



The Effect of Budget Participation on Employee Performance at Conventional and Private Banks in Makassar City

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ABSTRACT

This study aims to see the effect of budgetary participation on employee performance in the case study of Conventional and Private Banks in Makassar City. 100 samples were taken, but the rate of return was only 97 samples. This research is a type of quantitative research using the Structural Equation Model (SEM) research model and utilizing Smart PLS as software that helps analyze the results of this study. Data collection in this study was in the form of associative data with primary data types, where this data was obtained from distributing questionnaires containing questions according to the dimensions of the variables raised in this study.

Keywords: *Employee performance, Budgeting participation, Compensation, Organizational culture.*

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I. INTRODUCTION

As stated in the Banking Law no. 10 of 1998 mstated that a financial institution that collects and distributes money from the community and for the community is a bank. Higher economic growth as well as fierce competition will increase competition, this is also happening in the banking world. As one of the sectors contributing to the development of the Indonesian economy, the banking industry, both in terms of quality and quantity, receives priority. Competition between banks is currently getting tougher. Every bank competes for customers, and as a result of this competition, every bank feels the pressure to compete by improving its own performance and the performance of its customers.

A budget system is a plan that can assist leaders in advancing group goals, foreseeing problems, and developing future skills. In addition, there are other benefits where proper planning can speed up the production of the desired results. Every group member should participate in the budgeting process because decisions made about the budget will be influenced by how everyone contributes. So the Budget is an important component of any institution, including small, medium and public institutions. The budgeting system has advantages for businesses.

Employee performance refers to innovations and assessments made by employees that have a significant impact on the business. Because improving employee performance is an asset to the company. Several factors, such as organizational culture, are necessary for performance improvement. Performance can be boosted by organizational culture which is a supporting factor. Employees contribute positively to the success of the business through their work, and the business rewards this contribution with fair compensation. By making improvements and following compensation policy updates, employee productivity can be increased. This is because employees will be more motivated to work hard if the compensation policy is good in terms of decency and fairness.

The notion of organizational culture is one that all group members agree on and use as a general guideline. The norms and characteristics that govern the individual behavior of a group are called culture. To be able to adapt to their environment, each member must act according to cultural norms so that different behaviors can show cultural values.

Based on research findings, cultural practices and values play an important role in everyday life. The capabilities of each individual can be fulfilled if compensation policies are used as a factor in influencing the

creation of good performance. In order to get good results at work, at least the leadership can always see the circumstances around the worker's place, carry out their responsibilities, such as co-workers, superiors, the circumstances of the surrounding environment which can affect the enthusiasm of individuals to carry out their duties. With compensation, ensuring employees are happy at work will encourage enthusiasm and creativity at work, which will result in better work performance and ultimately higher productivity.

The institutional or banking company department does not know whether some employees enjoy or dislike all aspects of their work because no work satisfaction studies have been conducted in several banking organizations. Because institutions do not yet know which components are wanted and which are not, several units have not been able to fix components employees don't like. If there are components that workers don't want, this situation can cause them to work less optimally, which can result in them being out of work.

Based on some of the descriptions above regarding budget participation, compensation and organizational culture that have an influence on performance, the authors are interested in knowing these three variables to be implemented at Conventional and Private Banks in Makassar City.

II. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Employee performance

Performance is influenced by inherent talent (ability), skills that can be learned (capacity), support for performance achievement (help), material and intangible rewards (incentives), the surrounding environment (environment), and evaluation (evaluation). Individual physical characteristics (skills, suitability, and education), environment (including incentives and non-incentives), and technology all impact performance. A person's work in quality and quantity when carrying out their duties in accordance with the tasks assigned to them. Employee performance has 7 assessment indices, namely contribution, obligation, quality of assignment, understanding of policies, awareness, application of work and standards of success (Burney, Henles and Widener, (2009)

Compensation

According to Simamora (2004), compensation includes monetary rewards, tangible services, and benefits received by employees as part of a work relationship. Employee compensation is all forms of payment or gifts given to employees and generated from their work. Employees are paid for their contribution to the company, which is known as compensation. The indicators for measuring compensation are wages and salaries, incentives, benefits, and facilities.

Organizational culture

Organizational culture is a set of fundamental beliefs that certain groups create or develop as they deal with external problems and internal integration. These beliefs prove valuable enough to be passed on to new members as the right way to perceive, think, and feel. In connection with the matter. Important aspects of organizational culture include: (1) behavioral norms; (2) social norms; (3) dominant value; (4) philosophy; (5) rules; and (6) organizational climate.

Attribution Theory

The theory that explains a person's behavior is the attribution theory developed by Heider in 1958. According to this theory, a person's explanation of why he behaves or how he behaves is based on internal factors, such as character traits, attitudes, etc. or externally, such as the pressure of certain circumstances or situations, which will have an impact on a person's behavior. Thus awareness of one's response to the world and their motivations behind the events they encounter. According to this theory, attitudes and individual characteristics are related to behavior. Consequently, it can be said that one can only determine the attitudes or characteristics of a person by observing their behavior, which also makes it possible to predict how they will act in certain circumstances.

Budget Participation

Hanson and Mowen (2001), a budget is a formal statement made by management regarding plans to be implemented in the future within a certain period of time. Activities to be carried out during this period will be guided by the plan. Budget creation through participatory budgeting requires the full support and involvement of managers at all levels. Participatory budgeting shows more evidence of group decision making than individual decision making in terms of major budgeting decision making. Therefore, participatory budgeting provides a better opportunity for managers (as subordinates) to discuss achievable budget goals with their superiors. The level of employee involvement and influence in budget management is called budget participation. The six indices are used specifically based on budget participation, the leadership's arguments while correcting the proposed finances, employee participation in financial management, the impact of employees on periodic finances, leaders

always ask for comments or suggestions when finances are being prepared, and there is a reciprocal relationship between participation given and responses which are issued.

Conceptual framework

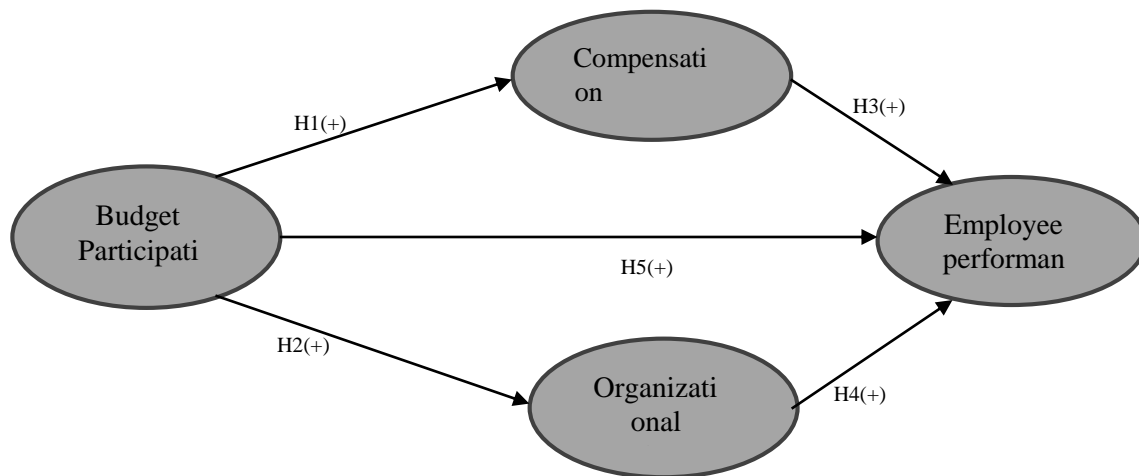


Figure 1. Research Model

Hypothesis Development

According to the expectancy theory, this theory is how individuals act in a way based on their individual expectations (Al Qadari et al., 2018). Individuals often maximize their actions when they receive a reward for their effort, such as an incentive, cost, or desired reward. In order to achieve organizational goals, people often improve their performance individually and ultimately improve performance.

According to Holmes and Marsden (1996), organizational culture has an impact on how people behave, how they approach their jobs, and how they are motivated by superiors and co-workers. According to research on culture, cultural factors influence how much budget management is used to boost productivity. The organizational culture of the institution creates the means to bring everyone together when tasks are accomplished all at once. Even though they have different traits and characteristics from one another, members of an organization can be united by organizational culture so as to form a strong organization. Control and direction in shaping people's attitudes towards participation in organizational activities is the essence of organizational culture. Culture has full power and can influence how people perform in the workplace. Mah'Detal (2013) emphasized that someone who contributes directly to the preparation of the budget has a very good performance factor compared to someone who does not. From this description, the hypotheses that can be taken are;

- H1: budget participation has a positive effect on job satisfaction
- H2: Budget participation has a positive effect on organizational culture.
- H3: organizational culture has a positive effect on employee performance.
- H4: compensation has a positive effect on employee performance.
- H5: budgetary participation has a positive effect on employee performance.

III. RESEARCH METHODS

The type of research used by the author in this study used associative research methods (Sugiyono, 2003). The data information used is the primary data type, obtained from all employees of Conventional and Private Banks in Makassar City, South Sulawesi Province with the independent variable using budget participation, and the dependent variable, namely employee performance, as well as the intermediary variable using two variables, namely compensation and organizational culture. The population raised in this study were employees of conventional and private Banks in Makassar City, by distributing 100 sample questionnaires. The criteria used in sampling or prospective respondents are prospective respondents who are ready to fill in all questions properly and accurately and have at least been involved in budgeting once.

The author uses the observation method and provides a list of questions contained in the questionnaire to obtain basic information on the problem being researched by the author in the contents of the questionnaire. In order to be able to examine and analyze the results of filling out the questionnaire, the researcher used a Likert scale with a scale of 1: Strongly Disagree (STS), 2: Disagree (TS), 3: Neutral (N), 4: Agree (S), 5: Strongly Agree (SS) (Gozali, 2011). So to examine further, researchers analyzed using the SEM method or *Structural Equation*

Modeling as well as using the Partial Least Square (PLS) approach because PLS is considered a very good and efficient software used in producing data that has < 100 respondents (Ghozali, 2011).

Validity test

According to Ghozali (2011), validity test is used to find out whether the questionnaire questions can actually be tested. To test the validity, the researcher calculated the partial least squares (PLS), specifically calculating the values of convergent validity and discriminant validity. By considering the results of the Average Variance Extracted (AVE), convergent validity can be determined. Convergent values are considered very good when the AVE score reaches a score of 0.5. Whether an item is unique when compared to other constructs is the goal of discriminant validity. Fornell-Larcker and cross loading are two techniques used to determine discriminant validity.

Reliability Test

If measurements are made more than twice using the same measuring instrument, the reliability test is considered to acknowledge that the measurement results are consistent. According to Ghozali (20011), a questionnaire is said to be reliable if the respondents' answers are generally consistent. The Cronbach Alpha test is used to assess reliability. If a construct or variable produces a Cronbach Alpha value greater than 0.70, it is said to be reliable (Ghozali, 2011).

Model Structural Measurements

1. Coefficient Of Determination(R²)
2. Path Coefficient
3. Hypothesis testing

IV. RESULTS AND DISCUSSION

This study uses primary data with information obtained directly from the respondents. The number of questionnaires distributed was 100 at conventional and private Banks in Makassar City. Questionnaires that were returned were 97 and those that did not were returned were 3. Estimated calculations in the following table:

Table 1. Percentage of Questionnaire Sending and Returning

Information	Amount	Percentages
Number of questionnaires distributed	100	100%
Number of returned questionnaires	97	97%
The number of questionnaires that do not meet the requirements	-	-
Number of valid questionnaires	97	97%

Table 2. Respondents' description

Information	Amount	%	Valid Percent
Respondents by Gender	Man	62	63.9%
	Woman	35	36.1%
	Amount		100%
Respondents by Age	<30	31	31.9%
	31-45	42	43.3%
	46-55	24	24.8%
	Total		100%
Respondents Based on Last Education	Diploma/D3	13	13.4%
	Bachelor degree	84	86.6%
	Total		100%
Respondents based on length of service	<1 year	16	16.4%
	1-5 years	39	40.2%
	5-7 years	14	14.4%
	7-12 years	18	18.5%

>12 years	10	5.1%	5.1%
Amount			100%

Information regarding the description of the respondents shown in the table above can be observed that the research respondents who tended to contribute a lot were men with a total of 62 people (63.9%), while female contributors amounted to 35 respondents (36.1%) with a total of 97 respondents. Meanwhile, information regarding description based on age, in general, was controlled by respondents aged 31-45 years by 43.3%, then followed by the age group <30 by 31.9% and by 24.8% in the age group 46-55 years. If we look closely at the table above, the information regarding the last education of the respondents was dominated by at least bachelor/s1 graduates at 86.6%, the remaining 13.4% were respondents with diploma/D3 graduates.

Table 3. Convergent Validity Test

Variable	AVE
Budget Participation	0.817
Compensation	0.776
Organizational culture	0.783
Employee performance	0.523

It can be seen in the table above that all research constructs have an increased AVE score of 0.5. This condition can be interpreted if all research constructs have a good validity value.

Table 4. Discriminant Validity Test

	Budget Participation	Compensation	Organizational culture	Employee performance
PAG1	0.942			
PAG2	0.954			
PAG3	0.964			
PAG4	0.934			
PAG5	0.956			
PAG6	0.928			
COMP1		0.721		
COMP2		0.855		
COMP3		0.715		
COMP4		0.631		
BOR1			0.702	
BOR2			0.658	
BOR3			0.691	
BOR4			0.853	
BOR5			0.677	
BOR6			0.617	
BOR7			0.881	
KK1				0.917
KK2				0.744
KK3				0.350
KK4				0.726
KK5				0.893

Table 5. Fornell-Larcker Correlation

	PA	COMP	DRILL	KK
PAG	0.923			
COMP	0.342	0.971		
DRILL	0.573	0.740	0.821	
KK	0.554	0.816	0.672	0.787

From the results of the validity test using the Fornell-Larcker correlation, it can be seen that the relationship between the budget participation construct variable and other constructs is 0.923. While the correlation variable compensation is 0.971, organizational culture is 0.821 and employee performance is 0.787.

Table 6. Reliability Test

Variable	Composite reliability	R Square	Cronbach's Alpha
Budget Participation	0.987		0.863
Compensation	0.952	0.183	0.942
Organizational culture	0.941	0.271	0.919
Employee performance	0.863	0.720	0.834

Examination of construct reliability is using Cronbach's Alpha or composite reliability results of more than 0.7, in the table above it appears that construct reliability is reviewed based on Cronbach's alpha values and composite reliability.

Table 7. Path Coefficients

X variables→Y	Original Sample (O)	Sample Means	standard Deviation	T Statistics (O STERR)	P Value	Results
PAG -> COMP	0.482	0.356	0.063	5,272	0.000	Valid
PAG -> BORR	0.432	0.519	0.061	6,084	0.000	Valid
COMP -> KK	0.461	0.351	0.178	1,682	0.041	Valid
BO -> KK	0.596	0.524	0.154	4,032	0.001	Valid
PAG -> KK	0.170	0.132	0.173	2,191	0.015	Valid

Table 8. Hypothesis Results

To see the results of testing the hypothesis, testing the data in PLS is done by bootstrapping the sample with the aim of minimizing the problem of abnormality of the data. Meanwhile, to see the calculation, it is made in the table below. It is known that the hypothesis that can be accepted is when the T-Statistic value is greater than 1.96 (> 1.96) with a P-Values smaller than 0.05 (P <0.05).

- Budget participation has a positive effect on compensation, these results are in accordance with the test results where the coefficient value is 4.82 and the t statistic is 5.272, and the p value is 0.000 where p <0.05.
- Budget participation has a positive effect on organizational culture, these results are in accordance with the test results where the coefficient value is 0.432 and the t statistic is 6.084, and the p value is 0.000 where p <0.05.
- Compensation has a positive effect on employee performance. These results are in accordance with the test results where the coefficient value is 0.461 and the t statistic is 1.682, and the p value is 0.041 where p <0.05.
- Organizational Culture has a positive effect on Employee Performance, these results are in accordance with the test results where the coefficient value is 0.596 and the t statistic is 4.032, and the p value is 0.001 where p <0.05
- Budget participation has a positive effect on employee performance, these results are in accordance with the test results where the coefficient value is 0.170 and the t statistic is 2.191, and the p value is 0.015 where p <0.05

Based on this analysis, it is known that employee collaboration is very important for the success of the company because it can increase productivity. Employees will feel more obligated to the company and more motivated to work if their contributions are planned. The culture of an employee is directly influenced by the culture of the organization. Job satisfaction has a considerable influence because it affects employee performance.

V. CONCLUSION

From the results of the study it can be seen that budgetary participation directly affects employee performance. In the sense that employee performance will be of higher quality and better if employees participate more. This is marked by a positive influence where the relationship that occurs between these two variables runs in parallel. While the indirect effect is through intervening variables or compensation variables and organizational

culture, budget participation has an influence on employee performance. This means that the greater the employee's performance can be influenced by the individual towards the organizational culture and the compensation they receive. This study shows that budgetary participation affects organizational culture or job satisfaction.

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