The Influence of Budget Process, Internal Control, Organizational Characteristics on the Performance of Church Organizations in Indonesia

Sahala Purba
Doctoral Accounting, Universitas Sumatera Utara, Medan, Indonesia.

Iskandar Muda*
Doctoral Accounting, Universitas Sumatera Utara, Medan, Indonesia.
E-mail: iskandar1@usu.ac.id

Prihatin Lumbanraja
Doctoral Accounting, Universitas Sumatera Utara, Medan, Indonesia.

Azizul Kholis
Universitas Negeri Medan, Indonesia.

Rina Bukit
Doctoral Accounting, Universitas Sumatera Utara, Medan, Indonesia.

Received March 24, 2021; Accepted July 08, 2021
ISSN: 1735-188X
DOI: 10.14704/WEB/V18SI04/WEB18163

Abstract

The budgeting process, Internal Control and organizational characteristics are important. The research findings are expected the budgeting process, the internal control and organizational characteristics. Purpose of research aim to know the effect a Budgeting Process, Internal Control, Organizational Characteristics on Church Organizational Performance. This research a survey explanatory research design were 236 respondents who were church operational in Medan, North Sumatra Province, Indonesia. The data use is primary and analyzed using the Structural Equation Modeling analysis test. This type of research is quantitative. The results show that there is no influence of budgeting process indicators and organizational characteristics on performance.

Keywords

Budgeting Process, Internal Control, Organizational Characteristics, Performance.

JEL Codes: L25.
Introduction

The budgeting process, Internal Control and organizational characteristics are important. This study seeks to test the performance of the Church, especially the effectiveness of the budgeting process, internal control, and organizational characteristics in churches in Indonesia. Little attention has been given to Internal Control and organizational characteristics for religious organizations as the Church. At this time, corruption has undermined and entwined like a Octopus in various organizations or institutions, both government and non-government. One example of a non-governmental organization is a religious institution, in this case the church. The church is a sacred religious institution, so that in its activities it shows itself as a sacred institution that has high moral standards beyond worldly organizations in general. Several churches in Indonesia are trapped and also dragged into corruption cases.

For the purposes of this study, organizational performance will focus on membership growth and church income growth. The actual output or outcome of an organization that is measured to the intended output (Gray & Tucker, 1990). It involves setting goals, monitoring the progress of the organization and making the necessary adjustments to stay focused and efficient in achieving the goals set. The performance of organization proxied by indicator with effectiveness and efficiency (Hamilton, 2009), these parameters are the results to be achieved (Hathcoat, 2013).

The budgeting process is a way for organizations to build budgets through the involvement of those who are responsible for managing them with the overall goal of achieving company goals (Healy & Perry, 2000). According to Hosen et al (2015) state that a budgeting process must be documented, with roles and responsibilities clarified and deadlines stated. Hamilton further argues that the budgeting process incorporates strategic planning initiatives. The budgeting process is a decision that leads to the budgeting process starting during the formulation, approval and implementation process. (Hosmer, 1996). Internal Control is an organizational management process used in ensuring of operational effectiveness and compliance with policies, regulations, and laws strictly comply with COSO (2004). Organizational characteristics are features that come from the management model adopted through structure, and culture (Hoque, 2004). Furthermore, organizational characteristics refer organizational characteristics include elements of leadership style, technological development, age and size of the organization (Ifediora and Ibe, 2014). According to (Igbekoyi, 2015), organizational characteristics can also be referred to as organizational influencers. According to Isaboke (2016), evaluated and improved for competing organizations.
Theoretical Review

The Agency of Theory

Agency theory is a theory that is relevant to organizational aspects because of the interrelated contractual relationship in the company's reported earnings. Employment contracts based on the distribution of managerial bonuses on net income Mitnick (2013). The theory also regulates credit contractual relationships that include protection for the lender in the form of an agreement. This theory explore the risk with groups or people.

The Stewardship of Theory

Donaldson & Davis (1990) and Donaldson (1991) state that a perspective between firm ownership and management is no conflict and that the social mandate of an organization is better than prosperity maximization. Stewardship Theory explains further that executive control is a commonplace in practice, which means that top management are likely to be concerned in actions.

Budget Theory

Budget theory is a planning and monitoring tool in an organization with consideration of the size of an organization. Modern proponents of budget theory are (Adam, 1985). Other proponents include (Bartle, 2001, Khan, 2002 and Azam et al (2011). This theory describes the three functions of budgeting as strategic planning, management control and operational control (Gilmour and Lewis, 2006). Proponents further argue that accountability, efficacy, and efficiency is the greatest value of budgeting.

Contingency Theory

Contingency theory is an appropriate theory used to examine the form of organizational design, performance and behavior as well as the strategic policies adopted by the organization. Modern proponents of budget theory are (Adam, 1985). Other proponents include (Bartle, 2001, Khan, 2002 and Azam et al (2011). This theory describes the three functions of budgeting as strategic planning, management control and operational control (Gilmour and Lewis, 2006). Proponents further argue that accountability, efficacy, and efficiency is the greatest value of budgeting.
Methods

The population of this study were all churches under the auspices of the Indonesian Church Fellowship (PGI) and Non-PGI in all of North Sumatra, Indonesia as representatives of churches in Indonesia. The type of data is primary. This primary data source is obtained by answering questions or filling out questionnaires. The number of respondents used was 236 officers. This study uses an explanatory case study method to explain the influence in this study through testing the research hypotheses that have been determined. The cross sectional analysis carried out in this research. This analysis examine the influence namely the Budgeting Process, Internal Control, and Organizational Characteristics on the dependent variable, namely performance using the SmartPLS 3.1 analysis tool.

The Finding and Discussion

The Findings

The validity test carried out in this study to test the quality of the data that meets the accuracy requirements. In this study the loading factor limit is 0.60 will be used. (Ringle, 2015).

It is this test is to measure whether the instrument has met the elements of reliability and validity of the measuring instrument used. If the instrument is said to be valid, it means that the measuring instrument used to obtain the data is valid or can be used to measure what should be measured (Yahya et al., 2018). The reliability test is a examine of instrument sequentially in measuring (Sarstedt et al, 2020). Reliability refers to an understanding that the instruments used in research to obtain information used can be trusted as a data collection tool and are able to reveal actual information in the field. The reliability factor is a condition that must be met whether the question can be relied upon by the researcher. Measuring the reliability of answers to a questionnaire which is an indicator of a variable or construct. A questionnaire is said to be reliable or reliable if a person's answer to the statement is consistent, consistent or stable from time to time. The reliability of a test refers to the degree of consistency, stability, predictability, and accuracy. Measurements that have high reliability are measurements that can produce data that really support valid conclusions. Ringle et al (2020) state that the measure of significance in proving the hypothesis can use the t statistical table approach or also with the alpha with confidence level 95 percent or t count more than > 1.68023. Determinant coefficient test (R²) show in Table 1 below:
Table 1 The $R^2$ Test

<table>
<thead>
<tr>
<th></th>
<th>$R^2$</th>
<th>Adj $R^2$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Performance</strong></td>
<td>0.150</td>
<td>0.139</td>
</tr>
</tbody>
</table>

Sources: Result from Statistical Tools. (2020).

The value used is the adjusted $R$ Square value because the independent variable used exceeds 1 variable so that it can be determined that the variation in the relationship between variables is 13.9% While the partial test can be determined in the following Table 2:

Table 2. The $t$ Test Results

<table>
<thead>
<tr>
<th></th>
<th>Originaly</th>
<th>$t$ Count</th>
<th>$p$ Values</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Budget Process $\rightarrow$ Performance ($Y$)</strong></td>
<td>0.167</td>
<td>0.805</td>
<td>0.421</td>
</tr>
<tr>
<td><strong>Internal Control ($X_2$) $\rightarrow$ Performance ($Y$)</strong></td>
<td>-0.403</td>
<td>1.390</td>
<td>0.165</td>
</tr>
<tr>
<td><strong>Organizational Characteristics ($X_3$) $\rightarrow$ Performance ($Y$)</strong></td>
<td>0.276</td>
<td>2.387</td>
<td>0.017</td>
</tr>
</tbody>
</table>

Sources: SmartPLS 3.1 (2020).

Based on Table 2 indicated by the significance value above 5% alpha, but organizational characteristics have an effect on performance. This is indicated by the fact that this variable has a significance value below 5% alpha. Visually presented in Figure 1 below:

![Figure 1 Research Result Model](http://www.webology.org)
Based on Figure 1 the significance of hypothesis to compare the confidence level of 95% and the t-table value more than > 1.68023.

Discussion

This study focuses on the budgeting problems and the internal control as a fundamental importance of organizations to financial management and in driving performance in the church. Financial recording and reporting depends on budgeting, and Internal Control as it determines what should implement. The four another perspective that inform this research are agency problems, the stewardship theory, the budget theory or the contingency theory. The place its staff in a position according to its competence. For example, if someone is working too slowly and not meeting standards, that employee may be transferred to another department according to competence where speed of work is not required. Other people who work fast enough will be placed there. Organizational characteristics are the behavior and behavior of an agency / institution to conditions that exist outside the institution and within the institution itself, meaning that in the business world, it is always focused on its customers who are not only from outside the company but also people inside the company who are assets. the company itself. That means it is still rare for an institution to consider its employees to have the potential to be an asset and ultimately get less attention from the company itself, so everything leads to the quality determined by 2 things as previously written.

Conclusion

The results show that there is no influence of budgeting process indicators and organizational characteristics on performance, but internal control has an effect on performance. Organizational development must be in the form of collaboration between various parties who will experience the impact of changes that will occur, the involvement and participation of members of the organization must receive attention. Applied to all human sub-systems, both individuals, groups, and organizations, the intention is to apply the new ways needed from all work units in the organization.

Acknowledgement

To contribute for The Dissertation Grant Outcomes in 2020.

References


