

# **CHAPTER I**

## **INTRODUCTION**

In this chapter the researcher describes several explanations regarding the background of the problem, the formulation of the problem, the research objectives, and the benefits of the research.

### **A. Research Background**

At the end of 2019, the world was shocked by the emergence of the corona virus pandemic or we often heard about Covid-19 virus from the city of Wuhan, China (Ashour et al., 2020). The virus attacked globally including Indonesia which has an impact on the paralysis of social, political and economic life. At the beginning of its appearance in Indonesia, the Covid-19 pandemic had an impact on several wheels of the economy in the country such as many restaurants, street vendors, and factories that went out of business (Widaningsih, Sukristanta and Kasno, 2020). This encourages the government to issue policies that affect people's activities, such as restricting people's movement. This is not only happening in big cities, but also in various parts of the country and even in villages which results in the sluggishness of various economic sectors which makes many daily workers who are forced to be laid off and even terminated unilaterally by the company due to being unable to pay their employees' salaries (Hanoatubun, 2020). The Central Bureau of Statistics stated that, in February 2021 the unemployment rate increased by 3.36% compared to the same period in 2020.

Village-Owned Enterprises (BUMDes) are one of the sectors affected by Covid-19 pandemic. Village-Owned Enterprises (BUMDES) are business entities managed by the community and the village government in an effort to build, strengthen, and create an economy according to the potential that exists in the village (Sri and Dewi, 2014). Regulation of the Minister of Villages PDTT Number 4 of 2015 concerning the Establishment, Supervision and Management, and Dissolution of Village-Owned Enterprises states that Village-Owned Enterprises, hereinafter referred to as BUMDes, are business entities that have the greatest orientation for the welfare of the village community which all or most of the capital is owned by the Village through direct participation originating from the separated Village assets to manage assets, services, and other businesses.

BUMDes is an innovation or breakthrough to build a source of village original income (PADes) through a deepening of the potential that exists in the village as a means to build the economy through the smallest point, namely in the scope of government (Andari, Sulindawati and Atmadja, 2017). Therefore, it is hoped that BUMDes can play an active role in generating the community's economy, creating new jobs, and making community businesses more productive and efficient so that they can help raise the standard of living and welfare of the people in the area (Tomisa dan Syafitri, 2020).

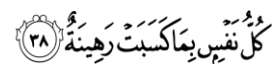
The basis for the establishment of Village-Owned Enterprises is as a manifestation of the enactment of the village law number 6 of 2014 concerning villages, in this law it is stated that regions have the authority to administer and

manage their own regions as a way to realize community welfare. In addition, this law also recognizes the existence of village autonomy so that with this autonomy the Village has the authority, among others, to carry out government administration, development and financial management (Zulkarnain, 2013). In Government Regulation Number 43 of 2014 which was amended through PP Number 47 of 2015 it is stated that the village has an authority, namely to regulate resources and the direction of its own development.

The performance of BUMDes in all sectors was facing a downturn due to Covid-19 pandemic. The Ministry of Villages, Development of Disadvantaged Regions and Transmigration of the Republic of Indonesia (Kemendes PDTT, 2020) states that there are around 51,000 BUMDes registered in Indonesia, 37,000 of which are able to run a business or have carried out economic transactions before Covid-19 pandemic occurred. However, post-covid-19, only 10,026 BUMDes still carry out economic transactions. The data show a significant decrease, but what needs to be underlined is how big the ability or resilience of BUMDes in dealing with these uncertain conditions. Therefore, BUMDes must be able to make several efforts so that their performance can run optimally, especially in uncertain conditions like today (Ridlwan, 2015).

In line with the above phenomenon, in order for the performance of BUMDes to be better, its development needs to be directed to the principle of accountability. According to Lestari (2019), Accountability is the obligation of individuals or authorities who are entrusted with knowing public resources and

those concerned with them can then answer matters concerning their accountability. This is in accordance with the word of Allah SWT in the Qur'an Surah Al-Mudassir verse 38:



Which means: "Everyone is responsible for what he has done".

Accountability is closely related to instruments for control activities, especially in terms of achieving results in public services and conveying them transparently to the public (Sari, 2016). Organizational accountability needs further attention, especially in uncertain conditions due to Covid-19 pandemic. This is in line with the implementation of the role of accountability in the public sector which requires every organization to create the principles of good government governance related to the accountability of leaders for decisions and results achieved, in accordance with the authority delegated in the implementation of the responsibility to manage the organization (Novatiani, Kusumah dan Vabiani, 2019).

BUMDes as public sector organization are required to report their responsibilities for a period of performance as a form of transparency to the public. In addition, one indication of the factors causing the failure of the accountability implementation program is the obligation to describe and justify the behaviour of the accountability actors (Ahyaruddin dan Akbar, 2014). Especially in today's environmental conditions, accountability can be side lined, therefore there needs to be a commitment from management to remain obedient to the standards that have been set.

Management commitment in the public sector is closely related to the sincerity and responsibility of management to seriously achieve organizational goals even though there are sometimes conflicts of interest in it. According to Nadirsyah (2008) management commitment is a belief and strong support from management to carry out and implement a policy that is jointly determined so that the objectives of implementing the policy can be achieved. According to Silvia (2013), organizations with strong management commitment from their leaders and subordinates will find it easier to achieve the desired results to produce better performance, compared to organizations that do not have management commitment.

The existence of a strong management commitment is needed by the organization in order to improve performance accountability and better use of the performance information produced (Nurviasari, 2016). Management commitment is very much needed in an organization, especially in this case BUMDes because in the midst of environmental uncertainty as it is today, it needs strong encouragement from management to rise from the slump due to the impact of Covid-19. Innovation and experience in leading are needed to achieve good performance in organization.

The next thing that is no less important is organizational performance. Organizational performance has a very important role in providing services to the community (Pahlawi dan Fatonah, 2020). Organizational performance is the organization's ability to carry out every task given to organization to achieve the goals, objectives, mission and vision of organization that has been

determined. Organizational performance does not only focus on achieving results or goals, but also emphasizes the implementation process and resources to achieve its goals. When discussing the performance of an organization, there are several factors that affect performance such as; productivity, service quality, responsiveness, responsibility and accountability (Lelly, 2017).

Some of the performance aspects above should be applied in all BUMDes in order to achieve the goals of organization. The trend shows that most BUMDes establishments do not fulfil these criteria, so that their performance becomes shaky and over time it becomes out of control and eventually they can go out of business. In the midst of Covid-19 pandemic, this should be a moment for BUMDes to find ways to survive in these difficult conditions and find new solutions to achieve organizational performance that remains productive.

Finally, one factor that may or may not have an effect is the current environmental uncertainty. When the environment is in a stable condition, the planning and control process does not encounter many problems, but in an uncertain condition the planning and control process will become more difficult and face many problems, because future events are difficult to predict (Rifai, 2019). The environmental uncertainty that occurs is the result of the Covid-19 pandemic condition which could have caused the three factors described above to be influential. The three factors are accountability, management commitment and the last is organizational performance.

Basically, these three factors have their own influence on other factors so it is necessary to do research to find out about this.

In this study, I will research and observe whether there are **“The Influence of Accountability and Management Commitment on Organizational Performance During Covid-19 Pandemic with Environmental Uncertainty as Moderating Variable (Empirical Study of Village Owned Enterprises in Sleman and Kulon Progo Regency)**. This research was adapted from previous research namely Ridlwan (2015), Winfield and Benevides (2003), Cavalluzzo and Ittner (2004), Sari (2016), and Duncan (1972). The differences between this study and previous research are to add independent, Moderating, location, time and population variables. The independent variable added is management commitment while the moderating variable added is environmental uncertainty that has occurred due to the Covid-19 pandemic. This research was conducted in the Sleman Regency and Kulon Progo Regency. The reason the researcher chose BUMDes in the 2 regencies is based on two conditions, namely, Sleman is a representative area close to the city, while Kulon Progo is a representative area far from the city. However, both have similarities in their BUMDes which are still developing. This study used populations of Village Owned Enterprises (BUMDes) in Sleman Regency and Kulon Progo Regency.

## **B. Research Problem Formulation**

Based on several main problems that have been identified, the formulation of the problems will be studied in this research are:

1. Does accountability have an effect on organizational performance during Covid-19 pandemic?
2. Does management commitment have an effect on organizational performance during Covid-19 pandemic?
3. Does environmental uncertainty moderate accountability relationships with organizational performance during Covid-19 pandemic?
4. Does environmental uncertainty moderate management commitment relationship with organizational performance during Covid-19 pandemic?

## **C. Research Objectives**

Based on the problem formulation described above, the objectives of this research are:

1. To find out whether accountability has an effect on organizational performance during Covid-19 pandemic.
2. To find out whether management commitment has an effect on organizational performance during Covid-19 pandemic.
3. To find out whether environmental uncertainty moderate relationship of accountability has an effect on organizational performance during Covid-19 pandemic.



4. To find out whether environmental uncertainty moderate relationship of management commitment has an effect on organizational performance during Covid-19 pandemic.

#### **D. Research Benefits**

The research conducted is expected to provide benefits both theoretically and practically for various parties. The benefits that can be obtained from this research are as follows:

##### **1. Theoretical Benefits**

This research is expected to add to the accounting literature, namely in the public sector related to organizational performance in Village Owned Enterprises (BUMDes) during Covid-19 pandemic. In addition, this research is expected to be used as a reference for the preparation of future research related to the same topic.

##### **2. Practical Benefits**

- a. For the government

The results of this research can be used as a reference for Village-Owned Enterprises (BUMDes) to see firsthand the organization's performance during Covid-19 pandemic. In addition, this research is also expected to be used as a reference for the government, especially the relevant ministries to take steps and attitudes in BUMDes problems in the midst of Covid pandemic as it is today.

b. For the community

This research is expected to be a means of information for the public regarding the organizational performance of Village-Owned Enterprises (BUMDes) with empirical evidence of accountability, management commitment, and environmental uncertainty on organizational performance of Village-Owned Enterprises (BUMDes) during Covid-19 pandemic.

c. For college

This research is expected to be able to become additional literature in the public sector, especially regarding the organizational performance of Village Owned Enterprises (BUMDes) during Covid-19 pandemic.

d. For researchers

The benefits for the researchers themselves are providing additional knowledge and training critical thinking skills regarding accountability, and management's commitment to organizational performance during Covid-19 pandemic with environmental uncertainty as a moderating variable. And also, can add experience and realize the theories that have been obtained in class into this research.