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The Influence of Budget Preparation Participation Toward Managerial Performance

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This study aimed to analyse the effect of budget participation to managerial performance with intervening variable of organisational commitment, motivation, and job relevant information. The influence of budget participation on managerial performance has attracted the attention of researchers in recent years. The samples in this study used purposive sampling method sampling techniques with special consideration. The sample used in this study was a structural official who served as head of department / level of head of department, secretary / level secretary, the head of the field / level of the head of the field, or head section / level section chief in the regional work units (SKPD) Bondowoso, structural officials who work more than one year in the regional work units Bondowoso and ranking officials involved in the preparation of the budget in the regional work units Bondowoso. The sample in this study were 132 respondents. The collected data were then analysed using the Structural Equation Modelling (SEM). The results showed the positive and significant effect of participation budgeting on managerial performance. Budgeting participation is also positive and has a significant effect on organisational commitment, motivation and job relevant information. The results also demonstrate that organisational commitment, motivation, and job relevant information have a significant positive effect on managerial performance. The study also proved that the budgetary participation influences managerial performance through organisational commitment, motivation, and job relevant information.

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Key words: *Budget Preparation, Managerial Performance, Commitment, Motivation, and Job Relevant Information.*



Introduction

Law Number 32 of 2004 concerning Regional Government explains that in the framework of implementing regional government in accordance with the mandate of the 1945 Constitution of the Republic of Indonesia, regional governments, which regulate and manage their own government affairs according to the principle of autonomy and assistance tasks, are directed to accelerate realisation of public welfare through improvement, service, community, and increasing regional competitiveness, by taking into account empowerment, and the role and principles of democracy, equity, justice, special features and specificity of an area in the system of the Unitary State of the Republic of Indonesia. The enactment of Law 32 of 2004 gives regions the right, authority and obligation to regulate and manage their own government affairs and the interests of local communities in accordance with statutory regulations.

The enactment of Law Number 32 of 2004, in addition to allowing local governments to regulate their own government, also requires local governments to organise good governance. In Indonesia, good governance can be interpreted as good, clean, and authoritative government. It means that the government of the country relating to social, cultural, political, and economic resources is regulated in accordance with the power exercised by the community, while a clean government is an effective, efficient, transparent, honest, and responsible government (Waskito, 2005). Good governance is the most prominent issue in the management of public administration today. Public demands are made by the community to the government so that a good and clean government is held in line with the increasing knowledge of the community and the influence of globalisation demands openness. The old patterns of government administration are no longer appropriate for the changing social order, especially after Law Number 33 of 2004, concerning Financial Balance between the Central and Regional Governments was enacted. Regional governments are increasingly demanded to improve their performance in order to provide services to the community (Yani, 2015: 1).

Research on the influence of budgetary participation on managerial performance has indeed been widely carried out. These studies were conducted by adding several other factors as intervening and moderation variables that are considered to affect the relationship between budgetary participation and managerial performance. The results of these studies provide inconsistent results (Pramesthiningtyas and Rohman, 2011: 3). Research by Eker (2007: 132), Budiman et al (2012: 99), Lili and Stella (2013: 47), Kunwaviyah and Syafruddin (2010: 45), Sutanto (2011: 8) and Yahya et al (2008: 669) show that budgetary participation has a significant positive effect on managerial performance. Different results were shown by research by Nazaruddin and Setyawan (2012: 205), Yuliana et al (2014: 18), and Nengsy et al



²³ (2013: 12). The results of these studies indicate that budgetary participation has no significant effect on managerial performance.

The Government of Bondowoso Regency as one of the public ³⁴ organisations also compiles and sets its budget through the Regional Budget (APBD). Minister of Home Affairs Regulation No. 13 of 2006, concerning Guidelines for Regional Financial Management defines the APBD is the annual financial plan of the regional government which is discussed and agreed upon jointly by the regional government and the DPRD, and determined by regional regulations. APBD also contains a program of ³² activities that will be carried out by the regional government for one fiscal year. APBD is the basis for regional financial management for 1 (one) fiscal year from ¹² 1 January to 31 December. APBD is the main policy instrument for regional governments. As a policy instrument, the regional budget occupies a central position in efforts to develop the capabilities and effectiveness of local governments. Local budgets are used as a tool for determining income and expenditure, helping development planning decisions, spending authorisation, developing sources of standard measures for performance appraisal, tools for mobilising employees, and coordinating tools for all activities of various work units (Ulupui, 2005: 99). The budgeting process at the local government is a fairly complex stage and involves government work units such ¹⁹ as the Office and Technical Institutions. One form of manifestation of this involvement is participation in the preparation of the budget (Nazaruddin and Setyawan, 2012: 198).

The accuracy in preparing the APBD is very important for the Bondowoso District Government, because the APBD contains a program of activities that will be carried out during one fiscal year. When the program of activities budgeted in the APBD is incorrect, the Bondowoso Regency Government cannot carry out the program of activities. The program of activities that cannot be carried out will certainly hamper Bondowoso Regency Government from achieving high performance in order to create good governance and good community services

Research Methods

This research uses quantitative research methods, where quantitative research is a method for testing certain theories by examining the relationships between variables. These variables are measured (usually with research instruments) so that data consisting of numbers can be analysed based on statistical procedures. The final report for quantitative research has a strict and consistent structure starting from the introduction, literature review, research methods, research results and discussion, conclusions and suggestions (Noor, 2011: 38).

The research location is a place or region where the research will be conducted. This research was conducted at the Regional Work Unit of Bondowoso Regency.



Quantitative data is a type of data that can be measured or calculated directly, in the form of information or explanations expressed in numbers or in the form of numbers (Sugiyono, 2010: 15). In this case the quantitative data needed is the number of APBD and PAPBD of the Bondowoso Regency Government, the number of structural officials in the Bondowoso Regency Regional Work Unit (SKPD) and the results of the questionnaire.

11 Population is used to mention all elements / members of an area that are the target of research **1** constitute the whole (universum) of the object of research (Noor, 2011: 147). The population in this study were all structural officials in the Bondowoso Regency Regional Work Unit (SKPD) of 812 (Table 4.1).

Results and Discussion

33 *Budget Participation and Managerial Performance*

Participation Budgeting is a budgeting activity that involves every level of management. The budget compiled will affect the decision making in the future (Budiman et al, 2012: 89). Managerial performance is the result of efforts made by managers in carrying out their duties and functions within the organisation (Indarto and Ayu, 2011: 37). Managerial performance is the individual performance of organisational members in managerial activities including planning, investigation, coordination, evaluation, supervision, staffing arrangements, negotiation and representation / presentation. Budgeting participation will affect managerial performance, because with budgeting participation, managers who feel involved will be responsible for budget execution so that subordinates are expected to implement the budget better (Budiman et al, 2012: 89). The causality test results of the influence of budgetary participation on managerial performance obtained a critical ratio (CR)

value of 6.673 (Table 5.14) and a significance probability value approaching 0 (Table 5.14) was obtained. The critical ratio value is above 1.96, as well as the significance value is below the required level of significance (α) of 0.05. This means that the first hypothesis which states that budgetary participation influences managerial performance is accepted.

Budgeting Participation Directly Influences Managerial Performance

Participation in Budgeting and Organisational Commitment Participation in budgeting is a process of cooperation in decision making involving top managers and subordinate managers to achieve goals (Budiman et al, 2010: 90). Organisational commitment shows strong confidence and support for the values and goals to be achieved by the organisation. High commitment makes individuals concerned with the fate of the organisation and tries to guide the organisation towards a better direction (Cahyadi and Handoko, 2010: 173). The results of



the causality test influence the participation of budgeting on organisational commitment. In the table the value of the critical ratio (CR) influence of budget participation on organisational commitment is 4.956 with a significance value of significance approaching 0. The value of the critical ratio is above 1.96, as well as the significance value is below the significance level (α) which is required at 0.05. This means that the second hypothesis which states that budgetary participation influences organisational commitment is accepted.

Organisational Commitment and Managerial Performance

Organisational commitment is a condition in which individuals have trust, attachment, and a feeling of belonging to the organisation, so that the individual will be more concerned with the interests of the organisation rather than personal interests. Lower managers who are committed to their organisations will try harder and more creatively to make their organisations develop and are more concerned with the interests of the organisation rather than their personal interests. These conditions can improve manager performance (Setyarini and Susty, 2013: 4). Managerial performance is the result of efforts made by managers in carrying out their duties and functions within the organisation (Indarto and Ayu, 2011: 37). This means that the third hypothesis stating that organisational commitment influences managerial performance is accepted.

Budgeting Participation and Motivation

Participation in budgeting is a process of cooperation in decision-making that involves all managers in making decisions to achieve goals (Nengsy et al, 2013: 5). Motivation is something that encourages someone to show certain behaviours (Tisnawati and Saefullah, 2013: 235). Causality test results influence the participation of budgeting on motivation. In the table the value of the critical ratio (CR) the effect of budget participation on motivation is 2.126 with a significance probability value of 0.034. The critical ratio value is above 1.96, as well as the significance value is below the required level of significance (α) of 0.05. This means that the fourth hypothesis which states that budgetary participation influences motivation is accepted.

Motivation and Managerial Performance

Motivation is everything that drives behaviour to meet a need (Saukani et al, 2015: 183). The involvement of managers in budgeting has a good influence on the motivation of these managers. This is because managers who are involved will feel valued because they will determine future decisions. Being valued and involved in budgeting raises motivation within the manager to complete his tasks better. So with the high motivation it is expected to improve managerial performance of managers in completing their tasks (Budiman et al, 2012:



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91). The causality test results in Table 5.14 show the critical ratio (CR) value of the influence of motivation on managerial performance of 9.901 and produce a probability value of significance approaching 0. The critical ratio value is above 1.96, as well as the significance value is below the level the significance (α) required is 0.05. This means that the fifth hypothesis stating motivation influences managerial performance is accepted.

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Budget Participation and Job Relevant Information Participation

Job relevant information (JRI) is information that facilitates decision-making related to tasks or decision facilitating (Kren, 1992: 512). Relevant information will help top-level managers understand and choose good actions in achieving goals (Andrianto, 2008: 18). Participation in the budget provides an opportunity for lower-level managers to provide information to assist in decision-making. In budgeting, job relevant information is needed by top-level managers to take action in order to achieve better results. With the availability of job relevant information, budgeting feedback will benefit (Lina and Stella, 2013: 40) causality test results of the influence of budgeting participation on job relevant information. In the table the value of the critical ratio (CR), the effect of budget participation on job relevant information, is 3,163 with a significance probability value of 0.002. The critical ratio value is above 1.96, as well as the significance value is below the required level of significance (α) of 0.05. This means that hypothesis eight which states that budgetary participation influences the job relevant information is accepted.

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Job Relevant Information and Managerial Performance

Job relevant information is information that facilitates decision making related to tasks (Kren, 1992: 512). The availability of information related to the task will increase the choice of actions planned to achieve the goal. Job relevant information shows the role of information in facilitating decision-making related to position (Nengsy et al, 2013: 4). Job relevant information improves performance through providing more accurate estimates of the environment so that the best set of effective actions can be chosen (Adrianto, 2008: 18). Managerial performance is a process in management activities that starts with setting goals / objectives and ends with evaluation (Darlis and Cahyani, 2013: 1). Causality test results in table 5.14 show the value of the critical ratio (CR) effect of the job relevant information on managerial performance is 9.027 and produces a significance probability value that is close to 0. The critical ratio value is above 1.96, as well as the significance value is below the required level of significance (α) of 0.05. This means that the ninth hypothesis which states that job relevant information influences managerial performance is accepted.



Direct Influence and Indirect Influence

The results of hypothesis testing prove that budgetary participation directly influences managerial performance. Based on the results of the analysis of Structural Equation Modelling (SEM) with the AMOS program, it shows that the direct influence of budgetary participation on managerial performance has a path coefficient of 0.259. This means that budgetary participation has a positive effect on managerial performance. This means that motivation can mediate the relationship between budgetary participation and managerial performance. The path coefficient of the influence of budgetary participation on managerial performance through motivation is obtained from the multiplication of the path coefficient of budgetary participation influence on motivation by 0.202, with the path coefficient of the influence of motivation on managerial performance by 0.409 so that a path coefficient of 0.083 is obtained.

Conclusion

Budgeting participation does not only directly influence managerial performance but also affects managerial performance through organisational commitment, motivation and job relevant information. The direct effect of budgetary participation on managerial performance has a greater effect than the indirect effect. While the effect of budgetary participation on managerial performance through organisational commitment has a greater effect when compared to the effect of budgetary participation on managerial performance through motivation and job relevant information. Based on these findings, the Bondowoso District Government, in improving the managerial performance of structural officials in the Bondowoso District Apparatus, needs to increase the involvement of the Bondowoso District Apparatus structural officials in the budget preparation process.



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