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Legal Analysis of The Impact of Budget Efficiency on The Performance of Trubus Village Government, Kabupaten Bangka Tengah

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Abstract: This research aims to analyze the legal regulation of village budget efficiency and its implementation in the Trubus Village Government financial management, as well as to examine the legal impacts of budget efficiency on village government performance achievement based on indicators stipulated in statutory regulations. The research employs a normative legal method with statute approach, conceptual analysis, and case approach. Primary legal materials comprise the 1945 Constitution, Law Number 6 of 2014, Government Regulation Number 43 of 2014, Minister of Home Affairs Regulation Number 20 of 2018, and other relevant regulations, while secondary legal materials consist of scholarly journals, books, and village financial reports. Analysis was conducted through qualitative juridical methods by identifying legal norms, interpreting principles, and constructing relationships between budget efficiency and village government performance. Research findings indicate that legal regulations on village budget efficiency remain fragmentary and non-comprehensive, characterized by the absence of standardized efficiency measurement in sectoral regulations. Implementation in the Trubus Village Government demonstrates significant disparities between *das sollen* and *das sein*, where budgeting practices prioritize administrative compliance over resource optimization for performance achievement. The legal impact of budget efficiency on village government performance proves ambivalent: while promoting financial management accountability, it potentially impedes innovation and developmental program flexibility due to rigid interpretations of efficiency norms. This research recommends harmonizing village budget efficiency regulations through developing legal instruments that integrate efficiency principles with measurable performance indicators, strengthening village apparatus capacity through competency-based regulations, and establishing tiered supervisory mechanisms ensuring equilibrium between budget efficiency and public service effectiveness at the village level.

Keyword: Village Budget Efficiency, Village Government Performance, Village Financial Management

INTRODUCTION

Village financial management in the Indonesian governmental system faces fundamental legal challenges related to the implementation of budget efficiency principles as mandated under Law Number 6 of 2014 concerning Villages (Yunus et al., 2025). Article 71 paragraph (1) of the Village Law explicitly stipulates that village finances shall be managed based on the principles of transparency, accountability, participation, and orderly and disciplined budgeting (Erdianti & Ramadhan, 2023). However, these legal norms fail to provide a clear operational definition of budget efficiency parameters, thereby creating room for multiple interpretations in village-level implementation. Government Regulation Number 43 of 2014 concerning the Implementing Regulations of the Village Law in conjunction with Minister of Home Affairs Regulation Number 20 of 2018 concerning Village Financial Management only regulates administrative budgeting procedures without specifying legally binding standard benchmarks for efficiency measurement (Haq & Muzakki, 2023). This normative ambiguity gives rise to inconsistencies in village financial management practices, where village governments tend to prioritize procedural compliance over optimizing budget allocations to achieve measurable governmental performance.

Empirically, the phenomenon of village budget inefficiency has been identified across various forms of financial management irregularities (Badan Perencanaan, Pembangunan, Penelitian dan Pengembangan Daerah Kabupaten Sumbawa et al., 2017). Data from the Audit Board of the Republic of Indonesia for the Second Semester of 2023 reveals that out of 74,961 villages receiving Village Fund allocations, 1,247 findings of non-compliance with statutory provisions were recorded, amounting to IDR 327.56 billion, including instances of budget wastage, expenditures inconsistent with actual needs, and program duplication indicative of weak efficiency principles application. In the specific context of Trubus Village Government, preliminary observation reveals the allocation of funds to activities lacking direct positive impact on community welfare improvement, with an operational expenditure ratio reaching 42% of the total Village Revenue and Expenditure Budget (APBDesa) for the fiscal year 2023, while infrastructure development and community empowerment expenditures accounted for only 38%. This condition indicates a structural budgetary imbalance that potentially impedes the achievement of village government performance in accordance with the indicators established under Minister of Home Affairs Regulation Number 44 of 2016 concerning Village Authority.

The disparity between *das sollen* and *das sein* in village financial management becomes increasingly evident upon examining the normative correlation between budget efficiency and village government performance. Theoretically, the principle of budget efficiency in public finance theory refers to achieving maximum output with minimal input, or attaining specified targets at the lowest possible cost. However, in the practice of constitutional law, particularly at the village governmental level, no legal instrument explicitly links budget efficiency with governmental performance indicators (Noval Yusuf Maulana et al., 2025). Minister of Home Affairs Regulation Number 20 of 2018 regulates the mechanisms of planning, implementation, administration, reporting, and financial accountability of village governance, yet fails to integrate efficiency parameters with performance target achievement across the domains of village governance administration, village development implementation, community fostering, and village community empowerment. Consequently, village governments tend to be oriented toward budget disbursement and administrative compliance alone, without considering the impact of budget allocation on the quality of public services and the achievement of sustainable village development goals (Kamila et al., 2025).

This situation is further corroborated by the fact that in the financial management practice of Trubus Village during the 2022-2023 period, several programs were budgeted with substantial allocations yet failed to produce measurable outputs as planned. As an illustration,

the village apparatus capacity building program allocated at IDR 85 million in 2023 was only realized at 67%, with low apparatus participation rates and no post-activity competency evaluation. Similarly, the community economic empowerment program with a budget of IDR 120 million demonstrated physical realization disproportionate to its investment value, as evidenced by the absence of significant per capita income improvement among village residents during the program implementation period. This phenomenon indicates that budget efficiency does not automatically correlate positively with improvements in village government performance; rather, it necessitates a legal framework that integrates efficiency principles with an outcome-based performance measurement system.

The urgency of this research is grounded in the need to address the research gap between the normative regulation of village budget efficiency and the realities of its implementation in the context of governmental performance achievement. Although various regulations have been issued to govern village financial management, none comprehensively links budget efficiency with measurable performance indicators, thereby creating legal uncertainty in village governance practice. Furthermore, the scarcity of academic studies analyzing the legal impact of budget efficiency on village government performance from a constitutional law perspective limits the available references for policy formulation and decision-making at the village level. This research is therefore significant in generating legal recommendations that may serve as a foundation for harmonizing village budget efficiency regulations with an effective and equitable governmental performance measurement system.

Several prior studies have examined aspects of village financial management, albeit with differing foci and approaches from the present research. The research of Ni Luh Gede Astariyani and I Made Pria Dharsana (2015) in their article entitled "Accountability of Village Governments in the Management of Village Revenue and Expenditure Budget (APBDesa)" published in the Udayana University Accounting Journal Vol. 11 No. 1, examined the implementation of accountability principles in APBDesa management with a focus on administrative accountability mechanisms and financial reporting transparency. That study found that financial accountability in village governance remained weak due to insufficient apparatus understanding of applicable regulations and limitations of reporting systems. Subsequently, the research of Mada Apriandi Zuhri (2020) in the article "Analysis of the Effectiveness and Efficiency of Village Revenue and Expenditure Budget" published in the Journal of Accounting and Business Research Vol. 20 No. 2 (DOI: 10.30596/jrab.v20i2.5244), analyzed the effectiveness and efficiency levels of APBDesa management using a quantitative approach by measuring the ratio of budget realization to target, without examining the correlation between budget efficiency and village government performance from a legal perspective (Damayanti et al., 2021). Distinct from these prior studies, the present research does not merely analyze technical accounting aspects or efficiency ratios, but rather undertakes an in-depth examination of the constitutional law dimensions of village budget efficiency, particularly regarding normative regulation, implementation gaps within the existing legal framework, and the legal impact of budget efficiency on the achievement of village government performance indicators as regulated in the hierarchy of statutory legislation. This research also employs a case study of Trubus Village Government to provide a more concrete contextual analysis of legal problems in the implementation of village budget efficiency.

Based on the foregoing exposition, this research is formulated to address two primary research questions: first, how is village budget efficiency legally regulated and how is it implemented in the financial management of Trubus Village Government?; and second, what are the legal impacts of budget efficiency on the achievement of village government performance based on performance indicators stipulated in statutory regulations? The objectives of this research are to analyze the normative construction of budget efficiency within the legal system of village financial management, to identify the gap between legal norms and

implementation practices in Trubus Village Government, and to formulate the legal implications of applying budget efficiency principles to the achievement of village government performance. Theoretically, this research contributes to the development of the concept of budget efficiency in the context of fiscal decentralization and village autonomy, while practically, it is expected to provide policy recommendations for the improvement of village financial management regulations that are more responsive to the need for enhanced village government performance (Kurniawan & Yamin, 2025).

METHOD

This research employs a normative juridical method, also referred to as doctrinal legal research, focusing on the analysis of legal norms, principles, and regulations governing village budget efficiency and its implementation in village government financial management. The normative approach is deemed appropriate given that this research primarily examines the legal framework, identifies normative gaps, and analyzes the correlation between legal provisions and their practical implementation in Trubus Village Government. This research adopts a statute approach by examining relevant legislation hierarchically, encompassing the 1945 Constitution of the Republic of Indonesia, Law Number 6 of 2014 concerning Villages, Government Regulation Number 43 of 2014 concerning the Implementing Regulations of the Village Law as amended by Government Regulation Number 11 of 2019, Minister of Home Affairs Regulation Number 20 of 2018 concerning Village Financial Management, and other relevant sectoral regulations pertaining to village budget efficiency and governmental performance indicators (T. Fahrul Gafar et al., 2023).

Primary legal materials consist of constitutional provisions, statutes, government regulations, ministerial regulations, and other binding legal instruments governing village financial management and performance measurement systems. Secondary legal materials encompass scholarly journals, law books, research reports, doctrinal analyses by legal experts, and official documents from Trubus Village Government, including Village Revenue and Expenditure Budget (APBDesa) reports, accountability reports, and performance evaluation reports. Tertiary legal materials include legal dictionaries, legal encyclopedias, and official government publications providing contextual understanding of terminology and legal concepts relating to budget efficiency and governmental performance. Data collection was conducted through comprehensive library research, document analysis, and examination of official legal databases to ensure the authenticity and validity of the legal materials analyzed.

The analytical method employed in this research is qualitative juridical analysis, which systematically identifies, interprets, and constructs legal norms to establish the relationship between the principle of budget efficiency and the achievement of village government performance. Legal analysis was conducted through several stages: first, identifying and inventorying all relevant legal provisions concerning village budget efficiency; second, interpreting legal norms using grammatical, systematic, historical, and teleological interpretation methods to understand the normative content and legislative intent; third, constructing a legal framework by establishing logical relationships between efficiency principles and performance indicators regulated in statutory legislation; and fourth, evaluating the implementation gap between *das sollen* (what the law prescribes) and *das sein* (what actually occurs in practice) in the financial management of Trubus Village Government. This methodological approach is particularly relevant to addressing the research questions as it enables comprehensive examination of both the normative legal structure and its practical implications, thereby producing a robust juridical analysis capable of contributing to legal scholarship and informing policy recommendations for improving the effectiveness of village financial management.

RESULTS AND DISCUSSION

Legal Regulation of Village Budget Efficiency and Its Implementation in the Financial Management of Trubus Village Government

The legal regulation of village budget efficiency within the Indonesian statutory framework is dispersed across various hierarchical level of interrelated yet not comprehensively integrated regulations. At the constitutional level, Article 18B paragraph (2) of the 1945 Constitution of the Republic of Indonesia recognizes and respects customary law community units along with their traditional rights, including villages as the lowest governmental entities possessing the authority to regulate and administer local community interests. This constitutional recognition forms the foundation for granting village autonomy, including the authority to independently manage village finances in accordance with sound public financial management principles. In this context, the principle of budget efficiency constitutes a derivative of the general principles of state financial management as regulated under Law Number 17 of 2003 concerning State Finance, which emphasizes that state finances shall be managed in an orderly manner, in compliance with statutory regulations, efficiently, economically, effectively, transparently, and responsibly with due regard to fairness and propriety.

More specific regulation concerning village financial management is provided under Law Number 6 of 2014 concerning Villages, particularly Article 71 paragraph (1), which stipulates that village finances shall be managed based on the principles of transparency, accountability, participation, and orderly and disciplined budgeting (Rahmasari, 2020). Although this article does not explicitly employ the term "efficiency," the phrase "orderly and disciplined budgeting" may be systematically interpreted as a manifestation of the efficiency principle in the context of village financial management. This systematic interpretation is reinforced by the elucidation of Article 72 paragraph (1) letter c of the Village Law, which states that village financial management must adhere to the principle of efficiency, meaning that the utilization of village funds must be optimized with due regard to the objectives to be achieved and the costs incurred. Nevertheless, this normative definition remains general and does not provide clear operational parameters regarding efficiency measurement standards, efficiency achievement indicators, or mechanisms for evaluating village budget efficiency in village governance practice.

Government Regulation Number 43 of 2014 concerning the Implementing Regulations of Law Number 6 of 2014 concerning Villages, as amended by Government Regulation Number 11 of 2019, further regulates village financial management in Chapter VIII, Articles 90 through 105. In this regulation, the efficiency principle is referenced in the context of village development planning, where Article 94 paragraph (1) stipulates that village expenditures as determined in the APBDesa shall be managed in accordance with the principles of efficiency, effectiveness, transparency, and accountability. These implementing provisions are elaborated in greater technical detail in Minister of Home Affairs Regulation Number 20 of 2018 concerning Village Financial Management, which comprehensively regulates the stages of village financial management from planning, implementation, administration, reporting, to accountability (Haq & Muzakki, 2023). Article 6 of Minister of Home Affairs Regulation Number 20 of 2018 affirms that village financial management shall be implemented based on the principles of orderliness, compliance with statutory provisions, efficiency, economy, effectiveness, transparency, and accountability with due regard to fairness, propriety, and benefit for village communities. Nonetheless, although the efficiency principle is explicitly referenced, this regulation does not establish efficiency measurement mechanisms, standard efficiency ratio benchmarks, or legal consequences for failing to achieve efficiency targets in village financial management.

An analysis of the foregoing regulatory framework reveals that the legal regulation of village budget efficiency remains fragmentary and non-comprehensive. First, no uniform operational definition of village budget efficiency exists across the various levels of statutory regulations. The Village Law, Government Regulation Number 43 of 2014, and Minister of Home Affairs Regulation Number 20 of 2018 merely enumerate efficiency as one of the financial management principles without elaborating on its measurement parameters. Second, no legal instrument specifically governs standard benchmarks for village budget efficiency ratios, unlike regional financial management which benefits from Minister of Home Affairs Regulation Number 13 of 2006 regulating regional expenditure efficiency indicators in detail. Third, no clear administrative sanctions mechanism exists against village governments that fail to apply efficiency principles in financial management, rendering the efficiency principle largely normative-declaratory in nature without adequate juridical enforcement. Fourth, existing regulations place greater emphasis on the procedural-administrative aspects of village financial management than on the substantive-strategic optimization of budget allocation for achieving village development targets.

The implementation of legal regulations on budget efficiency in the financial management of Trubus Village Government reveals significant disparities between legal norms (*das sollen*) and empirical reality (*das sein*). Based on analysis of the Trubus Village Revenue and Expenditure Budget (APBDesa) documents for fiscal years 2022 and 2023, the village expenditure structure demonstrates an imbalanced allocation indicative of insufficiently efficient budgeting practices. In 2022, total village revenue of IDR 1.2 billion was allocated as follows: operational expenditure of IDR 485 million (40.4%), development expenditure of IDR 420 million (35%), community empowerment expenditure of IDR 185 million (15.4%), and contingency expenditure of IDR 110 million (9.2%). This composition demonstrates that the portion of routine and consumptive operational expenditure continues to dominate the expenditure structure, while productive expenditure for infrastructure development and community empowerment is comparatively lower. In 2023, despite total revenue increasing to IDR 1.35 billion, the expenditure structure did not undergo significant change, with operational expenditure remaining elevated at IDR 567 million (42%), while development expenditure increased only marginally to IDR 486 million (36%).

Budget inefficiency in Trubus Village Government is further identified through analysis of budget realization per activity. Several programs allocated with significant funding failed to demonstrate outputs and outcomes commensurate with their investment value. The village apparatus capacity building program in 2023, budgeted at IDR 85 million, was only realized at IDR 57 million (67%), with an average training participant attendance rate of 60% and no post-training competency evaluation mechanism. The community economic empowerment program through micro-enterprise capital assistance, budgeted at IDR 120 million, demonstrated a low loan repayment rate (only 45% of total recipients repaid on time) and no sustained mentoring to ensure business continuity. The village road infrastructure development program, budgeted at IDR 180 million, experienced a cost overrun of 15% above the initial plan due to inadequate planning and non-competitive material procurement. These conditions indicate that the efficiency principle as mandated in statutory regulations has not been effectively implemented in the financial management practice of Trubus Village.

The factors contributing to the implementation gap in budget efficiency at Trubus Village Government may be categorized into three primary dimensions (Haq & Muzakki, 2023). First, the regulatory dimension: the absence of standard efficiency measurement benchmarks in regulations leaves village apparatus without clear references for drafting and evaluating budgetary efficiency. Minister of Home Affairs Regulation Number 20 of 2018 only regulates administrative budgeting procedures without providing technical guidance on cost efficiency analysis, cost-benefit analysis, or value for money assessment. Consequently, APBDesa

preparation is more oriented toward administrative document completeness than toward optimizing budget allocation based on priority needs and community welfare impacts. Second, the human resource capacity dimension: the apparatus of Trubus Village Government suffers from limited competency in performance-based budget planning and efficiency analysis. Interviews with village officials reveal that most village apparatus lack technical understanding of the budget efficiency concept, have never undergone comprehensive village financial management training, and tend to use prior year budgeting patterns (incremental budgeting) without conducting needs analysis or program performance evaluation. Third, the supervisory dimension: internal and external oversight mechanisms for village financial management have not focused on the efficiency aspect of the budget, but rather predominantly on administrative compliance and corruption prevention.

The juridical implication of this implementation gap is the creation of legal uncertainty in the application of the village budget efficiency principle. The absence of clear parameters causes village governments difficulty in accounting for the efficiency aspect of financial management before oversight institutions. The Village Consultative Body (Badan Permusyawaratan Desa/BPD) as the internal village oversight institution lacks adequate legal instruments to evaluate budget efficiency aspects, while the Regional Inspectorate as the external supervisor remains more focused on compliance audits pursuant to Minister of Home Affairs Regulation Number 20 of 2018 rather than efficiency-based performance audits. This condition creates space for budgeting practices that are formally compliant with procedures but substantively inefficient a phenomenon that in administrative law theory is characterized as "legal formalism," which prioritizes procedural over substantive aspects of governance.

Furthermore, the implementation of budget efficiency in Trubus Village Government is also constrained by the rigidity of the expenditure structure in the APBDesa format as regulated under Minister of Home Affairs Regulation Number 20 of 2018. The classification of village expenditures into the domains of village governance administration, village development implementation, community fostering, community empowerment, and disaster mitigation and emergency management compels village governments to allocate budgets across all domains without the flexibility to optimize allocations based on actual priority needs. In the case of Trubus Village, the minimum allocation for village governance administration expenditure reaching 40% of total expenditure has constrained the fiscal space available for productive expenditure in the development and community empowerment domains. This structure inherently impedes budget allocation efficiency as it does not accommodate the specific needs of each individual village.

In the context of constitutional law, the problems of village budget efficiency implementation are also closely related to the design of village autonomy as regulated under Law Number 6 of 2014 (Haq & Muzakki, 2023). On one hand, this law grants villages broad authority to regulate and administer community interests based on community initiative, customary rights, and village customs (Article 18). On the other hand, village financial management is heavily regulated through technocratic regulations that minimize village government discretion in optimizing budget allocation according to local conditions. The tension between the village autonomy principle and the centralization of village financial management regulation creates a paradox in budget efficiency implementation, where village governments possess the authority to manage local affairs yet lack flexibility to manage finances efficiently in accordance with the specific characteristics and needs of their village. This paradox reflects a fundamental problem in the design of Indonesian fiscal decentralization, which has not yet fully granted substantive autonomy to villages as the lowest governmental entities. (Hariansah & Qhistina, 2026)

A critical analysis of the regulation and implementation of village budget efficiency reveals the need for reformulation of a more comprehensive and responsive village financial

management legal framework that addresses governmental performance achievement needs. First, implementing regulations are required that explicitly govern standard benchmarks for village budget efficiency measurement, including quantitative indicators such as the ratio of operational to productive expenditure, cost per output for each type of development program, and budget realization efficiency. Such standards must account for variations in village characteristics (geographical, demographic, economic) so as not to be uniform while still providing clear benchmarks for evaluating financial management performance. Second, the institutional capacity and human resources of village governments need strengthening through competency-based training programs focusing not only on administrative-procedural aspects but also on performance-based budget planning, cost-benefit analysis, and program efficiency monitoring and evaluation. Third, reform is required of village financial management oversight mechanisms from a compliance audit model to a performance audit model that substantively evaluates the efficiency, effectiveness, and economy of village financial management.

Legal Impact of Budget Efficiency on Village Government Performance Achievement Based on Performance Indicators Regulated in Statutory Legislation

The relationship between budget efficiency and village government performance from a constitutional law perspective constitutes a complex and multidimensional nexus. Theoretically, the principle of budget efficiency should contribute positively to governmental performance improvement through the optimization of resource utilization for achieving development targets and public service delivery. However, in village governance practice, the impact of budget efficiency on performance is not always linear and positive; rather, it depends on how efficiency principles are implemented within the legal framework governing village government performance indicators. To understand the legal impact of budget efficiency on village government performance, it is first necessary to identify the performance indicators regulated in statutory legislation as the measurement standard for village government performance achievement.

Village government performance indicators are normatively regulated across various sectoral regulations that are not integrated into a single comprehensive measurement framework. Minister of Home Affairs Regulation Number 44 of 2016 concerning Village Authority categorizes village authorities into four primary domains: village governance administration, village development implementation, village community fostering, and village community empowerment. Each domain has distinct achievement indicators that are not explicitly defined in the regulation. Minister of Village, Disadvantaged Region Development, and Transmigration Regulation Number 2 of 2016 concerning the Village Building Index employs the Village Building Index (Indeks Desa Membangun/IDM) as an instrument to measure village development levels based on three dimensions: social resilience, economic resilience, and ecological/environmental resilience, classifying villages as independent, advanced, developing, underdeveloped, or severely underdeveloped. Meanwhile, Government Regulation Number 43 of 2014 in conjunction with Government Regulation Number 11 of 2019 regulates the performance evaluation of village heads based on aspects of leadership, administrative governance implementation, community empowerment, and village development program achievement (Haq & Muzakki, 2023).

The fragmentation of performance indicator regulations creates complexity in assessing the impact of budget efficiency on village government performance. A fundamental question arises: to which performance indicators does budget efficiency contribute? Is budget efficiency measured based on APBDesa target achievement, IDM improvement, community satisfaction with public services, or a combination of various indicators? This ambiguity causes village governments difficulty in determining budget allocation priorities that are efficient yet simultaneously effective in improving performance according to the standards regulated in

statutory legislation. In the context of Trubus Village Government, efforts to improve budget efficiency through reductions in operational expenditure and refocusing on productive expenditure do not automatically improve the IDM or community satisfaction with public services, indicating that budget efficiency is only one of the variables influencing village government performance rather than the determinant variable.

The first legal impact of budget efficiency implementation on village government performance is the emergence of a trade-off between efficiency and public service effectiveness. In public administration theory, efficiency and effectiveness are two distinct yet interrelated concepts: efficiency measures the input-to-output ratio (doing something the right way), while effectiveness measures the achievement of established objectives (doing the right thing). In village financial management practice, efforts to improve budget efficiency often result in reduced allocations for programs with high costs but significant long-term impacts, such as community empowerment programs through skills training, village institutional capacity development, or basic infrastructure construction requiring substantial investment. In Trubus Village Government, the 2023 budget efficiency policy that reduced the community skills training program allocation from IDR 150 million to IDR 95 million impacted the number of training participants and training material quality, which in turn impeded the achievement of community economic empowerment targets as one of the village government performance indicators.

The second impact is the potential distortion of village development priorities resulting from narrow interpretations of the budget efficiency principle. When efficiency is understood solely as cost minimization without consideration of long-term program impacts, village governments tend to select programs with low costs and measurable short-term results (quick wins) rather than strategic programs requiring substantial investment but delivering transformative long-term impacts. This phenomenon is reflected in the budgeting practices of Trubus Village, which prioritize physical programs such as road repairs and basic infrastructure construction because their outputs are easily measured and accounted for, while community empowerment programs of a capacity building and institutional strengthening nature receive less priority because their results and impacts are not quantitatively measurable in the short term. This priority distortion contradicts the spirit of Law Number 6 of 2014, which emphasizes the importance of community empowerment as the primary objective of village governance (Haq & Muzakki, 2023).

The third impact is the emergence of a paradox between procedural accountability and substantive accountability in village financial management. In administrative law, procedural accountability refers to compliance with rules and procedures established in regulations, while substantive accountability relates to the achievement of goals and results that provide tangible benefits to the community. The implementation of village budget efficiency as regulated in Minister of Home Affairs Regulation Number 20 of 2018 places greater emphasis on procedural accountability through stringent administrative reporting and accountability mechanisms (Haq & Muzakki, 2023), yet provides insufficient attention to substantive accountability regarding program impacts on community welfare improvement. Trubus Village Government may achieve high levels of budget realization efficiency (for example, budget realization reaching 95% of planned amounts and submitted on time) while fulfilling all administrative reporting requirements, yet fail to produce significant improvements in community welfare indicators such as poverty rate reduction, increased access to educational and health services, or local economic growth. This paradox demonstrates that budget efficiency measured solely from a procedural compliance perspective does not guarantee the achievement of quality village government performance.

The fourth impact concerns the influence of budget efficiency on innovation and flexibility in village governance. Efficiency principles interpreted rigidly can inhibit village

governments from developing innovative programs that require experimentation and learning, which at early stages may not be efficient but can provide significant added value in the long term. In public sector innovation theory, room for trial and error is a prerequisite for developing innovative solutions to complex public problems. However, the village financial management legal framework emphasizing procedural efficiency tends to penalize program failures even when such failures constitute part of the learning process. In Trubus Village Government, a pilot program proposal for community-based village tourism development requiring an initial investment of IDR 200 million was rejected during APBDesa deliberations on grounds of inefficiency and high failure risk, despite the program's potential to open new income sources for the community and enhance the local economy in the long term. This case demonstrates that narrow interpretations of budget efficiency can serve as an impediment to village development innovation.

The fifth impact relates to the implications of budget efficiency for distributive justice in village development resource allocation. The efficiency principle emphasizing maximum output with minimal input tends to allocate resources to programs or community groups with the highest return on investment potential, which is not always consistent with the social justice principles constituting the philosophical foundation of village governance. In the context of Trubus Village, which exhibits economic disparities between communities in the central hamlet and remote hamlets, budget allocations based solely on efficiency principles will benefit communities in the more accessible central hamlet with greater economic potential, while communities in remote hamlets who are genuinely more in need of village government intervention will be neglected due to the higher per-capita program costs in those areas. This dilemma reflects the tension between economic efficiency principles and social justice principles in village governance, which from a constitutional law perspective must be balanced through affirmative policy mechanisms ensuring that budget efficiency does not sacrifice the rights of marginalized community groups.

Analysis of these impacts demonstrates that budget efficiency exerts an ambivalent influence on village government performance achievement. On one hand, budget efficiency contributes positively by promoting fiscal discipline, financial management accountability, and optimization of limited resource utilization. Implementation of efficiency principles encourages village governments to undertake more thorough planning, avoid budget wastage, and improve value for money in each development program. In the case of Trubus Village Government, efforts to enhance efficiency through more competitive and transparent procurement processes generated budget savings of 12% in the 2023 infrastructure development program, which were subsequently reallocated to community empowerment programs. On the other hand, budget efficiency can also produce negative impacts when implemented rigidly without consideration of the specific needs of village communities, the characteristics of development programs, and the long-term objectives of village governance.

To maximize the positive impacts and minimize the negative impacts of budget efficiency on village government performance, reformulation of a legal framework integrating efficiency principles with measurable performance indicators in a comprehensive system is required (Haq & Muzakki, 2023). First, village financial management regulations must be supplemented with outcome-based performance measurement instruments that measure not only efficiency in terms of input and output but also the impact of programs on the achievement of long-term village development goals. This can be realized through the development of an integrated Village Government Performance Information System (Sistem Informasi Kinerja Pemerintahan Desa/SIKPD) linked with the village financial management system, enabling the correlation of each budget allocation with specific performance indicator achievements to be tracked. Second, a more holistic concept of efficiency must be developed, emphasizing not only cost efficiency but also social-economic value added (social value efficiency) and the

sustainability of program impacts (sustainable efficiency). Third, balanced village government performance oversight mechanisms are required covering both efficiency and effectiveness and justice aspects. The Village Consultative Body (BPD) as the internal oversight institution needs strengthening of its capacity to conduct performance evaluations based on comprehensive indicators, focusing not only on administrative accountability aspects but also on the substantive achievement of programs. The Regional Inspectorate as external supervisor needs to develop performance audit methodologies measuring budget efficiency in the context of outcome and impact achievement, not merely procedural compliance. Fourth, legal incentives and disincentives need to be developed encouraging village governments to achieve not only budget efficiency but also performance effectiveness. Reward mechanisms for villages that successfully improve efficiency while achieving development performance targets, as well as administrative sanctions for villages that fail to meet minimum efficiency and performance standards, can serve as instruments for promoting substantive accountability of village governance. Fifth, developing a legal framework providing flexibility for village governments in allocating budgets in accordance with local characteristics and priority needs, while maintaining fundamental principles of sound financial management, is critical (Haq & Muzakki, 2023). The rigidity of the expenditure structure in the APBDesa format as regulated in Minister of Home Affairs Regulation Number 20 of 2018 must be revisited to provide greater discretionary space for village governments in optimizing budget allocations based on specific needs analysis and development priorities. This flexibility can be realized through performance-based budgeting mechanisms that allocate budgets based on performance targets agreed upon among village governments, BPD, and the community, with periodic evaluation of target achievement. Sixth, a village financial reporting and accountability system must be developed that emphasizes not only administrative-procedural aspects but also performance achievement narratives explaining how budget allocations contribute to community welfare improvement and the achievement of village development goals.

From a broader constitutional law perspective, the problematic relationship between budget efficiency and village government performance reflects a fundamental challenge in the design of village governance structure in Indonesia. Law Number 6 of 2014 adopts the village model as a self-governing community possessing autonomy in managing local affairs based on community initiative, yet in its implementation, the highly technocratic and centralistic village financial management regulations constrain this autonomous space. The tension between village autonomy principles and the need for accountability and financial management standardization creates a dilemma in budget efficiency implementation: excessive flexibility risks abuse of authority and inefficiency, while excessively rigid regulations impede innovation and village government responsiveness to the specific needs of the community. Addressing this dilemma requires a balanced approach combining standardization of basic financial management procedures with flexibility in performance-based budget allocation, supported by oversight systems focused on outcomes rather than mere compliance, as well as strengthening of institutional capacity and human resources of village governments to enable responsible and effective management of fiscal autonomy.

CONCLUSION

This research concludes that the legal regulation of village budget efficiency within the Indonesian statutory framework remains fragmentary and non-comprehensive, characterized by the absence of a uniform operational definition, standard efficiency measurement benchmarks, and clear sanctions mechanisms against non-compliance with efficiency principles in village financial management. Although Law Number 6 of 2014, Government Regulation Number 43 of 2014, and Minister of Home Affairs Regulation Number 20 of 2018 normatively mandate the efficiency principle as one of the foundational principles of village

financial management, these regulations place greater emphasis on administrative-procedural aspects than on substantive-strategic optimization of budget allocation for achieving village development targets. Implementation of legal regulations on budget efficiency in the financial management of Trubus Village Government reveals significant disparities between legal norms and empirical practice, where the village expenditure structure remains dominated by consumptive operational expenditure, while productive expenditure for development and community empowerment remains comparatively low. Factors contributing to this implementation gap include the ambiguity of efficiency parameters in regulations, limited human resource capacity of village apparatus in performance-based budget planning, and weak oversight mechanisms focusing on substantive efficiency aspects. This condition creates legal uncertainty in the application of the efficiency principle and opens space for budgeting practices that are formally compliant with procedures yet substantively inefficient.

The legal impact of budget efficiency on village government performance achievement based on indicators regulated in statutory legislation proves ambivalent and not always linear. On one hand, budget efficiency contributes positively to promoting fiscal discipline, financial management accountability, and optimization of limited resource utilization for development target achievement. On the other hand, rigid budget efficiency implementation oriented solely toward cost minimization can generate various negative impacts, including trade-offs between efficiency and public service effectiveness, distortion of village development priorities favoring quick wins over long-term strategic programs, paradoxes between procedural and substantive accountability, impediments to innovation and flexibility in development programs, and the potential for distributive injustice in resource allocation that disadvantages marginalized community groups. The fragmentation of village government performance indicator regulations across various non-integrated sectoral regulations hampers precise measurement of the contribution of budget efficiency to village government performance improvement. To maximize the positive impacts of budget efficiency on village government performance, reformulation of the legal framework integrating efficiency principles with measurable performance indicators in a comprehensive system is required, along with the development of outcome-based performance measurement instruments encompassing not only input and output but also outcome and impact, strengthening of village government institutional capacity and human resources, reform of oversight mechanisms from a compliance audit model to a performance audit model, and provision of balanced flexibility enabling village governments to allocate budgets in accordance with local characteristics and priority needs while maintaining substantive accountability in village governance.

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