

The Effect of Good Governance Dimensions on School Budget Performance

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Abstract. Good Governance has become a hot discussion in the last two decades. The concept of good governance is expected to increase the competitiveness of schools to produce quality students. At the same time, schools face challenges in budget management. Sources of school funding from various parties, for example, the community (students), the government, and donors create challenges for accountability. This study aims to 1) examine the effect of good governance practices on school budget performance. The principle of good governance is seen as being able to control the performance of school management which is observed from its budget performance. The research subjects were teachers who assessed good governance practices and school budget performance. The survey was conducted using a Likert scale questionnaire. Data were collected from private schools in Medan City, Binjai City, and Deli Serdang Regency (Me Field). With the random technique, the researchers collected 168 data ready to be analyzed. Researchers used Structural Equation Modeling (SEM) to test the hypothesis. The results showed that the three dimensions of good governance observed positively affected school budget performance. The three dimensions are accountability, participation, and transparency. The findings of this study are strategic because the dynamics of governance in schools have not been studied entirely and specifically refer to budget management oriented toward learning. This research bridges three aspects such as the principles of good governance, strategic elements of organizational leadership, and school budget performance. This finding can be a reference for policymakers to establish strategies to provide corridors for schools to achieve good budget performance. The corridor, of course, refers to the principles of good governance.

Keywords: Leadership, Good Governance. Budgeting, School Performance

1 Introduction

In a previous study, Ramdhansyah et al. (2021) found that weak school growth was due to poor budget performance and a top-down leadership style. The combination of these two conditions makes budget planning rigid and tends to be a routine activity [1]. Schools need various productive activities to develop teacher capacity, directly impacting learning innovation. Based on the research findings, Ramdhansyah et al. [1] also suggest that schools need to review the leadership aspect in school management and the governance practiced by school principals. This is because the actions of the principal's leadership are in direct contact with how the principal himself plays the attitude of organizational governance. Hallinger [2] revealed that leadership is not directly related to organizational performance, including budget performance. Still, leadership affects how schools work and the way schools work, resulting in

school performance. In other words, the principal seeks to produce effective schools and school effectiveness that delivers outstanding students, optimal budget performance, and overall optimum school performance.

In budget management, schools need to have accountability and transparency as well as open opportunities for the participation of stakeholders in the organization's management. This is related to the school's integrity in managing funds for the parties who are the source of school funds. The accountability indicator indeed refers to the appropriate use of funds following work and strategic school programs to produce effective education and learning [3]. Meanwhile, transparency refers to the correctness of a fund being distributed for a particular program, and there is no misappropriation of funds [3]. Furthermore, to improve budget performance, schools need to involve stakeholders in the design of the budget. This involvement is essential to obtain accurate information, measurable work expectations, appropriate strategy for achieving goals, opening up socio-economic networks that support the achievement of goals, and meeting stakeholder expectations with school capacity so that schools can work optimally by utilizing existing resources and resulting in the fulfillment of these goals. Shared expectations between schools and stakeholders [3-6].

In addition to the budgeting process, the direction of the set budget becomes the next key issue. Availability of funds cannot be allocated to routine activities but must be directed more towards productive activities so that their use is effective in presenting meaningful learning for students [7,8]. Concerning budget management, the influence of school principals as policymakers should be placed in efforts to design budgets that directly interact with learning activities. In principle, Wohlstetter & van Kirk [4] suggested that budget management aims to realize healthy school management to meet stakeholder expectations in producing academically qualified students. Based on this background, this study seeks to examine the effect of good governance on school budget performance. The dimensions of good governance in this study are participation, accountability, and transparency.

2 Theoretical Framework

The concept of good governance in public sector organizations began to be studied seriously, along with the growing demands for public service innovation and the increasingly flexible public sector in managing budgets [9]. However, the literature that discusses governance in schools is still limited. So it is still difficult for students and researchers to form a strategic framework for good governance for educational organizations. Whereas school performance indicators are very clearly directed at the achievement of student competencies. At the same time, decentralized governance in the education sector encourages school performance as an independent organization. At the same time, studying good governance becomes very strategic when associated with leadership quality. Kang et al. [6] suggest that studies related to governance should simultaneously review principal managerial effectiveness and check and balance systems to review accountability for organizational successes and failures [6]. School accountability to various stakeholders in the management of education is an interesting study and cannot be separated from the managerial aspect.

In the concept of good governance, education funds must be managed and recorded correctly so that their use can undoubtedly contribute to producing quality learning and various other activities that support the achievement of the strategic goals of a school [10]. This concept is in line with the National Education System Law no. 2 of 2003, which

mandates that educational services and programs are designed to develop the potential of students to become human beings who believe and fear God Almighty, have a noble character, are healthy, knowledgeable, capable, creative, independent, and become democratic citizens. And be responsible. On the budgeting side, the formulation of objectives and strategies for managing the organization in achieving its goals refers to how the budget is designed and implemented.

In budget management, schools need to have accountability and transparency. It is related to the school's integrity in managing funds for the parties who are the source of school funds. The accountability indicator indeed refers to the appropriate use of funds according to school strategic programs in producing effective education and learning [3]. Accountability is more than just collecting evidence of the budget used. The school must provide evidence that the budget was used for the appropriate activity that probably optimizes the learning process and effectively gives students a learning experience and better performance. Therefore, a stakeholder could appropriately measure whether the budget performance is effective or not. Suppose accountability cannot provide by the school, then instead of measuring the budget performance to escalate school performance. In that case, stakeholders cannot even identify how the budget is spent and what purposes the budget is spent on some activity. Therefore we formulate the following hypothesis:

A. H1: Accountability has positive impact on budget performance

Furthermore, transparency refers to the correctness of a fund being distributed for certain programs and no misappropriation of funds [3]. Transparency is discussed to what extent an organization opens its budget and spends information to the employee, stakeholders, and public in purpose public can control the use of the budget. It is critical for public sector organizations because they use public funding to operate their activity. So, the public has the right to gain the correct information regarding their fund use. Regarding budget performance, transparency would encourage the school leader to spend the budget appropriately, referring to the plan that has been predetermined upon the agreement of the school and stakeholders. When the budget is spent correctly, it assumes that it would positively impact the school's performance as the budget is planned to accommodate the cost of the strategic program of the school. Therefore, transparency is ideally linear to the budget performance. Consequently, we formulate the following hypothesis:

B. H2: Transparency has positive impact on budget performance.

Furthermore, schools need to involve stakeholders in designing or developing a budget plan to improve budget performance. This involvement is important to obtain accurate information, measurable work expectations, appropriate strategy for achieving goals, opening up socio-economic networks that support the achievement of goals, and meeting stakeholder expectations with school capacity so that schools can work optimally by utilizing existing resources and resulting in the fulfillment of these goals. shared expectations between schools and stakeholders [3-6]. Participation is discussing how the organization invites stakeholders to give their opinions, points of view, expertise, access, and other possible contribution to help the school optimize its strategic program. Participation has significant potential for the school to deal with any challenges or threats. Stakeholders who have a certain skill appropriate to school needs or even only have access to someone who has that skill will allow the school to absorb new knowledge or skill. Stakeholder who has later knowledge regarding teaching and learning activities can help schools to innovate their teaching and learning activities. Stakeholders with excellent managerial skills may advise the school about how to improve managerial or leadership performance in the school. Stakeholders who have access to grant funding or philanthropy will help the school get some potential funding. Many opportunities

probably transform how the school deals with its strategic activity with collaboration between the school and stakeholders. Besides, participation is also an important tool for controlling school activity regarding accountability and transparency function. Therefore, through effective participation, the school probably did its budget planning well by fulfilling the skills gap, knowledge gap, access, and even funding gap. Therefore, we formulate the following hypothesis.

C. H3: Participation has positive impact on budget performance.

3 Research Method

This study uses a survey method to collect data. The survey is a measurement process used to collect information in a well-structured interview, with or without an interviewer [11]. The subjects of this study were teachers in private schools. The use of school principals as respondents is feared to be vulnerable to social desirability bias [12,13]. Thus, teachers are seen as representative subjects to assess school performance related to good governance and budget performance. In addition, teachers are members of the organization who directly feel the governance and leadership actions practiced by the principal. Therefore, teachers are considered capable of providing accurate responses regarding good governance practices in schools. Data were taken from three North Sumatra areas: Medan City, Binjai City, and Deli Serdang Regency. Furthermore, the instrument was designed anonymously to maintain the objectivity of the responses. The sampling technique used is a random sampling of the population.

Researchers collected data using an electronic questionnaire. The instrument was adapted from previous research, namely Sagala et al. [7] and Lubis et al. [8]. The instrument is designed with a Likert scale (5-scale) and prepared with the Google Form application. Once accessible online, the researcher asked enumerators for help in collecting data. Enumerators are tasked to meet the target respondents and ask their willingness to become respondents. Target respondents voluntarily fill out the questionnaire. If the target respondent is willing, then the enumerator lends a mobile device to fill out the questionnaire and explain its technical use. The process of filling out the questionnaire was carried out independently and independently without intervention and assistance from enumerators. After collecting the data, the researcher conducted data tabulation and descriptive statistical analysis. Furthermore, the researcher used Structural Equational Modeling (SEM) based on Partial Least Square (PLS) for data analysis and hypothesis testing. The stages of SEM-PLS testing are 1) convergent validity testing; 2) discriminant validity testing; 3) reliability testing; and 4) testing the significance of the path coefficient (inner model analysis) [14].

4 Result and Discussion

4.1 Demography of Sample and Descriptive Statistics

The demographics of the sample indicate that this study was successful in collecting 168 responses. The demographic data of the sample are presented in table 1 below. Based on gender, respondents are dominated by women with a composition of 75% of the sample, and the other 25% are men. Furthermore, based on the latest education, 80% have the latest bachelor degree, 18% have a master degree, and the other 2% have doctoral degree. For

schools where they work, 18% of respondents work in elementary school, 43% in junior high school, and 39% in senior high school. Finally, only 4% of respondents were from Medan City, 55% were from Binjai City, and 41% were from Deli Serdang Regency.

Table 1. Demography of Sample

Variable	n	%
Gender		
Male	42	25%
Female	126	75%
	168	100%
Educational Background		
Bachelor	135	80%
Master	30	18%
Doctor	3	2%
	168	100%
School Degree		
Elementary	30	18%
Junior High School	72	43%
Senior High School	66	39%
	168	100%
Area (Location)		
Medan (City)	6	4%
Binjai (City)	93	55%
Deli Serdang (District)	69	41%
	168	100%

Table 2. Descriptive Statistics

No.	Variabel	n	Rerata	St. dev
1	Budget Performance	168	4,148	0,858
2	Accountability	168	4,189	0,864
3	Participation	168	3,867	1,203
4	Transparency	168	4,153	0,892

Furthermore, descriptive statistics show that three of the four variables analyzed in this study have a very positive response regarding the mean and standard deviation. Budget performance has a mean of 4.148 and a standard deviation of 0.858. If referring to the response scale of 5, the average number is included in the high category with relatively low variance. The same thing happened to the accountability construct with an average of 4.189 and a standard deviation of 0.864, as well as to the transparency construct with an average of 4.153 and a standard deviation of 0.892. Meanwhile, the participation construct shows a lower response with a mean of 3.867 and a standard deviation of 1.203. Based on these data, the researcher suspects a participation problem in the implementation of the school work program, so the response related to this construct is relatively lower than the other three constructs, plus a relatively higher variance.

Table 3. Cross Loading

	Accountability	Budget Performance	Participation	Transparency
Act2	0,930			
Act3	0,946			
Act4	0,943			
Act6	0,946			
Act9	0,953			
BP1		0,937		
BP10		0,945		
BP11		0,946		
BP12		0,914		
BP2		0,949		
BP3		0,941		
BP4		0,932		
BP5		0,940		
BP6		0,943		
BP7		0,937		
BP8		0,944		
BP9		0,944		
Par1			0,931	
Par4			0,947	
Par5			0,929	
Trans2				0,960
Trans6				0,977
Trans7				0,964

4.2 Outer Model Testing

Before analyzing the structural model, the researcher conducted a construct validity analysis. Construct validity was carried out through three stages: convergent validity, discriminant validity, and reliability [14]. A convergent validity test was carried out by observing the loading factor value with a critical value of 0.8 [14]. Several factor items must be excluded from the measurement model based on these criteria. The items that must be excluded from the measurement model are Par2 and Par3 in the participation construct; Trans1, Trans3, Trans4, and Trans5 in the Transparency construct; and Act1, Act5, Act7, and Act8 items on the Accountability construct. After removing those items, all items have a loading factor greater than > 0.9 . Thus, all the constructs of this research have met convergent validity. The Confirmatory Factor Analysis (CFA) results are presented in table 3, Cross Loading above.

Furthermore, the researcher tested the discriminant validity using the Fornell-Larcker [15] criterion. The Fornell-Larcker [15] criterion was observed by entering the root value of AVE (Average Variance Extracted) into the correlation matrix between constructs diagonally. To meet the discriminant validity, the root of the AVE number must be greater than the correlation coefficient on the bottom or left side [14]. Based on these criteria, it can be seen in table 4 that the root of the AVE of each construct is greater than the correlation coefficients in the correlation matrix. Therefore, the constructs in this study have met discriminant validity.

In testing construct reliability, researchers used two indicators: Cronbach's alpha and composite reliability with a critical value above > 0.8 [14]. Based on these two criteria, all constructs have Cronbach's alpha and composite reliability scores above > 0.8 . The results of the analysis can be reviewed in table 4 below. Thus the constructs in this study have met the reliability of the construct.

Table 4. Reliability Test and Fornell-Larcker Criterion

	CA	CR	AVE	Act	BP	Part	Trans
Accountability	0,969	0,976	0,890	0,944			
Budget Performance	0,988	0,989	0,882	0,914	0,939		
Participation	0,929	0,955	0,875	0,852	0,836	0,936	
Transparency	0,965	0,977	0,935	0,926	0,883	0,844	0,967

4.3 Inner Model Testing

This study's data analysis used variance-based SEM, commonly known as SEM-PLS (Structural Equational Modeling - Partial Least Square). Researchers used the smartPLS 3.0 application to analyze the data. The results of the data analysis can be reviewed in table 5 below. The significance of the influence between variables was analyzed by observing the t-statistics and p-values. The critical value of t-stat is above > 1.96 and p-value < 0.05 with $\alpha = 5\%$ [14]. Meanwhile, the influence weight is analyzed by observing the path coefficient value. The weight of the path coefficient can indicate which variables are the antecedents or key factors of an endogenous construct.

The results of the analysis show that accountability has a significant positive effect on budget performance with a path coefficient of 0.594, a t-stat value equal to 6.907 (> 1.96), and a p-value equal to 0.000 (< 0.05), then the H1 is supported. Furthermore, transparency also shows the same findings. Transparency was found to have a positive and significant effect on budget performance with a path coefficient of 0.191, a t-stat of 2.022 (> 1.96), and a p-value equal to 0.044 (< 0.05), so that H2 is supported. Finally, participation also shows a positive and significant effect on budget performance with a path coefficient of 0.169, t-statistic equal to 2.888 (> 1.96), and p-value equal to 0.000 (< 0.05), so that H3 is also supported.

Table 5. Inner Model Testing

H	Path	Coef.	t-stat	p-value	result
H1	Accountability \rightarrow Budget Performance	0,594	6,907	0,000	Supported
H2	Transparency \rightarrow Budget Performance	0,191	2,022	0,044	Supported
H3	Participation \rightarrow Budget Performance	0,169	2,888	0,004	Supported

Based on the results of the structural model testing above, it is known that accountability has the highest path coefficient value in its influence on budget performance. The path coefficients of accountability are also quite far apart from the path coefficients of the other two antecedents. This finding indicates that accountability is a key antecedent of school budget performance. Meanwhile, participation and transparency are essential antecedents that support accountability. This finding is in line with the views of Kang et al. [6], which suggest that accountability represents the managerial success of an organization. Accountability

becomes a check and balance instrument related to how an organization manages its budget [6]. A healthy organization will undoubtedly plan a budget according to its strategic goals, use it optimally, and refer to the value for money principle to achieve these strategic goals [9]. Furthermore, the use of the budget will be able to be accounted for, referring to budget expenditures and performance achievements achieved by an organization. Accountability of an organization will, of course, require responsible leadership behavior and is oriented towards achieving strategic targets [10]. With open reporting, budget execution, and achieving these targets, budget performance will be of high quality.

Furthermore, transparency and participation certainly have an essential role in assisting accountability. Transparency is the attitude of openness of information that schools choose to disclose various activities using the budget. Of course, this is in line with accountability which seeks to prove that the budget is used according to its designation. The use of the budget will require human resources. The utilization of stakeholders' human resources will give them a sense of belonging because their existence is recognized. This involvement results in the stakeholders being responsible for using the budget. Thus, stakeholders simultaneously witness, monitor, and contribute to using the budget and achieving the organization's strategic goals. These activities are, of course, inline and directly support the implementation of accountability. Thus, in this study, it can be understood that accountability is a key antecedent of budget performance, and transparency and participation are essential supporting antecedents in assisting accountability in producing budget performance. The structural model of this research can be seen in Figure 1 below.

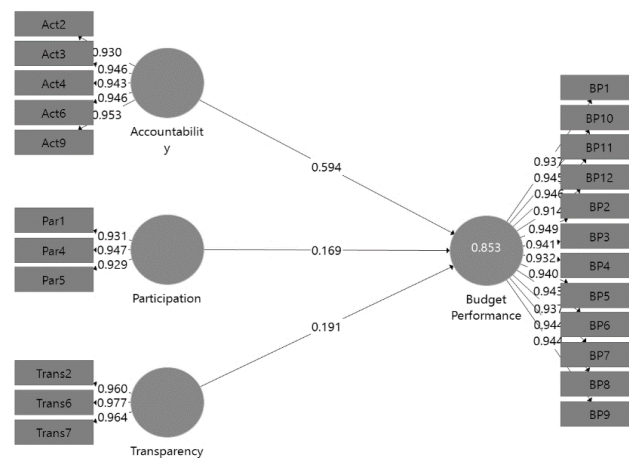


Fig. 1. Research Model

5 Conclusion

This study examines the effect of good governance on school budget performance. The dimensions of good governance in this study are accountability, participation, and transparency. Based on the results of data analysis, this study found that accountability, participation, and transparency had a positive and significant effect on budget performance. Of the three antecedents, accountability was found to have a greater path coefficient. So the researcher concludes that accountability is a key antecedent of budget performance.

Furthermore, participation and transparency are essential supporting antecedents to the budget performance accompanying accountability.

This research has implications for good governance posture in schools, especially in North Sumatra. The conception of good governance in schools in North Sumatra ideally focuses on implementing accountability. The researcher recommends optimizing the direction of the principal's leadership on good governance practices. The principal's leadership actions should be directed at accountable budget management. To implement accountability, school principals should focus on information disclosure, conformity with budget implementation as planned, suitability of budget plans with organizational goals, and involving stakeholders in budget implementation. These measures will place the school in the Good Governance zone.

This study has limitations on the uneven distribution of the sample. In addition, this study has not explored the factors of weak governance practices in schools in North Sumatra, especially in the aspect of participation, as found in the descriptive statistics of this study. Future research can control the sample distribution so that each region's data is more representative. Future research can also conduct exploratory studies on good governance practices in schools.

Acknowledgement

This study funded by the internal grant of BLU - Universitas Negeri Medan, contract number 150/UN33.8/KEP/PPKM/PD.2022.

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