

# **THE INFLUENCE OF BUDGETING PARTICIPATION, BUDGET TARGET CLARITY, ORGANIZATIONAL COMMITMENT ON THE EMPLOYEE'S PERFORMANCE AT BINJAI MUNICIPAL ADMINISTRATION WITH JOB SATISFACTION AS MODERATING VARIABLE**

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## **ABSTRACT**

*The objective of the research was to find out and analyze the influence of budgeting participation, budget target clarity, and organizational commitment on the employee's performance at Binjai Municipal Administration with job satisfaction as moderating variable. The research used causal method. The population was all personnel of Binjai Municipal Administration, and the samples were taken by using Slovin formula. It also used judgment samples consisted of Budget Users, Financial Administrative Officials, and Technical Activity Administrator in 33 SKPD (Regional Work Unit) of Binjai Municipal Administration. The data were gathered by distributing questionnaires and analyzed by using multiple linear regression analysis and residual test with an SPSS software program. The result of the research showed that, simultaneously and partially, budgeting participation, budget target clarity, and organizational commitment had significant influence on the employees' performance at Binjai Municipal Administration. Job satisfaction as moderating variable could moderate the correlation of budgeting participation, budget target clarity, and organizational commitment with the employees' performance at Binjai Municipal Administration.*

*Keywords: Employees' Performance at Binjai Municipal Administration, Budgeting Participation, Budget Target Clarity, Organizational Commitment, Job Satisfaction*

## **I. INTRODUCTION**

### **The Background of the Study**

The performance of government official is a system which aims to help the superiors in measuring the achievement of strategy through a financial and nonfinancial measurement's tool where the performance can be measured through the how far the ability in achieving budgeted target.

The rule of state ministry for state apparatus reform no. 53/2014 related to technical guidelines of working performance, performance reporting and the procedure of reviewing based on the available of reporting performance where the government of Binjai in making the measurement of performance's achievement through the comparison method of achievement of target performance. The method was conducted by comparing work's performance targeted. The comparison's method of achievement of target performance is applied by comparing between performance plans desired with performance result achieved by Government of Binjai. The budget is used as a control system to measure the performance, and the parties involved can be given an opportunity to create a budget according to the needs of the work unit then the performance will produce a good result.

Based on the principle of Local Government Budget arrangement which based on the Regulation of the Minister of Home Affairs No 21 of 2011 on the second amendment to the Regulation of the Minister of Home Affairs No. 13 of 2006 on the guidelines of Regional

Financial Management, the Local Government Budget is arranged based on the needs of local government organizers, the Local Government Budget must be arranged in a timely according to the steps and schedules, Local Government Budget arrangement should involve the participation. The regulation explains the guidelines in the plans of budget of regional income and expenditure (APBD) which is the basis of local financial management within 1 (one) budget year and is set at least 1 (one) month before the year of the budget held.

The government of Binjai has tried to increase the performance of the official by applying the budgeting to the principle of Local Government Budget (APBD) arrangement is the The Regulation of Home Affairs Ministry no. 21/2011 about the second amendment of the regulation of Home Affairs Ministry No. 13/ 2006 about the orientation Local Budgeting Management but the realization of the Local Budgeting Management is inappropriate what have already arranged, as we can gain from the determination of income and outcome budget of Binjai local government in year 2013 which assigned on 05 February 2013, and in 2014 was assigned on 04 march 2014, in 2015 was assigned on 22 January 2015 obtained inappropriate with the dead line is in 31 December every year ( Law Department of Binjai Secretariat). The government of Binjai in 2013 the achievement of realization of Binjai local government outcome is 94,15%, the government of Binjai in 2014 the achievement of the realization of Binjai local outcome is 87,34%, the government of Binjai in 2015 the achievement of the realization of Binjai local government outcome is 93,10 % ( the report of official responsibility statement of Binjai). The phenomenon which is being developed in Binjai government is because the performance of official in Binjai government gained still not maximum started the process of the arranging of which was late from the time stated, it caused the delivery of the realization of the Local Government Budget applying become inappropriate with has been planned in end of the year towards the government of Binjai official.

### **The Problems of The Study**

Based on background of study above, the problem of the study can be concluded as:

1. Do the budgeting participation, budget target clarity, and organizational commitment impact simultaneously and partially toward the employees' performance of Binjai Municipal Administration?
2. Is the job satisfaction able to moderate the correlation among budgeting participation, budget target clarity, the organizational commitment with the employees' performance at Binjai Municipal Administration?

### **The Objectives of the study**

Based on the background and the problem of study, the objectives of the study are:

1. To know and analyze the influence budgeting participation, budget target clarity, organizational commitment toward the employees' performance Binjai Municipal Administration.
2. To know and analyze that job satisfaction is able to moderate the correlation budgeting participation, budget target clarity, organizational commitment with the employees' performance Binjai Municipal Administration.

## **II. RIVIEW OF LITERATURE AND DEVELOPMENT OF HYPOTHESES**

### **Employees' Performance**

Performance is as an activity that is achieved and can provide an achievement of work ability. Based on these definitions, the performance can be defined as the effectiveness, performance or work which achieved by a person or group in an organization, in accordance with the authority and responsibility of each person in order to achieve an organizational goals, if associated with given achievements so the achievement in government enviroment

can be seen from the level of ability to complete the duty of community service (Zainoeddin, 2005). Performance is the implementation of the budget taken from budget planning that has been compiled. (Wibowo, 2009). The performance are conducted to find out how far the progress of the objectives which can be achieved.

### **The Budgeting Participation**

Participation is a process when every individual get involved internally and have an effect at the budgeting target which will be evaluated, then the necessity of a process will give an effect to the future, Kenis (1079)

Participation is a process when a budget organizer is given a chance to contribute and has effect in budgeting. The chance is given believed to be able to increase the control and involvement of the organizer. The participation of budgeting in the process of planning refers to how big is the level of involvement in budgeting and the use of the budget target (ching and chong 2000).

### **The Budget Target Clarity**

The government Local Budget is a work plan which is designed by the local technique implementation in order to achieve the particular local's goal. Local budget should not only contains of information about the income and the outcome of the local budget, but should give the information about the performance expected from the local unit, so in the budgeting plan the government can see the the budget target clarity.

The budget target clarity is all about how far the target budgeting planned clearly and specifically. Budget is made clearly and specifically will be easily understood by the person who is responsible for the achievement of the budget objective. That is why the local government budget target supposed to be stated clearly, specifically and understandable by those who are responsible to implement it. The realization of the budget give the consistency of the result of the budget objective which have planned if the budget target stated clearly, (Kenis,1979)

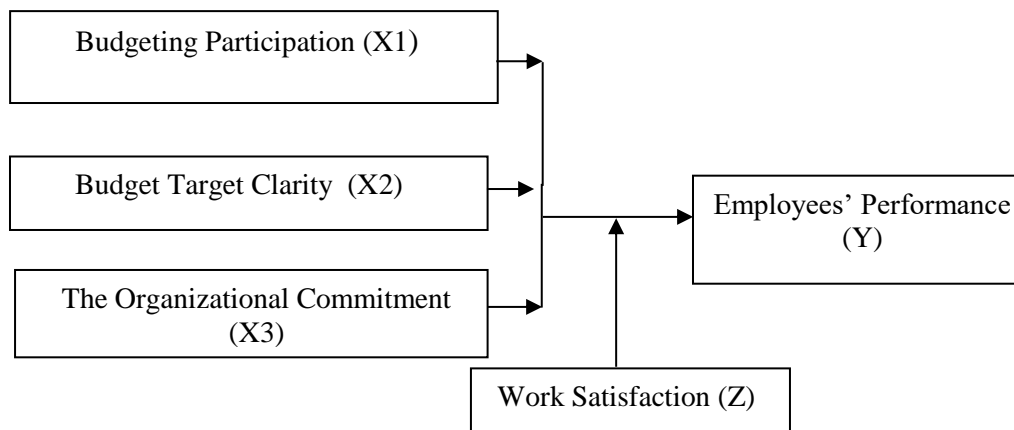
### **The Organizational Commitment**

A commitment in an organization is a condition where an employee oriented to an organization and its goals, and intends to maintain the membership within the organization. The organization's commitment reflects how an individual identifies themselves with the organization and emphasized to its goals (Robbins, 2002). Commitment is the involvement of individuals within a particular organization. Organizational commitment is an encouragement from within an individual to do something in order to support the success of the organization itself and prioritize the necessity of the organization than their own necessity (Panggabean, 2004).

### **Job satisfaction**

Justice in the workplace or justice in managing human resources can affect job satisfaction, then, the components of attitude can affect the behavior of individuals and it will affect the success of the organization (Panggabean, 2004). Job satisfaction is the attitude of individuals in general to their work. A person who has a high level of job satisfaction has a positive attitude towards his work and vice versa if someone who is not satisfied with his work has a negative attitude towards his work (Robbins, 2002). Factors that affect job satisfaction are working conditions, job suitability which really affecting in raising the work productivity (Zainoeddin, 2005).

### Conceptual Framework



**Figure 1. Conceptual Framework**

### Research Hypothesis:

1. Budgeting Participation, budget target clarity, organizational commitment impact simultaneously and partially toward the employees' performance of Binjai Municipal Administration
2. Job satisfaction is moderating variable that able to moderate the correlation budgeting participation, budget target clarity, organizational commitment with the employees' performance Binjai Municipal Administration.

### III. RESEARCH METHODOLOGY

#### Research Design

This study is a casual assosiative research that identifies the causal relationship between the various variables (Erlina, 2008).

#### Location of Research

This study was conducted at Binjai Government of North Sumatera Province.

#### Population and Sample of Research

The population of this study is the whole Binjai government employee. This study is directed to sample research because of the limited time available was not possible to survey the whole population. The sample used was Slovin fomula. The sampling technique used is ajudgement sampling. The sample of this research is Budget Users, Financial Administrative Officials, and Technical Activity Administrator in 33 SKPD (Regional Work Unit) of Binjai Municipal Administration. The researcher reason choose the officials as respondents because the officials are authorized and responsible in the submission and involved directly in the budgeting participation, so the number of samples in this study as many as 99 respondents .

#### Instrument for Collecting Data

This study used questionnaire as the instrument for collecting data. Questionnaire is written questions that are used to obtain information from the respondent. The number of questionnaires which are given as much as 99 respondents. Questionnaires that are distributed are a closed questionnaire type.

**Operational Definition of Variables**  
**Table 1 Operational Definition and Variable Measurement**

Variable	Operational Definition	Measurement Indicators	measurement Scale
Employees performance (Y)	Employee performance is the work of the activities / programs that have been achieved in the use of budgets with quantity and quality measured by the employee in a work unit, in accordance with the authority and responsibility of each person.	(1) Budget Planning (2) Budget Implementation (3) Administration (4) Reporting (5) Accountability (6) Monitoring	Interval
Budgeting participation (X <sub>1</sub> )	Budgeting participation is the level of involvement and influence of employees responsible for the budget preparation process.	(1) Participation (2) Contribution (3) Involvement (4) Request of opinion (5) Provision opinion (6) Participation Influence	Interval
Budget target clarity (X <sub>2</sub> )	Clarity of budget target is the achievement that is expected from a specially program with the aim of making the budget understandable by the employees responsible for achieving the budget target.	(1) Clarity of budget target (2) Budget targets consequences (3) Understandable Budget targets (4) Unclear budget targets	Interval
Organizational Commitment (X <sub>3</sub> )	Organizational Commitment is an attitude to hold the vision, mission and willingness to mobilize the effort and give strong support in carrying out tasks so that the planned target can be reached on the work unit.	(1) Productivity (2) Responsibility (3) Loyalty	Interval
Job Satisfaction (Z)	Job satisfaction is an arising feeling by the employee and can have an impact on the work unit.	(1) Appreciation (2) Working condition (3) Justice (4) Work compatibility	Interval

## Research Methodology

This research used Multiple Regression Analysis method and residual test for moderating variables. The equation of multiple regression analysis are shown on I model and residual test on II model.

1. Multiple regression analysis to answer the first hypothesis

Regression Model used is :

$$Y = a + b_1 X_1 + b_2 X_2 + b_3 X_3 + e \dots (1)$$

2. Residual test, to answer the second hypothesis. Residual test model used is:

$$Z = a + b_1 X_1 + b_2 X_2 + b_3 X_3 + e \dots (2)$$

The equation (2) aims to examine the effect of deviation of a model

$$|e| = a + b_4 Y \dots \dots \dots (3)$$

The equation (3) aims to test whether job satisfaction variable can be regarded as a moderating variable.

#### Information:

Y = Employees performance  
(*Dependent Variable*)

Z = Job Satisfaction  
(*Moderating Variable*)

A = Y value if  
 $X_1 = X_2 = 0$

$b_1, b_2, \dots, b_n$  = Multiple Regression Coefficients  
(*Multiple Regression*)

$X_1$  = Budgeted Participation  
(*Independent Variable*)

$X_2$  = The Budget Target Clarity  
(*Independent Variable*)

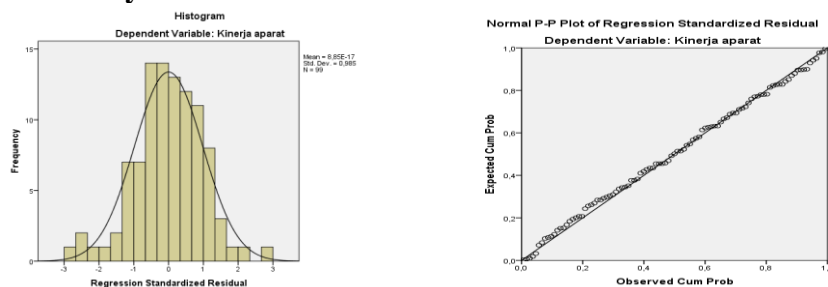
$X_3$  = Organizational Commitment  
(*Independent Variable*)

$\varepsilon$  = *error term*

|e| = Absolute residual value

## IV. RESULTS AND DISCUSSION

### Normality Test



The result of normality test shows the histogram graph test about the balanced and normal distribution patterns which is form the bell pattern. The same result is also shown on normal P-P Plot, where the dots visible spread around the diagonal line, whereas by using *Kolmogrov-Smirnov (K-S)* test which is the result test shows *sig* value (2-tailed)  $> \alpha$  ( $0,200 > 0,05$ ). Thus, it can be concluded that the proven data is normally distributed.

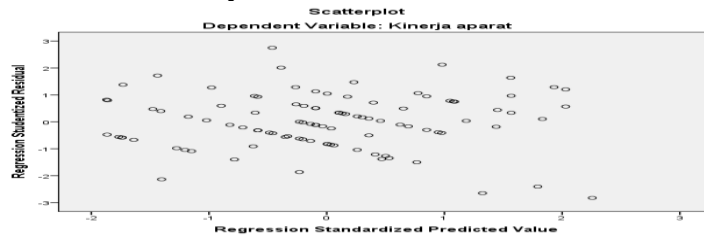
### Multicollinearity Test

Coefficients <sup>a</sup>			
Model		Collinearity Statistics	
		Tolerance	VIF
1	Budgeting participation	,554	1,805
	Budget Target Clarity	,497	2,012
	Organizational Commitment	,628	1,592

a. Dependent Variable: Employees performance

Multicollinearity test result shows *Tolerance* value there is no independent variable which has *Tolerance* value less than 0,100. It means there is no correlation each independent variable. The same calculation result is shown in VIF value which is no one independent variable has VIF value more than 10. Thus, it can be concluded that there is not multicollinearity symptom among independent variable on regression model.

## Heteroscedasticity Test



The result of heteroscedasticity test concluded that Regression model did not occur heteroscedasticity. It can be seen from *scatterplot* that the dots spread randomly, did not have a certain pattern, and spread either more or less than 0 on the Y axis, while the heteroscedaticity test result using the Glejser test are obtained by sig value. Each of independent variable is 0,05 higher than the trust level ( $\alpha$ ). This shows that the regression model there are no symptoms of heteroscedasticity.

## Coefficient of Determination ( $R^2$ )

**Table 2 Coefficient of Determination ( $R^2$ )**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,654 <sup>a</sup>	,428	,410	,26926
a. Predictors: (Constant), Organizational Commitment, Budgeting Partipation, Budget target clarity				
b. Dependent Variable: Employees performance				

Based on table 2 above, it is known that 0,428 of *R Square* indicated the variable of budgeting participation, budget target clarity, organizational commitment, as independent variable has 42,8 relation with the variable of budget employees performance as dependent variable, 0,410 of *Adjusted R Square* value means the employees performance variable as dependent variable can be explained by budgeting participation, budget target clarity, organizational commitment in a mount of 41, 0%, while 59,0 of the rest can be explained by other variable outside of this research.

## Statistical F Test

**Table 3 Statistical F Test**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5,148	3	1,716	23,670	,000 <sup>b</sup>
	Residual	6,888	95	,073		
	Total	12,036	98			

a. Dependent Variable: Employees performance

b.Predictors: (Constant),Organizational commitment, Budgeting participation,the clarity of budget target

Based on 3<sup>rd</sup> table above, 23,67 of the arithmetic F value is higher than the F value of 2,700 and 0,000 of the significance value is smaller than  $\alpha = 0,05$ , it can be concluded the variable of budgeting participation, budget target clarity, organizational commitment significant effect on employees performance variable.

## Uji Statistik t

**Tabel 4 Uji Statistik t**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1,625	,316		5,148	,000
Budgeting participation	,175	,086	,212	2,033	,045
Budget target clarity	,243	,085	,314	2,850	,005
Organization Commitment	,204	,083	,241	2,457	,016

a. Dependent Variable: employee Performance

### The First Hypothesis Regression Equation

Multiple regression equation between independent and dependent variable can be formulated by :

$$\text{Employees performance (Y)} = 1,625 + 0,175 X1 + 0,243 X2 + 0,204 X3$$

The whole coefficients are positive on all variable, it indicates that the multiple regression equation has a direct relationship. It means that the performance of employees will increase by the increase of budgeting participation (X1), Budget target clarity (X2), and organizational commitment (X3).

### Residual Test

**Table 5 The Result of Residual Test**

Model	Coefficients <sup>a</sup>		T	Sig.
	Unstandardized Coefficients	Standardized Coefficients		
1 (Constant)	1,212	,316	3,834	,000
Employee Performance	-,184	,075	-,242	,016

a. Dependent Variable: AbsRes

Based on table 5 above, residual test equation can be formulated in:

$$|e| = 1,212 - 0,184 Y$$

### Discussion of Research Result

#### The influence of budgeting participation on the employees performance

Based on the test result, the influence of budgeting participation variable to employees performance variable show 17,5% of positive regression coefficient value and 0,045 of significant value which is smaller than ( $<$ )  $\alpha = 0,05$  and t value is 2,033 which is higher than t table 1,661 . Thus, it can be concluded that the budgeting participation has positive affect and significant to employees performance. Based on the respondent's answer tabulation for the variable of budgeting participation shows that the majority of respondents state that Binjai Government has involved the employee in the budgeting participation which can be seen in the form of participating is built on the basis freedom on provision the opinion.

#### The influence of budget target clarity on employees performance

Based on the test result, the influence of budget target clarity variable to employees performance variable in this research shows 24,3% value of positive regression coefficient and significance value is 0,005 which is smaller than ( $<$ )  $\alpha = 0,05$  and t value is 2,850 higher than t table 1,661. Thus, it can be concluded that the variable of budget target clarity has positive affect and significant to employees performance. Based on the respondent's perception tabulation of budget target clarity variable, most of respondents state that the importance of budget target clarity can be seen in the form of the budget target understandably.



### **The influence of Organizational Commitment on employees performance**

Based on the test result, the influence of organizational commitment variable to employees performance variable show 20,4% value of positive regression coefficient and significant value is 0,016 which is smaller than  $(\leq)\alpha = 0,05$  and t value is 2,457 is higher than t table 1,661. Thus, can be concluded that organizational commitment has significant and positive affect to employees performance. Moreover, based on the respondent's perception tabulation of organizational commitment, all the official performing the duties as the Budget User Authority, the Financial Administration Authority and the Technical Executing Officer in the Municipal Government of Binjai is still committed to participating in the preparation of budget in their Regional Work Units.

### **The Influence of Job Satisfaction as a Moderating Variable on The Employees performance**

The result of the research shows that job satisfaction is a variable that can moderate the relationship between budgeting participation, budget target clarity, organizational commitment with the employees performance.

It can be seen from residual test result which gets significance value of Y equal to 0,016 is smaller and  $\alpha = 0,05$  and regression coefficient value is -0,184. Thus, it can be concluded that job satisfaction variable is a moderating variable that able to moderate the budgeting participation, budget target clarity, organizational commitment and employees performance of Binjai Government. Job satisfaction is one aspect that has positive effect to employees performance. Job satisfaction of government official prove that government official are serious to realize a strategy that has been designed previously.

## **V. CONCLUSION, LIMITATION AND SUGGESTION**

### **Conclusion**

From data analyzing, hypothesis testing and research discussion, so it can be taken some conclusions:

1. Budgeting participation, budget target clarity, organizational commitment simultaneously have a significant effect to employees performance on the Municipal Government of Binjai. Partially, budgeting participation, budget target clarity, organizational commitment significance to employees performance on the Municipal Government of Binjai
2. Job satisfaction is a moderating variable that capable of moderating the relation between budgeting participation, budget target clarity, organizational commitment with employees performance of The Municipal Government of Binjai.

### **Research Limitations**

1. This research uses survey method in the form of questionnaire without do interview directly. This may result in data obtained through written instruments there may be a misperception by respondents.
2. Independent variable of budgeting participation, budget target clarity, organizational commitment is only able influence the employees performance of Adjusted R Square value of 0,410 or 41%. It shows that there are still other variables that can influence the performance of employee who is not included in this study.

## **Suggestions**

1. For academics :
  - a. The further researcher can complete the survey method by questionnaires that have been done by conducting interview to obtain additional information and avoid biased responses.
  - b. The further researcher is suggested for adding the research variables related to the relevant employees performance of the object of research.
2. For The Municipal Government of Binjai:
  - a. Binjai Municipal Government is expected to pay attention to budgeting participation by official involvement and contribution, clarity of budget target is needed by paying attention to budget target that is easy to be understood, organizational commitment factor which is pursued by mission, vision, strategy and values of the organization and improving the employees performance by paying attention to job satisfaction.

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