

The Effect of Budget Planning and Budget Evaluation on Organizational Performance

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ABSTRACT

This study aims to examine the effect of budget planning and budget evaluation on organizational performance in the Ministry of Agriculture, especially the Directorate General of Livestock and Animal Health. The variables used in this study are the independent variable (budget planning and budget evaluation) and the dependent variable (organizational performance).

The method used by the author in this study is a quantitative method with a comparative causal approach. Data collection techniques were carried out using primary data obtained directly from the object of research and distributing questionnaires. The population in this study were all employees of the Directorate General of PKH, Ministry of Agriculture with a total of 90 respondents. The sample used was *purpose sampling*, namely the selection of a group of subjects based on certain characteristics or traits.

The results of the study with multiple linear regression analysis based on the t test showed that budget planning had a positive and significant effect on organizational performance, budget evaluation had a positive and significant effect on organizational performance.

Keywords: Budget Planning, Budget Evaluation and Organizational Performance

1. INTRODUCTION

In an organization, performance achievement can be used as a barometer of achievement that can be achieved or failure to achieve a goal. Achievements that are successfully achieved will motivate every organization to be able to maintain or even increase the level of organizational success in achieving a realization target.

To achieve a good organizational performance, a systematic, structured and effective performance planning is needed, so that all operational activities in the organization can be controlled by management. The work plan is a core variable in achieving goals, because all activities will lead according to the plans that have been prepared. Good planning will be seen in a good and coordinated budgeting system with one another. The budget does not only function as a planning tool, but also as a tool for controlling (Yopy Ratna Dewanti, 2016). Planning in the organization shows the direction to be achieved, while control is a tool to ensure and supervise that all functions run according to the plans that have been made.

One of the efforts in achieving good organizational performance, it is necessary to have a planning, organizing, directing supervision and review of employee performance or *performance management*. The government, in this case the Ministry of Agriculture, puts forward a performance reporting system that must be structured in such a way. For this reason, performance

management standards need to be compiled and set to ensure that management within the Ministry of Agriculture is carried out in a structured, systematic and quality manner (Suprojo, 2020).

Stages in budget planning, is one of the important things related to the efficiency of budget use as well as an orientation to the success or failure of employee performance against the planned program. Because in practice, many think that budget planning and the formulation and strategic planning of budget implementation are different things and are not in line with the programs and goals of the organization.

Each period, of course, will experience changes in conditions that can affect the economic conditions of a country. As in 2020, where almost all countries were hit by the Covid 19 outbreak which affected economic growth and Indonesia was one of the countries that felt the effects of the Covid 19 pandemic. On November 5, 2020, the Central Statistics Agency (BPS) announced that Indonesia was officially entering a period of economic recession after the release of GDP growth data (Gross Domestic Income) in the third quarter of 2020 faced contraction or negative growth of 3.49%, compared to the previous year period (*year-on-year/ YoY*).

"Referring to the Ministry of Agriculture's 2020 budget realization report, Minister of Agriculture (Mentan) Syahrul Yasin Limpo stated that the Ministry of Agriculture's budget realization until September 11, 2020 had reached Rp 8.49 trillion or 60.43% of the budget ceiling of Rp 14.05 trillion. At the beginning of 2021, the Indonesian economy in 2020 will face a contraction or minus 2.07 %". Of the 17 economic sectors, there are 7 sectors experiencing positive growth, and one of them is agriculture which rose 1.75 %. Based on data from the Central Statistics Agency (BPS), the addition of the agricultural sector is influenced by several factors. Food crop commodities are one of the factors that affect the growth of 10.47 %. Then horticultural commodities grew 7.85 %, meanwhile plantation commodities grew 1.13%. This indicates the consistency of the performance of the ministry of agriculture towards national economic growth with its contribution even though Indonesia was hit by the Covid 19 pandemic. As evidence of the success of the Ministry of Agriculture in the last few years under the leadership of Minister of Agriculture Syahrul Yasin Limpo, the agricultural sector was the supporter of the highest value of national economic growth in the second quarter with 16.14%. In addition, the Ministry of Agriculture is consistent with audit results by obtaining an Unqualified Opinion (WTP) for 4 consecutive years from the Supreme Audit Agency (BPK).

Apart from the previous few years, where the performance of the Ministry of Agriculture has been optimal according to data released by BPS. In 2021, the Ministry of Finance issued a letter Number S-30MK.02/2021 on January 12, 2021 regarding *Refocusing* and Reallocation of Ministry/Agency Expenditures for the 2021 fiscal year.

Based on the letter from the Minister of Finance, the State Budget of the Ministry of Agriculture, which was previously prepared at Rp . 21.84 trillion, has changed to 15.51 trillion (APBN savings of Rp. 6.33 trillion). This means that the Ministry of Agriculture will experience difficulties in maintaining a positive trend of performance due to a reduction in the budget from the previously proposed APBN.

Seeing the obstacles to maintaining or continuing the positive trend of performance in the coming period , and with the budget reduction, it is necessary to monitor the budget allocation so that it is right on target. Good budget planning can avoid *overlapping* expenditure allocations and make the performance of employees measurable.

In addition to planning, budget evaluation is needed in an effort to prevent cost deviations from spending allocations when there is a budget reduction in 2021. Evaluation is an assessment carried out on the budget that has been prepared and knowing how much deviation has occurred

can be traced to the responsible budget implementers (Munawar, 2006). The deviations that occur will be used as a basis for measuring efficiency and evaluating performance (Salbiah and Rizky, 2012).

Several previous related studies, including Haslinda's research (2016) "which examines the Effect of Budget Planning and Budget Evaluation on Organizational Performance with Cost Standards as Moderating Variables in the Wajo District Government Case Study" shows that budget planning, budget evaluation and cost standards as variables moderating has a simultaneous effect on the performance of the Wajo District Government. Research by Guillerma Giusti, Alwan Sri Kustono, Rochman Effendi (2018) which examines the effect of budget participation on managerial performance with organizational commitment and motivation as intervening variables. Research by Muhammad Zein (2016) examines the effect of Participation in Budgeting and Clarity of Budget Targets on the Performance of Local Government Officials in Siak Regency with Organizational Commitment as a Moderating Variable, the results of hypothesis testing indicate that budget participation and clarity of budget goals The suggestion has an effect on the performance of the government apparatus by adjusting the R square of 41.5%. The organizational commitment variable affects the relationship between budgetary clarity of participation and budget objectives on the performance of government officials with an R square adjustment of 47.3 % .

2. METHODOLOGY

This research approach establishes the form of causal associative research, namely the type of research that intends to describe and test the hypothesis of the relationship between two or more variables. Where the approach with this method is used to find the relationship between two independent variables with one dependent variable. Researchers want to find or identify the influence of budget planning and evaluation on organizational performance.

The data used in this study was obtained through a survey through the distribution of questionnaires distributed to the respondents. Primary data was obtained through distributing questionnaires to employees at the Directorate General of PKH – Ministry of Agriculture. Secondary data obtained from the website of the Ministry of Agriculture. In this study, researchers used a questionnaire with a *Likert scale* . Where the *Likert Scale* is expressed in measuring a person's attitudes, opinions and perceptions of certain objects or phenomena. Researchers only need to add a check mark (√) that has been provided. In this study, using the *one shot method* or one measurement and using a reliability technique with SPSS, namely *Cronbach Alpha*. The range of alpha coefficient values ranges from 0 to 1. Multiple linear regression analysis in this study was calculated using the *Statistical Product and Service Solutions* (SPSS) program. The formula for multiple linear analysis is as follows:

$$Y = a + 1X_1 + 2X_2 + e$$

Information :

Y = organizational performance

a = constant

1 = budget planning regression coefficient

X₁ = independent variable of budget planning

2 = budget evaluation regression coefficient

X₂ = budget evaluation independent variable

e = *error term* , i.e. the level of estimator error in the study

3.RESULT AND DISCUSSION

The analytical technique used to test the H1 and H2 hypotheses uses multiple regression analysis by regressing the independent variables (budget planning and budget evaluation) to the dependent variable (organizational performance).

This method used to test the hypothesis is multiple linear regression. It is intended to examine the effect of budget planning and budget evaluation on organizational performance. The following is a table of test results:

Coefficient of Determination Test Results (R²)

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.830 ^a	.689	.682	2.425

a. Predictors: (Constant), Evaluasi Anggaran, Perencanaan

b. Dependent Variable: Kinerja Organisasi

Based on the table, the R value is 0.83 or 83%. According to the correlation coefficient interpretation guidelines, this number belongs to the category of very strong correlation because it is in the interval 0.80 – 1,000. This shows that budget planning and budget evaluation have a very strong influence on organizational performance.

Based on the results of the coefficient of determination test above, the value of R² (*R Square*) of the regression model is used to determine how much the ability of the independent variable (independent) in explaining the dependent variable (dependent). From the table above, it is known that the R² value is 0.689, this means that 68.9% shows organizational performance is influenced by the variables of budget planning and budget evaluation. The remaining 31.1 % is influenced by other variables that have not been studied in this study.

Simultaneous Test Results

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1136.347	2	568.173	96.592	.000 ^b
	Residual	511.753	87	5.882		
	Total	1648.100	89			

a. Dependent Variable: Kinerja Organisasi

b. Predictors: (Constant), Evaluasi Anggaran, Perencanaan

Based on the table above, it shows that in multiple regression testing, the calculated F result is 96.592 with a significant level of 0.000 which is smaller than 0.05, where the calculated F value is greater than the table F value of 3.10 (df1 = 3-1 and df2 = 90-3 = 87), means that the variables of budget planning and budget evaluation together have an effect on organizational performance.

Multiple Linear Regression Test Results and tcount

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.408	1.772		3.052	.003
	Perencanaan	.589	.073	.653	8.120	.000
	Evaluasi Anggaran	.215	.073	.237	2.948	.004

a. Dependent Variable: Kinerja Organisasi

From the table above, it can be explained:

- a. The constant value of 5.408 indicates that if the independent variables (budget planning and budget evaluation) are zero, then the organizational performance will be 5.408
- b. The regression coefficient of the budget planning variable (X1) of 0.589 indicates that if the budget planning increases, it will simultaneously increase the organizational performance of 0.589.
- c. The regression coefficient of the budget evaluation variable (X2) of 0.215 indicates that if the budget evaluation increases, it will simultaneously increase the organization's performance by 0.215.

Hypothesis H1, H2 and H3 proposed can be seen as follows:

a. Budget Planning Affects Organizational Performance (H1)

It can be seen that the budget planning variable has a t count of 8.120 which is greater than t table with sig. = 0.05 and df = nk that is $89-3 = 87$ of 1.662 with a significance level of 0.000 which is smaller than 0.05. so these results explain that the first hypothesis (H1) which states that budget planning affects organizational performance is accepted.

b. Budget Evaluation Affects Organizational Performance (H2)

Based on the table , it can be seen that the budget evaluation variable has a t count of 2,948 which is greater than the t table with sig. = 0.05 and df = nk that is $89-3 = 87$ of 1.662 with a significance level of 0.004 which is smaller than 0.05. So these results explain that the second hypothesis (H2) which states that budget evaluation affects organizational performance is accepted.

c. Budget Planning and Budget Evaluation have an effect on Organizational Performance (H3)

That the budget evaluation variable has a calculated F of 96.592 which is greater than the F table with sig. = 0.05 and (df = nk ie $89-3 = 87$) of 3.10 with a significance level of 0.000 which is smaller than 0.05. So these results explain that the third hypothesis (H3) which states that budget planning and budget evaluation has an effect on organizational performance is accepted.

The first hypothesis in this study is budget planning has an effect on organizational performance. Based on this hypothesis, it can be interpreted that good budget planning can improve organizational performance. Based on the results of the individual parameter significant test (t test) in table 4.9, it shows that budget planning has a positive and significant effect on organizational performance.

Based on the results of research and discussions that have been carried out, it can be concluded that the performance of the Directorate General of PKH - Ministry of Agriculture will increase if accompanied by good planning. The results of this study are in line with the *goal setting theory* described in Chapter II. Where the setting of goals or goals that have been formulated into the budgeting plan makes the organization easier and more focused to achieve its performance targets.

The second hypothesis of this research is that budget evaluation has an effect on organizational performance. From this hypothesis it can be interpreted that the implementation of budget evaluation can improve organizational performance. based on the results of the individual parameter significant test (t test) in Figure 4.9 which shows that budget evaluation has a positive and significant effect on organizational performance.

Budget evaluation implemented in an organization aims to conduct prospectively related to the results of the evaluation and follow-up of the use of the budget that has not been maximized. This means that the use of the budget carried out by the Directorate General of PKH - Ministry of Agriculture needs a program adjustment related to the budget reduction made by the government due to the Covid 19 pandemic. By conducting a budget evaluation, the Directorate General of PKH will focus more on performance in meeting targets and needs of the community in maintain the needs of the livestock and animal health sectors.

Based on the results of the research and the description in the assessment table of the discussions that have been carried out, it can be concluded that the budget evaluation carried out by the Directorate General of PKH - Ministry of Agriculture has the potential to improve organizational performance (Ministry of Agriculture, Directorate General of PKH).

The results of this study support the agency theory, where in agency theory the PKH directorate general as an agent (agent) in budget evaluation will evaluate the budget as well as possible so that the budget evaluation carried out can be used as a reference in assessing the feasibility of the budget in the following year in order to improve performance if the pandemic still persists. still there.

The third hypothesis of this research is budget planning and evaluation has an effect on organizational performance. From this hypothesis it can be interpreted that there is an influence of budget planning and budget evaluation on organizational performance. Based on the results of the simultaneous test (F test) in Figure 4.8, it shows that budget planning and evaluation has a positive and significant effect on organizational performance.

The results of this study are in line with the two previous theories, namely agency theory and *goal setting theory*. Where the formulation of *goal setting theory* with budget planning and budget evaluation with agency theory, makes the performance targets that have been prepared from the beginning remain in line and can be achieved even though there is a reduction from the proposed budget.

4.CONCLUSION

Based on the results of data processing with a partial test (t test) that has been tested, it can be concluded that budget planning has a positive and significant effect on organizational performance. Budget planning is directly proportional to organizational performance. The better the level of budget planning in the performance organization (Ditjen PKH – Ministry of Agriculture), it will be followed by an increase in organizational performance in the work unit. positive and significant impact on organizational performance. Budget evaluation will assess deviations that are obstacles to organizational performance that have not met targets, so that suggestions/recommendations for improvement plans are obtained so that performance improvements can be tangible on an ongoing basis.

Based on the results of data processing with the simultaneous test (F test) that has been carried out, it can be concluded that budget planning and budget evaluation have a positive and significant effect on organizational performance. With the better level of budget planning and reassessment of the results of the budget evaluation, it can be ascertained that the achievement of organizational performance of the Directorate General of PKH – Ministry of Agriculture is successful. This situation is in accordance with the commitments outlined in the implementation of strategies, work programs and activities of the Directorate General of PKH - Ministry of Agriculture in 2020.

Based on the research that has been carried out, the researcher realizes that the results of this study cannot be said to be perfect. The researcher is open to all inputs and suggestions that can make this research useful for the planning and evaluation process of the budget for the organization. Suggestions for the Directorate General of PKH:

Based on the results of the tests that have been carried out which explain that Budget Planning and Budget Evaluation affect organizational performance, the advice from researchers for the Ministry of Agriculture, especially the Directorate General of PKH is to make appropriate and efficient budget planning and budget evaluations by adjusting the current situation experienced. So that from planning and evaluation it can improve organizational performance which can have a positive impact on the Ministry of Agriculture.

Suggestions for the next researcher: Can add data collection methods in the form of direct interviews on the work unit so that the data obtained is more accurate. Adding variable X or moderating variable so that the research results are more complex and specific.

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