

Determining the Dominant Variable in Budgeting on Performance Effectiveness / PT (Persero) Indra Karya All Branches in Indonesia

Abdul Halim^{1*}, Muhammad Iqbal Pribadi²

^{1,2} Universitas Muhammadiyah Kalimantan Timur Indonesia

*Email: abdulhalim0658@gmail.com

ARTICLE INFO	ABSTRACT
<p>Keywords: participation in budget preparation, clarity of budget goals, budget feedback, budget evaluation, budget difficulty level.</p>	<p>This study aims to determine and analyze among the variables: 1) participation in budget preparation, 2) clarity of budget targets, 3) budget feedback, 4) budget evaluation, and 5) level of budget difficulty, which variables have a dominant influence in budgeting on the effectiveness of the performance of PT (Persero) Indra Karya all branches in Indonesia. Using saturated sampling techniques, 41 branch managers of PT (Persero) Indra Karya were obtained throughout Indonesia. Primary data related to research variables were obtained by sending questionnaires directly to respondents via google form. It was further analyzed using multiple linear regression. However, it was previously tested: validity, reliability, linearity, model feasibility, and classical assumption tests include: multicollinearity, heteroscedasticity, normality. The hypothesis was tested using a t-test, The results of this study proved that among the variables: 1) participation in budget preparation, 2) clarity of budget goals, 3) budget feedback, 4) budget evaluation, and 5) budget difficulty; So the variable of participation in budgeting has a significant positive dominant effect in budgeting on the effectiveness of company performance. This is indicated by the value of the regression coefficient is the largest among other variables.</p>

INTRODUCTION

Within State-Owned Enterprises (SOEs), especially PT (Persero) Indra Karya Indonesia, the budget preparation process is briefly described as follows.

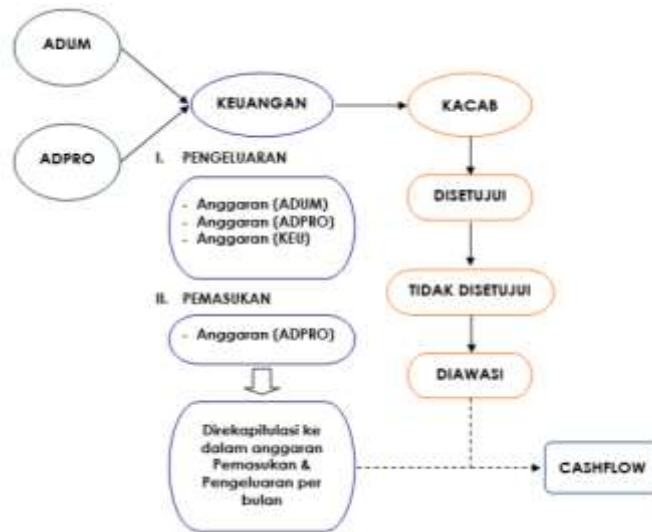


Figure 1. Budget Preparation Process of PT (Persero) Indra Karya Indonesia

The budget preparation of PT (Persero) Indra Karya Indonesia usually uses benchmarks of previous years adjusted and follows the direction of the Ministry of SOEs and is more instructional (top down) without considering the real conditions at that time, so some things can cause unrealistic. PT (Persero) Indra Karya Indonesia in determining budget planning, initially sourced from the proposals of branches, then recapitulated into a consolidated budget. Then the level of discussion often from the branches is not involved and determined by the head office to formulate the RKAP (Corporate Financial Plan and Budget) into provisions. This condition often has an impact on the difficulty of implementing aspects, especially in branches. One of the impacts is the imbalance of activities to be achieved, due to limited sources of financing. This causes companies to have difficulty operating effectively and weak competitiveness and can cause the effectiveness of the resulting performance to be less good.

The achievement of maximum performance can be measured in 3 aspects, namely: financial, operational and administrative aspects, which will be difficult to achieve by state-owned companies in general. This is because the budget prepared does not reflect the aspirations of real conditions at that time for the company concerned. As a result, the budget does not produce optimal company performance for a purpose of progress and development of the company in the future and only the fulfillment of administrative reporting obligations. Budgets can help managers carry out managerial functions properly. Because, managers must know how to set goals and how to achieve them. The figures in the budget should not be too tight, but neither too loose so they should be realistic, achievable and well-documented. In addition, the budget can be considered as a system that has its own specificity or as a sub-system that requires relationships (interfaces) with other sub-systems in the company (Adisaputro, G. & Asri, 2018)

Based on (Adisaputro, G. & Asri, 2018), good budgeting must have the following characteristics: 1) participation in budget preparation, 2) clarity of budget targets, (3) budget feedback, 4) budget evaluation, and 5) budget difficulty (Li et al., 2010); (Kenis, 1979). Based on the explanation above, the purpose of this study is to determine and analyze the dominant variables among variables: 1) participation in budget preparation, 2) clarity of budget targets, 3) budget feedback, 4) budget evaluation, and 5) the level of budget difficulty in budgeting on the effectiveness of the performance of PT (Persero) Indra Karya all branches in Indonesia.

Budgeting Process

(Anthony & Govindrajana, 2020) states that a budgeting process can be bottom-up or top-down. With top-down budgeting, senior management sets budgets for lower levels. Whereas with bottom-up budgeting, managers at lower levels participate in determining the size of the budget. But the top-down approach rarely works. Because this approach leads to a lack of commitment on the part of the budget maker and this jeopardizes the success of the plan. While bottom-up budgeting will most likely create a commitment to achieve budget goals. But, if not carefully controlled, this approach can result in amounts that are very achievable or that do not fit with the overall goals of the company.

Related to the description above, (Anthony et al., 2019) suggest that if an organization is in a stable environment and operates with routine technology can maintain its effective control through the specification of procedures and centralized decision making, then the top-down budgeting process is more appropriate in this situation. Conversely, in organizations whose environment is uncertain and operates with non-routine technology, it is important to have participation from lower levels of management, as long as they have enough relevant information to formulate organizational plans. The bottom-up budgeting process is more appropriate in this situation.

In fact, an effective budgeting process combines both. Budget preparers prepare the first draft of the budget for part of their responsibilities, which is a bottom-up approach. Instead, they do so based on guidelines set at higher levels, which is a top-down approach. Senior managers evaluate and critique proposed budgets. A careful approval process helps to ensure that budget drafters don't "mess around" with their budgeting systems. But the process of evaluating and critiquing, should be seen as fair; If the boss changes the budget amount, he or she should try to convince the budget preparer that the change is reasonable.

Characteristics of a Good Budget

(Li et al., 2010) states that the characteristics of a good budget are as follows:

Budgetary participation

According to (Danielsbacka, 2020) Successful participation will bring the following benefits: 1) a healthy influence on interests, initiative, morale and enthusiasm, 2) will result in a better plan, due to the combination of knowledge from several individuals, 3) all levels of management are more aware of how their particular function fits into the overall operational picture, 4) can improve cooperation between departments, 5) new employees can

be more aware of future situations that respect goals and other considerations. (Hansen & Mowen, 2019) Explain that participatory budgeting gives a sense of responsibility to subordinate managers and encourages creativity. Increasing Java's sense of responsibility and challenges is a process of fulfilling non-monetary incentives. Nevertheless (Hansen & Mowen, 2019) Also remind that participatory budgeting provides an opportunity for managers to create budgets that contain slack. Budget slack or padding the budget arises when managers deliberately set too low revenues or set too high costs, causing a high likelihood of managers meeting the budget made, and lowering the risks they face.

Budget goal clarity

Dearden et al (2019) stated that the term goal (goal) is used for a statement about what the organization wants to achieve broadly and without a certain time limit. While the term objective (objective) is used for a more specific statement about what is to be achieved in a certain time. Thus, the goals to be achieved in the budget must be clear, because the time to achieve these goals is limited and the goals in the budget must be stated specifically and preferably measurable. If goals can be clearly stated, then the budget system can measure the level of achievement of goals periodically. If goals are not clear or well defined, then there is no system that can measure their achievement. For example, the company set its goal to achieve sales of Rp 10 billion next year.

Budgetary feed back

Feedback is carried out in the framework of control over the implementation of an activity, which is applied at the end of the activity. But it is not a final process, but part of an ongoing process. This budget control process is one of the important factors that can encourage motivation to budget implementers. Because if budget implementers do not know their work performance, of course they do not have a handle in assessing their success or failure, so this can cause dissatisfaction among them. According to (Anthony et al., 2019) if no feedback is made on the results achieved, then the budgeting system becomes ineffective for motivating managers.

Budgetary evaluation

The budget evaluation process has a very close relationship with the control cycle. This evaluation is carried out with the intention of determining the possibility of budget deviations. These deviations will be known after the end of a certain budget period, namely by comparing the budget with its realization. This has been stated by (Li et al., 2010) that budget evaluation relates to the degree of budget discrepancy traced back to accountability center managers, which is used as a basis for evaluating performance. Furthermore, Macariello (2019) said that the main purpose of a deviation analysis is to provide management with clues about which actions are necessary, report the causes of the deviation problem and the actions taken to overcome the difference between the achievements achieved and the desired results. This information about budget deviations will be used to evaluate the achievements of managers by their superiors. In order to measure performance based on evaluation of the budget,

Budget goal difficulty

(Anthony et al., 2019) said that in general, the most ideal budget goals are budget targets which, although difficult to achieve, can be achieved. If these goals cannot be achieved, it is likely that budget implementers feel discouraged and hesitant to try to implement them. On the other hand, budget goals that are very straightforward and present an inadequate challenge, will not be a motivating force. Such easy budget goals may become chaotic, budget implementers may not be working at maximum ability to avoid large increases in profitable outcomes. In principle, this is true if such favorable variances result in more difficult tasks for the coming year. (Li et al., 2010) states that a good budget is with a level of difficulty that is still possible to achieve, so that implementers are motivated to work more efficiently, and can improve their performance. For this reason, the budget must be tight but still achievable.

Research Hypothesis

Hypothesis 1: participation in budgeting has a significant positive dominant effect on the effectiveness of the performance of PT (Persero) Indra Karya all branches in Indonesia. This hypothesis is built from the results of his research: (Azis, 2011), (Nurzianti & Anita, 2014), (Asrida, 2012), (Hajering, 2020), (Budihardja, 2021), Farid (2022) Hypothesis 2: clarity of budget targets has a significant positive effect on the effectiveness of the performance of PT (Persero) Indra Karya all branches in Indonesia. This hypothesis is built from the results of his research: Azis (2011), (Nurzianti & Anita, 2014), (Aziz et al., 2016), Aziz (2016), (Arfandi & Taqwa, 2018), (Asrida, 2012), (Budihardja, 2021), Farid (2022), Hypothesis 3: budget feedback has a significant positive effect on the effectiveness of PT (Persero) Indra Karya's performance of all branches in Indonesia. This hypothesis is built from the results of his research: Azis (2011), Nurzianti & Anita (2014), Arfandi (2018), Budihardja (2021), Farid (2022),

Hypothesis 4: the evaluation of the budget has a significant positive effect on the effectiveness of the performance of PT (Persero) Indra Karya all branches in Indonesia. This hypothesis is built from the results of his research: Nurzianti & Anita (2014), Azia et al. 2016), (Aziz et al., 2016), Farid (2021). Hypothesis 5: the level of budget difficulty has a significant positive effect on the effectiveness of the performance of PT (Persero) Indra Karya all branches in Indonesia. This hypothesis is built from the results of his research: Nurzianti & Anita (2014), Arfandi (2018), Budihardja (2021).

METHOD

This research uses an explanatory research approach, conducted at PT (Persero) Indra Karya all branches in Indonesia, in June – August 2023. Using saturated sampling techniques, 41 branch managers of PT (Persero) Indra Karya were obtained throughout Indonesia. Primary data related to research variables refer to (Made, A. & Halim, 2006), obtained by sending questionnaires directly to respondents via google form. After the data is collected, it is then analyzed using multiple linear regression. However, it was previously tested: validity, reliability, classical assumptions include: multicollinearity, heteroscedasticity, normality, linearity, and model feasibility. His hypothesis was tested using the t-test. To determine the variable of participation in budgeting as the dominant variable, it is seen from the value of the regression coefficient. If it shows the largest, it is stated that the variable of participation in budgeting is correct as the dominant variable.

RESULTS AND DISCUSSION

Test results: validity, reliability, linearity, model feasibility, and classical assumptions are presented in the following Table 1.

Table 1. Summary of Test Results: Validity, Reliability, Linearity, Model Feasibility, and Classical Assumptions

Test	Test Equipment	Result	Knot
Validitas	Pearson Model Correlation	Nilai itself. < 5%	Valid
Reliability	Alpha Cronbach	The score > 0.6	Reliable
Linearity	Ramsey Test	Nilai itself. > 5%	Linear
Model Eligibility	R-Square	The value is 0.79	Proper
Asumy classic:			
Multicollinearity	VIF	The value is < 10	Not violated
Heteroscedasticity	Scatter Plot	Irregular drawing	Not violated
Normalitas	Kolmogorof-Smirnov	Nilai itself. > 5%	Usual

In Table 1 above it appears that the test results: validity, reliability, linearity, model feasibility, and classical assumptions show nothing has been violated, so the use of double liner regression can be used as an analytical tool in this study. The results of hypothesis testing using multiple linear regression and t-tests are presented in the following Table 2.

Table 2. Summary of Hypothesis Test Results

Description	Coefficient Regression	p-value	p value < 0.05 Knot:
effect of X1 on Y	0.634	0.021	H-1 accepted
effect of X2 on Y	0.423	0.023	H-2 accepted
effect of Y3 on Y	0.353	0.032	H-3 accepted
effect of X4 on Y	0.335	0.030	H-4 accepted
effect of X5 on Y	0.417	0.025	H-5 accepted

Information:

- X1= budgeting participation
- X2= budget feedback
- X3= clarity of budget goals
- X4= evaluation of the budget
- X5= budget difficulty
- Y = performance effectiveness

In Table 2 above, it appears that the results of the hypothesis test using test-1 on variable X1 = participation in budgeting, the p-value is 0.021 smaller by 0.05 and has the largest positive regression coefficient of 0.634 compared to other variables. This means that participation in budgeting has a significant positive dominant effect

in budgeting on the effectiveness of company performance. If the participation of budgeting is increased, the effectiveness of company performance will also increase, Thus, the results of this study support his research: (Azis, 2011), (Nurzianti & Anita, 2014), (Kewo & Afiah, 2017), (Hajering, 2020), (Budihardja, 2021), Farid (2022) who concluded that high participation in budgeting will greatly affect the effectiveness of company performance,

Discussion

In this discussion, what is meant by participation in budgeting is the participation of managers in preparing company budgets, especially in terms of formulating company budget targets (Moscove & Simkin, 2019) said that there are two main reasons for companies that have participatory employees in the development of budget systems, namely: 1) encouraging employee motivation, a positive attitude towards the company's budget, 2) to achieve a more realistic budget, so as to contribute to the company's operating performance.

Through participation, a person will be motivated, because by increasing participation means involving subordinates, among others, in planning and decision making. Because they feel involved in planning and decision making, they will feel partly responsible for its implementation, so that their performance will improve. However, Nitisemito also reminded that participation also has side effects, namely: 1) participation will increase the burden, 2) demands usually arise, 3) if one's opinion is ignored, then participation will become lip service (Nitisemito, 2019).

Participation can increase employee motivation because they feel more accepted and involved in the situation. Their self-esteem, job satisfaction, and cooperation with leaders may also increase. The result is often less conflict and stress, greater attachment to goals, and better acceptance of change. Employee absenteeism can also be reduced, because they feel that they have a better place to work and therefore they can be more successful in the execution of work (Davis & Newstrom, 2019).

(Irvine, 2019) reminded that the difficulty that is often faced in implementing aspects of participation is that there are certain factors that limit the application of this aspect. These factors include: 1) differences in the personality of managers manifested in their leadership styles, 2) autocratic leadership in a centralized system provides less opportunities for participation, while democratic leadership in a decentralized system will require more participation, 3) this participation must be positively directed at achieving company goals, 4) organizational culture and the background of life of employees company.

In addition, (Irvine, 2019) also stated that participation in budgeting in its implementation often encounters obstacles, namely: 1) differences in the personality of managers manifested in their leadership styles, 2) autocratic leadership in centralized systems provides less opportunities for participation, while democratic leadership in decentralized systems will even require more participation, 3) this participation must be positively directed at Achievement of company goals, 4) organizational culture and background of life of company employees.

Therefore, in order for participation to be successful as expected, the following conditions are required: 1) there must be time to participate before action is required, 2) the possible benefits should outweigh the disadvantages. For example, employees should not waste so much time participating that they neglect their main work, 3) the field of participation work must be relevant and interesting to employees, otherwise employees will see it as just busy work, 4) participants should have the ability, such as intelligence and technical knowledge to participate, 5) participants should be able to communicate reciprocally, to speak the language of others, In order to exchange ideas, 6) Each party should not feel that its position is threatened by participation. If employees whose status would be negatively affected, they would not participate. If managers feel that their authority is threatened, they will refuse participation or will take a defensive stance, 7) participation in deciding the direction of action in the organization should only last as long as it is in the area of work freedom. Therefore it requires a certain level of limitation of the organization to maintain unity for the whole. Each part may not take decisions that violate its policies, legal requirements and other restrictions. No organization provides opportunities for complete freedom, even for executives (Davis & Newstrom, 2019).

CONCLUSION

The results of this study concluded that among the variables: participation in budgeting, clarity of budget goals, budget feedback, budget evaluation, and level of budget difficulty; So the variable of participation in budgeting has a significant positive dominant effect in budgeting on the effectiveness of company performance. This is evidenced by the p-value is smaller by five percent and the regression coefficient value is the largest among other variables. The higher the participation in budgeting, the more effective the company's performance.

Advice for PT (Persero) Indra Karya all branches in Indonesia in budgeting should pay more attention to budget preparation participation. This is because it has a significant positive dominant effect in budgeting on the effectiveness of company performance. A manager who participates in the preparation of the budget will be given the opportunity to take part in decision-making regarding budget targets. Successful participation will bring several advantages, namely: 1) have a healthy influence on interests, initiative, morale and enthusiasm, 2) will result in a better plan, due to the combination of knowledge from several individuals, 3) all levels of management are more aware of how to function according to the overall operational picture, 4) can improve cooperation between departments, 5) new employees can be more aware of the situation in the future respect for goals and other considerations.

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