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The Influence of Operational Cost Budgets and Cost Control on Performance in Regional Drinking Water Companies (PDAM)

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A R T I C L E I N F O

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A B S T R A C T

This study examines how budgeting operational costs and cost control affect the financial performance of PDAM. Industry of clean water that will be distributed to the community, good performance is needed. This performance assessment is useful for information in making decisions. This study uses a quantitative method, by distributing questionnaires to 45 employees from 3 PDAM companies, this study also uses linear regression analysis with the help of the SPSS application. Based on the results of the respondents' answers, it can be concluded that the operating cost budget has no impact on financial performance. However, what does have an impact on financial performance is cost control. Cost control allows the PDAM to improve service quality, and has a positive impact on long-term financial performance.

INTRODUCTION

Having access to clean water is a basic human need. Because it is critical to human survival, health, and economic development, clean water must be available in a safe environment. In accordance with Law No. 7 of 2019, the government is entrusted with the responsibility for regulating and managing water resources, as well as meeting the minimum daily basic needs of the community, in accordance with state control over these resources. Therefore, the government must ensure that people have access to adequate drinking water. According to Widyanto (2012) (in Tangdialla et al., 2020), PDAM has two objectives in accordance with the purpose of its establishment: socially-oriented PDAM is responsible for providing clean water for the community, while profit-oriented PDAM is responsible for carrying out operational financing, obtain company income, and obtain regional income. These two orientations are two opposing sides and are difficult to reconcile to work in harmony (Hasan et al., 2021). Where if you prioritize profit orientation you will ignore your social orientation, or conversely, if you prioritize your social orientation you will ignore your profit orientation.

From a statement made by Yudha Mediawan, Director of Drinking Water, Directorate General of Human Settlements, Ministry of PUPR (2021). Based on the 2020 workbook, the performance of drinking water BUMDs was evaluated. Of the 387 BUMDs evaluated, 239 (62%) BUMDs were declared to be performing well, while 148 (38%) BUMDs were declared unhealthy or sick. Another problem that is hampering this is the age of the water treatment plant (IPA), which is more than half a century old. (Meiky Taliwuna, 2022). So there are still a lot of drinking water or non-revenue water (NRW) leaks in Indonesia. (Adhi Pramudito, 2022).

In managing clean water that will be distributed to the community, good performance is needed in terms of planning, production, distribution, financial management, and supervision, so that the community's water needs are met properly. Performance is a description of conditions that reflect the extent to which a company achieves its goals and desired results. (Abdullah et al., 2022).

Performance assessment is used to evaluate company performance. This evaluation is useful as information in making decisions. Its financial performance is one of the main topics. The final result that has been achieved by a business and which indicates its health condition is its financial performance. The ability to plan and manage these expenses to maintain business operations and allow for future expansion is closely linked to financial performance, budgets are a useful tool for planning. Budgets are considered to improve business performance. A budget is a comprehensive plan expressed in numerical form for the future. Budget planning allows companies to regularly compare and assess the results of established programs and budgets. Operations in this field are closely related, from budget planning to budget implementation and realization.

The operational cost budget is an important basis for operational PDAM activities. Through careful budget planning, PDAM is able to prioritize its costs, including infrastructure maintenance, energy consumption, and employee costs. This approach allows organizations to meet operational needs with the required efficiency while taking into account any financial constraints that may exist.

A problem related to the budget is the misuse of the budget, for example at PDAM Tirtanusa Natuna, the results of the audit found that there was misuse of the PDAM budget amounting to Rp. 200 million, by the PDAM leadership. (Robertus, 2022). From this misuse, the budget is not only planning but how the company plans the budget and can manage it well.

Cost control is the key to achieving optimal operational efficiency. Wise cost control practices, such as optimal contract negotiations, leveraging technology for energy usage monitoring, and improving personnel productivity, can help Companies manage their costs effectively. By implementing this strategy, the Company can avoid waste, increase competitiveness, and ensure reliable water services.

Thus, good integration between the operational cost budget and cost management in the company will be a strong foundation for achieving efficient financial performance. The aim is to provide reliable water services, ensure sustainable water availability, and optimally meet community needs.

In line with previous research, the contribution of this research is strengthened by literature that highlights financial performance analysis such as Agustini et al., n.d. The operational cost budget and revenue budget influence the financial performance of PDAM Tirtanadi Medan positively and statistically significantly. Research conducted by Aryatama Sigit (2017). The operational cost budget and income budget have an effect on ROA with an R-value of 0.962. In part, ROA is influenced by the revenue budget, but the operating budget has only a small influence.

In contrast to Tukunan et al., 2024, PDAM Banggai Islands experienced a discrepancy between budgeted and actual costs, especially in transmission and distribution costs, resulting in negative financial impacts (operational cost budgets had a negative effect on financial control). However, this research provides a more specific context and explores the situation of PDAMs at the district and city levels, and with different research methods.

With this context, researchers are very interested in investigating the relationship between financial performance and operational cost budgets and their control at regional drinking water companies (PDAM) in Cirebon and Indramayu. to ascertain and evaluate whether cost control and operational cost budgets significantly impact profits. It is hoped that this research can provide insight to support sustainable financial management in the regional drinking water service sector.

THEORETICAL REVIEW

Grand Theory

The grand theory used is Cost Management Theory. Cost Management Theory is a conceptual framework that focuses on managing costs in the context of organization and cost control. This theory discusses strategies and techniques for managing operational costs effectively to achieve organizational goals, especially in terms of optimizing the use of available resources.

Jensen Michael C., (2003) said that cost management must be included in the company's strategic decisions. According to him, costs must be managed effectively to achieve the company's long-term goals and increase its value.

Kaplan and Cooper (1998) created the idea of the Balanced Scorecard as a framework for strategic management that includes financial and non-financial elements, including cost management. They emphasize how important cost performance measurement is to support company strategy.

Cost Management Theory emphasizes how important it is to integrate strategic management. To ensure that every step taken in cost management supports the achievement of the organization's vision and mission, cost management must be in accordance with the organization's overall goals and strategy.

Financial Performance

A formal measure called financial performance is intended to measure how well a business generates sales and revenue. We can determine a company's financial development and growth possibilities by evaluating its financial performance. Some people state that a business will be successful if certain goals are met. In 2015, Hery evaluated the work that had been completed and compared it with mutually agreed criteria to produce financial performance. Every task that has been completed requires continuous evaluation and measurement (Sujarweni, 2017).

Operational Cost Budget

According to (Irwan, 2016) The rationale of lean thinkingis trying to eliminate waste (waste) in the process, or it can also be regarded as a concept of streamlining or efficiency. According to Rudianto (2009:26), a business operational budget is a blueprint for the main activities that will generate money over a certain period of time. The operating expense budget includes all anticipated costs related to product distribution and sales, in addition to organizational overhead costs.

Munandar (2011:26) states that the following budgets are often prepared as part of the organization's operational cost budgeting process:

1. Fixed Cost Budegting
2. Variabel Cost Budgeting
3. Semi-variable Cost Budget

According to Hasibuan (2006), there are several ways to prepare a budget. Top-down planning is the process of making plans at the highest level and handing them over to lower units (regions or branches). In contrast, bottom-up planning is planning that is initially made at a lower level (region, branch), and what is planned at the company's center or head office is decided based on the results achieved.

An operational expense budget is very important for a company's financial management because it offers a structured system for managing and controlling expenses. By comparing budgets with actual results, managers can spot errors. Previous research studies show that implementing an appropriate operational cost budget can have a positive impact on financial performance. And operational cost budgets that are structured in a structured manner tend to increase revenue and profits. (Atkinson. et al., 2011).

Cost Control

Cost control is the process of managing and managing a company's operational costs to ensure that expenses remain in accordance with the plans and budget that have been set. This involves the use of various methods and techniques to monitor, evaluate, and control costs to meet established targets. (Horngren, Charles T. et al, 2018).

Control takes the form of comparing budgeted expenditure with actual expenditure. Trends in the ratio of insurance costs to the carrying value of capital assets, and the insured value relative to replacement costs, will indicate the adequacy of insurance coverage. (Jae K. Shim, Joel G. Siegel)

Operational control, according to Supriyono (2007:49), is supervision to ensure that operational implementation does not deviate. There are reasons to exercise control as well. Cost control aims to keep company expenses in line with the budget and not exceed the budget. Additionally, cost control seeks to reduce waste, increase operational effectiveness, and assist businesses in meeting their financial goals. (Drury, 2018). Cost control includes quality control, setting cost standards, variance analysis, budget planning, and the use of information technology for cost monitoring and reporting (Hansen & Mowen, 2007).

It can be concluded that cost control is the process of regulating, monitoring, and managing company expenses so that they remain in accordance with the budget or standards that have been set. The goal is to ensure efficiency and control of expenses so that the company can achieve its financial and operational goals.

Previous Research

Several previous research findings will be mentioned by previous researchers as factors in this investigation, namely, research findings entitled "Operational Budget Analysis as a Financial Control Tool in the Regional Drinking Water Company (PDAM) of Banggai Islands Regency" by Tugunan et al. (2024). The results of this research found that throughout the 2019-2021 period, PDAM Banggai Islands experienced a discrepancy between budgeted and actual costs, especially in transmission and distribution costs, resulting in a financial impact of losses (operational cost budgets had a negative effect on financial control).

The Regional Drinking Water Company (PDAM) of Buleleng Regency includes production control costs in their annual production cost budget, based on the 2017 study, "Production Cost Budget Efficiency as a Tool for Controlling Production Costs" (Dharmawan, Gede Doni, et al., 2017). Even though there was a deficit in 2014, the production cost budget for 2015 was efficient. Unknown increases in activity and uncontrolled weather conditions are constraining PDAM Buleleng's production costs.

This can be managed through the preparation of the RKAP every year, a more thorough variance analysis should be carried out in conjunction with the use of the budget to identify the reasons behind current deviations and determine what needs to be done to minimize unfavorable variances in the future. In this way, the usefulness of the budget as a planning and control tool can be increased. In 2019, Pita et al. did the same as Vivien Yunita's research findings, showing that

the financial performance variable at PDAM is influenced positively and significantly by the operational cost budget variable.

METHODOLOGY

Framework of Thinking

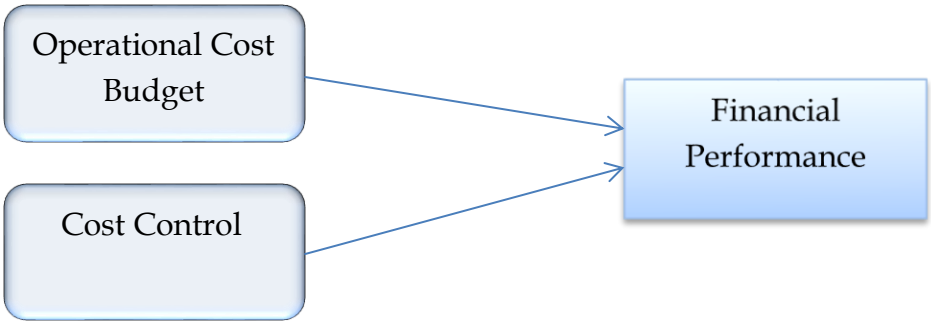

Figure 1 Framework of Thinking

Hypothesis

H1 = The operational cost budget influences financial performance
H2 = Cost control affects financial performance

Population and Sample

Sugiyono (2012:80) said that researchers analyze goods or people with certain characteristics to make demographic conclusions. Sugiyono (2012:81) said that the sample is part of the number and characteristics of the population. Source: Aripunto (2006): Based on this, total sampling was used to select the sample because 40 PDAM workers in Cirebon and Indramayu had filled out the questionnaire.

Table 1 Sample

PDAM Data	
PDAM Name	Number of Respondents
PDAM Tirta Darma Ayu (Kabupaten Indramayu)	15
PDAM Tirta Jati (Kabupaten Cirebon	15
PDAM Tirta Giri Nata (Kota Cirebon)	15
Total	45

Source: processed spss output, 2024

Data Types and Sources

Questionnaires distributed to PDAM staff in Cirebon and Indramayu were used to collect primary data. Methods for collecting this data include questionnaires, direct interviews, and observation. Secondary data refers to information that can be found elsewhere and is used to support the data used in this research. Secondary data for this research comes from various documents and materials provided by researchers at PDAMs in Cirebon and Indramayu.
Types and Approaches

This research uses quantitative methodology. This research uses causal research techniques. Finding cause-and-effect relationships between several variables is the goal of explanatory methods, which are sometimes called causal research. Causality research techniques explain the relationship between independent and dependent variables (Sugiyono, 2017). Causality research determines the intensity of the independent-dependent relationship, according to Sekaran (2006).

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Data Collection Technique

Information for this research was provided to respondents who filled out the questionnaire. Each questionnaire was distributed personally by the researcher. There are open and closed questions in this survey. Open questions ask for the identity of the respondent, while closed questions provide predetermined answers regarding research variable indicators.

Table 2 Scoring Kuesioner

Pernyataan	Jawaban
Sangat Setuju (SS)	5
Setuju (S)	4
Netral (N)	3
Tidak Setuju (TS)	2
Sangat Tidak Setuju (STS)	1

Source: Sugiyono, 2013:108

Data Analysis Technique

Validity Test

The purpose of a validity test is to evaluate the reliability of statements or question items used to describe a variable. If the value in the table (r table) is smaller than the result of the coercion calculation (r count), then the value of the item is considered valid; if not, it can be considered invalid (Santoso, 2019).

Reliability Test

Cooper (2014) states that the purpose of reliability testing is to evaluate the dependability of a questionnaire or measuring tool. When an instrument measures the same thing again and produces consistent results, then it is considered reliable.

Another way to think of reliability testing is as a way to measure things like accuracy, precision, and consistency. Reliability testing is carried out to

determine the consistency of measurement results when the same measuring device is used to test the same symptom twice or more.

Multiple Linear Regression Analysis

To describe how a number of independent variables can influence a dependent variable at the same time, a model called multiple linear regression can be used. The following is the form of the regression equation:

$$\boldsymbol{Y = a + b_1X_1 + b_2X_2 + e}$$

Hypothesis Testing

Partial Test (T Test)

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Table 3 Operational Definition of Variables

No	Variabel	Definisi	Indicator Measurement	Measuring Instrument	Measurement Scale
1.	Budget	A budget is an organization's future work plan which is realized in quantitative, formal and systematic form	1. Efficiency of Budget Allocation 2. Budget Preparation 3. Conformity of Realization with Budget 4. Frequency of Budget Review 5. Accuracy of Budget Planning 6. Budget Flexibility 7. Accuracy of Cost Projections 8. Contribution	Questionnaire	Likert Scale
2.	Cost Control	Cost control is the process of managing and managing a	1. Speed of identification of deviations 2. Compliance with the budget	Questionnaire	Likert Scale

		company's operational costs to ensure that expenses remain in accordance with the plans and budget that have been set. This involves the use of various methods and techniques to monitor, evaluate and control costs to meet established targets.	3. Cost reporting mechanism 4. Frequency of cost and financial checks 5. Availability of a monitoring system 6. Ability to control unexpected costs 7. Response to changes in costs 8. Be proactive in new strategies		
3.	Financial Performance	Financial performance is the result of an evaluation of the work that has been completed, the results of the work are compared with mutually determined criteria.	1. Profitability 2. Liquidity 3. Operational efficiency 4. Debt to equity ratio 5. Revenue growth 6. Operational Cash Flow 7. Effectiveness of Asset Use	Questionnaire	Likert Scale

RESULTS AND DISCUSSION

Validity and Reliability Test X1 Validity Test

Correlations

		X1.1	X1.2	X1.3	X1.4	X1.5	X1.6	X1.7	X1.8	X1.9	X1.10	Anggaran_X1
X1.1	Pearson Correlation	1	.440**	.238	.193	.193	.665**	.323*	.399**	.394**	.549**	.587**
	Sig. (2-tailed)		.003	.115	.205	.204	<.001	.031	.007	.007	<.001	<.001
	N	45	45	45	45	45	45	45	45	45	45	45
X1.2	Pearson Correlation	.440**	1	.485**	.542**	.492**	.519**	.518**	.452**	.695**	.545**	.791**
	Sig. (2-tailed)	.003		<.001	<.001	<.001	<.001	<.001	.002	<.001	<.001	<.001
	N	45	45	45	45	45	45	45	45	45	45	45
X1.3	Pearson Correlation	.238	.485**	1	.434**	.431**	.367*	.541**	.567**	.454**	.221	.690**
	Sig. (2-tailed)	.115	<.001		.003	.003	.013	<.001	<.001	.002	.145	<.001
	N	45	45	45	45	45	45	45	45	45	45	45
X1.4	Pearson Correlation	.193	.542**	.434**	1	.553**	.277	.366*	.531**	.515**	.241	.669**
	Sig. (2-tailed)	.205	<.001	.003		<.001	.065	.013	<.001	<.001	.110	<.001
	N	45	45	45	45	45	45	45	45	45	45	45
X1.5	Pearson Correlation	.193	.492**	.431**	.553**	1	.195	.435**	.358*	.324*	.292	.609**
	Sig. (2-tailed)	.204	<.001	.003	<.001		.200	.003	.016	.030	.052	<.001
	N	45	45	45	45	45	45	45	45	45	45	45
X1.6	Pearson Correlation	.665**	.519**	.367*	.277	.195	1	.482**	.547**	.607**	.565**	.717**
	Sig. (2-tailed)	<.001	<.001	.013	.065	.200		<.001	<.001	<.001	<.001	<.001
	N	45	45	45	45	45	45	45	45	45	45	45
X1.7	Pearson Correlation	.323*	.518**	.541**	.366*	.435**	.482**	1	.435**	.716**	.535**	.764**
	Sig. (2-tailed)	.031	<.001	<.001	.013	.003	<.001		.003	<.001	<.001	<.001
	N	45	45	45	45	45	45	45	45	45	45	45
X1.8	Pearson Correlation	.399**	.452**	.567**	.531**	.358*	.547**	.435**	1	.613**	.458**	.753**
	Sig. (2-tailed)	.007	.002	<.001	<.001	.016	<.001	.003		<.001	.002	<.001
	N	45	45	45	45	45	45	45	45	45	45	45
X1.9	Pearson Correlation	.394**	.695**	.454**	.515**	.324*	.607**	.716**	.613**	1	.604**	.835**
	Sig. (2-tailed)	.007	<.001	.002	<.001	.030	<.001	<.001	<.001		<.001	<.001
	N	45	45	45	45	45	45	45	45	45	45	45
X1.10	Pearson Correlation	.549**	.545**	.221	.241	.292	.565**	.535**	.458**	.604**	1	.689**
	Sig. (2-tailed)	<.001	<.001	.145	.110	.052	<.001	<.001	.002	<.001		<.001
	N	45	45	45	45	45	45	45	45	45	45	45
Anggaran_X1	Pearson Correlation	.587**	.791**	.690**	.669**	.609**	.717**	.764**	.753**	.835**	.689**	1
	Sig. (2-tailed)	<.001	<.001	<.001	<.001	<.001	<.001	<.001	<.001	<.001	<.001	
	N	45	45	45	45	45	45	45	45	45	45	45

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

*. Correlation is significant at the 0.05 level (2-tailed).

Table 4 Validity Test Results X1

X2 Validity Test

Correlations

		X2.1	X2.2	X2.3	X2.4	X2.5	X2.6	X2.7	X2.8	X2.9	X2.10	Pengendalian_X2
X2.1	Pearson Correlation	1	.599**	.770**	.626**	.515**	.694**	.759**	.520**	.309*	.520**	.810**
	Sig. (2-tailed)		<.001	<.001	<.001	<.001	<.001	<.001	<.001	.039	<.001	<.001
	N	45	45	45	45	45	45	45	45	45	45	45
X2.2	Pearson Correlation	.599**	1	.588**	.599**	.343*	.467**	.650**	.331*	.585**	.436**	.725**
	Sig. (2-tailed)	<.001		<.001	<.001	.021	.001	<.001	.026	<.001	.003	<.001
	N	45	45	45	45	45	45	45	45	45	45	45
X2.3	Pearson Correlation	.770**	.588**	1	.557**	.503**	.541**	.664**	.617**	.302*	.478**	.763**
	Sig. (2-tailed)	<.001	<.001		<.001	<.001	<.001	<.001	<.001	.043	<.001	<.001
	N	45	45	45	45	45	45	45	45	45	45	45
X2.4	Pearson Correlation	.626**	.599**	.557**	1	.446**	.659**	.788**	.519**	.616**	.519**	.832**
	Sig. (2-tailed)	<.001	<.001	<.001		.002	<.001	<.001	<.001	<.001	<.001	<.001
	N	45	45	45	45	45	45	45	45	45	45	45
X2.5	Pearson Correlation	.515**	.343*	.503**	.446**	1	.506**	.599**	.442**	.365*	.482**	.697**
	Sig. (2-tailed)	<.001	.021	<.001	.002		<.001	<.001	.002	.014	<.001	<.001
	N	45	45	45	45	45	45	45	45	45	45	45
X2.6	Pearson Correlation	.694**	.467**	.541**	.659**	.506**	1	.788**	.594**	.459**	.739**	.839**
	Sig. (2-tailed)	<.001	.001	<.001	<.001	<.001		<.001	<.001	.002	<.001	<.001
	N	45	45	45	45	45	45	45	45	45	45	45
X2.7	Pearson Correlation	.759**	.650**	.664**	.788**	.599**	.788**	1	.519**	.548**	.663**	.913**
	Sig. (2-tailed)	<.001	<.001	<.001	<.001	<.001	<.001		<.001	<.001	<.001	<.001
	N	45	45	45	45	45	45	45	45	45	45	45
X2.8	Pearson Correlation	.520**	.331*	.617**	.519**	.442**	.594**	.519**	1	.330*	.448**	.678**
	Sig. (2-tailed)	<.001	.026	<.001	<.001	.002	<.001	<.001		.027	.002	<.001
	N	45	45	45	45	45	45	45	45	45	45	45
X2.9	Pearson Correlation	.309*	.585**	.302*	.616**	.365*	.459**	.548**	.330*	1	.532**	.668**
	Sig. (2-tailed)	.039	<.001	.043	<.001	.014	.002	<.001	.027		<.001	<.001
	N	45	45	45	45	45	45	45	45	45	45	45
X2.10	Pearson Correlation	.520**	.436**	.478**	.519**	.482**	.739**	.663**	.448**	.532**	1	.753**
	Sig. (2-tailed)	<.001	.003	<.001	<.001	<.001	<.001	<.001	.002	<.001		<.001
	N	45	45	45	45	45	45	45	45	45	45	45
Pengendalian_X2	Pearson Correlation	.810**	.725**	.763**	.832**	.697**	.839**	.913**	.678**	.668**	.753**	1
	Sig. (2-tailed)	<.001	<.001	<.001	<.001	<.001	<.001	<.001	<.001	<.001	<.001	
	N	45	45	45	45	45	45	45	45	45	45	45

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

*. Correlation is significant at the 0.05 level (2-tailed).

Table 5 X2 Validity Test Results

Y Validity Test

Correlations

		Y.1	Y.2	Y.3	Y.4	Y.5	Y.6	Y.7	Y.8	Kinerja_Keuangan_Y
Y.1	Pearson Correlation	1	.442**	.343*	.459**	.539**	.479**	.497**	.352*	.684**
	Sig. (2-tailed)		.002	.021	.002	<.001	<.001	<.001	.018	<.001
	N	45	45	45	45	45	45	45	45	45
Y.2	Pearson Correlation	.442**	1	.139	.546**	.260	.377*	.388**	.671**	.627**
	Sig. (2-tailed)	.002		.361	<.001	.085	.011	.008	<.001	<.001
	N	45	45	45	45	45	45	45	45	45
Y.3	Pearson Correlation	.343*	.139	1	.679**	.629**	.633**	.542**	.341*	.746**
	Sig. (2-tailed)	.021	.361		<.001	<.001	<.001	<.001	.022	<.001
	N	45	45	45	45	45	45	45	45	45
Y.4	Pearson Correlation	.459**	.546**	.679**	1	.495**	.538**	.561**	.541**	.819**
	Sig. (2-tailed)	.002	<.001	<.001		<.001	<.001	<.001	<.001	<.001
	N	45	45	45	45	45	45	45	45	45
Y.5	Pearson Correlation	.539**	.260	.629**	.495**	1	.648**	.530**	.581**	.794**
	Sig. (2-tailed)	<.001	.085	<.001	<.001		<.001	<.001	<.001	<.001
	N	45	45	45	45	45	45	45	45	45
Y.6	Pearson Correlation	.479**	.377*	.633**	.538**	.648**	1	.535**	.473**	.794**
	Sig. (2-tailed)	<.001	.011	<.001	<.001	<.001		<.001	.001	<.001
	N	45	45	45	45	45	45	45	45	45
Y.7	Pearson Correlation	.497**	.388**	.542**	.561**	.530**	.535**	1	.390**	.742**
	Sig. (2-tailed)	<.001	.008	<.001	<.001	<.001	<.001		.008	<.001
	N	45	45	45	45	45	45	45	45	45
Y.8	Pearson Correlation	.352*	.671**	.341*	.541**	.581**	.473**	.390**	1	.726**
	Sig. (2-tailed)	.018	<.001	.022	<.001	<.001	.001	.008		<.001
	N	45	45	45	45	45	45	45	45	45
Kinerja_Keuangan_Y	Pearson Correlation	.684**	.627**	.746**	.819**	.794**	.794**	.742**	.726**	1
	Sig. (2-tailed)	<.001	<.001	<.001	<.001	<.001	<.001	<.001	<.001	
	N	45	45	45	45	45	45	45	45	45

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

Table 6 Validity Test Results for Variable Y

From the calculations carried out, the results obtained from all questionnaire items were known to be Sig. (2-talied) <.001 or <0.001, then these results show that all the items used are valid because they are more than <0.05. "If you look at the results of the co-operation calculation (r count), it is greater than the value contained in the r table with N = 45, with a significance level of 5%, namely 0.294. Then all items are said to be valid."

Reliability Statistics

Variabel	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
X1	.887	.892	10
X2	.919	.923	10
Y	.883	.883	8

Table 3 Hasil Uji Realiability

Considering that the Cronbach's alpha value is higher than 0.60, as shown in the calculation table above, it can be concluded that the claims about these variables and questions are reliable.

Test Assumptions

Normality Test

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		45
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	2.92817197
Most Extreme Differences	Absolute	.112
	Positive	.057
	Negative	-.112
Test Statistic		.112
Asymp. Sig. (2-tailed)[c]		.199

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

Table 4 Hasil Uji One-Sample Kolmogorov-Smirnov Test

From the results of the table it shows Asymp. Sig. (2-tailed) 0.199. where the sig is more than 0.05, it can be interpreted that the data tested is normally distributed.

Multicollinearity Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	8.348	4.267		1.956	.057		
	X1	.045	.199	.049	.227	.822	.249	4.023
	X2	.523	.165	.678	3.159	.003	.249	4.023

a. Dependent Variable: Y

Table 9 Multicollinearity Test Results

This can be stated as follows based on the results of the multicollinearity test carried out on each independent variable:

a. X1 tolerance value is 0.249, while the VIF value is 4.023.
b. X2 tolerance value is 0.249, while the VIF value is 4.023.

The results of the analysis show that all independent variables in this regression model have values below 10.00. Therefore, it can be concluded that there is no evidence of multicollinearity in this model.

Heteroscedasticity Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	-3.854	2.305		-1.672	.102		
	X1	.126	.108	.333	1.169	.249	.249	4.023
	X2	.020	.089	.065	.228	.820	.249	4.023

a. Dependent Variable: ABS_RESIDUAL

Table 5 Hasil Uji Heteroskedastisitas

(X1) shows sig = 24.9% > 5% and (X2) shows sig = 82% > 5%. So that there is no heteroscedasticity problem.

Determination Test or Coefficient of Determination

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.721[a]	.519	.496	2.997

a. Predictors: (Constant), x2, x1

Table 11 Determination Test Results or Coefficient of Determination

From the results of the table above, the variables are able to explain the influence at a level of 0.496 or 49.6% and the rest are able to explain the variables outside this research.

The reason for carrying out this coefficient of determination test is to evaluate the model's ability to take into account the influence of independent variables on the dependent variable, which is represented by the Adjusted R-Square value (Ghozali, 2016).

According to Ghozali (2016), if the value is close to one but not zero, it means that the independent variables can predict the dependent variable with certainty. A low value indicates that the independent variables have limited ability to explain the dependent variables.

Multiple Linear Regression Test

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		

1	(Constant)	8.348	4.267		1.956	.057
	X1	.045	.199	.049	.227	.822
	X2	.523	.165	.678	3.159	.003

a. Dependent Variable: y

Table 6 Hasil Uji Regrensilinear Berganda

From these results, the equation is obtained:

Y= 8.348+0.045X1+0.523X2

From this equation it is known that:

1. The constant (α) of 8.348 means that the level of financial performance is 8.348 if the independent variable is zero or does not exist.
2. The value of 0.045 for the operating budget variable (X1) indicates that there will be an increase of 0.045 in financial performance (Y) as X1 increases.
3. The value of the variable X2 (regression coefficient) is 0.523, indicating that if Y, the financial performance variable, experiences growth, then X will also experience an increase of 0.523.

Hypothesis Testing

T Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	8.348	4.267		1.956	.057
	x1	.045	.199	.049	.227	.822
	x2	.523	.165	.678	3.159	.003

a. Dependent Variable: y

Table 13 T Test Results

a. Operational Cost Budget
   The t test shows that the Operational Cost Budget (X1) does not have a significant effect on Financial Performance (Y) with a calculated t-value of 0.227 < 1.682 and a significance level of 0.822 > 0.05, thus rejecting the proposed hypothesis.
b. Cost Control

Cost control (X2) has a significant positive influence on financial performance (Y), according to the t-test results which show this with a t value of 3.159 > 1.682 and a significance level of 0.003 < 0.05. We accept that theory.

DISCUSSION

1. The influence of the operational cost budget on financial performance

The operational cost budget on PDAM's financial performance is not significant or has no influence, according to the t test findings. This finding is consistent with the findings of researchers (Aryatama Sigit, 2017) who looked at the influence of operational cost budgets on financial performance and concluded that there was no influence.

PDAM revenues generally come from water fees set by local governments and may not be easily adjusted or expanded. Thus, despite the additional budget for operations, revenue remained unchanged, indicating that budget execution was not affected much.

2. The effect of cost control on financial performance

The operational cost budget has a good and substantial impact on PDAM's financial performance, according to the findings of the hypothesis test or t test. This finding is consistent with research that finds a relationship between cost control and financial success (Anggreni et al., n.d.).

With controlled costs, PDAM can allocate assets to areas of greatest need, such as infrastructure maintenance, service improvements, or investment in new technology. This can improve service quality and fulfill customer needs, which in turn will have a positive impact on long-term financial performance.

CONCLUSIONS AND RECOMMENDATIONS

From the research results above, it can be concluded,

1. Based on the results of the regression coefficient calculation above, the operational cost budget has a small but useful impact on PDAM's financial performance. Meanwhile, PDAM's financial performance is greatly influenced by cost control.

2. Based on the value of the coefficient of determination, the operational cost budget and operational cost control have a close relationship to financial performance with an Adjusted R – Square value of 0.496.

FURTHER STUDY

In writing this article the researcher realizes that there are still many shortcomings in terms of language, writing, and form of presentation considering the limited knowledge and abilities of the researchers themselves. Therefore, for the perfection of the article, the researcher expects constructive criticism and suggestions from various parties.

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