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Practice of Participatory Budgeting at the Corporate Foundation

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ABSTRACT

Budget participation in the organization is intended to have a positive effect on control and motivation in achieving goals and public accountability. However, budget participation also sometimes does not work well due to several obstacles, such as miscommunication, lack of commitment, and low motivation to perform. Foundation

as a non-profit oriented organization has a unique situation in terms of performance. Performance that is identical to profit oriented applied to non-profit organization certainly has its own phenomenon. Whether a corporate foundation performing better than foundation in general by implementing a participatory budgeting is very interesting to explore. The purpose of this study is to explore the implementation and evaluation of participatory budgeting, particularly in the education sector, at foundation owned by company. This research approach is qualitative with case study on a Company Foundation K. The company foundation is the unit of analysis of this research. The informants involved were teachers, company staff from the Business and Support Division, the Education Office, and staff 10 foundation from the Education Division. The results of the study indicate that the success of implementation participatory budgeting is influenced by internal schools, such as principals and teachers and external schools, such as regulations from the company and the Education Office/government. The biggest challenge is the inconsistency in the implementation that is different from the planning. Changes in policies and changes in implementation procedures, both internally and externally, affect the staff's motivation and responsibility for implementing the budget. Thus, the performance of budget absorption, especially at the education sector, has not been optimal can be improved by developing participatory budgeting practices that are transparent, participatory, and accountable.

Keywords: Participatory Budget Implementation, Participatory Budget Evaluation, Corporate Foundation, Non-Profit Oriented, Budget Performance.

INTRODUCTION

Budget participation in the organization is intended to have a positive effect on control and motivation in achieving goals and public accountability. However, budget participation also sometimes does not work well due to several obstacles, such as miscommunication, lack of commitment, and low motivation to perform. Foundation as a non-profit oriented organization has a unique situation in terms of performance. Performance that is identical to profit oriented applied to non-profit organizations certainly has its own phenomenon. Budget performance in this case the education budget at company-owned foundations has dynamics in practice because it is influenced by internal companies, for example division of education, and company external parties, for example the Education Office.

Stakeholders who provide funds to foundations also influence, either directly or indirectly, the practices and activities carried out by corporate foundation. For example, a foundation owned by a company engaged in education manages of five schools. This company foundation is a not-profit or non-profit oriented institution. Funding support for operational activities comes from other parties, in this case funds are obtained from the company as the main funder, funds from the central government, namely the National School Operational Assistance Fund (BOSNAS/BOP), and fund from the regional government, namely the Regional School Operational Assistance Fund (BOSDA). The use of funds from the central government and local governments must comply with applicable regulations and to achieve the company's own vision-mission-objectives. In addition to the budget obtained, it is intended to achieve government programs and company goals, the budget that has been prepared can be maximally absorbed according to the vision, mission, and objectives of the foundation.

Participation in the preparation of the education budget from the bottom up is intended to increase the involvement of all parties in budget realization (Ezzamel, Robson, and Stapleton, 2012). So that all activities can be controlled and monitored properly. However, not everyone involved in budgeting is involved in budget execution. As a result, budget execution is still not optimal due to lack of motivation and awareness of the importance of budget execution according to planning. Nevertheless, company foundation is demanded by the company's internal and external parties involved in programs, activities, and budgets, for example in the education sector to realize what has been budgeted. Encouragement from internal and external corporate foundations is also an important factor in participatory budgeting practices (Mutiganda, 2013). However, whether corporate foundations perform better than foundations in general by implementing a participatory budgeting is very interesting to explore. The purpose of this study is to explore the implementation and evaluation of participatory budgeting, particularly in the education sector, especially at company-owned foundation.

LITERATURE REVIEW

Budget and Public Budgeting

Purwanti and Darsono (2013) state that the budget is a work plan that is presented in financial form for both the short and long term. In turn, Desem and Kusufi (2014) state that the budget is a document that contains performance estimates, both in the form of revenues and expenditures, which are expressed in monetary measures to be achieved

in a certain time and value. Sasongko and Parulian (2015) argue that the budget is a plan that will be implemented by management within a quantitatively determined period. From the previous understanding, it can be said that the budget has a positive impact in a financial planning and control that is carried out systematically and formally to achieve goals and is carried out through coordination and control of management responsibilities. In addition, the budget is a statement of performance that is expected to be achieved over a certain period, expressed in monetary terms. The budget is a plan for organizational activities, compiled systematically and stated in monetary terms (Mardiasmo, 2018).

In an organization, budgeting provides efficiency to achieve organizational efficiency by limiting costs and preventing excessive spending. In government agencies or in the public sector, the budget has several main functions, particularly as a tool for planning, controlling, financial policy, motivation, policy, communication and coordination, performance evaluation and as a tool for creating public space (Mardiasmo).

Management performance is one of the factors that can increase organizational effectiveness. By measuring performance, it can check whether the decision-making process is carried out correctly and objectively. Executive performance is influenced by many factors including budgetary participation, organizational commitment, activity-based leadership style, relationship-based leadership style, and so on. The involvement of managers in participatory budgeting will increase managerial performance. (Giusti et al., 2018). Participation motivates the parts/units and members of the organization plays an important role in determining job satisfaction, which will ultimately increase the commitment to motivate the parts/units and members of the organization and their motivation (Ardichvili et.al, 2003). This is because participatory budgeting focuses on efforts to increase motivation to motivate parts/units and members of the organization to achieve organizational goals. The implementation of budgetary participation is not only a design and control tool but can also be something that motivates organizational parts/units and members if that is to be done with involvement and encouragement to hold the public accountable (Giusti et.al, 2018).

Budgeting requires cooperation between superiors and subordinates at different organizational levels, and this involvement cannot be separated from behavioral aspects such as concern and jealousy, and the satisfaction of everyone agreeing or disagreeing, on the proposed program and budget provided (Tapussa, 2015). One of the behavioral problems encountered in budgeting is that it creates space for subordinates to participate in communicating inaccurate information to their superiors (Otalor and Oti, 2017). Budget participation can have a positive effect which refers to the involvement of the ego involved in cooperation which increases the sense of togetherness in the group to set goals and can reduce difficulties and differences in the allocation of resources between units in the organization (Siegel et.al, 1989). From this perspective, participation leads to greater motivation, commitment, and quality decisions and therefore to better performance. So, the participation budget has positive and negative effects on organizational goals depending on the level of employee commitment (Otalor & Oti, 2017). According to Yuen (2007) participation in the budgeting can be a more effective motivator for parts/units and members of the organization, so that they have a positive attitude and need for achievement which has an impact on improving their performance. Need for achievement is the desire to work with high standards and excel in their work, motivate departments/units and members of the organization with high performers wanting concrete feedback and wanting to know how they do their work and how they are held accountable. on their productivity (Rayburn et.al, 2004).

Participatory Budgeting

Budget participation is an opportunity for subordinates to participate in the organization's budgeting process, and budget participation is as important as individual participation and influence in the budgeting process (Nurrasyid, 2015). On the other hand, Garrison (2003) points out that using participatory budgeting in an organization has several advantages and limitations. Some of the benefits of implementing participatory budgeting are that:

1. Individuals at all levels of leadership in the organization are recognized as a team whose opinions and policies are evaluated by top management.
2. People who are close to direct activities are in a better position to make budget estimates.
3. Someone will be more serious about completing something they have planned than having to do something arranged by someone else or just the leader.
4. It contains a unique control system, because if the goal is not achieved, no one is to blame but himself.

Limitations on the use of participatory budgeting include budgetary slack, the existence of pseudo-ownership claiming to use manager involvement in the preparation of financial statements, but in reality it is not, and status and influence in the organization can weaken the effectiveness of participation (Source of reference???)

Managerial Evaluation and Performance

According to Tom (2005) assessment is an evaluation process. In an organization, evaluation can be defined as a process of measuring the effectiveness of the strategies used to achieve organizational goals. The data obtained from the measurement results are used as a situation analysis for the next program.

When conducting an evaluation process there are several things to discuss, namely, what are the evaluation materials, what is the evaluation process like, when is the evaluation carried out, why is the evaluation where the evaluation is (Tom, 2005). Assessors have available resources, effectiveness of message delivery, selection of appropriate media, and budgetary decision making when carrying out various activities.

Performance is the result of work that can be achieved by a person or group of people in an organization that has previously been planned in accordance with their respective authorities and responsibilities to achieve organizational goals (Suryandari, 2015). In the public sector, performance can be interpreted as an achievement in carrying out its responsibilities, or in providing services to the community for a certain period. The implementation of managerial performance is based on the management function which includes planning, coordination, appraisal, appraisal, appraisal, negotiation, and evaluation. The efficiency achieved by executives is a supporting factor for increasing the efficiency of more effective organizational management (Juliana, 2011).

RESEARCH METHOD

This research approach is qualitative with a case study on the Company Foundation K. The Company Foundation K is the unit of analysis of this research. The informants involved were teachers who submitted budgets, company staff from the Business and Support Division, the Education Office, and staff from corporate foundations in the field

of education. Data collection was carried out through semi-structured interviews, observation, and documentation.

RESULTS AND DISCUSSION

Participatory Budgeting Implementation at the Company Foundation K

Participation-based budgeting has been stipulated in Standard Operating Procedure (SOP) Number SOP/2100/004 concerning Stages, Procedures, Control and Evaluation of Program Planning and Budgeting. The SOP states that the budgeting process must involve employees who will directly and indirectly feel the impact of this policy. Based on this SOP, the budgeting mechanism is carried out from the lowest level to a higher level of management. Various models of participation are applied, from planning, organizing, and implementing to prioritizing the foundation's budget, involving various levels of staff.

The Company Foundation K consists of three (3) divisions and each division has a part. For example, the Education Division consists of five (5) school units, such as kindergarten (TK), elementary school: SD1, SD2, SD3 and junior high school (SMP); the Business and Support Division oversees four (4) sections are Personnel and Logistics, Finance, Contracts and Services, Libraries; and the Strategic Research and Development Division oversees two (2) sections are Evaluation and Information Technology. In preparing the budget, each section is required to prepare a budget. There are three types of budgets prepared by the Company Foundation K: budget from the Company K as the funder, budget from the National School Operational Assistance (BOSNAS) funds, and budget fund from the Regional School Operational Costs (BOSDA). The BOSNAs and the BOSDA funds are devoted to the Education Division. Budgets are prepared in two types for annually and quarterly. Especially for the Education Division, there is one additional source of funds that must be budgeted, which fund from parents/society. This fund is limited to deposits from parents to be managed by the Company Foundation K for student activities. The philosophy is from student to student and for student. In its preparation, besides involving the entire school community, it also involves the school committee. This is in accordance with what was conveyed by Teacher NS as the teacher coordinator that *"teachers better understand which budget is accommodated by funds from the Company, from the BOS Fund or accommodated by funds from parents"* (Teacher NS).

Annual Budget of Company Foundation K

For the Education Division, each school principal involves all teachers in preparing the budget. Teachers are expected to participate in providing input and contributions to programs and lesson plans. Here are the annual budgeting steps and practices:

- The principal distributes a template (budget form) to be filled out by all teachers which contains detailed learning programs and the required funds
- After the template (budget form) is collected, the next step is to hold a meeting in each school or unit to discuss about learning programs that have been poured in the form of a budget by the teacher. If there is an agreement between all teachers, the budget is poured into a template to be sent to the Business and Support Division.
- As for the Strategic Research and Development Division (RSP), which is responsible for human resources, IT and performance evaluation. Budgeting involves all divisions.

Each division was asked for opinions regarding the necessary training needs, as well as needs or matters related to the RSP Division

- Similar to the RSP Division, the Business and Support Division is responsible for the foundation's finances, personnel, logistics, building services and repairs, and libraries. These sections also do the same thing in preparing the budget, except for the Finance Section which does not involve other divisions. The Personnel, Logistics, Library, Service and Building Repair Section in preparing the budget involves all divisions and all units. This is because it relates to learning programs and funding.
- After all the budgets of each division have been collected in the Business & Support Manager, the next step is to hold a meeting of all divisions by inviting the foundation's management to discuss the budget that has been prepared.
- If the budget has been approved by the Management, the unit will hold a coordination meeting with parents regarding school programs and budgeting

Quarterly Budget of Company Foundation K

In contrast to the preparation of the annual budget, in the preparation of a quarterly budget, each unit head prepares a budget based on the annual budget that has been approved by the Management. From the annual budget, usually there are several things that need to be revised according to the situation and conditions when the budget will be implemented. One example that the author has interviewed is the head of a kindergarten. In the process of preparing the quarterly budget, the Head of Kindergarten along with the Deputy Head of Students, the Deputy for Curriculum and the Deputy Head of Facilities and Infrastructure formed a small forum to hold a meeting to formulate a work program that will be carried out for the next three months. Then, it followed by a joint meeting with all kindergarten teachers, discussing the work program that had been prepared previously and the budget needed to implement the program. The same is done by other units related to budgeting on a quarterly basis. It is then submitted to management for verification and for approval from the Management (Figure 1).

Budget Evaluation of Company Foundation K

The budget that has been approved by the management is expected to be implemented entirely by each unit and each section according to the schedule and plan. In this case, at the end of each month, the results of the budget implementation performance of each unit will be monitored and evaluated. However, it is related to obstacles in many ways so that the budget is sometimes not absorbed optimally. In an interview with Principal T and Principal S, some of the obstacles that prevented the budget from being absorbed were (Figure 2):

Program changes and schedule changes from the Education Office. Several regulations, both from the Education Office and from the K Foundation, are difficult to implement. For example, related to taxation, code of ethics, conflict of interest, and others. In addition, there has been a catastrophic pandemic for more than two years in recent years. It is related to the leadership that they are still not used to using the budget optimally, because in the previous leadership period, the budget that has been made and has been approved, is not allowed to be used entirely by the related unit. So, in making a budget it seems as if it is just a formality and has formed in the mindset that the one who has the authority in budgeting and using the budget is the top management or top management. Lack of sense of responsibility for the budget that has been made because they are still not used to

the preparation and implementation of which is on a participatory basis (Principal T and Principal S).

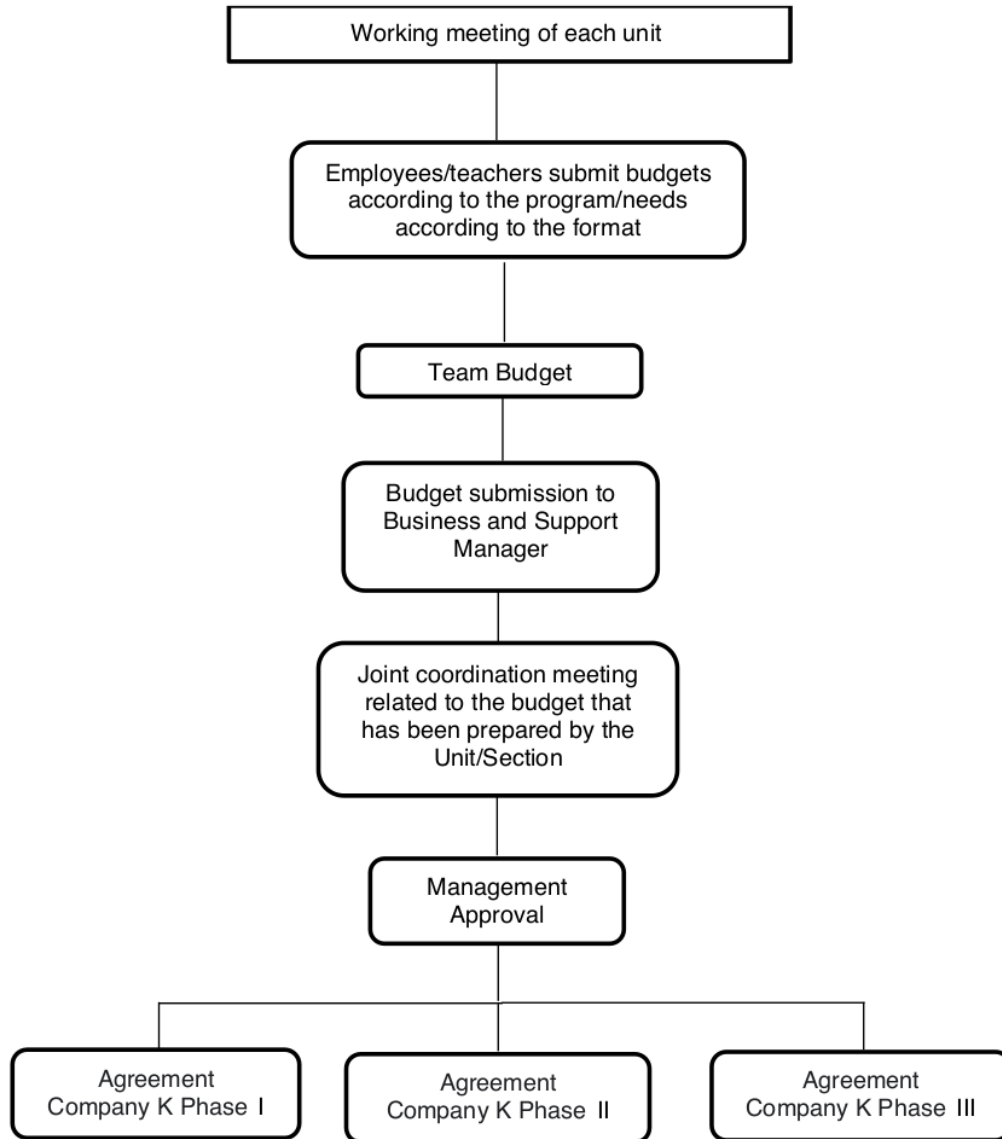


Figure 1. Flowchart of Budgeting from the Foundation Company K

Source: Data Process, 2022.

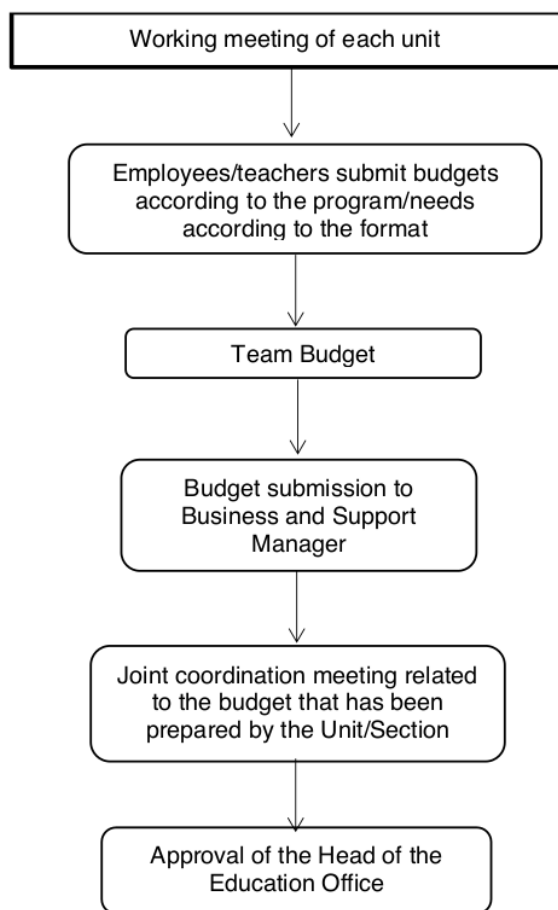


Figure 2. Flowchart of Budgeting from the BOSNAS/BOSDA Funding

Source: Data Process, 2022.

To improve the quality of participatory budgeting, there are several things that Foundation K can do, namely by implementing strategic leadership by providing motivation and understanding to all parts of the importance of performance-based budgeting. In addition, a leadership style that can inspire and influence employees in achieving organizational goals (Mulyadi, 2015) is also very necessary. The cause of the lack of budget absorption, for example BOSDA is the difference in prices and the density of activities in schools. Ms. H as the Education Office Verifier stated that "*the budget from BOSDA was sometimes not optimally absorbed due to the tight schedule at school and the price difference*" (Ms. H). Improving the quality of participatory budgeting is carried out by encouraging all employees to participate and be involved in implementing programs and activities that have been prepared in good budgeting quality.

CONCLUSION

Budgetary participation practice relates to process in preparing a budget that will involve staff used as a reference for action during a certain period. Therefore, employees have the enthusiasm to carry out the programs that have been made. The success of implementing budget participation is influenced by internal schools, namely principals and teachers and external schools, namely regulations from companies and regulations from the Education Office. The biggest challenge is the inconsistency in the implementation of the budget that is different from the time of planning. Changes in policies and changes in implementation procedures, both internally and externally, affect the motivation and responsibility for implementing the budget. Thus, the performance of budget absorption, especially in the education sector, has not been optimal, it can be improved by developing participatory budgeting practices that are transparent, participatory, and accountable.

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DECLARATION OF CONFLICTING INTERESTS

All authors declare that we have no conflicts of interest to disclose.

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