



Research Article

The Effect of Participative Budgeting, Performance Measurement System, and Compensation of Managerial Performance in Pt. Aceh Sharia Bank, Aceh, Indonesia

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Abstract: The purpose of this study is to know the condition of participatory budgeting, performance measurement systems, compensation, and performance management. Then want to know the effect of participatory budgeting on managerial performance, the effect of performance measurement systems on managerial performance and the effect of compensation on management performance, the object of this study was conducted at the Aceh Syaria Bank in Aceh Province. Data analysis in this study uses multiple linear regression which aims to test and analyze, both together and partially influence participatory budgeting, the stem measuring performance, and compensation i nsentif on managerial performance at Bank Syaria Aceh, which is treated with the technique of multiple regression analysis based on *Ordinary Least Square* (OLS) and processed using SPSS version 21. The results showed that participatory budgeting, performance measurement system, and compensation on managerial performance.

Keywords: participatorybudgeting, performance measurement systems, compensation, managerial performance.

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INTRODUCTION

The increasingly fierce business competition now presents challenges for both profit-oriented and non-profit companies to improve their efficiency and performance. In the era of globalization as it is now, the growth and development of an organization, be it business or government organizations continue to move fast, rapidly and full of competition, especially for the financial services industry such as Islamic banking.

Islamic banking is a banking system developed based on Islamic sharia (law). Efforts to establish this system are based on the prohibition in Islam to collect or borrow with interest or what is called usury as well as investment prohibition for businesses that are categorized as haram, where this cannot be guaranteed by conventional banking systems. The development of Islamic banking in Indonesia is an embodiment of public demand that requires an alternative banking system that in addition to providing sound financial banking services, also meets the principles of sharia (Zainuddin, 2008: 143).

A market share of over 5% is already fulfilled. That was because there was a conversion of conventional commercial banks into sharia. Not because of *organic growth*, but because of the conversion of Bank BPD Aceh into Bank Aceh Syaria and Bank NTB soon. At present the sharia banking market share has reached 8.26%. The penetration of the Islamic banking market has indeed been slightly enlarged, but according to Infobank Research Bureau (birl) notes, the performance of Islamic banking has not improved since 2012 (infobanknews.com, 2018). *Return on assets* (ROA) of Islamic banking continues to decline. In 2012 Islamic banking *ROA* was still at 2.14%, the following year it declined and continued to decline until the peak occurred in 2014 with *ROA* of 0.79%. In quality, Islamic banking has not improved. Problem financing is still a homework problem. At present Indonesia is only able to rank ninth out of 10 other Islamic countries, in terms of Islamic financial service industry assets. There are weaknesses that trigger Indonesian Islamic banking to develop slowly. Islamic banking currently only focuses on the

function as an ordinary commercial bank, not maximizing its function as an investment bank (infobanknews.com, 2018).

One of the sharia banks operating in Indonesia is the Aceh Syaria Bank. Bank Aceh commenced Sharia banking activities with receipt of Bank Indonesia Letter No.6 / 4 / Dpb / BNA dated October 19, 2004 concerning Permit for Opening of Sharia Branch Offices of Banks in commercial activities of the Bank. The bank began operating based on these sharia principles on November 5, 2004. The conversion operational license was then obtained based on the Decision of the OJK Board of Commissioners Number . KEP-44 / D.03 / 2016 dated 1 September 2016 Regarding the Granting of Permits for Changing Conventional Commercial Bank Business Activities into PT Bank Aceh Sharia Commercial Banks which were handed over directly by the OJK Board of Commissioners to the Governor of Aceh Zaini Abdullah through the Head of the Aceh Provincial OJK Ahmad Wijaya Putra at Banda Aceh (bankaceh.co.id, 2016).

In addition, this thing also supported by commenced Sharia banking activities No.11 in 2018 which has been declared by Aceh Government. These commenced obligate all the bank and finance board in Aceh to work based on sharia roles, then it shows that PT Bank Aceh Syariah has one step farther on implementing sharia commenced than others.

Bank Aceh Syaria won the 2018 Republika Syaria Award and received the title "THE MOST STABLE SYARIA BANK" for financial performance throughout 2017 for the Bank group that has assets of 10 to 30 trillion. assessment and determination of winners for this award are based on quantitative data in the form of industry performance records for 2017 using reference to 2017 financial performance reports and qualitative data surveys based on service performance and bank development capabilities as well as the effects / impacts given in supporting national sharia economic growth (bankaceh.co.id, 2018).

Corporate governance is inseparable from managerial performance. Managerial performance is the ability of a leader as measured by the achievement of the responsibilities they carry. Managerial performance is the result of efforts made by managers in carrying out their duties and functions within the organization (Pareke, 2003). For the organization itself managerial performance can be a measure of the extent to which managers carry out management functions. Management functions that must be carried out include planning, investigation, coordination, evaluation, supervision, *staffing*, negotiation, and representation (Panangaran, 2008).

There are many factors that affect managerial performance, some of which are participatory budgeting

(Maulidi, 2017; Abata, 2014), performance measurement systems (Lesmana, 2017; Flantika, 2017), and compensation (Jamika, 2017; Bento, 2006). Budgeting participation is the participation of the operating manager in deciding together with the committee on a series of activities in the future that will be pursued by the operating manager in achieving the budget targets (Mulyadi, 2010: 513). Performance measurement as a benchmark for company management to see whether the performance in a company is good in terms of financial and non-financial. Management evaluates the improvement of the company's operational activities within a certain period.

Incentive compensation. Werther Jr. and Davis (2003: 119) suggest that compensation is what employees receive in return for their work. Whether it's hourly wages or periodic salaries, the personnel department usually designs and manages employee compensation.

LITERATURE REVIEW

Managerial Performance

Mahmudi (2015: 61) managerial performance is the ability or work performance that has been achieved by personnel or groups of people in an organization, to carry out their functions, duties and responsibilities in carrying out company operations.

Managerial performance is the ability of a leader as measured by the achievement of the responsibilities they carry. Managerial performance is the result of efforts made by managers in carrying out their duties and functions within the organization (Pareke, 2003) .

Managerial performance is a result of work achieved by a person in managerial activities which includes planning, investigation, coordination, evaluation, supervision, staffing arrangements, negotiation, and representation. Managerial performance measurement is adopted from questions developed by Eker (2007).

To measure and evaluate, business unit managers use a variety of sizes, both financial and non-financial. Performance measurement is a process of recording and measuring the implementation of activities in the direction of achieving goals, objectives, vision and mission through the results displayed or the process of implementing an activity. Performance measurement also means comparing between established standards and actual performance.

Factors that affect managerial performance according to Maria Niken Setyarini and Anastasia Susty A (2008), namely: personal factors, leadership factors, team / group factors and situational factors. To measure and evaluate, business unit managers use a variety of

sizes, both financial and non-financial. Performance measurement is a process of recording and measuring the implementation of activities in the direction of achieving goals, objectives, vision and mission through the results displayed or the process of implementing an activity. Performance measurement also means comparing between established standards and actual performance.

Participatory Budgeting

Participatory budgeting is a process in which individuals are directly involved and have an influence on the preparation of budget targets whose performance will be evaluated and likely to be valued on the basis of achieving their budget targets (ardin, 2017). Meanwhile according to Fitriana et al. (2014) participatory budgeting is a process in an organization where managers are involved in determining budget objectives for which they are responsible.

Budgeting participation is a series of activities in the future that will be pursued in the achievement of budget targets (Mulyadi, 2010: 513). Dharmanegara (2010: 19) states that, budgetary participation is a joint decision-making process by two or more parties where the decision will have a future impact on those who make it.

According to Indarto and Ayu (2011), budgetary participation is the level of influence that is felt by individuals in the budget design process. This is similar to Mediaty and Syarifuddin (2010) suggesting that the greatest contribution from budgeting activities occurs if subordinates are allowed to participate in budgeting activities.

Participation in budgeting is very important for decision making which will be carried out in an organizational environment. The manager in charge of centralizing the responsibility makes it possible to have information that can affect the company's operational activities. The advantages of the participation budget according to Mediaty (2010) are (1) Everyone at all levels of the organization is recognized as a member of the team whose views and values are valued by top management. (2) Every person directly related to an activity has the most important position in making budget estimates. (3) Everyone is more likely to reach a budget whose preparation involves that person. (4) A participatory budget has its own unique control system .

Budget participation is intended to measure the level of participation that involves managers from both lower and upper levels in the budget preparation process can be measured by several indicators used in research conducted by Fitriana et al. (2014), Participation in budgeting expressing opinions and or proposals about budget to superiors, without being asked, the magnitude of subordinate influence reflected

in the final budget, how important are proposals or thoughts on the budgeting process, and how often superiors ask opinions and or proposals from subordinates when the budget is being prepared.

Performance Measurement System

Performance measurement as a benchmark for company management to see whether the performance in a company is good in terms of financial and non-financial. The management evaluates the improvement of the company's operational activities within a certain period. According to Fahmi (2014: 142) performance appraisal is an appraisal carried out on the company's management both employees and managers who have been doing their work.

Performance appraisal is the result of the activities or performance of each employee with the quality, quantity and criteria set by a company (Casio, 2003). Performance appraisal must be carried out to find out how well the achievements that have been achieved by each employee. The assessment is important and useful for the company in making decisions and establishing a policy for the next period.

According to Ridhawati (2014) performance measurement aims to (1) provide important information in making decisions about company assets and to encourage the performance of management to channel the company's interests. (2) Measuring each business unit's performance in an entity. (3) Assessing the results of company performance and potential changes in economic resources controlled in the future.

Indicators used in assessing the performance must meet the requirements in order to obtain precise information about the work and the implementation of work as a duty. There are five indicators that must be met in assessing the performance in order to obtain effective results according to Cascio (2003), namely: reliabilitas , relevance, sensitivity, practicality and ability to accept.

Compensation

Mondy (2013: 91) argues that compensation is what employees receive in return for their work. Whether it's hourly wages or periodic salaries, the personnel department usually designs and manages employee compensation.

According to Rivai (2011: 357) is something that is received by employees as a substitute for the contribution of their services to the company ". Handoko (2011: 205) is everything that is received by employees as compensation for their work.

Hasibuan (2011: 124), in general the classification system of compensation is based on: (1) Time, ie compensation (salary / wages), the amount is

determined based on time standards such as: hours, days, weeks, or months. This time system in determining the amount of compensation is only based on work and not related to work performance. (2) The results (output) of compensation paid is based on the amount of work done. (3) Wholesale, i.e. wages that determine the amount of service for the volume of work and the length of time it takes to work. (4) Premium wages or incentives, premium wage systems are given to employees if they can produce greater achievements and are additional payments.

Mondy (2013: 91), dividing the indicator of compensation into two types, direct financial, payments received enumerated by someone in the form of salary and incentives or bonuses and indirect financial or benefits, ie all forms of remuneration of financial which is not included in direct financial compensation, such as insurance and benefits.

RESEARCH METHODS

Object of research

This research was conducted at the Aceh Syaria Bank in Aceh Province. The variables studied were participatory budgeting, the stem of performance measurement, compensation, managerial performance at Bank Syaria Aceh. The population in this study were all Branch Heads and Head of Financing at PT. Bank Aceh Syaria, amounting to 52 respondents, of which 26 are Branch Heads and 26 are Head of Financing.

The data used are primary data types, which are data collected by the researcher directly from the first source or where the object of research was conducted, namely from the results of questionnaires distributed to research respondents.

Data Analysis Equipment

The analysis was performed using multiple linear regression methods that connect one dependent variable with several independent variables. This analysis aims to look at the effects of participatory budgeting, the stem of performance measurement, compensation, and managerial performance.

The data analysis is carried out simultaneously (together) and partially to find out whether the independent variables (participatory budgeting, performance measurement systems, and compensation) have a significant effect or not on the dependent variables (managerial performance). Data processing is done using analytical techniques multiple regression based on *Ordinary Least Square* (OLS) which if processed using SPSS version 21. OLS is used to answer existing problems and test hypotheses that have been determined and to obtain a comprehensive picture to find out how much influence the independent variable has on the dependent variable.

FINDING AND DISCUSSION

Effect of participatory budgeting, performance measurement systems, and compensation on managerial performance

The results of testing together show the value of the participatory budgeting variable regression coefficient (X_1) of $\beta_1 = 0.062$, the value of the regression coefficient of the performance measurement system variable (X_2) of $\beta_2 = 0.251$, the value of the compensation variable regression coefficient (X_3) of $\beta_3 = 0.420$. Hypothesis testing shows that if $\beta_1, \beta_2, \beta_3 \neq 0$ then H_a is accepted, meaning that participatory budgeting, performance measurement systems, and compensation incentives jointly affect managerial performance.

The coefficient of determination (R^2) of 0.640. This means that participatory budgeting, performance measurement systems, and compensation are able to explain variations of managerial performance variables of 64.0% while the remaining 34.6% are explained by other variables not included in this research variable.

Effect of participatory budgeting on managerial performance

The test results show the regression coefficient value of the participatory budgeting variable (X_1) of $\beta_1 = 0.062$. Testing the hypothesis suggests that if $\beta_1 \neq 0$ then H_a is accepted, meaning that participatory budgeting influence on managerial performance. The coefficient value is 0.062, meaning that participative budgeting has a positive effect on managerial performance. The better participatory budgeting will improve the company's managerial performance.

Effect of performance measurement systems on managerial performance

The test results show the regression coefficient of the variable performance measurement system (X_2) of $\beta_2 = 0.251$. Hypothesis testing shows that if $\beta_2 \neq 0$, H_a is accepted, it means that the performance measurement system influences managerial performance.

The coefficient value is 0.251, meaning that the performance measurement system has a positive effect on managerial performance. The better the performance measurement system will improve the managerial performance of the company.

Effect of compensation on managerial performance

The test results together indicate the value of the regression coefficient variable compensation (X_3) of $\beta_3 = 0.420$. Hypothesis testing shows that if $\beta_3 \neq 0$, H_a is accepted, it means that compensation affects managerial performance. The coefficient value is 0.420, meaning that compensation has a positive effect on managerial performance. The better compensation

incentives will improve the company's managerial performance.

CONCLUSION AND RECOMMENDATION

Conclusions

1. Participatory budgeting, performance measurement systems, and incentive compensation affect
2. Managerial performance at PT. Bank Aceh Syaria.
3. Participatory budgeting has a positive effect on managerial performance
4. Performance measurement system has a positive effect on managerial performance at PT. Bank Aceh Syaria .
5. Compensation has a positive effect on managerial performance at PT. Bank Aceh Syaria .

Recommendations

1. The coefficient of determination (R^2) of 0.640. This means that participatory budgeting, performance measurement systems, and compensation are able to explain variations of managerial performance variables of 64.0% while the remaining 36.0% are explained by other variables not included in this research variable . Researchers can then used several other variables that can affect managerial performance such as the capacity of human resources and local government intervention.
2. it is suggested to PT Bank Aceh Syaria to give more space for manager due participatory budgeting, increasing relevant performance measurment system, and giving proper compensation toward their manager.

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