



Research Article

Effect of Budget Participation, Clarity of Budget Objectives, Budgetary Feedback, Budget Evaluation, and Difficulty of Budget Objectives on Performance of Government Agency Units (Study on Banda Aceh City Government, Aceh, Indonesia)

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Abstract: This study aims to examine the effect of budgetary participation, clarity of budget objectives, budgetary feedback, budget evaluation, and difficulties of budget objectives either jointly or separately to the performance of the Banda Aceh City Work Unit (SKPK). The unit of analysis in this research is all institutions that exist in the City Government of Banda Aceh. Research respondents consist of Head of SKPD, Finance Administration Officer, and Activity Technical Officer. The data in this study is based primary source that collected from research respondents through questionnaires distributed to 78 officers from 26 SKPK in the City Government. The analysis method used is Multiple Linear Regression Analysis. The results show that budgetary participation, clarity of budget objectives, budgetary feedback, budget evaluation, and difficulties of budget objectives have a significant influence on the performance of SKPD Banda Aceh City both spontaneously and partially.

Keywords: Budgetary Participation, Clarity of Budget Objectives, Budgetary Feedback, Budget Evaluation, Difficulty of Budget objective, Performance.

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INTRODUCTION

The local government as the party given the task of running the wheels of government, development, and public service must submit a report on regional financial accountability to be assessed whether the local government successfully perform its duties properly or not (Halim and Khusufi, 2013). Therefore, the trust given by society to the government must be balanced with good performance, so that service can be improved effectively and appropriately to society (Ramandei, 2009). In addition, in the framework of government financial management reforms, the impetus for the need for performance measurement of government is also increasing. This performance measurement is necessary as information about the benefits provided by public services performed by government agencies (Suluh, 2013).

The current phenomenon regarding the performance of Banda Aceh City Government

agencies is contained in the LAKIP (Performance Accountability Report of Government Agencies) of which it can be seen in the Evaluation of the Ministry of State Apparatus Empowerment and Bureaucratic Reform (PAN and RB). The Evaluation Results of LAKIP for the year of 2014 by the Ministry of PAN and RB indicated that the performance of City Government (Pemko) gets the value of CC alias Enough (unchanged from the acquisition value of previous year). This indicates that the LAKIP document has not been in line with the Annual Planning Document and Medium Term Planning Document (Ministry of Administrative Reform and Bureaucratic Reform, 2012). Principally, LAKIP will reflect how the success rate or performance achievement of each activity and performance achievement on the target set. The success of the activities and the achievement of targets is strongly influenced by the performance of the individual or team performing the job or assignment, since the performance of the work unit or agency is essentially a collection of

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individual or team performance that carries out all of the organization's activities. In addition to LAKIP, one form of public accountability in the conduct of financial accountability is the preparation of local budgets called APBD (City Government's Annual Revenue and Expenditure Budget). However, there are still findings indicated as irregularities of funds and budgets that are not accounted for Banda Aceh City Government.

Based on the problems related to the performance of the agencies mentioned earlier, it revealed that the main problem of agency performance is that it is still unable to achieve the goals or objectives as predetermined. This may be due to the related institutions have not been able to perform the main tasks and functions and authority established by their top managements. In accordance with the Minister of Home Affairs Regulation No. 13 of 2006 on Guidelines for Regional Financial Management, local governments have the power in managing government affairs that become its authority, including regional finance. To be able to produce a budget structure that is in line with normative expectations and conditions, the APBK is essentially a quantitative translation of the goals and objectives of the local government as well as the main tasks and functions of the work unit should be structured in a structure oriented to the achievement of a certain level of performance. This means that the APBD must be able to provide a clear picture of the demands of the financing of the various objectives to be achieved, the tasks and the basic functions in accordance with the conditions, potential, aspirations and real needs in the community for a given year. Thus the allocation of funds used to finance various programs and activities can provide benefits that are truly perceived by society and services that are oriented to the public interest (PP No. 58 of 2005).

According to Mardiasmo (2004) "budget is a managerial plan for action to facilitate the achievement of organizational goals". Therefore the budget stage becomes important because the budget is not effective and not performance-oriented will be able to thwart the planning that has been set. Budget execution can work effectively when budgeting and implementation take into account the five dimensions of budgetary goal characteristics consisting of budgetary participation, clarity of budget objectives, budgetary feedback, budgetary evaluation, and budgetary difficulties (Kenis, 1979).

The use of these factors is also supported by several previous studies that have assessed the relationship of budgetary goal characteristics to the performance of local government. The results of research by Mbon (2014), Suryaningsih (2012) and Istiyani (2009) prove that budget participation has an effect on the performance of SKPK. The result of research of Mbon (2014), Suluh (2013) and Istiyani (2009) proves that the clarity of budget objective has an effect on the performance of SKPK. The results of Rasuli and Lukum (2012), Suryaningsih (2012) and Istiyani (2009) proves that budget feedback influences the performance of SKPK. The results of Kholmi and Milayanti (2012), Salbiah and Rizki (2012) and Suryaningsih (2009) proved that budget evaluation has an effect on the performance of SKPK. The result of research of Suryaningsih (2012) and Istiyani (2009) proves that the difficulties of budget objective affect the performance of SKPK.

Judging the phenomena above related to factors affecting performance of SKPK of city governments above, the research is aimed to examine the effect of budgetary participation, clarity of budget objectives, budgetary feedback, budget evaluation, and the difficulties of budget objectives on the performance of SKPK in Banda Aceh City Government either simultaneously or partially.

LITERATURE REVIEW

Performance of City Government Work Unit

According Sobandi (2006, 176) organizational performance is something that has been achieved by the organization within a certain time, both related to input, output, outcome, benefit, and impact. The work achieved by an agency in carrying out its duties in a certain period of time, whether related to input, output, outcome, benefit, and impact with the responsibility can facilitate the direction of structuring government organizations. The existence of the work achieved by the agency with full responsibility will be achieved an effective and efficient performance improvement.

The City Government Work Unit, hereinafter abbreviated as SKPK, is a unit of work unit that assists the government in administering government organizations. In SKPK, performance measurement is performed to measure how well the SKPK performs the main tasks and functions delegated to the SKPK during a certain period (Salbiah and Rizki, 2012).

Budget Participation

According to Suyanto (2011) the participation of budget preparation is "a process in which there are individuals involved and have an influence on the depreciation of the budget targets to be evaluated and the need for an appreciation of the achievement of the budget target". Participation in budgeting is an approach that generally can improve performance that ultimately can improve organizational effectiveness. Meanwhile, Syafril (2009) states that budgetary participation indicates the extent of participation of local government officials in understanding the budgets proposed by the SKPK and their impact on their budget objectives. Local government budgeting processes that contain regional economic frameworks, development priorities, and regional obligations involve various local authorities, ranging from SKPK apparatus, Regional Secretariat, and the community. In this case, the City's House of Representative (DPRK) is given the opportunity to take part in planning and decision-making through negotiation of budget objectives.

Clarity of Budget Objectives

According to Kenis (1979) "clarity of budget objectives describes the extent of budget objectives expressed clearly and specifically and understood by those responsible for achievement". Clarity of budget objectives is the most important thing in achieving an organizational goal because it will determine the direction of an organization's goals. Unclear budget objectives can cause confusion, pressure and dissatisfaction from employees that will adversely affect managerial performance (Suyanto, 2011). By knowing together about budget objectives, budget executives can be motivated to achieve better performance. Budget in each organizational unit should be a benchmark for achieving the expected performance, so budget planning should be able to clearly depict performance goals (Rasuli and Lukum, 2012).

Budget Feedback

It refers to as a picture of the level of success achieved by the budget implementers in achieving the goals set previously (Badrih, 2006). Feedback can be used to determine the shortcomings in the execution of the budget, so as to provide the impetus to work more efficiency and better performance. According to Kenis (1979) as quoted Rasuli and Lukum (2012) states "budgetary feedback is a result of his efforts to achieve goals as the basis for a sense of success or failure. Budget feedback is a success for getting useful goals for self-motivated variables. Budget feedback is indispensable in budgeting to encourage managers, without feedback a manager will not know what results he has earned (Badriyah, Sari and Savitri, 2013).

Budget Evaluation

According to Ginting (2009) "budget evaluation refers to the extent of budgetary differences reused by individual department leaders and used in their performance evaluations". The budget evaluation is fundamentally related to the level of budgetary aberrations traced back to the leaders of accountability and used to evaluate their work (Kenis, 1979). Budget evaluation is done by comparing the pre-determined plan or budget with the implementation so as to know the possibility of deviation. Budget evaluation is an action undertaken to track budgetary irregularities into the department concerned and used as a basis for performance appraisal of the department (Kenis, 1979). This will affect the behavior, attitudes and performance of managers. Punitive approach can lead to low motivation and negative attitude, while supportive approach can lead to positive attitudes and behaviors (Kurnia, 2004).

Difficulties of the Budget Objectives

Badrih (2006) explains that the budget set should not be too difficult (so it will lead workers to become frustrated and hurt) or too loose (so workers will be lazy). Budgets must be realistic, achievable, and documented. Budget that is too difficult (very ideal) is very difficult to implement can cause the perpetrators have no motivation to realize the budget set and can cause workers to be frustrated, upset, low aspiration level, and even can refuse to implement the budget. Therefore, the possibility of irregularities that arise is unfavorable, then the stipulated budget determination reflects the possibility that the budget will not be met. The impact of difficulties of budget objectives on the performance of the leadership with the implication that if the leader feels that the established budget has a high level of difficulty and is not easily achieved then it decreases the performance of the leadership because the leader feels failed and frustrated before achieving it. Meanwhile, if the budget is set too loose and easy to achieve then the leader feels unmotivated in implementing it because to achieve it is not required a hard effort so as not to cause a challenge (Suryaningsih, 2012).

RESEARCH METHOD

The population in this study is all institutions within the city of Banda Aceh, consisting of 26 SKPK. Furthermore, it will be selected 3 persons of each SPPK as research respondents, namely Head of SKPK, Finance Administration Officer, and Officials of Technical Activity Activities. Reasons for the selection of respondents given the fact that they are authorized in the preparation of the budget, the implementation of financial management and government programs Due to the overall population made respondents, then this

research using census method. This study uses a quantitative approach. Methods of data analysis using multiple linear regression analysis with the aim to see directly the influence of independent variables to the dependent variable. The regression model with more than one explanatory variable is called multiple regression model. It named so because multiple because of the many factors (in this case variables) that may affect the dependent variable (Gujarati, 2006: 180). The steps to be taken in linear regression analysis are; (1) Descriptive statistics, descriptive statistical analysis conducted aims to be able to see the profile picture research data and relationships that occur among variables used in the study. (2) Classical assumption test, multiple linear regression testing can be done after the model of this research meets the requirements that pass from the classical assumption.

The conditions to be met are that the research data should be normally distributed, not containing multicollinearity and heteroscedasticity. (3) The design of hypothesis testing, the design of hypothesis testing in this study was conducted two stages, namely the design of hypothesis testing together and the design of hypothesis testing separately.

RESULT AND DISCUSSION

Descriptive Analysis

Descriptive statistics of research data for budget participation variables, clarity of budget objectives, budgetary feedback, budget evaluation, budget objectives and performance difficulties SKPD Banda Aceh City can be seen on Table 1. As follows:

Table 1. Descriptive Statistics Data Variable Budget Participation, Clarity of Budget Objectives, Budget Feedback, Budget Evaluation, Difficulties Budget Objectives and Performance SKPD Banda Aceh City

Value	Performance SKPD	Budget Participation	Clarity of Budget Objectives	Budget Feedback	Budget Evaluation	Difficulties Budget Objectives
Ammount of Data/SKPD	26	26	26	26	26	26
Mean	4,15	4,09	4,18	4,13	4,08	4,18
Standard Deviation	0,24	0,20	0,27	0,25	0,19	0,22
Minimum	3,63	3,80	3,58	3,58	3,78	3,67
Maximum	4,78	4,73	4,75	4,67	4,67	4,58

Source: Data Processing Output 2018

Research Instrument Testing Results

Testing Validity, based on the results of validity testing, shows that the correlation coefficient obtained from each item of performance variables SKPD (Y), budget participation (X₁), clarity of budget objectives (X₂), budget feedback (X₃), budget evaluation (X₄), and the difficulty of budget objectives (X₅) is entirely above the critical value of product moment correlation (correlation coefficient > 0,388) so that the questionnaire used can be declared valid. Meanwhile, Testing Reliability, based on reliability test results revealed that each instrument in this study reliable (reliable) because the value of Cronbach's Alpha is greater than 0,50 (SKPD performance 0,857, budget participation 0,744, clarity of budget objectives 0,688, feedback budget 0,707; budget 0,592; difficulty budget objectives 0,692). So it can be concluded that the questionnaire used as a measuring tool in this study is feasible to use (reliable).

Classical Assumption Testing Results

Multicollinearity Test Results, based on multicollinearity test results can be seen that the

tolerance of regional expenditure variables and transfer > 0,10 which means that there is no multicollinearity among independent variables. Meanwhile, the VIF value calculation also shows that none of the independent variables have VIF value more than 10. Thus, it can be concluded that in the regression model this research does not occur multicollinearity among the independent variables.

Heteroskedasticity Test Result, based on heteroscedasticity test, it can be seen that there is no specific pattern in the graph, therefore there is no data of heteroscedasticity. Meanwhile, Normality Test Result, based on the normality test results, the regression model data of this study is normally distributed, it is because the normal distribution forms a straight line diagonal. The test results also show that the line representing the actual data follows the diagonal line.

Hypothesis Testing Results

Hypothesis testing is done to test the hypothesis formulation by using multiple linear regression model. The output of Regression

equation can be seen on Table 2 as follows:

Table. 2. Hypothesis Testing Results

Information	Regression Result
Equation	$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \epsilon$
Regression Value	$Y = 0,265 + 0,200X_1 + 0,191X_2 + 0,565X_3 + 0,374X_4 + 0,011X_5 + \epsilon$
R	0,946
R ²	0,895
Adjust R ²	0,868

Simultaneous Effect Testing

Based on Table 4:18, the results of simultaneous testing of multiple linear regression shows the value of regression coefficient (β) of each variable is 0,200 for budget participation variable (β_1), 0,191 for clarity variable of budget objective (β_2), 0,565 for budget feedback variable (β_3), 0,374 for budget evaluation variables (β_4), 0,011 for budget difficulty variables (β_5). The hypothesis determines if there is at least one $\beta_i \neq 0$ ($i = 1, 2, 3, 4, 5$): H_a is not rejected, meaning budget participation, clarity of budget objectives, budget feedback, budget evaluation, together with the performance of SKPK. These results support the first hypothesis (H_1) that has been formulated ie budgetary participation, clarity of budget objectives, budget feedback, budget evaluation, and difficulties of budget objectives affect simultaneously on the performance of SKPD Banda Aceh City.

Partial Effect Testing

Based on Table 4:18, the results of the first multiple linear regression test showed that the regression coefficient value $\beta_1 = 0,200$, $\beta_2 = 0,191$, $\beta_3 = 0,565$, $\beta_4 = 0,374$, and $\beta_5 = 0,011$. The hypothesis determines if β_i ($i = 1, 2, 3, 4, 5$) $\neq 0$: H_{a2} , H_{a3} , H_{a4} , H_{a5} , and H_{a6} , is not rejected. This means that budget participation, clarity of budget objectives, budgetary feedback, budget evaluation, and budget objective difficulties partially affect the performance SKPK.

These results support the second, third, fourth, fifth and sixth hypotheses (H_2 , H_3 , H_4 , H_5 , H_6) that have been formulated that budgetary participation influences the performance of agency in Banda Aceh City. The clarity of budget objectives influences the performance of the agency. Budget feedback influences the performance of SKPK. Budget evaluation affects the performance of agency. The difficulties of budget objectives also affect the performance of the agency of SKPK in Banda Aceh City.

CONCLUSIONS:

Budget participation, clarity of budget objectives, budget feedback, budget evaluation, and difficulties budget objectives have a significant influence both simultaneously and partially on the performance of SKPD of Banda Aceh City.

Recommendations:

For further research, it is firstly suggested to add more unit of analysis not merely focus on one city government. It also can be replicated to other cities or districts in Indonesia. Secondly, to consider mixed method of data collecting technique by combining a closed questionnaire technique with a deep interview method. Finally, to use other independent variables that may influence the performance of Banda Aceh City government .

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