

THE EFFECT OF BUDGET PARTICIPATION AND CLARITY OF BUDGET TARGETS ON THE PERFORMANCE OF BUDGET MANAGERS AT THE LAND TRANSPORTATION MANAGEMENT CENTER CLASS II NORTH SUMATRA

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ABSTRACT

This study aims to determine how the effect of *budget participation* on the performance of a government agency and the effect of *budget clarity* on its performance. The research was conducted at a government agency under the auspices of the Ministry of Transportation, namely the Land Transportation Management Center Class II of North Sumatra Province. Sampling was carried out in 2022 by testing employees and including officials in the agency's offices. Apparently, the results of the research that has been conducted are that *budget participation* and *clarity of budget targets*, both of which affect the performance of budget managers at the Land Transportation Management Center Class II North Sumatra. The increased participation provided by employees and officials, it will improve performance, as well as the clarity of budget targets.

Keywords: *Budget Participation, clarity of budget goals, performance.*

INTRODUCTION

Striking things or issues that can easily be followed in the rapid public sector that has developed recently are good public services. Public sector organizations are required to have good performance. This means that stakeholders who can provide good regulations in transparency and have good quality to the community or service connoisseurs by improving performance in the form of public services. The government continues to strive to improve the quality of public services to the community. One way is to implement good governance procedures that aim to create government arrangements that are right on target and useful so that the community is able to feel maximum service (Sari et al., 2018).

Government Regulation No. 8 of 2006 concerning Financial Reporting and Performance of Government Agencies explains that financial reporting made by government agencies must be accompanied by information about the performance of the agency which usually contains achievements and achievements achieved by the agency in the use of the budget that has been used at the end of the year. Therefore, government performance measurement is very necessary.

Performance is a description of the level of achievement of an activity or program or policy to realize the goals, objectives, vision, and mission of the organization contained in the initial planning (Amdani et al., 2019). The purpose of the intended performance measurement is to provide a catalyst in terms of improving the performance of regulators, which will be used in the context of realizing the dissemination of existing resources with policy making in order to realize

accountability to the public, society and service connoisseurs and obtain open communication between agencies (Sadalia et al., 2019). Performance measurement can be measured through financial performance and non-financial performance (Shara et al., 2019). Financial performance measurement usually begins with analyzing balance sheet statements made by government agencies. While non-financial performance measurement can be measured through government achievements or output achievements of each activity on what has been planned previously.

Government performance that still does not gain the trust of the public is usually caused by the lack of optimal integration of budget management starting from how the budget is planned, budget implementation, accountability in the form of reports on budget use to supervision of budget implementation. The realization of the performance of Government agencies of the Land Transportation Management Center Class II North Sumatra can be measured by the funding approach which leads to the realization of four Activity Targets to be achieved including : first, increasing land transportation connectivity infrastructure, second, increasing the performance of land transportation services, third, increasing land transportation safety, and fourth, increasing the quality of land transportation technical support services.

With the activity targets referred to above, it is necessary to know the indicators or factors that allow as an influence to improve performance, including budget participation and clarity of budget targets.

Budget participation is the participation of all managerial levels in preparing and participating in forming a budgeting. In preparing the budget, the subordinate level in an organization will allow to provide opinions so that the potential for obstacles in the budget implementation process can later be minimized. In addition, budget participation will provide opportunities to interact and communicate with superiors so as to influence the budget targets to be achieved.

There are several previous studies that support the effect of budget participation on performance, namely research by Yanida, Giusti, Kusuma and other teams with the results of the study finding that budget participation has a positive effect on the managerial performance of permanent employees at the Cooperative Office, Micro, Small and Medium Enterprises of Jember Regency, East Java Province. The participation and involvement of employees in budgeting and supported by the ability of human resources who are able to revise the budget by paying attention to the goals or targets of the budget itself and communication or discussion that is always carried out properly is a supporting factor for improving managerial performance. The contribution made by employees and the willingness of superiors to provide opportunities for employees to express opinions contribute significantly to improving performance. Employees become motivated and enthusiastic in implementing the budget because they are also given the opportunity to determine something that is important for achieving budget targets.

In addition, there are also previous studies that state that budget participation does not even have an impact on performance such as the research of Sari dan Palupi in 2020, coupled with research of Lilis and Purwanto in 2013 and Yani in 2017.

Clarity contains visible meaning and can be easily understood while the target is an achievement or target so that in other words the clarity of the budget target is a reflection of an effort or

achievement of activities from a budget which will be easy to understand and understood by budget implementers. All parties involved in the implementation of the budget will find it easier to compile activity plans and targets or targets or outputs so that the intended budget is right on target and can be implemented effectively and efficiently. The budget is expected to contain information about income and expenditure, financing, and be able to provide an overview of how the performance has been carried out by the government within the scope of regional financial management which is its work area in this case related to budget management. How to step in budget implementation to get a target or budget target, how to get efficiency and effectiveness in budget implementation, how the clarity of budget goals is easy for budget managers to understand in order to have one goal and motivation in improving performance. This is certainly an important point that needs to be considered to achieve a budget goal. If there is no clarity on budget goals, how can budget managers determine the ultimate goal of a budget. It will be very possible that they have various kinds of perceptions and become confused so that in their implementation there is no priority and the timeline of budget implementation becomes biased which in the end the budget implementation is not on time.

With respect to the clarity of budget targets, there are also those who support that the clarity of budget goals will affect a performance and on the other hand there are also those who disagree about it. One of the studies that supports the effect of clarity of budget targets on performance is research conducted by Siregar in 2018 and Putri in 2019. The results of the research conducted found that there was a positive influence of clarity of budget targets on performance. This means that the rhythm between the clarity of budget targets and performance is the same where the higher the level of clarity of planned budget targets, the performance of budget implementers will also increase. In addition, what is disagreed is that research conducted by Hidayati in 2017 stated that the clarity of budget targets seemed deliberate to regulate the behavior of employees. Thus, unclear budget targets will cause budget implementation to be unconceptualized, cause confusion and not provide motivation to achieve the expected performance.

From the description above, the following is a table that compares previous research with the research being carried out:

Table 1
Differences with Previous Research

No	Kriteria	Penelitian Terdahulu	Penelitian Sekarang
1.	Variabel Independent	<ul style="list-style-type: none"> Clarity of budget goals 	<ul style="list-style-type: none"> Budget participation Clarity of budget target
	Variabel Dependent	Managerial Performance	Budget Manager Performance
2.	Years of research	2018	2022

3.	Research Locations	Regional Apparatus Organization of Palembang City	The Land Transportation Management Center Class II North Sumatra
4.	Data Analysis Program	SPSS	PLS

Based on the above circumstances and phenomena, the researcher believes that there needs to be further researchers about how the performance of budget implementers or in this case budget managers will be greatly influenced by participation in budget preparation and by paying attention to the clarity of the goals or targets for achieving the output of the budget management. With the variety of research results described above, researchers are interested in conducting a study entitled, "The effect of budget participation and clarity of budget targets on the performance of budget managers at the Land Transportation Management Center Class II North Sumatra".

LITERATURE REVIEW

Agency Theory

Agency theory defines a contract in which one or more principals direct others (agents) to perform tasks on their behalf and give agents the authority to decide in the best interests of principals. This theory was raised because of the existence of relationships by principals and agents (Chen et al., 2023). The agent is given certain authority or a predetermined contract to execute and accomplish certain tasks of the principal. The agent who concludes the agreed contract is also entitled to compensation from the principal. The basic premise of this theory that everyone is driven only by their own interests can result in a conflict of interest between principals and agents.

On the other hand, agency theory is the basis for the idea of government performance in public sector organizations. Users of government financial information who operate as principals in determining performance accountability and making decisions, including economic, social, and political decisions, have a responsibility to offer meaningful information to governments operating as agents. A government's democratic relationship with those accessing its financial data can be characterized as an agency relationship. In this situation, the government performs the duties of an agent delegated by the principal who utilizes government financial information to carry out certain tasks, either directly or indirectly through the agent. Governments should act in a way that serves the interests of those who utilize government financial information as paramount when agency relationships exist.

Stewardship Theory

Stewardship theory is a theory that analyzes circumstances in which management is driven by the objectives of the main results that are beneficial to the benefit of the company rather than by the interests of individuals (Audrine et al., 2022). The motivation for executives to act according to the wishes of the principal has been designed into the sociological and psychological underpinnings of this theory. In addition, steward behavior will not leave the organization because stewards will work to achieve their organizational goals. This theoretical approach results in a service-oriented mindset. (Pasoloran & Rahman, 2001). Service is a mindset that replaces self-

interest, otherwise known as a conflict of interest, with service as the basis for the ownership and use of power. According to this hypothesis, their interests will coincide with those of the business and its owners (principals). Stewards will seek to work with principals rather than against them where their interests are not mutually exclusive. Because stewards consider efforts to achieve organizational goals, they believe that common interests and acting in accordance with owner behavior are reasonable considerations.

The consequences of stewardship theory on this research can explain the existence of budget managers in the Land Transportation Management Center Class II North Sumatra Province which is an organization that carries out budgeting in accordance with the budget allocation plan in activities and sub-activities at the time of budgeting, a government organization that can be trusted and able to handle the financial accountability entrusted to it in a transparent and accountable manner is able to satisfy the community in order to achieve public welfare. Thus, it will realize the improvement of the community's economy and reduce the level of poverty as well as the efficiency and effectiveness of the community service process.

Performance

According to Stephen Robins (2018), "performance is the result of comparing the work done by individuals with standards that have been set together. Yani (2017) distinguishes this by defining performance as work results that can be achieved by individuals or groups of individuals in an organization in line with their separate rights and obligations to achieve organizational goals. According to (Siregar, 2018), performance refers to how well goals or objectives have been achieved in relation to the vision, mission, and strategy of local government organizations. It also shows how well the activities have been carried out considering the main responsibilities and functions of the organizational apparatus.

In addition to determining the extent to which the business has managed to achieve its goals, performance also tries to ensure the results of the tasks that have been assigned to personnel. In addition, performance also seeks to create a plan that the business will use to achieve greater goals. (Saferdi, 2021).

A performance is said to be good if the results achieved are satisfactory and achieve the goals of an organization or agency. The process of performance measurement involves comparing the progress of the work with predetermined goals and objectives. Information on the effectiveness of the use of resources in producing goods and services, the quality of those goods and services, the results of activities compared with their intended goals, and the success of actions in achieving those goals are all included. It is important to conduct performance reviews as they can help in determining how well employees are performing the tasks assigned to them. Evaluation is carried out to create further actions, decide the direction of the company, and ensure that employee performance and organizational or company productivity goals are met (Saferdi, 2021).

Mardiasmo (2009), understands that the benefits obtained from work estimation are as follows:

- 1) Can provide understanding of management how performance achievements can be measured.

- 2) Can be a material for evaluating performance achievements that are able to compare with performance targets and in the end management is able to make corrective actions that are useful in improving performance.
- 3) Can be a guide or as a path to achieve the intended performance target.
- 4) Can be used as a communication tool between superiors and subordinates to improve organizational performance.
- 5) May serve as a basis for objective punishment, praise, and reward for achievement or punitive consequences applied in line with an agreed performance measurement system.
- 6) Can be useful in finding out how customer happiness has been achieved.
- 7) Able to determine whether management decisions have been made objectively.
- 8) Can help in understanding the process of activities of a government agency.

There are several indicators that can be indicators in performance measurement according to Mahsun (2006), including:

- 1) Input, indicate the start of the performance process when there is a plan or opinion on an activity to be held are found in the input indicators.
- 2) Process, it is necessary to pay attention to how the process of the continuity of the activity plan starts from the initial planning stage of activities, the implementation of activities and the results of activities that can be evaluated for the progress of other activities.
- 3) Output, it will be seen and observed the achievement of output or output of an activity that reflects a performance.
- 4) Outcomes, everything that immediately projects the existence of the function of achieving output is an indicator of results.
- 5) Benefit, focuses on the benefits or benefits that the organization or beneficiaries will experience.
- 6) Impact, it will pay attention to how the effect or impact of a performance on an organization.

Budget Participation

The existence of a process for making decisions and the results of planning by several people or a number of groups whose impact will be felt by those who make the decision is the purpose of participation. While the budget is a plan made in the form of numbers and made methodically and in such a way in the form of currency that will cover all the activities that will be carried out in an organization in a certain period of time in the future (Junita et al., 2018). So, budget participation is participating in or participating in the achievement of decisions to plan a budget activity so that an activity can be carried out and achieve impacts and benefits for anyone who is the target or target of the budget. The process of participating in budgeting involves collaboration across multiple components of an organization or institution, from the lowest to the highest level of leadership. The budget drafters both from the lower levels are able to provide opinions on the amount of budget needed for activities to be carried out at their respective levels so that all layers

in the organization will also be able to know the needs at the level of their respective organizations (Yani, 2017).

Kenis (1979) illustrates that to support the budgeting process, it is necessary to consider the following:

- 1) In budget planning, it is necessary to pay attention to realistic budget needs and clear designations so that the intended budget is not biased and feels far-fetched. Every activity need will be contained in the budget which makes budget planning reliable.
- 2) Budget planning must reflect and prioritize fairness, so that budget implementers get motivated and do not feel elements of coercion or feel pressured during budget implementation.
- 3) Budget implementers who will later carry out activities must participate in the budgeting process so that they can better understand the purpose of the activities and use them as motivation when implementing the budget.
- 4) Reports on the use of budgets with high accuracy and transparency that can be accounted for properly will make it easier to prevent possible irregularities or misappropriations so that they can be anticipated immediately.

There are several markers in the participation of budgeting as stated (Milani, 1975), including:

- 1) How the budget compilers affect the budget to be planned.
- 2) How the management gives reasons for the rejection of the budget plan that has been made.
- 3) How are budget implementers interested in providing participation or opinions in budget preparation.
- 4) How top-level management is able to influence the results of the budget planning agreement that has been prepared.
- 5) How to factor the interest of management in its participation in the budget prepared.
- 6) How the budget can be accounted for by those who prepare the budget at the top management level and synergize with central management.

Clarity of Budget Targets

Clarity of budget targets is one of the relevant presentations and is something significant because the budget regulated will be described clearly and explicitly so that budget implementers can easily understand the reasons for financial arrangements. The existence of synergy with local governments will facilitate the increase of economic activities in the regions and provide direct benefits to the community so that performance achievement will be maximized and will easily get support from the local community (Siregar, 2018). The budget becomes a guideline in the implementation of an activity carried out by an organization or agency to the needs of various populations in a certain environmental scope. Budget vagueness will make the achievement of common goals that have been agreed upon, unclear and even dissatisfied in work.

In a government organization, clarity of budget targets is a projection or elaboration of the goals to be achieved or expected from planning that has been prepared in certain periods, which may be

multi-years or years, semesters or quarterly (Kewo & Afiah, 2017). In preparing the budget, the budget target will be made using quantitative numerical data so that it is easy to evaluate and measure. The budget objectives that have been evaluated will provide an overview of what steps or actions to be able to achieve the goals and objectives of budgeting. Thus, budget implementers from each level of management are able to make a good contribution to the achievement of the intended budget targets. This similarity in perception will later be a trigger for improving performance in an organization.

According to Kaltsum and Rohman (2013), creating clear budget targets will inspire managers at all levels to work towards achieving them. Clarity in budgeting will allow the realization of the main objectives and one understanding, preventing future deviations in the process of implementing the budget.

Conceptual Framework

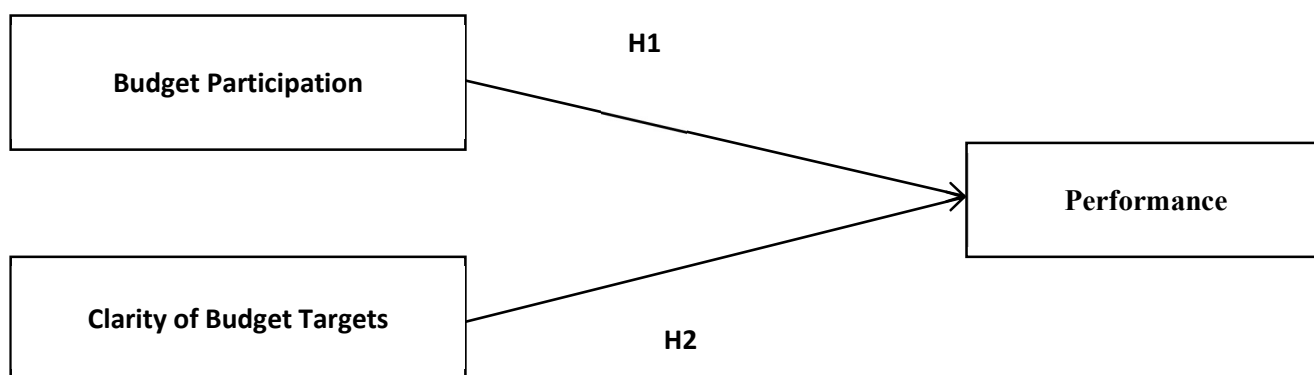


Figure 1 : Conceptual Framework

Based on framework above, we know that Budget Participation is being first independent variable (X_1) and continued with Clarity of Budget Targets as the second independent variable (X_2) and what will be measured is performance which is a dependent variable (Y).

(H_1) : Budget Participation Has a Positive Effect on the Performance of Budget Managers in the

Land Transportation Management Center Class II of North Sumatra Province.

(H_2) : Clarity of Budget Targets Has a Positive Effect on the Performance of Budget Managers

in the Land Transportation Management Center Class II of North Sumatra Province.

MATERIALS & METHODS

Researchers hope and plan to obtain accurate and clear data and various information from the sample population or respondents. This study has a causal research design, which acts with the aim of whether the independent variable is observed in a controlled manner by the researcher using question concepts or information that is in accordance with the variable tested directly. The research technique used is the survey research method, which is a quantitative research technique

that aims to collect data on trust, income, sustainability relationships, and characteristics that have occurred in the past or that occur in the present using data collection techniques through questionnaires, questionnaires, or interviews where research results tend to be drawn from generally accepted conclusions (Sugiyono, 2017).

The type of data used in this study to conduct research is primary data. Dissemination of questionnaires directly to respondents or primary sources results in research from these primary data. Noor (2014: 138) describes the use of questionnaires as a data collection strategy by describing respondents from a population or sample as recipients of a series of questions. By distributing questions in questionnaires or questionnaires, researchers hope that all existing question lists can be responded to by respondents properly. Questions submitted can be open and closed. If the list of questions is open, it means that the question may not be listed from what is determined by the researcher, while the list of questions that are closed means the direction or alternative answers that are expected to have been determined by the researcher.

The Likert scale is used as a tool or measurement method in this study to determine the value of each variable. According to Noor (2014: 128), the Likert scale is a method for measuring attitudes in which participants are asked to indicate how much they agree or disagree with each statement.

Tabel 2
Operational Definition and Measurement

Variable	Operational Definition Variables	Measurement Indicators	Measurement Scale
Budget Manager Performance (Dependent Variable) (Y)	Budget Manager performance is an individual performance in carrying out budget management, which includes planning, investigation, evaluation, coordination, supervision, staff management, negotiation, and representation activities.	a. Planning b. Investigation c. Coordination d. Evaluation e. Supervision f. Staff Arrangements g. Negotiation h. Representative (Adopted Research: Putri, 2019)	Ordinal
Budget Participation (X1)	Participation in budgeting is the managerial participation of SKPD in the regional budgeting process, such as programs and activities to be implemented, participation in determining targets and budgets and so on.	a. participation in budgeting b. satisfaction felt in budgeting c. the need to give an opinion d. willingness to give opinions e. the magnitude of the effect of determining the final budget	Ordinal

		f. often superiors ask for opinions when preparing budgets	
		(Adopted Siregar research, 2018)	
Clarity Of Budget Targets (X2)	Clarity of budget objectives is the extent to which budget objectives are set clearly and specifically with the aim that the budget can be understood by the person responsible for achieving the budget objectives.	<ul style="list-style-type: none"> a. Purpose b. Performance c. Standard d. Term e. Priority goals f. Difficulty g. Coordination 	Ordinal
		(Adopted from Putri Research, 2019)	

Fifty-eight employees were sampled in this study, There were fifty-eight employees who were sampled in this study consisting of budget managers such as office heads, section heads, administrative heads, permanent and honorary employees. This study used survey and census techniques by distributing questionnaires. The questionnaires used in this study were modified from the studies of Siregar (2019) and Putri (2019) and for performance factors, budget engagement, and clarity of budget goals. Questionnaire, which contains items describing variables in the study and is assessed using a measurement Likert scale.

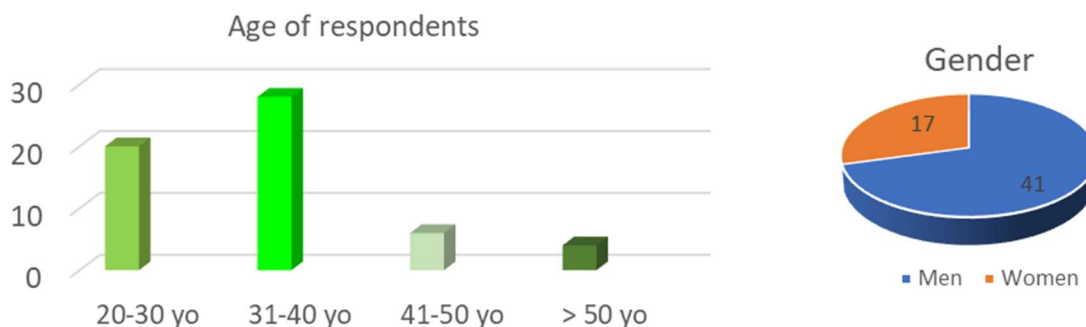
Data analysis techniques carried out in this study is using SEM-PLS. SEM-PLS can operate effectively with limited sample sizes but only when complex models are used. The nonparametric method of SEM-PLS is effective even with highly distorted data. Mahfud and Ratmono (2013: 8) also stated that there is not much difference or almost no difference in the estimation of results or possible findings of both. Despite the limited sample size and deviations from the multivariate normality assumption, SEM-PLS can still produce estimates.

This study using outer models evaluation and inner models evaluation. Outer model evaluation conducted for validity testing of whether the data to be processed later is valid data and reliability testing for carried out or checking the reliability of the data. While the inner model evaluation conducted for variant analysis (R^2) or determination test and significance test.

RESULT

The total population sampled was 41 men and 17 women, while distribution of respondents by age are twenty respondents around 20-30 yo, twenty-eight respondents around 31-40 yo, six respondents around 41-50 yo, and the last four respondents 50 yo and above.

Chart 1
Distributions of Respondents



When viewed in terms of education, we get respondents with high school education of nine respondents, four respondents diplomas, fourty respondents bachelors and five respondents magister.

Table 3
Questionnaire Score for Budget Participation Variable (X1)

Answer Alternatif												
No Per	SS		S		KS		TS		STS		Jumlah	
	F	%	F	%	F	%	F	%	F	%	F	%
1	5	9	24	41	19	33	8	14	2	3	58	100
2	4	7	23	40	20	34	7	12	4	7	58	100
3	10	17	20	34	16	28	11	19	1	2	58	100
4	3	5	25	43	21	36	7	12	2	3	58	100
5	2	3	27	47	17	29	10	17	2	3	58	100
6	3	5	28	48	23	40	3	5	1	2	58	100
7	5	9	25	43	21	36	6	10	1	2	58	100
8	1	2	26	45	24	41	4	7	3	5	58	100
9	7	12	31	53	11	19	7	12	2	3	58	100
10	6	10	24	41	21	36	6	10	1	2	58	100
11	3	5	25	43	20	34	4	7	6	10	58	100
12	6	10	24	41	17	29	7	12	4	7	58	100

SS : Strongly agree

- S : Agree
 KS : Disagree Less
 TS : Disagree
 STS : Strongly disagree

Table 6
 Outer Loading Model

	Outer	Status
X1.1	0,852	Valid
X1.2	0,856	Valid
X1.3	0,806	Valid
X1.4	0,883	Valid
X1.5	0,866	Valid
X1.6	0,806	Valid
X1.7	0,809	Valid
X1.8	0,811	Valid
X1.9	0,855	Valid
X1.10	0,781	Valid
X1.11	0,775	Valid
X1.12	0,832	Valid
X2.1	0,795	Valid
X2.2	0,794	Valid
X2.3	0,855	Valid
X2.4	0,811	Valid
X2.5	0,873	Valid
X2.6	0,875	Valid
X2.7	0,902	Valid
X2.8	0,901	Valid
X2.9	0,874	Valid
X2.10	0,785	Valid
X2.11	0,761	Valid
X2.12	0,830	Valid
X2.13	0,800	Valid
X2.14	0,768	Valid
Y1	0,836	Valid
Y2	0,810	Valid
Y3	0,871	Valid
Y4	0,821	Valid
Y5	0,813	Valid
Y6	0,792	Valid
Y7	0,868	Valid
Y8	0,871	Valid
Y9	0,869	Valid
Y10	0,859	Valid
Y11	0,829	Valid
Y12	0,893	Valid
Y13	0,740	Valid
Y14	0,847	Valid
Y15	0,837	Valid
Y16	0,798	Valid

Table 4
Questionnaire Score for Clarity of Budget Targets Variable (X2)

Answer Alternatif												
No Per	SS		S		KS		TS		STS		Jumlah	
	F	%	F	%	F	%	F	%	F	%	F	%
1	3	5	26	45	18	31	11	19	0	0	58	100
2	1	2	24	41	20	34	12	21	1	2	58	100
3	5	9	26	45	19	33	7	12	1	2	58	100
4	2	3	26	45	23	40	4	7	3	5	58	100
5	2	3	24	41	20	34	11	19	1	2	58	100
6	3	5	27	47	18	31	10	17	0	0	58	100
7	5	9	22	38	20	34	6	10	5	9	58	100
8	3	5	25	43	22	38	3	5	5	9	58	100
9	3	5	27	47	18	31	9	16	1	2	58	100
10	5	9	23	40	20	34	7	12	3	5	58	100
11	7	12	23	40	20	34	8	14	0	0	58	100
12	6	10	23	40	18	31	10	17	1	2	58	100
13	7	12	25	43	14	24	12	21	0	0	58	100
14	4	7	25	43	22	38	7	12	0	0	58	100

Table 5
Questionnaire Score for Performance Budget Managers Variable (Y)

Answer Alternatif												
No Per	SS		S		KS		TS		STS		Jumlah	
	F	%	F	%	F	%	F	%	F	%	F	%
1	3	5	25	43	21	36	6	10	3	5	58	100
2	3	5	25	43	22	38	4	7	4	7	58	100
3	2	3	26	45	21	36	5	9	4	7	58	100
4	1	2	27	47	23	40	4	7	3	5	58	100
5	1	2	26	45	23	40	6	10	2	3	58	100
6	3	5	25	43	21	36	5	9	4	7	58	100
7	1	2	25	43	22	38	7	12	3	5	58	100
8	0	0	25	43	22	38	9	16	2	3	58	100
9	9	16	24	41	18	31	7	12	0	0	58	100
10	1	2	24	41	22	38	10	17	1	2	58	100
11	4	7	23	40	21	36	4	7	6	10	58	100
12	0	0	27	47	25	43	4	7	2	3	58	100
13	7	12	25	43	17	29	9	16	0	0	58	100
14	5	9	23	40	19	33	4	7	7	12	58	100

15	2	3	24	41	21	36	5	9	6	10	58	100
16	6	10	24	41	20	34	4	7	4	7	58	100

$$x = \Lambda x \xi + \epsilon x$$

$$y = \Lambda y \eta + \epsilon y$$

The relationship between indicator scores and variable scores indicates the validity of the convergence of measurement models. If the indicator has an AVE value greater than 0.5 or indicates that all outer loading dimension variables have a loading value greater than 0.5, it can be said that the measurement meets the convergent validity criterion. The formula of AVE (Average Variance Extracted) can be written as follows:

$$AVE = \frac{\sum_{i=1}^n \lambda_i^2}{n}$$

Table 7
Validity Test Results

Measurement Model	Result		Critical Value	Model Evaluation
<i>Convergent Validity</i>	Variable	AVE	>0,5	
	Budget Participation	0,686		Valid
	Clarity of Budget Targets	0,685		Valid
	Performance of Budget	0,698		Valid
<i>Discriminant Validity</i>	Indicator	<i>Cross Loading</i>		
	X1.1	0,852	>0,5	Valid
	X1.2	0,856		Valid
	X1.3	0,806		Valid
	X1.4	0,883		Valid
	X1.5	0,866		Valid
	X1.6	0,806		Valid
	X1.7	0,809		Valid
	X1.8	0,811		Valid
	X1.9	0,855		Valid
	X1.10	0,781		Valid
	X1.11	0,775		Valid
	X1.12	0,832		Valid
	X2.1	0,795		Valid
	X2.2	0,794		Valid
	X2.3	0,855		Valid
	X2.4	0,811		Valid
	X2.5	0,873		Valid
	X2.6	0,875		Valid
	X2.7	0,902		Valid
X2.8	0,901	Valid		

X2.9	0,874	Valid
X2.10	0,785	Valid
X2.11	0,761	Valid
X2.12	0,830	Valid
X2.13	0,800	Valid
X2.14	0,768	Valid
Y1	0,836	Valid
Y2	0,810	Valid
Y3	0,871	Valid
Y4	0,821	Valid
Y5	0,813	Valid
Y6	0,792	Valid
Y7	0,868	Valid
Y8	0,871	Valid
Y9	0,869	Valid
Y10	0,859	Valid
Y11	0,829	Valid
Y12	0,893	Valid
Y13	0,740	Valid
Y14	0,847	Valid
Y15	0,837	Valid
Y16	0,798	Valid

According to the table presented earlier, all indicators have met the requirements to be recognized as valid. Through measurements (outside loading), it is proved that reliability tests are then carried out, and the Cronbach alpha value must be more than 0.6. The following calculations can be used to obtain the equation for composite reliability:

$$pc = \frac{(\sum \lambda)^2}{(\sum \lambda)^2 + \lambda_i \text{var}(\epsilon_i)}$$

Table 8
Reliability Test Results

Variable	Cronbach's Alpha	Rho_A	Composite Reliability	Critical Value	Model Evaluation
Budget Participation	0.958	0,959	0,963	>0,7	Reliabel
Clarity of Budget Targets	0.969	0,971	0,972		
Performance of Budget Managers	0.971	0,972	0,974		

According to the reliability test results presented above, all constructs have strong construct reliability as indicated by Cronbach alpha values > 0.7 for each construct and > 0.7 for composite reliability.

Structural Model Evaluation (Inner Model)

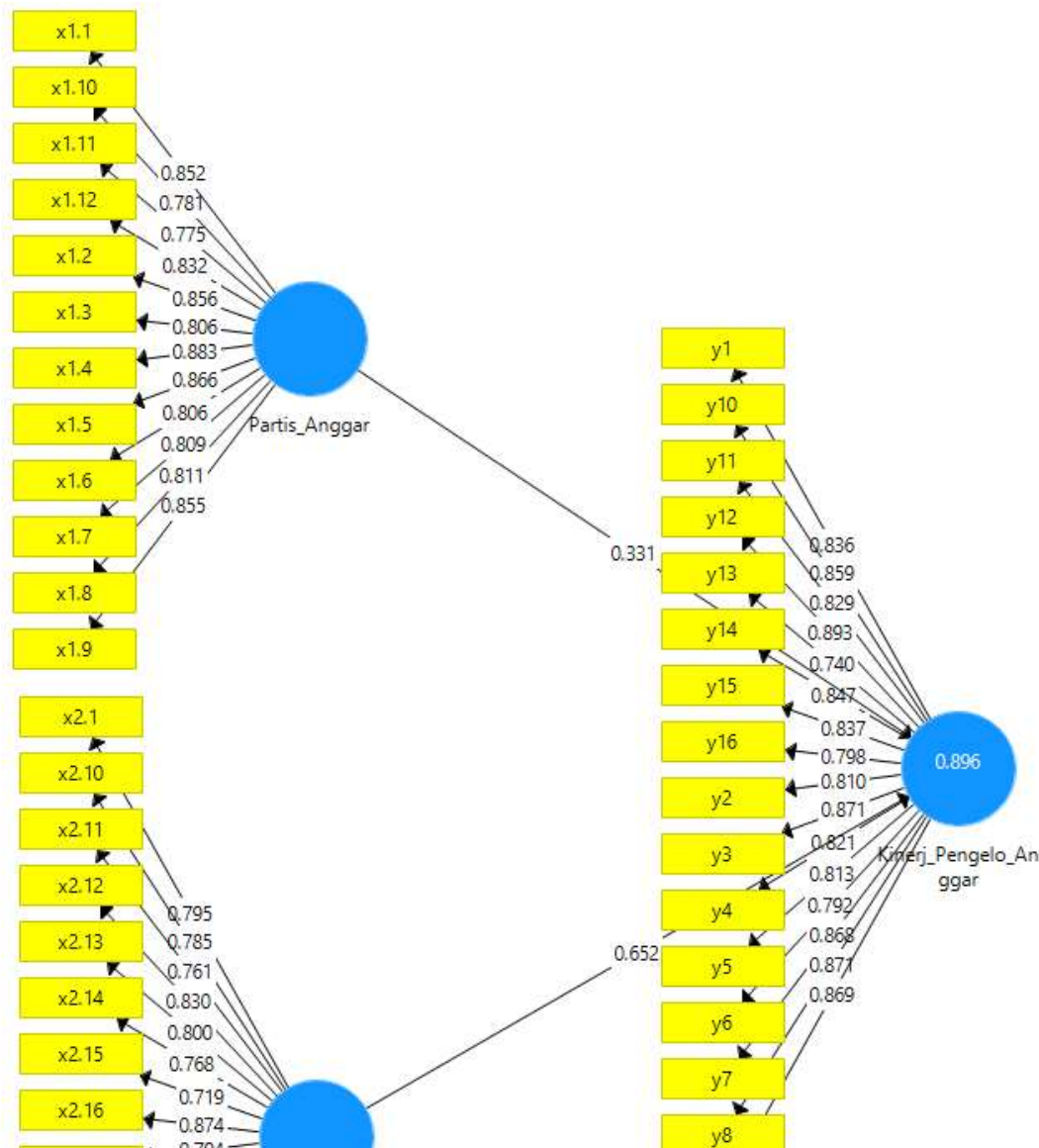
An example of a structural model is the inside model, which is used to forecast causality relationships between latent variables. By examining the percentage variance represented by the R2 value for the dependent variable through a bootstrapping procedure, the structural model (inner model) is evaluated. The T-statistic test parameters are then derived to predict causal relationships.

Table 9
R Square Results

	<i>Adjusted R Square Adjusted</i>
Kinerja Pengelola Anggaran	0,892

The table shows that the value of Adjusted R square Adjusted budget performance of budget managers is 0.892, or independent variables (budget inclusion and clarity of budget targets) affect 89.2% of the dependent variable (financial manager performance).

Figure 2
Structural Equation Analysis Model



Hypothesis testing results

The SmartPLS program version 3.0 m3 which is run with computerized media is used to conduct PLS (Partial Least Squares) analysis which has been used to support this research. When comparing T-table and T-statistical results, there are significance metrics to support the hypothesis. The T-table value for the one-way hypothesis in this study was 1.96 at an alpha level of 95%. If the T-statistic is higher than the value of the T-table, the hypothesis is known to be supported or accepted. The value of inner weight in the output results serves as a basis for evaluating hypotheses. In addition to generating data, the calculated significance parameters also offer very helpful information about correlations between research variables.

Table 10
Result For Inner Weight

	<i>Original Sample Estimate (O)</i>	<i>Mean of Subsample (M)</i>	<i>Standard Deviation (STEDEV)</i>	<i>T-statistic (O/STERR)</i>	<i>P Value</i>
Budget Participation → Performance of Budget Managers	0,331	0,334	0,077	4,312	0,000
Clarity of Budget Targets → Performance of Budget Managers	0,652	0,650	0,069	9,454	0,000

Each hypothesized association is statistically tested using PLS using simulations. In this case, the bootstrap method is used on the sample to simulate statistical data. Bootstrapping is used to reduce the problem of irregularities in research data.

As evidenced by a path coefficient value of 0.331 and a t value of 4.312, the hypothesis test findings represented in the figure show that budget participation factors and budget manager performance are related. The number exceeds T-table 2.003. These findings support Ha's hypothesis, provided in the previous chapter, that budget engagement has a positive and substantial relationship with budget managers' performance. Thus, the H0 speculation will be dismissed and the Ha theory recognized.

CONCLUSIONS

The following can be concluded based on the findings of studies and studies on the Effect of Budget Participation and Clarity of Budget Targets on the Performance of Budget Managers at the Land Transportation Management Center Class II North Sumatra, namely:

- 1) The performance of budget managers at the Land Transportation Management Center Class II North Sumatra is influenced by budget participation. This indication is provided by a route coefficient of 0.331 and a t value of 4.312. With significant values of $0.000 < 0.05$, this value exceeds T-table 2.001.
- 2) Budget managers at the Land Transportation Management Center Class II North Sumatra perform better when the budget objectives are clear. Path coefficients with t values of 9.454

and 0.652 indicate this. With a significant value of $0.000 < 0.05$, this value exceeds T-table 2.001.

Research Limitations

This research still has research limitations that can be used as material for consideration for future researchers, that the limitations in this study include:

- 1) The research was conducted only focused on budget managers in one budget year only and there is a possibility that budget managers will change or rotate in the following year, this is in accordance with the Decree of the Top Office Head.
- 2) It is not uncommon for structural officials to also get mutations so that the research carried out will certainly change.
- 3) Budget managers do not all have basic knowledge of accounting.

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