The Effect of Spending-Unit Authority and Accrual-Based Accounting on the Effectiveness of Performance-Based Budgets and Its Impact on the Quality of Spending Performance (A Survey On Spending Units Of Line Ministries/ Agencies In Indonesia)

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Abstract: This study aims to determine and analyze the influence of spending unit authority and accrual-based accounting on the effectiveness of performance-based budgeting and its impact on spending quality performance. The approach used in this study is quantitative with the structural equation modeling (SEM) method and LISREL analysis tool. The study was conducted on treasury officials within spending units of line ministries/agency in Indonesia. The results of the study suggests that: (1) the implementation of greater spending-unit authority has no effect on the effectiveness of performance-based budgeting; (2) Accrual-based accounting has a positive and significant effect influence on the effectiveness of performance-based budgeting; (3) the effectiveness of performance-based budgeting has positive and significant effect on quality of spending performance of spending-unit; (4) the implementation of spending unit authority has no indirect effect on quality of spending performance through the effectiveness of performance-based budgeting; (5) accrual-based accounting has indirect effect on quality of spending performance through the effectiveness of performance-based budgeting. The findings in this research provide insight that the exercise of greater authority in spending the budget should be accompanied by close monitoring to ensure the accountability of spending.

Keywords: Accrual-based accounting, performance-based budgeting, spending unit authority, spending quality performance, new public management.

1. Introduction

Government spending quality is important for the national economy, especially in achieving better public services, improve infrastructure, and develop strategic sectors for economic growth. Government spending quality can also strengthen public trust and investment, as well as increase transparency and accountability in budget management. In the long term, government spending quality can have a positive impact on national economic growth and social welfare. Given the importance of the quality of spending, the Indonesian government has implemented policies reforming public finance management in the aspects of spending-unit authority, reporting and budgeting (Prabowo, Leung & Guthrie, 2017). The policy adopted is in accord with new public management (NPM) reform namely adopting various techniques and methods from private business which is deemed more efficient and superior. The reformed aimed to improve government spending quality to support the effort to achieve national goals.

Problems with the quality of spending from the aspect of authority to use the budget occur when the spending-unit that is given the authority to use the budget does not have sufficient ability or skills to manage the budget effectively. This can result in budget leakage, budget use that is not on target, or lack of transparency in budget management. In addition, ignorance or lack of understanding to the rules and procedures for using the budget also causes errors in completing government financial administration. As a result, government spending that should be used to improve public services is ineffective and does not provide significant benefits to the community at large.
From the reporting aspect, problems in spending quality occur when government agencies are unable to apply the accrual-based accounting system properly and correctly. The application of accrual-based accounting that is less than optimal can lead to inaccurate financial information, difficulties in making decisions, as well as non-transparency and fraud in public financial management. In addition, the application of accrual-based accounting that is not optimal can also lead to low levels of accountability and efficiency in managing public finances.

Meanwhile, from budgeting, spending quality problems arise when spending-units are unable to properly utilize performance information in making budget allocation decisions. The implementation of performance-based budgeting that is not optimal can cause the government's tendency to allocate budgets based on political interests, without considering program effectiveness and efficiency. In addition, the implementation of performance-based budgeting that is not optimal can also lead to a lack of community involvement in making budget allocation decisions, as well as lack of transparency and lack of accountability in managing public finances.

Efforts to improve the quality of spending have been carried out for a long time and intensively. Most recently, the government has also established a series of budget execution indicators to assess the quality of spending performance from the smallest budget user unit in the government, namely spending-units. This research was conducted to study the extent to which the granting of greater authority given to spending-units and the application of accrual-based accounting affect the effectiveness of performance-based budgeting and its impact on the quality of spending performance. Framework Theory the agency theory used is supported by the theory of NPM and goal-setting theory.

2. Theory Study and Hypothesis Development

2.1 Agency Theory

Agency theory is a theory that describes the relationship between agents and principals, in which agents act on behalf of principals in achieving predetermined goals (Jensen & Meckling, 1976). In the aspect of use and accountability of the state budget, agency theory explains how the agent (government) must be accountable to the principal (community) in managing the state budget that has been entrusted to him (Zimmerman, 1977; Ijiri, 1983; Streim; 1994). This theory also explains how principals must ensure that agents use the budget efficiently and effectively, and are responsible for the actions taken in managing the state budget (Leruth & Paul, 2006). In agency theory, there are also oversight mechanisms and incentives provided by principals to agents to ensure that the state budget is used responsibly and in accordance with the principal's interests.

2.2. New Public Management

New Public Management (NPM) is a government management concept that emphasizes government efficiency, accountability, and responsiveness to community needs (Hood, 1991). In the aspect of authority to use the budget, NPM proposes granting greater authority to managers in the public sector to make decisions in managing the state budget, so that the use of the budget can be carried out more effectively and efficiently. In terms of accrual-based accounting, NPM encourages the application of an accounting system that is more transparent and open, and can provide more accurate information about the government's financial position. With accrual-based accounting, government budget management can be more measurable and can be better analyzed. In terms of performance-based budgeting, NPM also emphasizes the importance of performance measurement in managing the state budget, so that ineffective programs or activities can be eliminated and replaced with programs that are more effective in achieving the stated goals (O'Flynn, 2017). Performance measurement can also help ensure accountability and transparency in managing the state budget.

The NPM paradigm is influenced by agency theory (Hood, 1991; Gruening, 2001; O'Flynn, 2017). Agency theory emphasizes that the interests of agents (spending-unit treasury officials) can be different from those of principals (ministries/agencies), so there needs to be an effective monitoring and control mechanism to ensure that agents carry out their duties properly. In the context of NPM, agency theory points to the need to strengthen oversight and control mechanisms in managing government budgets to prevent corruption and budget abuse (Leruth & Paul, 2006).
2.3. Goal-Setting Theory

Goal Setting Theory is a theory that emphasizes that specific and challenging goal can improve organizational performance (Latham & Ryan, 2004). In the context of government budget management, goal-setting theory can be applied in an effort to improve the quality of government spending. With perspective goal-setting theory the government sets specific and challenging goals related to the management of the government budget, such as increasing the efficiency and effectiveness of spending, reducing the level of corruption and budget abuse, and improving public services (Rangan, 2004: Kaplan, 2001).

These specific and challenging goals must be implemented at all levels of government organizations, from high-ranking officials to employees who are directly responsible for managing the government's budget. In addition, it is also necessary to carry out regular monitoring and evaluation to ensure that these goals are achieved. By applying goal setting theory in managing the government budget, it is hoped that the quality of government spending can be significantly improved, so that it can provide greater benefits to the community (Verbeeten, 2008).

2.4. Quality of Spending Performance

The quality of government spending refers to the government's ability to use the budget effectively, efficiently and transparently, with the aim of achieving optimal results in serving public needs. The main objective of the quality of government spending is to ensure that every government expenditure can provide maximum benefits for society. The quality of government spending performance is formulated in the concept of value for money (Glendinning, 1988).

Value for money is a principle that emphasizes the importance of obtaining maximum value from the use of government financial resources (PMK 195/PMK.05/2018). There are three dimensions of the concept of value for money, namely economical, efficient and effective. The economic dimension emphasizes the importance of spending as cost-effectively as possible in achieving the desired goals. The efficient dimension emphasizes the efficient use of resources in achieving optimal results. While the effective dimension emphasizes achieving predetermined goals with quality results and providing real benefits to society. By implementing the concept of value for money, the government can increase the effectiveness and efficiency of budget spending and ensure that every state expenditure made provides added value to society.

The quality of spending performance is measured in three dimensions, according to Minister of Finance regulation number 195 of 2018, namely: (1) quality of budget plan implementation; (2) quality of budget implementation; and (3) quality of results of budget implementation. The quality of budget plan implementation is measured by the occurrence of budget revisions. The quality of budget execution is measured by the timeliness of the payment process for budget expenses. Meanwhile, the quality of the results of budget implementation is measured by the achievement of the output that has been carried out by the spending-unit.

2.5. Spending-unit Authority

Authority is the authority or authority given to an organization, agency, or individual to take certain actions or make certain decisions (Allen, 1958). Authorities usually relate to certain legal rights and obligations that are conferred or recognized on the basis of rules law. In terms of using the budget, the authority of the spending-unit is in terms of taking actions or decisions that result in burdening the budget from the state treasury.

The authority of the spending-unit in using the budget is carried out by treasury officials consisting of budget-user authority (KPA), commitment-maker officer (PPK), payment orders signatory officer (PPSPM), and treasurers. KPA as the head of the spending-unit holds general authority to ensure that programs and activities are carried out according to the existing budget allocation. PPK has the authority to enter into agreements with third parties in the context of procuring goods or services and overseeing the implementation of contracts that have been signed by third parties. PPSPM has the authority to sign and submit payment orders to KPPNs and ensure the account used is in accordance with accrual-based government accounting provisions. The treasurer has the authority to manage imprest fund to finance spending-unit operations. In carrying out their duties, these treasury officials carry out checks and balances. Even though KPA as the head of the spending-unit has the highest structural position, PPK, PPSPM and the treasurer have the authority to refuse payment orders if they are not in...
In this research, the authority of the spending-unit under study is: (1) the authority of the budget user; (2) authority to make commitments; (3) authority to order payment; and (4) authority to manage imprest fund. The indicators for each dimension of authority are adopted from Government Regulation No. 45 of 2013.

2.6 Accrual Based Accounting

Accrual-based government accounting is an accounting system that calculates government financial transactions based on when they occur, not just when money comes in or goes out. In accrual-based accounting, revenues and expenses are recorded when they are incurred, not when money comes in or goes out. Thus, accrual-based accounting can provide more accurate and comprehensive information regarding the government's financial position and performance, and can help increase transparency and accountability in state financial management (Guthrie, 1998).

The application of accrual accounting in this study is measured using the PriceWaterhouseCoopers (2014) research model, which is operationalized into four dimensions, namely: (1) policy dimensions; (2) process dimensions; (3) people dimension; and (4) system dimensions. The policy dimension is reflected by a set of existing accrual-based accounting decisions and regulations. The process dimension is reflected by the management of the transition from cash to accrual basis. The people dimension is reflected in a series of trainings in order to prepare and improve personnel capabilities in carrying out accrual-based accounting. Meanwhile, the system dimension is reflected by application system support in processing transactions online automatic.

2.7 Performance-Based Budgeting

Performance-based budgeting is a planning and budgeting system that is oriented towards achieving certain results or performance, not only on budget allocations for certain activities or programs (Robinson & Brumby, 2005). In performance-based budgeting, budgeting is based on the results or objectives to be achieved, by measuring performance through measurable and clear indicators, thus enabling evaluation of success in achieving goals and better decision making in the use of the budget.

The OECD (2002) has defined performance budgeting as budgeting that links the funds allocated to measurable results. There are three broad types: presentational, performance-informed, and direct performance budgeting. Presentational performance budgeting involves presenting budget information in a way that clearly shows how resources are allocated to different programs and activities. Performance-informed budgeting incorporate informed-evidence and data on program performance, which can help decision-makers to better allocate resources to achieve desired results. Direct involves establishing a direct link between the funding allocated to a program and the program's measurable outcomes.

According to Willoughby and Mellers (2000) the success of performance-based budgeting programs is not only measured in terms of efficiency and effectiveness, but also from factors such as community participation, fairness, and data reliability. Furthermore, Willoughby and Mellers (2000) compiled seven indicators used to measure the effectiveness of performance-based budgeting which consisted of: (1) cost reduction; (2) program effectiveness; (3) reduced duplication of services; (4) decision making improvement; (5) coordination improvement; (6) changes in the level of budget allocations; and (7) increasing public accountability.

2.8 Hypothesis and Conceptual Framework

The performance-based budgeting concept is closely related to the concept of decentralization, in which decision-making authority is transferred from central government units to lower levels. Spending-units, as line units of government, have greater authority in using the budget. With this authority, spending-units can be more flexible in implementing budgets according to organizational priorities and objectives (Sumadilaga, Soetjipto, Wahyuni, & Wijanto, 2017). When spending-units have more decision-making authority in budgeting, they are more likely to be accountable for their results and performance (Kettl, 2000). Withtherby the hypothesis can be formulated as follows:
H1: The authority of spending-units has a positive and significant effect on the effectiveness of performance-based budgeting.

Accrual-based accounting plays an important role in supporting performance-based budgeting, because accrual-based accounting provides the information needed to compare actual spending with the allocated budget, as well as providing the information needed to measure program performance. Accrual-based accounting and performance-based budgeting complement each other to provide the information needed for more timely and accurate decision-making, which in turn can improve the effectiveness and efficiency of public spending (OECD, 2002). Thus, it can be formulated hypothesis as follows:

H2: Accrual-based accounting has a positive and significant effect on the effectiveness of implementing performance-based budgeting.

Performance-based budgeting is designed to ensure that allocated resources are used effectively and efficiently to achieve the desired results. By implementing a performance-based budget, spending-units can focus more on spending on effective programs and prioritize the use of limited public resources. Performance-based budgeting can help improve the quality of government spending, because appropriate and effective use of public resources can increase the output and outcome of government programs and activities. It can also improve accountability and transparency of public spending, as performance-based budgeting emphasizes the importance of measuring and reporting program performance results (Steccolini, 2007). Therefore, the hypothesis can be formulated as follows:

H3: The effectiveness of implementing performance-based budgeting has a positive effect and significant on the quality of spending-unit spending performance.

The authority to use the budget to support spending-units can determine spending priorities and allocate public resources they have. To ensure that public resources are actually used to achieve the desired results, performance-based budgeting needs to be implemented effectively. By implementing performance-based budgeting, spending-units can monitor and evaluate program performance on a regular basis and ensure that these programs deliver the expected results (OECD, 2000; Robinson & Brumby, 2005). This can help improve the effectiveness and efficiency of public spending, which in turn can improve the overall quality of government spending. Thus, the hypothesis can be formulated as follows:

H4: The authority of spending-units influences the quality of spending performance indirectly through the effectiveness of implementing performance-based budgets.

Accrual-based accounting allows the government to obtain more accurate and detailed financial information, including expenditures and revenues for a certain period. This more accurate financial information makes it easier for the government to make decisions about managing public finances (Dutta & Richelstein, 2005). More accurate financial information can help governments evaluate program performance and ensure that public resources are used effectively and efficiently (Steccolini, 2007). This can help improve the overall quality of government spending, because more targeted public spending can produce better outputs and outcomes from government programs. Thus the hypothesis can be arranged as follows:

H5: Accrual-based accounting affects the quality of spending performance indirectly through the effectiveness of implementing performance-based budgeting.

The framework that connects the variables in this study is presented as follows:
Conceptual Framework

Methodology

The populations in the study are treasury officials in spending-units in Indonesia consisting of KPA, PPK, PPSPM and treasurers. The sampling method used was purposive sampling, in which researchers chose spending-units in certain areas that represented the geographical distribution of the islands of Java, Sumatra, Kalimantan, Sulawesi, Papua, Maluku, Bali and Nusa Tenggara. The independent variables of spending-unit authority (SUA), accrual-based accounting (ABA), and performance-based budgeting (PBB) were analyzed from primary survey data. While the dependent variable is the quality of spending performance (QSP) analyzed from secondary data obtained from online monitoring of the treasury system and the state budget. Determination of the number of samples refers to Hair et al. (1998), where for the maximum likelihood chi-square (ML) method in SEM the minimum sample size is 5 times the number of indicators used. In this study 53 indicators were used so that the minimum sample size was 265. The research data was processed with LISRIEL 8.8 software.

Results and Discussion

Based on the survey conducted, there were 463 respondents who filled out the questionnaire. Of these, 259 respondents or 55.9% were treasurers, 79 respondents or 17.1% were KPA, 70 respondents or 15.1% were PPSPM and 55 respondents or 11.9% were PPK. Respondents were asked to answer questions about the implementation of spending-unit authority consisting of 25 indicators, accrual-based accounting consisting of 13 indicators, and effectiveness of budget implementation consisting of 7 indicators. Meanwhile, spending performance quality data were obtained from online monitoring applications for the treasury system and the state budget.

The results of the validity test on 25 spending-unit authority variable questionnaire items, 13 accrual-based accounting variable questionnaire items, and 7 performance-based budget variable questionnaire items show a validity value above 0.7 and are significant with a p-value of 0.000. Therefore, it can be concluded that the questionnaire used is valid for measuring the variables variable study.

Table of Test Results Reliability

<table>
<thead>
<tr>
<th>NO</th>
<th>Variable</th>
<th>Cronbach's Alpha</th>
<th>No. of Items</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Spending-unit Authority (SUA)</td>
<td>0.949</td>
<td>25</td>
<td>Reliable</td>
</tr>
<tr>
<td>2</td>
<td>Accrual-Based Accounting (ABA)</td>
<td>0.952</td>
<td>13</td>
<td>Reliable</td>
</tr>
<tr>
<td>3</td>
<td>The Effectiveness of Implementation of Performance-Based Budgeting (PBB)</td>
<td>0.963</td>
<td>7</td>
<td>Reliable</td>
</tr>
</tbody>
</table>

Source: SPSS analysis output, 2022

The results of reliability testing using Cronbach alpha on the variable spending-unit authority (SUA), accrual-based accounting (ABA), and effectiveness of performance-based budgeting (PBB) shows a very high value, which is above 0.9, which indicates that these three variables can be considered reliable. Thus, the measurement instruments used in this study can be relied upon to measure the variables studied.
Furthermore, the analysis on the model fit index shows that the developed model is suitable (good fit) with the data used. Size absolute fit RMSEA shows a value of 0.048 which is smaller than the threshold value of 0.08. While size incremental fit which consists of NFI, NNFI, CFI, IFI and RFI shows a value above the threshold of 0.90. Thus all constructs can be included for further full model testing.

**Model Fit Index Table**

<table>
<thead>
<tr>
<th>GOF indicator</th>
<th>Expected size</th>
<th>Estimation Results</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Size Absolute Fit</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RMSEA</td>
<td>RMSEA &lt; 0.08</td>
<td>0.048</td>
<td>Good Fit</td>
</tr>
<tr>
<td><strong>Size Incremental Fit</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NFI</td>
<td>NFI &gt; 0.90</td>
<td>0.99</td>
<td>Good Fit</td>
</tr>
<tr>
<td>NNFI</td>
<td>NNFI &gt; 0.90</td>
<td>0.99</td>
<td>Good Fit</td>
</tr>
<tr>
<td>CFI</td>
<td>CFI &gt; 0.90</td>
<td>1.00</td>
<td>Good Fit</td>
</tr>
<tr>
<td>IFI</td>
<td>IFI &gt; 0.90</td>
<td>1.00</td>
<td>Good Fit</td>
</tr>
<tr>
<td>RFI</td>
<td>RFI &gt; 0.90</td>
<td>0.99</td>
<td>Good Fit</td>
</tr>
</tbody>
</table>

Source: LISREL analysis output, 2022

Based on the analysis, it is known that the regression coefficient value is -0.01 from the spending-unit authority variable to performance-based budget effectiveness. The coefficient indicates that there is no positive effect of the application of spending-unit authority on the effectiveness of implementing performance-based budgeting. While the value of -0.21 is smaller than the t-table value of 1.96 so it can be interpreted that the application of spending-unit authority has no significant effect on the effectiveness of implementing performance-based budgeting. Based on the results of testing the hypothesis, it was concluded that Hypothesis 1 was rejected. The application of spending-unit authority has no effect on the effectiveness of performance-based budgeting. This means that the implementation of a high spending-unit authority does not guarantee the effectiveness of implementing a high performance-based budget as well.

The results of the Hypothesis 1 test are not in line with previous studies conducted by Miah and Mia (1996), Sumadilaga (2017), Juhana et al. (2020), and Hermawan (2019) which state that there is a positive and significant relationship between authority and performance. However, the results of this study confirm the research conducted by Verbeteen and Spekle (2015), Zhao et al. (2010) and Nielsen (2014). Verbeteen and Spekle (2015) found that operational authority has no effect on organizational performance. Nielsen (2014) said that managerial authority in determining tasks has a negative effect on performance. While Zhao et al. (2010) found that in uncompetitive market conditions, authority has a negative effect on organizational performance. The results of this study indicate that the authority of the spending-unit which is carried out jointly by KPA, PPK, PPSPM and the treasurer has no effect on effectiveness performance-based budgeting. The authority possessed by spending-units in using the budget does not realize cost efficiency and effectiveness of program achievements. decision-making improvement, improvement.

Based on the analysis with the LISREL application, it is known that there is a regression coefficient value from accrual-based accounting variables to performance-based budget effectiveness of 0.60. This indicates that there is a positive effect of the application of accrual-based accounting on the effectiveness of implementing performance-based budgeting. While the LISREL output shows the value of 9.48. Score of t-value is greater than the t-table value of 1.96 so that it can be interpreted that accrual-based accounting has a significant effect on the effectiveness of implementing performance-based budgeting. Based on the results of testing the hypothesis, it is concluded that Hypothesis 2 is accepted. The application of accrual-based accounting has a positive and significant effect on the effectiveness of implementing performance-based budgeting. This means that the higher the level of implementation of accrual-based accounting by spending-units, the higher the effectiveness of implementing performance-based budgeting by spending-units. These results confirm the results of previous research which found that accrual-based accounting has a positive effect and significant on the quality of spending performance (Steccolini, 2007; Putra & Sudarto, 2019; Supraja, 2019; Ridha, 2018, Pramudiati, 2018).
Table of Direct Effect Hypothesis Test Results

<table>
<thead>
<tr>
<th>H</th>
<th>Path</th>
<th>Coefficient (β)</th>
<th>t-value</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>SUA → PBB</td>
<td>-0.01</td>
<td>-0.21</td>
<td>Rejected</td>
</tr>
<tr>
<td>H2</td>
<td>ABA → PBB</td>
<td>0.60</td>
<td>9.48</td>
<td>Accepted</td>
</tr>
<tr>
<td>H3</td>
<td>PBB → QSP</td>
<td>0.22</td>
<td>2.95</td>
<td>Accepted</td>
</tr>
</tbody>
</table>

Source: LISREL analysis output, 2022

Based on the analysis, it is known that the value of the regression coefficient from the performance-based budget variable to the quality of spending performance is 0.22. This indicates that there is a positive influence on the effectiveness of performance-based budgeting on the quality of spending-unit spending performance. While the t-value shows a value of 2.95. The t-value is greater than the t-table value of 1.96 so that it can be interpreted that the effectiveness of performance-based budgeting has a significant effect on the quality of spending-unit spending performance. Based on the results of testing the hypothesis, it is concluded that Hypothesis 3 is accepted. The effectiveness of implementing performance-based budgeting has a positive and significant effect on the quality of spending-unit spending performance. This means that the higher the effectiveness of performance-based budgeting by spending-units, the better the quality of spending performance produced by spending-units. These results are consistent with previous research which found a positive and significant effect between performance-based budgeting and performance (Tudikromo, 2015; Maindoka & Wokas, 2013; Verasvera, 2016; Anugerahani & Wahjono, 2013; Lestari, 2019; Esni et al. (2019), Rosmarini et al (2016).

To test the indirect effect hypothesis, it is known that the regression coefficient from spending-unit authority to performance-based budgeting is -0.01 while from performance-based budgeting to spending quality there is a coefficient of 0.22. From these coefficients, the indirect effect can be calculated at -0.002. While the t-value in the analysis of this relationship is -0.17 so it is smaller than the t-count of 1.96 and shows no significant effect. Based on the results of testing the hypothesis, it was concluded that Hypothesis 4 was rejected. Performance-based budgeting does not mediate the effect of spending-unit authority on the quality of spending performance.

Indirect Influence Hypothesis Test Table

<table>
<thead>
<tr>
<th>H</th>
<th>Path</th>
<th>Coefficient (β)</th>
<th>Indirect Effect</th>
<th>t-value</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>H4</td>
<td>SUA → PBB → QSP</td>
<td>SUA → PBB, PBB → QSP</td>
<td>-0.01, 0.22</td>
<td>-0.002, -0.17</td>
<td>Rejected</td>
</tr>
<tr>
<td>H5</td>
<td>ABA → PBB → QSP</td>
<td>ABA → PBB, PBB → QSP</td>
<td>0.60, 0.22</td>
<td>0.132, 2.82</td>
<td>Accepted</td>
</tr>
</tbody>
</table>

Source: LISREL analysis output, 2022

Furthermore, to test the hypothesis of the indirect effect of performance-based budgeting on the effect of accrual-based accounting on the quality of expenditure performance, it is known that the regression coefficient from accrual-based accounting to performance-based budgeting is 0.60 while from performance-based budgeting to spending quality there is a coefficient of 0.22. From these coefficients, the indirect effect can be calculated at 0.132. While the t-value in the analysis of this relationship is 2.82 so that it is greater than the t-count of 1.96 and shows a significant effect. Based on the results of testing the hypothesis, it is concluded that Hypothesis 5 is accepted. Accrual-based accounting has a positive and significant effect on the quality of spending performance indirectly through performance-based budgeting.

Conclusions and Implications

This study found several findings related to the effectiveness of implementing performance-based budgeting and the quality of spending performance in spending-units. First, it was found that the application of spending-unit authority has no significant influence on the effectiveness of implementing performance-based budgeting. Second, it was found that the application of accrual-based accounting has a positive and significant influence on the
effectiveness of implementing performance-based budgeting. Policies, processes, HR, and the use of an accrual-based accounting system can help improve the effectiveness of implementing performance-based budgeting in spending-units. Third, the effectiveness of implementing performance-based budgeting has a positive and significant effect on the quality of spending-unit spending performance. That is, the more effective the implementation of performance-based budgeting in a spending-unit, the better the quality of the budget plans implementation, the quality of the budget implementation and the results. Fourth, it was found that the application of spending-unit authority does not indirectly affect the quality of spending performance through the effectiveness of performance-based budgeting. The implementation of the authority of KPA, PPK, PPSPM and treasurer together has no effect on effectiveness budget implementation b. This means that although the implementation of spending-unit authority does not directly affect the quality of spending performance, the effectiveness of implementing performance-based budgeting remains an important factor in improving the quality of spending performance. Finally, it is found that the application of accrual-based accounting also has an indirect effect on the quality of spending performance through effectiveness of implementation of performance-based budgeting.

The theoretical implications of these findings can be explained from three theoretical perspectives, namely agency theory, NPM, and goal-setting theory. In agency theory, this finding indicates that the application of spending-unit authority has no effect on the effectiveness of implementing performance-based budgeting. It indicates that the granting of greater authority to spending-units is not always able to improve organizational performance. Conversely, the application of accrual-based accounting has proven effective in increasing the effectiveness of performance-based budgeting, which can strengthen organizational accountability and improve the quality of spending performance. This finding is also in line with the NPM principles, which emphasize the use of business principles in public sector management, where accrual-based accounting can be considered as one of the main principles. Moreover, these findings also support goal-setting theory, where the implementation of performance-based budgeting can help organizations achieve more specific and measurable goals.

The managerial implications of these findings relate to the application of spending-unit authority. In this context, it should be noted that granting authority is not always a solution to improve organizational performance. Therefore, ministries/agencies must carefully consider the granting of greater authority, and periodically evaluate the effectiveness of the implementation of this authority. Meanwhile, the application of accrual-based accounting should be a priority in financial management, because it has proven effective in increasing the effectiveness of implementing performance-based budgeting and improving the quality of spending performance. In this case, line ministries/agencies must ensure that the accrual-based accounting system is implemented properly and strictly followed by all spending-units, so that organizational goals can be achieved more effectively and efficiently.

Limitations and Recommendations

This research has several limitations. First, the use of a questionnaire only allows respondents to provide limited answers to the options provided, making it impossible to obtain further explanation regarding more complex views or perceptions from respondents. Second, the variables used in this study are limited to the authority of spending-units, accrual-based accounting, performance-based budgeting, and quality of spending-unit spending performance. There are other possible factors that influence the dependent variable studied. Finally, this research has limitations because it only examines the spending-units of ministries/agencies, and does not include spending-units in the state general treasury budget section, and regional spending-units that use the APBD.

Based on limitations Based on this, it is suggested that further research use additional methods, for example a mixture of quantitative and qualitative. Variable Study also needs to be added so that newer things can be found in relation to the quality of spending performance. The spending-unit under study also needs to be added, namely including the spending-unit of the state general treasury budget section and the spending-unit of APBD users so that it is more comprehensive.

Reference


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