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## **Budget Management Performance: Evidence from State Local Government at Bali, Indonesia**

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### **Abstract**

This study was done due to obtain empirical evidence of the internal factors that consist of competence, motivation, organizational commitment, and external factor that consist of budgeting management's working environment at Bali State Local Government. This study was carried out on Bali's Regional Governmental Device. Dataset used in this study were obtained from distributed questionnaire to respondents. This study is using probability sampling method and proportionate stratified random sampling technique, and the final respondent was 236 people. This study is using multiple regression to analyze the data. This study suggest that there are partially positive impacts from Competence, Motivation, Organizational Commitment, and Working Environment to Bali's Local Government Budget Management Performance.

**Keywords:** Budget Management Performance; Competence; Motivation; Organizational Commitment; Working Environment.

### **1. Introduction**

Performance measurement is vital to assess the level of organizational and government accountability in producing better public services. One of the universal operational controller tool is budget. At the end of 2017, Bali's local government was targetting a total revenue of 6,222,692 Millions of Indonesian Rupiah (MIDR) with realization was 5,918,618 MIDR, or about 95% of the total revenue target, and 4,859,118 MIDR of spending budgets and realization was 4,359,744 MIDR, or about 90% of the budgeted amount.

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The huge gap between targeted revenue and budgeted spending budget and the actual revenue and actual spending, first can possible caused by budget efficiency, second it's because the Budget Management officer set the lower budget to facilitate budget realization and to reduce gap between budgeted and actual spending, third unrealized budgets will become an obstacle because of budget management is off the target. Many factors that become obstacles on local government's low budget absorption even though State Government has prepared numerous of facilities and infrastructure to support the operational fund disbursement activity. While in reality, there are various of obstacles that restrict the capability of budget management, accounting system, and regulations. In 2017, there are total of 493 findings with a total value of 19,345 MIDR on Bali's Provincial Government Area that based on the audit result from Republic of Indonesia's Audit Board, and only 127 findings (26%) with a total value of 1,602 MIDR have been processed for further examination. This findings indicate that Bali's Local Governemnt needs to improve their financial system and a proper state financial management. The Budget Management officer's behavior will surely affects their performance. Few internal factors, such as competence, motivation, organizational commitment, and external factor such as working environment are suspected to affect the budget management performance. Prior study suggests that competence affect performance [1-3], while other prior study suggest that competence has zero effect on performance [4,5]. Prior study also suggest that motivation has significant effect on performance [2,6,7]. Organizational Commitment has significant effect on performance, this has proven by prior study [8-11], prior study also suggest that working environment has positively affect employee's performance [8,12-14]. This study aims to obtain partial and simultaneous empirical evidence on the effect of Competence, Motivation, Organizational Commitment, and Working Environment to Budget Management Performance at Bali Province State Local Government.

## **2. Hypothesis Development**

The main theory that has been underlying this study is Attribute Theory. Attribute Theory is a theory that study the process of how someone interpret an event, argument, or behavior [15]. Attribute theory is developed by Fritz Heider on 1958, he argues that a certain person's behavior is determined by combination between internal factor, which is a factor that comes within that person's self, and external factor, which is a factor that comes from outside [16]. This study also aims to prove the effect of internal and external factor to Budget Management performance at Bali's State Local Government.

### ***2.1 Competence, Motivation, Organizational Commitment, and Working Environment to Performance***

Competence is one of the individual characteristic that underlies a certain person that relates to their effectiveness of their performance at work. Competence is also a characteristic that have causal relationship with certain criteria, as effective as possible or as superior as possible inside a certain situation at work. Good performance was also affected by the competence of employees. Competence as a set of knowledges, skills, and attitudes that must be owned, ruled by the professionalism in executing tasks without leaving aspects of the personality and social skills capability in carrying out their duties. Competencies provide organizations with a way to define in behavioral terms what is that people need to do to produce the results that the organization desires. By this definition it can be concluded that job competence is highly vital for someone to hold a certain

position at work, this will affect directly in their role and working performance [1-3]. On the other hand, high level of job competence and responsibilities does not mean that a certain someone will do their best at work. Diversity at workplace has provided managers with substantial magnitude of problems, the big difference between employees in every organization means that there is no best way to deal with such problem. What motivates some employee to perform very well may be discouraging to other employee, therefore it poses a big challenge to present day managers. Low level of motivation will affect employees to be unable to carry out their duties and responsibilities properly, and this will impact directly to organizational goals and targets that can not be properly realized [2,6,7]. Organizational commitment shows a strong beliefs and support for the values, goals, and target that has been set before by the organization. Organizational commitment is a basic issue of the owners of companies and management. Organizational commitment have directly related with job satisfaction which influence the competitive position and profitability of an organization. As, organizational commitment directly influence the employee performance so it has vast importance. Organizational commitment is the notion which has attracted the various practitioners and scholars of human resource management because it influences the organizational and employee's performance. An employee that satisfied by their organization tend to fulfilled their commitment to organization, so that particular employee will give their best quality at work, this indicates that particular employee have a sense of responsibility and dependence [8-11]. In order to have a high level of organizational commitment, an employee must be satisfied by their organization, and also their working environment. A work environment can be identified as the place that one works, which means the milieus around a person. It is the social and professional environment in which a person is supposed to interact with a number of people. It is the quality of the employee's workplace environment that most impacts on the level of employees motivation and subsequent performance. It is the quality of the employee's workplace environment that most impacts on the level of employee's motivation and subsequent performance. How well they engage with the organization, especially with their immediate environment, influences to a great extent their error rate, level of innovation and collaboration with other employees, absenteeism and, ultimately, how long they stay in the job. A particular employee will have a motivation to increase their performance if the working environment support their obligation implementation. A performance will increase if supported by adequate working environment [8,12-14]. Therefore, the first until fourth hypothesis are proposed as follow:

H<sub>1</sub> : The higher the competency, the higher the working performance of Budget Management.

H<sub>2</sub> : The more working motivation Budget Management has, the higher their working performance.

H<sub>3</sub> : The higher the level of organizational commitment, the higher the working performance of Budget Management

H<sub>4</sub> : Better working environment will result in better Budget Management working performance.

### **3. Materials and Methods**

#### ***3.1 Research Object, Population, and Sample Selection***

This study was conducted on Bali's Local Government. Bali province was selected based on the number of regional device organization. Out of total 34 provinces all over Indonesia, Bali province has the highest number of regional device organization with a total of 46 regional device organizations. This study is using Budget Management officials on each regional device organizations, namely Budget Users (BU), Officials of Financial Administration (OFA), and Acting Technical Officers (ATO). This study is using Proportionate Stratified Random Sampling technique, which is used when research population has inhomogeneous members or elements and proportionally structured. Proportionate Stratified Random Sampling technique was used since the population of BU, OFA, and ATO are inhomogeneous. In order for all level of class represented, samples were gathered from each regional device organizations with equal proportion so that the final samples were 236 respondent.

### ***3.2 Variables and Dataset***

This study is using Competence ( $X_1$ ), Motivation ( $X_2$ ), Organizational Commitment ( $X_3$ ), and Working Environment ( $X_4$ ) as independent variables, and Budget Management Performance (Y) as dependent variable. This study is using a set of distributed questionnaire to obtain all of the information and data needed.

### ***3.3 Data Analysis and Hypothesis Testing***

To measure the impact of Competence ( $X_1$ ), Motivation ( $X_2$ ), Organizational Commitment ( $X_3$ ), and Working Environment ( $X_4$ ) on Budget Management Performance (Y), this study is using multiple regression analysis. First the dataset is test by running classical assumption test such as, normality test, multicollinearity test, and heteroskedasticity test. Then continue to run the F-test and t-test to simultaneously and partially test each variable, respectively.

## **4. Results**

This study is using Proportionate Stratified Random Sampling technique, with Budget Management officials on Bali's Local Government as populations and respondents. A set of questionnaire was distributed by delivered directly to respondents in October 2018. The questionnaire was delivered within 3 days, and the respondents were given a total period of 30 days to completely fill out their questionnaire. General profile of 236 respondents are shown in table 1 below.

Gender of the respondents were used to describe gender equality and involvement in the Budget Management field of work. On table 1 above, it can be seen that male representatives dominates the population with 61% out of total 236 respondents. The age of respondent describes the critical thinking and maturity of budget management officers so that it can affect their performance in managing budgets. Table 1 above has shown that 54% of budget management officers are senior at work, and it describes that on average, budget management officer's age range between 51-60 years old. The level of education highly affects the ability, confidence, and insight of each respondent has, while table 1 has shown that 50% of population have postgraduate degree on their education level, and followed by bachelor degree which amounts to about 49%, this indicates that almost all of the budget management officers are qualified for their responsibilities from their education level. Service

duration describes the level of working experience that could directly affect the quality of financial statement produced, where it can be seen from table 1 that 49% of budget management officers have 21 to 30 years of service, while another 24% have more than 30 years of service.

**Table 1:** Respondent Profile and Statistics

Category	Criteria	Count	%
Sex	Male	144	61
	Female	92	39
Age	30 – 40	25	11
	41 – 50	83	35
	51 – 60	128	54
Education	Postgraduate	119	50
	Bachelor	116	49
	Diploma	1	0
Years of Service	< 10	10	4
	10 - 20	54	23
	21 - 30	116	49
	> 30	56	24

**4.1 Classical Assumption Test**

- Normality Test

The normality test aim to test the distribution of regression’s residual, whether the distribution follows normal distribution pattern or otherwise. The normality test is using non-parametric statistical Kolmogorov-Smirnov (KS) test where the residual is considered normal if the level of significant is above alpha value (0.05).

**Table 2:** Normality Test Result

Remarks	Unstandardized Residual
<i>n</i>	236
Kolmogorov-Smirnov	0,376
Significant level	0,184

Table 2 above shown that the level of significant is above alpha value ( $0.184 > 0.05$ ). This result suggests that the distribution of the residual from regression model is statistically proven to be normal.

- Multicollinearity Test

This study is using multicollinearity test to find any correlation between independent variables. This test is using Variance Inflation Factor (VIF) value, and if the VIF value is higher than 10.00, that indicates a high correlation is exist between independent variable tested.

**Table 3: Multicollinearity Test Result**

Variables	Tolerance	VIF Value	Remarks
Competence (X <sub>1</sub> )	0,744	1,343	No correlation
Motivation (X <sub>2</sub> )	0,524	1,908	No correlation
Organizational Commitment (X <sub>3</sub> )	0,805	1,242	No correlation
Working Environment (X <sub>4</sub> )	0,631	1,584	No correlation

Table 3 above shown that VIF value for each independent variable is below 10.00. This also indicates that there is no sign of high correlation between independent variables.

- Heteroskedasticity Test

In this study, heteroskedasticity test is done by using Glejser test. The Glejser test aims to find the variants inequality from one residual's observation to another. The Glejser test observe the significant level of each independent variables. If the significant level of each independent variables is below 0.05, that indicate the existence of variants inequality in regression model.

**Table 4: Glejser Test Result**

Variables	Sig - t Test	Remarks
Competence (X <sub>1</sub> )	0,429	No sign of Heteroskedasticity
Motivation (X <sub>2</sub> )	0,224	No sign of Heteroskedasticity
Organizational Commitment (X <sub>3</sub> )	0,257	No sign of Heteroskedasticity
Working Environment (X <sub>4</sub> )	0,193	No sign of Heteroskedasticity

Glejser test was done by using absolute residual value of regression model as dependent variable. Table 4 above suggest that all independent variables tested have significant level above alpha value, 0.05. This result indicates that the regression model has no sign of heteroskedasticity effect.

#### 4.2 Hypothesis Testing

The multiple regression analysis is done by observing the Goodness of Fit result from regression model feasibility test, coefficient of determination, and hypothesis testing. Table 5 below show the result of the

multiple linear regression analysis.

**Table 5: Multiple Regression Analysis Result**

Variabes	Coefficient	t - Sig.	F - Sig.	R <sup>2</sup>
Constanta	5,041		0,000	0,745
Competence (X <sub>1</sub> )	0,103	0,005		
Motivation (X <sub>2</sub> )	0,266	0,000		
Organizational Commitment (X <sub>3</sub> )	0,218	0,000		
Working Environment (X <sub>4</sub> )	0,292	0,000		

This study used Competence (CO), Motivation (MO), Organizational Commitment (OC), and Working Environment (WE) as independent variables, and Budget Management Performance (PR) as dependent variable. This study is using multiple regression analysis and using Statistical Package for Social Science (SPSS) version as analysis tool. Table 5 above show the multiple regression analysis result.

From table 5 above, the R<sup>2</sup> value is showing 0.745, this results indicate that all 4 independent variables used in this study, have about 74.5% effect to Budget Management Performance (PR). While the remaining around 25.5% effect could be explained by other factors outside this study, such as, and other internal aspects. This result can be concluded that the effect of Competence (CO), Motivation (MO), Organizational Commitment (OC), and Working Environment (WE) to Budget Management Performance (PR) have strong position point.

Simultaneously, all independent variables used in this study have significant effect to Budget Management Performance (PR), this can be seen from the result of F – test that showing significant value of 0.000, below the alpha value 0.05. And partially, Competence (CO), Motivation (MO), Organizational Commitment (OC), and Working Environment (WE) have positive and significant effect to Budget Management Performance (PR), this can be seen in table 5, where all of their significant level are showing below the alpha value 0.05.

Competence is a set of skills, or someone’s expertise in a particular field of work. The competencies, as a measurement tool, identify behavioral factors relevant to performance in the job and viewed as how the job is carried out. Hence many organizations use competency models as a part of their employee development program to appraise behavioral performance indicators together with objectives. The result suggest that competence has positive and significant effect to Budget Management performance, and this result is supported by numerous of prior study [1-3]. The higher the level of someone’s competence, the easier for them to absorb any kind of information related to their duties and responsibilities, this will result in better learning curve and less time to master their duties, and lead to more effective performance. While high competence without motivation will result in nothing, because what keeps a particular someone to keep giving their best is motivation. The employee motivation refers to the growth, development and success of any business entity is it small or big. Employee Motivation is very essential for the growth, development and success of any business entity is it small or big. In the workplace human resources are the most valued and cherished resources.

Motivated employees are productive, happy and highly committed to their job. The spin of this will reduced in high turnover, results driven employees, loyalty and harmony. The result also suggest that motivation has positive and significant effect to Budget Management performance, and this result is also supported by prior study [2,6,7,17]. Organizational commitment is the bond employees experience with their organisation. Broadly speaking, employees who are committed to their organisation generally feel a connection with their organisation, feel that they fit in and, feel they understand the goals of the organisation. Commitments in the workplace can take various forms and, arguably, have the potential to influence organizational effectiveness and employee work performance. From an organizational perspective, effective employee performance constitutes basic result and aim of commitment. Compared to uncommitted people, committed people are prone to be insistent on task sets and fulfill set goals. With the regard to the outcome of employee performance, commitment may be expressed in persistence in completing tasks and achieving goals, service quality, acceptance of change, and assumption of extra job task. The result of this study suggest that organizational commitment also has positive and significant effect to Budget Management performance, this result also supported by prior study [8-11]. Working environment is not only all about physical aspects, but also psychological. Work environment is determined how responsibilities and daily activities, and even wellbeing are organized. Work environment involves all the aspects which act and react on the body and mind of an employee. It can be concluded that work environment is a physical and non-physical condition around the workers that may affect their performance depending on how well the working condition it is. The result suggest that work environment has positive and significant effect to Budget Management performance. This result also supported by prior study [8,12-14,18]. Therefore, all hypotesis tested on this study are accepted.

## **5. Conclusions**

This study aims to test the effect of Competence (CO), Motivation (MO), Organizational Commitment (OC), and Working Environment (WE) to Budget Management Performance (PR). The result suggest that all independent variables have positive and significant impact to Budget Management Performance. Competence is the set of demonstrable characteristics and skills that enable, and improve the efficiency and performance of a set of duties and responsibilities, but a competence without a motivation is meaningless. Motivation is the reason for people's actions and decision, willingness and goals. Someone without motivation is usually cased by their environment in particular, and if motivations are lost, it will directly affect to their performance at work. Organizational commitment is the notion which has attracted the various practitioners and scholars of human resource management because it influences the organizational and employee's performance. An employee's workplace environment is a key determinant of the quality of their work and their level of productivity. How well the workplace engages an employee impacts their desire to learn skills and their level of motivation to perform their duties.

## **6. Recommendations**

This study is far from a perfect study. There are numbers of limitation from this study. For further study, we recommend to extract other internal and external factors which have the potential to strengthen or forter organizational commitment. We also recommend to increase the number of respondents in order to obtain better



study result.

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