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STRICT BUDGET CONTROL ON THE GOVERNMENT OF THE CITY OF SEMARANG IN FACING BUDGET TURBULENCE

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Abstract:
This study aims to provide recommendations regarding the level of tightness / flexibility of budget control applied to the Semarang city government, so that budget deficits or surpluses can be avoided and budget performance increases. Data were obtained through multiple methods, namely surveys with questionnaires and observations and verification of budget archive data and budget realization reports as well as macroeconomic data from the Central Bureau of Statistics of the Semarang City Government. In addition, analyze the data quantitatively and qualitatively. There are three objectives to be achieved in this research, namely 1) Knowing whether Tight Budget Control has an effect on budget deviation, 2) Knowing whether Tight Budget Control requires policies for its implementation, and 3) Knowing how closely related Tight Budget Control is with budget turbulence . The population in this research is the Semarang City Government. The sample was determined purposively, based on the Klassen typology area mapping. The data were tested to estimate the measurement model and structural model, using the Partial Least Square (PLS) method, and testing the interaction effect with Ordinary Least Square (OLS) Regression. The results of this study can be used to anticipate the occurrence of contingency factors in the form of budget turbulence in ensuring budgeting effectiveness, especially when this budget turbulence affects the relationship between tight budget control and budget deviations. And, the benefit to UNNES is that, with this research, a university also requires tight budget control in the form of an institution so that budget turbulence does not occur, even though there is a Strategic Plan and Renop.

Keywords: Tight Budget Control, budget turbulence, conformity

INTRODUCTION

Good and systematic financial management must refer to applicable law, for the sake of realizing accountability, efficiency, job creation, transparency, empowerment of capacity, potential, and development procedures in an efficient and integrated manner. In addition, financial management in the central and regional governments, especially in integrated village financial management, is based more on an approach to fulfilling basic rights and good development procedures. Budgeting is believed to be rational, affordable and political-unfastened choices. In practice, budgeting is carefully associated with politics, which entails bargaining among diverse powers which have the authority to decide which of them are essential and which of them are not (budgeting is strength and politics). (Ratih Nur Pratiwi, 2010).

Problems with budgeting in the public sector, especially government organizations, continue at the execution stage which is closely related to its control. The ideal budget execution is a balanced one, so that local governments as much as possible avoid budget surpluses, let alone deficits. The budget surplus at the local government level is not an achievement. This actually raises questions about his inability to prepare a budget and indiscipline in executing the budget (Johansson and Siverbo, 2014) in the form of work programs or activities. Budget deficits are very difficult for local governments to allow, because the budget revision process to increase the allocation of resources requires a long and rigid process. Therefore, budget deviation is a very crucial thing to be controlled by local governments. Failure to control the budget will have an impact on the achievement of the current

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year's performance and the preparation of the budget for the coming year.

Another problem faced by local governments is the availability of resources, which often fluctuates from year to year. These fluctuations may be caused by developments in the micro and macro economic environment, including changes in government policies, such as: fiscal policy, monetary policy, prediction of income from public services, and others. This situation is known as budget turbulence (Boyne & Meier, 2009).

This examine makes a speciality of the function of Tight Budget Control (KBK) in lowering finances deviations in neighborhood governments that face turbulence withinside the financial surroundings withinside the shape of converting budgets, namely changes in targets, spending limits, priorities, and performance levels. This is in accordance with the conditions of the performance-based budgeting process applied to local governments in Indonesia. So budget turbulence is a contingency factor that affects the role of KBK in controlling budget deviations. OSP (in this case the local government) is the right setting to test the type of contingency theory interaction, because it has special characteristics, namely relatively less competition, conflicts of interest, and involves political and democratic processes. This studies is likewise in reaction to the want for greater studies at the superb consequences of finances control, now no longer handiest focusing at the dysfunctional consequences of finances control, which include the conduct of the actors worried in finances management (Shofwan, et.al. 2021).

Based on the development of the Semarang City Government's economic indicators, as presented in Table 1.1, it appears that the GRDP growth rate is actually fluctuating. This shows turbulence conditions in the Semarang City Government's macro economy which will affect the availability of resources that can be allocated in other Semarang City government budgets. The factors that cause economic inequality between these regions are the determining factors for the availability of resources that can be used to finance local government programs and activities. In addition, the rate of economic growth also affects the availability of budgetary resources. Analysis of economic growth patterns can be done using Klassen Typology (Mardiana, 2012).

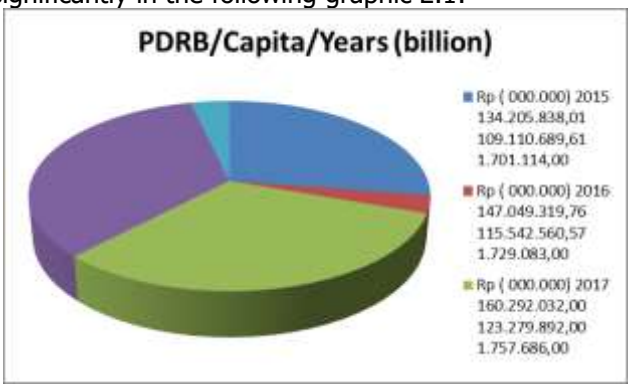
Table 1.1.

Income per capita (ADHB) of Semarang city in 2015-2019

Description	Rp (000.000)				
	2015	2016	2017	2018	2019
PDRB ADHB (billion)	134.205.838,01	147.049.319,76	160.292.032,00	175.421.337,00	191.547.224,26
PDRB ADHK (billion)	109.110.689,61	115.542.560,57	123.279.892,00	131.317.632,00	140.326.256,85
Mid-year population projection (BPS soul)	1.701.114,00	1.729.083,00	1.757.686,00	1.786.114,00	1.814.110,00
PDRB/Capita/Years (billion)	7,889,291,253	850,446,854	9,119,491,877	9,821,396,451	1,055,874,364

source: data processed from BPS Semarang city, 2020

From the data above, the nominal per capita income (taking into account the level of price increase or inflation) for the population of Semarang City in 2019 is Rp. 105,587,436,- per person/year. The trend of per capita GRDP that continues to increase indicates that the welfare of the community is getting better from year to year with the assumption that the distribution of prosperity is even. All of that can also be seen significantly in the following graphic 2.1:



Hypothes Figure 2.1 Pie Chart of GRDP Per Capita of Semarang City in 2015-2019

This study groups the areas in the Semarang City Government, according to the categories in the Klassen Typology. The use of Klassen typology is intended to determine the role of tight budget control (KBK) in reducing budget deviations in regional governments with different economic growth patterns in the Semarang City Government. This research is important to do because of the following motivations: (1) Turbulence (instability) regarding the availability of resources to prepare the budget faced by the Semarang City Government can threaten the effectiveness of implementing programs and activities to improve community welfare. Therefore, it is important to anticipate the occurrence of these contingent factors in ensuring budgeting effectiveness, especially when this budget turbulence affects the

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Volume-13, August 2022
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relationship between tight budget control and budget deviations. (2) Strict budget control policies are needed in an effort to ensure the achievement of performance that prioritizes the realization of the concept of value for money: economical, efficient, and effective. Budget deviations, both surplus and deficit, are avoided as much as possible, because both are problematic for the Semarang City Government.

The problem that is often faced in preparing and realizing the budget is determining the available resources to be used in the preparation of the budget, namely the side of the revenue budget plan. The revenue budget is highly dependent on the availability of local revenue sources, central government policies, regional government policies, and other macroeconomic conditions. So the amount of resources available to be budgeted constantly fluctuates from year to year. This is what Boyne and Meier (2009) mentioned as a condition of budget turbulence. Budget turbulence can not only be seen from the availability of fluctuating resources. Performance-primarily based totally budgeting followed with the aid of using neighborhood governments closes the possibility for incrementalism-primarily based totally budgeting. Targets, spending limits, priorities, and overall performance ranges have to be set primarily based totally at the overall performance dreams for the yr in question, which can be exceptional from the preceding yr. It is even feasible to put in force zero-primarily based totally budgeting, thinking about that desires evaluation and hobby priorities are decided for every financial yr. This scenario additionally has an effect on growing price range turbulence confronted with the aid of using the Semarang City Government.

Budget turbulence is a contingency factor in the relationship between Tight Budget Control (KBK) and budget deviation. Contingency theory has dominated research in the fields of organizational behavior, planning, performance measurement and strategic management. This theory has the proposition that organizational outcomes are the impact of two or more factors together (Van de Ven, AH and Drazin, R., 1984). The reason for assuming a contingent relationship instead of a universal relationship between the CBC and budget deviation is that the situation may require tighter or looser budget controls in the budget control process. The key to understanding these contingent effects is the possible differences needed to provide direction in organizations (Simons 1987).

Hypothesis Development Effect of Tight budget control to budget turbulence

The results of research by Utami Dewi et al. (2011) which examined the impact of tight budget control on budget deviation depending (contingent) on the size of the budget turbulence. From the support of previous studies, we can conclude our first hypothesis.

H1 : Tight budget control has a positive effect on budget turbulence

Effect of Budget deviation to budget turbulence

Budget deviation is a very important performance dimension for public sector organizations (OSPs), particularly local government. This matter caused by political and institutional pressures that require local government not to overspend or underspend, so that the realization of the budget is balanced with the planned budget. Deviation budget is an important issue in budget control strictly. Therefore, the budget must be prepared carefully based on the clearly measurable performance targets/targets in accordance with the plan the relevant regional government strategic and operational plans

In public sector organizations, the budget is the result of political negotiations and setting priorities, thereby demonstrating the will of politicians who power and indirectly the will of these people. Pressure and the drive to eliminate budget deviations makes budget control important. The purpose of budget control is to direct organizational members to act in the best interests of the organization (Mechant and Van der Stede, 2012).

There is coercive pressure for OSPs not to exceed the budget limit (cost), and not much or even no incentive if there is a surplus. Even there will be allegations that the organization in question is experiencing too much funding. Surplus matters at the national level, not at the individual level OSP. Furthermore, Hasanah, Wahyudi, and Nugroho (2016) stated that budget deficit financed from loans, both internal and external apparently had no impact on private sector consumption and the trade balance. So one of the important budget performance dimensions in OSP is avoid (control) budget deviation. The process includes settingtarget budget, evaluate budget variance; and rewarding good performance good.

So, when KBK is related to budget deviation, it is quite reasonable to assume that KBK only has a positive impact on budget deviation when there is significant budget turbulence. In other words, the impact of KBK on budget deviation depends (contingent) on the size of the budget turbulence. Therefore, the hypothesis of this research is that in a situation where budget turbulence is significant, the application of tight budget controls will reduce budget deviation. From the

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support of previous research, we can deduce our second hypothesis.

H2 : Budget deviation positively affecting budget turbulance.

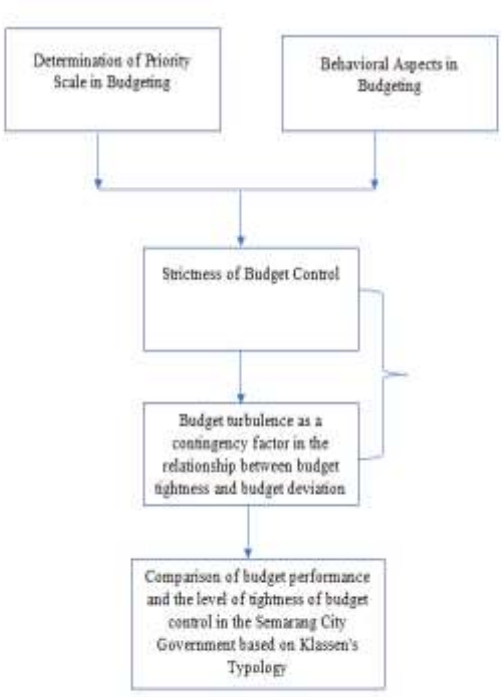

Figure 2 Research Framework

METHOD

This study is a research that uses quantitative analysis. Data is collected from several sources. The first source is the primary data source from research respondents using a questionnaire to obtain data about the tightness of budget control in the Semarang City Government. Respondents were all heads of offices in the Semarang City Government which were used as research samples. Other sources of data are secondary data obtained from the Central Bureau of Statistics of the Semarang City Government and budget data and financial reports (especially reports on budget realization).

Data was collected by distributing questionnaires distributed online. To support the objectivity of the study, the identity of the sample will not be included. 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 worth 5 for SS answers, and 1 for STS answers.

Strict Budget Control (KBK) is operationalized and measured by the construct used by Johansson and Siverbo (2014): (a) Emphasis on budget achievement (emphasis), (b) Has a detailed interest in budget line items (details), (c) No easily tolerate budget deviations (deviate) and (d) Intensively communicate matters related to the budget (intensity).

Budget deviation, operationalized as a comparison between budget and realization (Johansson and Siverbo, 2014). If the budget deviation is positive, it means that the realization is smaller than the budget, and vice versa. Respondents are asked to provide an assessment according to the conditions experienced by the respondent.

Budget turbulence is operationalized as a comparison between the available resources to be budgeted in year n with the realization of the budget in year n-1 (Johansson and Siverbo, 2014). This study uses data collection methods in the form of surveys and document observations.

The survey method was used to measure the tightness of the controls. Budget control using a questionnaire adopted from Johansson and Siverbo (2014), which derives the KBK construct developed by Van der Stede (2001). Document observations are made on the budget and realization reports, and then verified with the data obtained from the survey. The use of multiple methods in data collection can minimize or avoid common method bias (Podsakoff, P.M., MacKenzie, S.B., Podsakoff, N.P., 2003). The population covers all areas in the city of Semarang with groupings based on Klassen typology.

The data analysis technique used is quantitative analysis in the following order:

1. Testing the reliability and validity of the CBC measurement model (Hair et al., 2010)

Reliability is measured by composite reliability and average variance extracted (AVE) for the four constructs of the KBK. The criterion is if its composite reliability greater than 0.7 and AVE greater than 0.5 means reliable.

Validity is measured by using the loading factor value of the latent variables of CBC, namely Detail, Deviate, Intensity, and Emphasis. The criterion is valid if the loading factor is greater than 0.6.

2. Testing the model: Partial Least Square (PLS) Method

to estimate measurement models and structural models (Hair Jr, Hult, Ringle, & Sarstedt, 2016). SmartPLS software is used to assist data processing.

Goodness of Fit (GoF) Test Criteria: if GoF>0.36, it means that the model has good predictive/explanatory power.

3. Testing hypotheses and structural models including their interaction effects, using Ordinary Least Square

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(OLS) Regression (Beaton, Dunlop, & Abdi, 2016), using a two-stage approach:

• Phase I: model estimation which includes the direct and main effect of the independent variable (KBK) on the dependent variable (Budget Deviation).

• Phase II: the same model estimation as Phase I, but by adding the interaction between budget turbulence and KBK

RESULT AND DISCUSSION

Test Instrument

The validity test criteria in a study refer to the amount of outer loading of each indicator on the latent variable. The tests will be described as follows:

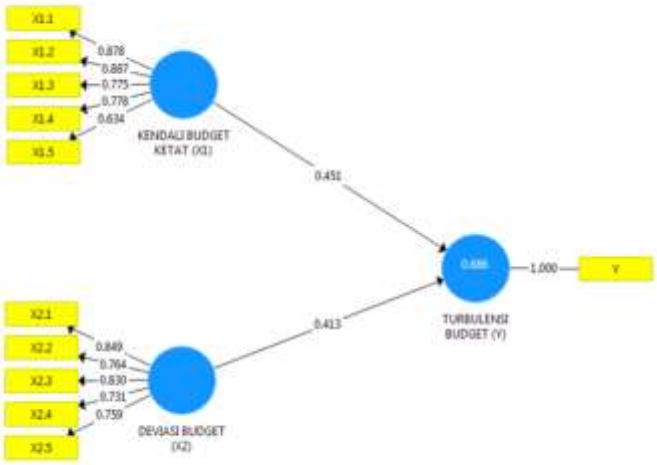

Figure 1. Structural Equation Modeling (SEM) Feasibility Test Results

2. Outer Model Results (Measurement Model)

a. Convergent Validity Test

Convergent validity is used to calculate the validity of the reflexive indicator as a degree of the variable that may be visible from the outer loadings of every indicator. variable. If the price of outer loadings is above 0.70, the tool is stated to have right reliability (Sarwono, 2020). The price of outer loadings this is nevertheless desirable is 0.50 and beneath the price of 0.50 it may be excluded from the analysis (Ghozali, 2020).

Outer Loading Results

Indicator	Latent Variable Score	T Statistic	Loading Limit	Description
X1.1	0,878	19,496	0,5 – 0,6	Valid
X1.2	0,887	11,177	0,5 – 0,6	Valid
X1.3	0,775	5,420	0,5 – 0,6	Valid
X1.4	0,778	10,104	0,5 – 0,6	Valid
X1.5	0,634	5,664	0,5 – 0,6	Valid
X2.1	0,849	12,714	0,5 – 0,6	Valid
X2.2	0,764	9,920	0,5 – 0,6	Valid
X2.3	0,830	4,431	0,5 – 0,6	Valid
X2.4	0,731	4,261	0,5 – 0,6	Valid
X2.5	0,759	11,599	0,5 – 0,6	Valid
Y	1,000	1,000	0,5 – 0,6	Valid

Source: PLS Processed Results, 2022

b. Discrimination Validity

The criterion for measuring discriminant validity for every assemble with the correlation among the assemble and different constructs withinside the version is with the aid of using evaluating the Average Variance Extracted (AVE). if the AVE fee for every assemble is more than the correlation among different constructs, it way that the version has enough discriminant validity.

Discriminant Validity Result

	Average Variance Extracted (AVE)
X1	0,621
X2	0,633
Y	1,000

Source: PLS Processed Results, 2022

Based on the results of the discriminant validity test, it can be seen that the AVE construct on the variables X1, X2, and Y shows the AVE value has exceeded the provision of 0.5 so it can be concluded that the value of the construct on the research variable has a good discriminant validity value.

c. Composite Reliability

Composite reliability is used to measure construct reliability. Composite reliability reflects reliable if all

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indicators in the model have a minimum value of 0.7.

Composite Reliability Result

Variable	Composite Reliability	Criteria
X1	0,891	0,7
X2	0,895	0,7
Y	1,000	0,7

The table shows the value of composite reliability indicators for variables X1, X2, and Y is greater than the standardized value of 0.70, which means that the indicators in the model can be used to reveal the actual data of an object.

d. Inner Model Result

Path Equation Partial Least Square (PLS)

	Original Sample	Sample Mean	Standard Deviation	T Statistics
X1 -> Y	0,413	0,430	0,176	2,347
X2 -> Y	0,451	0,451	0,177	2,551

Source: PLS Processed Results, 2022

The results of the above model path equations can be interpreted: the original sample values for variables X1 and X2 to Y have positive parameter values of 0.413 (X1) and 0.451 (X2) which gives an understanding that the higher the tight budget control and budget deviation, the lower the budget turbulence.

e. Hypothesis test
Hypothesis testing is a test that explains the effect of the attachment of the independent variable on the dependent variable.

Partial Least Square (PLS) Hypothesis Testing

	T Statistics	P Values
X1 -> Y	2,347	0.019
X2 -> Y	2,551	0.011

Source: PLS Processed Results, 2022

Based on the test results, the statistical T value of the variables X1 and X2 has exceeded the T table value of 1.96, meaning that the influence of tight budget control and budget deviation has a significant effect on budget turbulence

f. R Square
R square serves to determine how much the dependent variable can be explained by the independent variable. Here are the test results:

R Square Value

	R Square	R Square Adjusted
Y	0,686	0,663

Source: PLS Processed Results, 2022

Based on the table, it shows that the effect of the variable indicators X1 and X2 on Y gives a value of 0.663 which can be interpreted that the influence of the budget turbulence construct variable can be explained by the tight budget control construct variable and the budget deviation of 66.3%, while the rest is explained by other variables outside of that. researched.

CONCLUSSION

Based on the results of data analysis, it can be concluded that tight budget control affect the budget deviation and budget turbulence according to the Klassen Typology grouping, so the budget control is getting tighter the smaller the budget deviation. If tested separately, turbulence has no effect on the deviation of the budget, but when interacted with KBK the effect be significant. This shows that the budget faced does not result in deviations budget. The level of tightness of budget control is the main factor budget deviation.
Strict budget control policies are indispensable in efforts to ensure the achievement of performance that prioritizes the embodiment of the concept value for money: economical, efficiency, and effective. Budget deviation, good surplus and deficits are avoided as much as possible, because both are problematic.

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