

Determining factors of budgetary slack in local governments budget information system

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Abstract. This study aimed to test the information asymmetry, budget participation, organizational commitment, and budget emphasis on the incidence of budgetary slack in Local Government budget information system Agencies in the Bantul RR Regency. The population in this research is the whole range of the Local Government Agencies in Bantul Regency. The sample was taken there were only related employees in the process of developing, the budget and accountability, and working at least 1 year, the respondents as many as 96. The sampling technique used purposive sampling. The data analysis technique used in this research includes the quality of data consists of the validity and reliability test, the hypothesis consisting of the multiple linear regression analysis, the F test, the t-test with a significant level (alpha) of 5%, and the R² test. This research result indicates that; information asymmetry has had a positive impact on budgetary slack. Budget participation has had a positive impact on budgetary slack. Organizational commitment will not affect budgetary slack. Budget emphasis has had a positive impact on budgetary slack.

1. Introduction

Private organizations and public sector organizations have goals and objectives that have been previously set by each organization to achieve ~~that~~ the goals and objectives of the organization ~~can be achieved~~, ~~an~~ An organization must have a good strategy for managing its resources. Resources owned by the organization must be used effectively, efficiently, and optimally [1]. The budget is an important part of both public and private sector organizations. The budget plays an important role as an important tool used ~~—~~ for effective short-term planning and control in organizations [2]. The implementation of government programs is included in the budget that has been designed. Unlike the case with budgets, public sector organizations must be informed to the public so that they can be given input, criticism, and can also be discussed [3]. Local government planning and budgeting is a key factor in the effectiveness of good regional financial management in increasing the success of fiscal decentralization. The budget preparation process can be said to be good if it involves all parties, from lower to top management. Harmony between organizational and personal goals can be achieved if all parties have a positive attitude, but if they have a negative attitude it will trigger the potential for budgetary slack [4]. Budget can be said to be a problem if there is a budgetary slack in the budget, it can lead to ineffective and inefficient allocation of resources. Budgetary slack is the action of subordinates to reduce production capacity when given the opportunity to determine budget performance standards to increase the achievement of budget targets [5]. Subordinates limit the slack in their budget far below the maximum limit despite having five years of experience [6]. Budgetary slack has a major influence

on the workings of the budget in an organization [7]. Budget can be said to be a problem if there is a budgetary slack in the budget, it can lead to ineffective and inefficient allocation of resources. A budget that already has a budgetary slack can affect the budget in the following years, if it is allowed to continue, it can be concluded that the organization's performance is not good [8].

One of the conditions that can cause budgetary slack is the asymmetry of information. Information asymmetry can occur when subordinates have high levels of information and knowledge compared to superiors and know what an organization needs [9]. Such circumstances can cause subordinates to make a budget plan that can lead to budgetary slack [10] [11] [12] [11]. The interaction of information asymmetry is a major factor in budgetary slack [9]. Previous research has found information asymmetry of information affects the budget gap [13] [14] [15]. Meanwhile, several studies show different results that information asymmetry has no effect on budgetary slack [16] [17].

Budget participation is also one of the factors that are considered to influence the occurrence of budgetary slack. Budget participation has many uses, but it also has limitations and problems. Motivation and individual ability to achieve budget targets can decrease if participation is not carried out properly [18]. Involvement in budgeting increases the tendency to create budgetary gaps [19]. Employee involvement in budgeting has a positive relationship with budgetary slack [20] [21] [22] [9]. Increasing budgetary participation in strategic planning leads to the creation of budgetary slack. However, several other researchers have found that budget persistence does not affect budgetary slack [23] [5] [11] [16].

Another factor that influences budgetary slack is organizational commitment. Individuals who commit to the organization where they work are a reflection of organizational commitment and are a guarantee for maintaining the continuity of the organization going forward [2]. High commitment will be able to make individuals more concerned about the future of the organization and always try to make the organization better [14]. High organizational commitment effectively reduces the budget gap [19]. Previous research has shown that organizational commitment hurts the occurrence of budgetary slack. However, several studies state that organizational commitment does not affect the budget gap [24] [6]. Another factor that is considered to trigger budgetary slack is budget emphasis. Budget emphasis includes: profit generated, focus on work, attention to quality, ability to achieve targets, harmony in the work environment, efficiency, attitudes towards work, and relationships with colleagues. Emphasis on the budget is pressure from superiors to subordinates who if they are less than the budget target will be sanctioned and if they can exceed the budget target, they will be compensated [9]. Subordinates believe that if the achievement of budget targets is successfully achieved, they will get an award so that subordinates will try to create gaps in the prepared budget [24]. Several studies have shown that budget emphasis has a positive effect on budgetary slack [7] [4] [21]. Meanwhile, other research shows that an increase in the budget does not affect budgetary slack [7].

Budgetary slack can only be assessed when the budget has been realized. Currently, the Bantul local government in preparing a budget work plan already has integrated electronic planning, budgeting, and performance system application, however Based on Budget data and Regional Revenue and Expenditure Realization (OPD) in Bantul Regency from 2013 to 2017 there are indications of a budgetary slack, it can be seen from the following table:

Table 1. Budget and realization of Bantul regency government revenue for fiscal year 2013 to 2017

Years	Budget Revenue	Realization	Budget Spending
2013	1.503.865.465.664,67	1.520.302.995.802,31	16.437.230.137,64
2014	1.733.247.144.497,78	1.813.917.142.695,75	80.669.998.197,97
2015	1.914.059.443.086,67	1.951.223.236.705,05	37.163.783.68,38
2016	2.092.586.355.760,60	2.000.334.166.353,84	(92.252.189.416,76)
2017	2.095.073.460.546,68	2.086.878.989.570,45	(8.194.470.976,23)

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Table 2. Budget and realization of Bantul regency government expenditures for the 2013-2017 fiscal years

Years	Budget Expenditure	Realization	Budget Spending
2013	1.570.168.261.924,38	1.387.719.170.740,07	182.449.091.184,31
2014	1.901.355.826.511,47	1.700.351.278.809,56	201.004.547.701,91
2015	2.179.257.337.075,43	1.933.302.495.457,00	245.954.841.618,43
2016	2.358.567.406.918,41	2.016.543.978.974,11	342.023.427.944,30
2017	2.544.602.101.218,22	2.076.742.163.062,60	467.859.938.155,62

Based on Table 1. and Table 2. ~~above~~ shows the possibility of budgetary slack in the OPD Bantul Regency. It can be seen that in 2013 to 2015 the realization of the revenue budget could exceed the stipulated budget targets so that it could be considered that OPD performance was considered good, while the regional budget targets for 2013 to 2017 were greater than the realization of expenditures made, so it could be assumed that OPD could save on expenditure costs. Budgetary slack occurs because the revenue realization exceeds the target set from the budget and the expenditure realization is below the target set from the budget, this is done because it is suspected that the OPD performance looks good. (Basyir, 2016). Research on the effect of information asymmetry, budget participation, organizational commitment, and budgetary emphasis on budgetary slack is still interesting to study because there are still inconsistent previous studies and the phenomenon of the occurrence of budgetary slack in the Regional Apparatus Organization (OPD) of Bantul Regency. This study aims to determine the effect of information asymmetry, budgetary participation, organizational commitment, and budget emphasis on budgetary slack in Regional Apparatus Organizations in Bantul Regency.

2. Research Methods

This study uses a survey method that is used to determine the factors that affect the budgetary slack information system of the Bantul regional government. The offices and agencies that joined the OPD Bantul Regency became the population in this study, amounting to 19 offices and 5 agencies. The method of determining the sample using purposive sampling, namely the criteria of employees who are only directly related to the process of preparing, implementing, and accounting for the budget and have worked for at least 1 year.

All variables are measured using several question items in the questionnaire, namely on a Likert scale of 1 to 5. The indicators developed by [9] total 6 indicators are used to measure information asymmetry (AIA) variables. The budget participation variable (BPPAA) measurement indicator, which consists of 6 indicators, was developed by [17] and used by [14]. Measurement of the organizational commitment (KOC) variable uses 7 indicators used by [25]. Budget emphasis is measured using 7 indicators. Meanwhile, the budgetary slack (BS) variable is measured using the Dunk indicator and 6 indicators used by [1].

The type of data in this study is primary data, the data obtained are in the form of numbers. The data instrument in the study used a questionnaire. The data quality test used consisted of validity and reliability tests. Multiple linear regression analysis is used to determine or obtain an overview of the influence of independent variables, including information asymmetry (IA), budget participation (BP), organizational commitment (OC), and budget emphasis (BE) on the dependent variable, namely budgetary slack (BS) partially or simultaneously. The t statistical test is used to show how far the influence of IA, BP, OC, BE individually on BS. Testing with the t-test with a significant level (alpha) of 5%.

3. Result and Discussion

Multiple linear regression test, F simultaneous test, t statistical test, and coefficient of determination (R²) test were used in this research hypothesis test. This study examines the effect of information asymmetry, budget participation, organizational commitment and budget emphasis on budgetary slack in the Bantul local government budget information system. All test results can be seen in the table below:

Table 36. Hypothesis test results

	B	T	Sig.
(Constant)	4,200	1,791	0,077
Information Asymmetry	0,124	2,413	0,018
Budget Participation	0,344	3,762	0,000
Organizational Commitment	0,124	1,457	0,149
Budget Emphasis	0,157	2,010	0,047
F Hitung = 15,024			0,000
Adj. R Square = 0,371			

The test results are presented in Table 36. shows the positive influence between the variable information asymmetry on budgetary slack in the Regional Apparatus Organization (RAO) Bantul Regency. It can be seen from the significance value of 0.018 less than 0.05 with an at-count value of 2.413 and a coefficient β value of 0.124 which indicates that the information asymmetry variable has a positive effect on budgetary slack so that if the information asymmetry increases, budgetary slack will also increase. This research is in line with the results of research conducted by [26] [27] [28] [9] [25] s Merchant (1985), Dunk, (1993), Dunk & Nouri (1998), Faria and Silva (2013), Alfebriano (2013), Basyir (2016) who prove that information asymmetry has a positive effect on budgetary slack. According to Tenriwaru, if information asymmetry increases in the budget preparation process, it will increase the occurrence of budgetary slack.

The budget participation variable also shows the results have a positive effect on budgetary slack. It can be seen from the significance value of 0.000 less than 0.05 with a t value of 3.762 and a coefficient β value of 0.344 which indicates that the budget participation variable has a positive effect on budgetary slack. So that if budget participation increases, then budgetary slack will also experience enhancement. Subordinates will be directly involved in the budget formulation process and propose opinions and information that will tend to loosen the budget so that it is easy to reach. This research is in line with the results of research conducted by [20] and [21] which prove that budget participation has a positive effect on budgetary slack, meaning that the higher budget participation that is done, it will be able to increase the occurrence of budgetary slack. [28] Untari et al. (2017) stated that high budget participation in budgeting can provide opportunities for subordinates to create budgetary slack. Subordinates will be directly involved in the budget formulation process and propose opinions and information that will tend to loosen the budget so that it is easy to reach.

Furthermore, the variable organizational commitment does not affect budgetary slack in the Regional Apparatus Organization (RAO) of the Bantul Regency. It can be seen from the significance value of 0.149 greater than 0.05 with a t value of 1.457 and a coefficient of β of 0.124 which indicates that the organizational commitment variable does not affect budgetary slack. The results of this study are not in line with the research of [29] [8] who found that managers who have high organizational commitment tend to reduce the budget gap, but this study is in line with the results of research conducted by [25] and [2] who prove that organizational commitment does not affect budgetary slack. Organizational commitment is not possible because the commitment that individuals have is only concerned with something that is their responsibility, so they do not think about something that is outside their responsibility [29]. The absence of the effect of organizational commitment on budgetary slack in this study indicates the possibility that the high or low commitment of employees working in the Regional Apparatus Organization (OPD) of Bantul Regency is not possible to trigger budgetary slack.

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Budget emphasis has a positive effect on budgetary slack in the Bantul Regency Regional Apparatus Organization. It can be seen from the significance value of 0.047 which is smaller than 0.05 with the t value of 2.010 and the β coefficient value of 0.15779 which indicates that the budget emphasis variable has a positive effect on budgetary slack. so that if there is an increase in budget emphasis, then the budgetary slack will also increase. This research is in line with the results of research conducted by [7] which proves that budgetary emphasis has a positive effect on budgetary slack, meaning that the higher the budgetary emphasis, the higher the budgetary slack that will occur. Budget emphasis occurs when the budget target is used as a benchmark for subordinates' performance, so the subordinates will try to improve their performance by loosening the budget so that it is easily achieved, thus triggering a budgetary slack [23].

3-4. Conclusion and Implications

Based on the results of the testing and discussion that has been described, it can be concluded that the variables of information asymmetry, budget participation, and budget emphasis have a positive effect on budgetary slack in Bantul local government budget information system, while the variable organizational commitment does not affect budgetary slack. The implication of this research, especially for local governments, is to minimize and prevent budgetary slack and increase the effectiveness of government budgets. The budgeting system in the local government of Bantul already uses an integrated electronic system application for planning, budgeting, and performance information. Budgetary slack can be minimized and prevented if superiors closely supervise the budget submitted by subordinates so that it can be properly controlled and monitored. Ways to reduce the occurrence of information asymmetry, including through strengthened monitoring and improving the quality of disclosure.

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