

THE EFFECT OF BUDGET PARTICIPATION AND ORGANIZATIONAL COMMITMENT ON BUDGETARY SLACK

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ABSTRACT

This study aims to measure the effect of employee participation in budgeting and organizational commitment to budgetary slack in Bangka Belitung Islands Provincial Government Agencies, in particular the Public Works and Spatial Planning Office of the Bangka Belitung Islands Province. The analytical method used for testing the variables in this study uses PLS (Partial Least Square) using Smart PLS.3 software. The sample used in this study were 50 employees at the Department of Public Works and Spatial Planning of the Bangka Belitung Islands Province. The first hypothesis in this study is accepted, namely budget participation has a positive effect on budgetary slack, but the second hypothesis in this study is rejected, namely organizational commitment has a negative effect on budgetary slack. This identifies that the participation of many parties in a company or scope of work to jointly exchange information in determining and compiling a budget to achieve an organizational goal.

Keywords: *Budget Participation, Organizational Commitment, Budgetary Slack*

Introduction

Planning and control cannot be separated from what is called a budget. The budget is an important element and focal point in the planning and control process (Sujana, 2012). The budget is the main component of a plan which includes various kinds of financial planning for the future that contains various goals and actions in achieving each of the organizational goals (Putri, 2017). Meanwhile, according to Nafirin (2012) the budget is a written plan regarding activities in an organization which is stated quantitatively for a certain period of time and is generally expressed in units of money. The budget in the management control

system has a very important role because management can use the budget to help allocate the limited financial resources that the company has in achieving its company goals (Hasanah, 2014).

A good budget preparation process is when in the preparation process there is participation from members of the organization or commonly referred to as budget participation. Budget participation is the level of a person's participation in the preparation of the budget which is the center of his responsibility, in which the person must achieve the budget targets and targets that he made (Priyetno, 2018). Lavarda and Almeida (2013), explain the

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purpose of budgetary participation, namely promoting open and communicative relationships with subordinates, having access to personal information about subordinates' strengths, conveying a sense of fairness and fairness when the budget is used to evaluate subordinates.

The higher the involvement of individuals in budgeting, the higher the sense of responsibility of each individual to carry out the decisions produced together (Pello, 2014). The existence of budgetary participation will certainly have a positive impact on budget preparation, but apart from that there are also negative impacts of budget participation. The negative impact of budget participation on budget preparation is that there is a tendency and opportunity to create slack on purpose in the budget that is prepared for personal interests.

Budgetary slack (budgetary slack) is a budgeting process where distortions are found intentionally by reducing budgeted revenues and increasing budgeted costs, in other words budgetary slack is the difference between the stated budget and the best budget estimate that one can honestly predict (Dwipayuda, 2019). In addition to budget participation, another factor that can affect budgetary slack is organizational commitment. Organizational commitment is an attitude of liking the organization and trying optimally for the benefit of the organization in order to achieve its goals (Suparyadi, 2015). One of the regional apparatus organizations that contribute to the local revenue of the Bangka Belitung Islands Province is the Department of Public Works and Spatial Planning. Dinas PUPR is a regional apparatus organization that has the main task of assisting the Governor in carrying out the authority of decentralization, deconcentration tasks and assistance tasks in the field of public works. The government prepares the State Revenue and Expenditure Budget (APBN) every year with reference to PP RI No. 90 of 2010 concerning the Preparation of Work Plans and Budgets of State Ministries/Agencies (RKA-K/L) in carrying out their duties.

The PUPR Service of the Bangka Belitung Islands Province consists of several fields, including the secretariat, spatial planning, program development and control, water resources, clan

development, and construction services. Based on an initial survey conducted on November 4, 2019, the head of the planning division of the PUPR Office of the Bangka Belitung Islands Province said that in preparing the budget he always involved employees at the PUPR Office of the Bangka Belitung Islands Province. Each employee will submit a budget to the head of their respective fields and the proposed budget will be revised if an error occurs. In terms of decision making, coordination will be carried out before making a decision.

Materials and Methods

Budget

The budget is a statement regarding the estimated performance to be achieved during a certain period of time expressed in financial measures (Erina and Suartana, 2016). According to Nafarin (2012) the budget is a written plan regarding the activities of an organization which is stated quantitatively for a certain period of time and is generally expressed in units of money. The budget is the main component of a plan which includes various kinds of financial planning for the future that contains various goals and actions in achieving each of the organizational goals (Putri, 2017).

Budget Participation

According to Nurrasyid (2015) budget participation is how far the involvement and influence of individuals in the budget preparation process with budget participation can lead to alignment of organizational goals. Meanwhile, according to Putra (2019), budget participation is the participation of many parties in a company or scope of work to jointly exchange information in determining and compiling a budget to achieve an organizational goal.

Organizational Commitment

Madjojo (2017) states that organizational commitment is a condition where an employee takes sides with the goals of the organization and has a desire to maintain his membership in the organization. Meanwhile, according to Khasanah (2015) defines organizational commitment as an attitude that reflects the likes or dislikes of employees towards the organization.

Budgetary Slack

According to Widyaningtyas and Sari (2017), budget slack is a budgeting activity where it is found that employees intentionally

lower their performance capabilities, namely by minimizing revenue in budgeting and increasing costs in budgeting

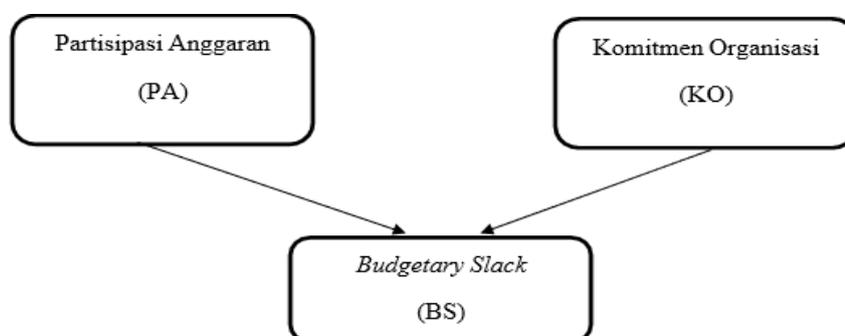


Figure 1. Framework for Thinking

Hypothesis

Ha1: Budget participation has a positive effect on budgetary slack

Ha2: Organizational commitment has a negative effect on the budgetary slack

Methods

This research is a research that uses quantitative methods. Quantitative methods can be interpreted as research methods based on the philosophy of positivism, used to examine certain populations or samples. The focus of this research is to determine the effect of each variable studied and tested with statistical test tools from the results of distributing questionnaires distributed to respondents from research this. The population in this study were all government work units in the Department of Public Works and Spatial Planning of the Bangka Belitung Islands Province with a total of 100 people. The sample collection technique used was purposive sampling method, the sample used in this study was 50 employees at the Department of Public Works and Spatial Planning of the Bangka Belitung Islands Province with criteria that participated in the budgeting process, consisting of the secretariat field, the field of resources water, the field of clan development, the field of construction services as well as the field of spatial planning and land. The analytical method used for testing the

variables in this study is PLS (Partial Least Square) using SmartPLS software. With the stages: measuring the Outer Model or Testing the Measurement Model, measuring the Structural Model (Inner Model), Testing the Hypothesis and Testing the Moderation Effect (Sugiono, 2018).

Results and Discussion

The results of the discussion analysis carried out in this study explain the results of The Effect of Budget Participation and Organizational Commitment on Budgetary Slack contained in the research object.

Evaluation of the Measurement Model (Outer Model)

In this step, it is carried out through three stages, namely convergent validity, discriminant validity, and composite reliability.

Convergent Validity Test

Convergent validity test is a validity test to determine the extent to which the indicators are correlated with the construct. This stage can be assessed from the value of the loading factor on each indicator. The indicator can be said to be valid if the correlation value is above 0.7, while 0.6 is considered sufficient (Abdillah & Jogiyanto, 2015). The following is the value of the loading factor on the outer model.

Table 1. Loading Factor Values on the Outer Model

No	Variable	Indicator	Loading Factor	Description
1	Budget Participation	PA1	0.830	Valid
		PA2	0.823	Valid
		PA3	0.845	Valid
		PA4	0.850	Valid
		PA5	0.724	Valid
2	Organizational Commitment	KO1	0.816	Valid
		KO2	0.926	Valid
		KO3	0.888	Valid
		KO4	0.843	Valid
		KO5	0.847	Valid
3	Budgetary Slack	BS1	0.796	Valid
		BS2	0.713	Valid
		BS3	0.752	Valid
		BS4	0.761	Valid
		BS5	0.854	Valid

source: (processed data)

Convergent validity test can also be done by looking at the AVE (Average Variance Extracted) value. A construct can be declared

good if the value of AVE > 0.5. evaluation and analysis of the outer model with the AVE value is presented in the following table:

Table 2. AVE Value

Variable	AVE	cut-off value	Description
Budget Participation	0.665	0.5	Valid
Organizational Commitment	0.748	0.5	Valid
Budgetary Slack	0.604	0.5	Valid

source: (processed data)

Discriminant Validity Test

Discriminant validity test is a test to determine the extent to which a construct is different from other constructs with empirical standards. The way to assess the discriminant validity test is by looking at the cross loading values of other variables in the same row. The criteria in this test are that each indicator that

measures the construct must have a higher correlation with the construct compared to other constructs. Another way is to compare all correlations with the square root of the AVE. The following table presents the analysis of the cross loading value in the results of the discriminant validity test.

Table 3. Cross Loading Values of Discriminant Validity Test Results

Indicator	BS	KO	PA
BS1	0.796	0.554	0.607
BS2	0.713	0.624	0.578
BS3	0.752	0.490	0.588
BS4	0.761	0.586	0.618
BS5	0.854	0.672	0.693
KO1	0.688	0.816	0.596
KO2	0.711	0.926	0.689

Indicator	BS	KO	PA
KO3	0.596	0.888	0.552
KO4	0.525	0.843	0.594
KO5	0.713	0.847	0.738
PA1	0.616	0.538	0.830
PA2	0.665	0.566	0.823
PA3	0.699	0.699	0.845
PA4	0.654	0.609	0.850
PA5	0.605	0.595	0.724

source: (processed data)

Construct Reliability Test

In this test, measurements can be seen through 2 outputs, namely Cronbach's alpha

and composite reliability. A construct can be said to be reliable if the value of alpha or composite reliability is above the value of 0.7.

Table 4. Composite Reliability Value

Variable	Composite Reliability	Cut-off Value	Description
Budgetary Slack	0.884	0.7	Reliabel
Organizational Commitment	0.937	0.7	Reliabel
Budget Participation	0.908	0.7	Reliabel

source: (processed data)

Structural Model Evaluation (Inner Model)

The structural model describes the causal relationship between latent variables that is built based on the substance of the theory (Abdillah & Jogiyanto, 2015). This evaluation is carried out to ensure that the structural model built is accurate and reliable. This test is carried out in three stages, namely the coefficient of determination (R² value), effect size (f²) and predictive relevance (Q² value).

Coefficient of Determination (R² value)

This test is used to see a measure of the accuracy of the model or a measure of the predictive accuracy of the model. The classification of R² values is 0.75 which is categorized as strong, 0.50 is categorized as moderate, and 0.25 is categorized as weak (Abdillah & Jogiyanto, 2015).

Table 5. Nilai R²

Variable	R ²	R ² Adjusted	Category
Budgetary Slack	0.697	0.689	Moderate

source: (processed data)

Based on the table above, it can be concluded that the value of the endogenous budgetary slack variable that is able to explain the variables of budget participation and organizational commitment is 69% which is included in the moderate category. This condition also shows that 31% of other variables outside of this study are still able to

explain their relationship to endogenous variables.

Effect Size (f²)

The effect size values are categorized as having large, medium and small contributions with values of 0.35, 0.15, and 0.02, respectively (Abdillah & Jogiyanti, 2015).

Table 6. Effect Sized Value

Variable	Budgetary Slack (BS)	Category
Budget Participation	0.405	Large
Organizational Commitment	0.208	Medium

source: (processed data)

Predictive Relevance

The criteria in this test are if Q2 value > 0, then the model has met the criteria of

predictive relevance and vice versa. The value of this test can be seen from the blindfolding test.

Table 7. Cross-validated Commuality Analisis Blindfolding Value

Variable	SSO	SSE	Q ²
Budgetary Slack	415.000	259.472	0.375
Organizational Commitment	415.000	415.000	
Budget Participation	415.000	415.000	

source: (processed data)

It can be concluded from the table above that the Q2 value > 0 so that it has met the criteria in the test.

can be rejected or accepted by looking at the path coefficient value from the bootstrapping process. The hypothesis is accepted if the value of tstatistics > tvalue or p value < alpha 5% is 0.05. based on the one-tailed hypothesis test criteria with an alpha of 5% is 1.64, it can be presented in the following table:

Hypothesis Testing

Hypothesis testing is carried out to determine whether the proposed hypothesis

Table 8. Path Coefficient Analisis Bootstrapping Value

	Original Sample	Sample Sample	t _{statistik}	p _{value}	Standard Deviation	Decision
Organizational Commitment	0.373	0.361	3.551	0.000	0.105	Diterima
Budget Participation	0.521	0.528	5.268	0.000	0.099	Diterima

source: (processed data)

Discussion

- a. Budget participation has a positive effect on budgetary slack.
- b. From the results of data analysis, it was found that budgetary participation has a positive effect on budgetary slack. This shows that the participation of subordinates in the preparation of the budget has a positive relationship with the achievement of organizational goals. In accordance with contingency theory, that action from subordinates will make targets easier to achieve by making lower budget targets on the revenue side and making higher cost proposals on the cost side. The results of this study support the results of research by Mardiana (2018), Perdana and Yasa (2018), which

- c. Organizational commitment has a negative effect on budgetary slack
- d. From the analysis it was found that organizational commitment has a negative effect on budgetary slack. This shows that the higher the organizational commitment, the lower the organizational budgetary slack. This means that organizations that have high organizational commitment will encourage individuals within the organization to work in accordance with the organizational goals that have been set. The results of this study are in line with the results of research conducted by Khasanah (2015)

that organizational commitment has a negative impact on budgetary slack. The impetus that arises can improve the performance of these individuals, which if they participate in budgeting will reduce the occurrence of budgetary slack.

Conclusion

Based on the results and discussions described in this study, it can be concluded that: budget participation has a positive effect on budgetary slack, as well as organizational commitment also has a positive effect on budgetary slack.

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