Influence of the Budget Control System on the Company's Financial Performance

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Abstract

A company certainly has goals to achieve. Various things can help in achieving company goals, one of which is the budget control system. The purpose of this study was to determine the effect of the budget control system on financial performance. The type of research used is quantitative. The data source used is secondary data obtained through the documentation method. The population in this study were companies in City X. Meanwhile, the sampling technique used in this study is a non-probability sampling technique, more precisely using saturated sampling technique, namely sampling determination technique with all population members used as samples. The sample obtained was 90 companies in City X. The data analysis techniques used are validity test, reliability test, normality test, and t test and determination coefficient test for hypothesis testing. The results obtained that the budget control system has a significant effect on the company's financial performance. The better the financial control system, the better the financial performance.

Keywords: financial control system, financial performance, company.

To achieve the goals of an organization, a management control system is needed. The management control system is implemented to stimulate individuals in the organization and promote goals. The direction of management activities is influenced by management control which is adjusted to guidelines that have been previously determined by an organization/company (Galuh et al., 2022). In the business world, management control systems play an important part in keeping things running in this uncertain climate. Management control is used to collect and use data to assess the performance of existing resources, such as humans, finance, machines (Wahyuningtyas et al., 2021).

Good management control helps to increase company efficiency. Management control plays a role in achieving financial performance. To develop effective management control, organizations must have clear policies and realistic programs (Nurdiansyah, 2012). The management control system is a system used by managers to influence organizational members to implement organizational strategies and policies effectively and efficiently in order to achieve organizational goals. The aim of the management control system in the company is to facilitate the achievement of company goals and assist management in controlling all activities to achieve organizational goals effectively and efficiently (Sari & Herawati, 2023).

Budgets are not only used as a planning and control tool, but also the use of budgets can support the use of standards as a measuring tool for the achievements of a section or organization within a company organization. So, indirectly the budget can be used as a standard of achievement that must be achieved by a person or part of the organization (Setiadi, 2015). Clarity of budget objectives can be used as an aspect to measure performance (Afdhal & Rahayu, 2022).

Previous research conducted by Putri & Halmawati (2022) stated that the Internal Control System had a significant positive effect on the managerial performance of Karimun Regency regional work units. Clarity of Budget Targets has a significant positive effect on the managerial performance of Karimun Regency regional work units. Wardhana et al. (2023) stated that the budget is not a goal, but is one of the tools used by management in organizing and controlling company operations. Meanwhile, the control system is an indicator of the company's operational implementation which has an important role in achieving company performance.

Different from previous research, this research is that the variable used is the budget control system. The importance of the budget control system in helping financial performance needs to be researched. This research aims to determine the effect of the budget control system on financial performance.

LITERATURE REVIEW

Budget Control System

Budgets form management in planning, coordinating and controlling company activities. The budget serves as a guideline for each activity, provides responsibility for company activities, and assesses the efficiency of using existing resources to achieve predetermined goals, as well as a tool for monitoring the realization and plans in the future. The budget is one of the main tools in control and also a tool for measuring the extent of each manager's performance.

The management control system is a tool for monitoring or observing the implementation of company management which tries to direct organizational goals so that the performance carried out by company management can run more efficiently and smoothly. The application of the concept of management control in companies is needed to assist management in controlling all activities to achieve organizational goals effectively and efficiently (Tandaju et al., 2022).

Thus, it is important to tighten budget control. Tight budget control can reduce the dysfunctional behavior of budget preparation officials in creating budgetary gaps, so that budgets tend to be accurate and realistic and will ultimately lead to better performance. A tight budgetary control system is optimal and profitable because leaders will obtain better information so that it can increase the possibility that budgetary slack can be detected so that it can be limited and budget preparers will tend to be less likely to slack budget (Astuti et al., 2017).

Financial performance

Financial performance is an analysis carried out to see the extent to which a company has implemented financial implementation rules properly and correctly (Setiawan & Soleh, 2021). The objectives of measuring company financial performance according to Munawir (2012) are:

a. Knowing the level of liquidity which shows a company's ability to fulfill financial obligations when they are billed.

b. Knowing the level of solvency which shows the company's ability to meet short-term and long-term financial obligations if the company is liquidated.

c. Knowing the level of profitability or profitability which shows the company's ability to generate profits in a certain period.

d. Knowing the level of stability shows the company's ability to run its business stably, which is measured by considering the company's ability to pay debts and interest charges on debts on time.

The Relationship between Budget Control Systems and Manager Performance

A system is a collection and devices that relate to each other and work together to carry out an activity or complete a certain goal to achieve a certain goal (Rukmin et al., 2019). The management control system is the most important part in the business world because the management control system is the basic foundation for building a business. The management control system is used to assess the performance of existing resources such as humans, finance, machines, technology and so on (Azhari et al., 2023).

RESEARCH METHODS

Quantitative research is the type of research used in this research. Quantitative research is a type of research that produces discoveries that can be achieved (obtained) using statistical procedures or other means of quantification (measurement) (Sujarweni, 2014). The data source used is secondary data obtained through the documentation method, namely data sources in the form of sources from images or videos, works, as well as written materials that can provide information (Nilamsari, 2014).

The population in this study are companies in City X. The population is a generalization area consisting of objects/subjects that have certain qualities and characteristics (Jasmalinda, 2021). Meanwhile, the sampling technique used in this research is a non-probability sampling technique, more precisely using a saturated sampling technique. According to Sugiyono in Candra & Kusmaningtyas, (2020) saturated sampling is a sampling technique where all members of the population are used as samples. The samples obtained were X companies in City

RESULTS AND DISCUSSION

Results

Validity test

Validity testing is the process of evaluating the extent to which a measurement instrument (such as a questionnaire or test) can measure what it is supposed to measure. Validity measures the extent to which the instrument actually measures the variable or construct in question, and not other variables (Novikasari, 2016).

Table 1. Validity Test Results

		X	AND
X	Pearson Correlation	1	.555**
	Say. (2-tailed)		<.001
	N	90	90
AND	Pearson Correlation	.555**	1
	Say. (2-tailed)	<.001	
	N	90	90

**. Correlation is significant at the 0.01 level (2-tailed).

Based on the information contained in table 1, it can be seen that each measuring instrument shows the significance value (2-tailed) of the correlation for all items is below 0.05. Thus, it can be concluded that all the statements contained in the questionnaire are considered statistically valid, and the questionnaire can be considered a valid instrument for use in this research.

Reliability Test

Reliability testing is a process for evaluating how consistent and reliable a measurement instrument is in providing consistent results over time. If an instrument is considered reliable, then the results will be consistent if repeated under the same conditions (Janna & Herianto, 2021).

Table 2. Reliability Test Results

Cronbach's Alpha	N of Items
.677	2

Based on the results of the reliability analysis listed in table 2, a Cronbach Alpha value was obtained of 0.677. This figure exceeds the threshold value of 0.600, indicating that the questionnaire shows a high level of consistency and is reliable for use in future research.

Normality test

Dahlan, (2009) states that the Kolmogorov-Smirnov test is more appropriate for samples of more than 50. Researchers use the Kolmogorov-Smirnov test because the number of samples is > 50. The following are the results of the normality test.

Table 3. Normality Test Results

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Say.	Statistic	df	Say.
X	.194	90	<.001	.865	90	<.001
AND	.143	90	<.001	.936	90	<.001

a. Lilliefors Significance Correction

Based on table 3, the results of the normality test using Kolmogorov-Smirnov for the financial control system (X) and financial performance (Y) variables obtained sig. 0.001, so it can be concluded that both data are normally distributed.

Uji t

Table 4. t test results

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Say.
1	(Constant)	2.671	3.724		.717	.475
	X	.832	.133	.555	6.255	<.001

a. Dependent Variable: Y

Based on table 4, the results of the t test, financial control system (X) and financial performance (Y) obtained sig. 0.001, so it can be concluded that the financial control system has an effect on the company's financial performance.

Determination Coefficient Test

Table 5. Coefficient of Determination Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.555[a]	.308	.300	2.412

a. Predictors: (Constant), X

Based on table 5, the results of the coefficient of determination test show that the Adjusted R Square is 0.300, so it can be concluded that the financial control system affects financial performance.

Discussion

Based on the research results, it was found that the budget control system has a significant influence on the company's financial performance. The results of this research are supported by research conducted by Syukur et al (2022) which states that budget clarity, internal control systems and performance-based budgets have a positive and significant effect on financial performance at the Enrekang Regency Government Office. Also supported by the statement of Kyere & Ausloos (2020), companies in the UK can improve their financial market performance by adopting appropriate corporate governance mechanisms.

The biggest impact of information technology on accounting is the company's ability to develop and use computerized systems to track and record financial transactions to facilitate management decision-making, internal control, and the quality of financial reports (Gofwan, 2022). Every company needs money to maintain standard healthcare facilities and to sustain its operations. However, inclusion in the board of directors can improve the company's financial management and increase performance. Corporate governance mechanisms influence health system behavior in ways that are linked to financial performance (Afriyie et al., 2022).

An organization is considered effective if it succeeds in achieving optimal performance. Utilizing activity performance indicators enables accurate measurement of the level of performance attainment achieved by the organization. Leveraging performance data enables the completion of these measurements. Performance is the level of target achievement for each activity indicator (Aziz & Fitriaty, 2023). If the budget absorption target fails, the benefits of spending will be lost, because not all of the allocated funds can be utilized. If the budget allocation is efficient, then the state's limited financial resources can be optimized to fund strategic activities. Limited sources of state revenue require the government to prioritize activities and allocate budgets effectively and efficiently (Anggeadi et al., 2023).

Some companies believe that budgets can improve and maintain company performance, especially financial performance. Budgets are closely related to company finances because budgets are made according to the company's financial conditions (Felianti & Novianty, 2019). Companies that demonstrate high levels of purpose and clarity have systematically higher future accounting performance (Gartenberg et al., 2019).

According to Government Regulation No. 60 of 2008, the definition of an internal control system is an integral process of actions and activities carried out continuously by management and all employees to provide adequate confidence in the achievement of organizational goals through effective and efficient activities, reliability of financial reporting, security state assets and compliance with laws and regulations (Pujiono et al., 2016).

The terms management control system, financial control system, and internal control system are three key components in company management that work together to achieve organizational goals. Management control systems provide a framework for planning, monitoring, and evaluating overall organizational performance. This includes goal setting, performance measurement, budget planning, variance analysis, and corrective action. On the other hand, a financial control system focuses on the management of a company's financial resources, including budget setting, financial reporting, cash management, cost control, and financial risk management (Johnstone, 2020). The aim is to ensure financial stability, profitability, and compliance with accounting standards and financial regulations. But technically they have the same role.

The budget control system has a significant influence on a company's financial performance because it allows management to plan, allocate and control the use of financial resources efficiently. By setting a realistic budget, companies can identify deviations from set targets and take necessary corrective actions to ensure optimal financial performance. In addition, the system allows evaluation of the efficiency of resource use and identification of opportunities to increase productivity and profitability. Thus, the budget control system becomes the basis for the company in achieving its short-term and long-term financial goals in a measurable and planned manner.

CONCLUSION

Based on the research results, it was found that the budget control system has a significant effect on the company's financial performance. In addition, the research results also highlight the role of information technology in improving the quality of control systems by facilitating management decision making and internal control. Overall, the budget control system plays a crucial role in efficiently directing, allocating and managing a company's financial resources, as well as providing a measurable and planned basis for achieving short-term and long-term financial goals.

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