



The effect of budgetary goal clarity and budget evaluation on performance accountability of local government

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ABSTRACT

This research aims to empirically assess the influence of the budgetary goal clarity and budget evaluation on agency performance accountability. This study was conducted on Local Government Organization (OPD) of Blitar Regency. The unit of analysis is 113 employees whose work are related to composing of agency performance accountability. The data was analyzed using SEM-PLS in Smart PLS 3. The results showed that budgetary goal clarity and budget evaluation has positive influence on agency performance accountability. The implementation of budgetary goal clarity and budget evaluation will help agencies in making decisions in relation to achieving accountability for agency performance.

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Introduction

Performance accountability as a measure of government performance in carrying out its duties as a public-oriented organization. Measurement of performance accountability will produce information that can be used for decision making within the agency for improvement. The success or failure of an agency is measured by its measurement indicators which are not only based on inputs but also outputs and benefits obtained. The measurement of agency performance accountability issued by the Ministry of State Apparatus Empowerment and Bureaucratic Reform as measured through the Government Agency Performance Accountability System (SAKIP) by awarding predicate of a score per budget year for each agency.

The Blitar Regency Government received the SAKIP B predicate with a score of 60-70 in the 2017, 2018, and 2019 fiscal years, which were considered capable and sufficient in carrying out agency performance accountability. Agency performance accountability is often associated with the budget because of its role as a medium in the application of performance-based budgeting which is the guideline for agencies. The sakip B predicate given should show how the accountability of the agency's performance is running better from year to year and provide evidence to the public that the B predicate deserves to be given, so that the peoples can really benefit from it. The first problems that related in performance is budget absorption, namely budget absorption which is still fluctuating or volatile. Based on the results of budget absorption in the Budget Realization Monitoring report of the Blitar Regency government in 2017 was 92.95%, in 2018 was 82.71% and in 2019 was 90.01% (emonevblitarkab.go.id). This has a direct impact on performance accountability because it will affect regional economic growth and eliminate the benefits of spending (expenditures). In addition, it will also lead to a decrease in the level of public trust in the agencies.

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Second, economic growth that measure by Gross Domestic Regional Product (GDP) which is expected to increase which is matched by regional revenue every year. Appendix explains the inequality in GDP and regional revenue (Blitar Regency in Figures) so that it will threaten the effectiveness of the realization of programs/activities aimed at the welfare of the community.

Table 1: Growth Rate Real of GDP and Regional Revenue

Year	Regional Revenue (Rp)	GDP(%)
2017	322.878.943.149	5.07
2018	252.453.245.801	5.10
2019	285.742.715.698	5.12

Related to the problem with the absorption of the budget, in order to achieve agency performance accountability, it is necessary to set specific goals and budgets and it is necessary to pay attention to the outputs and outcomes of the activities/programs, in order to keep the principle of maximum budget absorption in accordance with the performance indicators (Lunenburg, 2011). In addition, the implementation of budget evaluation in the implementation of activities/programs will assist in identifying deviations and assist in achieving realization so as to improve performance for the period ahead (Syuliswati & Asdani, 2017). Based on the phenomena and inconsistencies with the results of previous research which explained that budgetary goal clarity and budget evaluation can affect the performance accountability of local government ((Kaltsum, U & Rohman, 2014), (Syuliswati & Asdani, 2017)). On the other hand, budgetary goal clarity and budget evaluation cannot affect the performance accountability of local governments (Soeksin et al., 2020), encouraged researchers to conduct further research related to the effect of budgetary goal clarity and budget evaluation on the performance accountability of local government. This research referred to previous research conducted by (Rere & Retnani, 2018) which examined the determinants of performance accountability in local government.

Based on the explanation above, the results of this study can be used as an evaluation material for local governments in general and in particular for the Blitar Regency Government in implementing budgetary goal clarity and budget evaluation on achieving performance accountability for government. In addition, the results of this study can also be used as material for consideration for local governments to formulate strategies and policies to improve the performance accountability of local government of Blitar regency.

Literature Review

Theoretical Background and Conceptual Framework

Contingency Theory

The contingency theory approach is explained as an approach for organizations with system adjustments to achieve agency goals so that their performance is achieved as seen from the organizational environment. This theory explains that organizational performance depends on various factors in particular, organizations must consider their internal capabilities as well as external conditions in planning steps (strategies) to succeed in achieving organizational goals (Mezner & Johnson, 2005). In this regard, the achievement of organizational goals is associated with accountability or a form of accountability for its role as a public sector organization. The accountability of contingency theory was stresses crafting the mix forms of accountability to fit the capacities and requirements of the context (Mansbridge, 2014).

Goal Setting Theory

Goal setting theory explains that individuals, who have goals and are aware of them, will try to achieve these goals (Latham, 2004). Goal setting at the beginning will help individuals to achieve their goals in order to help improve their performance. Goal setting theory explains that individuals will achieve their goals to increase motivation and performance by explaining several factors (DuBrin, 2012), including clarity of budget targets and budget evaluation. Specific goals (clear) will help individuals to know and measure the extent of their progress in the process of achieving these goals. In addition, goal setting will be more effective if an evaluation is carried out in it because when individuals carry out evaluations in relation to achieving goals, it will have an impact on improving performance (Lunenburg, 2011).

Budgetary Goal Clarity and Performance Accountability

An ineffective and not performance-oriented budget will be able to thwart the plans that have been prepared. A clear budget target will make it easier to account for success or failure in order to achieve the targets that have been set previously. Therefore, the budgetary goal clarity is very relevant and important in government agency environment because of its impact on the government agencies performance accountability, in connection with its function as a public oriented organization. (Preceлина & Wuryani, 2019) research showed that the budgetary goal clarity had a positive effect on the agency performance accountability. This means that the budgetary goal clarity will increase the agency performance accountability.

H1: The Budgetary Goal Clarity has a positive effect on the performance accountability of local government.

Budget Evaluation and Performance Accountability

If the performance evaluation is prioritized on budget evaluation, it will tend to affect performance, behavior, and attitudes (Ramandei, 2010). (Shipman, 2005) explained that budget evaluation can compare the measure of program/activities and outcomes to draw conclusions about efficiency, effectiveness and quality. The budget evaluation will analyze and assist if there are deviations in the efforts to achieve the previously set agency goals. If the agency's goals are achieved, it will result in good performance accountability which is a form of accountability for the OPD's role as a public-oriented organization. (Syuliswati & Asdani, 2017) research explained that budget evaluation had a positive effect on agency performance accountability. This means that the evaluation of the budget will increase the agency performance accountability.

H₂: Budget Evaluation has a positive effect on the performance accountability of local government

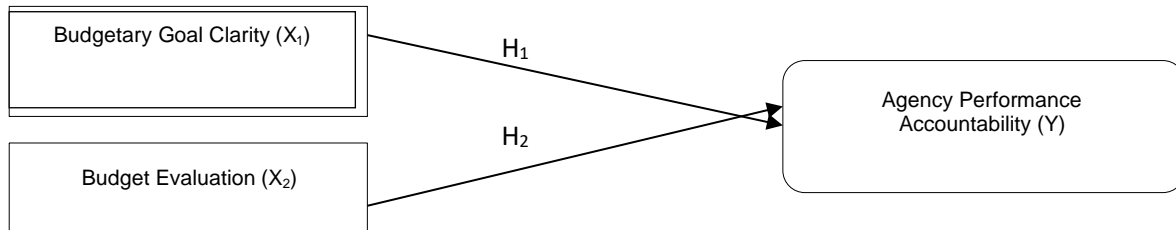


Figure 1: Research Model

Research and Methodology

Data and Sampling Method

The population in this study was structural officials in the Regional Government Organizations (OPD) of Blitar Regency of 52 OPDs using the criteria of Head of Budget Users, Head of Program Preparation and Planning and Head of Finance subsection so a total of 156 samples. The primary data collection method was through the distribution of questionnaires with the sampling technique using the Slovin formula, so that 113 samples were obtained.

Measures of Variable

The measurement of agency performance accountability variables used the indicators in (Dewi et al., 2017) namely performance measurement, performance planning, performance reporting, performance evaluation, and performance achievement. The budget goal clarity variable was measured using indicators adopted from (Nurzianti & Anita, 2014), namely priorities, interests, programs, clarity and measurability. Also the budget evaluation variables were also adopted from (Nurzianti & Anita, 2014), including monitoring, responsibility, dissatisfaction, work and assessment.

Data Analysis Technique

This study used the SEM-PLS (Structural Equation Modeling–Partial Least Square) model to analyze data with the help of SmartPLS 3 software. There were three path analysis models in PLS, namely the inner model which specifies the relationship between latent variables, the outer model that specifies the relationship between latent variable with manifest variable, weight relation which estimate the value of latent variable.

The inner model equation for H₁ and H₂ is as follows:

$$PA = 0.590BG + 0.348EV$$

Result and Discussion

Evaluation of Measurement Model (Outer Model)

Convergen Validity Test

Table 2: Results of PLS Algorithm

Construct	AVE	Composite Reliability	Cronbach’s Alpha	Communality	R Square
BG	0.531	0.887	0.853	0.531	0.791
EV	0.527	0.815	0.701	0.527	
PA	0.516	0.932	0.921	0.516	

*Information: BG (Budgetary Goal Clarity), EV (Budget Evaluation), PA (Performance Accountability)

The results of the convergent validity test of all constructs in the study showed that several indicators had a factor loading value <0.7 and a p-value <0.05. In addition, it can be seen that the AVE value and the communality value have met the rule of thumb, namely with a value of more than 0.5. Through the convergent validity test that has been done, it can be concluded that the indicators used in this study were valid.

Discriminant Validity Test

Table 3: Results of Discriminant Validity Test

	BG	EV	PA
BG	0.729	0.692	0.666
EV	0.692	0.726	0.715
PA	0.666	0.715	0.718

Based on table 3, it shows that the AVE root square value on the latent variable Performance Accountability (0.718), Budgetary Goal Clarity (0.729), and Budget Evaluation (0.726) was greater than the correlation between these constructs so that, it can be said that all the constructs and indicators used have met the rules of thumb for discriminant validity testing and indicators for each different construct was uncorrelated.

Reliability Test

Based on table 2, it can be seen that the value of composite reliability and Cronbach's alpha on the latent variable of Performance Accountability, Change Management, Leadership Turnover, Internal Control System, and Transparency was > 0.7 so it can be said that the overall construct model in this study had good reliability.

Evaluation of the Structural Model (Inner Model)

The Adjusted R² value obtained from the model of the effect of budgetary goal clarity variable and budget evaluation on performance accountability was 0.791. The adjusted R² value of 0.791 stated that performance accountability (Y) can be explained by the budgetary goal clarity variable (X₁) and budget evaluation (X₂) of 79.1% and the remaining of 20.9% was explained by other variables outside the study. The total determinant coefficient can be calculated based on one research model in the equations of exogenous and endogenous constructs. The results of testing the hypothesis in this study can be seen in table 4 below.

Table 4: Result of Hypothesis Testing

Hypothesis	Path Coefficient	P-Value	Information
H ₁ Budgetary goal clarity has a positive effect on Performance Accountability	0.590	0.001	Accepted
H ₂ Budget evaluation has a Positive Effect on Performance Accountability	0.348	0.002	Accepted

Based on table 4, it can be seen that H₁ was accepted with a path coefficient of 0.590 (> 1.64) and a p-value of 0.000 (<0.05) which means that the Blitar Regency government OPD has implemented budgetary goal clarity so as to improve agency performance accountability. These results indicated that goal setting theory which explained that goal setting at the beginning will help in achieving organizational goals in line with the clarity of goals (targets) in the budget will assist agencies in achieving predetermined performance so that accountability (responsibility) will be realized as public-oriented organization. So that the implementation of budgetary goal clarity will provide sufficient information to encourage performance so that agency goals will be achieved.

Table 4 illustrated that H₂ was accepted with a path coefficient value of 0.348 (>1.64) and a p-value of 0.000 (<0.05) which means that budget evaluation has implemented to the Blitar Regency OPD so that it helps in increasing the agency performance accountability. This means that the Blitar Regency OPD has implemented Presidential Regulation number 29 of 2014 concerning the Government Agency Performance Accountability System (SAKIP) which requires every agency to conduct budget reviews and evaluations of activities/programs. If there are deviations then the evaluation will assist in identifying and providing policies for these deviations. So that, the budget evaluation will help in achieving agency goals that have an impact on the agency performance accountability as a public sector organization.

Conclusions

The research results showed that the budgetary goal clarity and budget evaluation can improve the performance accountability of government. The implementation of budgetary goal clarity and budget evaluation will help agencies in making decisions in relation to achieving accountability for agency performance. Because it will help agencies to prevent and supervise if there are deviations in the implementation of programs/activities related to achieving agency performance accountability.

This study had limitations that can be used as evaluation material for further research. The limitations encountered in this study are data collection was not carried out at the time of distributing the questionnaire, but the researcher took it after the questionnaire was filled in. This can cause researchers to be uncertain whether the answers to the questionnaire have been answered by the appropriate party and carried out in real conditions. In addition, the data obtained was highly dependent on the respondent's interpretation of the meaning implied in the questionnaire.

Suggestions for further research related to data collection, researchers should be able to meet directly with respondents so that there is control from the researcher which has an impact on the answers to the questionnaire. Future researchers can also add to the overall research object in order to obtain more comprehensive research results. In addition, further researchers are suggested to add other variables that were not examined in this study that may have an influence on the performance accountability of government.

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