

CHAPTER I

INTRODUCTION

A. Research Background

The budget is an important element in the control system management because the budget is not only a financial planning tool, but also a tool of control, coordination, communication, performance evaluation and motivation (Kenis, 1979). However, budget implementation with performance not necessarily as expected as the strategy in achieving goals. Every thoughtful of individual performance of work program strategy must be begins with planning, one of which is effective and targeted budget planning (Giusti et al., 2018).

The great strategy and initial steps must be implemented in the performance of government Indonesia to strengthen level of competition in the free market era in southeast's in 21st century. Competition in the free market, which is increasingly competitive and increasingly difficult to predict demands the strategic ability of each head of state in maintaining political and economic stability in his country. The government must be able to control the state's economic order to create efficient, stable, and just economic activities in order to create optimum social welfare (Indra, 2018).

Democratic bureaucracy is part of a strategy for a social system that has dynamics in accordance with its environment. The development of democracy which brings the concept of freedom with participation and equality and rationality as well as increasingly critical society requires the government to have a

bureaucratic system that has various kinds of innovation and provides honest and open human resources (Agus, 2019).

Organizational strategic planning, performance is an illustration of the level of achievement of the implementation of an activity in realizing the goals, objectives, vision, and mission of the organization. This statement is in accordance with Government Regulation No. 8 of 2006 defines performance as the output or result of a program that will or has been achieved in accordance with the use of the budget and has measurable quantity and quality. The use of public sector budgets to carry out local government obligations, for example to drive the economy to support development and community social services. Officials and managers in the public sector performance have a great influence (Supardi, et al., 2022). The main tool that can be used by the government or officials to carry out all promises, obligations, and policies is the budget. Budgets can contain information detailing the planned actions, the costs for doing it, and the flow of funds used (Dobell and Ulrich, 2002). In the public sector, the budget can be used as a reference for the government to be aligned with its goals, for example in carrying out its duties in development and community service (Mulyatin, et al., 2018).

Regional planning and budgeting are regulated in Law no. 32 of 2004 which regulates regional authority and responsibilities given to regional governments that can utilize national resources through division and regulations as well as central and regional financial balances based on democracy and the role of society in order to realize equity and social justice in order to increase potential and diversity area. According to Ibrahim (2014), planning and budgeting activities are the most crucial

process in governance, in budgeting must prioritize activities that have been agreed upon and must then be prepared and budgeted by not exceeding the regional financial capacity in planning and budgeting.

The granting of regional authority is one of the legacies of the reformation period which brought changes in national political life from cities to regions. Regional Autonomy Law Number 32 and Number 33 of 2004 are the results of amendments to the revision of the Regional Autonomy Law Which has existed since 1999. The regional autonomy policy has a function so that the central government and regional governments have a balance of tasks, responsibilities and roles, each region must have sufficient revenues, and regions must have sufficient sources of financing to run local governance. In the administration of governance and regional development, it is expected that each region can improve its performance in public services that are increasingly independent and competitive (Faisal & Nasution, 2016).

Because of the magnitude of the responsibility of a manager or official in managing the regional budget, Islam offers a form of self-control that requires faith because as an official, a worker, or as a person who is responsible for distributing mandates to those who should or are entitled to receive them. As mentioned in the letter An-Nisa (4): 58:

إِنَّ اللَّهَ يَأْمُرُكُمْ أَنْ تُؤَدُّوا الْأَمَانَاتِ إِلَىٰ أَهْلِهَا وَإِذَا حَكَمْتُمْ بَيْنَ النَّاسِ أَنْ تَحْكُمُوا بِالْعَدْلِ ۗ إِنَّ اللَّهَ نِعِمَّا
بِعِظْمِكُمْ بِهِ ۗ إِنَّ اللَّهَ كَانَ سَمِيعًا بَصِيرًا 58

The following is the interpretation of QS. An-Nisa (4): 58 by the Indonesian Ministry of Religion.

Meaning:

‘‘Indeed, Allah commands you to return trusts to their rightful owners¹; and when you judge between people, judge with fairness. What a noble commandment from Allah to you! Surely, Allah is All-Hearing, All-Seeing.’’

This verse instructs believers to uphold justice and trustworthiness. In addition, it possesses the characteristics of built-in control, namely supervision that comes from within the strength of faith in Allah SWT, in order to distance oneself from all forms of irregularities in budget management and provide guidance for consistency in carrying out financial management tasks.

According to article 12 of the Republic of Indonesia Law Number 5 of 2014, the state civil apparatus is the implementation of general government and national development tasks with work agreements that are required to behave professionally, free from practical politics and avoid corruption, collusion, and nepotism. In assigning responsibilities and duties as state civil servants, it has also been regulated in Government Regulation Number 17 of 2017 concerning the management of civil servant management, which must be obtained from civil servants who are professional and have basic professional values and are free from corrupt practices in order to provide the best service to the community. The government's efforts in this regulation are carried out in order to create the government's expectations as outlined in Law no. 5 of 2014, Civil servants are expected to be able to provide quality public services.

But unfortunately, the current government seems to have not been able to create overall professionalism in government agencies in carrying out its vision and mission because of the many deviant behaviours such as corruption, collusion and nepotism (Juliani, 2019). This statement is reinforced by the data released on the Indonesian Corruption Watch report of Semester 1 in 2021 reported that 162 civil servants were caught up in corruption cases and ranked first in positions prone to corruption. Following them were private employees, totalling 103 people, then village heads totalling 61 people and finally the managing director. ICW also explained that there was an increase in the number of cases from the previous three years in 2018, only 101 cases from civil servants. This case proves that the government has not been able to achieve maximum performance. Apart from that, especially in the Yogyakarta city government recently, ICW also reported that there were 4 cases in 2021 with a total of 5 billion rupiah (Fathya, 2018).

Furthermore, the phenomenon that occurs shows that based on the results of the Government Agency Performance Accountability (AKIP) evaluation, the average score for district and city governments throughout Indonesia in 2016 was only 49.87%. A total of 425 regional governments, or 83% of districts and cities, have their performance in the C grade category. The latest report is in 2018, Kulon Progo Regency has received an A grade (www.menpan.go.id). Therefore, researchers are interested in researching the Kulon Progo Regency Regional Apparatus Organization (OPD) to find out what factors influence the performance of the Kulon Progo Regency OPD to improve better.

Because of this phenomenon, budgetary participation in the organization should be implemented, in order to enable lower-level managers to take part in budgeting preparation. Participation in budget preparation will realize effectiveness if there is involvement of all levels of top and bottom managers and all state civil servants who manage finances and budgets in government, because it will raise awareness of common interests and avoid deviation from personal interests (Situmorang, 2020). Budget participation is a very crucial activity in which parties who have authority in budgeting and financial authorities work together to compile and assess various matters regarding budget strategy and budgeting objectives (Wulandari, 2016).

Budgeting is something is a vulnerable and sensitive aspect leading to deviant behaviour, regional management cannot be separated from the budget. According to Mardiasmo (2002) A budget is a statement of financial measurements regarding performance that will be realized in financial terms at a certain time or period, while the process or method used to prepare a budget is called budgeting. The budget is one manifestation of regional autonomy originating from resources managed by the government through public accountability which are carried out economically to be used effectively and efficiently in the society to create accountability to the community. According to Farhan (2018), budgets in public sector organizations are the result of negotiations or considerations which are very complex and are managed by the budgeting sector which cannot be controlled by just one power party.

According to Pramudya, et al., (2017), it states that government organizations need a budget as a guideline regarding actions to be taken by the government, one of which can be used as a service strategy for the public, in which there is short-term or long-term financing. In government, the budget has a role and function as a control tool, as well as a tool for coordinating, communicating, motivating, and evaluating the performance as explained by Ovieliana (2007).

In an effort to improve managerial performance in the public sector, it can be done by participating in budgeting. Managerial performance has also been listed in Government regulation Number 58 of 2005 concerning Financial Management, performance is the output or result of an activity or program that will or has been achieved in connection with the use of the budget with measurable quantity and quality. It is estimated that the quality of government performance can be improved by managerial performance in which there is participation or the participation of all executors, including superiors and subordinates of the state apparatus. in the implementation of budget planning. participation in budget preparation the will increase the sense of responsibility and aspirations of subordinates who will feel that their aspirations are accepted (Hendra, 2018).

Killian and James (2010) say that the notion of budgetary participation can be seen from two perspectives, namely psychological and cognitive perspectives. First, because of the identification and engagement of budgetary participation with budget objectives, participation is linked to performance and consequently leads to increased motivation and commitment to performance and budgeting. Second, as a result, budgetary participation has an impact on increasing the flow of information

between superiors and subordinates so that budgetary participation leads to higher quality decisions. Viewed from the two perspectives above, budget participation leads to high motivation, high commitment, high-quality decisions, and even ~~more~~ increased performance Maulana, et al., (2020), Adi & Khoiriah, (2017) And Febdwi Suryani & Pujiono, (2020). Umami (2020) concluded that there is a positive and significant relationship between the budget and managerial performance. Participation is a joint decision-making process by two or more parties where the decision will have a future impact on those who make it. Participation has a positive impact on employee behaviour, improves quality and quantity, and increases cooperation among employees. In this case, the amount of participation or involvement of subordinates in decision-making depends on the company's management decisions.

Attention to motivation is also important because it can affect the entire performance of the state apparatus. Motivation aims to ensure that the obligations or tasks assigned can be carried out properly. According to Ridwan & Fitri (2022), motivation can act as a driving force to generate enthusiasm and persistence in terms of carrying out one's activities in doing something he is doing so that it can improve organizational performance. If every Civil servant has a high-performance spirit, the activities within the organization will run well which will ultimately result in good performance for the company. In improving managerial performance there is work motivation. Motivation has an important role for leaders, managers and employees. According to Siagian (2008), work motivation is a person's driving force to use skills or skills optimally in order to achieve organizational goals and

objectives. Furthermore, high work motivation can lead to more enthusiasm in performing the work.

In addition to budgetary participation and work motivation, organizational commitment is also one of the factors that influence managerial performance in public sector organizations. According to Wibowo (2016), Performance in an organization is also determined by the ability and commitment of human resources in the organization. Therefore, organizational commitment is also considered to have an important role in observing the loyalty and attachment of a government employee where employees who are committed will work more optimally than those who do not have loyalty to the organization and do not have a sense of attachment. Organizational commitment is a feeling of employee involvement in part of the organization (Amani & Halmawati, 2022). Employees who have a high commitment can provide a good influence will provide good work performance and loyalty and can provide optimal performance in realizing the goals and performance of the organization where he works (Pane & Fatmawati, 2017). The results of research conducted by Septiningrum, et al., (2019) proved that organizational commitment as a moderating variable strengthens the relationship between budgetary participation and employee performance.

The importance of planning budget participation makes researchers interested in studying more deeply whether organizational commitment can affect motivation and budget participation. Also determine the effect of budgetary participation on managerial performance. Based on the background of the problems described above, this paper is entitled "The Influence of Budget Participation and

Motivation on Managerial Performance with organizational commitment as a moderating variable".

B. Formulation of Research Problems

From the background and subject matter of the problem, the research problems that will be studied are formulated as follows:

1. Does budget participation have a positive effect on managerial performance?
2. Does motivation have a positive effect on managerial performance?
3. Does budget participation affect managerial performance with organizational commitment as a moderating variable?
4. Does motivation affect managerial performance with organizational commitment as a moderating variable?

C. Research Objectives

The objectives to be achieved from the implementation of this research are:

1. To determine the effect of budgetary participation on managerial performance.
2. To determine the effect of motivation on managerial performance.
3. To determine the effect of budgetary participation on managerial performance. with Organizational Commitment as a moderating variable.
4. To determine the effect of budgetary participation on managerial performance. with the existence of organizational commitment as a moderating variable.

D. Research Benefits

1. Theoretical Benefits

The results of this study can contribute to knowledge in the field of the public sector about managerial performance in the context of participatory budgeting planning and the influence of work motivation. This research is expected to contribute to the development of theories and concepts, especially the related ones.

2. Practical Benefits

a. For Government

This study can provide information or additional insights for regional governments, especially the finance department in making policies and the effective budgeting process as a tool to assist local government officials in increasing optimal performance.

b. For Society

The results of this study are expected to contribute to and increase public knowledge about managerial performance in participatory and motive budgeting planning.

c. For College

This research is expected to be used as additional literature in the field of science, especially finance in the public sector, regarding managerial performance.

d. For Researchers

This study can serve as a learning tool and which can be very helpful in increasing the capacity and experience of researchers related to existing budget planning in government, especially directly related to the field of public sector accounting. In addition, it is also a process of applying the theory that has been obtained in lectures.