

The Analysis Of The Effects Of Budget Quality On The Effectiveness Of Budget Implementation On The Trade And Industry Departement Of Ambon Through Budget Monitoring

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Abstract : *The results of this study show that budget evaluation does not affect budget monitoring, and not in accordance with the studies/statements of Kenis, Collins and Robinson that the budget quality consisting of budget transparency, budget accuracy, and budget evaluation affects budget monitoring. There is a total effect of budget transparency on the effectiveness of budget through budget monitoring of 1.97 and a total effect of budget accuracy on the effectiveness of budget through budget monitoring of 1.77 .*

Keywords : *Budget Transparency, Budget Accuracy, Budget Evaluation, Budget Monitoring, Effectiveness of Budget Implementation.*

I. Introduction

Background : The implementation of regional autonomy under Law No. 32 of 2004 and Law No. 33 of 2004 led to changes in the area of financial management. One of the changes is the implementation of budgeting reform that include budgeting, budget validation, implementation and accountability. Budgeting reform is a transformation from traditional budget to performance budget or New Public Management. New Public Management Model is performance-oriented, rather than policy-oriented.

So, performance approach is introduced to address the weaknesses in traditional budget, particularly the weakness which there is no benchmark to measure the performance of achievement of goals and targets in public services. The performance approach of an organization more concerns to the performance rather than the cost savings and also prioritizes mechanisms for determining and prioritizing goals as well as a systematic and rational approach in the decision-making process. The implementation of regional autonomy that demands budgeting reform from traditional budgeting to performance budgeting logically leads to changes in the area of financial management.

A quality budget itself in the context of its implementation must be based on effectiveness. Furthermore, budget evaluation as one characteristic of budget quality. The budgeting arranged in Work and Budget Plan outlined in Budget Implementation Document of each Service must be undertaken in accordance with what are stated in the Budget Implementation Document, so that the budget implementation is in accordance with the targets listed. However, a quality budget and the effectiveness of budget implementation cannot guarantee a success in achieving regional economic development and public services entirely without any monitoring or control.

Monitoring is always related to the measurement of performance or achievement of goals. Budget has currently been used as a standard in the measurement of performance evaluation. So, it can be said that monitoring may be affected by the budget quality that consists of budget transparency, budget accuracy and budget evaluation, because budget and facts will always be compared in the process of budget implementation monitoring.

Identification of the Problem : Based on the background above, the problem examined in this study was: How do the effects of budget quality that consists of budget transparency, budget accuracy and budget evaluation on the effectiveness of budget implementation through budget monitoring at the Trade and Industry Service of Ambon?

II. Conceptual Framework

Conceptual Framework

Quality is a concept that is quite difficult to understand since it has many interpretations that cannot be defined in a single manner, and is highly dependent on the concept. In relation with the concept of budget, budget quality is the ability of budget characteristics that appropriately interprets the achievement of expected standards or targets. Budget quality is measured through the characteristics of transparency, accuracy, and the extent to which evaluation can show the budget to see the achievement of the targets, or the conditions can be fulfilled as planned within a budget (Robinson, 2006).

Monitoring is a process of observation and all activities of the organization to ensure that all of the activities being carried out is running according to the predetermined plan. Monitoring of Regional Government Budget must always be performed by comparing the budget budgeted and the budget achieved, as well as variance analysis (difference) in order to look for the causes of variance as soon as possible and the anticipation (Sabandar, Jozua, 2015).

Effectiveness is a correlation between output and the goals or targets to be achieved. Operational activities can be said effective if the process achieves the final goals and targets of the policy (spending wisely). The main requirement to achieve the goals and targets of an organization depends on the budget quality of the organization (Mardiasmo, 2009).

Effectiveness is basically related to the achievement of goals or targets of a policy. Effectiveness is always related to the correlation between the expected results and the results goals achieved, thus effectiveness gives contribution to the activities achieved. The research result conducted by Sugiharto in 2013, entitled "Pengaruh Kualitas Anggaran Dan Pengendalian Anggaran terhadap Efektivitas Organisasi Di Lingkungan Pemerintahan Kota Jambi (The Effects of Budget Quality and Budget Control on the Effectiveness of the Organization in the Government of Jambi)" shows that budget quality indeed affects the effectiveness of the organization in the Government of Jambi, but the quality budget and the effectiveness of budget implementation could not ensure the success of achievement of regional economic development and public services entirely without any monitoring or control, because monitoring is always associated with the measurement of performance or achievement of goals. The research result of the study conducted by Arif Fuadi in 2013 on Local Government Agency in the Government of Bukittinggi also indicates a causality between preventive monitoring and the effectiveness of budget.

Hypothesis

Hypothesis of the study was formulated based on the identification of the research problem and objective, so the research hypothesis is as follows: Budget Quality [Budget Transparency (X1), Budget Accuracy (X2) and Budget Evaluation (X3)] had positive effects on the Effectiveness of Budget Implementation (Z) through Budget Monitoring (Y).

III. Research Method

Research Method :

In conducting this study, the researcher used qualitative and quantitative data analysis with a descriptive-verify method. Descriptive analysis to the understanding of the object of this study began with data collection, then the data were processed, analyzed, and further processed through the application of the theoretical foundations that have been studied, and verificative analysis to the study was conducted by testing the hypothesis that there is a correlation among variables. The verificative method used to the understanding of the object of this study began with data collection, then the data were processed, analyzed, and further processed through the application of the theoretical foundations that have been studied.

Data Sources and Data Collection Techniques:

This study took place in the Trade and Industry Service of Ambon which must account for the use of budget and performance and the Inspectorate of Ambon. The study took place from January 2011 to May 2016 for both primary and secondary data. At the time of distributing the questionnaires (primary data), Fiscal Year 2016 had entered the first quarter, so that the stages of planning, budgeting, and validation of Regional Government Budget had been passed.

The study population was all employees of the Inspectorate and the Trade and Industry Service of Ambon, totaling 115 people. The samples taken were 77 people with purposive sampling method, with the criteria of the respondents as follow: 1). The employees of the Inspectorate involved in the process of budget monitoring, the selected samples in this study were the auditors as many as 35 people. 2). The employees of the Trade and Industry Service of Ambon involved in the process of budget planning both directly and indirectly, the manager and the person in charge of finance as many as 42 people.

Design Analysis and Hypothesis Testing

The Design Analysis and Hypothesis Testing can be seen in the figure of research paradigm below. In which the budget quality that consists of budget transparency (X1), budget accuracy (X2), and budget evaluation (X3) directly affects budget monitoring (Y), and indirectly affects the effectiveness of budget implementation (Z) through budget monitoring. Then, the researcher also wanted to see the direct effects of budget monitoring on the effectiveness of budget implementation.

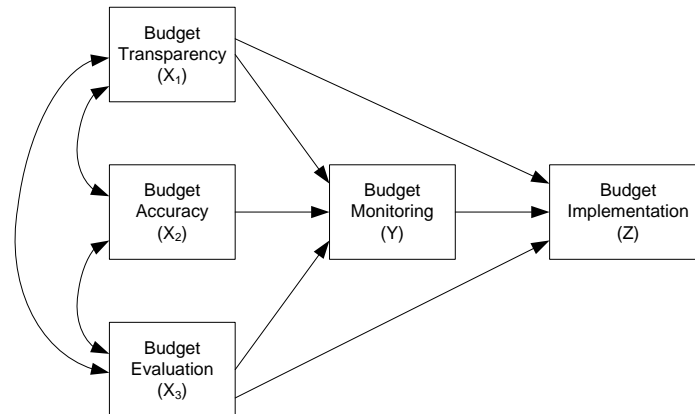


Figure 1. paradigm by using Path Analysis

The figure of research framework above also serves as a research paradigm by using Path Analysis. The hypothesis testing will be using path analysis.

$$Y = \rho YX_1 + \rho YX_2 + \rho YX_3 + \epsilon_1$$

$$Z = \rho ZY + \rho ZX_1 + \rho ZX_3 + \epsilon_2$$

IV. Research Findings And Discussion

The Preliminary Test

The Preliminary Test: The results of testing the validity and reliability of the data in this study can be seen in Table 1 below :

TABLE 1. Validity and Reliability Test Results

No.	Instrument	Uji Validitas	Information	Uji Reliabilitas	Information
		KMO-MSA		(Cronbach'S Alpha)	
1.	Budget Transparency	0,839	Valid	0,896	Reliabel
2.	Budget Accuracy	0,663	Valid	0,764	Reliabel
3.	Budget Evaluation	0,710	Valid	0,826	Reliabel
4.	Budget Monitoring	0,602	Valid	0,751	Reliabel
5.	Budget Implementation	0,642	Valid	0,729	Reliabel

Source: The primary data processed, 2016

The Table 1 above shows that the validity test results for all instruments derive the KMO-MSA (Kaiser-Meyer-Olkin Measure of Sampling Adequacy) values greater than 0.5, i.e. in the range between 0.602 to 0.839. Besides, seen from the factor loading values, all the instruments also derive the values greater than 0.5, i.e. in the range between 0.526 to 0.917, and thus all the instruments are valid or could measure the desirables and disclose the data studied. Then, the reliability test results for all instruments derive the Cronbach's Alpha values greater than 0.6, i.e. in the range between 0.729 to 0.896, thus it can be concluded that all the instruments have reliability as a measuring tool (reliable). Because the data are still on the ordinal measuring scale, they must be transformed into the interval in order to measure the direct and indirect effects to answer the research objective.

Table 2. Successive Interval Method Test Results

Analysis	Variable				
	Budget Quality (X)			Budget Monitoring (Y)	Budget Implementation (Z)
	Transparency (X ₁)	Accuracy (X ₂)	Evaluation (X ₃)		
	∑ X ₁	∑ X ₂	∑ X ₃	∑ Y	∑ Z
Minimum	5	12	4	18	12
Maximum	25	24	20	30	15

Source: Primary data processed, 2016 (total answers of the respondents)

From the 40 questionnaires answered about budget quality, the minimum total number of answers for the question with the indicator of budget transparency were 5 and the maximum were 25. The minimum total answers for the question with the indicator of budget accuracy were 12 and the maximum were 24. Then, the minimum total number of answers for the question with the indicator of budget evaluation were 4 and the maximum were 20. While from the 32 questionnaires answered about monitoring and the effectiveness of budget implementation, the minimum total number of answers for the question with the indicator of budget

transparency were 18 and the maximum were 30. The minimum total answers for the question with the indicator of budget accuracy were 12 and the maximum were 25.

Table 3. Successive Interval Method Test Results

No.	Variabel	Average					
		Q ₁	Q ₂	Q ₃	Q ₄	Q ₅	Q ₆
1.	Budget Transparency	3,75	3,925	3,85	3,825	3,8	-
2.	Budget Accuracy	3,7	3,8	3,775	3,65	3,75	-
3.	Budget Evaluation	4,25	4,275	4,05	4	-	-
4.	Budget Monitoring	4,125	4,062	4,031	4,093	4,062	4,218
5.	Budget Implementation	4,38	4,31	4,53	-	-	-

Source: The primary data processed, 2016 (The average response of the respondents)

The data in Table 3 show that the average of the respondents answered 5 items of question (Q) related to budget transparency are from 3.75 to 3.925, the question related to budget accuracy are from 3.65 to 3.8 for 5 items of question, while for the budget evaluation with 4 items are 4. Similarly, the question related to budget monitoring that consisted of 6 items of question and the effectiveness of budget implementation that consisted of 3 items of question. On average, the respondents gave the answer score 4.

Path analysis:

Table 4. Output. Equation of Structure 1 and Equation of Structure 2 – modes I & II

Independent variables	Dependent variables	R_square	F	t
Model I (F _{table} = 4,17) (t _{table} = 1,701)				
Budget Transparency (X ₁)	Budget Monitoring (Y)	0,860	57,367	2,787
Budget Accuracy (X ₂)				2,608
Budget Evaluation (X ₃)				1,417
Model II (F _{table} = 3,33) (t _{table} = 1,699)				
Budget Transparency (X ₁)	Budget Implementation (Z)	0,627	24,338	4,320
Budget Evaluation (X ₃)				-1,901
Budget Monitoring (Y)				-2,536

Equation of Structure 1 Test Results

The figure of R square (R²) is 0.860 or coefficient of Determination of 86% (R² x 100%) while the rest of 14% (100% - 86%) is affected by another factor (ε₁). F of the study of 57.367 > 2.95, meaning that budget quality (budget transparency, budget accuracy and budget evaluation) simultaneously affects budget monitoring.

For the variable of budget quality (budget transparency) is 2.787 and t_{table} of 1.701 (α = 5%, df = 28), then budget quality (budget transparency) has a positive effect on budget monitoring. For the variable of budget quality (budget accuracy) is 2.608, meaning that budget quality (budget accuracy) has a positive effect on budget monitoring. For the variable of budget quality (budget evaluation) is -1.417, meaning that budget quality (budget evaluation) does not have a positive effect on budget monitoring.

Equation of Structure II Test Results

The figure of R square (R²) is 0.627 or coefficient of Determination of 62.7% (R² x 100%) while the rest of 37.3% (100% - 62.7%) is affected by another factor (ε₂).

F of the study of 24.338 greater than F_{table} of 3.33, meaning that budget quality (budget transparency and budget evaluation) simultaneously affects the effectiveness of budget implementation.

For the variable of budget quality (budget transparency) is 4.320 and t_{table} of 1.699 (α = 5%, df = 29), meaning that budget quality (budget transparency) has a positive effect on the effectiveness of budget implementation. For the variable of budget quality (budget evaluation) is -1.901, meaning that budget quality (budget evaluation) has a negative effect on the effectiveness of budget implementation. For the variable of budget monitoring of -2.536 and t_{table} of 1.699 (α = 5%, df = 30), meaning that budget monitoring has a negative effect on the effectiveness of budget implementation.

Table 5. Correlation of the variable of budget quality

Pearson Correlation	Budget Transparency	Budget Accuracy	Budget Evaluation
Budget Transparency	1	0,475	0,432
Budget Accuracy	0,475	1	0,162
Budget Evaluation	0,432	0,162	1

Source : The results of data processing Coefficient of Correlation: 0: No correlation; 0-0.25: Very weak correlation; 0.25-0.5: Sufficient correlation; 0.5-0.75: Strong Correlation; 0.75-0.99: Very strong correlation; 1: Perfect correlation.

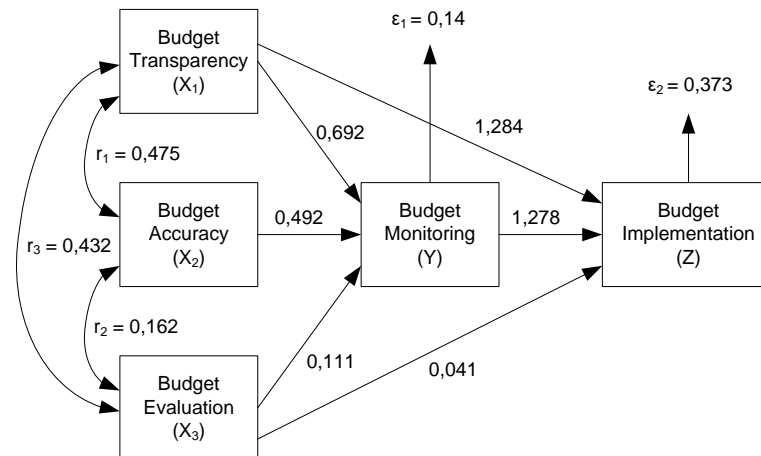


Figure 2. Path Analysis Result

V. Discussion

The results of the study show that budget evaluation does not affect budget monitoring. This is contrary to the previous studies conducted by Kenis (1979) and Collins (1978), which the results show that the characteristics of budget (transparency, accuracy and evaluation) entirely have an important role/positive and significant correlation to the improvement of attitude/behavior on budget, and the study conducted by Robinson (2006) indicating that budget quality (budget transparency, budget accuracy and budget evaluation) has positive and significant effects on the effectiveness of budget monitoring, without exception. This may occur because of the difference in the object, in which Collins and Kenis use the object of a private sector, while this study used a public sector, and also the difference in the respondents and conditions with the study conducted by Robinson due to the amendment in laws and government policies. However, if the planning of a budget is already clear and accurate, the evaluation process is not a thing that must be conducted. In line with what have been described previously, that budget is one important thing in ensuring the implementation of strategies and programs of an organization effectively and efficiently. It is a main requirement to achieve the goals and targets of an organization. Then, it can be concluded that how good the achievement of goals and targets of an organization will depend on how good the quality of the budget. The last but not least in achieving the goals and targets of an organization to comply with what have been planned, i.e. the mechanism of monitoring, as stated by Sondang (1998) that monitoring is a process of observation and all activities of the organization to ensure that all of the activities being carried out is running according to the predetermined plan.

The research results also contradict to the research results of Arif Fuadi stating that there is a causality between preventive monitoring and the effectiveness of budget. This could be due to the differences in the respondents, the number of population and sample as well as the assessments of the respondents that were not objective.

These results are in contrast to the study conducted by Sugiharto in 2013 entitled “Pengaruh Kualitas Anggaran Dan Pengendalian Anggaran terhadap Efektivitas Organisasi Di Lingkungan Pemerintahan Kota Jambi (The Effects of Budget Quality and Budget Control on the Effectiveness of the Organization in the Government of Jambi)” showing that budget quality indeed affects the effectiveness of the organization in the Government of Jambi. It occurred since budget quality as an independent variable has a direct correlation with the effectiveness of the organization as the dependent variable that is not through an intervening variable. On the contrary, the research result of the study conducted by Arif Fuadi in 2013 on Local Government Agency in the Government of Bukittinggi indicates a causality between preventive monitoring and the effectiveness of budget, and in line with the research result in which for the variable of budget monitoring, the t_{test} of the study is greater than t_{table} .

VI. Conclusion and Suggestion

Conclusion:

The researcher used a path analysis, so that the direct effects for the equation of structures I and II can be seen as follow: a). The effect of budget transparency on budget monitoring of 0.692. b). The effect of budget accuracy on budget monitoring of 0.492. c). The effect of budget transparency on the effectiveness of budget of 1.284. d). The effect of budget monitoring on the effectiveness of budget of 0.692. e). The effect of budget evaluation on the effectiveness of budget of 0.041.

Then, the indirect effects are as follow: a). The effect of budget transparency on the effectiveness of budget through budget monitoring of $0.692 \times 1.278 = 0.884$. b). The effect of budget accuracy on the

effectiveness of budget through budget monitoring of $0.492 \times 1.278 = 0.628$.

The total effects of this study are as follow: a). The effect of budget transparency on the effectiveness of budget through budget monitoring of $0.692 + 1.278 = 1.97$. b). The effect of budget accuracy on the effectiveness of budget through budget monitoring of $0.492 + 1.278 = 1.77$.

There is no direct effect of budget evaluation on budget monitoring, and there is no indirect effect of budget evaluation on the effectiveness of budget through budget monitoring, because budget evaluation does not significantly affect budget monitoring.

Suggestions:

1. The effects of budget evaluation on budget monitoring and the effects of budget monitoring on the effectiveness of budget by a broader number of population and samples need a further study.
2. A further study with the same problem needs to be conducted (the effects of budget quality on the effectiveness of budget implementation through budget monitoring) but by adding other variables with other indicators that are supposed to affect budget monitoring and the effectiveness of budget implementation, such the legislation and the role of other supervising and investigating institutions.
3. Further studies are expected to use the instrument of variable measurement that is more objective and the respondents to answer more objectively to produce unbiased results.

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