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## **INFLUENCE OF LEADERSHIP COMMITMENT TO GOOD CORPORATE GOVERNANCE AND BUDGET MANAGEMENT**

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**Abstract:** This research aims to determine the influence of commitment to Good Corporate Governance and budget management. The measuring instrument used for data collection in this study is a structured questionnaire or questionnaire with closed questions in the form of a multilevel scale (rating scale), using data analysis with a Partial Least Square (PLS) approach. The results showed that, the leadership commitment variable has a positive and significant effect on Good Corporate Governance, the Leadership Commitment is proven to have a positive and significant influence on budget management, and Good Corporate Governance is proven to have a positive and significant influence on Budget Management. From the results of the research obtained several conclusions, among others, the better the commitment of the leadership, the commitment can determine success in budget management, realization and management of Good Corporate Governance through accountability, transparency, accountability, independence, and having equality and fairness in managing agencies properly will be able to improve budget management.

**Key words:** Commitment, Good Corporate Governance, Budget Management

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## INTRODUCTION

Socio-cultural development is development designed to improve people's living standards. Reporting from [bappenas.go.id](http://bappenas.go.id), socio-cultural development is an integral part of the fourth development priority, namely building people's welfare, improving the quality of religious life, and cultural resilience.

Therefore, with the presence of the Law on the Promotion of Culture, the founding ideals of the nation so that Indonesia becomes a nation with a cultural personality society, economically independent, and politically sovereign, is now ready to be realized. The law on the promotion of culture recognizes and values the cultural diversity of Indonesian people. There are more than 700 ethnic groups and languages and customs that make up Indonesian society. It is this diversity that underlies our national culture. Therefore, it takes a fair and non-compartmentalizing perspective in looking at the culture of our society.

Kalimantan Island is the second largest archipelago in the Republic of Indonesia, where the island of Kalimantan consists of 5 provinces, namely West Kalimantan Province, Central Kalimantan Province, South Kalimantan Province, East Kalimantan Province, and North Kalimantan Province, which is the youngest province that is the expansion of East Kalimantan Province. Of the 5 (five) provinces consisting of various tribes, ethnicities of course have diverse cultures, customs, so it is necessary to maintain and preserve the culture itself so that the diverse culture is maintained in the present and future. With a variety of cultural potential, both physical and non-physical cultures. Cultural heritage, value systems, social behavior and norms of artwork are

characteristic of Kalimantan. As knowledge and technology develop, it does not rule out the possibility that this inherent culture will gradually fade.

(Yunus, 2013), revealed that cultural values have undergone transformation and this can affect the character of the nation. As an island with 5 (five) provinces that have a large tourist attraction in Indonesia, because of its variety of cultures, special attention is needed from the local government in developing and preserving the potential of the culture, so that the cultural value inherent in this area is not eroded by the times, plus if the budget in the field of culture in almost every area in Kalimantan in the Office that handles this culture is very small or inadequate.

(Law No. 22 of 1999), concerning Regional Government is the forerunner of regional autonomy in Indonesia. In the Law, the authority to regulate and take care of the interests of local communities according to their own initiatives, based on the aspirations of the community in accordance with the laws and regulations, which are carried out by autonomous regions, is translated as the definition of regional autonomy.

As a consequence of regional autonomy, it is necessary to regulate the relationship between the central government and the local government. (Law No. 33 of 2004), concerning Central and Regional Financial Balance states that with fiscal decentralization local governments have the right to regulate the income and expenditures needed to provide public services to the community in the form of Regional Revenue and Expenditure Budgets (APBD).

Fencing is an important step in management management, and is a

function that must be prioritized by the government in implementing activity programs, (Egbide & Agbude, 2011). In order for programs to be achieved in the preparation of local government budgets, it requires a Regional Device Work Unit (SKPD) that has the task of implementing and budget users which will then be used as the basis for the formulation of the Regional Revenue and Expenditure Budget (APBD) and therefore must be designed and compiled and clearly contained all aspects that include costs, inputs, outputs and results.

### Previous Research

Research conducted by (Satria Mandasari, 2015), with the title of his research *The Influence of the Application of Good Corporate Governance (GCG) on the Reliability of Financial Statements (Case Studies on STATE-OWNED Enterprises in Palembang City)* using quantitative methods, with the results of research that the principle of Good Corporate Governance is applied to every aspect of business and in all levels in the company.

In another study conducted by (Windiarto, 2015), with the title of research *Analysis of the Application of Good Corporate Governance Principles and Organizational Commitment to Government Apparatus Performance (Empirical Study on The Surakarta City Regional Device Work Unit)* using multiple regression analysis with the number of respondents 121 people, with the results of the study showing that  $R^2$  obtained a value of 0.759 which means that 75.9% of the performance of government apparatus is affected. by the principles of Good Corporate Governance and organizational commitment. The remaining 24.1% is influenced by variables outside the model. The results of the t test show that the principles of Good Corporate Governance and organizational

commitment affect the performance of the government apparatus.

Then in JAKP (Journal of Administration and Public Policy), Vol. II Number 3 by (Azre, 2017), with his research entitled *Good Corporate Governance (GCG) Analysis in Regional Owned Enterprises (BUMD) of West Sumatra Province (Case Study of PT Grafika Jaya Sumbar)* with Triangulation Method, in his research concluded that BUMD has a role in realizing regional prosperity by contributing to PAD Revenue either in the form of dividends or taxes. The challenge of increasing PAD can be answered by increasing the role / contribution of BUMD. BUMD is widely run inefficiently, the inefficiency experienced is due to political intervention, centralization and poor management, rent hunting behavior in policy, as well as inefficiency in running the company, as well as the absence of good corporate governance so that the principles of transparency, accountability and fairness become fundamental blame in the management of BUMD. Most BUMDs in Indonesia operate under very inefficient conditions.

Other research conducted by (Maulamin et al., 2018), in the *Journal of Transparency* Vo.1, No.2, December 2018, pp.259-282 with a total of 65 respondents, with the title research *The Influence of Good Corporate Governance Principles on Budget Management in Government Agencies*.

In the *Russian Journal of Agricultural and Socio-Economic Sciences* research by (Vigo et al., 2018), with his research entitled *Study of Factors Affecting Bank Soundness* (ORCID: 0000-0002-3369-7217) in DOI: <https://doi.org/10.18551/rjoas.2018-07.17>, and in his research it was concluded that Good Corporate Governance (GCG). The average GCG owned by the 23 banks during 2010 to 2016 was 1.87 which is

below 2.5 which means that banks have good GCG.

In the International Journal of Economics and Financial Issues, 2019, 9(6), 100-105 ([http: www.econjournals.com](http://www.econjournals.com)) by (Manurung et al., 2019), with his research entitled Effect of Financial Performance, *Good Corporate Governance* and Corporate Size on Corporate Value in Food and Beverages with the following research results that based on the results of the chow test and hausman test, the most suitable model is used in the regression of this research panel data. It is a fixed effect model.

## METHODS

The range of research conducted in this study is to take objects at the Cultural Office in the Kalimantan region consisting of the provinces of Central Kalimantan, East Kalimantan, West Kalimantan and South Kalimantan and North Kalimantan.

The data in this study is internal and external data. Internal data is obtained from staffing data and questionnaire scores obtained through the dissemination of questionnaires to respondents. External data is obtained through various external reports of the organization, including various publication reports on topics similar to this research.

In a study, there is a need for objects to be studied, namely population. This research population is the Head of the Cultural Office in Kalimantan in the budget of each Head of the Cultural Office in Kalimantan.

The measuring instrument used for data collection in this study is a structured questionnaire or questionnaire with closed questions in the form of a multilevel scale (rating scale).

In this study data analysis using the Partial Least Square (PLS) approach. PLS (Partial Least Square) is a variant-based structural equation analysis (SEM) that can

simultaneously test measurement models as well as structural model testing.

## RESULT AND DISCUSSION

### Convergent Validity

Convergent validity is met if scores obtained with two different instruments measuring the same concept show a high correlation. Indicators that have convergent validity are having an outer loading factor above 0.70. however, the loading factor value of 0.50-0.60 can still be tolerated with a t-statistic value above 1.96 or p-value < 0.05. The results of the next test are displayed in the following table:

Based on the table above, the outer loading value for the Good Corporate Governance (GC) variable in this study was measured using 5 indicators with 10 items, where for indicators that have the highest loading factor is accountability (GC2) of 0.934, then the lowest is equality and fairness (GC5) of 0.854. These results indicate that accountability indicators are an important factor in the Good Corporate Governance variable at the Cultural Office in kalimantan.

**TABLE 1.** Convergent validity test

Variabel Laten	Item	>Loading facto.	T Stat	P value (0.05)	Info	
Good Corporate Governance	GC1.1 <- GC1	0.885	0.883	31.338	0.000	Valid
	GC1.2 <- GC1	0.881		28.031	0.000	Valid
	GC2.1 <- GC2	0.940	0.934	73.882	0.000	Valid
	GC2.2 <- GC2	0.928		49.708	0.000	Valid
	GC3.1 <- GC3	0.851	0.868	21.966	0.000	Valid
	GC3.2 <- GC3	0.885		29.831	0.000	Valid
	GC4.1 <- GC4	0.910	0.914	50.359	0.000	Valid
	GC4.2 <- GC4	0.919		66.650	0.000	Valid
	GC5.1 <- GC5	0.832	0.854	16.863	0.000	Valid
	GC5.2 <- GC5	0.875		35.724	0.000	Valid
Leadership Commitment	KO1.1 <- KO1	0.890	0.897	38.329	0.000	Valid
	KO1.2 <- KO1	0.904		49.064	0.000	Valid
	KO2.1 <- KO2	0.825	0.839	23.016	0.000	Valid
	KO2.2 <- KO2	0.853		27.194	0.000	Valid
	KO3.1 <- KO3	0.838	0.858	19.299	0.000	Valid
	KO3.2 <- KO3	0.877		35.574	0.000	Valid
Budget Management	PA1.1 <- PA1	0.852	0.796	28.147	0.000	Valid
	PA1.2 <- PA1	0.741		8.574	0.000	Valid
	PA2.1 <- PA2	0.818	0.840	15.874	0.000	Valid
	PA2.2 <- PA2	0.862		29.476	0.000	Valid
	PA3.1 <- PA3	0.821	0.856	13.495	0.000	Valid
	PA3.2 <- PA3	0.892		38.784	0.000	Valid

Source: Data Processing Results, 2021.

The leadership commitment variable (KO) in this study was measured using 3 indicators with 6 items, where for

indicators that have the highest loading factor is affective commitment (KO1) of 0.897, and the lowest is sustainable commitment (KO2) with a value of 0.839. These results indicate that the indicator of affective commitment is an important factor in the variable commitment of leaders to budget management at the Cultural Office in Kalimantan region.

The Budget Management Variable (PA) is measured using 3 indicators with 6 items, the indicator that has the highest loading factor is the effectiveness indicator (PA3) of 0.856, and the lowest is the economic indicator (PA1) with a value of 0.796. This result indicates that the effectiveness indicator is an important factor in the budget management variables at the Cultural Office in the Kalimantan region.

### Validitas Diskriminan

Thus it can be concluded that all constructs or other variables already have good discriminant validity, because the indicator value on the construct indicator block is better than the indicators in other blocks or it can also be called a model that already meets the requirements for discriminant validity.

**TABLE 2.** Test Results Fornel- Lacker

	<i>Good Corporate Governance</i>	Chairman's Committee	Budget Management
<i>Good Corporate Governance</i>	0.949		
Chairman's Committee	0.891	0.918	
Budget Management	0.827	0.848	0.924

Source: Data Processing Results, 2021.

The second assessment is through Average Variance Extracted (AVE). AVE values of 0.50 and higher indicate an adequate degree of convergent validity, which means that latent variables account for more than half of the indicator's variance.

### Results of hypothesis analysis and testing

Hypothesis testing of the influence between exogenous variables on endogenous can be

seen in the test results between research variables in addition to being indicated by the path coefficient and t-statistics and p value, which can also be seen in the PLS Algorithm and Bootstrapping path trajectory diagrams. The path coefficient and testing of the direct influence hypothesis can be seen in the table as follows:

**TABLE 2.** Path Coefficients Test Result

Variable	Original Sample (O)	Standard Deviation (STDEV)	T Statistics ( O/STDEV)	P Values	Conclusion
KO -> GC	0.891	0.027	33.431	0.000	Diterima
KO -> PA	0.538	0.133	4.041	0.000	Diterima
GC -> PA	0.348	0.142	2.452	0.015	Diterima

Source: Data Processing Results, 2021.

Based on the results of the analysis of the path coefficient parameters and the statistical t test and the p value shows that there are three path coefficients that have a significant influence between research variables. The hypothesis test parameter uses a comparison of the value of t, that is, if the statistical t value > from t table (1.96) or p value (<0.05),  $H_0$  is rejected and  $H_1$  is accepted. The results of the next hypothesis test are described as follows:

### Influence of Organizational Commitment to Good Corporate Governance (GC)

The effect of Organizational Commitment (KO) on Good Corporate Governance (GC), through the path coefficient value of 0.8918 and t calculates 33.431 and p value 0.000. The value is eligible for  $H_1$  acceptance, namely a t count value greater than 1.96 and a p value of < 0.05. Thus, it can be concluded that the Leadership Commitment (KO) has proven to have a positive and significant influence on Good Corporate Governance (GC) in the Cultural Office in the Kalimantan region. This positive coefficient value indicates that the better the Commitment of the Leadership, it will have implications for the better Good Corporate Governance at the Cultural Office in the Kalimantan region.

### **The Effect of Leadership Commitment (KO) on Budget Management (PA)**

The effect of Leadership Commitment (KO) on Budget Management (PA), through the value of the path coefficient of 0.568 and t calculates 4.041 and p value 0.000. The value is eligible for H1 acceptance, namely a t count value greater than 1.96 and a p value of  $< 0.05$ . Thus, it can be concluded that the Leadership Commitment (KO) has proven to have a positive and significant influence on Budget Management (PA) in the Cultural Office in Kalimantan. This positive coefficient value indicates that the better the Commitment of the Leadership (KO), will have implications for the better budget management (PA) in the Cultural Office in Kalimantan region.

### **Effect of Good Corporate Governance (GC) on Budget Management (PA)**

The influence of Good Corporate Governance (GC) on Budget Management (PA), through the line coefficient value of 0.348 and t calculates 2.452 and p value 0.015. The value is eligible for H1 acceptance, namely a t count value greater than 1.96 and a p value of  $< 0.05$ . Thus, Good Corporate Governance (GC) can be proven to have a positive and significant influence on Budget Management (PA) in the Cultural Office in Kalimantan region. This positive coefficient value indicates that the better good corporate governance, it will have implications for the better budget management at the Cultural Office in Kalimantan.

### **CONCLUSION**

Based on the results of analysis and testing of hypotheses and discussions can be presented several conclusions such as the following:

The commitment of the leadership has a significant effect on Good Corporate Governance in the Cultural Office in Kalimantan region. This result shows that

the better the commitment of the leadership to the Cultural Office in the Kalimantan region, Good Corporate Governance will increase. The importance of affective commitment to the selection of work provided by agencies is also the desire of all efforts owned for success to be achieved.

The Commitment of the Leadership is proven to have a positive and significant influence on budget management, meaning that the commitment in this case is to the Cultural Office in the Kalimantan region can determine success in budget management that has a positive and significant impact. The commitment of the leadership or the commitment of the regional head is a thing to stimulate the ranks below in making progressive efforts to achieve common goals.

Good Corporate Governance has proven to have a positive and significant influence on Budget Management which means that the realization and management of Good Corporate Governance through accountability, transparency, accountability, independence, and having equality and fairness in managing agencies properly will be able to improve budget management at the Cultural Office in Kalimantan region efficiently, effectively and economically.

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