The Effect of Budgeting Participation, Organizational Commitment, and Self Esteem on Village Budgetary Slack in Mengwi Sub-district

Ni Putu Arianı¹, I Gusti Ayu Nyoman Budiasih²
¹²(Faculty of Economics and Business, Udayana University, Indonesia)

ABSTRACT: Budget slack is the difference between the reported budget and the budget according to the best estimate of an organization that occurs as a result of the desire of organizational members to more easily achieve its performance targets. Agency theory explains that the cause of agency conflict is due to differences in interests between principals and agents. The purpose of this study is to obtain empirical evidence of the effect of budgeting participation, organizational commitment, and self-esteem on village budgetary slack in Mengwi Sub-district. This research was conducted in 8 villages in Mengwi District and 5 respondents were selected for each village in order to obtain 40 respondents. The sampling method used in this study was purposive sampling and the data analysis technique used in this study was multiple linear regression analysis. Based on the analysis conducted, it is found that budgeting participation has a positive effect on budgetary slack and organizational commitment and self-esteem has a negative effect on budgetary slack.

Keywords: budgeting participation, organizational commitment, self-esteem, budgetary slack

I. INTRODUCTION

Budget slack is the difference between the reported budget and the budget according to an organization's best estimate. Budgetary slack is carried out by determining lower revenues and budgeting higher costs than the actual capability that an organization can achieve. The goal is that the target can be easily achieved by subordinates (Sulistyowati, 2019). Mengwi Sub-district is one of the districts located in Badung Regency which consists of 15 villages. Based on the results of preliminary observations in Mengwi Sub-district, there were 8 villages indicated that they were experiencing budgetary slack. This can be seen in Table 1.

Table 1. Report on the Realization of Village Revenue and Expenditure Budget Implementation in the Mengwi Sub-district for 2019 Fiscal Year (in thousands of rupiah)

<table>
<thead>
<tr>
<th>Village</th>
<th>Revenue (Rp)</th>
<th>Expenditure (Rp)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Budget</td>
<td>Realization</td>
</tr>
<tr>
<td>Mengwitani</td>
<td>15.692.139</td>
<td>15.696.525</td>
</tr>
</tbody>
</table>

Source: Village Government in Mengwi Sub-district, 2021

Based on the data in Table 1, it shows that there is still a difference between the set budget and the realized budget. The realization of the revenue budget was higher than what was budgeted, while the realization of expenditure was smaller than what was budgeted for in the 2019 fiscal year so that there was an indication of budgetary slack. Putra (2018) also states that budgetary slack is created through setting low income targets and setting relatively high expenditure targets to make it easier to achieve budget targets. Through this, it can be
interpreted that the village government targets a small budget so that it is easy to achieve and gets a good work assessment because it can achieve the budget target. The tendency to carry out budgetary slack will be lower if there is clarity of budget targets used in other words, it must be transparent from planning to reporting and minimize excessive pressure from superiors to subordinates as people responsible for budget execution (Langevina & Mendoza, 2013).

The budget has an important role in achieving organizational goals which include aspects of planning, aspects of control and aspects of public accountability (Hansen, et al., 2003). Deviation in behavior from budgetary slack is expected to be minimized by the participation of organizational members in budget preparation. Participation of organizational members in budgeting is often referred to as budgeting participation. According to Brownell & McInnes (1983) budgeting participation is the most important thing in the budget preparation process to get budget commitment which will affect the performance improvement of managers under it. According to Derfuss (2009) budgeting participation involves all levels of the organization as well as individuals who have influence in determining the development of a budget plan. Subordinates or members of the organization are involved in budget planning because they know more directly about the conditions of their part. Participation of organizational members in budgeting has an impact on the attitudes and behavior of organizational members which in turn affect the performance of the members of the organization (Chong & Strauss, 2017). However, members of the organization who have the authority to determine the contents of the budget also have the opportunity to commit irregularities aimed at making it easier for them to reach the budget which can harm the organization. This deviation can be done by making budgetary slack. When subordinates are involved in the budget preparation process, this will provide leeway to the subordinates in creating budgetary slack. So that budgeting participation can increase the tendency for budgetary slack to occur (Kramer & Hartmann, 2014).

Budgetary slack can also arise because of the interests of each individual in the organization or in other words, members of the organization work for their respective interests. This is the actualization of the level of commitment they have. According to Soejoso in Nitiari and Yadnyana (2015) organizational commitment shows the level of individual attachment to the organization which is reflected in the presence of belief and wanting to maintain participation in the organization. This organizational commitment can arise if the individual has an emotional attachment to the organization which includes moral support to the organization, accepting the values and regulations that exist in the organization, and a desire to serve the organization (Ozer & Yilmaz, 2011). Organizational commitment can be shown through the confidence and support provided by the members of the organization involved in the values and goals the organization wants to achieve. Individuals try to participate in achieving organizational goals if they have a strong organizational commitment. Individuals in organizations who have high organizational commitment tend to use budgets to achieve organizational goals. Meanwhile, employees with low organizational commitment tend to use the budget to fulfill their personal needs. The existence of high organizational commitment can prevent gaps (Maiga, 2005).

The next factor that affects budgetary slack is self-esteem, in doing one's job, a person must think about his self-esteem. Cast & Burke (2002) stated that self-esteem is a person's self-confidence, satisfaction with something and a sense of self-respect. Self-esteem is a self-worth belief based on overall self-evaluation (Putra & Suryanawa, 2019). In short, it can be explained that self-esteem is personal judgment regarding feelings of value or meaning that is expressed in individual attitudes toward him (Merchant, 1985). Self-esteem is based on the belief in an individual's self-worth. The relation with budgetary slack, when someone with low self-esteem, they tend to be higher in creating slack.

Agency theory describes a contractual agreement involving the principal as the owner of the company and the agent as the manager of the company or what is known as management, which can cause a problem called the agency problem (Jensen & Meckling, 1976). The three assumptions described in agency theory are selfish, have limited rationality, and avoid risk. Based on these three assumptions, humans will act opportunistically, who are more concerned with their personal interests than the interests of the organization for a better career path in the future (Stevens, 2002). When linked in the government sector, subordinates as agents tend to make the revenue budget lower and the cost budget higher than the organization's best estimate. This is done so that it is easy to achieve appreciation from superiors as principal and for future career development through the practice of budgetary slack in the budget-making process. Budget compilers will have a better image because they are able to achieve predetermined budget targets (Pramesti & Sujana, 2020).

According to Fritz Heider (1958) as the originator of the attribution theory, attribution theory is a theory that explains a person's behavior. Attribution theory is a theory that explains a person's attitude in responding to an event or situation and explains the reasons for individual behavior (Suartana, 2010). Based on attribution theory, a person's behavior in the budgeting process will be determined by a combination of internal and external factors. Internal factors, namely individual confidence in achieving budget targets based on their abilities, as well as external factors which include constraints experienced in achieving budget targets (Mahasabha & Ratnadi, 2019).
Many previous studies have examined budgetary slack in star hotels, PT (Limited Liability Companies) and others. This study examines village governance in Mengwi Sub-district. The reason for choosing the village government is because the management of village government aims to maximize services, and to improve these services it requires planning and supervision with different levels of complexity. In addition, there are still cases of village heads dealing with the law because of irregularities in the use of village funds that are not right on target in the Mengwi Sub-district area. The occurrence of budgetary slack can increase the loss level of an organization. Organizational standards will decrease from the target that should be achieved. The potential of the organization also cannot be maximally utilized, because the organization can look fine even though in fact many things are not in accordance with the truth.

II. CONCEPTUAL MODEL AND HYPOTHESIS

In line with agency theory, the cause of agency conflict is due to differences in interests between principals and agents (Tamara & Budiasih, 2020). Participation in budgeting is expected to reduce budgetary slack, but because budgets are prepared by agents who have more information, agents tend to create budgetary slack to create a safety margin because agents want the budget to be easier to achieve. Budgets that can be reached easily by agents will show their performance and good image in front of the principal. High participation in the budgeting process will provide greater opportunities for agents to carry out budgetary slack (Charpentier, 1998).

Prasetya & Muliartha RM (2017) states that the participation process gives managers the power to determine the contents of the budget, which then with this power, managers can put slack into the predetermined budget so that it is easy to achieve. This study has the same results as the results of research conducted by Pratami & Erawati (2016) and Yasa et al. (2017), which shows that budgeting participation has a positive effect on budgetary slack. This condition illustrates that the higher the level of budgeting participation, the higher the budgetary slack that will arise.

Budgeting participants come from several levels of management in an organization. Participants with lower levels (agents) will have broader and more specific information about a field because they directly carry out organizational activities in that field. Meanwhile, participants with a higher level (principal) will only get reports from agents regarding the use of the budget. High participation in the budgeting process will provide an opportunity for agents to take budgetary slack to benefit themselves. Budget slack is carried out by the agent to show good performance in front of the principal by achieving predetermined budget targets. This of course can be detrimental to the organization, because with the personal interest of the agent in budgeting, the budget made cannot be the best estimate for achieving organizational goals.

H1: Budgeting participation has a positive effect on budgetary slack

Attribution theory explains that individual behavior can be influenced by two factors, namely internal factors and external factors. Internal factors come from within the individual, while external factors are related to the environment and the level of difficulty in doing work (Suartana, 2010). One of the internal factors that can trigger budgetary slack is organizational commitment. Commitment to individual employees will encourage organizational commitment. Organizational commitment can arise when individuals have emotional ties to the organization. Subordinates who have a high commitment to the organization will as best as possible achieve the goals of the organization so that subordinates will not carry out budgetary slack. On the contrary, subordinates who have low commitment will tend not to care about the achievement of the organization's goals and tend to take budgetary slack (Mukaromah & Suryandari, 2015).

Previous research conducted by Nitiari & Yadnyana (2015) showed that the higher the organizational commitment, the lower the budgetary slack. This is also in line with research conducted by Puspitha & Suardana (2017) and Naraswari & Sukartha (2019). The high commitment that employees have to an organization will encourage organizational commitment. Employees who have a high commitment in budgeting will use the budget maximally to achieve organizational goals. Employees who have a high commitment to the organization also do not need to do budget because these employees are more concerned with the interests of the organization than their personal interests. On the other hand, employees who have low commitment will use the budget for their personal interests and will carry out budgetary slack.

H2: Organizational commitment has a negative effect on budgetary slack

Attribution theory is a theory that explains a person's attitude in responding to an event or situation and explains the reasons for individual behavior (Suartana, 2010). In line with attribution theory, self-esteem is an internal factor that can influence a person to act in response to an event. This includes a person's self-confidence, beliefs about one's own abilities and self-respect. Someone with low self-esteem tends not to work well. Individuals who have such a mentality tend to slack off the budget because they do not believe in their...
own abilities so they are not sure that the budget that is made can be achieved. Someone who does not have confidence in his own ability to achieve goals tends to take budgetary slack.

Previous research conducted by Pramesti & Sujana (2020) states that subordinates tend to practice budgetary slack because it is influenced by the personal character of each of the budget compilers. One of these personal characteristics is self-esteem. Subordinates who lack high self-esteem consider themselves not good at doing their job and do not believe in their ability to achieve budget targets. This is also in line with research conducted by Pamungkas (2014), and Netra & Damayanthi (2017) which state that self-esteem has a negative effect on budgetary slack. This means that the higher the employee’s self-esteem, the lower the budgetary slack.

Budget makers who have high self-esteem can become internal controls for themselves so that they can reduce or even avoid budgetary slack because they perceive that their personal is so important, valuable, and influential in the organization. Even with the pressure from superiors to reach the budget in order to show good performance, with the presence of high self-esteem in budget compilers, high self-confidence will arise in the work done. This self-confidence arises because the budget compilers have the belief that what is done will achieve success and create optimal results.

**H3:** Self-esteem has a negative effect on budgetary slack

III. RESEARCH METHODS

The approach used in this research is a quantitative approach with descriptive methods. This research was conducted in the village in Mengwi Sub-district. The reason for choosing the location is because there are several villages in Mengwi Sub-district that are indicated to have experienced village budget slack in 2019. The population in this study is the village apparatus that is authorized to prepare the Village Income and Expenditure Budget (APBDes) in the Mengwi Sub-district, which consists of 15 villages. This study used a sample consisting of the village head, village secretary, finance chief, planning officer, and BPD in each village as respondents, so that the number of respondents in this study was 40 respondents. The sampling method used in this study is nonprobability sampling with purposive sampling. The data collection method used in this research is the survey method, namely the primary data collection method using questions or written statements in the form of a questionnaire. Respondents’ answers will be given a value or score using a Likert scale of 1 to 4. The data analysis technique used in this study is multiple linear regression analysis.

IV. RESULTS AND DISCUSSION

This research was conducted in 8 villages located in the Mengwi Sub-district. The research data was collected through distributing questionnaires which were sent directly by researchers to respondents. Researchers distributed 40 questionnaires and each village was distributed 5 questionnaires which were shown for the village head, village secretary, finance chief, planning officer, and BPD who participated in the village budget preparation and had held positions for at least 1 year. The characteristics of the respondents in this study include age, latest education, the position occupied by the respondent, and the length of time the respondent has worked in the village. The characteristics of the respondents from this study are presented in Table 2.

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Total (person)</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) 21-30 years old</td>
<td>3</td>
<td>7.5</td>
</tr>
<tr>
<td>b) 31-40 years old</td>
<td>10</td>
<td>25</td>
</tr>
<tr>
<td>c) 41-50 years old</td>
<td>16</td>
<td>40</td>
</tr>
<tr>
<td>d) &gt;50 years old</td>
<td>11</td>
<td>27.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>40</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 2 Respondent Characteristic
Based on Table 2, it can be seen that the characteristics of the respondents from this study include age, latest education, position, and length of work which are described as follows:

1. Age characteristics are used to determine the age range of each respondent who works for the village government in the Mengwi Sub-district. Based on the table, it is known that there are 3 respondents aged 21 years to 30 years (7.5%), respondents with an age range of 31 years to 40 years are 10 people (25%), respondents with an age range of 41 years to 50 years are 16 people (40%), and respondents who were more than 50 years old were 11 people (27.5%).

2. The characteristics of the respondent's latest education are used to determine the mindset and intellectual level of the respondent. Respondents with senior high school education were 20 people (50%), respondents with the latest diploma education were 1 person (2.5%), respondents with the latest S1 education were 18 people (45%), respondents with the latest S2 education were 1 person (2.5%) and there were no respondents who had a doctoral education level (0%).

3. Position characteristics describe the position or position of the village government respondent in the Mengwi Sub-district. Respondents who have positions as Village Head, Village Secretary, Head of Finance, Head of Planning and BPD respectively are 8 people (20%).

4. The criteria for the length of work are used to determine that the respondents who filled out the questionnaire have met the sample criteria, namely having served at least 1 year. Based on Table 4.2, there were no respondents who worked for less than 1 year of tenure (0%), as many as 19 people (47.5%) who had worked and held positions with a span of 1-5 years, as many as 9 people (22.5%) respondents who have worked for a period of 6-10 years and there are 12 people (30%) who have worked and held positions for more than 10 years.

Table 3 Results of Multiple Linear Regression Analysis

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>28,620</td>
<td>4,000</td>
<td>7,155</td>
<td>0,000</td>
</tr>
<tr>
<td>Budgeting Participation (X₁)</td>
<td>0,264</td>
<td>0,107</td>
<td>0,281</td>
<td>2,462</td>
</tr>
<tr>
<td>Organizational Commitment (X₂)</td>
<td>-0,179</td>
<td>0,072</td>
<td>-0,262</td>
<td>-2,478</td>
</tr>
<tr>
<td>Self Esteem (X₃)</td>
<td>-0,277</td>
<td>0,058</td>
<td>-0,531</td>
<td>-4,776</td>
</tr>
<tr>
<td>Dependent Variable</td>
<td>Budgetary Slack</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary data processed, 2021
The Effect of Budgeting Participation on Budgetary Slack

The budgeting participation variable has a significance value of 0.019 which is smaller than the significance level of 0.05 with β1 having a positive value of 2.462, which means that H1 of this study is accepted. This means that partial participation in budgeting affects budgetary slack. If there is an increase in member participation in the budgeting process, it will increase the occurrence of budgetary slack. High budgeting participation is required so that the budget projections that are set are in accordance with the needs of each department. However, high budgeting participation in the budgeting process will provide greater opportunities for organizational members to carry out budgetary slack and vice versa when low participation will minimize the opportunity for organizational members to carry out budgetary slack (Cahyadi Luhur & Supadmi, 2019). This is due to the tendency of the desire to be able to realize targets easily, so that often in budgeting participation members of the organization project a budget that is not in accordance with the optimal conditions that can be achieved by the organization.

This research is supported by research by Prasetya & Muliartaha RM (2017) which states that the participation process gives managers the power to determine the contents of the budget which then with this power, managers can put slack into the predetermined budget so that it is easy to achieve. In addition, this research is also supported by some of the results of previous research conducted by Pratami & Erawati (2016), Puspitha & Suardana (2017), and Cahyadi Luhur & Supadmi (2019) which show that budgeting participation has a positive and significant effect on budgetary slack.

The results of this study are in accordance with agency theory because there are differences in interests between principals and agents so that agent participation in budgeting will encourage budgetary slack. Budget slack is carried out by the agent to show good performance in front of the principal by achieving predetermined budget targets.

The Effect of Organizational Commitment on Budgetary Slack

The organizational commitment variable has a variable significance value of 0.018 which is smaller than the significance level of 0.05 with β2 having a negative value of 2.478, which means that H2 of this study is accepted. This means that partially organizational commitment affects budgetary slack. If the organizational commitment owned by members is higher, it will reduce the occurrence of budgetary slack. Organizational commitment is the attitude of organizational members who are interested in the goals, values and goals of the organization which is indicated by the acceptance of the individual towards the values and goals of the organization. Organizational members who have high organizational commitment will strive for better organizational development, so that these members will tend to avoid and minimize budgetary slack. Meanwhile, organizational members who have a low level of commitment will take advantage of budget planning and implementation for personal gain, so they tend to take budgetary slack.

The results of this study are supported by previous research conducted by Nitiari & Yadnya (2015) which shows that the higher the organizational commitment, the lower the budgetary slack. This illustrates that employees who have high organizational commitment will use the budget to achieve organizational goals. Meanwhile, employees with low organizational commitment will use the budget to pursue their own interests. This is also in line with research conducted by Puspitha & Suardana (2017) and Naraswari & Sukartha (2019).

The results of this study are in accordance with the theory of attribution because one of the factors originating from within the individual that influences individual behavior to undertake budgetary slack is organizational commitment. High organizational commitment will encourage individuals to work and provide the best for the agency where they work. If the organizational commitment is low, it will have an impact on increasing budgetary slack due to the absence of a sense of belonging in the individual in the organization which will encourage him to prioritize his personal interests compared to the interests and goals of the company. In addition, high organizational commitment will foster a sense of optimism in achieving organizational goals so that they can reflect real performance. The high organizational commitment of budget compilers will be able to reduce their tendency to carry out budgetary slack, so that in this study organizational commitment has a negative effect on budgetary slack.

The Effect of Self-Esteem on Budgetary Slack

The self-esteem variable has a variable significance value of 0.000 which is smaller than the significance level of 0.05 with β3 having a negative value of 4.776, which means that H3 of this study is
accepted. This means that partially self-esteem affects budgetary slack. If the self-esteem owned by members is higher, it will reduce the occurrence of budgetary slack. Budgetary slack carried out by organizational members tends to be influenced by the personal character of each individual. One of these personal characteristics is self-esteem. Self-esteem is an internal factor that can influence a person to act in response to an event. This includes one's self-confidence, beliefs about one's own abilities and self-respect. Someone with low self-esteem tends not to work well. Individuals who have such a mentality tend to slack off the budget because they do not believe in their own abilities so they are not sure that the budget that is made can be achieved. Someone who does not have confidence in his own ability to achieve goals tends to take budgetary slack.

The results of this study are supported by Pramesti & Sujana (2020) which states that subordinates tend to practice budgetary slack because it is influenced by the personal character of each of the budget compilers. One of these personal characteristics is self-esteem. Subordinates who lack high self-esteem consider themselves not good at doing their job and do not believe in their ability to achieve budget targets. This is also in line with research conducted by Pamungkas (2014) and Netra & Damayanthi (2017) which states that self-esteem has a negative and significant effect on budgetary slack.

The results of this study are in accordance with the theory of attribution because one of the internal factors that influence individual behavior to do budgetary slack is self-esteem. Budget makers who have high self-esteem can become internal controls for themselves so that they can reduce or even avoid budgetary slack because they perceive that their personal is so important, valuable, and influential in the organization. Even though there is pressure from superiors to reach the budget in order to see good performance, with the high self-esteem in the budget compilers, there will be high confidence in the work done. This self-confidence arises because the budget compilers have the belief that what is done will achieve success and create optimal results. The high self-esteem of the budget compilers will be able to reduce their tendency to take budgetary slack, so that in this study self-esteem has a negative effect on budgetary slack.

V. CONCLUSION

Based on the discussion of the results, it can be concluded that budgeting participation has a positive effect on village budgetary slack in the Mengwi Sub-district. This means that the higher the level of budgeting participation, the higher the level of village budgetary slack in the Mengwi Sub-district area. Organizational commitment has a negative effect on village budgetary slack in the Mengwi Sub-district. This means that the higher the organizational commitment, the lower the level of village budgetary slack in the Mengwi District area. Self-esteem has a negative effect on village budgetary slack in the Mengwi Sub-district. This means that the higher the self-esteem, the lower the level of village budgetary slack in the Mengwi Sub-district area.

Suggestions that can be given for village officials in the Mengwi Sub-district who participate in the budget preparation process should be able to maintain their organizational commitment and self-esteem, because this is very important to have so that the budget can be made according to the needs and optimal performance that can be achieved and can be achieved. achievement of organizational goals. In addition, organizational commitment and self-esteem are also very important to be able to develop the potential of each individual. The sample used in this study is only limited to village officials in the Mengwi Sub-district, so it is hoped that further researchers can expand the research location so that the description of the research results is closer to the actual conditions. The results of the descriptive statistical analysis test showed that organizational commitment had an average value of 3.12. This value is the lowest average value among all variables so that in this case the commitment of members to the organization should be increased in order to minimize the occurrence of budgetary slack. The results of the determination coefficient test with Adjusted R2 in this study indicate that 59.3% of the variation in budgetary slack is influenced by variations in budgeting participation, organizational commitment, and self-esteem, while the remaining 40.7% is explained by other factors not included in the model. So that the next researcher should also examine other variables such as budget emphasis, environmental uncertainty, organizational culture or reputation to find out other factors that can affect budgetary slack.

REFERENCES


