

# Budgetary Slack: Planned Behavior Theory Perspective

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**ABSTRACT:** This study aims to examine the effect of budgetary participation, individual capacity, organizational culture, managerial trust on budgetary slack. The sample in this study were managers in manufacturing companies registered with the Banten Province Industry and Trade Service with managers per section, including production managers, purchasing managers, HR managers and finance managers. Withdrawal of samples using purposive sampling technique. The sample of this research is 56 respondents. This study uses multiple linear regression analysis. Based on the results of the study, it can be concluded that the variables Budgetary Participation and Managerial Trust have a positive and significant effect on Budgetary slack while Individual Capacity and Organizational Culture have no effect on Budgetary slack

**Keywords** – Budgetary Slack, Budgetary Participation, Managerial Trust, Individual Capacity, Organizational Culture

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## 1. INTRODUCTION

The budget plays an important role as a management tool to control the company's operations so that the strategy set can be used to achieve company goals. In addition, the budget also functions as a planning and control tool so that managers can carry out organizational activities more effectively and efficiently. The budget as a planning tool has a role in terms of planning financing and revenue in a responsibility center that will be achieved by the company within a certain period of time by carrying out various predetermined activities. Meanwhile, as a control tool, the budget plays a role in assessing the performance of managers by looking at the extent to which managers can achieve the targets set in the budget. Thus, through its budget and planning, the company can determine what activities will be carried out to translate the overall strategy into organizational plans and goals.

In the process of preparing the budget, it has a direct impact on human behavior (Warindrani, 2006). Human behaviors that will arise as a result of the budget, namely positive behavior and negative behavior. Positive behavior will arise if the personal goals of each manager are aligned, harmonious and balanced with company goals (goal congruence), and managers have the will to fulfill them. Meanwhile, negative behavior can arise during the budgeting process, such as dysfunctional behavior, which is basically contrary to company goals. One manifestation of this dysfunctional behavior is the budgetary slack. Budgetary discrepancies occur when the difference between the amount of the budget proposed by lower-level managers and the best estimate of the organization (Anthony and Govindarajan, 2005, Hobson, et al, 2011).

Explanation of the factors that can lead to the next budgetary gap, namely budget participation. Budget participation can describe the individuals who are involved in preparing the budget and have influence on the budget target (Brownell, 2007). In addition, another factor that can affect the budgetary slack is individual capacity. Individual capacity according to is a technical assessment of what is done by individuals to carry out something which in this case is to increase work productivity including knowledge (Tresnayani and Gayatri, 2016). Next, the factor that can affect the budgetary gap is organizational culture. Organizational culture has a significant influence on the attitudes and behavior of members in an organization (Robbins and Judge, 2008). According to Chong and Ferdiansah, (2014), managerial trust is also a factor that can influence the budgetary slack. The budgetary gap is the belief that subordinates have superiors who can be relied upon and will not take advantage of them.

Based on the description above, this study aims to examine budgetary participation, individual capacity, organizational culture and managerial trust in budgetary slack.

## **2. LITERATURE REVIEW**

### **2.1. Theory of Planned Behavior**

The theory of reasons for action states that there are two determinants of intention, namely personal attitudes and subjective norms (Fishbein and Ajzen, 1975). Attitude is an individual's positive or negative evaluation of certain behaviors. Meanwhile, subjective norm is a factor related to the environment that influences individuals to make decisions in doing or not doing a behavior or action (Ajzen, 1991). Subjective norms affect an individual's self-confidence, because individuals feel that their actions are accepted and supported by their immediate environment (Pavlou and Chai, 2002).

Ajzen argues that the theory of reasons for action has not been able to explain behavior that is not fully under one's control. Therefore, in the theory of planned behavior, Ajzen adds one factor that determines intention, namely perceived behavioral control. Perceived behavioral control is an individual's perception of the control he has in relation to certain behaviors (Ajzen, 2005).

The theory of planned behavior can describe attitudes towards the environment that are influenced by a person's view of the results of his actions, if that view is influenced by his personal values. In the participatory budgeting mechanism that top-level managers involve preparing budgets with lower-level managers. However, the potential tendency for the creation of budgetary gaps will occur as a result of the behavioral attitudes of lower-level managers who are influenced by their personal beliefs or values.

### **2.2. The Effect of Budget Participation on Budgetary Slack**

Budgetary participation creates managers to be more motivated to generate budgetary slack when they are given the opportunity to participate in the budgeting process. Dinni (2009) budget participation is a process within an organization that involves managers in determining budget goals for which they are responsible. It can be said that budget participation is a process in which certain parties are involved in the process of preparing the budget and are influential in determining the budget itself.

Previous research (Afiani, 2010; Nitiari, 2015; Khasanah and Kristanti, 2020) states that budgetary participation has a positive effect on budgetary slacks. Thus the hypothesis of this study:

H1: Budget participation has a positive effect on budgetary slack.

### **2.3. Effect of Individual Capacity on Budgetary Slack**

A person can be categorized as a competent person if he has the ability to handle a task in accordance with established standards and can be demonstrated individually (not in groups) based on achieving an ideal level of performance. Related to the budgeting process, individuals who have sufficient knowledge will be able to allocate resources optimally thereby minimizing budgetary slacks (Yuhertiana, 2004).

Supported by Khasanah and Kristanti's research (2020) which concluded that individual capacity does not affect the budgetary slack. This is in line with Guntur and Dharmadiaksa's research (2018) which says that

individual capacity has a negative effect on budgetary gaps. Thus the budgetary slack is very likely to occur if the individual capacity factor is very high. Based on this description, the research hypothesis is:

H2: Individual capacity has a negative effect on the budgetary slack

#### 2.4. The influence of Nudaya Organization on Budgetary Slack

Organizational culture is also a form of assumption that is owned, implicitly accepted by groups and determines how the group feels, thinks, and reacts to various environments (Kreitner and Knicki, 2005). A strong culture can be demonstrated by organizational values which are reflected in employee behavior.

Research by Sugiwardani (2012) and Gunggis (2015) concluded that organizational culture has no effect on budgetary slacks. In contrast, research by Kameliawati (2013) and Koeswardhana and Saprudin (2019) states that organizational culture has a positive and significant effect on budgetary discrepancies. Thus, the research hypothesis is structured as follows:

H3.: Organizational Culture has a positive effect on budgetary slack.

#### 2.5. The Effect of Managerial Trust on Budgetary Slack

Trust arises through familiarity and closeness that is built during frequent and direct interactions (Adler, 2001). It can be interpreted that the closer a person is to other people who have an interest in him, it will create good communication, especially when communication is carried out with frequent intensity, of course, it will increase a high sense of trust in one another.

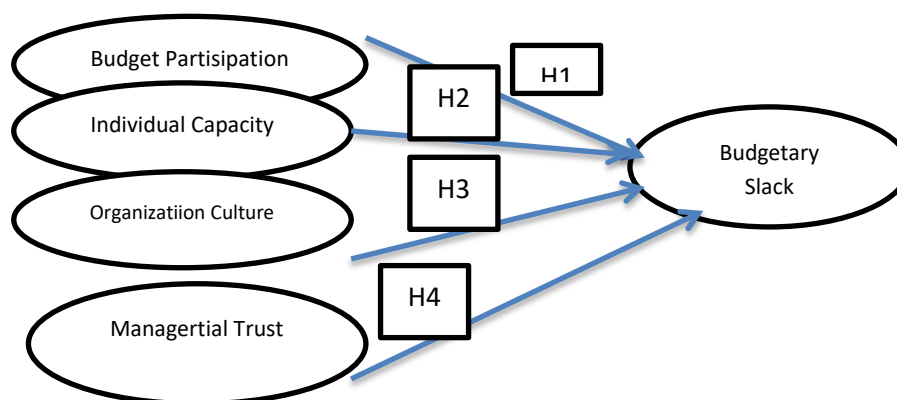
In a managerial trust company can create a cooperative relationship between superiors and subordinates. Subordinates will not know for sure information about the company and assume that superiors have anticipated it well. With reduced information stored by each employee's personality, it will certainly reduce the tendency for budgetary slacks.

This empirical evidence is supported by Young (1985) and Maiga and Jacobs (2007) who say that the higher managerial trust, the lower the tendency to create budgetary gaps. In line with Tanadi and Mimba's research (2020) which concluded that managerial trust has a negative effect on budgetary slack. Thus the hypothesis that can be compiled is:

H4: Managerial trust has a negative effect on budgetary slack

Based on the description above, the research model is as follows:

Figures1. Research Models



### 3. RESEARCH METHODS

The type of research used in this study is qualitative research, namely a study that uses data collected in the form of answers to the questions given. The primary data used in this study is the result of a questionnaire given to company employees, namely general managers and supervisors in every department in a

manufacturing company in Banten Province. The research method used is associative research method which is asking the relationship between two or more variables.

#### 4. RESULT AND DISCUSSION

##### 4.1 Descriptive Statistics

The results of processing descriptive statistical data in this study are shown in the table below:

Table 1

	N		Mean	Median	Mode	Std. Deviation
	Valid	Missing				
KA1	56	0	3.95	4.00	4	.980
KA2	56	0	3.70	4.00	5	1.306
KA3	56	0	4.07	4.00	4	.931
KA4	56	0	2.70	2.00	2	1.190
KA5	56	0	2.93	3.00	3	.951
KA6	56	0	4.01	4.00	5	.951

a. Multiple modes exist. The smallest value is shown

Based on the table above, it is known that each question item obtains a mode or mode value (the value that often appears) also varies, where in the budgetary slack variable (variable Y) the majority of research respondents answered questionnaire questions in the answer category strongly agree with a score of 5 and the answer category agrees with a score of 4.

##### 4.2. Evaluation of the Research Model

The results of the research model data processing are shown in table 2 below.

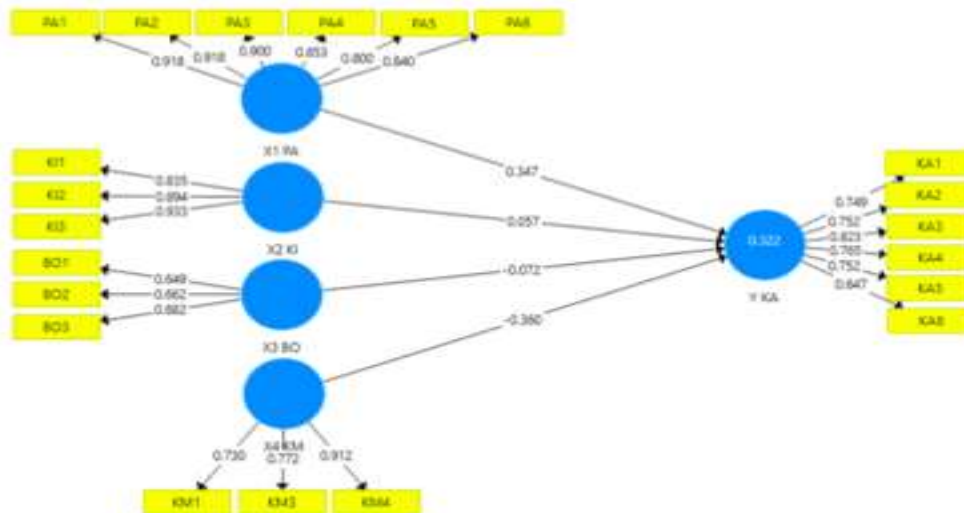
Table 2. Algorithm

Construct	R square	Cronbach's Alpha	Composite Reliability	(AVE)
Budget Participation	-	0.788	0.950	0.762
Individual Capacity	-	0.782	0.918	0.789
Organizational culture	-	0.925	0.780	0.546
Managerial Trust	-	0.898	0.849	0.654
Budgetary Slack	0.322	0.844	0.885	0.562

Source: Primary data (process by researchers)

The algorithm table 2 above shows that the AVE construct is greater than 0.05, indicating that convergent validity has been met. Based on the results of convergent validity, discriminating validity and reliability testing, the following conclusions can be drawn as follows.

Figure 2. Algorithm Model



Source : Smart PLS (2023)

#### 4.3. Research Hypothesis Testing

**Table 3. Path Coefficient**

Variable	T-Statistics	P Value	Criteria	Alpha (0.05)	Criteria
PA → KA	2,870	0.04	<	0.05	Accepted
KI → KA	0.347	0.729	>	0.05	Rejected
BO → KA	0.562	0.574	>	0.05	Rejected
KM → KA	3.152	0.002	<	0.05	Accepted

##### H1. Budget Participation Against Budget Slack

Based on table 3, it is known that the T *Statistic value* is 2,870 and the P *Value* is 0.004. If the P *Values are* 0.004 < 0.05 ( *alpha* ), then H0 is rejected and Ha is accepted. This means that budget participation has a positive and significant effect on the ARYbudgetary slack. So, the first hypothesis (H1 ) proposed by the researcher is proven to be accepted.

The statistical results of respondents' responses from the budgetary participation variable to the budgetary gap which shows the actual high score is in the third statement which reads in initiating the discussion I am involved to always prioritize the intensity of the discussion to determine the amount of the budget to be determined. Related to the Theory of Planned Behavior that the behavior of managers who actively participate in preparing a budget is illustrated by the results of the third statement questionnaire which chose to strongly agree by 30 out of 56 respondents. This means that top and bottom level managers have a very high role in being active and contributing to making a business company budget.

Based on the research results, it is known that budgetary participation has a positive and significant effect on budgetary slacks. This shows that top-level managers and lower-level managers who participate in compiling a budget greatly influence the course of policy in determining the results of a budget that will be set so that budgetary gaps will likely occur. This condition illustrates that top and bottom level managers are very involved in preparing a budget to project the company's program in the future. The results of this study are in line with Pradani and Erawati (2016), Afiani (2010), Ngo et al (2017), and Khasanah and Kristianti (2020) who argue that subordinates who participate in preparing the budget will tend to create budgetary gaps to avoid the risk of uncertainty in the future. In budgetary participation, superiors or subordinates can make budgetary gaps to alleviate the targets that each manager has related to making a budget. However, this research is different from the research conducted by Badriah (2020) which concluded that budgetary participation has a negative effect on inequality budget.

## **H2. Individual Capacity against Budget Slack**

Based on table 3, it is known that the *T Statistics value* is 0.347 and the *P Values* are 0.729. If the *P Values are*  $0.729 > 0.05$  (*alpha*), then  $H_0$  is accepted and  $H_a$  is rejected. This means that individual capacity does not affect the budgetary slack. Thus, the second hypothesis ( $H_2$ ) proposed by the researcher was rejected.

Individual capacity is essentially formed from the educational process in general, both through formal, non-formal and informal education. Qualified individuals are individuals who have knowledge. Theory of Planned Behavior that the behavior of managers who have individual capacity to prepare a budget in influencing the budgetary gap is illustrated by the results of the questionnaire.

The wider the knowledge possessed by lower-level managers about budgets and their realization, the more information they have will be conveyed to upper-level managers to make it easier to achieve budget targets in accordance with company goals. In the budgeting process, individuals who have education, knowledge, training and experience will be able to allocate resources optimally.

This research is in line with research conducted by Irawati and Mutiara (2018), Kriswantini and Annisa (2017), and Yusfa (2019) which state that individual capacity does not affect budgetary slack. This is because individual capacity is a combination of the abilities and skills of a manager in a company and cannot be used to assess the level of motivation in carrying out budgetary gaps (Ardianti, 2015). In contrast to Sugianto et al (2020), Maheni et al (2018), Ismacoryanata (2017), and Basyir (2016) who concluded that individual capacity has a positive effect on budgetary slack.

## **H3. Organizational Culture Against Budget Slack**

Based on table 3, it is known that the *T Statistics value* is 0.562 and the *P Values* are 0.574. If the *P Values are*  $0.574 > 0.05$  (*alpha*), then  $H_0$  is accepted and  $H_a$  is rejected. This means that organizational culture has no effect on budgetary slacks. Thus, the third hypothesis ( $H_3$ ) proposed by the researcher was rejected.

Organizational culture is basically an organizational value system that will influence the way work is done and the way employees behave. The adopted organizational value system will definitely be upheld to then influence the way of working and behaving of the members of the organization. Related to the Theory of Planned Behavior that managers who have organizational cultural values to prepare a budget are illustrated by the results of the questionnaire which shows that the greater the top and bottom level managers who have strong organizational cultural values so that they can influence the process of running strategic management decisions, the possibility of budgetary gaps will get smaller.

The results of this study say that organizational culture has no effect on budgetary slack. A strong organizational culture in the manager will make the manager try to implement the budget as it is without any other intention. A culture that is firmly embedded in the members of the organization will reduce the tendency that leads to budgetary gaps. This research is in line with research conducted by Audia and Bambang (2017) which concluded that organizational culture has no effect on budgetary gaps. However, this research is different from the research conducted by Narotama and Sujana (2020) which concluded that organizational culture has a negative effect on budgetary gaps.

## **H 4. Managerial Trust in Budget Slack**

Based on table 3, it is known that the *statistical T value* is 3,152 and the *P values* are 0.002. If the *P Values are*  $0.002 < 0.05$  (*alpha*), then  $H_0$  is rejected and  $H_a$  is accepted. This means that managerial trust has a positive and significant effect on the budgetary slack. So, the fourth hypothesis ( $H_4$ ) proposed by the researcher is proven to be accepted.

Trust will be formed by starting with a person's desire to rely on others and be encouraged to have faith in them. Often managerial trust occurs when top-level managers are able to influence lower-level managers to be able to make decisions that are represented by themselves based on confidence in their abilities. That is, experience in the field of budgeting that has been measured by several years of experience will be a priority for superiors to trust top and bottom level managers with regard to budgeting.

Related to the Theory of Planned Behavior that managers who have organizational cultural values to prepare a

budget are illustrated by the results of the questionnaire. The manager's trust will be influenced by his social environment. Social behavior that can be rooted in family factors, spouse, relatives, colleagues at work and other factors related to certain behaviors. However, trust can often be misused in its activities, such as by preparing a budget, which sometimes managers can be trusted to make a budget. This is what causes the budget-making process to allow for high budgetary slacks.

This research is in line with research conducted by Tinadi and Mimba (2019), which states that managerial trust has a significant positive effect on budgetary slacks. However, the results of this study are inversely proportional to Setiana (2018) which states that managerial trust has no effect on budgetary slack.

## 5. CONCLUSION

Based on the research results, it can be concluded that the higher the participation in preparing the budget in each company, the greater the tendency for gaps to occur in determining the budget of each top and bottom level manager because they are motivated by the budget made and used as the basis for their ability to implement the budget targets set. easy to get to. In addition, the higher the knowledge and knowledge, the managers will act professionally and insightfully and understand the causes and consequences in determining policies for making a budget in the company.

Organizational culture in a company through the existence of the company's noble values that it adheres to makes it impossible for them to make gaps in the budget. Because managers really appreciate and respect what is used as a guide that is embedded in the values and references they work in the company. Likewise, managerial trust in a company is needed to avoid budgetary slack.

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## **INFO**

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