context of Cirebon Regency, development performance indicators include Gross Regional Domestic Product Growth (GDP), Human Development Index (HDI), poverty level, and quality of public infrastructure. Based on the results of research by Fatin Hamamah (2020), the implementation of Development Planning Deliberations (Musrenbang) in Cirebon is often not fully aligned with the implementation of regional budget policies. Many community proposals that emerged from the Musrenbang forum were not accommodated in the APBD document, so that the effectiveness of budget allocation in responding to the real needs of the community was low (Hamamah, 2020).

Another factor that affects this linkage is the political and administrative aspects in the budgeting process. Decisions about spending priorities are often determined by the direction of the central government and local fiscal limitations, not solely based on the aspirations of local communities. This is reinforced by the findings in the 2022 Provisional Budget Priorities and Ceilings (PPAS), which show that most of the budget allocation is directed to mandatory sectors such as education and health, while productive sectors such as agriculture and tourism receive a relatively small portion (Financing & Closing, 2022).

In the National Long-Term Development Plan (RPJPN) for 2025–2045, it is emphasized that regions need to transform fiscal governance towards a more innovative, productive, and inclusive system, especially to reduce inequality between regions and strengthen local economic independence. Cirebon Regency, which is still heavily dependent on transfer revenue from the central government, needs to strengthen Regional Original Revenue (PAD) so that sustainable development can be achieved without having to depend on central government subsidies (Scott, 2014).

Overall, the relationship between budget allocation and development performance in Cirebon Regency shows that the effectiveness of fiscal policy has not been fully optimal. The budget has not been fully directed to support development programs that have a direct impact on the community, especially in terms of increasing regional economic competitiveness. Therefore, improving the quality of participatory planning and synchronization between levels of government is a strategic step so that regional fiscal policies truly contribute to the acceleration of equitable and sustainable development.

## 3. Qualitative Analysis of the Impact of Budget Allocation on Development

The findings of document studies and field observations show that the budget structure of Cirebon Regency, which is still dominated by the operational expenditure component, has a great influence on regional development achievements. Based on the 2024 APBD Summary, the portion of operating expenditure touched IDR 2.97 trillion or around 73%, with the largest part coming from employee expenditure of IDR 1.885 trillion. This situation shows that the

majority of fiscal resources are prioritized for routine government financing, while capital expenditure is only at Rp289.93 billion (7%), which is directed to the development of public infrastructure such as roads, networks, and irrigation.

The dominance of operational spending has an impact on the low physical performance of development. Infrastructure facilities in a number of sub-districts are not evenly distributed, and the quality of public services has not shown a significant improvement. This is in line with the findings of Fatin Hamamah (2020) who emphasized that the planning process through Musrenbang has not been fully optimally integrated in APBD policymaking. Many community priority programs are delayed due to budget shifts towards administrative needs and employee expenditure (Hamamah, 2020).

In addition, the high dependence on central transfer funds which reaches 76% of total regional revenue also reduces the government's flexibility in determining the direction of development priorities independently. When there is a delay or reduction in transfer funds, the realization of development programs is also affected. However, on the other hand, data shows that capital expenditure is positively related to regional economic growth. Increasing the development of road and irrigation infrastructure has been proven to strengthen connectivity between regions and encourage community economic activities. This condition is consistent with the principles of sustainable development in the 2025–2045 RPJPN, which emphasizes the urgency of public investment to strengthen local economic competitiveness and reduce the gap between regions (Scott, 2014).

Qualitatively, it can be concluded that the effectiveness of Cirebon Regency's budget allocation is still greatly influenced by the government's capacity to balance routine and capital expenditure. Strengthening fiscal policies that prioritize productive sectors is the main key to encouraging the acceleration of regional economic transformation. PAD optimization, participatory planning, and innovation in financial governance will be important elements in creating inclusive and sustainable development.

#### 4. Discussion in the Perspective of Fiscal Decentralization and Economic Transformation

In the framework of fiscal decentralization, regional budget allocation plays a role as a core instrument in realizing independence and development effectiveness. The principle of decentralization provides space for local governments to manage their fiscal resources independently, but still follow the direction of national development policies. Based on a review in the *Journal of Fiscal Decentralization* Edition 14, the effectiveness of regional finances is highly determined by the government's ability to distribute the budget efficiently, transparently, and based on performance achievements. One of the biggest challenges of Cirebon Regency is the large portion of operational expenditure that narrows the fiscal space for funding the productive sector. This results in reduced regional investment in strategic sectors such as infrastructure, creative economy, and local industrial development (Progress et al., 2026).

The 2024 APBD data shows that the spending structure is still unbalanced, with the dominance of employee and public administration spending reaching around 73% of the overall budget. This inequality has a negative impact on the acceleration of regional development, because most of the budget does not revolve around the productive sector that is able to create economic added value. In the perspective of economic transformation as contained in the 2025-2045 RPJPN, local governments are encouraged to strengthen adaptive, innovative, and digital-

based fiscal governance, so that every rupiah of public spending truly produces a concrete and sustainable development impact (Scott, 2014).

The relationship between the pattern of budget allocation and the development performance of Cirebon Regency shows a fairly clear relationship: the larger the portion of capital expenditure, the better the achievement of development indicators such as increasing HDI and reducing poverty rates. On the contrary, the dominance of employee spending that is too large actually reduces regional fiscal productivity. In this context, fiscal decentralization is not only understood as a division of authority between the central and regional governments, but also as an effort to strengthen regional capacity in creating inclusive and competitive economic growth.

Thus, the transformation of financial governance is an urgent need for Cirebon Regency. The use of digital technology in the budgeting system, strengthening public transparency, and reforming spending policies is the foundation for more efficient and responsive development. Through this approach, fiscal decentralization not only improves spending efficiency, but also creates a resilient and well-being-oriented regional economic ecosystem.

## 5. Synthesis of Results

Based on the results of qualitative analysis of the 2022 PPAS document, the 2024 APBD, as well as the results of studies from various literature and journals, it can be concluded that the effectiveness of budget allocation in Cirebon Regency still faces a number of fundamental challenges. First, regional financial structures show a high dependence on transfer revenue, where about 76% of regional revenue is sourced from the central and provincial governments. This condition limits the space for regional fiscal maneuverability in determining development priorities independently, while reducing the impetus for local policy innovation (Scott, 2014).

Second, the dominant portion of operational spending, especially employee spending, reduces the ability of the regions to invest in productive development. The inequality between routine spending and capital expenditure has an impact on the low achievement of development indicators, such as infrastructure quality and economic equity. On the contrary, whenever the proportion of capital expenditure increases, the positive impact on economic growth and people's welfare can be felt in real terms, especially in the infrastructure sector and the people's economy (Financing & Closing, 2022).

Third, the results of Fatin Hamamah's (2020) study confirm that the lack of synchronization of the participatory planning process through Musrenbang with the realization of APBD policies has also reduced the effectiveness of development. Many people's aspirations are not accommodated in budget allocations due to bureaucratic and political factors. For this reason, synchronization between Musrenbang, PPAS, and APBD needs to be strengthened through digital mechanisms and performance-based evaluation so that the planning process is more transparent and adaptive (Hamamah, 2020).

Fourth, the direction of national policies as stated in the 2025–2045 RPJPN emphasizes the importance of transforming regional fiscal governance that is productive, innovative, and inclusive. The implementation of this principle in Cirebon Regency must be realized through increasing Regional Original Revenue (PAD), efficiency of public spending, and strengthening a digital-based supervision system. Thus, the effectiveness of budget allocation is not only seen

from how much funds are spent, but also from how much development benefits are directly felt by the community.

Finally, the results of this synthesis show that the optimization of regional development performance depends on a balance between efficient fiscal governance, participatory planning, and a commitment to economic transformation based on justice and sustainability. The Cirebon Regency Government needs to strengthen fiscal innovation and increase public investment so that regional development runs in line with the national vision towards a Golden Indonesia 2045.

## CONCLUSION

Based on the results of the analysis of the budget allocation in the 2024 Cirebon Regency Regional Revenue and Expenditure Budget (APBD) and regional development performance, it can be concluded that the effectiveness of budget management still faces significant challenges in encouraging inclusive and sustainable development. The APBD budget allocation amounted to Rp3.919 trillion, with revenues dominated by central transfers (76%) and operating expenditures reaching 73%, indicating high fiscal dependence and a budget orientation that is more inclined towards routine activities than productive investment. This has an impact on the performance of regional development that is measured through economic, social, and infrastructure indicators, where the achievement of economic growth, poverty reduction, and improvement of infrastructure quality has not been optimal.

The influence of budget allocation on development performance shows a positive relationship between increased capital expenditure and accelerated development, but the dominance of operating expenditure hinders overall effectiveness. Factors such as participatory planning through Musrenbang, increasing Regional Original Revenue (PAD), and fiscal policy synchronization are key to increasing the effectiveness of budget allocation. The new focus of these findings is the need to transform regional fiscal governance towards a more innovative and digital-based model, where fiscal decentralization is not only a delegation of authority, but also an instrument to strengthen local economic independence and reduce development inequalities. The main recommendations include strengthening budget transparency, efficiency of public spending, and integration of technology in the planning and supervision of the APBD to realize regional development that is responsive to the needs of the community and in line with the national vision of Golden Indonesia 2045

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