Determinants of Budgeting Consistency in Local Government– A Case of Sabang Local Government Indonesia

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Abstract

This study aimed to examine the influence of human resource quality, budget politics and budget transparency for consistency of budgeting process with the leadership style as a moderating variable. The population of this study were all local government work units in (satuan kerja) Kota Sabang – Aceh. The respondents were 163 people that consist of 34 budgeting information users and 129 head of divisions and subdivisions. The data used was primary data which was collected through questionnaires. The data analysis was performed using a regression model of interaction or moderate regression analysis (MRA). The results showed that the quality of human resources, budget politics, budget transparency and leadership style has positive influence on the consistency of the budgeting process either simultaneously or partially. The leadership style partially strengthen the link between the quality of human resources, budget politics and transparency with the consistency of the budgeting preparation process.

Keywords: Government budgeting, budget politics, transparency, style leadership and budgeting process.

Introduction

Implementation of the Indonesian Government Regulation No. 8 of 2008 regarding stages, Procedures for Preparation, Control and Evaluation of the Implementation Plan for Regional Development is expected to ensure democratic, transparent, accountable, efficient and effective regional planning in governmental budgeting. In this context, consistency of proposed budget and approved can be one of the determinants of the performance of local governments. The program proposed by local government working task unit (Satuan Kerja Pemerintah Daerah) in their proposed budget, which have been designed and proposed based on the vision and mission of the local governance, might be substantially replaced by the legislative who try to align their political interest to the proposed budget.

A synchronization between the budget document proposed by SKPD and document KUA-PPAS (Kebijakan Umum Anggaran (KUA) -Prioritas Plafon Anggaran Sementara (PPAS), revised by the executives is one of budgeting step in all Indonesian local government. However, the synchronization is not easy as there is political interest negotiated between the parties. Infact, it is often found that program proposed by SKPD are shifted from one activity to another, which in turn lead to a significant difference between the budget document and the document KUA PPAS. As a result, major revision is required and thus lengthen the budgeting process.

Since 2014 Sabang local government experienced delays in its local budget revision. The delay have an impact on the lack of uptake of the budget realization for each program and activities that have been budgeted for each Work Unit (SKPD) resulting from budgeting programs and activities that are no longer in line with the planning document that has been agreed between the executive and the legislatures. The capacity of human resources that affect the synchronization of the budget document by document KUA-PPAS. This matching is performed by Amiruddin (2009), Iskandar (2013), who found the result that the quality of human resources affect the synchronization of the budget document by document KUA-PPAS.

Political budgeting has been applied from the era of the former government, the new order, for example, as disclosed by Thontowi (2007) that the regions often are not supporters of the ruling party would not be touched development, so if an area wants to forward the leaders of the area should be incorporated in the ruling political party to preserve the power of certain groups. According to (Loina 2005, p.7)
transparency is a principle that guarantees access or the freedom for everyone to obtain information about government administration, information on policies, the process of making and implementation and the results achieved, while the meaning of information is information about every aspect of government policy that are accessible to the public.

To motivate subordinates perform their responsibilities transactional leaders rely heavily on a system of rewards and punishment to his subordinates (Krishnan and Srinivas, 1998, p.4). Instead Burns (1978) states that the model of transformational leadership is essentially emphasizes a leader needs to motivate subordinates to perform their responsibilities more than they expect. A transformational leader must be able to define, communicate and articulate the vision of the organization, and subordinates must admit (Krishnan and Srinivas, 1998, p.4), so that the model of transformational leadership style will provide a strong influence on the consistency of the budget process because subordinates are motivated to achieve accordance with the planning objectives set.

This study aimed to examine the influence of human resource quality, budget politics and budget transparency for consistency of budgeting process with the leadership style as a moderating variable. Furthermore, on the literature review section ut the concept of consistency of the budget process, the notion of the quality of human resources, budgeting politics, transparency and leadership style are elaborated. Following that, research methods is presented in section four including population, analytical methods, and the operationalization of variables. While in the discussion will be explained on the hypothesis testing results and discussion of the results penlitian. In the next section will explain the conclusions, limitations and suggestions about the study.

**Literature Review**

**Consistency concept Budgetary Process**
Consistency is fit or match between programs and activities in KUA-PPAS, with programs and activities in APBK Qanun (Arnati, 2010). It aims to implement the cornerstone of the regulation on budgeting mechanism that has been set in a number of laws and regulations.

**Quality Human Resources.**
According to Schultz (1961), founder of the theory or concept of basic human capital (human capital concept), considers that human capital is a form that is reflected in the form of knowledge, ideas (ideas), creativity, skills and productivity of labor. The quality of human resources according to Rucky (2003, p.57) is the level of knowledge, ability, and willingness can be shown by human resources. The rate was compared to the level required from time to time by the organization that has human resources stretcher.

**Politics Budgeting**
Political according to Hague et.al (1998) is the political activities regarding how groups reach a decision that is collective and tying in with the attempts to reconcile the differences between the member-member. Based on the explanation of the concept of political and budgeting it is the politics of budgeting is how to achieve the goal of a collective nature and binding through power, decision making, public policy, allocation and distribution of the translation process planning activities into the financial plan (Arnati et al., 2010 ).

**Transparency**
Transparency can be defined as the implementation of tasks and activities that guarantee access or the freedom for everyone to obtain information about government administration. Information about the policy-making process and implementation and the results achieved can be accessed or obtained by people with a good and open (Mardiasmo, 2002). Sumarsono (2003) defines transparency as the openness of government policy making local fiscal policy, so that it can be seen and monitored by the legislature and the public. Transparency of financial pengeloalan area will eventually create horizontal accountability between local governments and their communities, so as to create local government that is clean, effective, efficient, accountable and responsive to the aspirations and interests of the community.

**Leadership style**
Burns (1978) states that the model of transformational leadership is essentially emphasizes a leader needs to motivate subordinates to perform their responsibilities more than they expect. A transformational leader must be able to define, communicate and articulate the vision of the organization, and subordinates must accept and recognize the credibility of its leaders. Bass and Avolio
(1994) states that the transformational leader is the charismatic leader of character and has a strategic role in bringing members and the organization achieve its objectives.

Following are the hypotheses that tested in this study:
Ha(1): The Influence of Quality of Human Resources, Political Budgeting, transparency and consistency of leadership style for the Budgetary Process
Ha(2): The Influence of Quality of Human Resources for the Budgetary Process Consistency
Ha(3): The influence of Budget politics for the Budgetary Process Consistency
Ha(4): The Influence of transparency for the Budgetary Process Consistency
Ha(5): The Influence of Leadership Style for the Budgetary Process Consistency
Ha(6): The Leadership Style strengthen the Relationship between the Quality of Human Resources and the Budgetary Process Consistency
Ha(7): The Leadership Style strengthen the Relationship between Political Budgeting and the Budgetary Process Consistency
Ha(8): The Leadership Style strengthen the Relationship between the Consistency Transparency and Budgetary Process Consistency

Research Method
The population in this study are all SKPD which includes offices, departments, and agencies that exist in the City of Sabang which consists of 34 SKPD. The respondents were 163 people that consist of 34 budgeting information users and 129 head of divisions and subdivisions. The data used was primary data which was collected through questionnaires. The data analysis was performed using a regression model of interaction or moderate regression analysis (MRA). The regression equation of interaction or Moderate Regression Analysis (MRA) is as follows:

\[ Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_1X_4 + \beta_6X_2X_4 + \beta_7X_3X_4 + \epsilon \]

\[ Y = \text{Budgetary Process Consistency} \]
\[ X_1 = \text{Quality human resources} \]
\[ X_2 = \text{Politics budgeting} \]
\[ X_3 = \text{Transperancy} \]
\[ X_4 = \text{Leadership Style} \]
\[ \alpha = \text{Constants} \]
\[ \beta_{1,2,3,4} = \text{The regression coefficient} \]
\[ \epsilon = \text{error term} \]

In this study, researchers used the independent variables and the dependent variable. The independent variables consist of the quality of human resources (X1), political budgeting (X2), transparency (X3), and the style of leadership as a moderating (X4) while the dependent variable is the consistency of the budget process (Y).

To test the effect of independent variables X1 is the quality of human resources, X2 is political budgeting, X3 yaitu transparency, and X4 is the style of leadership both simultaneously and partially on the dependent variable (Y) is the consistency of the budget process, to test the quality of the data that is test validity, reliability test, test the classical assumption of normality test, heterokedatisitas and multicolinearity test.

Result and discussions
Results of testing the hypothesis
Results of testing the hypothesis by using SPSS program can be seen in Table .1

<table>
<thead>
<tr>
<th>Model</th>
<th>Standardized Coefficient</th>
<th>Std. Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>1.138</td>
<td>14.124</td>
</tr>
<tr>
<td>Quality human resources</td>
<td>0.712</td>
<td>4.607</td>
</tr>
<tr>
<td>Budget politic</td>
<td>0.827</td>
<td>2.901</td>
</tr>
<tr>
<td>Transparency</td>
<td>0.661</td>
<td>3.859</td>
</tr>
</tbody>
</table>
Based on Table 1, can be obtained by multiple linear regression equation as follows:

$$Y = 1.138 + 0.712X_1 + 0.827X_2 + 0.661X_3 + 0.487X_4 + 0.419X_1X_4 + 0.790X_2X_4 + 0.509X_3X_4 + \epsilon$$

Correlation coefficient (R) 0.483
Determination coefficient (R²) 0.711

The results of the research hypothesis testing constant value of 1.138, then from the regression equation in the table 1 can be seen the following results:

1. The correlation coefficient (R) of 0.843 indicates the degree of relationship (correlation) between the independent variable on the dependent variable amounted to 84.3.
2. The coefficient of determination (R²) of 0.711, indicating that variations (changes) that occur in the consistency of the budget process variable (Y) by 71.1% due to the changes that occur together on the variable quality of human resources, political budgeting, transparency and leadership style.

The test results together indicate the regression coefficient (β) of each variable is 0.712 to the variable quality of human resources (β1), 0.827 to budget politic (β2), 0.661 for variable transparency (β3), and 0.487 for the variable force leadership (β4). Determining hypotheses mentioned if at least one βi > 0 (i = 1,2,3,4): Ha accepted, meaning that the quality of human resources, budgeting politics, transparency and leadership style together positive effect on the consistency of the process of drafting budget.

The test results showed the regression coefficient (β1) to the variable quality of human resources is equal to 0.712 This means that any increase in the variable quality of human resources at one point, the consistency of the budget process would increase by 0.712. Determining hypotheses mentioned if β1 > 0: Ha2 accepted, meaning that the quality of human resources positively affects the consistency of the budgeting process.

The test results showed the regression coefficient (β2) for political variables budgeting amounted to 0.827 This means that any increase in political variables budgeting at one point, the consistency of the budget process would increase by 0.827. Determining hypotheses mentioned if β2 > 0: Ha3 accepted, meaning budget politics has a positive effect on the consistency of the budget process.

The test results showed the regression coefficient (β3) for variable transparency amounted to 0.661 this means that any increase in the variable transparency of the figures, the consistency of the budget process will be increased by 0.661. Determining hypotheses mentioned if β3 > 0: Ha4 accepted, meaning transparency has a positive influence on the consistency of the budgeting process.

The test results showed the regression coefficient (β4) for leadership style variable is equal to 0.487 this means that any increase in the leadership style variable at one point, the consistency of the budget process will be increased by 0.487. Determining hypotheses mentioned if β4 > 0: Ha5 accepted, meaning that leadership style has positive influence on the consistency of the budget process.

The test results showed the regression coefficient (β5) for leadership style variable is equal to 0.419, this means that any increase in the leadership style variable at one point it weaken the relationship between the quality of human resources with the consistency of the budget process would increase by 0.419 units. Determining hypotheses mentioned if β5 < β1: Ha6 is rejected, meaning that the leadership style weaken the relationship between the quality of human resources with the consistency of the budget preparation process.

The test results showed the regression coefficient (β6) for leadership style variable is equal to 0.790, this means that any increase in the leadership style variable at one point it will weaken the relationship between politics budgeting with budgeting process consistency of 0.790 units. Determining hypotheses mentioned if β6 < β2: Ha7 is rejected, meaning that the style of leadership to weaken the relationship between budget politics with the consistency of the budget preparation process.
The test results showed the regression coefficient (β7) for leadership style variable is equal to 0.509, this means that any increase in the leadership style variable at one point it will weaken the relationship between transparency with the consistency of the budget process at 0.509 units. Determining hypotheses mentioned if β7<β3: Ha8 is rejected, meaning that the style of leadership to weaken the relationship between transparency with the consistency of the budget preparation process.

The test results together indicate that there are significant human resources, budgeting politics, transparency and leadership style on the success in maintaining the consistency of the budget process in the Environment Government of Sabang. This means that the consistency of the budget process in the Environment Government of Sabang can be achieved if SKPK of Sabang has the human resources quality, political budgeting balanced, transparency in the process of planning and budgeting and leadership style of leadership that is transformational.

Moreover, to improve the quality of human resources in every SKPK, Sabang City Government always include employee to attend training and courses on planning and budgeting. So with the qualified human resources are expected in the budgeting process will always be consistent. It can be seen during the deliberation process KUA PPAS legislative party was instrumental in changing the programs and activities that have been discussed in Musrenbang ranging from district level up to Musrenbang city. Likewise, during the discussion on the draft APBK, the legislature also was instrumental in approving or rejecting programs and activities that have been listed in the planning document that PPAS KUA document if it is not consistent with the objectives of the programs and activities that have been planned.

The application of transparency in the budgeting process can be run with either the City Government Sabang will be consistent in the budgeting process, this is a form of accountability from the Government of Sabang in implementing programs and activities in accordance with the objectives that have been planned so that programs and activities can be carried out effectively and efficient. Accountability becomes a logical consequence of the relationship between the agent and the principal. In terms of agency theory, it can be stated that the surveillance conducted by the legislature on the budget implemented by the executive which is a mechanism to reduce the asymmetry of information or reduce uncertainty.

The charismatic leader will generate pride and confidence for subordinates by giving that inspires motivation in achieving organizational goals, and provide intellectual stimulation by generating new ideas, provide solutions to the problems faced. Thus, consistency in the budgeting process will remain intact. SKPK head as users of the budget in Sabang City Government Environmental implementing transformational leadership style is not too much, this was due to a limited budget for educational activities and leadership training for Echelon II, III and IV. Most of the activity budget allocated for capital expenditures and other spending on goods and services that are consumable and social assistance expenditure and grants.

Leadership styles in Sabang City Government Environmental less supportive of improving the quality of human resources due to the limited budget that comes to training and courses. The budget allocation largely allocated to activities that are allocated to the physical and social activities. The results of this study do not agree with the research conducted by Nurmandi (2006), which states that leadership is a significant factor in conducting a series of innovations in the field of governance, especially innovations in the process of planning and budgeting in order to plan programs and activities conceived just repeat the year previous.

The head SKPK as the budget and staff have not been able to sustain the argument about the objectives to be achieved in programs and activities that have been planned. Besides less able to sustain the argument about the program and activities, some head SKPK also received the intervention of the legislature in determining the programs and activities that will be proposed in the document planning and budgeting, and no part of the head SKPK who filed the programs and activities without the knowledge of the Budget Team Municipal Government Sabang personal interests and certain groups.

In every organization both private and public transparency as just a slogan to gain public support, but behind all of that transparency is actually just an accessory (support) program as a support for the public interest itself. Due to the fact none of the leaders who are ready to openly discuss the conditions of his government (except for matters relating to the safety of the state, the rights of private and confidential positions).
Conclusions
The conclusions of this study is the quality of human resources, political budgeting, transparency and leadership style affect the consistency of the budget process, the quality of human resources affect the consistency of the budget process, political budgeting affect the consistency of the budget process, transparency affect the consistency of the process budgeting, leadership style affect the consistency of the budget process, the leadership style strengthen the relationship between the quality of human resources with the consistency of the budget process, the leadership style strengthen the relationship between politics budgeting with the consistency of the budget process, the leadership style strengthen the relationship between the transparency of the consistency of the process of drafting budget. Further limitation of the study is the conclusion drawn based only on data collected through questionnaires, leading to problems if the respondent's answer is different from the actual state. While suggestions for research on the consistency is not only limited to the suitability of the programs and activities as well as the number of programs and activities but to how the results of the program's goals and activities that have been determined to be useful, so it is necessary to study more in-depth about the consistency of the budget process by adding another variable such as process planning, commitment SKPD, and supervision inherent supposed to influence the consistency of the budget process. It can also complement the study with implications for the consistency of the budget process.

References