

FACTORS AFFECTING BUDGET CHANGES: SETTING PLANNING, LEADERSHIP STYLE AND GOVERNMENT POLICY

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Abstract: Changes that occur in a budget are driven by several factors, which can arise from both internal and external to an organization. This article examines the factors that influence budget changes, namely: setting planning, leadership styles and government policies. It is hoped that this article can contribute ideas to build hypotheses of influence between variables to be used in future research. The results of this literature review article are: 1) the determination of planning affects budget changes; 2) leadership style affects budget changes; and 3) government policies affect budget changes. Each of the factors discussed in this article has a positive influence on the decision of an organization to make a budget change.

Keywords: Budget Changes, Planning Determination, Leadership Styles and Government Policy.

INTRODUCTION

A budget is a plan that is systematically prepared in the form of numbers that cover all activities for a certain period or period in the future. The budget is used as a tool for planning and controlling government activities expressed in units of activity and units of money, which includes the development and application of government objectives, specification of objectives, development of short-term and long-term strategies, creation of periodic performance reports and development of follow-up procedures.

The State Budget as a financial plan means that the government has a plan for expenditures and revenues to finance state interests or government management. In financial planning, it could be that expenses are planned as high or as low as possible. The preparation of the work plan in the draft state budget is carried out a year before its implementation, so it is very likely that there will be adjustments during the current year. In a period the budget that has been prepared does not fully capture the needs of an organization so that it is possible to make budget changes (rebudgeting) (Abadiarti, 2014).

Rebudgeting is the way that governments revise and update the application of budgets as a continuation of the annual budget process, rebudgeting must be a means by which the government can meet varied and even contrary to budgeting, including continuity and control, change and accountability, and flexibility and predictability (A. B. Wildavsky & Caiden, 1988).

On March 11, 2020 the World Health Organization or WHO has announced the new outbreak of corona virus (Covid-19) as a global pandemic. WHO then coordinated global efforts to manage the impact of the pandemic and declared Covid-19 a global pandemic on March 11, 2020 (Cucinotta & Vanelli, 2020). The implications of the Covid-19 pandemic have had a far-reaching impact on slower national economic growth, falling state revenues and increasing spending, as well as financing. With the Covid-19 pandemic, the Indonesian government then prepared various strategies to deal with it, such as increasing the budget for the health sector, social assistance, support for the industrial sector and efforts to recover the national economy as well as making policies on the regional financial side and the financial sector.

In addition to increasing the budget for the health sector, social assistance and support in the industrial sector. The government also took priority steps as an effort to overcome the pandemic situation by asking all Ministries of Institutions (K/L) to cut spending funds for the 2022 fiscal year. The request was submitted to each K/L through a letter dated May 23, 2022. The government is considered to have to make a decision by making cuts because of several things. Increasing global economic uncertainty that has an impact on the domestic economy needs to be anticipated because it will disrupt the momentum of national economic recovery, among others by adding automatic adjustments (budget

reserves) to all K/L.

Budget changes (rebudgeting) are the government's efforts to adjust financial plans to real conditions in the field that have the aim of improving the performance of work units (agencies). The process of preparing budget changes is in principle no different from the initial budgeting process, both in terms of substance and politics (Anessi-Pessina & Sicilia, 2015). In the implementation of budgeting, it is important to know that the resulting budget document is the most important document in government, because it is the basis for the implementation of government functions and public services (Abdullah, 2012).

A plan can be interpreted that a budget describes development priorities, partiality to society and the power of power of decision makers (budget actors), which will be implemented during a fiscal period (A. Wildavsky, 1991). Based on studies (Anessi-Pessina et al., 2012) shows that budgeting and budgeting are two interconnected things. Based on explanations (Axelrod, 1988; (A. B. Wildavsky & Caiden, 1988) explains that a comprehensive understanding of the budget requires that there be a shift in focus towards annual analysis, e.g.

additional and budget shortfalls and other revisions that may occur as an effort to safeguard against critical budgets.

Problems that arise in the implementation of the budget in the first half of the current year and the results of the review of the results of the implementation of the previous year's budget can be a driver of the emergence of the need for budget adjustments in the current year. This change occurs due to developments that are not in accordance with assumptions in budget policy, such as the occurrence of oversight or non-achievement of regional revenue projections, expenditure allocations, sources and use of costs that were not previously set (Abdul Halim, 2016). However, budget changes are not interpreted as a change in the organization's own goals (Abdullah and Afrah Junita, 2016).

The Covid-19 pandemic has also changed the K /L activity plan that was designed in the year before the COVID-19 pandemic. An example is activities that travel officially bumped with transportation regulations and the establishment of policies for the implementation of community activity restrictions (PPKM) set by the government.

MATERIALS AND METHODS

The writing of this scientific article is compiled using qualitative methods and conducts a literature review (Library Research). The step is taken by examining theories with relationships or influences between variables from books and collections of journals both offline in

libraries and online sourced from Mendeley, Scholar Google and other online media.

In qualitative research, literature review should be used consistently with methodological assumptions. This means

that it must be used inductively so as not to direct the questions posed by the researcher. One of the main reasons for

conducting qualitative research is that the research is exploratory, (Ali, 2013).

RESULTS AND DISCUSSION

Based on theoretical studies and previous relevant research, the discussion of *this literature review* article in the concentration of State Management is:

1. The Effect of Planning Determinations on Budget Changes.

Planning determination affects budget changes, where budget planning is an important element in budgeting in an organization or agency. Budget planning is the basis of the activities and objectives of an organization as a guide and commitment of an organization to carry out its activities. Poor planning promotes poor budget management and makes it difficult for the organization to achieve its goals and objectives to be achieved. The difficulty of achieving goals becomes the reason for an organization to make budget changes.

2. The Influence of Leadership Styles on Budget Changes.

Leadership style affects budget changes, budget changes are related to the behavior of leaders who become planning actors and proposers of activities. The leader is also the executor of the budget with the burden of responsibility resting on the budget ruler. A leader who is proficient in budget planning and execution will be far from budget changes. Therefore, participatory budgeting as a tool to motivate subordinates should be used by

the leader to maximize the performance of his budget, so as not to experience bias.

Gaya leadership influences budget changes, this is in line with the research conducted by (Abdullah and Afrah Junita, 2016).

3. The effect of government policies on budget changes.

Government policies affect budget changes, government policies born from the conditions of the Covid-19 pandemic result in budget changes because they are required to reallocate budgets and activities to something that is more useful than the previous thing. Ministries and agencies refocusing activities, in the short term, should be focused on providing emergency assistance to the health sector. Each agency reassesses what should be reduced and what components should be improved to support the acceleration of handling the Covid-19 pandemic. Refocusing activities and reallocating the budget are the reasons for an agency to make budget changes.

Conceptual Framework

Based on the formulation of the problem, theoretical studies, relevant previous research, and discussion of the influence between variables, then in the process of thinking about this article as below.

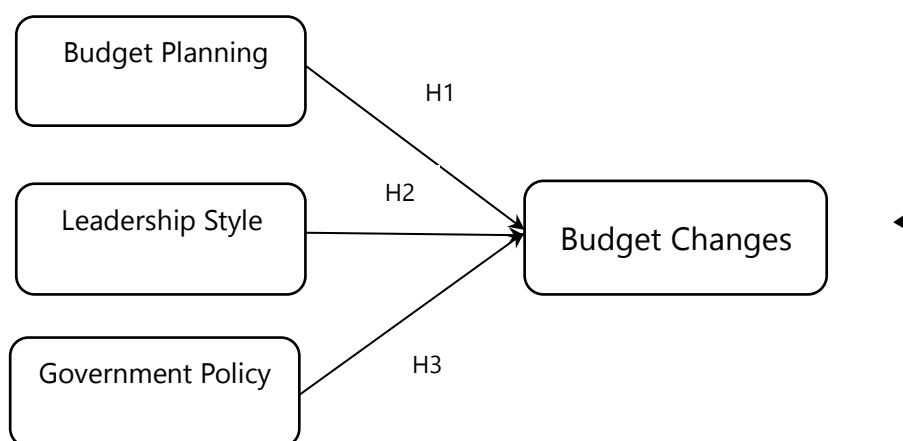


Figure 1: Conceptual Framework

Based on the conceptual framework image above, then: the determination of planning, leadership styles, and government policies affects budget changes.

Apart from these three exogen variables that affect budget changes, there are many other variables that affect it

including:

- a) Remaining budget: (Arief Kurniawan, 2019), (Marzalita, 2014), and (Isra Maulina, 2018).
 - b) Revenue: (Isra Maulina, 2017), (Cut Ratnasari, 2017), and (Syukriy-2014).
- Equalization fund: (Filma ayu, 2018) and (Srimulyanti, 2018).

CONCLUSIONS

Based on theory, relevant articles and discussions can then be formulated as hypotheses for further research: 1) Planning

affects budget changes. 2) Leadership affects budget changes. 3) Government policy affects budget changes.

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