

The Effect Of Budget Quality On The Effectiveness And Budget Execution: A Knowledge Regarding Budgeting As A Moderating Variable (An Empirical Study at the Harbor Master Division Class II Office of Tulehu)

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Abstract: This study aimed to determine the effect of budget quality on the effectiveness of budget execution at the Harbor Master Division Class II Office of Tulehu and to determine the effect of knowledge regarding budgeting as a moderating variable on the relationship between influential budget quality and effectiveness of budget execution at the Harbor Master Division Class II Office of Tulehu. This research used the associative method. Based on the study's results, budget quality had a significant and positive effect on the effectiveness of budget execution, and knowledge of budgets could not moderate the relationship between budget quality and budget execution effectiveness at the Harbor Master Division Class II of Tulehu.

Keywords: Effect Of Budget Quality On The Effectiveness And Budget Execution: A Knowledge Regarding Budgeting.

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I. INTRODUCTION

The role of budget is important in an organization. Budget is a financial plan arranged systematically to support an organization's programs. Society demands transparency and public accountability, and every government organization improves and enhances its performance to be more oriented towards creating good public and good governance (Tamasoleng, 2015).

Budget is the most important thing for the continuity of an organization, both private and government-owned (government agencies or ministries). Budget has dimensions as a planning and control tool. As a planning tool, the budget can evaluate the realization in a certain period (monthly, quarterly and annually). At the same time, as a control tool, the budget is expected to be used as a benchmark for continuously controlling activities.

The Harbor Master Division Class II of Tulehu is a government agency that manages State finances obtained from Non-Tax State Revenue and is under the Regional Directorate General of Sea Transportation. Generally, the duties of the Harbor Master Division Class II Office of Tulehu are to manage, control, supervise, and safety of harbors, as well as provide and/or service to harbors that have not yet been operated commercially.

Furthermore, below is a comparison of the absorption of budget realization from 2019 to 2021, presented in the following table Realizing the Budget Execution at the Harbor Master Division Class II Office of Tulehu

Year 2019 – 2021

Table 1. Realizing the Budget Execution at the Harbor Master Division Class II Office of Tulehu
 Year 2019 - 2021

Year	Unit	Budget (IDR)	Realization	
			Rp	%
2019	Employee Expenditure	3,052,064,000	2,931,955,365	96.06
	Material Expenditure	2,816,986,000	2,646,398,020	93.94
	Capital Expenditure	31,730,082,000	31,706,549,022	99.93
	Total	37,599,132,000	37,284,902,407	99.16

2020	Employee Expenditure	2,869,470,000	2,737,281,920	95.39
	Material Expenditure	2,536,504,000	2,325,025,600	91.66
	Capital Expenditure	2,718,861,000	2,350,473,000	86.45
	Total	8,124,835,000	7,412,780,520	91.24
2021	Employee Expenditure	2,901,638,000	2,858,603,927	98.52
	Material Expenditure	2,503,660,000	2,463,181,550	98.38
	Capital Expenditure	11,361,375,000	11,361,315,000	100
	Total	16,766,673,000	16,683,100,477	99.50

Source: The Harbor Master Division Class II of Tulehu (2022)

Research Objective

This study aims to:

1. Determine the effect of budget quality on the budget execution effectiveness at the Harbor Master Division Class II of Tulehu.
2. Determine the effect of knowledge regarding budgeting as a moderating variable on the relationship between the influential budget quality and the budget execution effectiveness at the Harbor Master Division Class II of Tulehu.

II. THEORETICAL FRAMEWORK

Budget is one of the important things to guarantee that an organization's strategies and programs run effectively and efficiently. It is the main requirement for achieving the goals and objectives of an organization. It can be concluded that how well an organization's goals and objectives are achieved will depend on its budget quality (Indrianto and Supomo, 1999, in Simsom et al., 2007).

The next effort is no less important in achieving the goals and objectives of an organization following the planning, namely the budget execution effectiveness. For those who are responsible for implementing the budget, according to what is stated in the goal setting theory, the determining factor for someone in how they exert their efforts lies in the individual goals and the goals of the organization itself, and the extent of their responsibility for these goals, then for them the budget execution effectiveness is a form of their responsibility as the party authorized to do so (Aprianto 2022).

In the context of budget oversight, specific knowledge about the budget will affect the performance of the party conducting the oversight, namely the level of oversight effectiveness in carrying out its functions and authority.

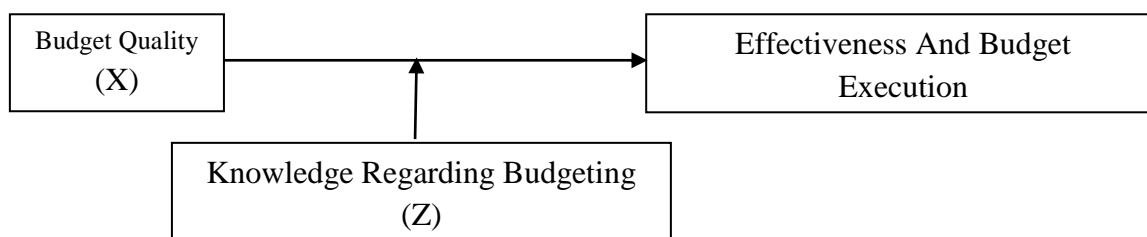


Figure 1 - Research Framework.

III. RESULTS AND DISCUSSIONS

Table 2. Distribution of respondents' answers regarding the Budget Quality Variable (X)

Statement of Budget Quality Indicators (X)	5		4		3		2		1		Mean
	F	%	F	%	F	%	F	%	F	%	
Budget Participation	10	41,7	13	54,2	1	4,2	0	0	0	0	4,38
Budget Target Clarity	10	41,7	14	58,3	0	0	0	0	0	0	4,42
Budget Consistency	6	25	17	70,8	1	4,2	0	0	0	0	4,21
Budget Evaluation	9	37,5	14	58,3	1	4,2	0	0	0	0	4,33
Budget Difficulty Level	10	41,7	13	54,2	1	4,2	0	0	0	0	4,38
Average											4,34

Source: Primary data processed, 2023

Table 3. Distribution of respondents' answers regarding the Budget Knowledge Variable (Z)

Statement Budget Knowledge Indicator (Z)	5		4		3		2		1		Mean
	F	%	F	%	F	%	F	%	F	%	
Knowing the procedures for executing the work unit budget	9	37,5	12	50	3	12,5	0	0	0	0	4,25
Understanding the preparation of the work unit budget based on relevant	5	20,8	17	70,8	2	8,3	0	0	0	0	4,13

regulations											
Detecting and identifying budget waste, failure, or leakage	6	25	18	75	0	0	0	0	0	0	4,25
Average											4,21

Source: Primary data processed, 2023

Table 4.6 - Distribution of respondents' answers regarding the Budget Execution Effectiveness variable (Y)

Statement Budget Execution Effectiveness Indicator (Y)	5		4		3		2		1		Mean
	F	%	F	%	F	%	F	%	F	%	
Budget Absorption	9	37,5	15	62,5	0	0	0	0	0	0	4,38
Bill Settlement	6	25	16	66,7	2	8,3	0	0	0	0	4,17
Output Achievement	5	20,8	17	70,8	2	8,3	0	0	0	0	4,13
SP2D Return (Warrant for Disbursement of Funds)	8	33,3	14	58,3	2	8,3	0	0	0	0	4,25
Average											4,23

Sumber : Data Primer diolah 2023

1. Equation I

The simple regression coefficient calculation above shows a constant coefficient value of 3.508 and an independent variable coefficient (X) of 0.618, so the regression equation is obtained as follows:

$$Y = 3.508 + 0.618X$$

Based on the above equation, it is known that the constant value is 3.508, which mathematically states that when the Budget Quality is 0, the Budget Implementation Effectiveness is 3.508.

In Table 4.14, the test results obtained a positive coefficient value of 0.618, with a sig value 0.000. This value is smaller than the significance level of 0.05, and the t-count value is 6.189. This value is greater than the t-count value, which is 1.717. The positive and significant results illustrate that the direction of the relationship between the independent variable (Budget Quality) and the dependent variable (Budget Execution Effectiveness) is unidirectional, where each increase of one unit of the Budget Quality variable will cause an increase in the Budget Execution Effectiveness by 0.618.

The estimation results of the first equation obtain a coefficient of determination adjusted for R-Square of 0.635. Thus, the dependent variable Budget Execution Effectiveness is affected by the independent variable Budget Quality (X) of 63.5%. Meanwhile, the remaining 36.5% is influenced by other variables outside the study.

2. Equation II

The second equation model is as follows:

$$Y = -9.738 + 0.500X + 2.192Z - 0.043XZ$$

The regression equation above shows the constant value of -9.738. It shows that the Budget Execution Effectiveness has a value of -9738 if the independent variable (Budget Quality) and the moderating variable have no effect/zero value.

The regression transformation coefficient X, or budget quality variable, is 0.500, with a significance value of 0.430. This value is greater than $\alpha = 5\%$ ($0.430 > 0.05$), and the t-count value is smaller than the t-table, $0.806 < 1.717$. The coefficient value is positive, and partially the Budget Quality has no significant effect on the Budget Execution Effectiveness at the Harbor Master Division Class II Office of Tulehu.

The Z regression transformation coefficient or the Knowledge Regarding Budget variable is 2.192, with a significance value of 0.053. This value is approximately $\alpha = 5\%$ ($0.053 \leq 0.05$). The t-count value $<$ t-table, i.e., $2.053 > 1.717$. The coefficient value is positive, and partially the Budget Knowledge has no significant effect on the Budget Execution Effectiveness at the Harbor Master Division Class II Office of Tulehu.

The results of the estimation of the interaction variable between Budget Quality and Budget Knowledge have a regression coefficient of -0.043, with a probability of 0.382. The probability value above $\alpha = 5\%$ (0.05), with a t-count value of -0.893, is smaller than the t-table value of 1.717. These results indicate that the interaction variable between Budget Quality and Budget Knowledge is insignificant to Budget Execution Effectiveness. Thus, the second hypothesis is rejected, i.e., the Budget Knowledge does not strengthen the effect of Budget Quality on the Budget Execution Effectiveness at the Harbor Master Division Class II Office of Tulehu.

The estimation results of the second equation obtain a coefficient of determination that has been adjusted for R-Square of 0.902. Thus, the dependent variable Effectiveness of Budget Execution is influenced

by independent variables Budget Quality (X), Budget Knowledge (Z), and Budget Quality * Budget Knowledge (X*Z) of 90.2%. In contrast, the remaining 9.8% is affected by other variables outside the research.

IV. CONCLUSION

The budget quality has a significant and positive effect on the budget execution effectiveness, which means that the higher the budget quality, the more effective the Budget Execution will be at the Harbor Master Division Class II Office of Tulehu. Therefore, this study accepts hypothesis 1, i.e., budget quality positively affects budget oversight effectiveness. Based on the analysis results in testing the second hypothesis, this study concludes that the variable Budget Knowledge cannot moderate the relationship between the Budget Quality and the Budget Execution Effectiveness at the Harbor Master Division Class II Office of Tulehu.

V. SUGGESTION

The Harbor Master Division Class II Office of Tulehu is always suggested to maximize quality budget planning and strive to improve the competence of budget managers by referring to the principles of public sector budgeting so that budget execution is more effective. Furthermore, employees of the Harbor Master Division Class II Office of Tulehu, especially those who play an important role in the process of drafting the realization of the revenue and expenditure budget, are advised to foster a commitment for budget managers to the objectives of the Harbor Master Division Class II Office of Tulehu under the characteristics of public sector budgets that demand commitment in managing public finances.

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