

An Effect of Budget Participation and Information Asymetries Budgetary Slack Study at PT. Alfa Scorpio Gatot Subroto Medan

Rut Masidas Sibarani¹, Mika Debora Br Barus², Puja Rizqy Ramadhan³

^{1,2,3}Faculty of Social Sciences, Universitas Pembangunan Pancabudi Medan, Indonesia

rutmasidass@gmail.com, mika@dosen.pancabudi.ac.id

Abstract

This study aims to determine the effect of budgetary participation on budgetary slack, the effect of information asymmetry on budgetary slack, the effect of budgetary participation and information asymmetry on budgetary slack at PT. ALFA SCORPII GATOT SUBROTO MEDAN. The object of research is the manager and staff of 32 people who are involved in budget preparation. The data collection method in this study used a questionnaire. The analysis technique used is multiple linear regression. The results of this study indicate that based on the results of the F test, it is known that budgetary participation and information asymmetry simultaneously have a significant effect on budgetary slack. Budget participation has a significant effect on budgetary slack. Information asymmetry has a significant effect on budgetary slack.

Keywords

effect of bugetary;
collection; asymmetry



I. Introduction

Every company is always trying to survive in the flow of business competition. Business competition is getting more and more competitive. Organizations must have a good strategy in all respects. In conditions like this the company management is required to be able to run the company effectively and efficiently, especially in controlling its resources including human resources, so it needs a good control system so that the goals that have been set can be achieved.

One important element in the management control system is the budget. According to Nafarin (2007:11) "Budget is a periodic quantitative plan (unit of amount) which is prepared based on a program that has been approved. The participatory role of middle-level management and lower-level management in the budget-setting process provides an opportunity to convey aspirations to achieve the set budget. Individual involvement in budget participation can lead to positive behavior by increasing performance and negative behavior by creating budgetary slack (Jermias & Yigit, 2013).

Another factor that causes budget slack, the existence of information asymmetry describes the mastery of information that can trigger individuals to provide biased information (Savitri & Sawitri, 2014).

Implementation of regional autonomy causes changes in the area of financial management in the form of budgeting reforms from traditional budget system to performance budget system. In the budgeting process should include the participation in various parties. Budget planning process of participatory model often creates some problems. According to Hansen and Mowen (2007) budget participation has the potential problem on the standard used tend to be too high or too low and there is a tendency manager performs budgetary slack. When subordinates pressed to achieve the targeted budget, it allows the tendency to make budgetary slack. One of the factors that have

influence on the emergence of slack is the participation in the budget. Previous research that examined the relationship between budgetary participation and budgetary slack showed inconsistent results. Research conducted Young (1985), Hafsah (2005), Falikhatus (2007), Bangun, et al. (2012) and Ajibolade and Akinniyi (2013) show that the budget participation has a positive relationship with budgetary slack. Unlike Dunk (1993), Ramdeen, et al. (2007), Kren and Maiga (2007) and Ardanari and Putra (2014) who found that high budget participation can reduce the occurrence of budgetary slack. The inconsistency of the results of previous studies allegedly because there are other variables that affect the relationship between participation in the preparation of the budget for the possibility of budgetary slack. Factors that affect the relationship between budgetary participation and budgetary slack are asymmetry of information and organizational commitment. (18) (PDF) The Effect of Budget Participation on Budgetary Slack with Information Asymmetry and Organizational Commitment as a Moderating Variable. Available from:

https://www.researchgate.net/publication/344170576_The_Effect_of_Budget_Participation_on_Budgetary_Slack_with_Information_Asymmetry_and_Organizational_Commitment_as_a_Moderating_Variable [accessed Oct 25 2022].

According to Suartana (2010:137) budgetary slack is a budgeting process where distortions are found intentionally by reducing budgeted revenues and increasing budgeted costs so that budget targets can be easily achieved. Indications of new budgetary slack can be assessed when the budget is realized.

Budgetary slack is a budgeting process where there are deliberate distortions by reducing budgeted income and increasing budgeted costs so that budget targets can be achieved easily (Suartana, 2010: 137). One of the causes of budgetary slack is dysfunctional behavior because in its drafting the legislature tries to fulfill its personal interests that pay less attention to the interests of the community (Erina & Suartana, 2016). Agents can abuse the power they have by making the revenue budget lower and the cost budget higher than the organization's best estimate through making a budgetary slack in order to find it easier to achieve predetermined budget targets (Sujana, 2010) Agents undertake budgetary slack in order to find ways to protect themselves from the risk of not achieving the planned budget targets (Ajibolade and Opeyemi, 2014) Badung Regency has undergone budgeting reforms since the enactment of regional autonomy as regulated in Law No.32 of 2004 on regional governance.

This budgeting reform resulted in a change in the budget system from the traditional budget system to a performance budget system. Performance appraisal based on whether or not the set budget targets have been achieved is what encourages someone's behavior to carry out a budgetary slack for the sake of ensuring their career in the future. Public sector organizations in preparing budgets are guided by the concept of value for money to avoid assessing inefficiency, waste, sources of leakage of funds, and agencies that are always at a loss.

The concept of value for money according to Mardiasmo (2018) is a concept of managing public sector organizations that is based on three main elements, namely economy, efficiency, and effectiveness as well as two additional elements, namely equity and equality. Economics means that public sector organizations can avoid wasteful and unproductive spending. Efficiency means the comparison of outputs or inputs associated with predetermined performance standards or targets. Effectiveness means the level of achievement of program results with the targets set. Justice (equity) refers to the existence of getting quality public services and economic welfare. Equality means that the use

of public money is not only concentrated in certain groups, but is carried out equally. The concept of value for money has not been applied when designing a budget if a situation is caused by a form of greater income or efficiency of expenditure, resulting in an excess of budget financing (SILPA) (Widanaputra & Mimba, 2014). SILPA can assess the performance of officials as good because, they have carried out activities that exceed the target and the expenditures made to finance these activities are lower than planned. Badung Regency OPD was chosen in this study because in Bali, the Badung Regency Government has the largest regional income and the highest financial capacity.

II. Review of Literature

2.1 Theoretical Review

a. Agency Theory

Agency theory explains the delegation of principal authority to the agent to carry out the duties and responsibilities of management. The agent theory in the practice of the budget gap is influenced by the conflict of interest between the principal and agent regarding the achievement of budget targets (Lubis, 2017).

b. Motivation Theory

Motivation according to Abraham Maslow (1908-1970) in Bangun (2008: 119) refers to 5 basic needs that are arranged hierarchically as follows:

1. Physiological needs are these needs seen in three main things, namely clothing, food, and shelter. For employees, the need for salaries, overtime pay, gifts and other facilities such as houses and vehicles.
2. The need for a sense of security, leads to a sense of security, peace and assurance of a person in his position, position, authority and responsibility as an employee.
3. Social needs, namely the need for affection and friendship in the work group. The growing sense of togetherness, including a sense of belonging, can improve relations with the necessary parties.
4. The need for achievement, position and promotion in the field of employment.
5. Self-actualization needs, everyone wants to develop their work capacity well. In work motivation at this level, management skills are needed to be able to synchronize the ideals of self and the ideals of the organization. According to Von Hagen (2002) in Abdullah (2012) the gap to increase the budget is due to personal needs in the form of enjoyment, a comfortable workplace, being able to take advantage of office facilities for personal interests. So from this explanation it can be concluded that budgetary participation will affect the desire to increase the budget so that budgetary slack occurs.

2.2 Planning

Planning is a process of preparing decisions to be carried out in the future, in order to achieve certain goals. Planning or familiar with the term planning is one of the most important management functions. A plan will greatly affect the success and failure of a job. Therefore good work is planned and we should do the work according to what has been planned.

The principles of a plan are as follows:

1. Choices
2. Resource transfer assignment
3. Determination and efforts to achieve development goals and objectives
4. System thinking, holistic and sustainable

The benefits of planning are as follows:

1. As a guide and reference for development
2. Minimize uncertainty
3. Minimize resource inefficiency
4. Standard setting in quality control
5. Produce better conditions

2.3 Budgetary Slack

Budgetary slack is the constraint that most often appears in a budgeting process, which results in the loss of the best estimate of the budget itself which affects the performance of an organization.

According to Horngren (2014) budgetary slack is reducing revenue gains and exaggerating budget costs to facilitate the achievement of budget targets. In budgeting, there is also a slack budget, which is a condition where the difference between the stated budget and the best estimate of the budget can be honestly predicted. Budgetary slack can occur on an ongoing basis and affect the preparation of the next period's budget and then it will increase along with the year of the budget period. The impact can result in inefficient allocation of resources, the set budget becomes ineffective, and the function of the budget as a tool to assess staff performance does not function properly.

2.4. Budget Participation

The budget in general is one of the tools for management in carrying out its functions, especially in planning and controlling. The value of a budget depends on budget planning and control, if there is a deviation or budget execution because it is too high in its determination, a way to control it is needed, namely by reviewing the results of the previous budget determination.

According to Lubis (2017) participation in the budget design process is a joint decision-making process in the management process. Budgeting participation is needed because subordinates are more aware of the immediate conditions of their organizational unit. Thus, goals will be more acceptable if all members of the organization can participate in organizational goals and are involved in determining the steps to achieve these goals. However, if it is not reviewed properly by superiors, subordinates tend to make budgets that are easy to achieve in terms of avoiding risks where there is an individual opportunity to do budgetary slack for personal gain. Previous research explains that without top management participation, will lead to a tendency for managers to "play" in the budget system (Armaeni 2012). Based on the explanation described above, the researcher believes to build a hypothesis: H1=Budget participation has an effect on budgetary slack.

III. Research Method

3.1 Research Approach

Determining the type of research is very important in analyzing research. This research is included in associative research using a quantitative approach. Causal research is research that aims to determine the effect between two or more variables. This study will explain the influence and influence relationship of the variables to be studied. Quantitative approach is used because the data used will analyze the relationship between variables expressed in numbers. This study relates the effect of budgetary participation and information asymmetry on budgetary slack.

3.2 Population and Sample

The population is a generalization area consisting of: objects/subjects that have certain qualities and characteristics determined by researchers to be studied and then drawn conclusions (Sugiyono, 2007:72). The population used in this study were employees of PT. Alfa scorpii Gatot Subroto Medan, which amounted to 52 people but who participated in the preparation of the budget there were 32 people, both branch offices, Simpang Pemda sales posts and Sei Mencharim sales posts, based on the criteria above, the number of research samples taken was 32 people, with details as follows:

Table 1. Number of Research Samples

No	Part	Population	Sample
1	Branch head	1	1
2	Supervisor	4	4
3	Marketing Executive	10	10
4	Finance	4	4
5	Administration	6	6
6	Service advisor	7	7
7	Total	32	32

The data that will be used in this study is subject data which is a type of research data in the form of opinions, attitudes, experiences or characteristics of a person or group of people who are research subjects. Primary data sources are research sources obtained directly from original sources (not through intermediary media). This primary data was collected using a questionnaire method, in the form of answers from respondents to statements that contained research instruments, namely budget participation, information asymmetry and budgetary slack.

IV. Result and Discussion

Researchers collected respondent data for approximately 1 (one) month. The data in this study were obtained by researchers from respondents by distributing questionnaires. Questionnaire statistics are shown in Table 3 below

Table 2. Questionnaire Statistics

Information	Amount	Percentage
Questionnaire distributed	32	100%
Questionnaire that is returned and worth using	32	100%

Source: Primary Data processed, 2022

Table 2 shows the distribution of 32 questionnaires. To explain the background of the respondents who became the sample in this study, a table description of the respondent's profile was made. The characteristics of the respondents are shown in Table 4 below:

Table 3. Demographics of Respondents

Characteristics	Frequency	Percentage
Gender		
- Man	12	37.5%
- Woman	20	62.5%
Age		
- 21-30 Years	11	34.375%
- 31-40 Years	9	28.125%
- 41-50 Years	7	21.875%
- >50 Years	5	15.625%
Educational stage		
- S2	3	9.375%
- S1	21	65.625%
- D3	5	15.625%
- SENIOR HIGH SCHOOL	1	3.125%
- SMK	2	6.25%
Length of work		
- <5 Years	11	34.375%
- 5-10 Years	15	46.875%
- >10 Years	6	18.75%

Source: Primary Data processed, 2022

Table 3 shows a detailed description of the respondents in this research. Description of the respondent's profile consists of gender, age, education level and length of work. Based on table 4, it can be concluded that the majority of respondents are female by 62.5%, the average age is 21-30 years by 34.375%, the level of education is undergraduate (S1) with a long working period of more than 5 years.

This study uses multiple linear regression model, the data must be tested for validity and reliability. The following are the results of the validity test on the statements of budget participation, information asymmetry and budgetary slack.

Table 4. Validity Test Results

Question	R Count	R Table	Information
P1	0.634	0.361	R Count > R Table, Valid
P2	0.479	0.361	R Count > R Table, Valid
P3	0.572	0.361	R Count > R Table, Valid
P4	0.602	0.361	R Count > R Table, Valid
P5	0.691	0.361	R Count > R Table, Valid
P6	0.537	0.361	R Count > R Table, Valid
P7	0.78	0.361	R Count > R Table, Valid
P8	0.645	0.361	R Count > R Table, Valid
P9	0.752	0.361	R Count > R Table, Valid
P10	0.404	0.361	R Count > R Table, Valid
P11	0.529	0.361	R Count > R Table, Valid
P12	0.649	0.361	R Count > R Table, Valid
P13	0.714	0.361	R Count > R Table, Valid
P14	0.638	0.361	R Count > R Table, Valid
P15	0.799	0.361	R Count > R Table, Valid
P16	0.58	0.361	R Count > R Table, Valid
P17	0.64	0.361	R Count > R Table, Valid
P18	0.595	0.361	R Count > R Table, Valid

P19	0.713	0.361	R Count > R Table, Valid
P20	0.752	0.361	R Count > R Table, Valid
P21	0.638	0.361	R Count > R Table, Valid
P22	0.638	0.361	R Count > R Table, Valid
P23	0.608	0.361	R Count > R Table, Valid
P24	0.721	0.361	R Count > R Table, Valid
P25	0.675	0.361	R Count > R Table, Valid
P26	0.638	0.361	R Count > R Table, Valid
P27	0.581	0.361	R Count > R Table, Valid
P28	0.701	0.361	R Count > R Table, Valid

Source: Primary Data processed, 2022

Based on table 4 shows that all questions in the questionnaire distributed to respondents are declared valid. The benchmark value for the validity test is rcount which gets a value greater than 0.361.

1. The Effect of Budget Participation on budgetary slack

The results of the hypothesis test show that the coefficient of budget participation is 0.677 with a significance level of $0.009 < 0.05$, indicating that budget participation has a significant effect on budgetary slack. This means that if budgetary participation increases, then budgetary slack also increases and vice versa.

2. Effect of Information Asymmetry on budgetary slack

The results of the hypothesis test show that the coefficient of Information Asymmetry is 0.787 with a significance level of $0.006 < 0.05$, so information asymmetry has a significant effect on budgetary slack. This means that the difference in information owned by superiors and subordinates greatly affects budgetary slack.

3. Effect of Budget Participation and Information Asymmetry on budgetary slack

The results of the hypothesis test show that the coefficient of determination is $R^2 = 0.639$. This value means that all independent variables, namely budgetary participation and information asymmetry, simultaneously affect the budgetary slack variable by 63.9%, the remaining 36.1% is influenced by other factors.

V. Conclusion

Based on the results of the study it can be concluded that:

1. Budget participation has a significant effect on budgetary slack, it can be seen from the t test.
2. Information asymmetry has a significant effect on budgetary slack, it can be seen from the t test.
3. Based on the results of the F test, it is known that budgetary participation and information asymmetry simultaneously or jointly have a significant effect on budgetary slack.

Based on the results of the discussion and conclusions, the authors try to provide suggestions as input for companies that are expected to be useful both for the future.

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