

# CHAPTER I

## INTRODUCTION

### **A. Background of Research**

Education plays a very important role in improving the quality of human resources. Education fully influences the economic growth of a nation. This is not only because education will affect productivity but also affect community fertility. Education makes human resources more able to quickly understand and be ready to face changes. Education is broadly defined as a learning process that can be done anywhere.

Higher education is an educational service provider institution that has a role as a place to prepare quality human resources (HR). Quality human resources are achieved by the teaching and learning process which certainly involves many elements including: lecturers, students, employees, parents, government, facilities and infrastructure, and other parties. The involvement of these various parties will determine the success of a college in producing quality scholars. Competition between universities in providing educational services to their students and in the process of producing high quality graduates makes these universities improve each other in order to provide satisfactory service quality for their students.

The Biro as one of the supporting elements of a university, has a very important role because it is obliged to be able to carry out the organization of academic activities in an orderly, timely and smooth manner. The main task is to provide academic administration services to educational institutions, namely: faculties, departments, study programs, students, lecturers and other users who need services in the field of academic administration. In an effort to improve the

quality of educational services in higher education, the academic bureau is required to be able to improve its performance through improving the services provided to users, in line with the demands of higher education development in general, and science which is growing rapidly.

Indonesia is one of the countries that is fully committed to allocating a large portion of the budget to support aspects of education in various regions. Referring to Law No. 20 of 2003 on the National Education System, there is a provision for the allocation of education funds amounting to 20% of the APBN and APBD, this figure encourages universities to compete with each other. As the number of universities continues to grow every year, universities must have academic excellence through improving the quality of staff and lecturers at the university. To achieve this, the ability to perform management functions is required, such as budgeting and performance measurement. The increasingly fierce competition conditions encourage universities to be able to improve the quality of the output produced in order to survive as a quality university.

To get a high quality university, it is necessary to have indicators of lecturer performance that can be seen from the process aspects in the field of education, the ability to control the material, the ability to deliver the material, the use of teaching methods and the assessment of student learning outcomes (Kesna 2012). Differences in the options and emphasis on indicators may reflect different interests and expectations among relevant constituencies as well as different management strategies used to achieve educational quality under specific environmental constraints within a specific time frame and the benefits of the entity's activities may yield tremendous benefits. Indicators of education quality may include higher quality student intake, more staff recruited, better facilities and equipment, better student ratio, and more financial support obtained from central education authoritiesparents, sponsoring bodies or outside agencies (Cheng and Tam 1997).

In the object of this study, colleges that have problems in the quality of implementation, lack of lecturers as facilitators as knowledge, and declining academic services. This shows that there is still a lack of lecturers and facilities in supporting the performance of a college or organization.

Universities in Central Java that are accredited B dominate by 50%, accreditation C by 3%, accreditation A by 7% and those that have not been accredited by 40%. This proves that there are several private universities in Central Java that have not been accredited and do not have high academic values.

Therefore, the demand for the implementation of GUG is now not only an obligation, but rather a necessity. Along with the increasingly fierce competitive situation, universities must continue to strive to realize good university governance as a system that is inherent in the dynamics of higher education. The purpose of the GUG policy is that the parties who play a role in carrying out the management of higher education understand and carry out functions and roles according to their authority and responsibility in accordance with the principles of transparency and accountability.

Lecturers have a dual role in structural positions at universities, namely as educational academics and also as managers. According to James A.F Stonner, a manager is someone who arranges all planning, organizing processes, directing and supervising and using other organizational resources in order to achieve predetermined organizational goals. In addition to lecturers, students also have components that can determine success by increasing student abilities in accordance with competencies. In order to improve student abilities, managers will usually prepare a budget to be used in improving student abilities.

In the word Q.S An Nahl 90 explains that above as a human being must do justice and be objective about what should be done correctly. And humans must also do good and be honest to what is being done or worked on. And be responsible for the results that he has done.

إِنَّ اللَّهَ يَأْمُرُ بِالْعَدْلِ وَالْإِحْسَانِ وَإِيتَاءِ ذِي الْقُرْبَىٰ وَيَنْهَىٰ عَنِ الْفَحْشَاءِ وَالْمُنْكَرِ وَالْبَغْيِ ۗ يَعِظُكُم لَعَلَّكُمْ تَتَّقُونَ

"Verily, Allah enjoins (you) to be just and to do good, and to give to your relatives, and Allah forbids evil deeds, wrongdoing and enmity. He teaches you so that you may learn."

To run an organization requires management control in budgeting, namely modern budgeting and reward punishment on organizational commitment which affects job satisfaction (Chong M. Lau and Jason Chong 2015). Thus, lecturers as management in this college have an obligation to manage the budget to improve the quality of the college by making appropriate planning.

Through modern-based budgeting, educational institutions are required to make performance standards on each activity budget, so that it is clear what activities will be carried out, how much money is needed, and what results will be obtained. Budget classification is detailed starting from strategic goals to the type of expenditure of each activity or work program, making it easier to evaluate performance. Thus, it is expected that budget preparation and allocation can be more tailored to the priorities and preferences of the institution education concerned, taking into account the principles of economy, efficiency and effectiveness. The principles of accountability and transparency are the basic principles to bring a college towards GUG. Understanding the basic principles in GUG will spur to find the best form of a college that is closest to the academic community. (Anwar & Pratolo, 2012)

Organizational commitment shows the resources of a person in identifying his involvement in a part of the organization. Organizational commitment is built on the basis of workers' belief in organizational values, workers' willingness to help realize organizational goals and loyalty to remain a member of the organization. Therefore, organizational commitment will create a sense of belonging for workers to the organization. If workers feel that they are bound by existing organizational values, they will feel happy at work, so that their performance can improve. In an organization there is also a belief that organizational commitment can increase job satisfaction.

According to Pratheepkanth (2011), organizations are expected to be able to retain qualified employees and keep them motivated, one of which is by establishing a certain system or strategy to provide a balance between the expected contribution and what has been given in the form of certain rewards or rewards. So that employees can be committed to the existence of a reward set by the organization, the reward will increase employee motivation at work.

Based on the explanation above, there needs to be an effort to improve modern budgeting and organizational commitment in higher education in order to improve the overall quality of education in Indonesia, especially in Central Java. This study will examine the effect of Modern budgeting and reward and punishment systems on organizational performance mediated by organizational commitment. This study uses a sample of all private universities in Central Java.

This study focuses on examining the effect of modern budgets and reward and punishment systems on the organizational performance of all private universities in Central Java. In addition to having a direct effect of the independent variable on the dependent variable, this study also has an indirect effect by adding mediating variables and with the title "The Effect of

Performance Budgeting and Reward and Punishment Systems on Organizational Performance through Organizational Commitment as an Intervening Variable." (Study at Private Universities Semarang). (Study at Private Universities Semarang).

## **B. Scope of the Research**

The research scope is:

1. The variables used in this study as independent variables are the performance budget and the reward and punishment system. While the dependent variable tested in this study is organizational performance. This study also uses organizational commitment as mediation.
2. The population used in this study were all private universities in Central Java.

## **C. Research Questions**

1. Does modern budget have a significant effect on organizational performance in private universities?
2. Does the reward and punishment system have a significant effect on organizational performance in private universities?
3. Does modern budget have a significant effect on organizational commitment in private universities?
4. Does the reward and punishment system have a significant effect on organizational commitment in private universities?
5. Does organizational commitment significantly affect the organizational performance of private universities?

6. Does organizational commitment mediate the relationship between modern budgets and reward and punishment systems on organizational performance of private universities?

**D. Research Objectives**

1. To obtain empirical evidence regarding the significance of the influence of modern budgets on organizational performance in private universities.
2. To obtain empirical evidence regarding the significance of the influence of the reward and punishment system on organizational performance in private universities.
3. To obtain empirical evidence regarding the significance of the influence of modern budgets on organizational commitment in private universities.
4. To obtain empirical evidence regarding the significance of the effect of the reward and punishment system on the organizational commitment of private universities.
5. To obtain empirical evidence regarding the significance of the effect of organizational commitment on the organizational performance of private universities.
6. To obtain empirical evidence regarding the significance of the effect of modern budgets and reward and punishment systems on the organizational performance of private universities with organizational commitment as an intervening variable.

**E. Research Benefits**

1. Theoretical Benefits
  - a. This research is expected to provide empirical evidence about the indirect and direct effects of performance budgets on organizational performance.

- b. This research is expected to be a reference in future research on factors that affect organizational performance.

## 2. Practical Benefits

- a. This research is expected to provide the importance of employee participation in the budgeting process.
- b. This research is expected to provide input and consideration in managing employees so as to improve lecturer performance, more qualified staff are recruited and improve the quality of graduates from private universities in Central Java.