FACTORS THAT AFFECT THE BUDGET ABSoPTION IN LOCAL GOVERNMENT WORK UNIT OF THE CITY OF MEDAN WITH THE GOVERNMENT INTERNAL CONTROL SYSTEM AS A MODERATING VARIABLE

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Abstract: This study aims to analyze the effect of Budget Implementation Document (BID) quality, HR quality, bureaucratic reform and organizational commitment to the absorption of Local Government Work Unit budget of Medan City Government with the internal control system of the government as a moderating variable. This type of research is causality. The population in this study were all Local Government Work Unit of Medan City Government, which amounted to 54 (fifty four) Local Government Work Units. The sampling technique uses a purposive sampling method, so that those who meet the criteria to be used as research samples are 33 (thirty three) Local Government Work Units with 66 observations consisting of 66 (sixty six) respondents consisting of the Head of the Local Government Work Unit and the Head of Financial Subdivision Local Government Work Unit. The data of this study were analyzed using Structural Equation Modelling Partial Least Squares (SEM PLS). The results showed that the quality of BID, the quality of human resources, bureaucratic reform had a significant positive effect on budget absorption and organizational commitment had a positive effect but not significantly on budget absorption. The government internal control system as a moderating variable cannot moderate the relationship between BID quality, HR quality, bureaucratic reform and organizational commitment to budget absorption in Local Government Work Unit of Medan City Government.

Keywords: Budget Absorption, Quality of Budget Implementation Documents, Quality of Human Resources, Bureaucratic Reform, Organizational Commitment, Government Internal Control System (GICS).

1. INTRODUCTION
In State Budget construction, government spending plays a very important role in achieving national goals, especially in improving and maintaining people’s welfare. This is because the magnitude and composition of government spending in government fiscal operations has a significant impact on aggregate demand and national output, as well as influencing the allocation of resources in the economy. However, in the implementation of its spending budget, the Indonesian government is always faced with one classic problem that always occurs, namely the problem in budget absorption.

The World Bank said that developing countries, including Indonesia, had a problem in absorbing the budget called “Slow Back Loaded”, meaning that absorption was low at the beginning to the middle of the fiscal year, but jumped towards the end of the fiscal year.

Failure to target budget expenditures, because not all of the funds allocated can be used, which is proven to occur in cash. If the allocation budget is efficient, then the source of funds needed for optimization of funding strategic activities is needed. When it fails to reach the target, it means that there has been an inefficient and ineffective budget allocation (BPKP, 2011). In addition, the slow pace of budget funds or the accumulation of budget funds which incidentally occurs at the double level will lead to problems of state financial accountability.
such as forcing the implementation of unnecessary activities, weak development planning and improving the quality of implementation activities (BPKP, 2012).

In the Medan City Government, the phenomenon of low budgets has also occurred in recent years. When viewed from the expenditure side in accordance with the Budget Realization Report of Medan City Government in 2012-2018, the realization of the budget only reached 78.98%, 71.26%, 85.28%, 85.28%, 89.68 %, 83, 02%, 80.02% and 76.90%. The percentage of expenditure budget is more than 100%, the budget budget is still low, 100% budget is 100% every year.

The issue of delaying the delay in spending on the Medan municipal budget has also been highlighted by the President of the Republic of Indonesia Joko Widodo. In 2016, at the TPID National Coordination Meeting (Regional Inflation Control Team) on August 4, 2016, in Jakarta, the President directly approved the list of provinces, districts / cities whose funds were still largely deposited in banks and had not been realized. The President welcomed the city of Medan to be the city that precipitated the highest development fund in Indonesia with a value of Rp.2.2 trillion. The large development fund that settles in this bank is a sign of very low funds from the designated local government. The President has asked all regional leaders to immediately channel these funds so that the community can be developed (www.liputan6.com). In connection with the above background, several problems are formulated in this study as follows:

1. How does the quality of the Budget Implementation Document (BID) affect the budget absorption?
2. What is the effect of HR quality on budget absorption?
3. How does bureaucratic reform change budget absorption?
4. What is the involvement of the organizational commitment to budget absorption?
5. How does Government Internal Control System (GICS) moderate the relationship between Budget Implementation Document (BID) quality and budget absorption?
6. How does Government Internal Control System (GICS) moderate the relationship between Government Internal Control System (GICS) quality and budget absorption?
7. How does Government Internal Control System (GICS) moderate the relationship between bureaucratic reform and budget absorption?
8. How does Government Internal Control System (GICS) moderate the relationship between organizational commitment and budget absorption?

2. LITERATURE REVIEW

2.1 Agency Theory

Agency theory proposed by Jensen and Meckling (1976) defines an agency relationship as a contract between one person or more (also called a principal) who appoints another person (called an agent) to carry out services in accordance with the principal’s interests, which includes delegation of some decision making authority to the agent. Local Government Work Unit can be declared as agents of local governments because Local Government Work Unit is needed to produce an output for the community at a certain level. The accuracy of budget expenditures can be interpreted as a component of the contract between local government as the principal and Local Government Work Unit as an agent.

2.2 Stakeholder Theory

A stakeholder is a group of people or individuals who are identified as being able to influence and be influenced by a certain achievement goal (Freeman & David, 1983). Shareholders, suppliers, banks, customers, governments and communities play an important role in the organization (acting as a stakeholder). Government as a regulator and service provider for public needs is part of several elements that shape society in the prevailing social system. The situation then creates a reciprocal relationship between the government and
stakeholders which means the government must carry out its role in two directions, namely to meet the needs of the government itself and other stakeholders in a social system. Therefore, everything that is produced and done by each part of the stakeholders will affect each other.

2.3 Budget Absorption

Absorption of the budget illustrates the ability of local governments to carry out and account for every activity they have planned (Mardiasmo, 2009). Noviwijaya (2013) defines the absorption of the Local Government Work Unit budget as a proportion of the work unit budget that has been disbursed or realized in one budget year. A quality budget is a budget that has the right structure and its allocation supports the needs of the community (Erlina et al., 2018). Ability of budget absorption is considered good and successful if the realization of budget absorption is in accordance with the actual physical work that can be completed, assuming that the actual physical work is relatively the same as the planned completion of the work (Nugroho & Ananda, 2013). Budget absorption is measured based on how much the budget can be absorbed every year (Kuswoyo, 2011). Szabo (2011) in his research stated that administrative and regulatory capacity affect the absorption of structural funds. Marinas and Prioteas (2015) stated that administrative factors influence budget absorption. Tiganasu et al. (2018) states that institutional quality and management performance influence the absorption of structural funds.

2.4 Quality of Budget Implementation Documents

Before preparing the Local Government Budget, the executive and legislative branches must first agree on general directions and policies and budget priorities to guide the preparation of the Regional Budget. The executive makes a draft of Local Government Budget which is then submitted to the legislature to be studied and discussed before it is established as a regional regulation (Erlina & Muda, 2018). The Local Government Budget draft made by the executive is then called the Budget Implementation Document (BID). BID quality is the level of how well BID planning is made to be used as the basis for budget execution (Suwito, 2017). The quality of BID is closely related to budget planning. The better the budget planning made by the work unit, the better the quality of the BID by meeting the criteria of timeliness in receiving BID, no errors in the BID, no revision of the BID and no star sign (Seftianova and Adam, 2013). Various other studies have also examined the relationship between the quality of budget documents and budget absorption including the results of the research of Seftianova and Adam (2013) which shows the quality of Budget Implementation Entry List has a positive effect on the quality of budget absorption. This is in line with what was revealed by Siswanto and Rahayu (2010) and Maman and Soffan (2017) that aspects of budget documents affect budget absorption.

2.5 Quality of Human Resource

Human resources are the unity of human labor within the organization and not merely the addition of existing employees (Mathindas, 2002). Furthermore, the United Nations Development Program (UNDP) (2008) defines the quality of human resources as the ability possessed by a person or individual, which refers to the skills, experience and knowledge they have to do a good job that can be obtained through education and training. HR quality indicators are measured based on the understanding expressed by UNDP which includes skills / mental attitude, experience, knowledge / competence, education and training. This is in line with Monica (2013) which revealed that the low quality of HR caused the inability to optimally absorb funds. Research by Utomo (2014), Maman and Soffan (2017) and Thomas (2018) revealed that employee competence affect budget absorption.

2.6 Bureaucratic Reform

Bureaucratic reform is interpreted as a major change in the paradigm and governance. Bureaucratic reform includes changes in bureaucratic structure and repositioning, changes in the political and legal system as a whole, changes in mental and cultural attitudes of bureaucrats
and society, and changes in mindset and commitment of the government and political parties (Prasojo & Kurniawan, 2008). Thus the understanding of bureaucratic reform is to rebuild the condition of the bureaucracy towards improvement, refinement and renewal, in accordance with the objectives of the government bureaucracy, namely the provide of orderly, efficient and effective public services (Istianto, 2013).

Utomo’s research results (2014) revealed that bureaucratic reform had a positive and significant effect on budget absorption.

2.7 Organizational Commitment

Commitment is an agreement or commitment to do something that is best in a particular organization or group (Aranya & Ferris, 1984). Organizational commitment is defined as the strong desire to remain as a member of the organization, work hard according to organizational goals and accept the values and goals of the organization (Luthans, 2005). Purtanto’s research results (2015) revealed that management commitment has a significant effect on budget absorption. This is in line with that expressed by Ponti et al. (2016) which states that organizational commitment significantly affects budget absorption.

2.8 Government Internal Control System (GICS)

Government Regulation Number 60 of 2008 concerning the Government Internal Control System (GICS) defines GICS as an integral process of actions and activities carried out continuously by the leadership and all employees to provide adequate confidence in the achievement of organizational goals through activities that are effective and efficient, reliability financial reporting, securing state assets, and compliance with laws and regulations. Ulfa’s research results (2017) prove that internal control is able to moderate the relationship between budget planning, budget execution, quality of human resources and procurement of goods and services to the accumulation of regional budget absorption at the end of the fiscal year. This result was reinforced by Berocan and Sanday (2012), Kanayo and Kizito (2014) and Purtanto (2015) who explained that monitoring and evaluation had an effect on budget absorption.

2.9 Hypothesis

H1: The Quality of the Budget Implementation Entry List has a positive effect on budget absorption in the Local Government Work Unit of Medan City Government

H2: The quality of human resources has a positive effect on budget absorption in the Local Government Work Unit of Medan City Government

H3: Bureaucratic reform has a positive effect on budget absorption in the Local Government Work Unit of Medan City Government

H4: Organizational Commitment has a positive effect on budget absorption in the Local Government Work Unit of Medan City Government

H5: GICS can moderate the relationship between Budget Implementation Entry List quality and budget absorption in the Local Government Work Unit of Medan City Government

H6: GICS can moderate the relationship between HR quality and budget absorption in the Local Government Work Unit of Medan City Government

H7: GICS can moderate the relationship between bureaucratic reform and budget absorption in the Local Government Work Unit of Medan City Government

H8: GICS can moderate the relationship between organizational commitment to budget absorption in the Local Government Work Unit of Medan City Government
3. **METHOD**

This type of research is causality. The data collection method uses primary data through questionnaires. The population in this study were all Local Government Work Units of Medan City Government, which amounted to 54 (fifty four) Local Government Work Units. The sampling technique uses a purposive sampling method, so that those who meet the criteria to be used as research samples are 33 (thirty three) Local Government Work Units with 66 observations consisting of 66 (sixty six) respondents consisting of the Head of Local Government Work Units and the Head of Financial Subdivision Local Government Work Units. The data of this study were analyzed using Structural Equation Modeling Partial Least Squares (SEM PLS).

4. **RESEARCH RESULTS AND DISCUSSION**

4.1 **RESULT**

**Measurement Model Testing Results (Outer Model)**

The outer model test starts by estimating the parameters by calculating the PLS algorithm as shown in Figure 1.

![Figure 1. Display of PLS Algorithm Calculation Output](image)
a. Validity Test Results
Validity test is done by looking at the loading factor value in each construct. A loading factor value above 0.7 is stated as an ideal or valid measure as an indicator in measuring constructs, values 0.5 to 0.6 can still be accepted, while values below 0.5 must be excluded from the model (Ghozali, 2008). It can be seen that the entire loading factor value in the variable has been greater than 0.5, which means the indicator is declared valid so that it is feasible to use in this study.

b. Reliability Test Results
Reliability tests are needed to prove the accuracy, concentration and permanence of instruments in measuring constructs. If the composite reliability limit value is greater than 0.7, the research questionnaire is declared reliable. The reliability test results from the study can be seen that the quality of BID has a value of 0.965, the quality of human resources has a value of 0.970, bureaucratic reform has a value of 0.973, organizational commitment is 0.961, budget absorption is 0.917, the government internal control system is 0.966.

It is known that the composite reliability value of each construct is above 0.70, so it can be stated that the indicators used in this study have met good reliability (reliable).

Results of Structural Model Tests (Inner Model)
a. Hypothesis Test Results
Hypothesis testing is done by looking at the t-statistic value generated from the bootstrapping process. The hypothesis is accepted (supported) if the t-statistic value is greater than 1.96 with a significance level of 5% (two tailed) (Abdillah & Hartono, 2016).

<table>
<thead>
<tr>
<th>Exogenous</th>
<th>Endogen</th>
<th>Path Analysis</th>
<th>T Statistica</th>
<th>P Values</th>
<th>Kesimpulan</th>
</tr>
</thead>
<tbody>
<tr>
<td>BID Quality (X1)</td>
<td>→ Budget Absorption (Y)</td>
<td>0.297</td>
<td>2.044</td>
<td>0.041</td>
<td>Accepted</td>
</tr>
<tr>
<td>HR Quality (X2)</td>
<td>→ Budget Absorption (Y)</td>
<td>0.277</td>
<td>2.108</td>
<td>0.036</td>
<td>Accepted</td>
</tr>
<tr>
<td>Bureaucratic Reform (X3)</td>
<td>→ Budget Absorption (Y)</td>
<td>0.268</td>
<td>2.175</td>
<td>0.030</td>
<td>Accepted</td>
</tr>
<tr>
<td>Organizational Commitment (X4)</td>
<td>→ Budget Absorption (Y)</td>
<td>0.011</td>
<td>0.090</td>
<td>0.928</td>
<td>Rejected</td>
</tr>
<tr>
<td>GICS*BIDQ</td>
<td>→ Budget Absorption (Y)</td>
<td>-0.0212</td>
<td>0.577</td>
<td>0.664</td>
<td>Rejected</td>
</tr>
<tr>
<td>GICS*HRQ</td>
<td>→ Budget Absorption (Y)</td>
<td>0.031</td>
<td>0.081</td>
<td>0.936</td>
<td>Rejected</td>
</tr>
<tr>
<td>GICS*RB</td>
<td>→ Budget Absorption (Y)</td>
<td>0.257</td>
<td>0.817</td>
<td>0.414</td>
<td>Rejected</td>
</tr>
<tr>
<td>GICS*OC</td>
<td>→ Budget Absorption (Y)</td>
<td>0.049</td>
<td>0.169</td>
<td>0.866</td>
<td>Rejected</td>
</tr>
</tbody>
</table>

4.2 DISCUSSION
Based on the results of hypothesis testing in Table 1 it can be explained the effect of each variable. It is known that testing of BID quality variables, HR quality and bureaucratic reform on budget absorption each produces a t-value of more than 1.96 and a p-value <0.05, so the decision of the first hypothesis, the second hypothesis and the third hypothesis are accepted. This means that the quality of BID has a significant positive effect on budget absorption in the Local Government Work Unit of Medan City Government. The quality of human resources has a significant positive effect on budget absorption in the Local Government Work Unit of Medan City Government. Bureaucratic reform has a significant positive effect on budget absorption in the Local Government Work Unit of Medan City Government. While testing the variable organizational commitment to the absorption of the budget produces a value of t statistic less than 1.96 and p-value> 0.05, the fourth hypothesis decision is rejected. This means that organizational commitment does not significantly influence budget absorption in the Local Government Work Unit of Medan City Government.

The results of testing the Government Internal Control System (GICS) as a moderating variable in moderating the relationship between BID quality, HR quality, bureaucratic reform and organizational commitment to budget absorption each produce a t-value of statistic less...
than 1.96 and a p-value > 0.05, then the fifth hypothesis decision, the sixth hypothesis, the seventh hypothesis and the eighth hypothesis are rejected. This means that the government's internal control system cannot moderate the relationship between BID quality and budget absorption in the Local Government Work Unit of Medan City Government. The government internal control system cannot moderate the relationship between the quality of human resources and the absorption of the budget in the Local Government Work Unit of Medan City Government. The government internal control system cannot moderate the relationship between bureaucratic reform and budget absorption in the Local Government Work Unit of Medan City Government. The government internal control system cannot moderate the relationship between organizational commitment to budget absorption in the Local Government Work Unit of Medan City Government.

5. CONCLUSIONS AND SUGGESTIONS

5.1 Conclusion
Based on the results of data analysis and discussion, this study produced several conclusions as follows:

a. BID quality has a significant positive effect on budget absorption in the Local Government Work Unit of Medan City Government.
b. The quality of human resources has a significant positive effect on budget absorption in the Local Government Work Unit of Medan City Government.
c. Bureaucratic reform has a significant positive effect on budget absorption in the Local Government Work Unit of Medan City Government.
d. Organizational Commitment has a positive but not significant effect on budget absorption in the Local Government Work Unit of Medan City Government.
e. The Government Internal Control System (GICS) cannot moderate the relationship between BID quality and budget absorption in the Local Government Work Unit of Medan City Government.
f. The Government Internal Control System (GICS) cannot moderate the relationship between the quality of human resources and the absorption of the budget in the Local Government Work Unit of Medan City Government.
g. The Government Internal Control System (GICS) cannot moderate the relationship between bureaucratic reform and budget absorption in the Local Government Work Unit of Medan City Government.
h. The Government Internal Control System (GICS) cannot moderate the relationship between the organizational commitment to the absorption of the budget in the Local Government Work Unit of Medan City Government.

5.2 Suggestions
Suggestions for further researchers who want to research on budget absorption are suggested to be able to add other variables related to budget absorption such as the time factor of budgeting and regional financial regulation. Further researchers are expected to not only apply the survey method through questionnaires / questionnaires but also conduct interviews to obtain more accurate information.

References:
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