



Slow Budget Realization: An Empirical Analysis in Higher Education

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Abstract

This research aims to test the influence of planning, human resources, and organizational commitment to budget absorption at the Faculty of Education UNNES. One indicator of achieving the effectiveness and efficiency of budget management is the distribution of budget absorption evenly in each period. In the end, the implementation of an effective and efficient performance-based budget has not been fully implemented. There is still a delay in the absorption of funds, especially in some faculties at Universitas Negeri Semarang. This study aims to test a wide range of factors that can cause delays in budget absorption. The result show that budget realization affected by several factors such as budget planning, human resource and organizational commitment.

INTRODUCTION

According to Ministry of Finance, namely Law No. 17 of 2003, Law No. 1 of 2004 on State Treasury, and Law No. 15 of 2004 on Examination of Management and Financial Responsibility of the State, state financial management is expected to be better than the years before the issuance of the law. The law is expected to improve professionalism and openness, accountability, and transparency in the management of state finances to realize good governance in the implementation of the state (Susanto, 2006).

Based on the reform of the use of budgets in Indonesia formulated in the State Finance Law, the drafting of the budget must be based on a performance approach so that it is expected to create effectiveness and efficiency in each ministry and institution (Syakhroza, 2008).

One indicator of achieving the effectiveness and efficiency of budget management is the distribution of budget absorption evenly in each period. In the end, the implementation of an effective and efficient performance-based budget

has not been fully implemented. There is still a delay in the absorption of funds, especially in some faculties at Semarang State University.

The absorption of the budget that only centers on the end of the period, according to figure 1, is allegedly caused by various things, including poor planning. Programs that are compiled in each faculty, which are then relegated to the study program, tend to accumulate activities at the end of the year. This is usually based on the assumption that if the program is planned at the beginning of the period, then there are concerns that the budget cannot be liquid. In the field, such obstacles are common. Faculty leaders seemed more cautious in managing funds at the beginning of the year, as there were fears the funds would run out before the end of the period.

Many economic observers highlight the problem of low budget absorption rates as one indicator of bureaucratic failure, within the framework of performance-based budgeting. Budget absorption is not a target of budget allocation, the implementation tends to be late until the end of the year when it should be done earlier, then the

harm is the community a lot, because the benefits that will be received are delayed. The World Bank says developing countries including Indonesia have problems in budget absorption called “*slow back-loaded*”, meaning low absorption at the beginning to middle of the budget year, but soaring towards the end of the budget year. Herriyanto (2011). So, this problem is not only isolated in Semarang State University, but has become a common problem for organizations, ministries, and institutions in Indonesia. Looking at the available data, it feels very important to do a more in-depth analysis to be able to identify the cause, as well as find a way out related to the phenomenon.

and carrying out their functions in the preparation of activities and financial management of government agencies. The results of research from Tatar (2010), Tatar (2010), Herriyanto (2011) found that the readiness of human resources is one of the variables that affect the effectiveness and efficiency of budget management, especially in budget absorption capabilities.

An organization's commitment refers to the level of affection of an organization's member to the organization in which he or she works. Organizational commitment can also affect the desire of organization members to stay in the organization or not for a long period of time. The

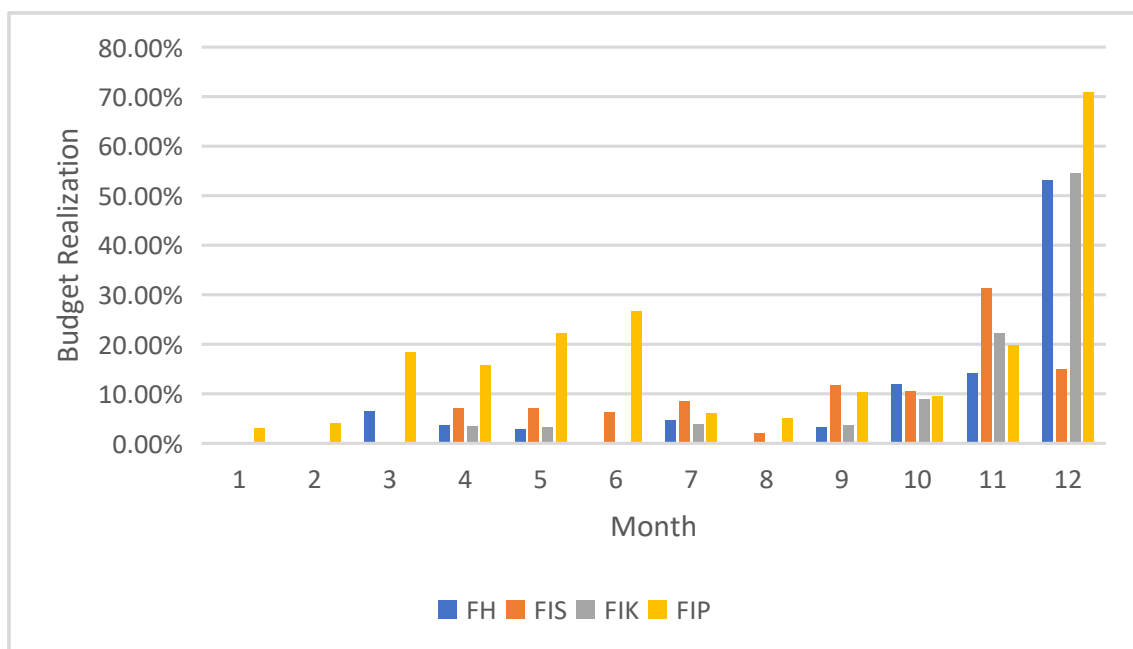


Figure 1. Budget Realization in 2020

Research from Herriyanto (2011) that tests the causative factors of inefficient and effective budget management include poor planning, administrative factors, human resource factors, budget implementation, and the organization's commitment to create a good climate. Meanwhile, Law No. 25 of 2004 Article 1 paragraph (1) defines planning as a process for determining appropriate future actions, through a sequence of options considering the available resources. Basically, the expectation of maximum budget absorption without coupled with good budget planning can be said as an almost impossible thing will be realized [3]. The planning process begins with setting goals that are derived from the vision and mission of the organization.

Human resources relate to the ability of individual implementing activities in executing

results of research from Arif (2013) and Bakara (2000) show that, one of the causes of ineffective budget management is because the commitment of the organization, more precisely the commitment of the leadership of the organization, can cause delays in budget absorption.

This study wants to test various factors above against budget absorption, especially in the state universities (PTN). PTN as part of a public organization has a very large responsibility in providing services for all parties in need, especially services in the field of Education. Efforts to provide such services can be hampered if the budget management has not been implemented properly.

Goal-setting theory

One of the most dominant theories in analyzing factors that can increase motivation is goal

setting theory. This theory emphasizes that all behaviors shown by an individual are based on a particular reason or motivation, and motivation is directed by a *goal*. Thus, the level of motivation in everyone can vary depending on the objectives set by the individual, where the objectives can be formed from the internal and external of the individual concerned. A person who already knows his purpose, will look for all the things needed, the knowledge needed, the skills needed to be able to fulfill that goal. Goals can be distinguished into many things:

Goals can be seen from the number, there are individuals who have one goal, some have more than one goal. Basically, because humans have cognitive disabilities, then too many goals should be avoided. Too many goals can create internal conflicts in the individual concerned because that individual must choose to distribute the limited resources they have to many purposes. In the end, the individual will choose a goal that has a high level of achievement, especially if there is an incentive in the form of a reward if it can achieve the set goal.

Goals can also be defined from difficult or easy levels, complex or simply those goals. Goals that have a high level of complexity, can provide a stronger drive for individuals to achieve those goals than easy goals. Goals can be seen from whether an individual sets a common or specific goal. There are individuals who have the goal of "my goal of being a useful person", where this goal is very common. There are also individuals who can specifically define their goals. The purpose can also be seen from whether the purpose planned, comes from the individual's own consciousness or the purpose that comes from the "coercion" of the environment.

Stewardship Theory

Stewardship theory explains that individual goals are not the main factors that motivate management to achieve their goals, which gives a stronger boost is whether the specified goals will provide direct benefits to the organization. This theory is derived from the agent theory so that it still explains the relationship between the two parties, like the agent theory that explains the relationship between the agent and the principal, in stewardship theory explained that there is a relationship between the *steward* and his organization.

Hypothesis Development

Effect of Budget planning to budget realization

The process of planning activities in the

budget is undeniable as one of the crucial factors that can affect budget management. The budget planning process begins at the beginning of the year, where each unit in the organization draws up an activity plan as well as a cost budget plan. When the organization has compiled and understood the plan of its activities, the organization will have the encouragement to carry out in accordance with the plan that has been set, in accordance with the concept of goal setting theory.

Finding out the cause of low absorption in KPPN Bandung, the results showed that the causative factors are poor planning (Donaldson and Davis (1991), Murtini (2009), and Siswanto and Rahayu (2010)). Bakara (2000) found that the Local Government of Jakarta often has difficulty absorbing the budget because of poor planning. The results of a study from Kuswoyo (2012) that tested why institutions tend to absorb at the end of the year found that the role factor of planning is one of the crucial factors that are the cause. Putri (2014) also found that planning documents influenced budget absorption. From the support of previous research, we can deduce our first hypothesis.

H1: Budget planning positively affecting budget realization.

Effect of Human Resource to budget realization

The quality of human resources should get more attention in an organization. Organizations must actively develop the quality of human resources. Development of the quality of human resources can be done by actively conducting training, equipping members of the organization with skills relevant to the work and so on. The quality of resources, especially those who get responsibility for carrying out activities (*stewards*) of the unit leadership (*principal*), determines the ability of the organization in absorbing a predetermined budget. In this case, the activities carried out by employees as part of human resources in the company, can have a direct effect on the performance of the organization in this case is budget absorption. So according to stewardship theory, human resources can affect the ability of the organization to absorb budget.

Murtini (2009) shows that human resources that do not have sufficient skills can be the cause of weak absorption of organizational budgets. This can be strengthened if the human resources concerned do not understand the purpose of the activity, so it does not have the drive for high achievement. Research from Herriyanto (2011) which tests the factors causing delays in

absorption at the Ministry / Institution shows that human resources become one of the determining factors of the organization's ability to absorb the budget. These results are also supported by research from Tatar (2010) and Putri (2014). From the support of previous research, we can deduce our second hypothesis.

H2: Human resource positively affecting budget realization.

Effect of organizational commitment to budget realization

A strong commitment from the organization, especially the leadership of the organization in supporting the activities of the work unit, is an important thing in supporting the achievement of the work plan. Locke (1968) said that a commitment to *goodwill* encourage individuals to achieve a specific goal, as stated in the goal setting *theory*. Murtini (2009) researching the absorption of budget in Bulungan Regency, one of the determining factors of organizational absorption is the organization's commitment. Research from Arif (2013) also shows that the low absorption of Dumai City is due to the low support of the organization, especially from the leadership of the organization. From the support of previous research, we can deduce our third hypothesis.

H3: Organizational commitment positively affecting budget realization.

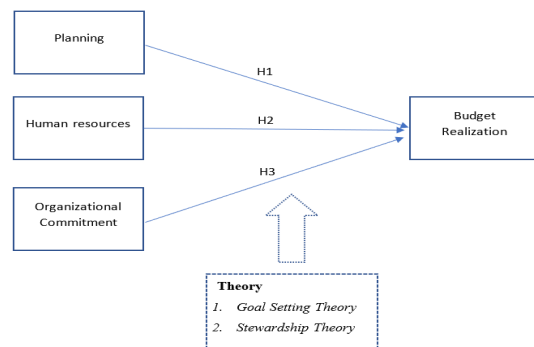


Figure 2. Research Framework

METHOD

This study uses a quantitative approach by testing the hypotheses that have been formulated in the previous section. The data used in this study is primary data obtained from the survey by disseminating questionnaires to implementing work activities in the Faculty of Education, Semarang State University. Self-administrated questionnaire distributed to 150 respondents, and we got 140 back which mean we have 93.5% respon-

se rate. The research period was conducted during the first semester of 2021 until the second half of 2021.

Data collection is done by disseminating questionnaires that are distributed online. To support research objectivity, the sample identity will not be listed. The questionnaire will be prepared using a Likert scale with 5 levels, namely: strongly agree (SS), disagree (KS), neutral (N), disagree (TS), strongly disagree (STS). *Scoring* on each answer is 5 for SS answers, and 1 for STS answers. The original survey was in English and intended to be distributed in Indonesia, so we did translation and back-translation method. Before we distribute the survey, the questions within questionnaire were consulted with budgeting expert.

Budget absorption has three dimensions of measurement, such as activity buildup, and percentage of budget absorption. The sample questions include "budget realization mainly concentrated in the end of the year".

Budget planning is the process of drawing up a plan of income, spending and financing for a certain period. The dimensions of budget planning are the determination of vision and mission, the determination of objectives and strategy, the preparation of programs and the preparation of budgets. Respondents are asked to provide an assessment in accordance with the conditions experienced by the respondent. The sample questions include "Planning documents contain measurable performance and funding".

Human resource variables have four measurement dimensions according to research from Ridani (2014) and Juliani and Sholihin (2016). The dimensions of human resource variable measurement are HR competency, human resource quantity, human resource work division and HR certification. The sample questions include "Each individual has a clear job desk so as to avoid duplicate assignments".

The organizational commitment variable has three-dimensional measurements according to research from Juliani and Sholihin (2016). The dimensions of measurement of organizational commitment variables are commitment and management intervention, organizational culture and frequency of work meetings related to budget coordination. The sample questions include "I am part of the family of the agency/organization I work for".

RESULTS AND DISCUSSION

The distribution of respondent is dominated by male (65%) with average age 45 years old

(78.7%). The face validity is used by asking expert in behavioural research to examine the questionnaire that translated from English to Indonesia.

Corrected item total correlation is used to test the validity, next step is calculating the Cronbach alpha as the reliability indicator for each variable. Questions from the questioner will not be dropped if the value of item correlation is greater than 0.4 and variables considered reliable if the Cronbach alpha value greater than 0.6. We can see the result of the validity, the reliability estimation, and descriptive statistics in Table 1.

Table 1, especially listed in diagonal within parentheses, shows the Cronbach alpha score for each variable already higher than the cut-off value 0.70. Thus, these items ready to be used for further analysis.

Means, standard deviations and correlati-

on for every variable in this study are mentioned in Table 1. The correlation between budget planning with other variables are within the range of 0.412- to 0.768 (all variables have $p < 0.01$). The respondent scores the budget planning as one of the important variables (mean = 4.18) and it is rated the highest compared to other variables. While the human resource and organizational commitment have quite high score (> 3) the budget realization variables become the variable with lowest score, among others.

The results from Pearson correlation among variables within Table 1 show significant correlation between independent and variable in this study and most importantly do not indicate multicollinearity among independent variables. With that result, the model examination can be proceed.

Table 1. Descriptive Statistics and Correlation among Variables

Variables	Mean	Sd	BP	HR	OC	BR
1 Budget Planning (BP)	4.18	0.09	(0.74)			
2 Human Resource (HR)	3.97	0.15	0.768*	(0.72)		
3 Organizational Commitment (OC)	3.75	0.58	0.412*	0.671*	(0.76)	
4 Budget Realization (BR)	2.87	0.32	0.458*	0.512*	0.379*	(0.79)

Cronbach alpha listed in the diagonal within parentheses; * $p \leq 0.1$; ** $p \leq 0.05$; *** $p \leq 0.01$.

Table 2. Hypotheses Testing

Variables	Expected Value	Model 1	Model 2	Model 3
Main effect				
Budget Planning	(+)		0.295*** (0.141)	0.435** (0.087)
Human Resource	(+)		0.066** (0.076)	0.008* (0.105)
Organizational Commitment	(+)		0.141* (0.053)	0.219** (0.088)
Control				
Age		0.129* (0.095)		0.075** (0.037)
Constant		0.338** (0.016)	0.106 (0.077)	0.398*** (0.000)
Adj R ²		0.173	0.245	0.377
ΔR^2		0.173	0.072	0.132

Z-value in the parentheses; * $p \leq 0.1$; ** $p \leq 0.05$; *** $p \leq 0.01$.

We examine the hypotheses using the hierarchical regression method as shown in Table 2. We breakdown the examination into three separate models. Model one we only use the control variable (age) in our regression, model two we include three main variables to examine their effect to our dependent variable and exclude the control, and in model three we include all variables, main and control, to see their effect to our dependent variable.

In Table 2, we only show the standardized effect of coefficient. Budget planning has significant positive effect to budget realization in both models. In model two $\beta = 0.295$ dan p-value $p \leq 0.01$ and in model three $\beta = 0.435$ dan p-value $p \leq 0.05$, therefore H1 is supported. Human resource has significant positive effect to budget realization in both models. In model two $\beta = 0.066$ dan p-value $p \leq 0.05$ and in model three $\beta = 0.008$ dan p-value $p \leq 0.1$, therefore H2 is supported. Organizational commitment has significant positive effect to budget realization in both models. In model two $\beta = 0.141$ dan p-value $p \leq 0.1$ and in model three $\beta = 0.219$ dan p-value $p \leq 0.05$, therefore H3 is supported. The ΔR^2 also show incremental value in each of the model.

CONCLUSION AND RECOMMENDATION

The main objective of this study is to examine the effect of budget planning, human resource and organizational commitment to budget realization. The finding is consistent with our hypothesis that budget planning, human resource and organizational commitment affect budget realization. This research collecting the data with a self-report method (sample filling the question individually) which can lead to common method bias. The future research can use a variety of methods to control common method bias such as procedural improvements and statistical methods. Data collection procedure in this study is only done through the survey by distributing online questionnaires. Future studies could use triangulation methods, for example by using survey and completed it with interviews. Next research also add additional information can be asked to respondent, so richer information can be

added to accompany the statistical test.

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