

CHAPTER I

INTRODUCTION

1.1. Background

Advances in communication and information technology ultimately provide changes to the organizational structure and social relationships. This led to a change in the activities of people live in various sectors. One of them is the public sector that occurs within government institutions. The integration of technology and information systems today affects to the public institutions such as local governments. The current system of regional government has already begun to be integrated into a technology that can be controlled from the center of government.

The development of information and communication technology could give innovation to public service model which is done through an electronic system (Soesetyo, 2013). The development of information and communication technology in government's budgeting sector through electronic is called E-Government (Gallego-Álvarez, Rodríguez-Domínguez, & García-Sánchez, 2010). As an example is an implementation of electronic-government (E-Government) which began to be implemented in Indonesia. As an illustration, E-Government does not require a large number of governmental official, it is small but reliable, fulfilling the principle of effectiveness and efficiency in carrying out innovation for the duties.

E-Government conducted by the government that starts from a simple form of service that is providing information and computer-based data about the implementation of government and development as a form of transparency in public service. From the government point of view, E-Government can also be utilized as a means of communication both internally within the Unit of Working Area and the community. Through E-Government, the government can create innovations to a financial system that can facilitate the performance of government organizations that is E-Budgeting

Implementation of Regional Autonomy has been rolled out by the government since 2001 which by political decisions of the government set a policy of decentralization through Law no. 22 of 1999 and renewed by Law 32 the Year 2004 on regional government, it has implications not only for the regions but also for the central government. The implication is seen from the changes in the implementation of government in the region. One of the changes is the granting for wider authority in the administration of several areas that related to utilizing information and communication technology and financial management area. For the purpose of improving the public services quality, improving efficiency and transparency, as well as many other positive benefits, E-Government is something that government organizations need to do. E-Government is becoming very popular in line with the development of information and communication technology.

In Indonesia, the implementation and use of information technology in government began since the enactment of Presidential Instruction No.3 year 2003

about national policy and strategy of E-Government development in Indonesia that is utilization of communication and information technology in government process (E-Government) that can increase efficiency, effectiveness, transparency, and accountability of governance." In Indonesia E-Government implementation has been done by many regions, one of the regions is the Special Region of Yogyakarta. The Implementation of E-Government is considered a cross-sectoral solution that relies on the use of information and communication technologies as a form of strategy to improve local government performance in serving the community.

E-Budgeting system is one of the system under E-Government program that become spotlight and barometer. This system is created to ensure a good budget management. According to performance report year 2016 and 2017 the Regional Revenue and Expenditure Budget, the region can achieve Unqualified Opinion Exception (WTP) from BPK audit. It means that the quality of local financial management is compatible with the standard of budgeting. Besides, DIY provincial government has an e-planning to carry out all of the standard price for Regional Revenue and Expenditure Budget. It is certain that in the implementation of E-Budgeting, the government face some problems and obstacles. Masterplan document is one of the aspect that hinder E-Budgeting implementation. It is significant to analyzed the strategic management and SWOT analysis in this matter.

Planning and budgeting are central to local financial management and are part of the policy-making process for governance and development, therefore one

of the outputs of planning is budgeting. Local budget planning is a series of activities that are inseparable with the program planning and annual activities of the region which aims to improve regional economic growth and adjusted to the comprehensive budget cycle. The whole activities integrated through top-down and bottom-up approach. In line with that, in every stage of the annual program planning based on the applicable provisions.

Regional finance management is one part that undergoes fundamental changes with the implementation of Law No. 32 of 2004 on Local Government which was then revised and amended into Law No. 12 of 2008 on Regional Government and Act No. 33 of 2004 on Financial Balance between the Central Government and the Regional Government. One concrete form to realize transparency and accountability of state financial management is with the enactment of Law No. 17 of 2003 on State Finance which requires the form and content of the accountability report in the implementation of State Revenue and Expenditure Budget or Regional Revenue and Expenditure budget that prepared and presented in accordance with the standards accounting governance established by government regulations.

Revenue and Expenditure of Regional Budget as a fiscal policy of the government will give course affect to the national economy, because through the Regional Revenue and Expenditure Budget we could predict the direction, objectives and development priorities that will be implemented by the government. The Regional Revenue and Expenditure Budget has a great influence on other sectors, such as the monetary sector, balance of payments and the

production sector. For the production sector, the impact of the Regional Revenue and Expenditure Budget is seen from the applying of tax revenue policy and government expenditure. Both of these will increase income and purchasing power. As a result, it will increase the public acceptance of goods and services. Regional Revenue and Expenditure Budget in the monetary sector is obviously large, considering the state budget is one component of the base money. Changes within these components will affect the amount of money circulating in the community.

Today, the public demand for efficient, effective, transparent, accountable, reliable and responsive public services is progressing, it includes the financial management of local government. Local Government has been obliged to manage local finance in accordance with applicable laws and government regulations. With the enactment of Law Number 32 the Year 2004 regarding Regional Government directed to accelerate the realization of community welfare through service improvement, empowerment and community participation, it demands a fundamental change in the regional development planning and budgeting system for a number of improvements in local financial management, especially in aspects of budgeting, accounting and examination.

The series of changes leads to the management of regional finances based on the concept of money follow function, which is economical, effective, efficient, transparent and accountable for the financial management implemented in performance-based budgeting system. The concept itself contains three elements that must be done by local government in carrying out public service

function, that is; can economically minimize the input resources used, efficiency achieve optimal results with minimal cost (output/input) and effectiveness to achieve the set target (outcome/output). Government Regulation No. 58/2005 on Regional Financial Management provides confirmation of local financial management procedures that are structured with performance approaches. This regulation changes the budget system, which is structured by an incremental method into a performance-based budget system. This system requires adequate transparency, accountability, and evaluation of all interested stakeholders.

The presence of E-Budgeting system is very important to cover the occurrence of abuse of authority, budget excess, and corruption. E-Budgeting is a form of transparency and accountability on financial management by local governments. It also improves, quality, and supervision of government officials performance, by minimizing the occurrence of irregularities, especially the potential for corruption. Implementation of E-Budgeting is not merely the use of information technology, but it depends on political will, including cutting organizational structure, human resources, and the flow of activities. The examples are activities for procurement of goods and services where the budget ceiling has been set in the Regional Revenue and Expenditure Budget. Local Government sets the unit price after conducting a market survey, at least in three places, then take the average price. The price will be used in the Regional Revenue and Expenditure Budget. It includes how much the cost of official travel, the needs of stationery office in each Unit of Regional Devices.

Similarly, the budget ceiling of operational activities, such as official travel and overtime per hour is also set according to the echelon. If the allocation exceeds, then there will be a sign, therefore the Regional Device Work Unit will not be able to use the allocation of expenditure cost because all the menus are available. This could shorten budget preparation process for less than three days. However, if the project value is more than Rp 100 million, it will automatically go to e-procurement, and the auction is required.

The existence of this transparency also encourages tight public control and all the citizen could be exposed to how accountable the use of nudget is. E-Budgeting is capable of reforming the bureaucracy and building a clean bureaucratic culture. In addition, the E-Budgeting system is also applicable to assist local governments to realize consistency between the Regional Medium-Term Development Plan, the Strategic Plan, the Regional Development Work Plan, the Work Plan of the Regional and Pre-Work Unit and Budget Working Units. Interactions between agencies and the Regional Planning and Development Agency are connected by a system. Support to provincial, national and other priorities is processed by the system. Accountability planning and budgeting are guaranteed and free to analyze the achievement of priority targets because the planning and budgeting process is done by the system.

Through the utilization of electronic systems in planning and budgeting, it is expected that consistency between planning and budgeting documents will also be obtained. The time efficiency and effectivy, as well as the accuracy of

planning and budgeting, will enforced planning and budgeting accountability. E-Budgeting is not just replacing conventional technology with sophisticated electronic system devices, but about changing bureaucratic and governmental cultures to be more effective, efficient and responsible. Good local financial management will determine the quality of national development. As an effort to monitor the implementation of local financial management and also to control the implementation of development, government and public services that are qualified and targeted, it is necessary to manage reliable E-Budgeting. Certainly in the implementation of the E-Budgeting system still experiencing some obstacles. Therefore, the researcher is interested to conduct research related to strategic management used by Special Region of Yogyakarta Provincial Government in applying E-Budgeting system.

1.2. Research Question Formulation

Based on the background, the author formulate the problems in this study as follows:

1. What is the strength, weakness, opportunity, and threats that might appear in the implementation of the E-Budgeting system on Special Region of Yogyakarta Provincial Government year 2017?
2. How was the strategy of Special Region of Yogyakarta Provincial Government in implementing E-Budgeting system?

1.3. Research Objectives

1. To identify E-Budgeting system conducted in SWOT analysis of E-Budgeting implementation in local government financial management.
2. To know strategic analysis towards maintaining and supervising E-Budgeting system in Special Region of Yogyakarta Provincial Government.

1.4. Research Benefits

The result and findings throughout this research need to be translated into new findings that maintain a recommendation for future development.

Regarding to proposed goals, the benefits of this reserach could be drawn as:

1. Theoretical Benefits
Tightly bonded with the E-Budgeting concept, this research has an outer benefit for the readers, institutions, bureaucrats, and politicians as the new references for the future prospect which contain related information on the E-Budgeting system in Special Region of Yogyakarta Provincial Government.
2. Practical Benefits
Beyond the theoretical benefits that might be presented as the benefit of this research, it is also expected to carry out practical benefits in searching the key elements of strategic analysis in the implementation of the E-Budgeting system in Special Region of Yogyakarta Provincial Government.

1.5. Literature Review

This sub-section will focus on outlining previous literatures that relevant to this research.

Tabel 1.1

Summary of Literature Review

No	Name	Research Title	Research Method	Research Result
1.	Verina Wahyu Rosalia (2016)	Implementasi E-Budgeting Terhadap Kinerja Instansi Pemerintah Kota Surabaya dengan Pengendalian Internal sebagai Variabel Moderasi	Quantitative Descriptive	The implementation performance of Surabaya controls can not be Budgeting and government agencies
2.	Siti Alfiah (2016)	E-Budgeting (Studi Kasus Pada Dinas Pendapatan dan Pengelolaan Keuangan Kota Surabaya	The qualitative approach through a case study method	The study results show information and to regulations, human as the implementation ready for the implementation other indicators, the budgetary cooperation not to be ready, it human resources Department of Revenue Surabaya.
3.	Mutiah Zahra (2013)	Optimalisasi peran pemerintah daerah dalam sistem E-Budgeting untuk mewujudkan reformasi birokrasi di kota Surabaya	Empirical and normative law studies	The results showed city has not been bureaucratic reform optimize the role local system, throughout implementation, and
4.	Martiningtyas Yunita (2017)	Analisis Keefektifan Penerapan E-Budgeting Untuk Mengurangi Penyelewengan Anggaran Pada Pemerintah Provinsi Dki Jakarta	This research is qualitative using interviews	This research is analysis conducted 2015 and 2016. The be effective in reducing from research on Government of Jakarta Budgeting thorough SIP and E-Budgeting. However, in 2017 implemented there

5.	<u>Idhamsyah; Achmad Ruslan; Muhammad Djafar Saidi; Abdul Razak</u> (2015)	Budgetary Function Of Parliament In Implementing The Regional Budget Revenue And Expenditure	Qualitatively analyze	The results showed the rights of the Budget right budget is essential regional council to reasons of public technical assessment Council focusing appropriate to people figures. Implement regional council. The function must be policies set out in the government and dev
6	Hendra Wijayanto(2015)	Transparansi Anggaran Pendapatan Dan Belanja Daerah (Apbd) Melalui Penerapan E-Budgeting (Dalam Perspektif Teori Good Governance)	Qualitatively analyze	The application of management budget structured systems characterized by low the Local Budget system is contrad governance that accountability in emergence of E-B of the utilization Indonesia. Transparency expected to sup improvements in pu
7	Rifai, A., Asterina, N. and Hidayani, R. (2016)	Improving the transparency, inclusivity and impact of participatory budgeting in Indonesian cities	Comparative approach	This research examines participatory budget study explores innovation can be beneficial to Musrenbang.
8.	<u>John Effah and Hubeidatu Nuhu</u> (2017)	Institutional Barriers to Digitalization of Government Budgeting in Developing Countries: A Case Study of Ghana	Qualitative Descriptive	The findings show paper document flow budgeting digitalization use of an integrated well as inadequate the participating un in its focus on government research

Source: Primary data organized by writer, 2018

Moreover, this research is different compared to the previous researches that have been done by the scholars mentioned above. This research is focusing in strategic management analysis and SWOT analysis. This research will present the strength, weakness, threat and opportunity that might be appear in the implementation of E-Budgeting. After this the strategic management and SWOT analysis is used to analysis how is the strategy to optimize strengths and opportunities and overcome the weakness and threats. This research is using descriptive qualitative methodology to analyze and explain the phenomenon that happened in Special Region of Yogyakarta Provincial Government in term of the implementation of E-Budgeting..

1.6. Theoretical Framework

1.6.1. New Public Management Paradigm.

A. New Public Management Concept

New Public Management paradigm is actually a search effort from the experts of state administration on solving the problems faced by governments in various developed countries and developing countries as the impact of various crises that hit the countries concerned. These scholars are generally dissatisfied with the conventional or orthodox framework of conventional and state scientific approaches and instruments which are ineffectively confronted with the various external challenges that facing by governments to serve society well. This challenge answered with the framework of a new paradigm of state administration called New Public Management (NPM). The paradigm that shift by the Public

Administration as expressed by Benington and Hartley have implications for the implementation of Regional Government in Indonesia.

Public Administration as proposed by Benington and Hartley has shifted from the model of the Traditional Public Administration and New Public Management to the Citizen-Centered Governance model or by Denhardt and Denhardt (2000 and 2003) referred to the New Public Service. Therefore, along with the paradigm shift from the Public Administration, the Regional Government in Indonesia is required to transform itself into an institution capable to optimize the role of civil society in carrying out governance in its region. On the other hand, the Regional Government within the context of the Unitary State of the Republic of Indonesia is constituted by the Central Government through the Act. Therefore, in this case, the effort in self-transforming the Regional Government in Indonesia will also be determined by the character of the Law related to the implementation of Regional Government, such as the Law on Regional Government.

New Public Management (NPM) is a decentralized management system with new management tools such as controlling, benchmarking and lean management. (Denhardt, J, V, 2003) state that “New Public Management (NPM) understood as privatizing as far as possible of government activities.” New Public Management (NPM) is generally viewed as an approach in public administration that

applies the knowledge and experience gained in the world of management and other disciplines to improve the efficiency, effectiveness of the performance of public services in the modern bureaucracy. New public management focuses on performance-oriented public sector management, not policy-oriented. The use of New Public Management paradigm raises several consequences for the government such as the demand for efficiency, cost-cutting, and tending competence. New Public Management provides a drastic change in the public sector management of traditional management systems that seem rigid, bureaucratic, and hierarchical to be a flexible and accommodating public sector management model. The change is not merely a small and simple change. Such changes have changed the role of government especially in terms of the relationship between government and society (Mardiasmo, 2002: 78).

B. New Public Management Principle.

Principles of New Public Management (C. Hood, 1991):

1. More focused on management, not policy.
2. The existence of clear standards and measurements on the performance it achieves.
3. Greater emphasis on control over outcomes, not procedures.
4. A shift towards greater levels of competition within the public service sector.
5. Emphasis on the development of management patterns as practiced by the private sector to support improvements in the performance of public services.
6. There is a shift towards breaking down into smaller organizational units within the public service sector.
7. Greater emphasis on discipline and parsimony in resource use

C. **New Public Management Characteristics**

In general, New Public Management (NPM) has the following characteristics:

1. Control-oriented competition by way of separation of authority between the parties who provide funds and the executive task
2. Focusing on effectiveness, efficiency, and quality of task implementation
3. Separation of strategic management from operational management in the delivery of orders and general budget
4. Private and government order executors are treated equally.

There is an effort to improve targeted innovation (as part of the work order) because of the delegation (not just decentralization) of operational management. According to C. Hood (1991), there are 7 characteristics of New Public Management, namely:

1. Hands-on professional management. Implementation of the tasks of government management is left to professional managers.
2. Explicit standards and measures of performance. The existence of clear standards and performance measures.
3. Greater emphasis on output controls. More emphasis on result / output control.
4. A shift to desegregations of units in the public sector. Division of tasks into the units below.
5. A shift to greater competition in the public sector. Growing competition in the public sector.
6. A stress on private sector styles of management practice. More emphasis on private sector management style.
7. A stress on greater discipline and parsimony in resource use. More emphasis on high discipline and not extravagant in using various

sources. The public sector should work harder with limited resources.

Basically, the application of NPM system (New Public Management) which is based on decentralization has seven characteristics, namely:

1. Professional management in the public sector
2. The existence of performance standards and performance measures
3. Greater emphasis on output and outcome control
4. Solving of work units in the public sector
5. Creating competition in the public sector
6. Adoption of management style in the business sector into the public sector
7. Emphasis on discipline and greater savings in the use of resources

New Public Management orientation has undergone various orientation changes according to Ferlie, Ashburner, and Pettgrew in Keban (2004: 25), namely:

1. The Drive orientation is to prioritize the value of efficiency in performance measurement.
2. Downsizing and Decentralization's orientation is to prioritize the simplification of structures, enrich the functions and delegate authority to smaller units in order to function quickly and appropriately.
3. Orientation in Search of Excellence is to prioritize optimal performance by utilizing science and technology.

4. The Public Service Orientation emphasizes the quality, mission, and values that the public organization wants to achieve, giving greater attention to the aspirations, needs, and participation of "users" and citizens, including their representatives emphasizing "social learning" in service delivery public and emphasis on continuous performance evaluation, community participation and accountability.

1.6.2. The Concept of Strategic Management.

Strategic management is concerned with the process of generating strategic plans and policies as the embodiment of an applied strategy that serves to achieve organizational goals in the long and short term. Strategic management is a very important process for the organization in creating appropriate strategies and have the leverage for the achievement of an organization. Strategic management is a dynamic process because it takes place continuously in an organization. Every strategy always requires a review and maybe even a change in the future. Strategic management deals with deciding strategic and planning issues, and how they are implemented in practice.

According to Fred R. David, strategic management is the art and science of cross-functional formulations and implementations of decisions, used as a guide to action for human resource functions, financial marketing, production, etc. Therefore the organization can achieve the goal. These cross-functional decisions can be interpreted as strategies. Like

other management activities, managing strategy activities need PDCA (Planning, Doing, Controlling and Actuating) activities. PDCA on strategic management consists of strategic formulation, implementation, evaluation, strategic control and corrective action. With such strategy management expected that the strategy can be managed to implement colorize and integrate all decisions and actions within the organization.

A. The Objectives of Strategic Management.

According to Suwandiyanto (2010: 02), there are four strategic management goals, namely:

1. Providing the direction to achieve the goals of the organization. In this case, the strategy manager must be able to show all parties where the direction of the organization's objectives. Because a clear direction will be a fundamental for control and evaluation.
2. Help to think about the interests of various parties. Organizations must meet the needs of various parties, suppliers, employees, shareholders, the banking, and other wider society that plays a role in the success or failure of the company.
3. Anticipate every change back evenly. Strategic management enables top executives to anticipate change and set up guidelines and controls, so as to broaden their time frame perspective and understand the contribution that is good for today and tomorrow.
4. Related to efficiency and effectiveness. The responsibility of a manager not only concentrates on the ability of the interests of efficiency but should also have a serious attention to work hard to

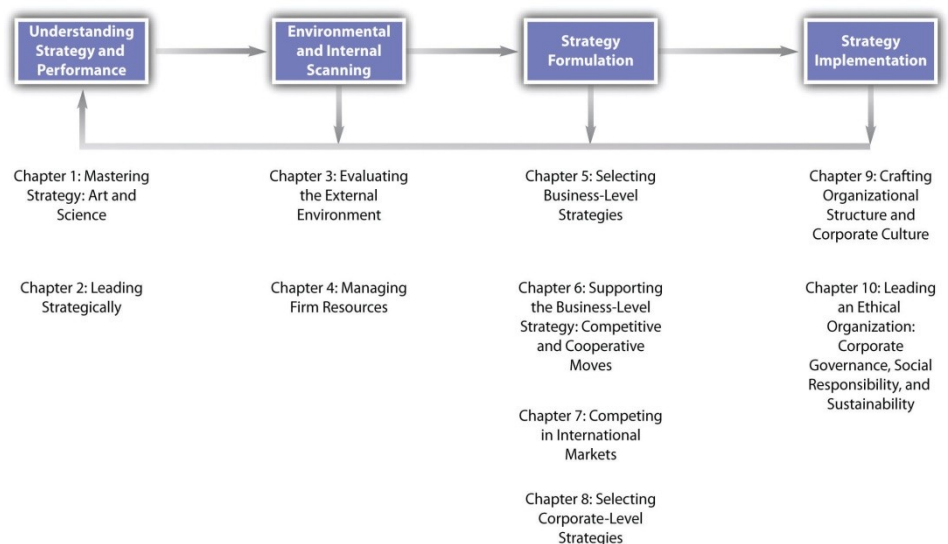
do something better and effective.

Strategic management begins with identifying existing organizational vision, mission, objectives, and strategy. It has function for a logical starting point for strategic management because the current situation and conditions of organization could hinder certain strategies and may even dictate certain actions.

B. Process and Stages of Strategic Management.

Strategic management has stages or processes that are structured in the form of models like the image below (David, 2011: 15):

Picture 1.1 Process and Stages of Strategic Management
The Strategic Management Process



Source: David, 2011

Process and Stages of Strategic Management

David (2011: 6) explains that the strategic management process

consists of three stages, namely:

a. Strategy Formulation

Strategy formulation is the first stage in management strategy, which include developing vision and missions, identifying external organizational opportunities and threats, determining internal strengths and weaknesses, setting long-term goals, generating alternative strategies, and choosing specific strategies to achieve goals.

b. Implementation Strategy

The implementation strategy is the next stage of the strategy formulation. Implementing this strategy requires a decision from the competent authority to decide on annual goals, develop policies, motivate employees, and allocate resources so that the formulated strategy can be implemented. At this stage, the development of cultural support strategies, planning an effective organizational structure, rearranging marketing efforts undertaken, preparing budgets, developing and utilizing information systems and linking employee compensation to organizational performance.

c. Strategy Evaluation

Strategy evaluation is the final stage in strategic management. Managers desperately need to know when certain strategies do not work well. Strategy evaluation is the main tool for obtaining this information. This can be done by assessing or conducting a strategy evaluation process. In the strategic assessment there are three basic assessing activities:

1. Review of the external and internal factors that form the

- basis for the current strategy
- 2. Performance measurement
- 3. Corrective action.

Strategy assessment is indispensable to a company because successful strategies for the moment are not always successful in the future.

C. SWOT Analysis in Strategic Management.

According to Freddy Rangkuti, SWOT analysis is a systematic indication of various factors to formulate the organization strategy. This analysis is based on a logic that can maximize power (strengths) and opportunities (opportunities) but simultaneously can minimize weaknesses and threats. SWOT analysis by Sondang P. Siagian is one of the most powerful analytical instruments when used properly. It is widely known that "SWOT is an acronym for the words strengths, weaknesses, opportunities, and threats.

SWOT analysis according to Philip Kotler is defined as an evaluation of overall strengths, weaknesses, opportunities, and threats. SWOT analysis is one of the most widely used internal and external organization environmental analysis instruments. This analysis is based on the assumption that an effective strategy will minimize weaknesses and threats. When applied accurately, this simple assumption has a major impact on the design of a successful strategy. According to Ferrel and Harline (2005), the function of the SWOT Analysis is to obtain

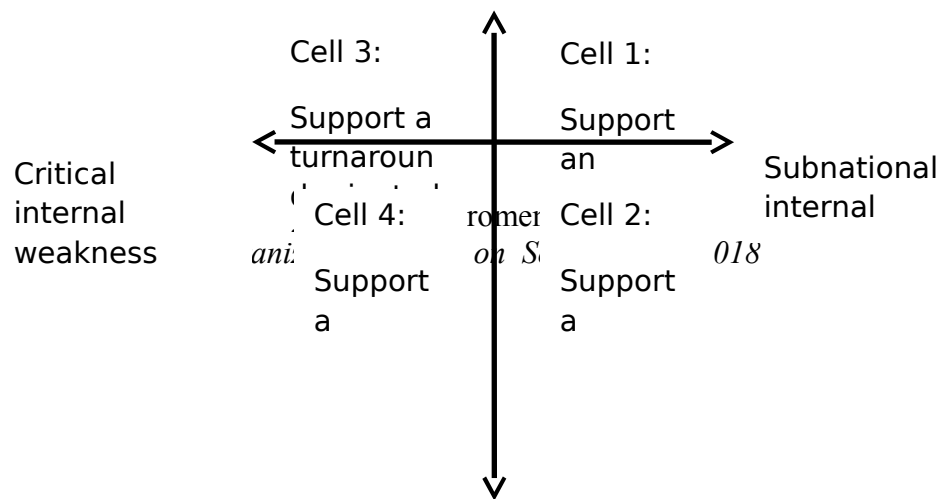
information from the analysis of situations and separate them in the internal issues (strengths and weaknesses) and external issues (opportunities and threats).

The SWOT analysis will explain whether the information indicates something which will help the organization to achieve the goals or provide an indication that there are obstacles to be faced or minimized to meet the desired income. SWOT analysis is the systematic identification of various factors to formulate corporate strategy, this analysis is based on the logic that can maximize strengths and opportunities but simultaneously can cause weaknesses and threats. The strategic decision-making process is always concerned with the development of mission, goals, and strategies, and the wisdom of the company. Thus strategic planning must analyze the strategic factors of the organization (strengths, weaknesses, opportunities, and threats) in the current conditions. This is called situation analysis. The most popular model for situational analysis is the SWOT analysis.

This SWOT analysis wants to show that company performance can be determined by a combination of internal and external factors, both factors should be considered in the SWOT analysis. How to make a SWOT analysis of research shows that bureaucracy performance can be determined by a combination of internal and external factors. Both factors should be considered in SWOT analysis. SWOT is an

abbreviation of the internal strengths and weaknesses as well as the external environment of opportunities and threats faced in the business world. The SWOT analysis compares between external with internal factors and weaknesses.

Diagram 1.1
SWOT Analysis Diagram
 Numerous enviromental opportunity



The SWOT Matrix is an important matching tool that helps managers develop four types of strategies, namely SO strategy (opportunity strength), WO strategy (weakness of opportunity), ST strategy (strength force), and WT strategy (threat weakness). The SO strategy harnesses the internal strengths of the organization to benefit from external opportunities. All managers want the organization they lead to be in a position where internal strength can be used to take advantage of trends and external events. If an organization has a big weakness, then an organization will struggle to overcome it and turn it

into a force. When the organization is faced with a great threat, the company will try to avoid it to concentrate on opportunities.

**Table 1.2
SWOT Matrix**

SWOT Analysis		Internal Analysis	
		Strength	Weakness
External Analysis	Opportunity	Combination strength and opportunities Matching Strategy Which strength match with	Combination weakness and opportunities Transformation Strategy
	Threats	Combination strength and threats Neutralisation Strategy	Combination weakness and threats Defense Strategy

Source: Organized by author on September 2, 2018

The WO strategy aims to improve internal weaknesses by taking advantage of external opportunities. Sometimes great opportunities arise but companies have an internal weakness that prevents them from taking advantage of them. Strategy ST uses the power of an organization to avoid or reduce the impact of external threats. This does not mean that a strong organization must always face threats directly to the external environment.

1.6.3. Local Financial Management

A. The Concept of Local Financial Management

In this part author will discuss about the concept of Local Financial Management, that regulated in some government regulation.

The management of regional finances regulated in the Second Amendment of the Minister of Home Affairs Regulation No. 13 of 2006 on the Manual of Financial Management of the Region, that covers the power of regional financial management is the whole activity which includes planning, reporting, accountability, and supervision of regional finances. The management of regional finances as set forth in this ministerial regulation covers the general principles, structure, drafting, determination of the regional income and expenditure budgets for regions that do not already have Regional People's Representative Assembly. It also covers regional income and expenditure budgets implementation, regional income and expenditure budgets changes, cash management, local financial administration. In other hand the regulation also regulated the accountability of regional income and expenditure budgets implementation, development and supervision of local financial management, regional losses, and financial management.

Regional income and expenditure budgets are prepared in accordance with the needs of governance and local revenue capability. Preparation of regional income and expenditure budgets as directed to work plan of regional government officials in order to realize the service to the public for the achievement of the purpose of the state. The regional income and expenditure budgets have the functions of authorization, planning, supervision, allocation, distribution, and stabilization. Regional income and expenditure budgets change, and accountability of Regional income and expenditure budgets implementation every year is stipulated

by regional regulation. Regional income and expenditure budgets compiled by the local government has suffered a change from incremental to a performance-based budget in accordance with the demands of reform.

Regional Financial Management is a work program of a region in the form of figures by preparing, planning, executing, reporting, accountability and supervision of local finances related to the Regional Revenue and Expenditure Budget (Halim, 2007: 42). Establishment and management are tailored to the procedures applicable to the central government. Principles of regional financial management are the same as with the management of state finances (Halim, 2007: 44), which consists of three stages:

1. Regional income and expenditure budget Planning Input used in the form of the results of community aspirations that have been submitted to the Board and Executive, which then aspirations are reviewed in more detail in the proposed activities. Work units processed by Shopping Analysis Standards. So that each proposed activity reflects the performance target because it has been processed fairly.
2. Implementation of Regional income and expenditure budgets Input in the form of output from the planning stage in the form of Regional income and expenditure budgets. APBD that has been established then implemented with an accounting system that has been adjusted for the documentation of recording Regional income and expenditure budgets execution report by the Executive.
3. Control of Regional income and expenditure budgets Input in the

form of financial statements of Regional income and expenditure budgets which is then processed by evaluating the accountability of the Regional Head that produces the output in the form of the result of the evaluation, acceptance, and rejection of the accountability report of the Regional Head.

Generally Regional income and expenditure budgets can be seen from four sides, in the form of Regional income and expenditure budgets:

1. The cycle of Regional Revenue and Expenditure Budget could be divided into:

- a. Preparation of Regional Revenue and Expenditure Budget, starting from the process of Regional Budget Plan in principle is to add, reduction, and budget transfers.

- b. Implementation of Regional Revenue and Expenditure Budget.

2. In the implementation of Regional Revenue and Expenditure Budget

of regional finance management is done by compiling:

- a. List of Activities of Area/List of the project area;

- b. Payment Request Letter;

- c. The decision of the Authority which is evidence of the actions of

the regional head that will result in the imposition on the

Regional Budget;

- d. Paying Order of Money;

- e. Letter of Responsibility;

- f. Daily Report.

3. The mechanism of the Regional Revenue and Expenditure Budget can be reviewed from:

- a. Revenue
The defined revenue plan is divided based on the possibility of its realization in the form of Cash Budget. The realization of regional income goes into the regional treasury.
- b. Shopping Expenditure
The Local Revenue and Expenditure Budget is divided into routine expenditure and development expenditure.

The function of the Regional Budget of Revenue and Expenditure Budget could be seen from the function of the implementation of Regional Revenue and Expenditure Budget following:

- a. Management of the Administration of Authority in the framework of holding actions in the framework of the implementation of regional households resulting in expenses that burden the budget.
- b. Treasury Management Authority to receive, keep, pay or spend money and goods and is obliged to account for the regional head.
- c. The structure of Regional Revenue and Expenditure Budget.

The structure of Regional Revenue and Expenditure Budget can be seen from the income and expenditure. Revenues are divided into sections, the part is divided into posts, the post is divided into paragraphs. While expenditure can be divided into routine expenditure and expenditure can be divided into routine expenditure and development expenditure. Regional Revenue Sources as follows:

- a. Own Revenue: (1) Local Tax Result; (2) Result of Local Levy; (3) Share of Regional Company's Profit; (4) Other legitimate regional businesses.

- b. Income derived from government grants: (1) Donations from government (2) Other contributions regulated by legislation.
- c. Other legitimate income.

1.6.4. E-Budgeting Concept

E-Budgeting is a web-based information system used to facilitate the process of preparing regional budgets. Through E-Budgeting, the government could better control the budget because the budgeting process could be done more transparently, on time, the budget can be allocated in accordance with the needs in the work program, the budget chronology can be explored clearly, and reporting on the realization of the budget could be more effective.

E-Budgeting as part of the E-Government concept is then seen as a positive mechanism that can increase public confidence in the government through increased accountability, transparency and empowerment of citizens (Kauvar, 1998, and Demchak et al., 2000). Budget is the plan of all government activities declared in monetary unit or unit and is valid for a certain period in the future. Jokowi-JK Government from the beginning has required all local governments no longer conduct the process of preparation and implementation of the Budget Work Plan (RKA) manually. But E-Budgeting should be used as part of governance electronically. Because the manual system is less transparent, the process of preparing RKA to be slow, and data recap that consist of the realization of budget usage could not be seen in real-time.

Currently, the central and local governments are expected to be able to develop electronic information systems. E-Budgeting titles can automate the process of preparation and implementation of RKA. The system will in the future be integrated with the implementation of e-procurement or Electronic Procurement Service (LPSE).

1.7. Conceptual Definition

The purpose of a conceptual definition is to explain the restriction between one concept with another concept in order to avoid misunderstanding or confusion. While the concept is a term or definition used to describe abstractly what theory that author used in this research. The conceptual definitions used by the authors in this study are as follows:

1. Strategic Management

Strategic management is concerned with the process of generating strategic plans and policies as the embodiment of an applied strategy that serves to achieve organizational goals in the long and short term. Strategic management is a very important process for companies in creating appropriate strategies and have the leverage for the achievement of corporate goals to the fullest. Strategic management is a dynamic process because it takes place continuously in an organization.

2. SWOT Analysis

SWOT analysis is used to find out factors of strengths and weaknesses (internal) and opportunities threats (external) contained in

each region to be sampled in the study, by knowing the internal state and external area observed then it can be known which problems faced.

1.8. Operational Definition

An operational definition is the variables that have been discussed in the conceptual definition and theoretical framework. In simplifying the data analysis, it is compulsory to provide the limitation and scope of research which identified with the purpose to answer the research problem. The definition used in this research are, as follows:

1. Strategic Management
 - a. Issues identification
 - b. Finding an alternative way
 - c. Formulate the important program
 - d. Issue management strategy
2. SWOT Analysis
 - a. Strength and Opportunities Strategy
 - b. Strength and Threats Strategies
 - c. Opportunities and Weakness Strategies
 - d. Threats and Weakness Strategies

1.9. Research Methods

The research commonly used by academics in search of knowledge through scientific identification of specific topic regarding the phenomenon. Research in the whole process requires technical sense to arrange the proper result and validity toward those specific topics being research. In general, the stages of conducting research are redefining phenomenon, formulating problems to limit the frame of research conducted, data collection, data analysis until withdrawing conclusion. In this session, the intended content is elaborating the whole framework of research method that is used as mentioned. This chapter consists of

a type and research approach, research location and target, source and data collection technique in addition to data analysis technique.

1.9.1. Type and research approach

This research entitled “**Strategic Analysis of E-Budgeting Implementation on Local Government Financial Management**” designed in the descriptive type of research. This research uses a descriptive qualitative method with a case study approach. Moleong (2007) defines qualitative research as "the type of research that intends to understand the phenomenon of what the subject of research is experiencing holistically and by way of description in the form of words and language". The descriptive approach, which describes the socio-political facts of various variables that come into contact with the object under study (Moleong, 2007). Meanwhile, Nawawi (1983) more specifically explained that the descriptive approach used in social science is generally a step in doing an objective representation of the symptoms contained in the problem under investigation.

With the descriptive approach, it is used to describe and explain clearly the findings of facts in seeing how the implementation of E-Budgeting in the budget formulation process in the central Java provincial government. However, according to Nawawi (1983: 77) often in social research is not enough just to collect the facts as they are. Many facts turn out to be related to each other, by linking the facts objectively. Thus, in this research the descriptive approach using case study form, because this research only concentrated on one object that is the government area of Central Java province, by studying it as a case (Nawawi,

1983: 77), and assisted with some other aspect which Obtained data on other social support groups from various sources.

1.9.2. Research location and target

The next stage of the research method is deciding the location and target of research specifically to further gain related data and analyze the data presented. The purposed location of research is in the Special Region of Yogyakarta. It is definitely co-related with the purposed research about the E-Budgeting system because budgeting is one of governmental function further the research conducted in bureaucracy area of Special Region of Yogyakarta.

The reason why Special Region of Yogyakarta provincial government become an interesting location for research object is because the implementation of an E-Budgeting system in DIY become a role model for another region in Indonesia. One of the E-Government implementations in the Special Region of Yogyakarta Provincial Government that being spotlight and barometer is the implementation of E-Budgeting in the Regional Revenue and Expenditure Budget preparing process. The E-Budgeting system on Special Region of Yogyakarta Provincial Government is one of the systems under the E-Government program. The E-Budgeting system was created to ensure a good budget management. Special Region of Yogyakarta become interesting location because according to performance report year 2016 and 2017 the Regional Revenue and Expenditure Budget can Achieve Unqualified Oponion Exception (WTP) from BPK audit. It means that the quality of local financial management is good enough. Beside that, DIY provincial government has an e-planning that carrying out all of the standart

price for Regional revenue and Expenditure Budget. In the implementation of E-Budgeting the government must be face some problem and obstacle. Therefore the strategic management and SWOT anakysis become interesting to be analyzed. That reason become fundamental reason why this research located in Special Region of Yogyakarta.

1.9.3. Types and Data Sources

In general, the data in this study can be divided into 2 types, among others, as follows:

1. Primary Data

Primary data is data obtained directly from research subjects by using measurement tools or data retrieval tool directly on the subject as a source of information sought (Azwar, 2007: 91).

Primary data in this research is data obtained from:

Table 1.2 Source of Primary Data

Source of Data	Name	Data Collection Technique
Chief of planning devision of Regional Planning and Development Agency of DIY	Imam Karyadi	Interview
Secretary of Revenue, Financial Management and Asets Office of DIY	Pendi	Interview
Chief of budget devision of Revenue, Financial Management and Asets Office of DIY	Aris Eko Nugroho	Interview
Chief of accounting devision	Aris Widaryanto	

of Revenue, Financial Management and Asets Office of DIY		Interview
Chief of E-Government division from Communication and Information Office of DIY	Muzainuri	Interview

Source: Organized by author on September 2, 2018

2. Secondary Data

Secondary data is data obtained from other parties in the form of document data or available report data (Azwar, 2007: 91). The secondary data in this research will be obtained by gathering some documents. Such as the long term until short term development planning of Special Region of Yogyakarta (DIY), Regional Revenue and Budget Document, Presidential Regulation, Governor Regulation and the Performances Report Document of Revenue, Financial Management and Aset Office of DIY

1.9.4. Research Instruments

In qualitative research, the instruments used in data collection depending more on the researchers themselves as a means of data collection. This is due to the difficulty of precisely specifying what will be examined. In addition, people as an instrument could make a good decisions. People can assess circumstances and be able to make decisions (Moleong, 1988: 19). In this study, research instruments used to collect data are interview guides, a set of computers and stationery

1. Interview guide

Interview in this research is going to be conducted the government officials who are involved in the E-Budgeting implementation. They are Revenenu, Financial Management and Aset Office of DIY, Planning and Development Agency of DIY and Information and Communication Office of DIY. The interview question will focus on question related to the formulation of problems and targets on the research undertaken. For instance, it is spesific on on the strategic management in the implementation of E-Budgeting system and the key factor to increase accountability

1.9.5. Data Collection Techniques

Nawawi (2013: 100) in every research in addition to the appropriate method of using the necessary ability to select and arrange relevant techniques and data collection tools, so that will affect objectivity and validity of the results. The data collection techniques we use as follows:

1. Interview

Salim (2006: 16) revealed the data in qualitative research more in the form of words, then the interview becomes a device that is so important. In this research, the researcher uses guided free interview technique, it means that first the list of questions is provided as a guide, but does not close the possibility of variation and improvisation of questions adapted to the situation and data needs during the interview process (Hadi, 1985: 26). In this study will be conducted interviews with informants that have been determined and the

stakeholders associated in the search data.

2. Documentation

Documentation is a process that is carried out systematically from collecting to managing data that produces documents. The documentation itself aims to obtain the required documents in the form of information and matters that prove the existence of an activity that is documented (Sugiyono, 2012). Documents in this research are data related to E-Budgeting system on local government financial management. Such as Law Number 23 of 2014 concerning Regional Government, Presidential Regulation Number 81 of 2010 concerning the Grand Design of Bureaucratic Reform 2010-2025, Minister of Home Affairs Regulation Number 13 of 2006 as amended both times with the Regulation of the Minister of Home Affairs No. 21 of 2011 concerning Guidelines for Regional Financial Management, Regional Regulations on the City Budget of DIY, Governor Regulations concerning the Elaboration of the DIY Budget and other Legislation concerning research.

1.9.5. Data Analysis Techniques

Because in this study using qualitative methods, where the process of data collection and analysis takes place during and post data collection. The process of analysis flows from the beginning to the conclusion of the study (Salim, 2006: 22). Thus, as Miles and Huberman's statement in Salim (2006) analyzes qualitative data as a flow model, which consists of data collection, data reduction, data presentation, and conclusion drawing And verification).

1. Data reduction is a selection process, focusing attention on simplification, abstraction, and transformation of rough data obtained in the field study (Salim, 2006: 22). Therefore in this study, the author will simplify and sort out the selection of appropriate data and what is needed in this research.
2. Data presentation, i.e. description of collated information collection that allows to make a conclusion and take action (Salim, 2006: 23). Author will re-describe the data has been reduced either obtained from the interview or data from the documentation, making it easier to understand.
3. Conclusion and verification, i.e. from the beginning of data collection, the researcher searches for the meaning of each symptom obtained in the field, noting the regularity or pattern of possible explanations and configurations, causality flow, and proposition. Any conclusions that have been concluded by the researcher will continue to be verified until the conclusions are obtained that is valid and strong (Salim, 2006: 23). The author is led to take the final decision of the study of all the variables available, and from the data collection and the results of the data reduction and data presentation process, in order to generate the scientific conclusion.

1.9.6. The Technique of Data Analysis Results Presentation.

Data presentation is a set of organized information that can provide the possibility of conclusion and action taking. The presentation of information will be done in the form of narrative text which shows the planning process and parties

involved in the planning process.

Conclusion is an overall part which it is going to be drawn by the findings and analysis. Drawing conclusions are based on careful and in-depth analysis of the data obtained. The conclusion directed to be able to provide answers to some questions that have been raised in the formulation of this research problem.

Structure of Thesis

CHAPTER I INTRODUCTION

This chapter contains the background of the problem, research question, research objectives and benefits, literature review, theoretical studies, conceptual and operational definitions, and research methodology.

CHAPTER II DESCRIPTION OF RESEARCH OBJECT

Profile of the research objects will be described in this chapter. It covers regional development, and planning agency, agency of revenue, regional financial and asset management, and communication and information agency.

CHAPTER III RESULT AND DISCUSSION

This chapter, will provide the finding of the research, a description of the results regarding E-Budgeting implementation strategies in regional financial management and SWOT analysis on the implementation of E-Budgeting are presented.

CHAPTER IV CONCLUSION AND SUGGESTION

As the final chapter, this part will conclude final results of the analysis and presented success and failure, problems and major obstacles related with the application of E-Budgeting and advice for the provincial government of the Special Region of Yogyakarta.