

DETERMINANT OF BUDGET ABSORPTION WITH TIME PRESSURE AND ENVIRONMENTAL UNCERTAINTY AS STIMULANTS

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Abstract

Budget absorption reveals achievement of government's performances and efforts to carry out the mandate of the society. Actually not all regions are capable to optimally realize their budgets. The low of budget absorption is an important thing due to its huge impact on inefficiency public services which tends to unfulfilled society needs as well as economic growth. The study investigated the time pressure and environment uncertainty on the relationship between financial management and budget absorption of West Sumbawa Local Government. This is an explanatory research that uses two kinds of tools analysis, as follows: SPSS 16.0 has been used to test the validity and reliability of the data while Smart PLS 3.0 has been used to analyze the relationship among the variables. There are 46 respondents were chosen since the purposive sampling method used in this research. The result indicated that there is positive and significant relationship between financial management and budget absorption. Furthermore the study found that time pressure and environment uncertainty have not been able to strengthen the relationship between them. This research is expected to contribute to government consideration in formulating regulations related to local budget management, and give more information to economic, accounting and public sector world education.

Keywords : Budget Absorption, Financial Management, Time Pressure, Environmental Uncertainty.

1. Introduction

In interpretation, according to Suleman et al. (2016) Budget is a management tool in allocating limited resources owned by an organization to achieve the purpose. The budget which is composed in the budget revenue and expenditure has a very important role as being the main tool for the country and the area to the society welfare through the expenditure and government spending. The aim of government expenditure in order to increase public services for society is as the main purpose in the form of basic need such as health, education, water, and transportation, also infrastructure such as access road, sanitation, and other public facilities.

The realization level of budget is a reflection of the government's performance in carrying out the mandate of the society. In general, the absorption of government expenditure is still very low (Fitriyani:2015) budget absorption is one of evaluation indicators of government's performance so that the realization of a low budget reflects the failure of bureaucracy in implementing programs and activities which have been planned to fulfill need service of the society. The phenomenon comes amid demands in order that financial management and financial responsibility of country and region are more transparent and accountable, the effectiveness and efficiency financial management for *good government (towards) governance*.

Financial management is a variety of activities including planning, implementation, monitoring, administration, and accountability done by the financial management officer in accordance with the position and the authority. (BPK, Pasal 1 angka 8 UU no. 15 Tahun 2006). Budget planning is the first foundation of successful achievement of government's goal as careful planning can produce a good quality of the budget. Budget execution is the phase in which resources are used. The possibility that can be occurred is a good budget arrangement isn't carried out appropriately but it is possible that a bad budget arrangement can be carried out appropriately. Budget control is the stage to know how far the level of effectiveness and efficiency the use of available resources. The successful financial management in addition to process of planning, implementation and monitoring is a reporting system on the budget itself. Administration and reporting are as accountability form of the agent (government) to the principal (society).

The government budget realization of west Sumbawa regency in 2015 was amounted to 87,52% which was consisted of 83,87% personnel expenditure realization and 84,89% for commodity and service. The same thing happened on the government of Sumbawa regency with realization achievement of direct budget was amounted to 90,13% which was consisted of 88,95% capital expenditure and 86,69% for commodity and service. The low budget absorption raises concern and suspicion that local government is not able to maximize the benefit value of the budget. It's impressed that the governments can't carry out their duties maximally.

The phenomenon of budget absorption occurred in Sumbawa and west Sumbawa regency can be said very low where absorption level of the budget is at <90%. It attracts the researcher to know the factors that cause low absorption compared to the other regencies / cities in west Nusa Tenggara Province. No research has been done related to budget absorption. It makes the researcher interested in knowing the factors that cause low absorption of the budget in local government of Sumbawa and West Sumbawa regency.

Research Questions

The research question is about things that cause low absorption of the budget in local government of Sumbawa and West Sumbawa regency: "does the financial management affect the budget absorption of local government in Sumbawa and West Sumbawa regency with time pressure and uncertainty environmental as moderation?"

Research Objectives

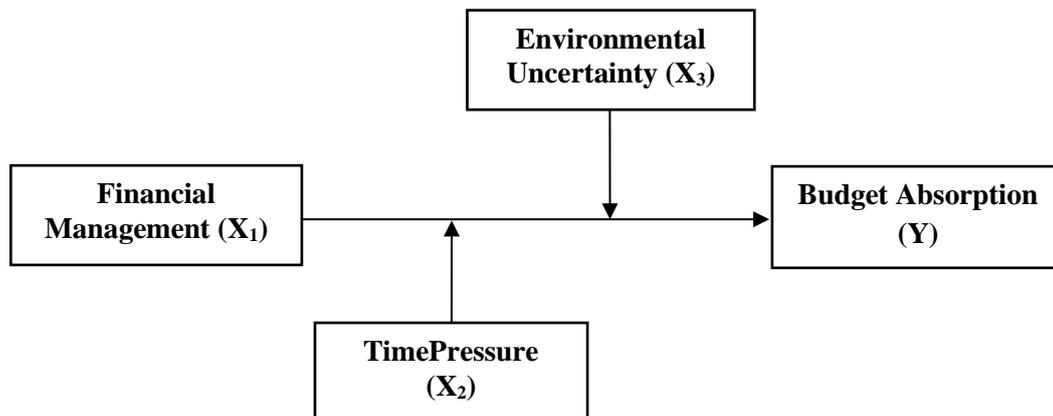
The aim purpose of this study is to examine the effect of budget management on the budget absorption in local government of Sumbawa and West Sumbawa regency with time pressure and uncertainty environmental as moderation.

2. Theoretical Framework and Hypothesis Development

The aim purpose of this research is to know the effect of financial management on the budget absorption with pressure and uncertainty environmental as moderation, which is expected

to have implication on overcoming problems arising from bad planning, less focus on implementation of the budget which affects on the low absorption of budget in local government of Sumbawa and West Sumbawa regency.

Figure 1 : Empirical Model of this Research



Financial management from early stage of planning to final stage of reporting is a form of government accountability for society. Reporting of budget realization is as a form of providing information on how far government performance is, as the mandate holder of the society. Signaling theory has hinted that every action containing information, just like transparency of financial management, is a good information, In order to create cooperation between government and society so that the society is demanded to support all government action especially in improving service for society.

Furthermore, according to the ideal budgeting theory, the ideal budget must reflect to program efficiency, transparency and accountability between the use of input and the result of output. The budgeting theory explains the use of process in making decision related to the government's action, how resources are allocated, conserved, and used to achieve the purpose.

2.1. The Effect of Financial Management of Budget Absorption

Signaling theory of Spence (1973) explains that budget management is used as information media to have a positive reciprocal relationship between the government and the society. Kuswoyo (2011) conducted a study on the characteristic of budget management at the planning stage and implementation phase with the result is that planning and implementation of the budget had a

significant effect on budget absorption. Juliani and Sholihin (2015) stated that budgetary oversight has no significant effect on budget absorption. Athana (2015) stated that the clarity of budget target has a positive effect on budget absorption.

The budget management will be optimal if on every series and stage of activities which includes planning, implementation, supervision, administration, and accountability carried out structurally and in accordance procedure. Skipping one stage can provide a negative space for the next stage due to each of the stages relates and supports each other. It is accordance with the aim of UU No. 15 2006 BKP RI, the budget management must have characteristics. Those are: 1) A mature budget planning; 2) Optimal budgeting; 3) Active participation; 4) Targeting a clear budget; 5) Intensive control of the budget; and 6) maximizing budget execution and responsibility.

The budget absorption is the estuary of a good financial management. The evaluation of government budget and performance can be reflected in the success rate level of budget absorption in the budget year. It can't be denied that the budget absorption is the impact of budget management procedure from the beginning to the final stage. Therefore, budget absorption can't be separated from the budget management process itself.

H1. Financial management influences budget absorption SKPD.

2.2. The Effect of Time Pressure in Relationship Between Financial Management and Budget Absorption

Bureaucratic theory justifies all actions performed by financial managers must be guided by binding regulation, rule, and standard procedure. Financial management adherence to the decision that supports the system achievement of organizational goal affects on the discipline of behavior and action that will be used. It has implication for the discipline and quality work of the financial manager.

The research conducted by Switriansyah (2015) indicates that time pressure affects the reliability of financial report. Empirical research conducted by Simanjutak (2008) and Manullang (2010) found that time budget pressure has an influence on various auditor behaviors that lead to

decreased audit quality. In the provided limited time, financial management is required to create efficiency on the budget that has been prepared.

From the previous research, it's possible that time pressure has an influence on financial management. Time allocation pressure will motivate financial manager to produce optimal budget management and absorption. The intention of time pressure is to make the financial manager uses their time effectively and efficiently in order to achieve maximum budget management goal. To take advantage of the time, the financial manager should pay attention to several things including: 1) Timeliness; 2) Time availability; 3) The effectiveness and the efficiency of time; 4) Balancing task and time; and 5) Deadlines; to avoid the pressure that can affect the output of the financial management itself.

H2. The time pressure moderates the relationship between financial management and budget absorption.

2.3. The Effect Of Invironmental Investigation In Relation Between Financial Management And Budget Absorption Skpd

The budgeting theory can explain all matters relating to the action that will be done by the government, Making decision, policy setting, program implementation, empowering resources in achieving the organizational goal. Signaling theory teaches that every action contains information, the lack of information provided by stakeholder can affect the budget management, budget planning will be out of target, the implementation of the budget will be ineffective and inefficient and the budget absorption can be maximized.

Environmental uncertainty is an uncertain condition in the form of physical or social factor originating from internal or external agencies that can affect the financial manager performance and decision making by competent stakeholder, so that it can have implication on the disruption to the process of the budget management, in accordance with the schedule and the target set. Uncertain environment must be calculated by the financial manager, where that factor can have direct and indirect impact on every stage of budget management on the planning, arrangement, supervision and budget accountability.

The relation to environment uncertainty of budget absorption is uncertain condition and unpredictable. It makes the financial management must think hard on taking action, making decision, policy setting, and determining the strategy to deal with uncertain condition that can affect the process of budget management. It implies to the realization and budget absorption.

H3. Uncertain condition moderates the relation between budget management and budget absorption SKPD.

3. Research Method

3.1. Data Selection And Collection Approach

The data collected in this study is the primary data and secondary data. The primary data obtained by spreading the questionnaire to the competent authority in the financial management of the regional financial management officer (PPKD), authorized budget (KPA), Committing officer (PPK), Official technical implementation activity (PPTK), Official signing of payment order (PPSPM), deputy finance department, treasurer, official procurement, and the committee audit. The secondary data is in the form of the achievement of local budget in the document report. The realization of local budget obtained from the financial management service revenue area in Sumbawa and West Sumbawa regency.

The population in this study was amounted to 710 respondents consisting of financial management official in satker which is located in the region of Sumbawa and West Sumbawa regency. The respondents were selected based on specific criteria with consideration that the respondents are competent employees in local financial manager. It used purposive sampling so that it was obtained 46 respondents who were asked to fill out the questionnaire that has been set.

3.2. Measurement And Operational Variable Definition

There are four variables in this study. one independent variable, two moderation variables and one dependent variable. The independent variable consists of financial management. The

moderation variable consists of time pressure and uncertain environment while the dependent variable consists of budget absorption.

The definition of operational variables and measurement scale in this study are presented in the following table:

Table 1. Measurement and operational variable definition

No	Variable	Operational Definition	Measurement scale
1	Financial Management	Financial management is the various activities which include planning, implementation, supervision, administration and accountability. It is conducted by financial management official in accordance with the position and its authority.	<i>Semantic Scale</i>
2	Time Pressure	It can be defined as an obstacle arising from limited time or limited resource allocated in carrying out the assignment. A condition experienced by financial managers who are required to carry out the financial management within a predetermined timeframe.	<i>Semantic Scale</i>
3	Environmental Uncertainty	It is an unpredictable condition that can lead to the pattern change, policy change, action change tailored to the condition occurring in the field.	<i>Semantic Scale</i>
4	Budget Absorption	It is the achievement level of budget realization as a form of the government performance in the implementation of programs and activities in order to achieve the vision and mission of the region	<i>Semantic Scale</i>

The indicator used in the research becomes the basis for determining the question in the questionnaire which will be used by the researcher as the measuring tool of the construct which will be studied, while the indicators used in financial management include: 1) Budget planning 2) budget execution 3) budget supervision 4) administration and reporting budget. The indicators used in measuring time variables include: 1) timeliness 2) time availability 3) effectiveness and time efficiency 4) time limit. The indicators used in measuring environmental uncertainty variables include: 1) administrative readiness or budget documents 2) environmental financial management 3) consistency of regulation and policy 4) budget discipline 5) organizational environment.

3.3. Data Analysis Method

This is an explanatory research that uses two kinds of tools analysis, as follows: SPSS 16.0 has been used to test the validity and reliability of the data while SmartPLS 3.0 has been used to analyze the relationship among the variables.

4. Results

4.1. Validity And Reliability Test

Validity test in this study uses SPSS 16.0 as in the following table:

Table 2. Validity Test

Variabel	Questions Item	Pearson Correlation	r	Explanation
Financial Management (FM)	FM1	0.493	0.3	Valid
	FM2	0.397	0.3	Valid
	FM3	0.466	0.3	Valid
	FM4	0.666	0.3	Valid
	FM5	0.626	0.3	Valid
	FM6	0.614	0.3	Valid
	FM7	0.429	0.3	Valid
	FM8	0.560	0.3	Valid
Time Pressure (TP)	TP1	0.591	0.3	Valid
	TP2	0.836	0.3	Valid
	TP4	0.886	0.3	Valid
	TP5	0.859	0.3	Valid
Environmental Uncertainty (EU)	EU4	0.347	0.3	Valid
	EU5	0.480	0.3	Valid
	EU7	0.336	0.3	Valid
	EU8	0.344	0.3	Valid
	EU9	0.466	0.3	Valid
	EU10	0.476	0.3	Valid
	EU13	0.297	0.3	Valid
Budget Absorption (BA)	BA1	0.883	0.3	Valid
	BA2	0.876	0.3	Valid
	BA3	0.830	0.3	Valid
	BA4	0.646	0.3	Valid

Source : SPSS Output

An indicator is valid if it has a correlation above 0.30 to construct the destination. In the table above it appears that the value of correlation of less than 0.30 are indicators of TP3 and TP6 to construct time pressure, indicator EU1, EU2, EU3, EU6, EU11 and EU12 to construct environmental uncertainty.

The reliability test of this study uses SPSS 16.0 by looking at the value of the cronbach's alpha. The value of cronbach's alpha for each variable is presented in the table as follows:

Table 3. reliability test

Variable	Cronbach's Alpha	Alpha	explanation
Financial Management	0.633	0.6	Reliable
Time Pressure	0.728	0.6	Reliable
Environment Uncertainty	0.622	0.6	Reliable
Budget Absorption	0.811	0.6	Reliable

Source : SPSS output

From the table above can be seen that each construct at the level > 0.6 alpha. It is proved that each construct has a good reliability.

4.2. Testing Model Construct

Evaluation of the inner model can be done by the way look at the value R square to evaluate the relationship between the latent constructs as it has been hypothesized that's the relationship of budget management to budget absorption with time pressure and environmental uncertainty as moderation.

The R-square values are presented in the following table:

Table 4. Testing model

Construct	R Square	R Square Adjusted
Budget Absorption	0.297	0.209

Source : SmartPLS output

The function of R-square is to describe the ability of independent variable explaining dependent variable. R square value of 0.297 or rounded 0.30 proves that independent variables are able to affect budget absorption by 30%, and 70% budget absorption is influenced by other variables outside this construct.

4.3. Hypothesis Testing

The hypothesis testing can be done by finding the value of path coefficient estimation that shows the coefficient of parameters and t-statistic. To find out the significance value is presented in the following table:

Table 5. Hypothesis testing

Indicator	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistic ((O/STDEV))
X ₁ -> Y	0.286	0.328	0.123	2.334
X ₂ -> Y	0.038	0.050	0.159	0.242
X ₃ -> Y	-0.314	-0.266	0.184	1.710

Source : SmartPLS output

The table above shows that the relationship between financial management (X₁) and budget absorption (Y) is significant with T-statistic of 2,334 (>1,96) the value of *original sample estimate* is positive that is equal to 0,286 indicating that direction of relationship between financial management and budget absorption is positive. Thus, the hypothesis H₁ in this study which states that ‘financial management affects on budget absorption’ is accepted. Interpretation of the data above shows that a better financial management can influence the budget absorption rate.

The value of T-statistic 0.242 (>1.96) indicates that time pressure (X₂) moderates the relationship between financial management (X₁) and budget absorption (Y) is insignificant. Thus, the hypothesis H₂ in this study which states that ‘time pressure to moderate the relationship between financial management and budget absorption’ is rejected. Interpretation of the data is time pressure hasn’t been able to strengthen the relationship between financial management and budget absorption.

The value of T-statistic 1.170 (1.96) indicates that environmental uncertainty (X₃) moderates the relationship between financial management (X₁) and budget absorption (Y) is insignificant. Thus, the hypothesis H₃ in this study which states that ‘environmental uncertainty moderates the relationship between financial management and budget absorption’ is rejected. This

shows that environmental uncertainty hasn't been able to strengthen the relationship between financial management and budget absorption.

5. Conclusion, Implication And Limitation

5.1. Conclusion

From the tests conducted on 46 respondents, this research proves that each management stage if it's done carefully has a significant positive effect on the budget absorption with the t-statistic value 2,334 (>1.96). It provides an answer to the differences of research results which have been done before. That's financial management stage which was done separately as a variable. The researcher concludes that every stage of financial management can cover the shortcoming of each other that can lead to low absorption of the budget. Another result of this research is that the time pressure with t-statistic value 0.242 (>1.96) and environmental uncertainty with t-statistic value 1,710 (>1.96) have not been able to strengthen the relationship between financial management and budget absorption in Sumbawa and West Sumbawa regency.

5.2. Implication

The suggestions that can be given to farther studies are: first, expanding the scope of the research by adding some samples from other districts/ cities, to obtain diverse data. Second, the time pressure and environmental uncertainty are examined as independent variables to prove the direct influence of the two variables. It can provide a different explanation about its relationship with budget absorption. Third, it should be measured using likert scale as using semantic scale can't be really understood by the respondent, Especially the respondents who don't understand about questionnaire. Fourth, consider adding the respondent criteria such as the state budget (APBN) because in some cities there is an institution that separates between the manager of local expenditure and the budget of state expenditure.

5.3. .Limitation

There are some limitations in this research. Those are expected can be overcome by the further research. First, the lack of choosing the number of respondents and less extend of the research scope. Second, don't observe the relation between human resources. They are the actors of influential factor in the financial management of the budget absorption. Third, it doesn't really use the indicators which are as a measure of latent variables assessment.

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