
**Maximizing the Effectiveness and Efficiency of the Responsibility
Center Function Towards Healthy Financial Performance at
Course and Training Institutions in Banyuwangi,
East Java**

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Abstract

This study analyzes the influence of the effectiveness and efficiency of the Responsibility Center on the financial performance of Course and Training Institutions (LKP) in Banyuwangi. Using a quantitative approach with data from 55 LKP, the regression results show that both variables have a positive and significant effect on financial performance. The effectiveness and efficiency of work unit management has been proven to increase the stability and profitability of the institution. These findings underscore the importance of accountability systems in strengthening the governance and financial sustainability of training institutions.

Keywords: Responsibility Center, effectiveness, efficiency, financial performance, LKP

INTRODUCTION

Financial performance is a reflection of a company's success, success in managing and allocating its resources. To find out the success of a company, it is necessary to conduct an assessment and measurement of the company's performance each year ¹. Financial performance is one of the main indicators used to assess the health and sustainability of institutions, including course and training

¹ Journal of Business Management and Iain Salatiga, 'Corporate Governance and Financial Performance of Haniatus Sa'diyah', 17.4 (2020), pp. 566–89
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institutions (LKP). In assessing a company's financial performance, it can be seen through the company's financial reports which consist of balance sheets, profit and loss reports, cash flow reports, and reports on changes in financial position. Financial reports are very important for assessing the achievements and economic conditions of a company. The success of an institution in managing resources, operational efficiency, and achieving strategic goals is highly dependent on good financial performance. To find out the company's financial performance, the company conducts a financial performance analysis, one way is to use financial ratio analysis. Francis Hutabarat (2021) stated that financial ratio analysis is a ratio calculation using financial reports which function as a measuring tool in assessing the company's financial condition. In this context, various previous studies have highlighted the importance of effective and efficient financial management to support healthy financial performance. For example, a study by Mulyani et al. (2022) revealed that institutions that have a structured and transparent financial management system tend to have better financial performance, which in turn supports the achievement of their long-term goals (Mulyani et al., 2022). In addition, research by Yuliana & Duwi (2020) shows that factors such as budget planning, strict financial supervision, and periodic evaluation of financial performance can significantly improve the efficiency and effectiveness of fund management in training institutions (Yuliana & Duwi, 2020).

Various previous studies have confirmed that systematic and transparent financial management has a positive correlation with organizational performance. Mulyani et al. (2022) showed that institutions with a structured financial management system tend to be more financially stable. Meanwhile, Yuliana and Duwi (2020) highlighted the important role of budget planning, internal supervision, and periodic financial evaluation in supporting the efficiency of fund management in educational institutions.

One approach that is currently being widely studied in the context of strengthening financial management is the implementation of *the Responsibility Center*. This model divides the organization into several work units that have responsibility for their respective budgets and performance achievements. In practice, this approach can increase transparency, speed up decision-making, and improve the efficiency of resource use. Prasetyo and Anggraini (2021) found that training institutions that implemented this system experienced improvements in budget efficiency and internal accountability. Similar results were also supported by Rahmawati et al. (2023), who emphasized that responsibility-based management helps reduce waste and improve the balance between income and expenditure. In the context of course and training institutions, the implementation of the Responsibility Center allows for decentralization of decision-making, where each unit can be more responsive to its specific needs and operational conditions. For example, a study by Prasetyo & Anggraini (2021) stated that the

implementation of the Responsibility Center in training institutions has improved budget efficiency and increased accountability in resource management (Prasetyo & Anggraini, 2021).

Furthermore, research by Rahmawati et al. (2023) also suggests that implementing a Responsibility Center in training institutions in Indonesia can reduce budget waste and improve resource utilization. They found that results-based management with more efficient fund allocation helps institutions achieve a balance between income and expenditure, thereby improving overall financial performance (Rahmawati et al., 2023). Therefore, a deep understanding of the implementation of the Responsibility Center can be the key to improving the financial health of course and training institutions in Indonesia.

Although there have been many studies evaluating financial management systems in large educational institutions, studies that focus on non-formal training institutions at the regional level are still relatively limited. In fact, the challenges faced by LKP in areas such as Banyuwangi are very unique—especially in terms of limited resources, minimal external supervision, and the need to adapt to local economic dynamics. Therefore, a Responsibility Center-based management approach adapted to the scale of small and medium training institutions is very relevant for further research. This study is here to fill this gap by presenting an empirical mapping of how much the effectiveness and efficiency of the Responsibility Center contribute to the financial health of training institutions. By focusing on the rarely explored local context, the results of this study are expected to provide practical contributions to LKP managers in strengthening adaptive, sustainable, and internal responsibility-based financial governance systems.

Theoretical Review

Responsibility Center refers to a unit or section within an organization that is responsible for managing and controlling resources, budgets, and financial performance. This responsibility includes planning, implementation, and evaluation, with the aim of ensuring efficient use of resources and achieving optimal results. Responsibility Center plays an important role in understanding the cause-and-effect relationship between activities and their performance, as well as in assessing separate performance based on their respective responsibilities (Iswas, 2017)². Management theories, such as Financial Management Theory and Management Accounting Theory, provide a basis for understanding how effective management can contribute to the financial health of an organization.

² İbrahim AKSU and Mehmet TURSUN, 'Analysis of Responsibility Centers Performance in Businesses By System Dynamics Method', *Muhasebe ve Vergi Uygulamaları Dergisi*, 14.3 (2021), pp. 949–66, doi:10.29067/muvu.901635.

Financial Management Theory teaches the importance of managing cash flow, cost structure, and investments to ensure the survival and growth of an organization. In the context of training institutions, financial management focuses on operational cost efficiency and optimization of existing resources, which are directly related to the financial performance of the institution. This theory also emphasizes the importance of risk management and continuous monitoring of financial performance.

Management Accounting Theory suggests that each unit within an organization (such as a Responsibility Center) should have clear and measurable objectives. With the right performance measurement system, training institutions can assess the effectiveness and efficiency of their resource management. This responsibility-based management enables organizations to identify areas for improvement, accelerate decision-making, and increase accountability in financial management.

In addition, Efficiency Theory explains that organizations should focus on using resources as efficiently as possible. In this case, efficiency does not only refer to cost savings, but also to the optimal use of resources to achieve a larger goal, namely improving the financial performance of the institution.

Literature Review

Based on previous research, a number of studies have shown a significant relationship between effective and efficient Responsibility Center management and organizational financial performance. Hadi & Sari (2021) in their research on financial management in training institutions in Indonesia found that the implementation of a responsibility-based management system was able to increase budget transparency, reduce waste, and increase the institution's profitability ratio. This study reveals that effectiveness in budget management is directly related to the financial performance of training institutions.

In addition, Fahmi et al. (2022) in their study entitled "The Effect of Financial Management on the Financial Performance of Educational Institutions" stated that efficient budget management is very important to increase the liquidity and solvency of educational institutions. They found that institutions that are able to manage resources well have healthier cash flows and can fund their operations more effectively, which ultimately supports the achievement of long-term goals. Another relevant study was conducted by Kurniawan & Rahmawati (2023) who examined the effect of Responsibility Center management on resource efficiency in course institutions in Jakarta. They found that more structured and responsibility-based management increased the level of operational and financial efficiency of the institution. In particular, institutions that are more efficient in

using resources tend to have a lower ratio of expenses relative to their revenues, which contributes to better financial performance.

On the other hand, research conducted by Indah & Sari (2020) emphasizes the importance of a strong internal control system in the management of the Responsibility Center. They argue that tight control over expenditures and better monitoring of budget management can help training institutions maintain financial stability and improve operational effectiveness.

Overall, previous studies show that effective and efficient management of the Responsibility Center contributes significantly to the financial health of training institutions, both in terms of profitability, liquidity, and solvency. Good financial performance is highly dependent on how institutions manage existing resources, and this study seeks to broaden this understanding in the context of course and training institutions in Indonesia.

H1: Effectiveness of Responsibility Center on the financial performance of course and training institutions.

H2: Efficient use of resources through the Responsibility Center has an impact on the financial performance of course and training institutions.

H3: The effectiveness and efficiency of the Responsibility Center influences the financial performance of course and training institutions.

METHOD

This study uses a quantitative approach with a survey method and causalcomparative design to analyze the effect of the effectiveness and efficiency of *Responsibility Center management* on the financial performance of course and training institutions (LKP) in Banyuwangi, East Java. The sample consists of 55 LKP selected through a *total sampling technique*.

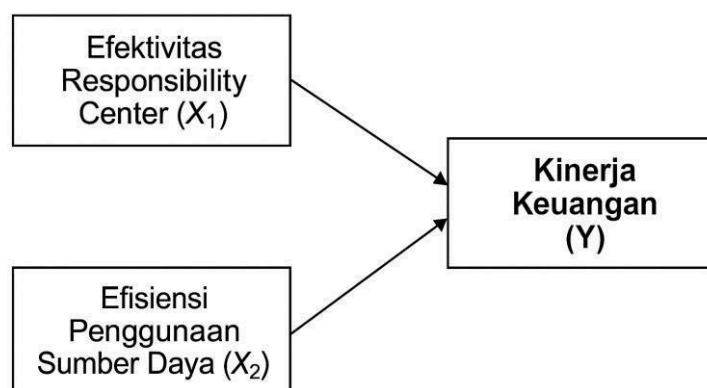
Data collection was conducted through a 5-point Likert scale questionnaire and documentation of the institution's financial report. The effectiveness variable of the Responsibility Center was measured through indicators of strategic planning, target achievement, and performance evaluation. The efficiency of resource use was measured through budget efficiency, workforce, and asset utilization. Financial performance is measured by ROA, ROE, current ratio, and operating margin ratios.

Table 1: Measurement of variables

Variables	Definition	Measurement (Indicator)
Effectiveness of	The level of success of the work unit	Strategic planning,

Responsibility Center	in planning, implementing, and evaluating its responsibilities towards	target achievement, work evaluation
Variables	Definition	Measurement (Indicator)
	achieving the institution's goals.	
Efficient Use of Resources	The ability of an institution to use budget, manpower, and facilities efficiently, appropriately, and according to objectives.	Budget efficiency, workforce and asset utilization
Financial Performance of the Institution	The ability of an institution to generate stable and healthy financial results, reflecting the balance between income and expenses.	ROA, ROE, current ratio and operating margin

Data analysis was carried out using descriptive statistics, classical assumption tests, and multiple linear regression. The t-test and F-test are used to test the significance of the influence of the independent variable on the dependent variable. The coefficient of determination (R^2) value is used to measure the contribution of independent variables to dependent variables. Validity test was conducted using Pearson Correlation, and reliability was tested using Cronbach's Alpha. The design of this study was



RESULTS AND DISCUSSION

Descriptive Statistics

Descriptive statistics provide an overview of the distribution of data based on the mean, standard deviation, minimum, and maximum values of each research variable.

Table 2. Descriptive Statistics

Variables	Min	Max	Mean	Std. Dev
Effectiveness of Responsibility Center (X1)	2.50	4.80	3.92	0.64
Resource Usage Efficiency (X2)	2.30	4.70	3.85	0.71
Financial Performance (Y)	2.10	4.90	3.78	0.75

From the table above, the average value of the effectiveness of the Responsibility Center is 3.92 with a standard deviation of 0.64 , while the efficiency of resource use has an average of 3.85 with a standard deviation of 0.71 . Meanwhile, the financial performance of training institutions has an average of 3.78 , showing a fairly good tendency but still has variations between institutions.

Classical Assumption Test

To ensure the validity of the regression model, a classical assumption test was carried out:

- **The Normality Test** with Kolmogorov-Smirnov shows a p value = 0.072 (>0.05), which means the data is normally distributed.
- **Multicollinearity test** shows VIF values for X1 = 1.43 and X2 = 1.38 , which means there is no multicollinearity problem in the model.
- **The Heteroscedasticity Test** using the Glejser method shows a significance value >0.05, which means that heteroscedasticity does not occur.

Multiple Linear Regression Analysis

To determine the relationship between the effectiveness and efficiency of the Responsibility Center on financial performance, multiple linear regression analysis was conducted with the following results:

Table 3. Multiple Linear Regression Results

Independent Variables	Coefficient (β)	tstatistic	Sig. (pvalue)
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Effectiveness of Responsibility Center (X1)	0.521	4.32	0.000**
Resource Usage Efficiency (X2)	0.415	3.76	0.001**
Constant (β_0 / β_0)	1.102	2.14	0.038*
R ²	0.689		
F-statistic	48.91		0.000**

The regression results show that the effectiveness of the Responsibility Center has a coefficient of 0.521 with $p = 0.000$, which means that this variable has a positive and significant effect on financial performance. The efficiency of resource use also has a significant effect on financial performance with a coefficient of 0.415 and $p = 0.001$. The R^2 value = 0.689 indicates that **68.9%** of the variability in financial performance can be explained by the effectiveness and efficiency of the Responsibility Center, while the rest is influenced by other factors not included in the model.

Significance Test

The t-test shows that both independent variables have a significant influence on financial performance.

The F test produced a value of $F = 48.91$, $p = 0.000$, which means that simultaneously the effectiveness and efficiency of the Responsibility Center have a significant effect on financial performance.

H1: The effectiveness of the Responsibility Center has a positive and significant effect on the financial performance of course and training institutions.

The results of the regression analysis show that the effectiveness of the Responsibility Center has a positive and significant influence on the financial performance of the institution, with a regression coefficient value of 0.521 and a significance value of $p = 0.000$. This indicates that the higher the level of effectiveness in strategic planning, target achievement, and performance evaluation in each work unit, the better the financial performance of the institution concerned. This effectiveness encourages accuracy in financial decision making, accelerates the work process, and improves the achievement of overall financial targets.

This finding is in line with the research results of Hadi & Sari (2021) which stated that the implementation of the Responsibility Center system can increase budget transparency and strengthen institutional accountability, which ultimately has an impact on increasing profitability. In addition, the study of Widodo & Anwar (2021) also supports these results by emphasizing that institutions that have a clear responsibility management system are more capable of managing cash flow and long-term financial strategies effectively. Thus, the effectiveness of work unit

management in the Responsibility Center system has proven to be a crucial factor in strengthening the financial performance of course and training institutions, especially in areas such as Banyuwangi which face limited resources and local economic dynamics.

H2: Efficient use of resources through the Responsibility Center has an impact on the financial performance of course and training institutions.

Based on the results of the regression analysis, the efficiency of resource use managed through the Responsibility Center also shows a positive and significant influence on financial performance. This is indicated by the regression coefficient value of 0.415 and p value = 0.001, which indicates that efficiency in the use of the organization's budget, workforce, and assets directly contributes to the financial health of the institution. This efficiency allows the institution to minimize waste, allocate funds appropriately, and maintain a balance between income and expenses.

These results are in line with the findings of Fahmi et al. (2022) which stated that educational institutions that are able to manage their resources efficiently tend to have better liquidity and solvency. In addition, research by Kurniawan & Rahmawati (2023) also emphasized that responsibility-based management contributes to increased operational efficiency, as indicated by a lower expenditure ratio and more optimal resource utilization. Therefore, efficiency through the Responsibility Center not only has an impact on cost savings but also increases the institution's capability in carrying out financial functions sustainably.

H3: The effectiveness and efficiency of the Responsibility Center simultaneously have a positive and significant effect on the financial performance of course and training institutions.

Simultaneous test with F test in this study produced F value = 48.91 with p = 0.000 , which indicates that together, the effectiveness and efficiency of the Responsibility Center have a significant effect on the financial performance of training institutions. The contribution of both variables to financial performance is reflected in the R² value of 0.689 , which means that 68.9% of the variation in financial performance can be explained by the effectiveness and efficiency of the management of the responsibility unit in the institution. This indicates that strengthening these two aspects is very important in creating the stability and profitability of institutions, especially in the non-formal education sector. This result is reinforced by the study by Indah & Sari (2020) which highlights the importance of a strong internal control system in supporting the effectiveness and efficiency of budget management. Meanwhile, Rahmawati et al. (2023) added that a responsibility-based approach can reduce waste and encourage financial

decision-making that is more responsive and adaptive to organizational dynamics. Thus, the synergy between effectiveness and efficiency in the Responsibility Center not only increases financial output but also forms the foundation of resilient and sustainable financial governance for course and training institutions.

CONCLUSION

This study concludes that the effectiveness and efficiency of the Responsibility Center significantly positively influence the financial performance of course and training institutions in Banyuwangi. Effectiveness in planning, achieving targets, and evaluating work unit performance has been proven to increase the stability and profitability of the institution. On the other hand, efficiency in the use of budget, manpower, and assets supports efficient and targeted financial management. Simultaneously, these two factors explain 68.9% of the variation in financial performance, indicating the strategic role of the responsibility system in strengthening the financial governance of the institution. Therefore, strengthening the Responsibility Center structure is an important step to achieve better financial sustainability.

The implications of this study indicate that course and training institutions need to strengthen financial control mechanisms, increase transparency in budget allocation, and optimize the use of resources in order to maintain healthy financial performance. In addition, improvements in the Responsibility Center performance evaluation system also need to be made to ensure the effectiveness of strategic decision-making within the institution.

As a recommendation, further research can expand the scope of the sample by including institutions from various regions in Indonesia to obtain more representative results. In addition, further research can explore other factors that affect financial performance, such as managerial innovation, government regulation, and the influence of incentive policies on the effectiveness of the Responsibility Center in the context of training institutions.

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