

CHAPTER I

INTRODUCTION

A. Background

Law number 6 of 2014 on Villages is the main focus of the Indonesian government in enhancing national development. The development was carried out by giving authority to each village to manage and run its own government system. This authority is given from the center to regions which are commonly referred as decentralization. The authority given was aimed at improving the efficiency and effectiveness of services to reach all levels of Indonesian society and be able to organize the village well (Nadir, 2013). Village arrangement that is expected to be able to support the development of the country must be supported by the ability of the village apparatus in accordance with the applicable regulations.

The village apparatus in this case included Karang Taruna, Rukun Tetangga (RT), Rukun Warga (RW), Head of Affairs (Kaur), Head of Hamlet (Kadus), Village Secretary (Sekdes) and Village Heads (Kades). Law number 6 of 2014 in section VIII also describes the village finances and village original income. Village finance is managed by the village head. The village head can also give power to the village apparatus who have adequate expertise.

The authority given to the village government in managing its own household provides convenience to the central government to carry out its duties and responsibilities to all levels of society. With decentralization also

provides a direct picture through the village government to the central government regarding the potential that can be developed.

The development proclaimed by the government through the village is realized by allocating village funds to all villages in Indonesia. This fantastic amount of village funds has been budgeted by the government for Rp. 127.75 Trillion divided into 3 years (2015, 2016, 2017). Every year budgeting for village funds is always increased according to the management carried out by the village government (Mada *et al*, 2017).

Table 1.1
Total Budget in 3 Years

Year	Total Budget
2015	Rp 20,77 Triliun
2016	Rp 46,98 Triliun
2017	Rp 60 Triliun

Source: Mada *et al* (2017)

The existence of this Village Fund Allocation is expected to be able to improve development, improve community empowerment and community development. Wasistiono (2006) stated that financing or finance is an essential factor in supporting the implementation of village autonomy, as well as in the implementation of regional autonomy. This village fund was specifically given with the hope of increasing the number of independent villages and reducing the lagging villages in 2019.

Utilization of village funds intended for development is still not optimized properly and correctly. The allocation of village funds that have been disbursed by the village government has not yet met the target, the village

funds used did not make a significant contribution to development. The performance of the village government is considered not optimal in managing these resources. Village funds disbursed by the central government are also often misused or corrupted by irresponsible village apparatus. There are many cases related to the poor performance of village government apparatus and also corruption cases related to village funds. The following is a news table about the poor performance of the village government apparatus for the past year.

First, news from zonadinamika.com on May 29, 2017 about the performance of the village head of Kampung Sawah, Jayakarta Subdistrict, Karawang Regency which was considered poor by its own citizens. The village head is considered to be less transparent in the financial management of government assistance. In addition, the village head is also less active in carrying out his duties. This is due to almost one year, the construction of the Kampung Sawah village head office, Jayakarta Sub-district, which was managed independently in early September 2016, it was stalled.

Second, news from lembatakab.go.id on 12 June 2017 concerning the poor performance of village officials in Lembata Regency. Of the 141 villages, no village has disbursed APBDES funds in 2017. Of all the villages there are only 12 villages that have submitted SPJ documents in 2016 so that first quarter APBDES of 60% is in the process of disbursing funds. Even worse, there are 2 villages that have not disbursed APBDES 2016.

Third, from berdesa.com on September 29, 2017 regarding the list of corruption cases in village funds that continued to extend. According to Indonesia Corruption Watch (ICW), there are 110 cases of village fund corruption from 2016 to August 2017. Of the cases involved 139 perpetrators, 107 of whom were village heads. From ICW's observation, there are at least five points prone to corruption in village funds, namely the process of planning, accountability, monitoring and evaluation, implementation, procurement of goods and services in terms of distribution and management of village funds.

Fourth, still from Berdesa.com on October 25, 2017, there were 900 cases of misuse of village funds registered by Badan Pemeriksa Keuangan. This figure was conveyed by a member of Badan Pemeriksa Keuangan, Achsanul Qosasi, on October 24, 2017. Of all the cases, 200 village heads have been named as suspects and have entered into legal proceedings.

Besides these cases, the prior study from Sofyani *et al* (2016) stated that there are still problems in village governance. The problems include technical problems in formulating strategic plans, problems in financial reporting and accountability like a conflict of regulations not only lack of reporting standards but also lack of control over work programs. The study was conducted in the village of Dlingo, Bantul Regency which became one of the pilot villages.

According to Mulyadi (2001), performance is a periodic determination of the operational effectiveness of an organization, part of an organization, and employees based on the targets, standards and criteria that have been predetermined. The main purpose of performance appraisal is to motivate employees to achieve organizational goals and obey to predetermined standards of behavior, to produce the desired actions and results. Managerial performance is one of the factors that can enhance the effectiveness of the organization. Dynamic circumstances require management to always follow changes, if not, the decisions taken and organizational actions will not be in accordance with the goals of the organization.

One factor that determines the success of managerial performance in public sector organizations can be seen from the planning process. Planning can be defined as the selection and determination of organizational goals, strategies, steps, policies, programs, projects, methods and standards to achieve goals (Halim, 2012). One of planning the tools is budget. Halim (2012) stated that budget is a management planning tool to achieve organizational goals so that the organization will know what to do and know the direction of the policy to be made.

In addition, the prior study from Sofyani *et al* (2016) stated that there are still problems in the formulation of a strategic plan, one of which relates to budget and budget targets. This is due to the lack of good governance in the planning aspect that is not implementing participatory principles. This situation proves that the managerial performance of the village government has not been

maximized and in line with expectations. The efforts to improve managerial performance in the public sector can be done with participation in budgeting.

Based on Pratolo and Jatmiko (2015) stated that in the budget preparation process, it is determined who has the role of carries out some of activities to achieve the objectives of organization and the resources provided for the role holder to carry out its role. Therefore, involving managers at the budgeting preparation is expected to be an effective step to build up the individual behavior in the organization.

In Indonesia, public sector budgeting is based on a performance-based budgeting system, this explains that the budget is prepared based on the participation of all parties starting from the lower level to the top in conveying budget targets and performance targets. The participation in budgeting process requires good cooperation between superiors and subordinates. In the implementation of the budget, a high sense of responsibility is needed, so that it can improve managerial performance in the organization.

The study regarding participation in budgeting preparation towards managerial performance in Indonesia has been carried out. Wiratno *et al* (2016), Tapatfeto (2013), Silmilian (2013) found that there was a positive and significant relationship between participation in budget preparation and managerial performance. In contrast to the study conducted by Pramesthiningtyas (2011) and Hafidebri (2013), found that participation in budget preparation does not directly influences managerial performance.

Another factor that influences the success of managerial performance is the environmental conditions of the organization. Uncertainty of organization environment can hinder the performance of managers in achieving organizational goals. Uncertainty of environment is basically a condition where a person is difficult to predict the future. Uncertainty environment can also be interpreted as external environmental conditions that can affect the operationalization of the company / organization (Outley, 1980).

Planning that is arranged in high environmental uncertainty will be a problem, because of the inability of managers to predict future conditions. Likewise monitoring activities that will be affected by environmental uncertainty conditions, so that the performance appraisal process will be hampered. The main sources of environmental uncertainty include competitors, consumers, suppliers, regulators and the technology.

Prior study from Sofyani *et al* (2016) stated that there are problems regarding regulatory clashes and lack of reporting standards. These problems are in the form of reporting, both financial and performance, due to the sudden changes in regulations related to village accountability. In fact, village funds come from three main sources, namely Central Government, Provincial Government and Regency Government. This means that the village government must create three versions of financial statements that are adjusted to the funders. Furthermore, Sofyani *et al* stated that the problem of this reporting was felt by the village apparatus because the implementation of the Village Law could be said to be still in the transition phase, so that there was

still overlap between the Ministry of Home Affairs Regulation (Permendagri) and the Ministry of Village Regulation (Permedes). Confusion in addressing the overlapping regulations of village management and governance become one of factor that disturbs managerial performance because the issuance of village regulations occurred in the middle of the ongoing village program.

Study about the influences of uncertainty of environment toward managerial performance has been carried out in Indonesia. However, the study conducted focused on companies such as banking and travel. Study about the influences of uncertainty of environment toward managerial performance of village government is still relatively new and has never been done.

Organizational commitment is also needed as a performance indicator of government apparatus. Mowday *et al* (1982) defining organizational commitment means more than passive loyalty, but involves active relationships and employee desires to make a meaningful contribution to the organization. Low organizational commitment will make individuals more in favor of their personal interests (Sardjito, 2007). In contrast, high organizational commitment will make individuals have a positive view and try to do the best for the interest of organization (Edfan, 2001)

Furthermore, Mowday argued that organizational commitment can indicate the existence of an effort from someone in identifying their involvement in a part of an organization. Therefore, organizational commitment can lead to a sense of belonging among employees of the

organization where they work. In other words, organizational commitment is expected to improve the performance of employees.

Several studies show that organizational commitment strengthens the relationship between participation in budget preparation and managerial performance such as research conducted by Wiratno *et al* (2016). The study concluded that participation in budget preparation had a positive influence on managerial performance when organizational commitment was strong. Another study conducted by Hapsari (2011) also shows a significant positive relationship between participation in budget participation and managerial performance through organizational commitment as a moderating variable.

However, research like this is too focused on local governments and companies. Therefore, this study takes the subject of village government which is still relatively new and has never been done. In addition, the researcher tried to moderate the Organizational Commitment on the relationship between Uncertainty of Environment and Managerial Performance to test whether the Organizational Commitment strengthens or weakens the relationship.


Bantul Regency, which is one of the regencies in the territory of the Special Province of Yogyakarta, Indonesia, with an area of 506.85 km². Bantul Regency consists of 17 sub-districts, 75 villages and 1935 village apparatus.

Table 1.2
Number of Villages and Apparatus in Bantul Regency

NO	SUB-DISTRICT	AMOUNT	
		VILLAGES	APPARATUS
1	Srandakan	2	70
2	Sanden	4	121
3	Pajangan	3	88
4	Sedayu	4	91
5	Pandak	4	78
6	Kasihani	4	101
7	Bantul	5	122
8	Kretek	5	115
9	Pundong	3	89
10	Bambanglipuro	3	106
11	Sewon	4	127
12	Jetis	4	115
13	Imogiri	8	198
14	Banguntapan	8	153
15	Pleret	5	131
16	Piyungan	3	95
17	Dlingo	6	135
TOTAL		75	1935

Source: Bantulkab.go.id

The importance of performance is also contained in Al-Qur'an
Surah Al-Ahqaf verse 19:


 وَلِكُلِّ دَرَجَةٍ مِّمَّا عَمِلُوا وَلِيُوفيَهُمْ أَعْمَالُهُمْ وَهُمْ لَا يُظْلَمُونَ

Meaning: “And for all there are degrees [of reward and punishment] for what they have done, and [it is] so that He may fully compensate them for their deeds, and they will not be wronged.”

From that verse, Allah will reward every human action according to what they have done. This means that if someone does a good job and shows good performance for the organization, he will get good results from his work and will benefit the organization.

Departing from the above problems, this study becomes very important to obtain the influence that occurs in the relationship between the participation in budget preparation and uncertainty of environment toward managerial performance and to test whether organizational commitment can strengthen or weaken the two relationships. In addition, study about managerial performance of village government is also very rarely done because it is mostly done in local governments. Thus based on the background described, this study is entitled: **"The Influence of Participation in Budget Preparation and Uncertainty of Environment towards Managerial Performance of Village Government through Organizational Commitment as Moderating Variable"**

B. Research Questions

1. Does participation in budget preparation influences the managerial performance of village governments?
2. Does the uncertainty of environment influence the managerial performance of village government?
3. Does the organization's commitment strengthen the relationship between participation in budget preparation and the managerial performance of village government?

4. Does the organizational commitment weaken the relationship between uncertainty of environment and the managerial performance of village government?

C. Objectives of Study

1. To obtain empirical evidence about the influence of participation in budget preparation toward the managerial performance of village government
2. To obtain empirical evidence about the influence of uncertainty of environment toward the managerial performance of village government
3. To obtain empirical evidence organizational commitment can strengthen the relationship between the participation in budget preparation and the managerial performance of village government
4. To obtain empirical evidence organizational commitment can strengthen the relationship between the uncertainty of environment and the managerial performance of village government

D. Significance of The Study

1. The theoretical benefit of this study is to provide empirical evidence about the influence of participation in budget preparation, uncertainty of environment and organizational commitment toward the managerial performance of village government and this study can contribute to increasing knowledge in the public sector.

2. The practical benefit of this study is can provide knowledge to the central government, students, academics and the public about the current managerial performance of the village government.