

## The Relationship between Budget Knowledge and Regional Financial Supervision with Community Participation as a Moderating Variable (Empirical Study of DPRD Members in Polewali Mandar Regency)

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### ABSTRACT

This study aims to determine the effect of budgetary knowledge on regional financial oversight and also community participation can strengthen the relationship between board knowledge about the budget and regional financial oversight. This type of research is quantitative research. Collecting data using questionnaires. The population in this study were all 45 members of the Polewali Mandar Regency DPRD and the sample selection was carried out by the census method, so that the entire population became the sample in this study. Then the data analysis technique used is Outer Model Testing, Inner Model Testing and Hypothesis Testing using WarpPLS Software. The results of this study indicate that: Knowledge of the budget has a significant effect on regional financial oversight and community participation strengthens the relationship between board knowledge about the budget on regional financial oversight as seen from the level of the P-value which is below or equal to 0.05 and the path coefficient value in real count is greater from Path Coefficient View and P value less than 0.01.

**Keywords:** *Budget Knowledge, Regional Financial Supervision, Community Participation*

### INTRODUCTION

Reform has brought changes to the political, social, community and economic systems, giving rise to various demands for good government management. One of the reform agendas is financial decentralization and is an early milestone in the implementation of regional autonomy and regional financial budgeting in Indonesia (Mayasari 2012). In a country that adheres to a democratic system, the Regional People's Legislative Council (DPRD) or legislative institutions are very influential and are a must. Because the legislature is an institution that makes laws or local regulations that will apply to the people. And based on Law Number 32 of 2004, the Legislature has three functions, namely: Legislation function (the function of making laws and regulations), Budget Function (the function of preparing the budget), Oversight Function (the function of supervising executive performance). One of the functions of DPRD which is very important in supporting the implementation of regional autonomy is the supervisory function. DPRD oversight is political oversight that

represents the community in society because the Regional People's Representative Council is a representative of the community (Juwita, Hidayati, and Razak 2020).

Budget knowledge is one of the factors that influence APBD supervision. If the supervision of regional finances carried out by the legislature is not good, one of the reasons is the knowledge of the council about the budget which will have an impact on society as well as the results of the performance of the council as regional financial supervisor. With the knowledge of the budget owned by each board member, board members will easily detect budget leaks or waste. The more quality knowledge possessed by board members about the budget, the more optimal the oversight performance will be. Conversely, if knowledge of the budget is weak, then the council is only passive and accepts the draft proposed APBD submitted by the executive without reviewing and tracing that the proposed budget is in accordance with the aspirations of the community, which ultimately cannot detect leakage (Kuddy 2017).

Regional financial supervision is all actions that ensure that regional financial management takes place according to plans, rules and objectives that have been set (Kuddy 2017). An explanation of the duties and powers of the DPRD is contained in the Law on Regional Government No. 32 of 2004 which states "DPRD has the duty and authority to carry out supervision of the implementation of regional regulations and other laws and regulations, regional head regulations, regional budgets, government policies in implementing regional development programs and international cooperation in the regions". With the enactment of this law, it can be concluded that the task of the DPRD is to supervise regional finances which focuses on the implementation of the APBD. Supervision of the implementation of the APBD is in the form of seeing, hearing, and scrutinizing the implementation of the APBD carried out by SKPD, both directly and based on information provided by constituents, without entering the realm of a technical nature (Kuddy 2017).

As part of the spirit of good governance, the central government provides the widest possible public participation through regional autonomy. Public participation is very important and necessary in the preparation of regional income and expenditure budgets, because it is the direction of local government policies and concrete steps to achieve regional development. The role of the board in supervising regional finances is influenced by community involvement in budget advocacy (Coryanata 2011).

Several phenomena occurred in West Sulawesi Province where the High Prosecutor's Office of West Sulawesi province arrested a suspect in the alleged corruption case of the Physical Special Allocation Fund (DAK) for High School (SMA) at the Education and Culture Office of West Sulawesi Province. The case is a phenomenon of the lack of oversight carried out by the People's Representative Council (DPRD). One of the causes of the lack of supervisory performance carried out by the DPRD is the lack of knowledge of the council about the budget so that the budget that is realized does not go well resulting in leakage.

Based on the thoughts and background described above, the authors are interested in conducting research at the Polewali Mandar Regency DPRD regarding regional

financial supervision. Therefore the author is interested in conducting research entitled "The Relationship between Budget Knowledge and Regional Financial Oversight with Community Participation as a Moderating Variable (Empirical Study of Members of the DPRD of Polewali Mandar Regency). This study aims to determine whether community participation will strengthen the relationship between the board's knowledge of the budget and regional financial supervision (APBD).

## **REFERENCE STUDIES AND HYPOTHESES**

### **Budget Knowledge**

Government Regulation Number 71 of 2010 Concerning Government Accounting Standards, statement Number 2 states the definition of the budget, namely: the budget is a guideline for actions to be carried out by the government including plans for revenue, spending, transfers and financing as measured in units of rupiah, which are arranged through certain classifications systematically for one period.

In theory, only highly qualified members can effectively carry out the functions as well as the rights, obligations and powers of the DPRD. This means that if each member has sufficient understanding of technical concepts such as government management and public policy, DPRD members will be able to exercise their rights appropriately, carry out their duties and responsibilities effectively, and position their positions proportionally. One of the knowledge needed for regional financial supervision is budget knowledge. By understanding the budget, it is hoped that board members can find waste and leakage (Utami and Syofyan 2013). Budgetary knowledge will affect the performance of APBD supervision by board members, meaning that the higher the board's understanding of the budget, the more financial oversight is carried out by DPRD members. Related board knowledge includes knowledge of APBD preparation, knowledge of APBD implementation, knowledge of leak identification, knowledge of waste/failure of APBD implementation, technical knowledge or process of APBD preparation, and stages of oversight of APBD budget preparation, implementation, reporting and evaluation (Kuddy 2017)"

### **Regional Financial Supervision**

Supervision is needed to find out whether the plans that have been prepared can run efficiently, effectively, and economically. In Presidential Decree Number 74 of 2001 (Concerning Procedures for Oversight of the Implementation of Regional Government) Article 16 states that regional government supervision is a process of activities aimed at ensuring that regional governments run according to plans and provisions of applicable laws and regulations.

Regional financial supervision is carried out by the DPRD which focuses on monitoring the APBD, which explains the duties and authorities of the DPRD to carry out supervision listed in Law Number 32 of 2004 concerning Regional Government article 42 paragraph 1C explains that the DPRD has the task and authority to carry out supervision of the implementation of regional regulations and other laws and regulations, regional head regulations, regional budgets, government policies in the framework of implementing

regional development plans and regional international cooperation (Putra, Darwanis, and Saputra 2017).

### **Society participation**

Everyone has the right to take part in decision-making in every activity in the administration of government, this is the principle of community participation. With the implementation of a performance-based budgeting system since the enactment of regional autonomy, it will open up a wide space for the community to participate in the process of planning and overseeing budget implementation. The role of the council in supervising regional finances will be influenced by community involvement in budget advocacy. In addition to knowledge about the budget that affects the oversight carried out by the council, community participation is expected to improve the oversight function (Coryanata 2011).

### **Research Hypothesis**

H1: The board's knowledge of the budget has a significant effect on regional financial supervision.

H2: Community participation will strengthen the relationship between the board's knowledge of the budget and regional financial oversight

### **METHOD**

Based on the hypothesis above, this type of research is quantitative research with a causative approach, namely research that aims to see the extent to which independent variables influence related variables. This study explains and describes the relationship between community participation as a moderating variable and budgetary knowledge as an independent variable with regional financial supervision as the dependent variable. The selection of the sample in this study was carried out using the census method, in which all board members were sampled without exception. So that the number of samples used by researchers was 45 respondents who were members of the Polewali Mandar district legislature.

This study uses a Structural Equation Model (SEM) with a Partial Least Square (PLS) approach. PLS can be used to explain whether there is a relationship between variables. Tests in this analysis use the outer model and the inner model. Outer model to assess the validity and reliability of the model. Validity test is used to measure whether a questionnaire is valid or not. The convergent validity test in PLS with a reflective index was evaluated based on the mean extract variance (average extract variance). AVE value of at least 0.5. Reliability testing can use two methods, namely Cronbach's alpha and composite reliability. Where cronbach's alpha measures the lower limit of the reliability value of a construct and is said to be reliable if the value must be  $> 0.7$ . The inner model describes the relationship between latent variables based on substantive theory. The structural model was evaluated using R-square for the dependent latent variable. The PLS structure calculation stage consists of two things: (1) looking at the significance of the relationship between structures through the path coefficients, and the signs of the path coefficients must be in accordance

with the hypothesis. This theory can be estimated as a test value (critical ratio) (Ghozali 2016).

The inner model includes the model fit test, path coefficient, and R-squared. in the model fit test there are 3 test indices, namely average path coefficient (APC), average R-squared (ARS) and average variance factor (AVIF) with APC and ARS criteria accepted on condition that p-value <0.05 and AVIF is smaller of 5(Sholihin and Ratmono 2021). In order to get results stating that the hypothesis can be accepted or rejected from a model is to look at the P-value below or equal to 0.05. Meanwhile, to calculate the moderating effect, it can be seen from the path coefficient value in real count which is greater than the Path Coefficient View and the P value is smaller than 0.01 (Yamin 2021). This study uses the WarpPLS 8.0 application in processing statistical data.

## FINDING AND DISCUSSION

### Evaluation of the Measurement Model (Outher Model)

The following is an analysis of convergent validity and composite reliability data

Tabel 1 Convergent Validity

	X	Y	Z	SE	P value
x.1	0.65	0.092	-4.927	0.115	<0.001
x.2	0.926	-0.136	1.258	0.102	<0.001
x.3	0.869	0.11	-0.277	0.105	<0.001
x.4	0.952	-0.031	2.392	0.101	<0.001
Y.1	-0.491	0.915	-0.2	0.103	<0.001
Y.2	-0.491	0.915	-0.2	0.103	<0.001
Y.3	0.461	0.753	2.516	0.11	<0.001
Y.4	1.162	0.711	-5.12	0.112	<0.001
Y.5	-0.491	0.915	-0.2	0.103	<0.001
Y.6	0.461	0.753	2.516	0.11	<0.001
Y.7	-0.193	0.654	1.025	0.114	<0.001
Y.8	-0.491	0.915	-0.2	0.103	<0.001
Y.9	0.461	0.753	2.516	0.11	<0.001
Y.10	1.674	0.692	-5.111	0.113	<0.001
Y.11	-0.35	0.683	1.164	0.113	<0.001
Y.12	-1.572	0.552	1.388	0.119	<0.001
z1.1	1.179	-0.136	0.91	0.103	<0.001
z1.2	1.179	-0.136	0.91	0.103	<0.001
z1.3	-0.866	0.11	0.931	0.102	<0.001
z1.4	0.144	-0.031	0.954	0.101	<0.001
z1.5	0.144	-0.031	0.954	0.101	<0.001
z1.6	-0.866	0.11	0.931	0.102	<0.001
z1.7	-0.866	0.11	0.931	0.102	<0.001

Based on the table above, which is indicated by red numbers, it presents that all indicators of the variables x, y and z have a loading value of > 0.50, which means that they have exceeded the convergent validity standard. The P-value has also shown a less standard value of <0.001 (<0.05) for all indicators. Which means that all variables have fulfilled the convergent validity criteria (Sholihin and Ratmono 2021).

The next test is construct reliability test which can be measured by composite reliability. A construct is declared reliable if the composite reliability value is > 0.70 "(Ghozali 2016:75)". The following table shows the statistical results of determining the value of composite reliability.

Tabel 2 Composite Reliability

X	Y	Z
0.916	0.947	0.979

Based on the table above, the three constructs have met composite reliability. This is evidenced by the coefficients of the variables x, y and z which are greater than 0.7. So it can be concluded that all variables meet the composite reliability criteria because all constructs have composite reliability coefficients greater than 0.70 (Sholihin and Ratmono 2021).

**Structural Model Evaluation (Inner Model)**

The next stage is to carry out a structural evaluation (inner model) which includes a model fit test (model fit) path coefficient, and R-squared. in the model fit test there are 3 test indices, namely average path coefficient (APC), average R-squared (ARS) and average variance factor (AVIF) with APC and ARS criteria accepted on condition that p-value <0.05 and AVIF is smaller of 5(Sholihin and Ratmono 2021). The following is a table of data processing results to carry out a structural evaluation (inner model).

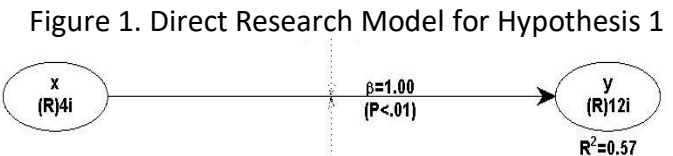
Tabel 3 Structural Model Evaluation (Inner Model)

Model fit indicas and P value
APC = 0.536, p<0.001
ARS = 0.573, p<0.001
AVIF = 2.603,<5

From the calculation of the output listed in the table above, it shows that the APC value has a value of 0.536 and a p-value index <0.001. Meanwhile, ARS has an index of 0.573 with a p-value <0.001. By standard, APC has reached a standard because it shows a p value below 0.001. Likewise with the p value of ARS which shows p less than 0.001. The AVIF value which must be smaller than 5 has been fulfilled because based on the results of data processing based on table 4.8 above, the AVIF value shows a number of 2,603 (Sholihin and Ratmono 2021). Thus, the inner model in this study has fulfilled all the predetermined criteria.

**Hipotesis Test**

**Hypothesis 1: Knowledge of the budget has a significant effect on regional financial supervision**

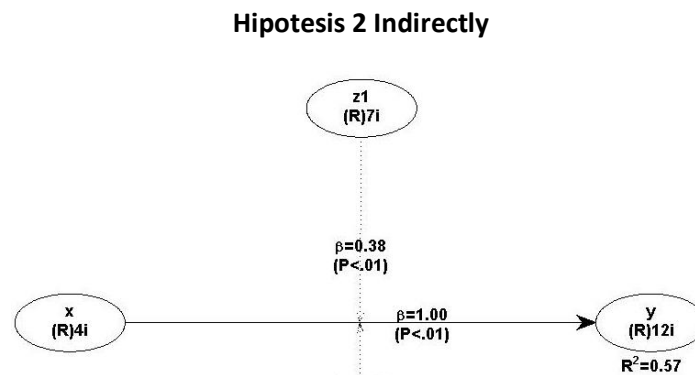


In order to get results stating that the hypothesis can be accepted or rejected from a model is to look at the P-value below or equal to 0.05. Based on the picture above it can

be seen that the p-value is <0.01. Then hypothesis 1 which states that budgetary knowledge has a significant effect on regional financial supervision is accepted because the p-value is <0.01 less than or equal to 0.05.

The results of this study are in line with the results of research (Coryanata 2011) which states that the board's knowledge of the budget has a significant effect on regional financial supervision. Which means the knowledge of board members about the budget can improve regional financial oversight. The findings in the field show that the council's knowledge of the budget preparation process is good, because the Polewali Mandar Regency DPRD has implemented the APBD properly. The results of this study are also consistent with the results of research conducted by (Winata and Amalia 2013) and (Utami and Syofyan 2013) stating that there is a positive influence between board knowledge about the budget and regional financial supervision. Research that is in line is also shown by (Arvitaningrum and Taman 2019) stating that the knowledge of board members influences regional financial supervision, and says the capabilities and abilities of the board that must be possessed include knowledge, skills, and experience in drafting various regional regulations in addition to board expertise in politics represent constituents and the interests of their groups and parties.

**Hypothesis 2: Community participation will strengthen the relationship between board knowledge about budgets and regional financial oversight**



**Table 3 Calculation of Hypothesis 2 Indirectly**

No	Relations Between Variables		Path Coefficient		p-Value		Significance Level
	Moderating	Endogen	Real Count	View	Real Count	View	
1	XZ	PKD	0.384	0.38	0.002	P<01	Moderation

The table above shows the calculation of the influence of the variable community participation as a moderating variable from the effect of the board's knowledge of the



budget variable on regional financial oversight. In this calculation, the path coefficient value in real count is 0.384 and it can be seen in the path diagram that it is 0.38 with a significance level of 0.002 or a p-value <0.01. This calculation explains that the public participation hypothesis (Z) is a moderator in the influence of the relationship between budgetary knowledge (x) on regional financial supervision (Y). This means that indirectly community participation will strengthen the relationship between the board's knowledge of the budget and regional financial oversight.

The results in this study are in line with (Putra et al. 2017) which state that community participation has an effect on regional financial oversight carried out by the council". And also research conducted by (Arvitaningrum and Taman 2019) and (Winata and Amalia 2013) which states that the perception of board members of community participation influences regional financial supervision. Which means that community participation is the key to success in the implementation of regional autonomy because participation involves aspects of supervision and aspirations. So it can be concluded that community participation can strengthen the relationship between the board's knowledge of the budget and regional financial supervision.

## CONCLUSION

Based on the research results, it can be concluded that community participation has an influence in strengthening the relationship between budgetary knowledge and regional financial supervision as seen from the results of testing data that meets the criteria for the SEM method with the PLS approach. based on the results of the study it was found that community participation can strengthen the board's knowledge of the budget towards regional financial supervision. Public participation is very important and necessary in the preparation of regional income and expenditure budgets, because it is the direction of local government policies and concrete steps to achieve regional development. The role of the council in supervising regional finances is influenced by community involvement in budget advocacy.

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