

## ***Analyzing the Relationship between Corporate Governance and Financial Performance in BUMDs in Indonesia***

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**Abstract:** *This study aims to determine the effect of budget participation, accountability accounting and motivation on the managerial performance of regional water companies in Ogan Komering Ulu Regency. Research using a quantitative approach with primary data sources. The population was 200 employees, the sampling technique used random sampling as much as 25 percent of the population, by distributing questionnaires. The analysis technique uses multiple linear regression with hypothesis testing, namely partial test (t test) and simultaneous test (f test). The results in this study indicate that the variables of Budget Participation (X1), Accountability Accounting (X2) and Motivation (X3) have a significant effect on Managerial Performance (Y) of the Regional Drinking Water Company of Ogan Komering Ulu Regency both partially and simultaneously. The coefficient of determination (Adjusted R square) is 0.960, indicating that 96% of managerial performance variables at PDAM OKU Regency can be explained by the three independent variables.*

**Keywords:** Managerial Performance, Accountability Accounting, Budget Participation and Motivation.

**JEL:** G41, H61, M41, M54

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### **1. INTRODUCTION**

Every company will strive to improve the efficiency and effectiveness of its company's work, showing the increasingly developed business world today, the use of sophisticated technology, and knowledge, as well as the planning of strategies used to support all company activities to be able to achieve the company's goals that have been set. Therefore, it is very important to implement control on every activity in the company to ensure that all company activities can run effectively and efficiently.

Management control is the process by which managers influence other members of the organization to implement the organisation's strategy. Management control does not mean requiring that all actions are in accordance with the plans laid out in advance, but involves anticipation of future conditions to ensure that the organization's objectives are achieved. The necessity of good management control can be seen in how the financial management of a company is budgeted. The budget shows the details and description of the programme using current information. The budgeting process becomes very important because it involves formal communication and intelligence among managers and employees on the company's operations in the current year (Matolla, 2011). Therefore, it is necessary to pay attention to budgetary participation (budget participation).

Budget participation is a budgeting process that involves multiple individuals and has an influence on the preparation of budget targets that will be evaluated and rewarded if the budget targets are met (Fitrianti, 2010). The budget that has been prepared in a participatory manner is then approved by the responsible managers in each division and responsibility centre. Here, responsibility

accounting plays a role in measuring the implementation of the budget that has been prepared.

Responsibility accounting is a system that measures the various results achieved by each responsibility centre according to the information needed by managers to operate the responsibility centre (Hansen and Mowen, 2019). It is known that there are three main types of responsibility centres according to (Garrison et al., 2013) namely: 1) cost centre; 2) profit centre; 3) investment centre. Measurement of company performance in the management control system is an effort made by management to evaluate the results of activities that have been carried out by each responsibility centre by comparing the results that have been achieved with the targets to be achieved (Milel, 2011).

In implementing a performance measurement system, top management selects a series of measures that show the company's strategy, in finding out the measurement of managerial performance in PDAM Kab. Ogan Komering Ulu, the researcher conducted a pre-survey on 30 employees taken randomly, the results of the pre-survey stated that the management performance at PDAM Kab. Ogan Komering Ulu as a whole was not as expected. This is due to the lack of effective management performance which is influenced by budget participation, accountability accounting and motivation in the corporate environment. Due to the fact that the company still often experiences a deficit caused by unexpected things that must be fulfilled, this shows that the managerial performance in the company is not completely good in terms of work planning which starts from budget preparation. Based on the background description, the problem formulations in this research are: Is there an effect of budget participation, accountability accounting and motivation on managerial performance in regional drinking water companies in Ogan Komering Ulu Regency (OKU) partially and simultaneously.

## **2. LITERATURE REVIEW**

According to (Bastian, 2010) states that public sector accounting can be defined as a mechanism of accounting techniques and analyses applied to the management of public funds in state institutions and departments under them, local governments, BUMN, BUMD, LSM and social foundations, as well as in public and private sector cooperation projects.

The vastness of the public domain is not only due to the breadth of the jurisdictions and the variety of organisations that exist within it, but also because of the complexity of the environment that influences the public institutions. In terms of organisations, public domains include government agencies (central and regional government and government work units), state-owned enterprises (BUMN and BUMD), foundations, political and mass organisations, non-governmental organisations (LSM), universities and other non-profit organisations. When viewed from environmental variables, the public sector is influenced by many factors. (Gujarati et al., 2012) not only economic factors, but political, socio-cultural and historical factors also have a significant influence.

### **2.1 Budget Participation**

Participation is one of the bottom-up attachments in the budgeting process, where the flow of budget data in a participatif system starts from a low level of responsibility to a high level of responsibility. According to (Garrison et al., 2013), a participatif budget is a budget that is prepared with the cooperation and labour of all management at all levels.

Advantages:

1. Every person at every level of the results organisation is a member of the team whose views and services are valued by top management.
2. Budget estimates made by labelled managers are more accurate and reliable than estimates made by top managers who have less in-depth knowledge of the market and cellular results.

3. There is a high level of motivation if the employees are not able to participate in setting the objectives of the labour market, rather than if the objectives are set from the top. A budget that is set at will creates a sense of commitment.
4. A manager who cannot fulfil a budget that has been set from above can always argue that the budget is unrealistic and impossible to achieve. With a budget that is realistically implemented, such excuses will not arise.

## **2.2 Accountability Accounting**

The centre of responsibility means the units in an organisation that have specific responsibilities and responsibilities to achieve a specific goal set by the manager. According to (Garrison et al., 2013) stated that accountability accounting is that a manager must be made responsible for a particular problem and only that problem so that the manager can carry out reporting at a level that is silgnilfilkan.

According to (Carter, 2009) Responsibility accounting is a programme that covers all management operations to whom the accounting, cost or budget division provides technical assistance in the form of periodic control.

According to (Carter, 2009) responsibility reporting is a responsibility accounting reporting phase that has two objectives according to the traditional view, namely:

1. Motivate people to achieve high performance by reporting efficiency and inefficiency to responsible managers and their superiors.
2. Providing information that helps responsible managers to identify inefficiencies so that they can control costs.

The benefits of the application of accountability in a company are, for example, for budgeting, as a central management tool and as a management motivator. There are three main accountability centres, viz: cost centre, profit centre and result centre.

## **2.3 Motivation**

Motivation as a process that explains the intensity, direction and perseverance of an individual to achieve goals. Motivation is a reaction that arises in a person because of external stimuli that affect it (Busro, 2018). There are two motivations, positive motivation and negative motivation. There are five levels of needs arranged in a hierarchy, namely:

1. Physiological needs, namely the need to eat, drink, physical protection, breathing, sex. This need is the lowest level need or also known as the most basic need.
2. Security needs, namely the need for self-protection from threats, dangers, conflicts and the environment. So security and safety needs, namely the need to be free from threats (safe from threatening events or environments).
3. Belonging, social and love needs, namely the need for friendship, affiliation, interaction and love. The need for a sense of belonging (social), namely the need to be accepted by the group, affiliate, interact and the need to love and be loved.
4. The need for self-esteem is the need to be respected and valued by others. So, the need for self-esteem is the need for self-respect and respect from others.
5. Self-actualisation needs, namely the need to fulfil oneself to the fullest using abilities, skills and potential. The need for self-actualisation is the need to use abilities, skills and potential.

## 2.4 Managerial Performance

Stoner states that managerial performance is a measure of how efficient and effective a manager is, how well he sets and achieves adequate goals. Someone who holds a high managerial position is different from employee performance, which is generally concrete, managerial performance is abstract and complex (Biduri, 2011). This definition provides dimensions in assessing managerial performance, in more detail as follows: a) planning; b) investment; c) coordination; d) evaluation; e) supervision; f) staff maintenance; g) negotiation; h) representation.

To improve organisational effectiveness, one of them is measured through the effectiveness of managerial performance, where effectiveness is measured in three dimensions of activity, namely the manager's ability to make plans, the ability to achieve targets and the manager's work outside the company. Meanwhile, in general, the factors that influence managerial performance are financial factors and non-financial factors. Managerial performance is a factor that can be used to increase

## 3. METHOD

An illustration of this research is depicted in the framework, where managerial performance is the dependent variable while budget participation (X1), accountability accounting (X2) and motivation (X3) are independent variables.

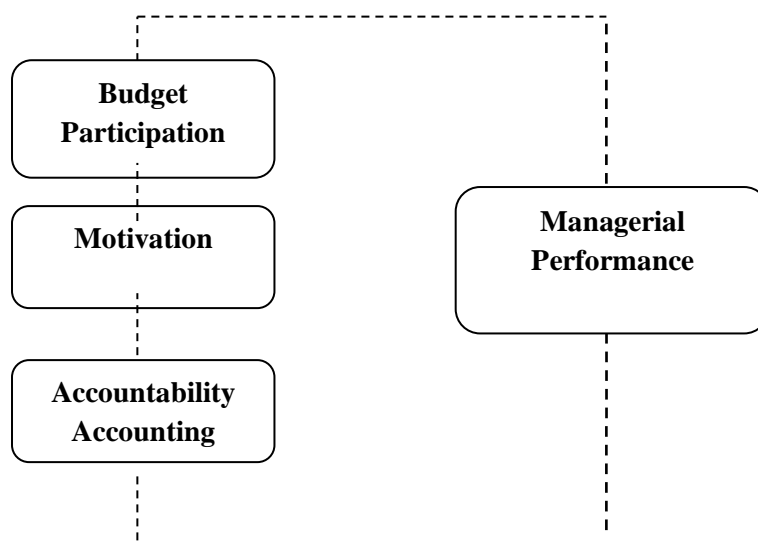


Figure 1. Framework of Thought

### Description:

- : Parsial
- - - - - : Simultaneous

### 3.1 Research Object

The scope of the research was conducted at the OKU Regency Regional Drinking Water Company which is located at Jalan Prof. Ir. Sutami, Baturaja, Kec. East Baturaja, Ogan Komering Ulu Regency, South Sumatra 32121. The type of data used is quantitative data, with primary data sources.

The population is all employees of PDAM Kab. OKU as many as 200 people, consisting of 169 men and 31 women. For sampling using random sampling of 25 per cent of the population members, by distributing questionnaires to 50 respondents for data collection.

## 4. RESULTS AND DISCUSSION

### 4.1. Multiple Linear Regression Analysis

Table 1. Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	-5.085	1.119		-4.543	.000
Budget Participation	.842	.090	.575	9.401	.000
Accountability Accounting	.155	.049	.231	3.197	.003
Motivation	.224	.064	.218	3.486	.001

Source: data processed, 2021

Seen in the coefficients table the results of the regression equation are:

$$Y = -5.085 + 0.842X_1 + 0.155X_2 + 0.224X_3$$

Interpretation as follows:

- The constant value of -5.085 indicates that if budget participation (X1), accountability accounting (X2) and motivation (X3) are zero then managerial performance (Y) decreases by 5.085.
- The regression coefficient of budget participation (X1) is positive at 0.842, meaning that if budget participation (X1) is good, then managerial performance (Y) will increase by 0.842, assuming other variables do not change / remain constant.
- The accountability accounting (X2) regression coefficient is positive at 0.155, which means that if accountability accounting (X2) is good, managerial performance (Y) will increase by 0.155, assuming other variables do not change or remain constant.
- The motivation regression coefficient (X3) is positive at 0.224, meaning that if the motivation (X3) received is good, then managerial performance (Y) will increase by 0.224, assuming other variables do not change or remain.

### 4.2 Hypothesis testing

#### 4.2.1 Partial Test (statistical t test)

For partial hypothesis testing seen in table 1 coefficients column T, where the significant level ( $\alpha$ ) used is 5% or 0.05. obtained t count for the variable Budget participation (X1) of 9.401 with t table ( $\alpha/2 = 0.05/2 = 0.025$ ) and  $df = (n-k-1)$ , namely  $(50 - 3 - 1 = 46)$  obtained at 2.012 with the decision-making criteria based on the t test is the value of  $t \text{ count} > t \text{ table}$  or  $9.401 > 2.012$ , then the decision is  $H_0$  is rejected and  $H_a$  is accepted, meaning that budget participation has a significant effect on managerial performance in Regional Water Supply Companies in Ogan Komering Ulu Regency.

For accountability accounting, the decision criteria show the value of  $t_{count} > t_{table}$  or  $3.197 > 2.012$ , then the decision is  $H_0$  is rejected and  $H_a$  is accepted, meaning that accountability accounting has a significant effect on managerial performance in Regional Drinking Water Companies in Ogan Komering Ulu Regency. While the decision criteria motivation variable shows the value of  $t_{count} > t_{table}$  or  $3.486 > 2.012$ , then the decision  $H_0$  is rejected and  $H_a$  is accepted, meaning that motivation has a significant effect on managerial performance in Regional Drinking Water Companies in Ogan Komering Ulu Regency.

**Simultaneous Test (Statistical F Test)**

**Table 2. Anova**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1494.568	3	498.189	388.931	.000 <sup>a</sup>
	Residual	58.922	46	1.281		
	Total	1553.490	49			

Source: data processed, 2021

Seen in table 2 the significant value for the effect of budget participation ( $X_1$ ), accountability accounting ( $X_2$ ) and motivation ( $X_3$ ) on managerial performance ( $Y$ ) is  $0.000 < 0.05$  and  $F_{count} 388.931 > F_{table}$  value 2.42. This proves that  $H_0$  is rejected and  $H_a$  is accepted.



**Figure 2. 95% Confidence Level F Test**

**4.2.2. Coefficient of determination (Adjusted R Square)**

**Table 3. Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.981 <sup>a</sup>	.962	.960	1.13178

Source: data processed, 2021

It can be seen in table 3 that the Adjusted R-Square value of 0.960 can be said that the amount of contribution or influence of the independent variable on the dependent is 96% while the remaining 4% is determined by other variables that are not included in this research model such as competence (wages or salaries, intensive, awards and benefits), human resource empowerment, job satisfaction.

## **5. CONCLUSION AND SUGGESTION**

### **5.1 CONCLUSION**

1. Partially (t test) and simultaneously (f test), budget participation, accountability accounting and motivation have a significant effect on the performance of the OKU Regency Drinking Water Regional Company, this shows that managerial performance is strongly influenced by good collaboration between variables.
2. The results of the coefficient of determination Adjusted R-Square 0.960 means that the contribution or the magnitude of the influence of the independent variables, namely budget participation, accountability accounting and motivation on the dependent variable, namely the managerial performance of the OKU Regency drinking water regional company by 96 percent.

### **5.2 SUGGESTION**

1. The company continues to pay attention to employee habits and employee behaviour so that employees have good managerial performance, because budget participation indicators have a big impact on managerial performance.
2. The company continues to pay attention to accountability accounting so that it can improve managerial performance by providing flexibility for employees to cooperate with other employees and organising forums (meetings) together with employees related to making strategic decisions.
3. For further researchers, in order to conduct research by adding references and other variables in influencing managerial performance in the company.

## **ACKNOWLEDGMENTS**

1. The effect of budget participation on managerial performance

The results of the analysis carried out testing budget participation affects managerial performance. Where the budgeting process requires good cooperation between superiors and subordinates. Participation will be beneficial in the budgeting process if top management is serious and sees the importance of the participation of its subordinates. Therefore, in order to run well, top management can pay more attention to the budgeting process as one of the keys to achieving the most important success in management.

The results of this study are in accordance with the results of Yesita Rahmawati's research. (Rahmawati, 2017) found that budget participation has a significant positive effect on managerial performance. This shows that the higher the budget participation implemented, the higher the managerial performance. Where each budget preparation is carried out in each division or work plan for activities to be carried out based on the previous year.

2. The effect of accountability accounting on managerial performance

The results of responsibility accounting affect managerial performance at the OKU Regency PDAM company, this is in accordance with the statement of (Garrison et al., 2013) suggesting that responsibility accounting is that a manager must be made responsible for certain problems and only those problems so that managers can control at a significant level. Or information that measures the various results achieved from an accountability centre by comparing the results achieved with the budgeted plan and aims to find out the person or group to be responsible if there is a budgeted deviation. Here responsibility accounting plays a role in making it easier for top managers to control each hierarchy of responsibility centres and coordinate each activity of these responsibility centres,

each organisational unit.

### 3. The effect of motivation on managerial performance

Motivation affects managerial performance in the OKU Regency Regional Drinking Water company. It is assumed that good motivation will encourage someone to participate in preparing the budget. Motivation as a process that explains the intensity, direction, and persistence of effort to achieve a goal. Motivation is a reaction that arises in a person because of external stimuli that influence it.

The results of previous research, research obtained by (Anggarini & Sujana, 2016) state that motivation has a positive effect on managerial performance. The results of this study indicate that motivation is able to strengthen the relationship between budget participation, accountability accounting and managerial performance. Motivation is said to be a need that encourages someone to take action towards a certain goal. The higher the motivation that individuals have in the company, it will correct any worries or mistakes if their performance is low.

### 4. The effect of budget participation, accountability accounting and motivation simultaneously on company performance.

Simultaneously, budget participation, accountability accounting and motivation have a significant effect on managerial performance at the Regional Drinking Water Company of Ogan Komering ulu Regency.

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