

Good Governance, Performance Based Budgeting and SKPD Budget Quality SKPD (The Case of a Structural Model Approach)

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Abstract

The aims of this study are to examine and analyze the influence of implementing good governance and performance based budgeting on the quality of budgets of local government offices (SKPD). This research used analytical techniques that included Partial Least Square (smartPLS) 3.0, while goal setting theory was used in explaining the phenomenon of budget qualities. The population of the study was all SKPDs in Sumbawa Regency. Meanwhile, 94 respondents, who were selected using purposive sampling method served as respondents. The inclusion of SKPD was conditional on it having been examined for compliance with service quality considerations by Ombudsman in 2015. Data was collected using the questionnaire technique. The results of this study showed that the implementation of good governance and performance based budgeting through district contributes to improvement in budget quality. The implications of this study is that local governments should implement principles of good governance and performance based budgeting they aim to improve the quality of public services they deliver.

Keywords: budget qualities, good governance, performance based budgeting

INTRODUCTION

Management control is imperative in every organization to ensure that organizational strategy is implemented effectively and efficiently. Management control is designed to direct and influence the behavior of all components and elements of the organization toward organizational goals. According to (Mardiasmo, 2009), the conduct of management control process in the public sector is done through formal organizational communication that include formulation of strategy, strategic planning, budgeting, operational (executing budgeting), and performance evaluation. Any failure in any one of the steps or several steps in the management control process results into the failure of an organization to achieve its goals.

Budgeting is one of the most important phases of the management control process , and is one of the key functions of the government (Egbide & Godwyns Ade' Egbude, 2012). Budgeting is one of the critical issues that influence an effective and efficient implementation of organizational strategies and programs. This is attributable to the fact that budgeting is an articulation of strategy formulation and planning outcomes. Budget formulation must be based on an in-depth analysis of the needs of society for a better future.

A budget does not only contain plan and amounts of money that is required to conduct programs and activities, but also has targets for the organization to achieve. Every organization that formulates its goals into a budget plan, finds it easy to synchronize its performance with its visions and missions. According to *goal setting theory*, setting clear goals results into better performance than ambiguous ones. This is because clear goals r, karena tujuan tersebut memberikan kejelasan bagi individu berkaitan dengan apa yang sprovide clear direction on what an individual does in an organization (Gibson, Ivancevich, & James H. Donnelly Jr, 2008: 256). Moreover, setting specific goals, improves individual performance, which in turn influences the achievement of organizational goals. There is thus an intensive interaction between the authority responsible for the budget, budget formulators,

and implementers, which is necessary to ensure that the process of setting goals and formulating the budget are both realistic and in line with individual needs and requirements of managers and subordinates.

The annual budget which the executive presents every year constitutes an agreement between the executive and the legislature that provides detailed information on programs, which the government will implement in the following year that are tailored toward improving the quality of life of the citizenry and the sources of funding for those programs. The formulation of the annual budget, starts with regional government office, as the entity which has the authority over expending the budget, to formulate proposed expenditure based on budget ceilings or caps, regional government office action plan and standard cost which are then translated into regional government office work plan and budget (RKA-SKPD). Subsequently, the local government budget team (TAPD) conducts an analysis and evaluation of the RKA-SKPD, which is afterwards incorporated into the proposed revenue and expenditure plan that is presented to the legislature for approval through the issuing of a local government regulation.

The budget bill which is drafted by the local government office serves as the foundation or reference in formulating the annual local government budget (APBD) (Republik Indonesia, 2006). This paper tries to assess and examine the role local government offices play in executing the powers that is vested on them to formulate quality budgets. This is because local government budgets involve the use of public money to finance public programs, for which those vested with such powers must be accountable (Mardiasmo, 2009).

Previous research on the topic such as (Egbide & Godwyns Ade' Egbude, 2012) show the existence of a relationship between *good governance* and good budgeting. Meanwhile, (Klase & Dougherty, 2008) noted that the implementation of performance based budgeting has significant influence on budget outcomes as reflected in expenditure per capita. According to (Hill & Andrews, 2005), performance based budgeting can in-

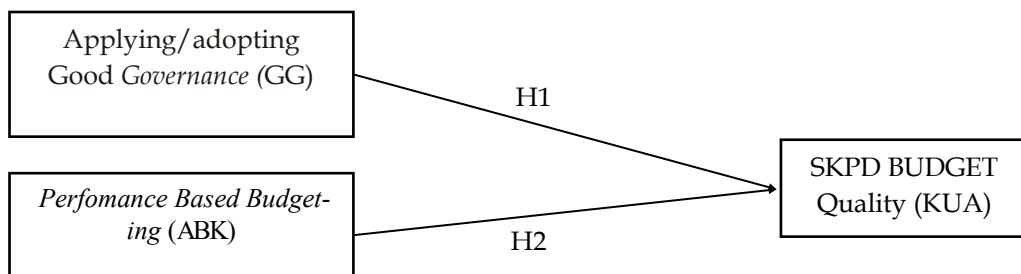


Figure 1. Research Model

crease efficiency public service delivery dan pelayanan pemerintah as well as enhance public trust in the government.

Several previous research reached consensus that the adoption of *good governance* and performance based budgeting contributes to an improvement in the quality of government budgets (Handayani, 2009; Maisarah, 2014). What makes this research different from previous studies is that it was conducted on local government offices (SKPD) In Sumbawa district for the 2015 fiscal year. The selection of 2015 was based on consideration of the fact that the Ombudsman verified the quality of data for the year. To analyze data, the research used Partial Least Square (PLS) 3.0. Structural analysis model. Factors that influenced the decision to use the structural model included first, PLS data analysis method is based on assumptions that data may not follow normal multivariate distribution (indicators with category scale, ordinal, interval, and ratio can be used in the same model). Secondly, the sample must not be large, that is less than 100 or at least 30 observations can be used to conduct the analysis. Third, PLS can be used to confirm weak theories, because PLS can be used to make predictions, as well as explain the existence or absence of relationships between latent variables. Fourth, it is possible to convert data into algorithm in the PLS model, which enables it to conduct analysis using *ordinary least square* (OLS) that generates efficiency in calculating logarithm. Fifth, the PLS approach, assumes that all variance measures can be used as explainer(Ghozali & Latan, 2015).

Meanwhile the choice of Sumbawa district as the research location was based on

the consideration that there are still many public aspirations and suggestions that were conveyed to the district development planning forum that have been incorporated in development programs. In fact public disappointment with the failure of the local government to incorporate their aspirations in development programs and projects have reached such a level that some members of public from one region in Sumbawa district threatened not to participate in future district development planning forums unless changes are made for the better. (www.gaungntb.com, 2014). Besides, the increase in Sumbawa district government budget has not contributed to improvement in performance indicators. On the contrary, during 2013-2015 period, an upward trend is evident in performance indicators that fall under 55%. Meanwhile performance indicators that register above 85 % score, are decreasing. According to a report on Sumbawa district government performance (Sumbawa, 2016), the district still falls under the category of poor performers due to its low compliance with respect to the implementation of public service delivery standards (Ombudsman, 2016).

Goal Setting Theory, which was propounded by (Locke & Latham, 2006), states that certain factors that very important for an individual to move toward the goal is the individual as well as the extent to which the individual feels responsible for the goal. *Goal setting theory relates to:* clarity that the goal is clear and is measurable , unambiguous, there certain time set to complete or finish the tasks; challenging : one of the most important characteristics of a goal is that it must be challenging; commitment is another characteristics for a goal to be effec-

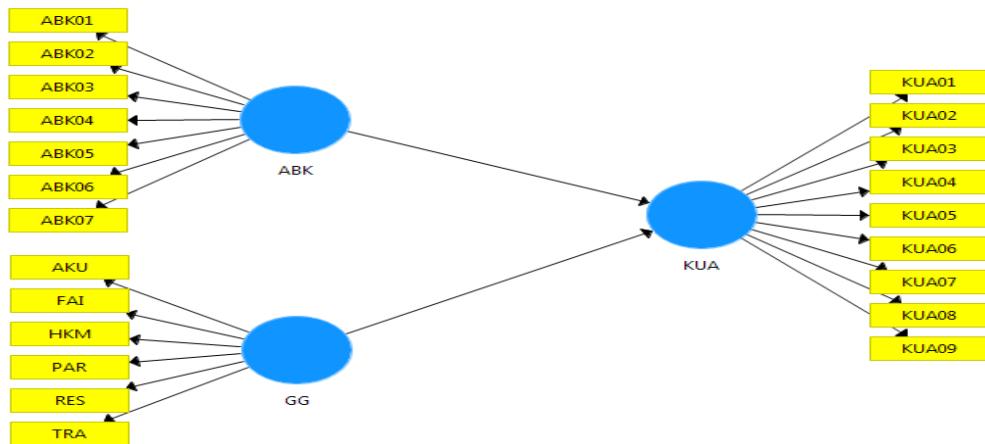


Figure 2. Structural Model

tive. The goals of employees must be consistent with the vision and mission of the organization; *feedback provides an opportunity for clarifying expectations, making adjustments with difficulties of achieving targets, and receiving recognition;* and complexity of the task relates to manager's attention to ensure that the task or work is not too difficult or tight to allow space for achieving the goal or improving performance.

The implication of the theory for the budgeting system is that ideally budget targets much be achievable. Basically, the concept of the Goal setting theory is that an individual who have a good understanding of the goals (what the organization expects from him or her) influences work behavior so that a good understanding of the goals of the budget impacts on the quality of his or her performance.

A budget must be well organized, streamlined, clear, detailed, and comprehensive. Meanwhile as regards the budgeting process, it must be done with honesty and transparently and reported in a manner that is easy to understand as well as relevant to the organizational operational and control process. A budget is required because it contains goals and benefits. The quality of can be gauged from the benefits the activities/ programs, generally considered as public services, it finances generate for society.

The quality of the budget is influenced by two factors, interalia, budget clarity and

target accuracy (Izzettin Kenis, 1979). A budget that is designed using clear and detailed information on all aspects of what it contains such as items of cost, inputs, output, result; and results must be formulated specifically, clear, and easy to understand by people who hold responsibility to the development and implementing the budget. Moreover, the budget process must be prompt (delivered in time), its allocations and calculations accurate, and contains information on all groups that are beneficiaries of the benefits of the budget.

Local government office budgets that are contained in RKA-SKPD are planning and budgeting documents that comprise expected or planned revenue, expenditures, and program/activities as well as planned financing plan that serves a basis for formulating local government budgets. Upon achieving a consensus note between the local government executive and legislative arms, on the general budget policy, priorities and caps/ceilings (KUA-PPA), the budget team prepares a circulation note that is sent to the local government head relating to the formulation of local government office budget plan (RKA-SKPD). The budgeting document, which every SKPD conveys must be formulated in accordance with the RKA-SKPD format and must contain clear information on goals, targets, and correlation between budget allocation amount (work load and unit cost/price) and expected budget benefits and results of the activities that will be financed for society.

Table 1. Category of Evaluation of Respondents' Responses (Data analysis)

Category	Interval				
	1-1.8	>1.8 - 2.6	>2.6 - 3.4	>3.4 - 4.2	>4.2 - 5.0
SKPD Budget Quality (KUA)	Very low	Low	Relatively low	Very high	Very high
Implementing Good Governance (GG)	Not at all adopted	Not adopted	Relatively not adopted	Adopted	Fully adopted
Impending performance based budgetinga (ABK)	Not at all implemented	Not implemented	Relatively not implemented	Implemented	Fully implemented

Handayani (2009), contends that local government budgets must be based on public interest, which is in line with public budgeting principles, managed in order to achieve the highest results at the lowest cost (*work better and cost less*), all types of expenditures and revenues must be based on performance oriented approach, the entirety of budgeting cycles should be transparent and accountable in a rational manner, must foster professionalism at work in all relevant organizations, and accords flexibility to implementers to maximize the management of the finances.

Good governance is a series of social and political interaction processes between the government and the general public in various areas of public interest and government intervention that are driven by the need to foster such interests (Sari, 2013). Essentially, governance involved members of society in the government process(Latif, 2010). According to (Rofikoh, 2006), prerequisites of *good governance* include the existence of transparency, participation or involvement and ease of access of the public to public policy decision making process, especially budgeting which is financed from resources that are directly related to public interests.

The quality of local government in general, today and in future, depends on the quality of good governance it has in place and the quality of the financial management, right from budget planning, reporting and budget implementation evaluation, in particular. According to Vian & Bicknell

(2013), “*when governance works well, citizens are better able to achieve individual and common purposes, but when governance is poor, even if country has financial resources and technical assistance it may fail to achieve development goal*”.

Principles underlying the application and adoption of good governance vary widely. According to Nawawi (2012), good governance can be underpinned and supported by several pillars or principles that reflect trust, which include participation, law enforcement, transparency, accountability, responsiveness, and fairness. *Participation principle*, which entails public involvement in decision making, both directly and otherwise, through representative institutions that are therefore vested with the power to ventilate or represent their aspirations. *Transparency*, which relates to the existence of openness in decision making process and in disclosing information that is relevant to an organization. *Accountability*, constitutes local government responsibility to provide clarity , present and report all activities that relate to the use of public money by parties that are vested with the rights and authority in order to ensure that implementation of organizational functions runs effectively. *Responsiveness*, relates to the notion that the government must have a good understanding of the needs of society, rather than wait in their offices. In other words, it is an onus on the government to take proactive action to pore and analyze the environment to detect and discern public needs. *Rule of Law*, public trust evolves from the imple-

Table 2. Descriptive statistics of Respondents' answers (Data analysis)

	N	Min	Max	Mean	Std. Deviation
KUA	94	1,89	5,00	4,031	0,566
GG	94	1,33	5,00	3,906	0,662
ABK	94	2,57	5,00	4,102	0,524

mentation of prevailing laws in a consistent and non-discriminatory manner. *Fairness principle*, which entails providing fair and equitable treatment in full filling rights of *stakeholders* in accordance with existing agreements and regulatory framework.

Based on research conducted by Kaufmann & Kraay (2008), and Carlitz (2013), showed that increasing transparency and accountability in the budgeting process has positive impact on government performance. According to Carlitz, (2013), enforcement of *rule of law protects who have inclinations that are not popular or mainstream*, and is important in institutionalizing participation as well as guaranteeing access to relevant information. Egbide & Godwyns Ade' Egbude (2012) contends that good government is a “*a ground*” for achieving good budgeting.

The viewpoint above is in line with Handayani (2009), Lucyanda & Sari (2009), serta Maisarah, (2014) research results. Based on empirical research, participation, transparency, and accountability have significant influence on the quality of local government budget. Based on the above theory and viewpoints, the hypotheses for this research are as follows:

H1: The implementation of good governance influences the quality of local government budget

The preamble to Law No.17 / 2003 on public finance, article 6, stipulates that “... another thing that is equally important in the drive toward improving the budgeting process in the public sector is adopting and implementing results /performance based budgeting” (Republik Indonesia, 2003). Achieving that can be made through the formulation of RKA-SKPD as is stipulated in articles

19, section (1) and (2), Law No. 17/ 2003 on public finance, and in the government regulation No. 58 /2005 to the effect that, local government head formulates the RKA-SKPD on the basis of expected performance (Republik Indonesia, 2005).

Government regulation No.58 / 2005 , and is explicated in Ministry of Internal affairs regulation No.13 /2006 , which was later amended to become Ministry of internal affairs regulation No.21 / 2011 states that performance based budgeting is aimed at improving the budgeting process in the public sector. The implementation of performance based budgeting is expected to enable an organization to achieve its goals and targets. Program managers have a clear and good understanding of what they have to achieve and have the opportunity to make a review and rethinking of the way the goals can be achieved in an effective way. Behn (2003) in Gómez & Willoughby (2008) contends that the aim of measuring performance is to “*evaluate, control, motivate, budget, promote, celebrate, learn, and improve*”.

Performance based budgeting that is supported by good governance and implemented by competent personnel, has the ability to mitigate corruption, and therefore contribute to restoring public trust in the government. In practice, however, performance based budgeting is considered to contribute to the evolution of a systematic budgeting process that has strong relationship between expected results that are rooted in the public policy process and organizational mission and expenditure (Srithongrung, 2009), and helps in achieving efficiency and increasing productivity in the management of resources and quality of services and equilibrium of national development and independence (Dadang Solihin,

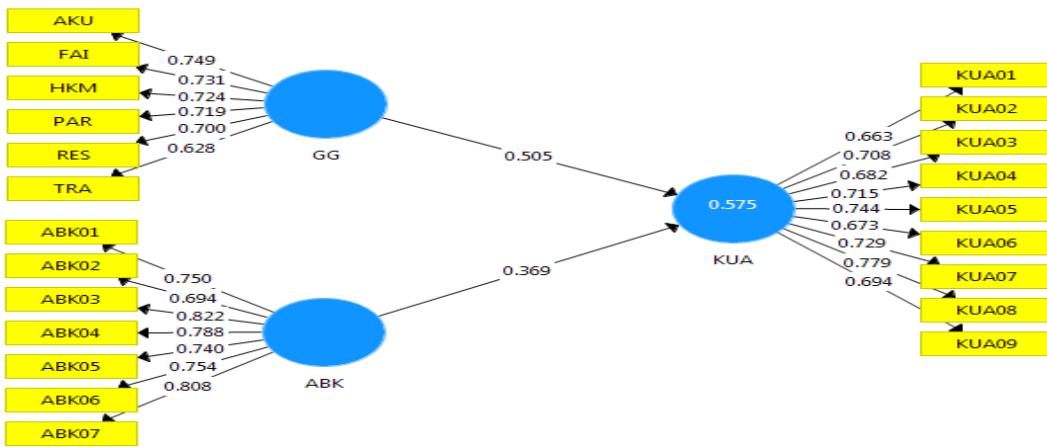


Figure 3. Outer Loading PLS Algorithm Results

2007).

Findings of this research confirm Verasvera (2016) research results on the positive relationship between performance based budgeting and Hasil the performance of local government bureaucracy. Similar findings were shown in research on the same theme that include Handayani (2009) and Maisarah (2014) which proved that adopting a performance based approach has significant influence on the quality of local government performance. Based on the above theories and description, the following hypothesis can be made:

H2: The adoption or implementation of performance based budgeting influences the quality of local government office budgets

To that end, based on the foregoing discussion, the research model can be depicted in Figure 1.

The budget formulation process in the public sector, especially in local governments, is an important phase of the beginning of the financial management process. During the phase or step, it is very crucial for the budgeting process to harmonize perceptions among stakeholders on the achievements that will be made as well as the assertion that there is a relationship between organizational goals and various programs to be implemented. Based on the fostering discussion, thus, the research problem is “Does the adoption of good governance and per-

formance-based budgeting influences the quality of SKPD budget in Sumbawa district government?”

Meanwhile, objective of this research will be to examine and analyze the influence that the adoption of good governance and performance based budgeting has on the quality of SKPD budgeting in Sumbawa district.

RESEARCH METHODS

This is a quantitative research. Based on the objectives, the research is exploratory in nature and attempts to determine whether or not there is a causal relationships among variables.

Research Population and sample

The population in this research are local government offices in Sumbawa district that are required to formulate budgets (55 in all). The selection of the sample employs a non-probability technique, which is purposive sampling, which is executed using the criteria that SKPD that are included in the sample are those that were evaluated by the Ombudsman in 2015 for compliance with respect to service delivery. The criterion reduced the population to a sample of 15 SKPDs. Meanwhile, respondents in this research are employees who are involved in the budget formulation and bear relevancy to the results of the Ombudsman evaluation. That led to the number of respondents to be

Table 3. Composite Reliability and Cronbach's Alpha results

Source : Output PLS (2016)

	Composite Reliability	Cronbach's Alpha
KUA	0.902	0.877
GG	0.859	0.802
ABK	0.908	0.883

100, which included (1) KSKPD heads, as the party that holds ultimate responsibility for implementing the budget, (2) section head, whose quality of service delivery was evaluated by the ombudsman, (3) sub section program head, and (4) sub section program staff who are tasked with SKPD Budgeting.

Data collection techniques

Data collected from respondents related to the score that reflected the perception of respondents about the variables used in the research. Two data collection techniques were used, *inter alia* an interview and literature review. With respect to the interview, respondents reported scores on all the variables included on the questionnaire. Meanwhile, to obtain the scores of each variable, questionnaire was used which was directly distributed to respondents in each SKPD. Literature review was used to obtain data from published reports, empirical research papers, and other secondary data sources that were relevant to the issue that was discussed.

Variables and Operational definitions

Quality budgeting has the ability to allocate expenditure in accordance with the capacity of the local government and local government development planning that is tailored toward improving the welfare of the society through better public service delivery (Handayani, 2009). Indicators of quality of SKPD budgeting in this research include organizational supporting units (KUA01), accuracy of expenditures (KUA02), accuracy of revenues (KUA03), relevancy of proposals to the most urgent problems (KUA04), extent to which the budget is structured in a smart and logical manner

(KUA05), promptness or timeliness of the budget (KUA06), contains information of costs (KUA07), contains information on target groups (KUA08) consistency with planning documents (KUA09). Indicators of budget quality were modified from those used in research by Izzettin Kenis (1979) and Putri (2014).

Good governance refers to process of formulating budgeting plan in accordance with principles of good governance that include participation (PAR), law and order (HKM), transparency (TRA), accountability (AKU), responsiveness (RES), and *fairness* (FAI). To measure the variables the research used indicators that were based on a research by Nawawi (2012).

The adoption of performance based budgeting in this research refers to budgeting allocation planning of costs and inputs that emphasize output/outcome. Variables in this research were based on indicators that were adopted from a research by (Verasvera, 2016) , which were modified to take into account the long term goals (ABK01); consistency with vision, mission, and goals(ABK02); orientation toward strengthening the ability and use of the budget (ABK03); inputs in accordance with work plan (renja) and strategic plan (renstra) (ABK04); output that support the achievement of work plan (action plan) and strategic plan targets (ABK05); planning a role in achieving local government office goals and targets (ABK06); level of success tingkat (ABK07).

Data Analysis Procedure

Data analysis was based on Partial

Table 4. Cross Loading results
Source : Output PLS (2016)

	KUA	GG	ABK
KUA01	0.663	0.411	0.380
KUA02	0.708	0.469	0.219
KUA03	0.682	0.530	0.394
KUA04	0.715	0.378	0.464
KUA05	0.744	0.626	0.490
KUA06	0.673	0.510	0.502
KUA07	0.729	0.452	0.442
KUA08	0.779	0.544	0.507
KUA09	0.694	0.408	0.484
AKU	0.509	0.749	0.376
FAI	0.512	0.731	0.433
HKM	0.506	0.724	0.433
PAR	0.478	0.719	0.373
RES	0.501	0.700	0.268
TRA	0.408	0.628	0.189
ABK01	0.276	0.301	0.750
ABK02	0.409	0.366	0.694
ABK03	0.524	0.399	0.822
ABK04	0.508	0.337	0.788
ABK05	0.557	0.492	0.740
ABK06	0.441	0.245	0.754
ABK07	0.490	0.446	0.808

Least Square (PLS) version 3.0. The research analyzed three exogenous variables and one endogenous variable. Figure 2 depicts the structural model.

RESULTS AND DISCUSSION

This research assessed 15 SKPDs in Sumbawa district government which had been subjected to compliance evaluation with respect to service delivery that was executed by the Ombudsman in 2015. Data that were obtained were based on questionnaires that were distributed to respondents who are tasked with budgeting in their respective SKPDs.

The research questionnaire was sent to

100 respondents of which 95 questionnaires were returned. That means the questionnaire has a response rate of 95 percent. In addition, of the 95 questionnaires that were returned, one was deemed unsuitable for further analysis. That meant that 94 questionnaires were analyzed further.

Characteristics of respondents

Based on the profile of respondents, 37 of them were female and 57 (39.36%) were male (60.64%). The implication of the foregoing is that males are more involved in budgeting activities than female. With regards to educational attainment, 68 respondents (72,34%) had a bachelor's degree;

while 48 respondents (51.07%) had working experience of more than 15 years, and 35 respondents (37.23%) had working experience of between 10 and 15 years, and 11 (11.70%) respondents had working experience of between 5 and 10 years.

Descriptive Statistics Results

The guidance on interpreting the results of the questionnaire set the lower and upper bounds for each class of mean values for every variable used in the research as depicted in Table 1.

Table 2 shows statistics for each latent variable. The table show he mean and standard deviations of each latent variable based on respondents' answers in the questionnaire.

Based on Table 2 above, it is apparent that the minimum and maximum values of Variable KUA are 1.89 and 5.00, respectively, has standard deviation of 0.566 which is smaller than the mean value of 4.031. This means that the distribution of values is close to the mean value of 4.031. The implication of that is the values for organizational supporting units, expenditure accuracy, revenue accuracy, relevancy of budget proposals to most urgent problems, extent to which the budget is formulated and structured in a local and smart manner, timeliness of the budget, contains information on costs, contains information on target groups, and consistency with planning documents, reflect the reality that SKPD Sumbawa district budgets generally fall into the category of quality (good quality).

Meanwhile the variable of GG has minimum and maximum values of 1.33 and 5, respectively, standard deviation of 0.662 which is smaller than the mean value of 3.906. That means that the values in the sample are distributed around the mean value of 3.906. The result is then compared with evaluation criteria table that contains responses from respondents. The inference that was drawn is that the mean value of 3.906 attests to respondents' answers to questions in questionnaire on good governance that that supported the notion that SKPDs in Sumbawa district government had

adopted and implemented good governance principles.

The Variable ABK, has a minimum and maximum value of 2.57 and 5, respectively, and standard deviation of 0.524, which is smaller than the mean value of 4.102. This means that the values in the sample are distributed around the mean, which has a value of 4.102. The above result was afterwards compared with evaluation criteria table of respondents' responses. The mean value of 4.102 attests to a trend that indicates that respondents perceived SKPDs to have implemented performance based budgeting in their budgeting processes. Thus, respondents' answers indicated that SKPDs in Sumbawa district government implemented performance based budgeting in their budgeting process.

Results of Testing the Outer Model and Inner Model

Data analysis in this research was based on Partial Least Square (PLS) 3.0 statistics analysis package.

In that respect, two models were. Model 1 was the measurement model (outer model), which measured the relationships between indicators and other latent variables. The model was used in testing the validity and reliability of the data. Model 2, was the measurement model (inner model), which was the structural model that measured the relationships among latent variables. The model was used to test the causality (testing the hypotheses using the prediction model).

The measurement model used three criteria in analyzing data, inter alia, convergent validity, composite reliability and discriminant validity.

Results of the outer model tests were aimed at determining the value of convergent validity, which produced estimates of factor loading values for all indicators that are embodied in budget quality variables (KUA), adoption or application of good governance (GG) and performance based budgeting (ABK). Loading factor with a value of less than 0.50 was dropped from the analysis because it was considered to have a very low

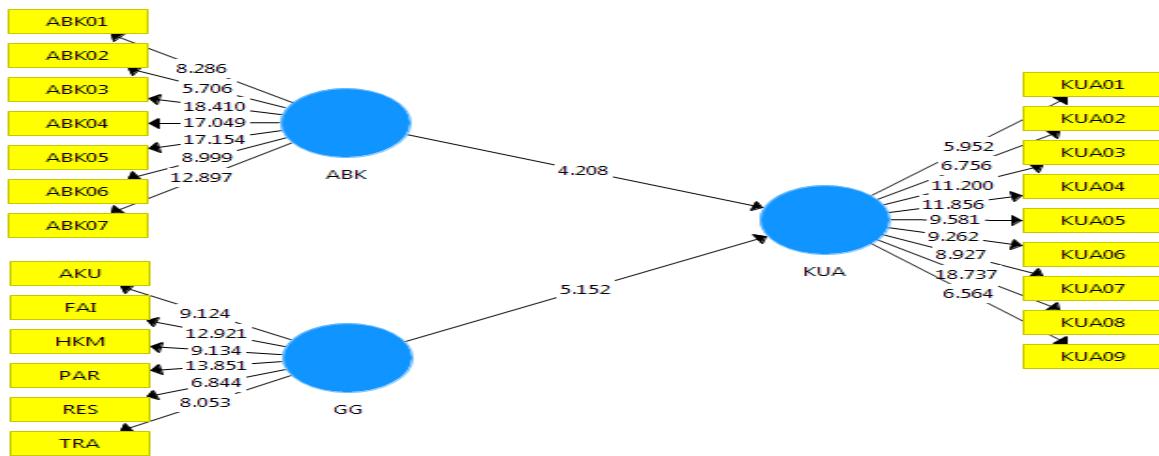


Figure 4. Bootstrapping test results

convergent validity value. During this phase, there were no indicators that were dropped because all had loading factor values that were higher than 0.50. To that end, the inference that can be drawn is that all data in the full model were valid. Results of the tests are depicted in Figure 3.

Reliability test measures constructs which indicators in the questionnaire represent. A questionnaire is considered reliable if and when it produces stable and constant values. Meanwhile, a construct is considered reliable if its composite reliability value and cronbach alpha is higher than 0.70 (Ghozali & Latan, 2015: 43).

Figure 3 indicate that the questionnaire has high stability and consistency. Table 3 shows results of the composite reliability tests and cronbach's alpha.

To that end, all constructs or variables in the model have high reliability hence are fit to measure all constructs in the model.

Meanwhile, discriminant validity is the correlation between variables reflected by the value of cross loading correlation of all indicators that were used to form latent variables. Table 4 describes *cross loading* correlation values for each variable.

Table 4. Shows that the correlation value of constructs are higher than other constructs, which means that the model has a good discriminant validity value. Thus, results of the three tests above, show that the research model fulfils the model measurement criteria (outer model).

Meanwhile, tests of the inner model or structural model are aimed at determining relationships among constructs, the significance value of such relationship, and R-square of the research model. R-square was used to evaluate the dependent constructs of the structural model. The *R-square value obtained was 0.575*, which means that *good governance (GG)* and adoption and application of performance based budgeting explain 57.5 percent and 42.5 percent, respectively of the SKPD budget quality construct (KUA) with other constructs remaining constant.

Results of Hypothesis Tests

Evaluating the structural model (inner model) was done by testing hypotheses. The testing determined the value of R-square which is the goodness-fit model test. Besides, the test also determined the value of path coefficients for parameter coefficients, and statistic significant values. The level of significance of parameter coefficients represent and reflect information on the relationship. The significance value for rejecting and not rejecting the hypothesis was 1.96 for $p<0.05$. Figure 4 shows the results of the he hypotheses tests.

Discussion-Influence of adopting *Good governance* on the quality of SKPD budget

Research results show that the adop-

tion and implementation of good governance induces an improvement in the quality of SKPD budgets. Besides, research findings also attest to the fact that the budget formulation, proposals, and allocation, activities and output that were selected and approved in accordance with needs of society, SKPDs enabled easy access of the public to budget information; budgeting tasks and responsibility were allocated to personnel charged with activities based on authority vested in them toward achieving SKPD program and activities; SKPDs were responsive to proposals that were based on society needs, especially those that were submitted through formal activity proposals; the quality of budgets was underpinned by and grounded in a strong and certain regulatory system and framework; and SKPDs offered interested parties the opportunity to make contributions to inputs into SKPD budgeting policy.

The findings of this research corroborate results by Handayani (2009), Lucyanda & Sari (2009), and Maisarah (2014) which showed evidence that *good governance* principles such as accountability, participation, and transparency has significant influence on budgeting quality. In addition, findings in this research also were similar to Vian & Bicknell (2013) research results that proved that the existence of a transparent public finance system, that provides opportunity to the public to participate in the budgeting process, has control over the policy that is made, and guarantees accountability, creates conducive conditions for a good budgeting system.

Based on research findings, it became evident that SKPD budgeting is very cognizant of the fact that the implementation of good governance principles contributes to improving the quality of local government budgeting. Thus, the fact that there are some areas in Sumbawa district which consider the local government not entirely responsive to their aspirations, the district government has taken measures to increase public access to public finance and performance over the last two years. Such measures have doubtless, created new opportunity for the public to give inputs and advice to budgeting policy through Sumbawa district website at the following url address: <http://www.sumbawakab.go.id>.

The implementation of good governance in public finance management which complies with principles of transparency, accountability, public participation, and equitable and fair treatment, responsive to needs of society and problems that arise, and supported by clear regulatory framework is a reflection of government commitment to provide public services and implementation of programs that is tailored toward full filling public aspirations. That way, public trust and legitimacy in the local government is expected to increase. To that end, this finding is in line with the *goal setting theory* (Locke & Latham, 2006) which shows an association between commitment and complexity of the task an individual faces and the drive to act which is higher in when both conditions are higher than under normal condition. This is the more so if the individual perceives that s (he) is a contributor to the creation process. The existence of SKPD commitment to adopting and implementing good *governance* in the budgeting process will contribute to improving the quality of budget in the district. The same can be said to apply to the complexity of tasks individuals are charged with during the budgeting process. There are very many planning documents that budgeting personnel are required to translate and synchronize with the needs of society during the budgeting process, conveyed in development planning forums and SKPD proposals. Thus, the existence of strong government commitment coupled with the complexity of tasks for budgeting personnel in implementing good governance, create conditions that encourage and propel local government offices in Sumbawa district and personnel involved in budgeting to do all they can to achieve SKPD goals that are stated in SKPD vision and mission statements.

Discussion-The Impact of adopting performance based budgeting on SKPD budget quality

Research results proved that performance based budgeting enhances the quality of SKPD budgets. In general respondents acknowledged the importance of adopting a

performance based budgeting in improving the quality of budget formulation process.

To that end, research results confirmed results that were obtained in research conducted by Handayani (2009), Lucyanda & Sari (2009), and Maisarah (2014) which found that adopting a performance approach in budgeting has significant influence on budget quality.

The adoption of performance based budgeting makes it imperative for the government to develop program prioritization which is articulated in measurable operational programs and activities. In addition, performance based budgeting requires local governments to allocate expenditures on the basis of benefits to achieve efficiency, maximum utilization, and targeting accuracy. Thus, while research results show that SKPD budgeting has yet to be entirely oriented toward making full use of the existence budget (effectiveness) to achieve activity outcomes, in general research results lent credence to the fact that adopting and implementing performance based budgeting in the formulation of budgeting, identifying budget inputs in accordance with working plan and strategic plan of programs and activities, program and activity planning that supports the achievement of work plan and strategic plan targets, ensuring that the performance budgeting system plays a crucial role in serving as a guidance in implementing local government office goals and targets, and ensuring that SKPD budget outcomes give a clear picture of SKPD performance, which in turn encourage SKPD bureaucracy to consistently and continuously strive to enhance performance. Moreover, the adoption of performance based budgeting, which requires the existence of clear goals, targets, and indicators, enhances government accountability in managing public finances.

The above finding supports the *goal setting theory* that was propounded by Locke & Latham (2006). Through the principle of clarity and feedback, achieving organizational goals becomes easier. This is due to the fact that clear and measurable goals coupled with the time frame or timeline when to achieve them, provides a manager with the means to determine what is achieved and when, making an organization

more effective. Meanwhile, with the existence of feedback, there is an opportunity for individuals to determine how best to implement the tasks that fall under their responsibility. The opportunity is only possible if there is extensive interaction between the institution or individual who is holds ultimate responsible for budget expenditure, formulator of the budget, and implementer of the budget in the process of determining goals as well as in developing a budget that is both realistic and in line with individual goals and needs of managers and subordinates. The two principles above are crucial for an organization to achieve its goals and targets.

The above findings corroborates research findings of (Tayib & Hussin, 2005) which underscores the need for performance based quality information for a conducive environment that ensures effective decision making and control of all activities in as accurate and timely a manner as possible for the organization.

CONCLUSION

Research findings prove that the adoption and implementation of good governance and performance based budgeting has strong influence on the quality of SKPD budgeting. Another finding is that quality budgeting is also enhanced by the availability of easily accessible quality budget information by the public, bureaucracy must be proactive and responsive to problems that members of the public face, the need for objective budget expenditure proposals that are based on accurate and well informed and grounded calculations. This is because the quality of budget expenditure proposals has strong influence on the quality of SKPD budgets.

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