

The Model of Effectiveness in Employing Performance-Based Budgeting In Regional Revenue Service of East Java

Cholifah¹, Syafi'i²

Faculty of Economics, Bhayangkara University, Surabaya,
INDONESIA.

ABSTRACT

This research aims to test the effectiveness model of usage of performance-based budgeting in Dinas Pendapatan Daerah (regional revenue service) in East Java, including UPT, in increasing the regional-financial performance. Analysis of the model is used to discover, whether independent and dependent variables have some influences on the effectiveness. The populations are the authorities of budget users in Dinas Pendapatan Daerah in the province of East Java, UPT Surabaya Barat, UPT Surabaya Timur, UPT Surabaya Selatan, UPT Surabaya Utara, UPT Sidoarjo, UPT Mojokerto, UPT Jombang, UPT Gresik, UPT Lamongan and UPT Tuban, and samples taken are as many as 300 people. The research shows that five independent variables, those are human resources (X1), reward (X2), firm punishment (X3), output-oriented (X4), measurement of performance (X5), have positive influences on the effectiveness of implementation of the performance-based budget. The biggest positive influence on the effectiveness is the variable of performance-measurement (X5) with coefficient of standard beta is 0,522 and followed by the variable of resources (X1) 0,203, then result-oriented (X4) 0,191, reward (X2) 0,179, and punishment (X3) 0,107. It can be concluded from the analysis that measurement of performance (X5) is a dominant variable that has the biggest influence on the effectiveness of usage of performance-based budget.

Keyword: Model of effectiveness, employing, performance

INTRODUCTION

The Act Number 32 of 2004 on Regional Government and the Act No 33 of 2004 on financial balance of central and regional government brought about fundamental changes in the relations of governmental administration and relations of financial administration in the regional-financial management. It is reflected from PP No 58 of 2005 about Management of Regional Finance, that bridged regional public interest and financial management oriented to public interest. The interest is realized by compiling regional budget based on performance budget. To support this, regional government must develop analytical standard of expenditure, standard of performance and cost.

Corruption in East Java, according to the research by Corruption Watch of Malang, in 2008, the state suffered as much amount of loss as 1.3 billion rupiah (Koran Tempo, December, 22, 2008). This amount is the accumulation of the state's loss in 20 municipalities and regencies, with the actors were the officials of activity unit of regional apparatuses (services, offices, bodies) as many as 56 percent; mayors, regents, regional secretaries as many as 44 percent; legislatives 9 percent, judiciaries 5 percent, and rural apparatuses 1 percent. The conclusion in this research indicated that corruption is part of power culture and not of public culture. To realize a good and transparent government, performance-based budgeting is used that constitutes a method of budgeting for management to relate each funding in the form of activities with expected output and result, including efficiency in achieving the result and output. Therefore this research focuses on the effectiveness in employing the performance-based budget of government in East Java, especially in Dinas Pendapatan Daerah.

STUDY OF LITERATURE

Performance Based Budgeting

In devising the performance based budgeting considers the connection between funding and output. The output underlines levels of effectiveness, efficiency and accountability, which reflect the principle of transparency. The key of performance based budgeting is at performance, that constitutes the main objective in devising the budget. A clear and transparent measurement tool is needed, therefore, in the form of performance indicators and clear targets. According to Robinson and Brumby (2005), performance based budgeting as a procedure for measuring between fund used by units of public sector and the outcome by making use of performance-formal information in the decision making of resources allocation.

The principle of performance based budgeting is the budgeting that connects budget and expected result (output). Performance based budgeting is designed to bring about efficiency, effectiveness and accountability in utilizing public budget with clear output and outcome in accordance with national priority, so that each budget used can be accountable transparently to the public. The implementation of this budgeting will also increase the quality of public service, and strengthen the impact of the service increase to the public.

Resources

Resources are the components which the entity or unit must have, to achieve its goal (Aliminsyah and Pandji, 2003). Resources are rational variables which measure relevant resources the organization has for effectiveness in utilizing the performance based budgeting (Asmadewa, 2006). Staff and fund resources are used especially for developing, collecting and assessing the performance; this will give an impact on the adoption of a performance measure (Jules and Holzer, 2001). Capable staff and available financial resources are very crucial in developing and monitoring the measure of performance (Wang, 2002).

Measuring the Performance

Performance measurement is the process of taking notes and achieving the activity implementation in the direction of mission accomplishment through results in the form of products, services or a process (Stout, 1993; in Bastian, 2006). Each activity of organization must be measured and stated its connection with vision and mission. The products and services will lose their values if the contributions supplied by the products and services are not connected with vision and mission accomplishment (Bastian, 2006). Strategic objective is realized by determining a clear program and activity, the funding and the output. A good measurement needs a system of information that capable of producing adequate information to assess the achievement of performance from each unit which is responsible for an activity.

Reward and Punishment

The implementation of performance based budgeting needs an incentive application on performance and punishment for its failure. The incentive application in public sector is not an easy way to do because the application needs to be supported by non-financial mechanism, particularly want and need for performance achievement.

Other incentives for the achievement are the increased flexibility for manager to manage public finance and the certainty of program for funding and activities. Other approach in incentive is based on the capacity an agency has in reaching a performance target. If an agency can reach a specified target, it can be granted a deeper discretion in managing the budget allocated in accordance with its capacity. This will enable every agency to go ahead and develop consistently with their capacities. Other form for increasing the performance by

way of incentive and disincentive is the application of efficiency (savings). Budget allocation for each program and activity is decreased by a specified number for saving in order to increase efficiency and service.

Output Oriented

Administration can only be controlled efficiently if the starting point in the implementation is oriented to output. But still today many countries do the control of public administration through input, it means by rationing the resources centrally. Draft of expense budget manages how much money can be expended by the administration and how they have to use the money, but there is no explanation in the budget stating clearly the performance and what product to be produced by that money and what is really expected by government from the budget.

METHOD OF RESEARCH

Data Collection and Sample Selection

Data in the research is primary data obtained by way of survey method by using questionnaire. Population in the research is the activity unit of Dinas Pendapatan Daerah in East Java, where the samples are the authorities of budget users in Dinas Pendapatan Daerah in the province of East Java and 10 UPTs.

Samples are taken by using the purposive method, or more accurately by judgment sampling to choose the member of the sample (respondents). This starts from secondary data to look for information related to the budget usage in Dinas Pendapatan Daerah in East java, to get the variable.

Technique of Data Analysis

Independent Variable

Resources (X1)

Clear reward (X2)

Firm punishment (X3)

Output Oriented (X4)

Performance measurement (X5)

Dependent Variable

Effectiveness of budget usage

ANALYTICAL RESULT AND DISCUSSION

Respondents as many as 300 samples distributed to the authorities (proxies) of the budget users at Dispenda and 10 of its UPTs. Identification of information can be obtained as follows:

Table 1. Age of Respondent

<i>Age (Year)</i>	<i>Percentage</i>
52 years old and above	14%
46 - 51	56%
36 - 45	30%
Total	100%

Table 2. Gender

<i>Sex</i>	<i>Percentage</i>
Male	67%
Female	33%
Total	100%

Table 3. Educational Level

<i>Level</i>	<i>No. of Personnel</i>	<i>Percentage</i>
S1	171	57%
S2	129	43%
Total	300	100%

Table 4. Tenure

<i>Tenure</i>	<i>No. of Personnel</i>	<i>Percentage</i>
1-5 Year	158	53%
6-10 Years	101	34%
11-15 Years	11	14%
Total	300	100%

Table 5. Respondent Distribution

<i>Respondent Location</i>	<i>Percentage</i>
Dispenda Jatim	54%
UPT Surabaya Timur	6%
UPT Surabaya Barat	6%
UPT Surabaya Selatan	6%
UPT Surabaya Utara	6%
UPT Sidoarjo	6%
UPT Mojokerto	4%
UPT Jombang	4%
UPT Gresik	4%
UPT Lamogan	3%
UPT Tuban	3%
Total	100%

Test of pearson correlation is carried out, based on data, with the results as follows:

Table 1: The Result of Validity Test

Table 1 indicates that validity value for each variable from all items of variables has value r count higher than 0,402 and value of all r count > r table, that is in the significant level 95% ($\alpha = 0,05$) and $n = 200$ has r table = 0,402. It can be said that all items of variables are valid to be used as instruments in the research.

Table 2: Results of Reliability Test

Table 2 shows that reliability value of the internal consistency for coefficient alpha of every variable is stated to be reliable because it is higher than 0,6. The value of coefficient alpha for variable (X1) is 0,923, (X2) is 0,849, (X3) is 0,846, (X4) is 0,834, (X5) is 0,862 and (Y) is 0,877. It can be concluded that the measurement item in each variable is stated to be reliable and it can be used in the research.

This analysis aims to measure the influence one or some of independent variables on one specific dependent variable. Recapitulation of multiple linear regressions will be displayed in the SPSS calculation in table as follows;

Table 3: Analysis of Multiple Linear Regressions

The equation of multiple linear regressions is as follows:

$$Y = -0,477 + 0,171X1 + 0,145X2 + 0,107X3 + 0,155X4 + 0,577X5\dots e$$

From the aforementioned equation, then value of Constanta is -0,477. It means that without influence of independent variables such as resources (X1), reward (X2), punishment (X3), output oriented (X4), performance measurement (X5), the value of dependent variable, that is effectiveness of usage of performance –based budgeting (Y2) at Dispenda Surabaya is constant -0,477. From significance, the result is $0,021 > 0,05$, it means the Constanta is significant. Value of the coefficient of regression of resources (X1) is 0,171. It means that every increase in one unit of the variable (X1) will result in increased the variable of usage of performance-based budgeting (Y) at Dispenda in East Java 0,171 with the assumption that other variables are constant.

From the significance is found $0,000 < 0,05$, which means the Constants is significant. Coefficient regression from the variable of reward is 0,145. It means every increase in one unit of reward (X2) will result in an increase in the effectiveness (Y) at Dispenda Surabaya as many as 0,145 unit with the assumption that other variables are constant. From the significance is found $0,000 < 0,05$, it means the Constants is significant. Coefficient of correlation measures the level of closeness of the relationship between independent and dependent variables. Coefficient of simoultan determination indicates percentage of effect from independent variable simultaneously on dependent variable. Table 4 presents this as follows:

Based on table4, the value of coefficient correlation (R) is 0,799 or approaches 1. It means that there is a strong relationship between independent variable which covers resources (X1), reward (X2), punishment (X3), output oriented (X4), measuring the performance (X5), value of dependent variable, that is the effectiveness of employing the performance-based budgeting (Y) at Dispenda Surabaya. And if independent variable which covers resources (X1), reward (X2), punishment (X3), output oriented (X4), measuring the performance (X) is increased, then variable of the effectiveness (Y) in Dispenda of East Java will increase as well, and vice versa.

Percentage of effect from independent variable on dependent variable indicated by coefficient simoultan determination (Rsquared) is 0,638 or 63%. It means that up and down of dependent variable, that is the effectiveness (Y) at Dispenda Surabaya is influenced by independent variables, those are resources (X1), reward (X2), punishment (X3), output oriented (X4), measuring the performance (X5) as many as 64,1%. The remaining 36% is influenced by other variables outside this research.

DISCUSSION

Calculation with test F can show hypothesis 1 that resources (X1), reward (X2), punishment (X3), output oriented (X4), measuring the performance (X5), simultaneously bring about significant effect on the effectiveness in employing the performance-based budgeting (Y) at Dispenda in East Java.

Calculation with test t can prove hypothesis 2 that that resources (X1), reward (X2), punishment (X3), output oriented (X4), measuring the performance (X5), partially bring about significant effect on the effectiveness in employing the performance-based budgeting (Y) at Dispenda in East Java.

The biggest positive effect on the effectiveness is the variable of measuring the performance (X5), with coefficient standard beta is 0,522, followed by resources (X1) 0,203, next output oriented (X4) 0,191, reward (X2) 0,179, and punishment (X3) 0,107. It can be concluded that measuring the performance (X5) is a dominant variable which has the biggest effect on the effectiveness in using performance-based budgeting.

CONCLUSION

It can be concluded that the calculation by using the test F that can show hypothesis 1 that resources (X1), reward (X2), punishment (X3), output oriented (X4), measuring the performance (X5), all together bring about significant effect on the effectiveness in employing the performance-based budgeting (Y) at Dispenda in East Java.

Calculation with test t can prove hypothesis 2 that that resources (X1), reward (X2), punishment (X3), output oriented (X4), measuring the performance (X5), partially bring about significant effect on the effectiveness in employing the performance-based budgeting (Y) at Dispenda in East Java.

Measurement of performance (X5) is a dominant variable that has the biggest effect on the effectiveness of usage of performance-based budgeting. It indicates the performance measurement is good enough because document of regional plan (plan of regional government), strategic plan, performance plan, had been equipped by measurement of performance achievement program and activity with such instrument of performance measurement as analysis of expenditure standard, minimal standard of service and standard of cost/price have been used by all users of budget, and report and accountability of performance from the authority or proxy of the users has presented the measurement quantitatively, and it has been related to the analysis of expenditure standard, minimal standard of service and cost standard.

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