The Influence of Budgetary Participation and Information Asymmetry on Budgetary Slack

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ABSTRACT: The purpose of this research is to test and prove the effect of participation in budgeting and information asymmetry on budgetary slack in local agencies of Taliabu Island District. Budgetary slack requires supervision because it can have a negative impact on the organization if not done wisely. The research uses quantitative methods with preliminary information sources or distributes questionnaires directly to respondents. The research sample was taken by using arbitrary examining technique and the sample was determined using the slovin formula. The information analysis technique in this study is using the SmartPLS Windows v.3.0 application programming. the results of the study prove that the budgetary participation variable has no effect on budgetary slack. Furthermore,

KEYWORDS: Participation; Budgeting; Information Asymmetry; Budget Jerks.

INTRODUCTION

Districts, the two territories and rules, financial plan retention generally doesn't arrive at the objective as specified in the provincial income and Dutch financial plan (APBD). In view of an assessment led by the Directorate General (Dirjen) of Provincial Monetary Advancement of the Service of Home Issues in the subsequent quarter or first semester of 2015, the financial plan acknowledgment for each territory's APBD found the middle value of just 27.40 percent, it ought to have been in the first or second semester of each monetary year, financial plan assimilation has arrived at 50%. Law of the Republic of Indonesia Number 32 of 2004 which has been revised to become Law of the Republic of Indonesia Number 23 of 2014 concerning territorial government, went through an adjustment of the strategy for setting up the APBD (Local Income and Use Spending plan). Following changes in the readiness of the Local Income and Consumption Spending plan (APBD), OPD, territorial pioneers and the financial plan group are straightforwardly involved. This change prompted the contribution of many gatherings in the arrangement of territorial spending plans.

According to Halim (2013: 35), the state budget is a plan for spending/spending and receiving/financing expenditure of a country during a certain period. A budget is a detailed plan that is written and contains a program of activities in an organization expressed in quantitative form for a certain period of time. Accurate and properly implemented government budget planning is necessary so that the function of the budget as a fiscal policy tool can be realized, namely to stabilize the economy and encourage economic growth so as to improve people's welfare. Therefore, the absorption of a proportional or ideal budget is very necessary to support this goal.

Budgetary slack makes resource allocation not ideal. Budgetary slack is the activity of allocating resources, where in the interests of maximizing utility, managers or subordinates undermine budget provisions that can actually be achieved productively (Yuhertiana, 2011). These activities are carried out to facilitate the achievement of performance goals, so that they are considered good, because the budget itself is also used as a measure of performance levels. The phenomenon that occurs in the district government, based on the budget realization report, still shows a gap in the budget.

See from the percentage of budget from year to year. Achievement of the percentage of the budget and realization of regional income in 2018 amounted to 88.07%, increased in 2019 by 91.76%, but there was a decrease in 2020 to 90.02%, the peak point for the realization of budget use was in 2021 which reached 106 .14 realized income up to 632.05 billion, this is progress for regional financial management in Taliabu district, but unfortunately this could not be maintained in a few years and there was a decrease in 2022 from the previous year's budget benchmark amount of 621.35 billion , but what happened budget realization only amounted to 558.49, down to 89.88%. That way, it is known that the regional original income shows the amount of realized budget is higher than the amount of the planned budget. and from year to year there have been ups and downs in regional income presentations. however, if the difference in the figures seen is not much different from the amount of the budget, this is still said to be budgetary slack.

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Support in planning plays a vital part in deciding the bearing and objectives of the association. As per (Mardiana and Handayani, 2018), financial plan cooperation is the support of supervisors and their subordinates in the financial plan arranging process. For this situation, subordinates can provide real data to chiefs to create the right approaches in the spending plan to help the association. Data imbalance is a component that can make monetary holes, where one of the subordinates while giving tendency data individual suppositions makes it simpler to arrive at spending arrangements, this makes monetary holes.

RESEARCH METHODS

This research was conducted in Taliabu Island District by distributing 100 questionnaires to employees who were involved in preparing the budget. This research uses quantitative research and research samples are taken using arbitrary examining techniques and sample determination is assisted by the slovin formula with a tolerance level of 5%. The data used in this research is primary data. The research analysis technique uses the Smart Partial Least Square (PLS) v3.0 application.

Respondents

Questionnaires were distributed to respondents with a total of 100 questionnaires with 89 questionnaires returned to researchers. In the questionnaire there are profiles of respondents who have been sorted such as gender, age, last education, and length of work.

Table 1. Questionnaire Collection

information	questionnaire	percentage
Number of questionnaires distributed	100	100%
Number of returned questionnaires	89	89%
The number of questionnaires that do not meet the requirements	1	1%
Number of valid questionnaires	88	88%

Source: Processed data, 2023

a. **Characteristics by sex**

Characteristics of respondents according to gender can be presented in the following table following :

Table 2. Respondents by Gender

Basis of Classification	Frequency	Absolute Percentage
Man	41	46.5%
Woman	47	53.5%
Total	88	100%

Source: Processed data, 2023

Based on the table above, it can be seen that the female sex is more dominant than the male.

b. **Characteristics by age**

Characteristics of respondents based on age can be seen in the following details:

Table 3. Respondents by Age

Classification	Sub Classification	Frequency	Absolute Percentage
Age	<25 years	3	3.4%
	25-35 years	22	25%
	35-45 years	27	30.6%
	>45 years	31	35.3%
Total		83	83%

Source: Processed Data, 2022

Table 3 shows that the majority of respondents are aged> 45 years with 31 respondents with 35.5%. There were 3 respondents aged <25 years or 3.4%, 22 respondents aged 25-35 years or 25%, 27 respondents aged 35-45 years or 30.6%. While 5 respondents did not fill out the questionnaire or 5.7% of the number submitted.

c. **Characteristics of respondents based on last education**

Characteristics of respondents based on recent education can be seen in the table below:

Table 4. Respondents Based on Last Education

Classification	Sub Classification	Frequency	Absolute Percentage
	SENIOR HIGH SCHOOL	8	9%
	D3	19	21.6%
last education	S1	54	61.4%
	S2	7	8%
	Total	**88**	**100%**

Source: Processed Data, 2023

Based on table 4, it can be understood that the 88 respondents were dominated by respondents with the last Bachelor's education of 61.4%, followed by D3 21.6%, SMA 9% and Masters 8%.

d. **Characteristics of respondents based on length of work**

The characteristics of respondents according to length of work can be seen in the following table:

Table 5. Respondents based on length of service

Base Classification	Sub Classification	Frequency	Absolute Percentage
Long Work	1-5 years	1 29	23.9%
	6-10 years		33%
	>10 years	38	39.8%
	Total	79	89.7%

Source: Processed Data, 2023

Congested Table 5 above, 38 people or 39.8% of the total number of respondents are workers with years of service > 10 years. Furthermore, respondents with a working period of 1-5 years were 21 people or 23.9%. Then there are 29 people who work 6-10 years or 33% and 9 people or 10.3% do not fill in personal data regarding length of work.

RESULTS AND DISCUSSION

Smart Partial Least Square (PLS) Analysis

Outer Model Test

Modelthe measurement used to evaluate the validity and reliability of a model using the smart PLS 3.0 application software is to see the validity then it is tested with. Convergent Validity and Discriminant Validity, whereas to test whether a data is reliable it can be assessed by taking into account Cronbach's Alpha or its Composite Reliability.

Convergent Validity Test

*Validity convergent*which aims to determine the validity of each indicator with its latent variable which is assessed by reflexive indicators based on the correlation between the item score/component score estimated with the Smart PLS 3.0 application software. To see the correlation between variables, this study uses a loading factor limit with a minimum value of 0.6.

Table 6. Outer Loading

	Participation in preparing the budget	Information Asymmetry	Budget Gap
X1a	0.738		
X1b	0.610		
X1c	0.735		
X1d	0.673		
X2a		0.783	
X2b		0.794	
X2c		0.532	
X2d		0.836	
Y1			0.873
Y2			0.932
Y3			0.368
Y4			0.486

Source: Smart PLS 3.0, Data processed, 2023

Based on the evaluation in the table above, the value of the overall variable X1 has a loading value that is greater than 0.6, but the variables X2c, Y3 and Y4 have a loading value below 0.6 with a value of 0.532, 0.368 and 0.486 respectively. The value is said to

be invalid and/or does not meet the criteria. So that it will be processed again by removing indicators that have a loading factor value below 0.6. The Assessment Indicator is reprocessed to obtain valid data by achieving a loading factor of 0.6.

Table 7. Outer Loading Evaluation

	Participation in preparing the budget	Information Asymmetry	Budget Gap
X1a	0.738		
X1b	0.610		
X1c	0.735		
X1d	0.673		
X2a		0.783	
X2b		0.794	
X2d		0.836	
Y1			0.873
Y2			0.932

Source: Smart PLS 3.0, Data processed, 2023

Based on the table above, after the second test was carried out by removing invalid constructs, it can be understood that the results of data processing again about the relationship between these variables have met the value of convergent validity or are said to be valid.

Discriminant Validity Test

Discriminant validity is carried out in research to ensure that each component of a latent variable is different from other variables. Discriminant validity is said to be good if each indicator has the largest loading factor value compared to other loading values. In summary, another method that can be used to assess discriminant validity is by looking at the Average Variance Extracted (AVE) value of each construct with the correlation of each construct with other constructs.

Table 8. Average Variance Extracted (AVE)

VARIABLE	AVE
Budgeting Participation	0.513
Information Asymmetry	0.587
Budget Gap	0.654

Source: Smart PLS 3.0, Data processed, 2023

Based on the table above, it can be seen that the overall construct has a number or value above 0.5 and this is in accordance with existing or recommended standard criteria. So from that, it can be concluded that all the data from the variables are stated to be valid and can be trusted.

Reliability Test

In this reliability test, researchers use composite reliability techniques to determine whether the existing variables are reliable or not.Abdillah, W., & Hartono, 2015 in says that a variable can be declared valid if the reliability coefficient value has reached or is higher than the value of 0.7.

Table 9. Composite Reliability

VARIABLE	COMPOSITE RELIABILITY
Budgeting Participation	0.776
Information Asymmetry	0.983
Budget Gap	0.872

Source: Smart PLS 3.0, Data processed, 2023

From the results of the composite reliability test above it can be understood and concluded that all variables in this study have a value above 0.7 which can be said to be reliable and can be relied upon to be tested in more depth at a later stage.

Cronbach Alpha test

Table 10. Cronbach Alpha

VARIABLE MODELS	CRONBACH'S ALPHA
Budgeting Participation	0.874
Information Asymmetry	0.764
Budget Gap	0.683

Source: Smart PLS 3.0, Data processed, 2023

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Based on the results of the Cronbach Alpha data processing above, by looking at whether the variables in this study can be said to be reliable, the test results above are also able to show that the data is feasible to use. The construct is declared valid if the Cronbach alpha value is greater than 0.6. And based on the test results above which show all values greater than 0.6, then all variables are valid and feasible to use.

R-Square Analysis Model Test (R2)

As for pTesting the inner model or what is commonly called the structural model is used to see the significance value, the relationship between constructs and the R-square in the research model. R-square in the inner model is used to evaluate the dependent construct. Following are the results of the R-square test in the table:

Table 11. R-square

VARIABLE	R-SQUARE
Budget Gap	0.673

Source: Smart PLS 3.0, Data processed, 2023

From table 11 above the R-square value on the dependent variable Budgetary Slack (Y) is 0.673. With the R2 value shown in the test results above, it shows that R2 is in the range of 0.61 to 0.75. So it can be said that the results of the calculation of R2 are moderate.

Hypothesis test

To see the results of testing the hypothesis, testing the data in PLS is done by bootstrapping the sample with the aim of minimizing the problem of abnormality of the data. Meanwhile, to see the calculation, it is made in the table below. It is known that the hypothesis that can be accepted is when the T-Statistic value is greater than 1.96 (> 1.96) with a P-Values smaller than 0.05 (P <0.05). While the hypothesis that is rejected or not accepted is when the T-Statistic value is less than 1.96 (<1.96) with a P-Values greater than 0.05 (P > 0.05).

Table 12. Path Coefficient

X variable→Y	Original Sample (O)	Sample Means (M)	Standard Deviation (STDEV)	T-Statistics (IO/STIDEVI)	P Values
Participation. Budgeting→ Budget gap	0.315	0.043	0.154	0.571	0.421
Information Asymmetry→ Budget gap	0.482	0.445	0.183	3,544	0.001

Source: Smart PLS 3.0, Data processed, 2023

- **Budgeting Affects Budgetary Slack.**

The table shows the results of the sample coefficient value of 0.315 and a statistical value of 0.571 which is smaller than 1.96 (<1.96) with p-values of 0.6421 which is greater than 0.05 (>0.05). So from the test results it was concluded that the first hypothesis was rejected.

- **Information Asymmetry Affects Budgetary Slack.**

The table shows the results of the original sample coefficient value of 0.482 and a statistical value of 3.544 which is greater than 1.96 (> 1.96) with p-values of 0.001 which is smaller than 0.05 (<0.05). So from the test results it was concluded that the second hypothesis was accepted.

DISCUSSION

Based on hypothesis testing, it proves that budgetary participation has no effect on budgetary slack. As the results of research conducted by (Kusniawati & Lahaya, 2017), and (Yandriyan, 2019)which states that participation in budget preparation has no effect on budgetary slack. The results of this study indicate that when participants participate in the budgeting process, it does not have any impact on slack. Thus, it can be said that the regional agency of Taliabu Island District does not show any indication of budgetary slack from whatever workers are involved in preparing the budget because of the lack of conflict between interests and alignment between employee goals and strong organizational goals.

Based on hypothesis testing, it proves that information asymmetry has a positive and significant effect on budgetary slack. This is in line with the results of research conducted by (Putri & Mimba, 2017), and (Rosmilasari & Hartiyah, 2021)which states that information asymmetry has a positive effect on budgetary slack. This research proves that the higher the information asymmetry, the higher the budgetary slack. Information asymmetry that is more technically known and understood by subordinates than superiors which can make a situation astute for subordinates to create a slack on the budget. Conditions like this usually occur in middle-level management and early-level management who really understand and are well versed in the situation and conditions in

the field, in contrast to top-level or top management who focus on an idea, evaluate it, and then instruct lower management to carry it out.

CONCLUSION

Based on the test results and discussion regarding the effect of budgetary participation and information asymmetry on budgetary slack in regional bodies of Taliabu Island Regency, several conclusions can be drawn that budgetary participation does not affect budgetary slack in regional bodies of Taliabu Island Regency and information asymmetry affects budgetary slack in regional body of Taliabu Island Regency.

To see how far the slack has occurred in Taliabu Island District, it is hoped that future researchers will be able to provide or add other variables that are considered to influence the occurrence of budgetary slack, as well as add direct observations with interviews so that the results are more accurate.

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