The effect of good governance on the success of the implementation of performance-based budgeting in Balai Besar Pelaksanaan Jalan Nasional V Surabaya

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A R T I C L E   I N F O

A B S T R A C T

This study aims to see the effect of good governance on the success of the implementation of performance-based budgeting. Type of data used in this research is primary data in the form of questionnaires. The sampling technique in this study uses non probability sampling in the form of convenience sampling. The results show that the variable of rule of law affects the success of the implementation of performance-based budgeting; the variable of accountability, transparency and participation affects the success of the implementation of performance-based budgeting; the variable of technical and managerial competence of employees affects the success of the implementation of performance-based budgeting; the variable of organizational capacity affects the success of the implementation of performance-based budgeting, while the variable of information technology does not affect the success of the implementation of performance-based budgeting.

A B S T R A K

Penelitian ini bertujuan untuk mengetahui pengaruh good governance terhadap keberhasilan pelaksanaan anggaran berbasis kinerja. Jenis data yang digunakan dalam penelitian ini adalah data primer berupa kuesioner. Teknik pengambilan sampel dalam penelitian ini menggunakan nonprobability sampling jenis convenience sampling. Hasil penelitian menunjukkan bahwa variabel rule of law mempengaruhi keberhasilan pelaksanaan anggaran berbasis kinerja; variabel akuntabilitas, transparansi dan partisipasi mempengaruhi keberhasilan pelaksanaan anggaran berbasis kinerja; variabel kompetensi teknis dan manajerial karyawan mempengaruhi keberhasilan pelaksanaan anggaran berbasis kinerja; variabel kapasitas organisasi mempengaruhi keberhasilan pelaksanaan anggaran berbasis kinerja, sedangkan variabel teknologi informasi tidak mempengaruhi keberhasilan pelaksanaan anggaran berbasis kinerja.

1. INTRODUCTION

The 1998 state reform has prompted the government to be more transparent and free from corruption, collusion, and nepotism. The accountability of adequate, relevant, and good state finance is a requisite for the reform process. Nevertheless, the most important thing is the growth of public trust on government financial management.

The implementation of performance-based budgeting will support the budget allocation to priority programs and activities. Performance-based budgeting will be reflected in the budget plan of the ministry/agency. The adoption of performance-based budgeting in the planning level of work unit of ministry/agency experiences a lot of problems of having to change the patterns of both thought and work that have long been implemented, so that it requires adjustment process of the preparation of performance-based budgeting in accordance with the new regulations.

One of the efforts to achieve transparency and accountability of the government financial management is to prepare the government's financial accountability reports that meet the principle of

timeliness and follow the government accounting standards. The demand of good governance implementation is natural and reasonable action and should be responded by the government by making changes aimed at the realization of good governance, which is supposed to able to improve the quality of public services in order to be more efficient and responsive to the needs, potential and characteristics.

Accountability is one of the basic elements of good governance which are currently being pursued in Indonesia. The government is required to report the results of the programs that have been implemented so that people can judge whether the government has been working economically, efficiently, and effectively. The government, implementing the mandate of the people in the form of financial management, is required to be transparent and accountable in presenting the reports. The transparency of fiscal and financial information must be relevant and easy to understand. Every person has the right to be involved in decision making at every activity of government administration that may be called as participation. Participation is the key to success because it involves aspects of monitoring and aspirations.

Based on the background of the problem above, it can be formulated: do the principles of good governance affect the success of the implementation of performance-based budgeting? The objective of this study is to determine the effect of the application of good governance principles on the success of the implementation of performance-based budgeting of the agencies.

2. THEORETICAL FRAMEWORK AND HYPOTHESIS
Agency Theory
In the agency theory, Jensen and Meckling (1976) said that agency relationship occurs when one or more persons (the principal) binds other person (the agent) to provide services and delegates his authority to the person in decision making. The principal (shareholders) want the agent (manager) to run and maximize the company value. If the manager is authorized to run the company, he will have more information about the development of the company than the shareholders.

According to Scott (2000), agency theory concept is a relationship or contract between principal and agent, where the principal is the party who employs an agent to perform tasks for the interest of the principal, while the agent is a party who runs the interest of the principal.

Agency theory, in this study, describes the relationship between the head of Balai Besar Pelaksanaan Jalan Nasional V, as a principal, and the general assistant of work unit, as an agent. There is also a positive conflict in the agency theory in which the principal is responsible for the success of the program under his coordination in order to achieve the ministry's strategic plan objectives and ensure the achievement of outcomes set out in the budget implementation checklist, while the agent executes the annual improvement of road and infrastructure in the period of three to five years and the results must be reported to the principal monthly in the form of accountability realization report.

Budget
Gunawan and Marwan (2011: 6), argue that budget which is widely used is a business budget. Business budget is a formal and systematic approach of the management implementation in the planning, coordination and supervision. Formal approach means that the business budget is prepared deliberately and earnestly. Systematic means sequentially based on logic. While coordination and supervision should reflect the decisions taken by the manager.

For the government, budget is a very important planning, among others are as an authorization of implementation, a means of supervision, a control device, and the accountability of the government. The budget prepared by the government is the realization of annual development planning as well as the guidelines of the implementation of state duties during one year.

Performance-Based Budgeting
Herry (2013) argues that performance-based budgeting is an approach in the budgeting system that takes into account the link between funding and expected performance, and pays attention to the efficiency in the achievement of such performance. Based on the understanding, it can be concluded that budgeting requires work plan preparations and good performance accountability system.

The main principle of performance-based budgeting at the level of ministry/agency is the existence of clear linkage among the policies contained in the planning documents, that is the Work Plan and Budget of the ministry or agency run by the ministry or agency based on the duties and functions which are reflected in the organizational structure of ministry or agency that contains components of activities to achieve the outputs with measurable performance indicators.

Good Governance

According to Yusuf Wanandi (1998) in Rosidi (2001: 142), good governance is a power which is based on the laws and regulations in force, all policies taken are in transparent manner, and accountable to the public. According to Mardiasmo (2002: 18), good governance can be defined as a way of managing public affairs.

Good governance is a mechanism that is required to be applied in a government to create a balanced government, between government and society.

Good Governance Principles
Rule Of Law

According to Mardiasmo (2002: 18) rule of law is a fair legal framework and is implemented indiscriminately. One of the key elements in the implementation of good governance is the change in the principles and flexibility of governance. Government regulation refers to the government efforts to control the behavior of the public, corporate, or government. The regulation includes economic, social, and administrative regulations. Regulatory reform aims at improving the quality of regulation to improve performance, to lower costs, and to obtain alternative policy tools.

Accauntability, Transparency, and Participation

Muindro (2012: 14) said that public accountability is the obligation of a fiduciary (agent) to provide accountability, to present report and to disclose all activities that become his responsibility to principal (the party who gave the mandate) who has the right and authority to ask for the accountability. Transparency is built on the basis of freedom of information relating to the public interest that can be obtained directly by those in need. Participation is the society involvement in decision-making, either directly or indirectly through representative institutions that can channel their aspirations. Increased public accountability should take into account non-financial resource assessment. An assessment which is focused only on the financial aspects causes the failure in the fulfillment of the public sector accountability. On the other hand, effective public participation can improve accountability and transparency.

Technical and Managerial Competence of Employees

Spencer in Moeheriono (2012: 5) states that competence is the underlying characteristics of a person related to the work effectiveness of the individual in his job or the basic characteristics of an individual who has a causal relationship with the referenced criteria and effective in the workplace or in certain situations. In order to achieve the objectives, leaders and employees are required to have skill, such as technical skill which includes the ability to apply specialized knowledge or expertise.

The implementation of performance-based budgeting requires a certain technical ability. The requirements of specific technical expertise are related to the need to gather information and provide the availability of databases that are publicly available in a format that is appropriate for the variety of users.

Organizational Capacity

To be able to work effectively within the organization, managers must have a clear understanding of the organizational structure. According to Herman and Iwa (2007: 22), organizational structure is a formal pattern of activities and relationships among the various subunits within the organization. The purpose of the management reform of public sector is to create and improve the effectiveness of the governance structures and procedures by formulating and implementing programs and policies that have been developed.

Information Technology

The main factor affecting the success of the implementation is a technology, covering the suitability of the new system with the existing systems and the development of systems to existing systems such as timeliness. An organization, with higher quality information systems, can implement a new measurement system more easily than the organization with less good information systems. Computerization affects work productivity and improves the quality of the workers' performance.

Research Hypothesis

Based on the problem formulation and theoretical basis that can be summarized in Figure 1, the hypotheses that can be formulated are as follows:
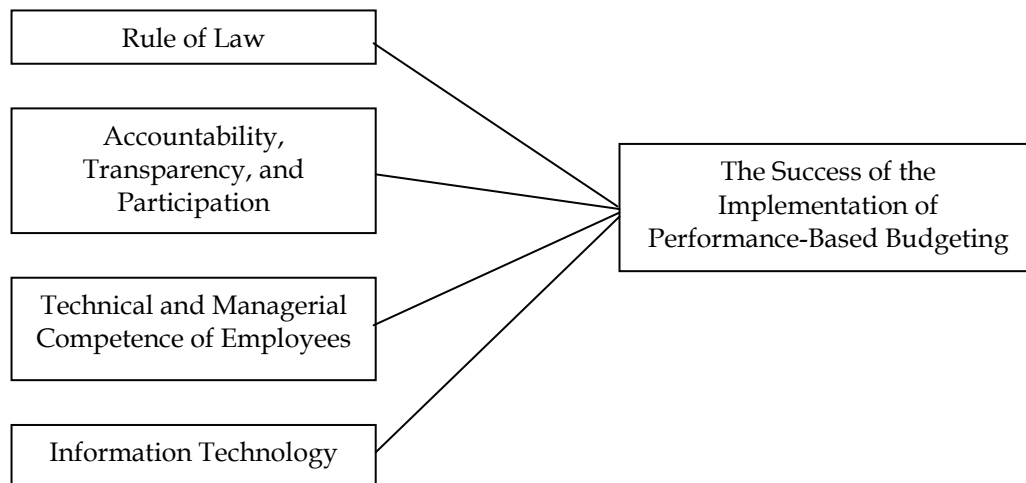
H1: rule of law affects the success of the implementation of performance-based budgeting.

H2: Accountablity, transparency, and participation affect the success of the implementation of performance-based budgeting.

H3: Technical and managerial competence of employees affect the success of the implementation of performance-based budgeting.

H4: Organizational capacity affects the success of the implementation of performance-based budgeting.

Figure 1
Research Framework

Source : Researchers.

H5: Information technology affects the success of the implementation of performance-based budgeting.

RESEARCH METHOD
Research Design
Based on the type of data, this research is using primary data. According to Jonathan (2006: 16), primary research requires data or information from the first source, usually referred to as the respondent. The data and information are obtained through written questions, using questionnaire and oral interview. Judging from the various aspects, this research is a descriptive research type. Descriptive research is conducted to determine and is able to explain the characteristics of the variables studied in an organization.

Variable Identification
The researchers use two types of variables, they are:
1. Independent Variable is good governance principles that consist of:
   a. *Rule of law* (X1)
   b. Accountabity, transparency, participation (X2)
   a. Technical and managerial competence of employees (X3)
   b. Organizational capacity (X4)
   c. Information technology (X5)
2. Dependent Variable is the success of the implementation of performance-based budgeting (Y)

Operational Definition and Variable Measurement
This variable is measured using six questions with the Likert scale which is scored from one to five (from strongly disagree, disagree, doubt, agree, and strongly agree). The questions raised are those as

developed by Sriharioto and Ratna Wardhani (2012).

Independent Variables
Rule of law
Rule of law is one of the variables that affect the success of the implementation of performance-based budgeting that includes, budget execution rules, penalty for the poor budget performance, and operational procedures for the budget implementation.

Accountability, Transparency, and Participation
Accountability, transparency, and participation are the variable that affects the success of the implementation of performance-based budgeting which includes the socialization of the budget implementation regulations, monitoring (auditing) of budget implementation, monitoring of the implementation of budget by the society, external audit by independent party, reporting of cash planning, reconciliation of budget realization reporting.

Technical and Managerial Competence of Employees
Technical and managerial competence of employees is the variable that affects the success of the implementation of performance-based budgeting which includes, education and skills, work achievement incentives, an explanation regarding the job description, willingness to work overtime, pride in being part of the budget emplementing staff, and an explanation of vision and mission.

Organizational Capacity
Organizational capacity is the variable that affects the success of the implementation of performance-

based budgeting which includes organizational structure, work program priorities, the performance of leader/manager in increasing sense of responsibility for work tasks and able to build unity among employees, and the opportunity to improve intellectual abilities.

Information Technology

Information technology is the variable that affects the success of the implementation of performance-based budgeting which includes changes in information technology system, such as the website of DG Treasury which provides relevant information, and the use of sofware application related to the implementation of the budget.

Dependent Variable

The success of the implementation of performance-based budgeting is measured through activities and outputs, high participation of staff, staff understanding, database systems, periodic reporting, and performance information.

Population, Sample, and Sampling Technique

The population in this study is *Balai Besar Pelaksanaan Jalan Nasional V Surabaya*. The sampling technique is using non-probability sampling. According to Sugiyono (2007: 118), non-probability sampling is a sampling technique that does not provide the same opportunities to each element (member) of the population to be selected as the member of the sample. The sampling technique is using convenience sampling, from the members of the population who are willing to provide the information needed by researchers.

Method of Data Collection

The data used in this study is primary data in the form of questionnaire. The data is collected by distributing questionnaires and observations in Balai Besar Pelaksanaan Jalan Nasional V.

Data Analysis Technique

Data analysis technique in this study is based on the data obtained and collected and then analyzed. The steps of data analysis in this study are:
1. Descriptive Analysis
   Descriptive statistics are used to analyze the data by describing the data collected.
2. Regression Analysis
   Regression analysis not only measures the strength of the relationship between two or more variables, but also shows the direction of the relationship between dependent variable

and independent variable. The general equation for multiple regressions is:

$$Y = a + b1X1 + b2X2 + b3X3 + b4X4 + b5X5. \quad (1)$$

4. DATA ANALYSIS AND DISCUSSION

Based on the characteristics of the respondents, it shows that: the age of employees in the finance section of Balai Besar Pelaksanaan Jalan Nasional V Surabaya is from twenty to forty years. In aducation, the majority of respondents are university graduates (stratum 1). While in terms of work experience, the average work experience is from one to five years.

Classical Assumption Test

Based on the result of classical assumption test, it shows that: there is no multicollinearity with VIF value less than 10, there is no heteroscedasticity with significance level more than 0.05, and the normality test indicates that the residual data has normal distribution of the value of the Kolmogorov Smirnov 1,019 more than 5%.

Multiple Linear Regression Analysis

The result of multiple linear regression analysis equation is:
$Y = 0.222 + 0.146X_1 + 0.234X_2 + 0.156X_3 + 0.316X_4 + 0.111X_5 + e$

Based on the result of F test, it shows that the value of F_{count} is 70.773 with the significance level less than 5%, or 0.000. It means that the variables of rule of law (X_1), accountability, transparency, and participation (X_2), technical and managerial competence of employees (X_3), organizational capacity (X_4), and information technology (X_5) simultaneously have significant effect on the success of the implementation of performance-based budgeting (Y). While the coefficient value of determination (R Square) is 0.918, which means that rule of law (X_1), accountability, transparency, and participation (X_2), technical and managerial competence of employees (X_3), organizational capacity (X_4,), and information tecnology (X_5) are able to explain the variable of the success of the implementation of performance-based budgeting (Y) as much as 91.8% and the rest of 8.2% is explained by other variables which are not discussed in this study.

Based on the result of t test (test of effect), it shows that each independent variable produces significance level less than 0.05. Thus, it can be concluded that variables of rule of law (X_1), accountability, transparency and participation (X_2), technical and managerial competence of employees (X_3), organizational capacity (X_4) partially have signifi-

cant effect on the success of the implementation of performance-based budgeting (Y). While variable of information technology (X_5) partially has no significant effect on the success of the implementation of performance-based budgeting (Y) because its level of significance is more than 0.05.

Discussion

The results of this study prove that the principles of good governance: rule of law; accountability, transparency, and participation; technical and managerial compentence of employees; organizational capacity; and information technology simultaneously have significant effect on the success of the implementation of performance-based budgeting. This means that good and relevant implementation of the principles of good governance will affect the success of the implementation of performance-based budgeting.

In addition to the principles of good governance, there are still other factors that affect the success of the implementation of performance-based budgeting in Balai Besar Pelaksnaan Jalan Nasional V Surabaya. It is still characterized by many other factors that also affect the success of the implementation of performance-based budgeting.

The results show that the principles of good governance: rule of law; accountability, transparency, and participation; technical and managerial competence of employees; organizational capacity; and information technology affect the success of the implementation of performance-based budgeting. The summary is as folows:

Rule of Law

Rule of law affects the success of the implementation of performance-based budgeting. This means that the regulations on the implementation of budget, punishment for poor budget performance, and operational procedures for the budget have been going well in Balai Besar Pelaksanaan Jalan Nasional V. This result is consistent with the research conducted by Sriharioto and Ratna (2012) that concluded that when rules are made clearly, concisely, and easily understood and implemented, they will have positive effect on the improvement of the implementation of performance-based budgeting and cost efficiency of the use of government funds.

Accountability, Transparency, and Participation

The result of hypothesis testing indicates that accountability, transparency, and participation affect the success of the implementation of performance-

based budgeting. This means that the socialization of the reguations on the budget implementation, supervision of budget implementation, external audits by independent parties, reporting of cash planning, and reconciliation of budget realization reporting have been implemented very well in *Balai Besar Pelaksanaan Jalan Nasional V* Surabaya. This is in contrast to the research conducted by Sriharioto and Ratna (2012) that was not able to prove the effect of the application of the principles of good governance; accountability, transparency, and participation, on the success of the implementation of performance-based budgeting in the unit of ministry/agency. The reason for the inability to prove the hypothesis is due to the lateness of the socialization of new regulations, the delay in reconciliation of reporting, and indecision in the reconciliation of budget absorption.

Technical and Managerial Competence of Employees

The result of hypothesis testing indicates that technical and managerial competence of employees affect the success of the implementation of performance-based budgeting. This means that education and skills, incentives for work performance, explanations of the leaders related to the job description, the leader's willingness to work overtime to finish the job, pride being part of budget implementing staff, and the explanation of the vision and mission in Balai Besar Pelaksanaan Jalan Nasional V Surabaya have been running properly. This is in contrast to the research conducted by Sriharioto and Ratna (2012) that was not able to prove the effect of the application of the principles of good governance; technical and managerial competence of employees, on the success of the implementation of performance-based budgeting in the unit of ministry/agency. The reason for inability to prove this hypothesis is due to the lack of technical competence of employees, incentives on job performance and leadership commitment. These resulted in low employee productivity.

Organiational Capacity

The result of hypothesis testing indicates that organizatioanl capacity affects the success of the implementation of performance-based budgeting. This means that structure of organization, priority of work program, the leader's performance in improving the sense of responsibility for the duties of the employees, the leader's capability of building unity among the employees, and the employees' opportunities to develop their intelectual abilities,

have been running very well in *Balai Besar Pelaksanaan Jalan Nasional V Surabaya*. This is in contrast to the research conducted by Sriharioto dan Ratna (2012) that was not able to prove the efffect of the implementation of good governance; organizational capacity, on the success of the implementation of performance-based budgeting in the unit of ministry/agency. The reason for the inability to prove the hypothesis is due to the lack of organizational and managerial support to give the opportunities for the employees to improve their ability. Thus, it is lowering the sense of responsibility to the job they handle.

Information Technology
The result of hypothesis testing indicates that information technology does not affect the success of the implementation of performance-based budgeting. This means that the changes in information system technology; the website related to the budget implementation and the application of software are less used *in Balai Besar Pelaksanaan Jalan Nasional V*. The application of software has been done in *Balai Besar Pelaksanaan Jalan Nasional V* approximately since 2003.

One of the efforts made by the government to support public involvement in the program and the implementation of the development is by providing public information facility through the website. This is in line with the government's commitment associated with the development of e-Government, as embodied in Presidential Instruction No. 3/2003 on National Policy and Strategy on the Development of e-Government. The development of e-Government is an effort to develop electronic-based governance implementation in order to improve the quality of public services effectively and efficiently.

At the beginning of the use of information technology in Balai Besar Pelaksanaan Jalan Nasional V Surabaya, with the socialization of the use of information technology systems organized by DG Budget, in the socialization process, the participants are given the data files to be installed on each computer. This socialization process is done only once, except when there is a new application, then there will be other new socialization.

There are three types of software applications used in Balai Besar Pelaksanaan Jalan Nasional V, they are GPP application, SAKPA applications, and e-monitoring applications. SAKPA applications and e-monitoring applications are used by all work units in Balai Besar Pelaksanaan Jalan Nasional V, but the GPP application is only used in the office of

Balai Besar Pelaksanaan Jalan Nasional V. As a whole, this application has no shortage because this application is always updated every year.

One cause that makes information technology has no significant efffect on the success of the implementation of performance-based budgeting is the financial officers who do not understand the intent of the questions and the difficulty in using the software appication which has been updated, so that it trigers the inability of the information tecnology to affect the success of the implementation of performance-based budgeting. This is in contrast to the research conducted by Sriharioto and Ratna (2012) that provided evidence that the application of the principles of good governance: information technology has significant effect on the success of the implementation of performance-based budgeting. This means that the use of a new and good information system will improve the performance of the work unit of ministries/agencies in the management of performance-based budgeting.

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS
Based on the results of multiple linear regression analysis, the conclusions that can be drawn are (1) Rule of law has positive and significant effect on the success of the implementation of performance-based budgeting, so the first hypothesis is verified ; (2) Accountability, transparency, and participation have positive and significant effect on the success of the implementation of performance-based budgeting, so the second hypothesis is verified; (3) Technical and managerial competence of employees have positive and significant effect on the success of the implementation of performance-based budgeting, so the third hypothesis is verified; (4) The organizational capacity has positive and significant effect on the success of the implementation of performance-based budgeting, so the fourth hypothesis is verified; (5) Information technology does not have significant effect on the success of the implementation of performance-based budgeting, so the fifth hypothesis is not verified.

Considering the conclusions of this study, the writers are fully aware of the weaknesses and limitations that still need to be addressed and require more attention, such as: this study involved only six work units in Balai Besar Pelaksanaan Jalan Nasional V Surabaya; this study does not use slovin formula in determining the sample; in the reliability test, there is one question that is not valid, that is the third question of the variables of accountability, transparency, and participation.

Based on the discussion and conclusions of the results of multiple linear regression analysis, the suggestions that can be put forward for future research are to extend the range of population, to add other variables in addition to the rule of law, accountability, transparency, and participation, technical and managerial competence of employees, organizational capacity, and information technology, and to involve more respondents in the wider scope of work units, so that the results produced would be more comprehensive.

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