

THE INFLUENCE OF PARTICIPATORY BUDGETING TO BUDGETARY SLACK IN LOCAL GOVERNMENT AT MAJENE REGENCY

The Influence of Participatory Budgeting to Budgetary Slack in Local Government at Majene Regency

Husna Almagfirah^{1)*}, Edy Fitriawan Syahadat²⁾

¹ Department of Accounting, Faculty of Economics and Business, Universitas Sulawesi Barat

² Department of Accounting, Faculty of Economics and Business, Universitas Terbuka

ABSTRACT

This study aims to describe the relationship between participatory budgeting or participatory budgeting for budgetary slack. This study uses survey methodology to collect data. Sampling technique was Convenience Sampling. The samples in this study were 70 officials in total and collected from the Regional Financial and Asset Agency, the Culture and Tourism Agency, the Public Library, Archives and Documentation Service, the Cooperative, Industry and Trade Office, and the Regional Development Planning Agency with The data was then analyzed using a simple regression analysis method. The results showed that Participatory Budgeting had a positive and significant effect on Budgetary Slack.

Keywords : Participative Budgeting, Budgetary Slack

1. INTRODUCTION

Budgeting in public sector organizations is a stage that is quite complicated and contains high political nuances. According to Mardiasmo (2009), the budgeting activities of public sector organizations include planning, ratification, implementation and accountability in public sector organizations to improve bureaucratic organizational performance and its success depends on cooperation within the system. In the field of accounting, the planning stage has become the concern of several researchers, especially related to the issue of budgetary slack and participatory budgeting (Mardiasmo, 2001; Henrika and Mardiasmo, 2002; Yuhertiana, 2004). The public sector budget, in the form of regional expenditure budget for example, is a representation of the government's own goals and is discussed with the Regional People's Representative Assembly. Regional expenditure budget is the spirit of local government management (Suartana, 2010).

An important part of the regional financial management mechanism is regional planning and budgeting. This is an inseparable part because it is interrelated. Planning and budgeting are two things that are indispensable to managing regional development effectively and efficiently. Majene Regency's vision is Majene Professional, Productive and Proactive 2021, therefore, the Majene Regency government will implement various programs to support this Vision but still pay attention to the potential of the Majene region itself. Regional Revenue and Expenditure Budget which is a regional development guideline, must be prepared in a participatory and transparent manner. Thus, in its implementation there is efficiency and overlap in its implementation can be avoided. The participatory budgeting process is expected to assist in increasing efficiency and effectiveness in government organizations, so that the vision and mission can be carried out properly and on target.

*Corresponding author. Email address: husnhaalmagfirahh@gmail.com

The budgeting process can be carried out using top down, bottom up, and participatory budgeting methods. According to Irfan Akhsan Lubis (2010), participation in the budgeting process is claimed by most people as a panacea to meet the needs for self-esteem and self-actualization of organizational members. Almost all studies on participation in the management process conclude that participation benefits organizations. Participation has shown a positive impact on employee attitudes, increasing the quantity and quality of production, and increasing cooperation among managers. So that the participatory budgeting process is considered capable of improving the performance of companies and organizations in the public sector.

However, the budget is used as a measure of management performance as well as an evaluation tool in the organization. Budget emphasis like this can allow the emergence of budget slack or budgetary slack. Performance appraisal based on the achievement or failure of the budget target will encourage subordinates to create slack with the aim of increasing the prospect of compensation in the future.

Kartika (2010), and Karsam (2013) research which states that budgetary participation can lead to budgetary slack, because each individual participates in budget preparation and has an influence on budget targets and is often dominated by executive and legislative interests so that it does not reflect community needs and can lead to budgetary slack.

However, several other studies have shown inconsistent results, where research conducted by Siti (2011) revealed that budgetary slack can be reduced by participation in budgeting. Participation in budgeting is expected to help the budgeting process to achieve good results. This contradictory result is thought to occur because there are other factors that also affect the relationship between participatory budgeting and budgetary slack (Latuheru, 2005). Based on the description and facts above, the author wants to examine the Effect of Participatory Budgeting on Budgetary Slack in the Majene Regency Government.

2. LITERATURE STUDY

According to Arfan (2010), participation is "a joint decision-making process by two or more parties where the decision will have a future impact on those who make it". According to Young (1985) as quoted in Miyati (2014), participation is defined as a process where the superior chooses the form of the compensation contract and the subordinate is allowed to choose the specific value of each parameter in the contract. Meanwhile, according to Milani (1975) as quoted in Miyati (2014), budget participation is a reflection of the perspective of subordinate managers regarding the level of involvement experienced by subordinates in budgeting, the type of logical decision making provided by a superior when the budget is corrected, the frequency associated with budget discussed and agreed with his superiors, the subordinate's much influence on the final budget and his contribution/contribution of thoughts to the budget.

The definition made in the private sector by Young (1985) as quoted in Miyati (2014) budgetary slack is an act in which agents overestimate their productive capacity by estimating lower incomes and higher costs when given the opportunity to choose work standards so as to improve their performance. According to Arfan (2010) defines budgetary slack as the difference between the resources that are actually needed efficiently and a larger amount of resources to complete a task. In other words, slack is inflated budget.

THE INFLUENCE OF PARTICIPATORY BUDGETING TO BUDGETARY SLACK IN LOCAL GOVERNMENT AT MAJENE REGENCY

Starting from the literature review above, the hypotheses of this study are:

- It is suspected that participatory budgeting has a positive effect on budgetary slack (H1).

3. RESEARCH METHODOLOGY

The research method that will be conducted is quantitative research. According to Sugiyono (2015) Quantitative research is a research method based on the philosophy of positivism. The philosophy of positivism views that reality/symptoms/phenomena can be clarified, relatively fixed, concrete, observable, measurable, and the relationship of symptoms is causal (Sugiyono, 2015). This study will describe the relationship between participation in budgeting and budgetary slack. The data collection method used in this study was survey to obtain data from the field.

This research was carried out at the Regional Government (Pemda) of Majene Regency. Research questionnaires were spread among Structural officials with Echelon III and IV positions (head of division/head of office/head of sub-section/secretary of regional offices and agencies) who participate directly in the budgeting process. They are employed at the Regional Secretariat, Secretariat of the Regional People's Representative Assembly, Inspectorate, 21 Services, and 6 Bodies within the scope of the Regional Government of Majene Regency, Researchers distributed 83 questionnaires and as many as 70 returned questionnaires, so there is only 84% respond rate. Seventy returned questionnaires could be used as the research data.

According to Milani (1975) in Miyati (2014) the indicators of the budget participation variable are:

- a. How far the budget is affected by the involvement of managers.
- b. The managers' reason when revising the budget.
- c. The desire to give opinions or suggestions to the managers without being asked.
- d. How far the managers have influence in the final budget.
- e. The importance of subordinates contributing to the budget
- f. Superiors often ask for opinions when the budget is being prepared.

According to Dunk as quoted by Karsam (2013:33), the characteristics of budgetary slack include:

- a. The standards in the budget do not encourage increased productivity.
- b. Budgets are easy to realize.
- c. There are no limitations that must be considered, especially the limits set for costs.
- d. The budget does not require anything special.
- e. The budget does not encourage efficiency.
- f. The general targets set in the budget are easy to achieve.

This study uses the Pearson product moment correlation technique to test the validity with the condition that if the value of $r_{count} > r_{table}$, the question item is declared valid. A questionnaire is said to be reliable when a person's answer to the questionnaire is stable over time. This study uses the Cronbach alpha technique to measure reliability.

This research uses Simple Linear Regression Analysis because there is only one proposed variable in this study, which is participatory budgeting. The statistical equation is given as follow:

$$\text{Slack} = \alpha + \beta_1 \text{participatory} + e \quad \text{Slack} = \text{Budgetary Slack}$$

α = constant

Participatory = participatory budget β_1 = regression coefficient

e = error term

The t-statistical test basically shows how far the influence of one explanatory/independent variable individually in explaining the variation of the dependent variable. If t Count > from t Table and Sig value < 0.05, then it is stated that variable X has an effect on variable Y. If t Count < from t table and Sig value > of 0.05, it is stated that variable X has no effect on variable Y. The coefficient of determination (R²) essentially measures how far the model's ability to explain variations in the dependent variable is.

4. RESULT AND DISCUSSION

Characteristics of respondents in this study include gender and education level. The majority of respondents were male with a total of 47 people or 67% of the total respondents, while the rest were female with a total of 23 people or 33% of the total respondents. The education level of the respondents is SLTA-S3 with the education level of the majority of respondents being S1 which is 48 people or 68% of the total respondents.

Questionnaire Results

Based on the results of the survey using the questionnaire, the answers to each statement of the budget participation variable are obtained, namely:

Table 1: Distribution of Answers for Budget Participation Variables

Statement	Strongly disagree		Disagree		Neutral		Agree		Strongly agree	
	Σ	%	Σ	%	Σ	%	Σ	%	Σ	%
1	0	0%	2	3%	1	1%	50	72%	17	24%
2	0	0%	2	3%	4	6%	56	80%	8	11%
3	0	0%	2	3%	28	40%	38	54%	2	3%
4	0	0%	2	3%	25	36%	38	54%	5	7%
5	0	0%	0	0%	3	4%	46	66%	21	30%
6	0	0%	0	0%	6	9%	43	61%	21	30%
TOTAL	0		8		67		271		74	

Source: Data processed, 2018

From the discussion above, it can be concluded that none of the respondents chose the category of strongly disagreed statements in answering statement about budget participation so that it can be said that the answers to strongly disagree statements have

THE INFLUENCE OF PARTICIPATORY BUDGETING TO BUDGETARY SLACK IN LOCAL GOVERNMENT AT MAJENE REGENCY

no impact in assessing budget participation. Furthermore, the results of the survey using the questionnaire, the answers to each statement of the village economic development variables are obtained, namely:

Table 2: Distribution of Answers to Budgetary Slack Variables

Statement	Strongly disagree		Disagree		Neutral		Agree		Strongly agree	
	Σ	%	Σ	%	Σ	%	Σ	%	Σ	%
1	0	0%	1	1%	2	3%	54	77%	13	19%
2	0	0%	0	0%	1	1%	56	80%	13	19%
3	0	0%	0	0%	0	0%	41	59%	29	41%
4	0	0%	0	0%	6	9%	58	83%	6	9%
5	0	0%	0	0%	3	4%	42	60%	25	36%
6	0	0%	7	10%	3	4%	58	83%	2	3%
TOTAL	0		8		15		309		88	

Source: Data processed, 2018

From the discussion above, it can be concluded that none of the respondents chose the category of strongly disagreed statements in answering statements about budgetary slack so it can be said that the answers to statements strongly disagree had no impact in assessing budgetary slack.

The results of the validity test using the SPSS Version 21 program can be seen as follows:

Table 3 Results of the Validity Test of Budget Participation Instruments

Item	<i>Pearson Correlation</i>	r- table	Significancy	Description
X1	0,528	0,235	0.000	Valid
X2	0,382	0,235	0.005	Valid
X3	0,453	0,235	0.000	Valid
X4	0,476	0,235	0.000	Valid
X5	0,499	0,235	0.000	Valid
X6	0,536	0,235	0.000	Valid

Source: Data processed, 2018

Table 4 Test Results of the Validity of the Budgetary Slack Instrument

Item	<i>Pearson Correlation</i>	r- table	Significancy	Description
Y1	0,325	0,235	0.006	Valid
Y2	0,382	0,235	0.001	Valid
Y3	0,340	0,235	0.004	Valid
Y4	0,376	0,235	0.001	Valid
Y5	0,261	0,235	0.029	Valid

Y6	0,347	0,235	0.003	Valid
----	-------	-------	-------	-------

Source: Data processed, 2018

Based on Table 3 and Table 4 above, all statement items from the budget participation variable which amounted to 6 statement items and the budgetary slack variable which amounted to 6 statement items were valid. It is declared valid because r count or Pearson Correlation is equal to or greater than the r-table value (0.235).

Hasil tes reliabilitas dengan menggunakan bantuan program SPSS Versi 21 dapat dilihat sebagai berikut:

Table 5 Reliability Test Results of All Instruments

Total Item	Cronbach's Alpha	Description
12	0,675	Reliabel

Source: Data processed, 2018

Based on Table 5 above, all the variables tested are declared reliable because they have Cronbach's Alpha or an alpha coefficient greater than 0.60.

Table 6 Simple Linear Regression Analysis Results

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
	(Constant)	13.066	1.984		
1 Participatory Budgeting	.245	.083	.338	2.957	.004

a. Dependent Variable: Budgetary Slack

Source: Data processed, 2018

$$Y = \alpha + \beta_1 X + e$$

$$Y = 13,066 + 0,245X + e$$

The interpretation of simple linear regression test results can be seen as follows this result indicates that Participatory Budgeting has a significant positive effect on the Budgetary Slack variable, meaning that the higher the level of participation in the budgeting process, the higher the chance of budgetary slack. So it can be concluded that the hypothesis (H1) which states that participatory budgeting has a positive effect on Budgetary Slack is accepted.

The results of this study are consistent with the results of research conducted by Miyati (2014) and Putu Novia Hapsari Ardianti, et al (2015) which state that Participatory Budgeting has a positive effect on budgetary slack. Even under the most ideal conditions, participation in goal setting has its own limitations. The participatory process gives managers the power to determine the content of their budgets. This power is used by creating dysfunctional consequences for the organization, one of which is budgetary slack. The agency relationship between the Regional Head (Regent) and Head of Service/Office/Agency, head of division, head of subsection is the Regional Head (Bupati) acting as the principal and the Head of the Office/Office/Agency as agent, where the risk of environmental uncertainty and performance appraisal becomes the motivation to carry out a budgetary slack.

THE INFLUENCE OF PARTICIPATORY BUDGETING TO BUDGETARY SLACK IN LOCAL GOVERNMENT AT MAJENE REGENCY

Budgetary slack created by regional officials tends to be a positive budgetary slack, because it maintains its relationship with regional heads and secures jobs, positions or positions in government (Mardiasmo, 2001). Another thing that encourages budgetary slack is to relieve pressure and frustration associated with the budget so as to create more flexibility and certainty to achieve personal and agency goals.

The determinant coefficient measures how far the model's ability to explain variations in the budgetary slack variable is.

Tabel 7 Test Results of the Coefficient of Determination

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.338 ^a	.114	.101	1.299

a. Predictors: (Constant), Participatory Budgeting

Source: Data processed, 2018

One factor that is considered to have another major influence in creating budgetary slack is individual factors such as ethics or morals. Ethics are values, norms adopted by individuals who view a problem as something good, honest, or dishonest, so this will have an impact on how a person behaves and acts in the organization. The existence of asymmetry information is also considered to have contributed greatly to the occurrence of budgetary slack, the difference in information held by subordinates and superiors is considered to greatly affect the relationship between participatory budgeting and budgetary slack.

5. CONCLUSION

Based on the results of the analysis in the previous chapters, it can be concluded that Participatory Budgeting has a significant positive effect on the Budgetary Slack variable, this indicates that the higher the level of participation in the budgeting process, the higher the chance of budgetary slack.

As for some suggestions that researchers can convey are as follows: The sample used in this study was only Echelon III and IV officials, this may limit the generalization of the research results. Next research was expected to increase the sample of Echelon II officials in order to obtain an appropriate generalization of research results. Research data collection using an instrument based on respondents' perceptions, this can cause problems if the respondent's perceptions are different from the actual situation, then next research was expected to use different research methods, such as conducting direct interviews with respondents to reflect answers to actual conditions. This study only used the budgetary participation variable as a variable that affected the emergence of budgetary slack, so further research can include other variables such as moderating variables of organizational commitment (Muh. Irfan, et al 2016 and Siti Pratiwi Husain 2011), organizational culture (Falikhatun 2007), leadership style (Arfan and La Ane, 2007), and ethical considerations (Miyati, 2014).

Reference

Arfan Ikhsan Lubis. (2010). *Akuntansi Keperilakuan*. Edisi kedua. Jakarta: Salemba Empat.
Arfan Ikhsan dan La Ane. (2007). "Pengaruh Partisipasi Anggaran terhadap

- Senjangan Anggaran dengan Menggunakan Lima Variabel Pemoderasi”. SNA X, Unhas Makassar.
- Falikhatus. (2007). “Interaksi Informasi Asimetri, Budaya Organisasi, dan Group Cohesiveness dalam Hubungan antara Partisipasi Penganggaran dan Budgetary Slack”. SNA X, Unhas Makassar.
- I Wayan Suartana. (2010). Akuntansi Keperilakuan Teori dan Implementasi. Yogyakarta: Andi
- Indra Bastian. (2006). Akuntansi Sektor Publik : Suatu Pengantar. Jakarta : Erlangga.
- Indrawati Yuhertiana. (2005). “Kajian Etika Budgetary Slack Di Organisasi Sektor Publik Menurut Perspektif Gender”. Simposium Riset Ekonomi II Surabaya. 23-24 November 2005.
- Karsam. (2013). ”The Influence of Participation in Budgeting on Budgetary Slack with Information Asymmetry as a Moderating Variable and Its Impact on the Managerial Performance (A Study on Yayasan Pendidikan dan Koperasi in the Province of Banten, Indonesia)”. International Journal of Applied Finance and Business Studies. 1(I).
- Lavarda, Carlos dan Almeida, Dalci. (2013). Budget Participation and Informational Asymmetry : a study in a multinational company. Brazilian Business Review. Vol. 10, No. 2. Pp. 72-94.
- Miyati (2014). Pengaruh Partisipasi Anggaran Terhadap Budgetary Slack Dengan Pertimbangan Etika Sebagai Variabel Moderasi (Studi Empiris Pada Satuan Kerja Perangkat Daerah Kulon Progo). Skripsi Universitas Negeri Yogyakarta
- Milani, K. (1975). “The Relationship of Partisipation in Budget Setting to Industrial Supervisor Performance and Attitude: A Field Study. The Accounting Review”. Vol. 50, pp. 274-278.
- Siti Pratiwi Husain. (2011). “Pengaruh Partisipasi Anggaran terhadap Senjangan Anggaran dengan Komitmen Organisasi Sebagai Variabel Moderating.” INOVASI. 8(III).
- Sugiyono (2015). Metode Penelitian Kuantitatif dan Kualitatif dan R&D. Bandung: Alfabeta
- Young, M.S. (1985). Participative Budgeting : The effects of Risk Aversion and Asymmetric Information on Budgetary Slack. Journal of Accounting Research. Vol. 23, No. 2. Pp.829-842.