

# THE EFFECT OF PARTICIPATORY BUDGETING ON BUDGETARY SLACK IN DOMPU GOVERNMENT

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## Abstract

This research aims to examine empirically effects from participatory budgeting on budgetary slack with moderation by asymmetry information, motivation, and individuals capacity at Executing work units (SKPD) that indicated experiencing slack in Dompu Government. Respondents are structural officials manager on the 8 (eight) SKPD in Dompu Government, with a population of 167 people. Respondents determined using a census. Gathering data, using the questionnaire wich adopted from previous researchers. From 167 questionnaires distributed, received back and completed are 164 questionnaires (98%). After passed test of validity and reliability then fulfilled classical assumptions. Testing of hypothesis using simple linear regression analysis and moderation regression analysis (MRA). The results show that participatory budgeting influence on budgetary slack. Asymmetry information and motivation show that are they being to moderating influence participatory budgeting to budgetary slack. Individual capacity is fail to moderating the influence of participatory budgeting to budgetary slack. The implication of this research can contribute to Dompu Government about the importance of proper supervision to the goverment officials who participated in the budgeting process in order to avoid budgetary slack.

**Keywords:** participatory budgeting, asymmetry information, motivation, individual capacity, budgetary slack.

## **1. Introduction**

Budgets in the public sector is an instrument of accountability from the Government for public funds. Budgets in the public sector contains all programs and activities that focused for the public needs, as form as Government accountable for its public funds. This is made the difference between the budget of the public sector with the private sector budgets. Private sector budget is not related to the allocation of public funds, so do not have to accountability directly to the public. Participation of all elements who act in the budget execution on budgeting process is required. This participation known as participatory budgeting. According to Garrison and Noreen (2000:346), participatory budgeting is estimating a budget that involves the full cooperation and participation of managers at all levels. Managers at all levels is top-level management, middle management, and lower-level management.

Arrangement and implementation of the budget in the District Government involving all Executing work units (SKPD). SKPD involvement in this case is prepare a Work Plan Budget (RKA) when in the process will be the Budget Implementation Document (DPA) when the RKA has been approved by the Legislative as a representatives of public (DPRD). SKPD in compiling the RKA always involve an element of structural officials manager in each unit of work : Echelon II, Echelon III, and Echelon IV. Involvement of structural officials manager of Echelon II, III and IV in the preparation of RKA in their SKPD, is a manifestation of the concept of participatory budgeting in District Government.

The involvement of those who obtained the authority to preparation of the budget, in line with the agency theory, According Sinkey (1992:78), agency theory to explain the relationship between the principal giving the mandate to agent to take a decision, to carry out all the activities on behalf of the principal. In the budgeting process of district Government, agency theory reflected in the delegation of authority by the Head of Government (principal) to the SKPD (agent) to preparation and implement the budget.

Hansen and Mowen (2009:377), said problems often arise from involvement of each level managers in budgeting process is to create a budgetary slack. According to Garrison and Noreen (2000:346), budgetary slack is the difference between the actual resources needed to carry out a job with the resources proposed in the budget. According to Abdullah and Nazry (2012), basically there is no objective indicators to measure the budgetary slack. In quantitative, budgetary slack indication can

be assessed at the time when budget is realized. Budgetary slack can be identified indirectly by the Budget Realization Report (LRA) which reflecting the budget variance. Variance budget implies that there is a difference between the allocating and realized. An indication of the occurrence of slack in the preparation of the budget will be reflected in income variance that is up then an allocating and cost variance that is less than an allocating. Can be concluded that managers perform slack, allegedly achievement of income is likely to exceed the set targets of the budget, and the achievement of cost is likely below the set target of the budget.

Dompu Government received an unqualified opinion for audit financial statements conducted in fiscal year 2015 by the Auditor Independent Government (BPK). This success is for the second time in a row. But in the budgeting process at Dompu Government, budgetary slack may become unavoidable. This may be indicated when referring to the LRA Dompu Government for Fiscal Year 2009 through Fiscal Year 2015, showing the difference between realized and target (budget variance), as presented in Table 1 below:

**Table 1.**  
**LRA Dompu Government Fiscal Year 2009-2015**

Year	Income Target (Rp)	Realization of Income (Rp)	%	Cost Target (Rp)	Realization of Cost (Rp)	%
2009	407,724,141,334.53	415,735,476,786.84	101.96	428,851,810,318.36	415,105,802,303.00	96.79
2010	461,071,426,339.00	464,583,392,815.67	100.76	475,522,403,660.67	445,613,133,131.00	93.71
2011	564,460,315,339.32	565,132,773,497.31	100.12	582,227,061,948.00	523,798,863,074.00	89.96
2012	603,961,149,784.35	604,074,279,930.54	100.02	644,348,845,793.00	607,757,429,361.00	94.32
2013	702,109,251,880.00	705,481,446,162.08	100.48	699,054,412,540.00	681,118,132,164.00	97.43
2014	796,309,277,897.00	800,582,466,364.08	100.54	779,054,510,540.91	727,216,142,284.00	93.35
2015	856,201,371,423.00	884,196,347,127.04	103.27	841,013,760,870.00	828,088,386,831.00	98.46

Source: Dinas Pendapatan Pengelolaan Keuangan and Aset Daerah, (data processed in 2016)

Furthermore, referring to the LRA SKPD Dompu Government, in Fiscal Year 2015. From the 37 SKPD in Dompu Government, there are only 8 (eight) SKPD who indicated experiencing budgetary slack on income and cost. Meanwhile, 29 other SKPD simply indicated experiencing slack in one of the budgeting course. 8 (eight) SKPD are : Dinas Pendapatan Pengelolaan Keuangan and Aset Daerah, Kantor Perizinan and Pelayanan Terpadu, Dinas Kelautan and Perikanan, Dinas Peternakan, Dinas

Kebudayaan and Pariwisata, Dinas Perkebunan, Dinas Pertanian Tanaman Pangan, and Badan Pemberdayaan Perempuan and Keluarga Berencana.

Several previous research that raised about the effects of participatory budgeting in the budgetary slack showed inconsistent results. For example, Hafsah (2005), Falikhatun (2007), Djasuli (2011), Sandrya (2013), Giovani (2014), Novia (2015). Their research results showed that the high participation in the budgeting process can lead to budgetary slack is also high. In contrast to the research Latuheru (2005), Supanto (2010), Rani (2014), Intan (2015), Karsam (2015). Their research results found that high participation in budget preparation can reduce the occurrence of budgetary slack. Allegedly, there are other variables that affect the relationship between participatory budgeting with the possibility of budgetary slack. Govindrajan (1986), states that the difference in results can be completed through a contingency approach. Contingency theory allows for intervening variables or moderating variables that affect relations participatory budgeting with budgetary slack. According to Davis and Newstrom (1994), contingency theory can be used for all the latest knowledge about the organization with the most appropriate way, for the right actions depend on situational variables. In this research the asymmetry information, motivation, and the individuals capacity proposed as a moderating variable in seeing influence of participatory budgeting to budgetary slack.

In more detail boundary problem can be formulated in the following question: "Is the participatory budgeting effect on *budgetary slack* when moderation by asymmetry information, motivation, and individual capacity at 8 (eight) SKPD in Dompu Government? The purpose of this research was to analyze the effect of participatory budgeting to *budgetary slack* with moderation by asymmetry information, motivation, and individual capacity at 8 (eight) SKPD in Dompu Government.

## **2. Theoretical Framework and Development of Hypothesis**

### *2.1. Agency Theory*

Agency theory is used to explain the delegation of authority by the Head of Government (principal) to the SKPD (agent) to preparation and implement the budget. This model agency relationship is supported by Lane (2003), which states that the modern democratic state based on a many of principal-agent relationship. Andvig et.al. (2001), describes the principal-agent model is a framework analytic very useful in explaining the incentive problems in public organization with two

possible conditions, first there are some principals with their respective goals and interests that are not coherent, and two the principals can act in accordance with the public interest, but the interests that are more narrow. Anthony and Govindarajan (2007:269), explains *agency theory* as a phenomenon that occurs when superiors delegate authority to subordinates to perform a task in making decisions.

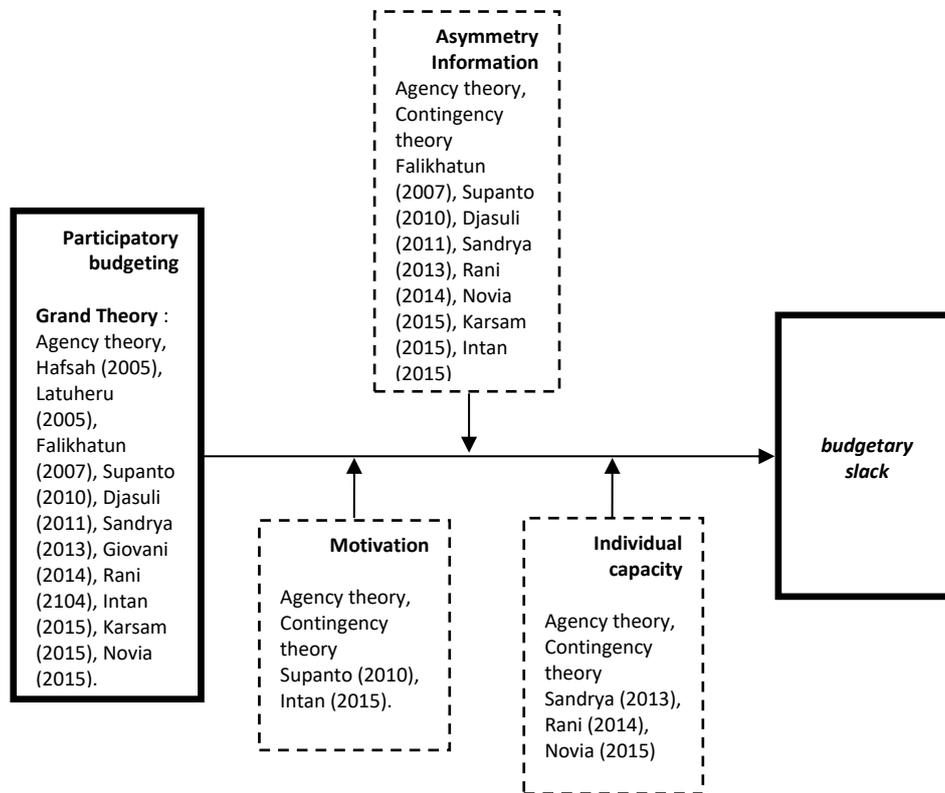
According to Jensen and Meckling (1976), agency theory is a concept that describes the contractual relationship between principal and agent, between two or more individuals, groups or organizations. The principals are the ones who make decisions and give a mandate to agent, to carry out all the activities on behalf of the principal. The essence of this theory is the employment contract properly designed to align the interests between the principal to the agent (Sinkey, 1992). According Eisenhard (1989) in Falikhatun (2007), agency theory has three assumptions: first, assumptions about human nature, the human nature that promotes the interests of its own (self-interest), the limitations of rationality or power thought to the perception of the future (bounded rationality ), and to avoid risk; second assumptions, concerning organization, is a conflict between members of the organization, efficiency, and asymmetry information that occurs between the principal and agent; and third, the assumption of information, the information is regarded as a marketable commodity goods. Based on these assumptions, management would act opportunistic, a personal interest rather than the interests of the organization.

## *2.2. Contingency Approach*

Contingency approach allows for intervening variables or moderating variables that affect relations participatory budgeting with budgetary slack Govindrajan (1986). Contingency approach in management accounting is based on an assumption, there is no system of proper in accounting are universally to be used for all organizations in a variety of circumstances, but the management accounting system also depends on situational factors that exist within the organization (Merchant, 1981). According to Otley (1980), contingency theory can be used to analyze the design and management accounting systems to provide the information can be used by companies for a variety of purposes and to face competition. This is consistent with the opinion Davis and Newstrom (1994),

which states that the contingency theory can be used for all the latest knowledge about the organization with the most appropriate way, for the right actions depend on situational variables.

### 2.3. Conceptual Framework



**Figure 1.**  
**Conceptual framework**

### 2.4. Development of Hypothesis

#### 2.4.1. Participatory Budgeting on Budgetary Slack.

Agency theory explains the delegation of authority by the employer (principal) to subordinate (agent) to perform a duty and responsibility to make a decision. In the public sector, especially district Government, agency theory is reflected in the delegation of authority from the Head of Government to SKPD (through three levels of structural officials manager of Echelon II, III and IV) to be involved in the budgeting process. The consequences of the budgetary slack in the nature of participatory budgeting by Nouri and Parker (1996), which can reduce the effectiveness of the budget as a tool of control and planning of an organization. With the on set of the slack budgetary targets to be achieved to be easy, so it will reduce the motivation of management in the budget realize.

Research conducted by Hafsa (2005), Falikhatun (2007), Djasuli (2011), Sandrya (2013), Giovani (2014), and Novia (2015), showing the results that the high participation in the budgeting process can lead to budgetary slack is also high. In contrast to research Latuheru (2005), Supanto (2010), Rani (2014), Intan (2015), and Karsam (2015), results showed that high participation in budget preparation can reduce the occurrence of budgetary slack, Based on the description above, the proposed hypothesis is as follows:

*H1: Participatory budgeting effect on budgetary slack,*

#### *2.4.2. Asymmetry Information Ability to Moderating Influence Participatory Budgeting on Budgetary Slack.*

Public sector budget is closely related to the allocation of public funds so that the accuracy in the preparation of the budget its needs. However, determining the appropriate budget is not easy when confronted with difference information possessed by the individuals involved in the preparation of the budget. Difference information owned between principal and agent is what called asymmetry information. asymmetry Information occurs because the principal can not monitor agent activity every day. In contrast agents find out important information about the capacity of ourselves, the work environment and the organization as a whole. Contingency theory possible to undertake an analysis of the situational nature to solve a problem. Asymmetry of information in this research into contingency variables that moderate the relationship between participatory budget on budgetary slack. The use of asymmetry information as a moderating variable based on the allegation of researchers to state that reflects the asymmetry information in the preparation of the budget allows for the creation of budgetary slack.

Several research have described that the asymmetry information between the principal and the agent who participated in the budgeting process can lead to budgetary slack. This is supported by research Falikhatun (2007), Supanto (2010), Djasuli (2011), Sandrya (2013), Rani (2014), Novia (2015), Karsam (2015), Intan (2015), the research results show that the interaction participatory budgeting and asymmetry information positive and significant impact on budgetary slack. In contrast

to research Dunk (1993), which shows the results if participation in the budgeting allows for positive communication between superiors and subordinates, then the budgetary slack will diminish. Based on the above, the proposed hypothesis is as follows:

*H2: Asymmetry information moderating influence of participatory budget to budgetary slack.*

#### *2.4.3. Motivation Ability to Moderating Influence Participatory Budgeting on Budgetary Slack.*

Contingency theory allows for intervening variables or moderating variables that affect relations participatory budgeting to budgetary slack. In this research the motivation be moderating variables to see the effect of participatory budgeting to budgetary slack. This is because the motivation is necessary to do a job. If the structural officials manager have high motivation then the goal will be achieved optimally. Negative behavior of their low motivation, one of which is to budgetary slack during the preparation of RKA SKPD. Because of this behavior causes a margin of safety, which give a sense of security on structural officials manager because the specified target will be very easy to achieve. Motivation is defined as a process that explains the intensity, direction and persistence of effort to achieve a goal (Robbins and Judge, 2007). This means that motivation is a condition related to personal interests. An employee will work harder if they believe that their work will be successful and gain the rewards of success.

Research conducted by Supanto (2010) and Intan (2015), showing the results that the high motivation in a participatory budgeting can lead to budgetary slack. Motivation can affect the properties and behavior of the individual, with their high motivation will make the individual has a sense of responsibility and able to cope with uncertainty and predict what will happen in the future, allowing for budgetary slack, Instead the higher participation in budgeting when accompanied by a very low motivation budgetary slack then be correspondingly reduced. This is because low motivation for individuals having an impact in predicting the future and the more difficult for them to create budgetary slack Based on the above, the proposed hypothesis is as follows:

*H3: Motivation moderating influence participatory budget to budgetary slack.*

#### *2.4.4. Individual Capacity Ability Moderating Influence Participatory Budgeting on Budgetary Slack.*

The use of contingency theory in this research, possible to undertake an analysis of the situational effect. Individual capacity into other contingency variables, which supposedly moderate the relationship of participatory budgeting to budgetary slack. It is based on the public sector budget preparation is very important, so that the proper placement of civil servants in a structural position is expected at least to minimize the budgetary slack in the budgeting process. The capacity of the individual can be a benchmark in the right or not the civil servants in charge of structural official on Government. In the era of autonomy, the Government faced with the challenge of improving the efficiency and professionalism of the apparatus. So that apparatus needs to prepare the workforce or professional personnel in the work. Individual capacity of Government can be formed from the educational process in general, either through formal education, training and experience. It is also important for the district Government in the face and anticipate the budgetary slack.

Research conducted by Yuhertiana (2004), which shows the results of that capacity increased individual who actually gave rise to budgetary slack, and as a consequence it appears in participatory budgeting. Unlike the Research conducted by Sandrya (2013) Rani (2014), and Novia (2015) shows the results of individuals who have a good capacity to be able to allocate resources well, but it can not be the benchmark in view the motivation to do the budgetary slack. Based on the above, the proposed hypothesis is as follows:

*H4: Individual capacity moderating influence participatory budget to budgetary slack.*

### **3. RESEARCH METHODS**

#### *3.1. Population and Sample*

The population defined is a structural officials manager of Echelon II, III, and IV from 8 (eight) SKPD in Dompu Government who indicated experiencing budgetary slack in the preparation of the budget for Fiscal Year 2015. The determination of structural officials manager as a population, because of their participation in the preparation of RKA SKPD Year budget 2015 to led budgetary slack. Specific

criteria been made in the determination of the population. First, the structural officials manager are included in the population must be active on duty until August 2016. Second, structural officers manager have occupied the last position at least from August 2014.

Total structural officials manager from 8 (eight) SKPD Dompus Government who indicated experiencing budgetary slack in budgeting (which included in the criteria for the population) as many as 167 person. Sampling technique use census technique that mean all members of the population used as a respondent (Sugiyono, 2014: 122). The reasons for the determination of the respondents using census is because the population is relatively small and the researchers are not having difficulties in implementing this research with census techniques, in addition to helping generalizations with a very small error.

### *3.2. Data Collection*

The primary data obtained and collected using questionnaires. Research questionnaire contains a list of questions prepared in a structured and is closed. Questionnaires submitted directly by the researcher to the respondents. Before the data collection is done, the questionnaire tested first (pilot test) to 30 structural officials of the SKPD in the Dompus Government. Results of the pilot test indicates that the item statement is presented on the questionnaire, have met the criteria of valid and reliable. This means that data collection research with a questionnaire has been prepared, it can be carried further to the research sample was determined.

### *3.3. Definition Operational of Variables*

#### 1) Independent Variables:

The operational definition of participatory budgeting is the level of involvement and influence of structural officials manager involved in the preparation budget of Dompus Government. indicator variables over sight participatory budgeting was measured with five (5) indicators : (a) The participation when the budget was being prepared, (b) the ability to give an opinion in the preparation of the budget, (c) The frequency of giving and asking for opinions or suggestions on

the budget to superiors, (d) the frequency boss ask for opinions when the budget is prepared, and (e) Contributing to the preparation of the budget.

2) Dependent variables:

The operational definition of *budgetary slack* is each try of structural officials manager to to achieve budget an easier then target. Indicators budgetary slack is (a) the total income is made lower than it should be and (b) the amount of cost made higher than it should be.

3) Variable Moderation:

1. Asymmetry Information

The operational definition of asymmetry information is the level of mismatch information submitted by structural officials manager in budgeting. Indicators asymmetry information was measured with 4 (four) indicators : (a) the adequacy of information, (b) Quality of information, (c) The quantity of information, and (d) Understanding of information.

2. Motivation

The operational definition of motivation is levels of desire and the reaction of structural officials manager in achieving organizational goals. Motivation measured with 4 (four) indicators : (a) the adequacy of the award, (b) relationships with colleagues, (c) the opportunity to develop themselves, (d) freedom to work.

3. Individual capacity

The operational definition of an individual capacity is a match between the ability and the responsibility carried by structural officials manager. Individual Capacity Indicators was measured by 3 (three) indicators : (a) Education, (b) training, and (c) experience.

*3.4. Analysis Procedure*

Analysis tool used is moderated regression analysis. According Ghozali (2016: 219) Moderated Regeression Analysis (MRA) is an analytical tool that maintains the integrity of the sample and provide a basis for controlling the effect of moderator variables. Before the data analysis done first measurement of data quality through the test validity and reliability and classic assumption test covering multicoloniarity test, heteroscedasticity test, and test for normality.

### 3.5. Research Model

The research model can be structured as follows:

1. Simple linear regression analysis (for the first hypothesis):  $BS = \alpha + \beta_1PB + e$
2. Moderation Regression Analysis:
  - a) For moderating variable asymmetry information (Second hypothesis)
    1.  $BS = a + \beta_1PB + \beta_2AI$
    2.  $BS = a + \beta_1PB + \beta_2AI + \beta_3PB * AI + E$
  - b) For variable moderation motivation (for the third hypothesis)
    1.  $BS = a + \beta_1PB + \beta_2M$
    2.  $BS = a + \beta_1PB + \beta_2M + \beta_3PB * M + E$
  - c) For variable moderation individual capacity (for the fourth hypothesis)
    1.  $BS = a + \beta_1PB + \beta_2IC$
    2.  $BS = a + \beta_1PB + \beta_2IC + \beta_3PB * IC + e$

#### Wich :

- BS : Budgetary Slack  
PB : Participatory Budgeting  
IA : Asymmetry Information  
M : Motivation  
IC : Individual Capacity  
*a* : Constants  
 $\beta_1$ -  $\beta_3$  : Regression Coefficients  
PB \* AI Interaction between participative budgeting asymmetry information  
PB \* M Interaction between budgeting participative with motivation  
PB \* IC Interaction between participative budgeting with an individual capacity  
e : Error or confounding variables

## 4. Results

Data were obtained from questionnaires to structural officials in 8 (eight) SKPD in the Dompu Government which has been determined as respondents, The number of structural official sampled as many as 167 people. Based on the questionnaire that has been distributed, the rate of return of questionnaires (respondents rate) of 98% or 164 pieces of the questionnaire can be readmitted. A total of three (3) structural officers or 2% of the total sample, can not participate in filling out questionnaires. Once through verification of completeness of the data obtained as many as 164 people structural officials who can serve as final respondents.

#### 4.1. Reliability and Validity Test

Reliability measured by statistical tests Cronbach Alpha ( $\alpha$ ) > 0.70 (Ghozali, 2016: 47-48). While validity was measured using correlation test of Karl Pearson Product Moment, with criteria  $r_{hitung} > r_{tabel}$  (Ghozali, 2016: 53) where r table was set at 0.165. As for the validity of the test results and reliability for all of the variables are summarized in Table 2 below:

**Table 2.**  
**Summary Validity and Reliability Test**

Variables	Item	r <sub>hitung</sub>	Cronbach's Alpha	Decision
participatory budgeting	5	0618-0852	0785	reliable
Asymmetry information	4	0631-0784	0784	reliable
Motivation	9	0556-0818	0772	reliable
Individual capacity	7	0444-0859	0820	reliable
Budgetary Slack	4	0437-0848	0792	reliable

Source: data processed (2016)

#### 4.2. Multicollinearity Test

Multicollinearity test aims to whether the regression model found a correlation between the independent variable. A good regression model showed no correlation occurs between the independent variables. Multicollinearity test was done by comparing the value of Tolerance and Variance Inflation.

Factor (VIF). If the Tolerance values > 0.10 and VIF < 10 it can be concluded no symptoms multikolinearitas (Ghozali, 2016: 105). Multikolinearitas test results are shown in Table 3 below:

**Table 3.**  
**Results Multikolinearitas Test**

Model	Colienergy Statistics	
	Tolerance	VIF
Participatory Pangaanggaran	0,260	3,848
Asymmetry information	0.241	4.154
Motivation	.219	4.573
Individual capacity	0.322	3.108

Source: data processed (2016)

#### 4.3. Heteroscedasticity Test

Heteroscedasticity test aims to whether the regression model occurred inequality residual variance from one observation to another observation. If the variance of the residuals of the observations to other observations remain, it is called and if different Homoskedastisitas called Heteroskidastity. A good regression model is that homoskedastisitas or not happen heteroskedastisitas (Ghozali, 2016: 139).

To give confidence not happen heteroskedastisity in this regeresi models. Tested glejser, where it proposes to test the absolute value of the residual regressed against independent variables (Ghozali, 2016: 142). Glejser test results are shown in in Table 4 below:

**Table 4.**  
**Results Glejser Test**

Model	Coefficients unstandardized		standardized	T	Sig.
	B	Std. Error	Coefficients Beta		
(Constant)	.571	.638		.894	.373
Participatory budgeting	.007	.053	.023	.137	.891
Asymmetry information	-.012	.060	-.031	-.192	.848
Motivation	.013	.034	.070	.388	.698
Individual capacity	-.016	.047	-.068	.346	.730

Source: data processed (2016)

#### 4.4. Normality Test

Normality test used to prove that the residuals of the model generated normal distribution. The means used to determine the residual normality is the non-parametric statistical tests Kolmogorov-Smirnov (KS). If the value of the significance of the Kolmogorov-Smirnov (KS) above 5%, it can be said that the residual data from the regression model has been distributed normally (Ghozali, 2016: 164). The results of Kolmogorov-Smirnov (KS) test are shown in Table 5 below: **Table 5.**

**Results Kolmogorov-Smirnov (KS) Test**

Information	Residual unstandardized
N	164
Kolmogorov-Smirnov Z	1,133
Asymp. Sig. (2-tailed)	.153

Source: data processed (2016)

#### 4.5. F Statistic Test

The F statistical test basically indicates whether all the independent variables and moderation are included in the model have jointly influence on the dependent variable. F statistical test results are presented in Table 6 below:

**Table 6.**  
**Summary F Statistics Test**

No.	Information	F-count	F_tabel	Sig value	Provision
1	Participatory Budgeting influence on budgetary Slack	73.304	3,900	.000 <sup>a</sup>	Significant
2	Participatory Budgeting influence on budgetary Slack moderated by Asymmetry information	162. 614	3,053	.000 <sup>a</sup>	Significant

3	Participatory Budgeting influence on budgetary Slack moderated by Motivation	142.737	3,053	.000 <sup>a</sup>	Significant
4	Participatory Budgeting influence on budgetary Slack moderated by Individual Capacity	59.197	3,053	.000 <sup>a</sup>	Significant

Sources: Primary data is processed

#### 4.6. Coefficient of Determination (R<sup>2</sup>) Test

Coefficient of determination (R<sup>2</sup>) Test essentially measures how far the model's ability to explain variations in the dependent variable. Coefficient of determination is between zero and one. Value (R<sup>2</sup>) is small means that the ability of independent variables in explaining the variation is very limited dependent variables. A value close to the mean of independent variables provide almost all the information needed to predict the variation of the dependent variable (Ghozali, 2016: 97).

Determination coefficient test results presented in Table 7 below:

**Table 7.**  
**Summary Coefficient of Determination Test**

No.	Information	R	R Squares	Adjusted R Squares	Std. Error Of The Estimate
1	Participatory Budgeting influence on budgetary Slack	.558	.312	.307	1,627
2	Participatory Budgeting influence on budgetary Slack moderated by Asymmetry Information	.868	.753	.748	.981
3	Participatory Budgeting influence on budgetary Slack moderated by Motivation	.853	.728	.723	1,029
4	Participatory Budgeting influence on budgetary Slack moderated by Individual Capacity	.621	.386	.374	1,547

Sources: Primary data is processed

#### 4.7. Significant Individual (t) Test

T statistical test basically shows how far the influence of the independent variables, individually in explaining the variation of the dependent variable. The test results are shown in Table 8 below:

**Table 8.**  
**Summary Significant Individual Parameter (t) Test**

Code	Information	Analysis				Provision
		$\beta_1$	Sig	t_count	t_table	
H1	Participatory Budgeting influence on budgetary Slack	.461	.000	8,562	1.975	Proven
Code	Information	Analysis				Provision
		$\beta_2$	Sig	$\beta_3$	Sig	
H2	Participatory Budgeting influence on budgetary Slack moderated by	-1.224	0.004 (Significant)	0.103	0.000 (Significant)	Asymmetry Information Proven

Asymmetry Information					as Quasi Moderator	
H3	Participatory Budgeting influence on budgetary Slack moderated by Motivation	-0.055	0.779 (Not Significant)	0.022	0.012 (Significant)	Motivation <b>Proven as Pure Moderator</b>
H4	Participatory Budgeting influence on budgetary Slack moderated by Individual Capacity	0.037	0.949 (Not Significant)	0.014	0.603 (Not Significant)	Individual Capacity <b>Not Proven as Moderator</b>

Sources: Primary data is processed

#### 4.8. Participatory Budgeting Influence on Budgetary Slack

From the results showed that the beta coefficient ( $\beta_1$ ) amounted to 0.461 with p-value of 0.000 < 0.05, indicating that participatory budgeting effect on the budgetary slack so that the first hypothesis is accepted (supported data). The acceptance of the first hypothesis and prove the concept proposed by Hansen and Mowen, (2009), which is a problem that often arises from the involvement of all levels of managerial level in the preparation of the budget (participatory budgeting) is the creation of budgetary slack, Where this concept is reflected in the budgetary slack occurring in the budgeting process in 8 (eight) SKPD in Dompu Government.

The results also explain the delegation of authority by the principal (Head of Government) to the agent (SKPD) in the preparation of the budget as a form of adoption agency theory has the level of risk in its application. Because this model allows controls by the principal to the agent is very limited (within the scope of this research). This is inferred from the nature of Dompu Government participatory budgeting (involving structural officialsmanager in budgeting) can lead to budgetary slack. Where these conditions (budgetary slack) occurred in 8 (eight) SKPD in Dompu Government.

Based on the facts obtained specifically in the field of participatory budgeting variable in 8 (eight) SKPD in Dompu Government are in the category of very high, meaning level of involvement and influence of structural officer in the budgeting process very high (supported by the data). While the budgetary slack variable in 8 (eight) sectors in Dompu Government are in the category of very often, it means structural officials often motivated to achieve an easier target in the budget by way of degrading the target income and elevating costs. It can be concluded budgetary slack very often performed in 8 (eight) SKPD in Dompu Government when the participation of structural officials in budgeting is very high.

The results are consistent with research conducted by Hafsah (2005), Falikhatun (2007), Djasuli (2011), Sandrya (2013), Giovani (2014), Novia (2015) where the result of participatory budgeting affect the budgetary slack. Participatory budgeting is one of the factors that lead to budgetary slack, each individual involved in the budgeting process is often look for ease in achieving the set budget, so that each individual is doing budgetary slack by raising costs or lower income than expected, with expectations of a budget easily to be achieved (Anthony and Govindarajan, 2007: 85).

The results of this research contradict previous research conducted by Latuheru (2005), Supanto (2010), Rani (2014), Intan (2015), Karsam (2015). Where the results of participatory budgeting no significant effect on budgetary slack. According to Rahman and Supomo (2003), an increase or decrease in budgetary slack depends on the extent to which individuals who participated in the preparation of the budget, more selfish or working on behalf of the organization which is the actualization of its commitment level. That is, if there is no conflict of interest in an organization, then the implementation of participatory budgeting is not likely to cause slack in budgeting in the organization.

#### *4.9. Asymmetry Information Ability Moderating Influence Participatory Budgeting on Budgetary Slack.*

The second hypothesis to see the results of beta coefficient ( $\beta_2$ ) is -1.224 with p-value of 0.004 < 0.05 and ( $\beta_3$ ) is 0.103 with p-value of 0.000 < 0.05. Wich  $\beta_2$  different with  $\beta_3$  ( $\beta_2 \neq \beta_3 \neq 0$  and *p-value* for  $\beta_2$  < 0.05, *p-value* for  $\beta_3$  < 0.05), meaning that the interaction of participatory budgeting and asymmetry information significant effect on the budgetary slack so that the second hypothesis is accepted. It can be concluded that the asymmetry information able to moderate the influence of participatory budgeting to budgetary slack in 8 (eight) SKPD in Dompu Government (asymmetry information recognized as quasi moderator). These results also reveal that structural officials manager in 8 (eight) SKPD in Dompu Government hide some of the information that they know when budgeting is done which proved to mislead the budgetary slack (based on research).

Adopting a contingency theory in this research reflected the use of asymmetry information variables (as a moderating variable) in view of the relationship between participatory budgeting on budgetary slack. The asymmetry information that occurs in nature participatory budgeting (involving structural officials manager) could lead to the creation of budgetary slack. This means that the

asymmetry information can be expressed as a contingency variable that is able to moderate the relationship between participatory budgeting to budgetary slack. The results also explain the discrepancy between the planning done in the preparation of the budget with the resulting realization. The fact the field provide information that most ranking officials in 8 (eight) sectors in Dompu Government have better information than the information held by the principal (Government Head). These results also explain ranking officials in 8 (eight) SKPD in Dompu Government took the opportunity to provide biased information from the information they know to make a budget that is relatively more easily achieved thus causing budgetary slack (budgeting below expected performance).

Facts obtained specifically in the field of participatory budgeting variable in 8 (eight) SKPD in Dompu Government are in the category of very high, meaning level of involvement and influence of individual structural officer in the budgeting process very high. For asymmetry information variable in 8 (eight) SKPD in Dompu Government are in the category of very often, meaning mismatches information submitted by structural officials manager in budgeting is often the case in the preparation of the budget. While the budgetary slack variable in 8 (eight) SKPD in Dompu Government are in the category of very often, it means structural officials often motivated to achieve an easier target in the budget by way of degrading the target income and elevating costs. It can be concluded budgetary slack very often performed in 8 (eight) SKPD in Dompu Government when mismatches information submitted by structural officials in budgeting is very common in the level the preparation of the budget is very high.

The results are consistent with research conducted by Falikhatun (2007), Supanto (2010), Djasuli (2011), Sandrya (2013), Rani (2014), Novia (2015), Karsam (2015), Intan (2015). Where research results show that the interaction of participatory budgeting and asymmetric information are significant impact on budgetary slack. It shows in the preparation of the budget needed for communication and reciprocal relationship between structural officials manager responsible in it. Other tasks include the exchange of information possessed by structural officials who participated in the preparation of the budget to their superiors. This is because the superiors will continue to have difficulty in understanding all the information that goes especially on matters relating to the technical field more understandable by subordinates. So that participation in budget formulation can provide benefits for

employers to access information held by a subordinate, subordinate needed assistance in processing incoming information in accordance with the subordinate tasks. However, in reality many subordinates conceal its private information and only give information to their superiors distortion. Thus, it can be concluded that the presence of asymmetric information belonging to individuals can influence their desire to create budgetary slack in the participatory budgeting.

The results of this research are not consistent with research Dunk (1993), which shows the results if participation in the preparation of the budget allows for positive communication between superiors and subordinates, so that budgetary slack will diminish. This is caused by the possibility of asymmetry of information in public sector organizations is very small, because it will knock on clear rules about the duties and obligations of each of the state apparatus. no exception regarding the rules related to information possessed by a subordinate to be reported to superiors.

#### *4.10. Motivation ability Moderating Influence Participatory Budgeting on Budgetary Slack.*

The third hypothesis to see the results of beta coefficient ( $\beta_2$ ) is 0.055 with p-value of 0.779 > 0.05 and ( $\beta_3$ ) is 0.022 with p-value of 0.012 < 0.05. Wich  $\beta_2$  different with  $\beta_3$  ( $\beta_2 \neq \beta_3 \neq 0$  and *p-value* for  $\beta_2 > 0.05$ , *p-value* for  $\beta_3 < 0.05$ ), demonstrating the motivation able to moderate the relationship between participatory budgeting to budgetary slack so that the third hypothesis is accepted. Thus the motivation to act as variables that moderate the relationship between participatory budgeting with budgetary slack (motivation recognized as pure moderator). These results also reveal that structural officials manager 8 (eight) SKPD in Dompu Government have a level desire and a very good reaction in achieving organizational goals. But this did not prevent the creation of budgetary slack on the contrary will lead to the creation of slack in the budget.

Adopting a contingency theory in this research reflected the use of motivational variables (as a moderating variable) in view of the relationship between participatory budgeting on budgetary slack. The motivation of the individuals involved in the budgetary process that are participatory (involving structural officials manager) in achieving organizational goals set out in the budget may lead to the creation of budgetary slack. This means that the motivation may be expressed as a contingency variable that is able to moderate the relationship between participatory budgeting to budgetary slack.

Facts obtained specifically in the field of participatory budgeting variable in 8 (eight) SKPD in Dompu Government are in the category of very high, meaning level of involvement and influence of structural officer in the budgeting process very high. For motivation variable in 8 (eight) SKPD in Dompu Government are in the category of very high, meaning level of interest and response from structural officials in achieving organizational goals very high. While the budgetary slack variable in 8 (eight) SKPD in Dompu Government are in the category of very often, it means structural officials manager often motivated to achieve an easier target in the budget by way of degrading the target income and elevating costs. It can be concluded budgetary slack very often performed in 8 (eight) SKPD in Dompu Government when level of interest and response from structural officials in achieving organizational goals very high level in the preparation of the budget of very high.

The results of this research are consistent with the results of research conducted by Supanto (2010) and Intan (2015), that show the results level participatory budgeting will have a positive impact on budgetary slack, the high motivation. Subordinate who has a high participation in the preparation of the budget and accompanied by a high motivation to achieve organizational goals tend to be able to create slack in budgeting, as he is able to cope with uncertainty and is able to predict the future. Instead the higher participation in budgeting when accompanied by a very low motivation budgetary slack then be correspondingly reduced. This is because low motivation for individuals having an impact in predicting the future and the more difficult for them to create budgetary slack.

#### *4.11. Individual Capacity Ability Moderating Influence Participatory Budgeting on Budgetary Slack.*

The fourth hypothesis to see the results of beta coefficient ( $\beta_2$ ) is 0.037 with p-value of 0.949 > 0.05 and ( $\beta_3$ ) is 0.014 with p-value of 0.603 > 0.05. Wich  $\beta_2$  different with  $\beta_3$  ( $\beta_2 \neq \beta_3 \neq 0$  but p-value for  $\beta_2 > 0.05$ , p-value for  $\beta_3 > 0.05$ ). This means that the individual capacity is not able to moderate the influence of participatory budgeting to budgetary slack so that the fourth hypothesis is rejected, These results also reveal that structural official in 8 (eight) SKPD in the Government Dompu have excellent individual capacity (supported by the data) which is not able to influence the creation of budgetary slack in the budgeting process participatory in nature.

Adopting a contingency theory in this research reflected the use of variable capacity of individuals (as a moderating variable) in view of the relationship between participatory budgeting on budgetary slack. The individuals capacity that occur in nature participatory budgeting can not strengthen or weaken the creation of budgetary slack. This means that the individuals capacity can not be expressed as a variable contingent capable of moderating the relationship between participatory budgeting to budgetary slack. Result R2 Statistical test also explains adjusted R-square value of variable individual capacity when included as a variable moderating influence of participatory budgeting relation to budgetary slack for 0,374, where the value does not have a significant increase when compared to the adjusted R-square value of participatory budgeting influence on budgetary slack is equal 0,307. In contrast to the adjusted R-square of asymmetry information variables for 0,748 and the individual capacity of 0,723 when it became variable moderating influence participatory budgeting to budgetary slack which showed an increase which is significant.

Based on the facts available in the field of participatory budgeting variable in 8 (eight) SKPD in Dompu Government are in the category of very high, meaning level of involvement and influence of individual structural officer in the budgeting process very high. For individual capacity variable in 8 (eight) SKPD in Dompu Government is located in a very appropriate category, meaning match between the ability and the responsibility carried by the official structurally manager very appropriate. While the budgetary slack variable in 8 (eight) SKPD in Dompu Government are in the category of very often, it means structural officials often motivated to achieve an easier target in the budget by way of degrading the target income and elevating costs. It can be concluded on the condition of the fit between the capabilities and responsibilities carried by structural officials manager 8 (eight) SKPD in Dompu Government which fits into the category was not able to moderate the effects of participatory budgeting to budgetary slack, This is because the individual capacity is a mix of abilities and skills of the individual and can not be used to measure the level of anxiety in making budgetary slack.

The results are consistent with Sandrya (2013), Rani (2014), and Novia (2015), which shows the results of individuals who have a good capacity to be able to allocate resources well, but it can not be a yard stick to budgetary slack in the nature of participatory budgeting. In addition based on categories of variables based on research data. Other information that can be the basis for assessing the individual

capacity of ranking officials in 8 (eight) SKPD in the Government Dompu that is based on the profile survey respondents, wherein: a) the majority of ranking officials in 8 (eight) SKPD in the Government Dompu majority educational levels S-1 that as many as 123 people or 75.00% of the total respondents and the rest as many as 41 people or 25.00% of total respondents education levels of S-2. b) based on years of structural officials manager at 8 (eight) SKPD in Dompu Government. Where structural officials largely have tenure for 16-20 years as many as 75 people or 45.73% of the total respondents. Meaning ranking officials in 8 (eight) SKPD in Dompu Government, the majority have long working experience. According Maskun (2008), the higher the education level, the more positive views on budgetary slack. The majority of respondents were highly educated and have experience in the field of responsibility, tend to have the ability to act rationally and professionally. The results of this research are not consistent with what is done Yuhertiana (2004), that show the results that the capacity of individuals to increase were led to the creation of budgetary slack as the consequences that arise in high participatory budgeting.

## **5. Conclusion**

This research proved the significant influence of participatory budgeting to budgetary slack. Asymmetry of information able to moderate the influence of participatory budgeting to budgetary slack. Motivation is able to act as variables that moderate the relationship between participatory budgeting to budgetary slack. Individual capacity is not able to act as variables that moderate the relationship between participatory budgeting to budgetary slack, especially in the 8 (eight) SKPD in Dompu Government.

### *5.1. Research implications*

For theoretical aspects, the results of this research contribute ideas towards the development of particular scientific theories in the field of public sector accounting. This research is also expected to be a reference to similar studies conducted in the public sector. In addition, the presence of this research can be known factors that affect budgetary slack is a participatory budgeting, The use of agency theory in this research, contributed linked on the applicability of this theory, especially in the preparation and implementation of budgets in the public sector. In addition, this research supports the theory of

contingency (contingency theory) proposed by Otley (1980). In this research contingency factors that influence the relationship between participatory budgeting to budgetary slack is asymmetry information and motivation. While the individual capacity can not be a contingent factor on the relationship between participatory budgeting to budgetary slack.

For practical aspect, this research can give thought contribution to the Head of Government to emphasize the importance of each structural officer manager role to improve them selves in the budget preparation process in order to avoid budgetary slack. Head of Government Dompu is suggested to evaluate at the end of fiscal year on the achievement of the indicated budget target prepared in the hope that easy to be achieved by structural officer manager, that is by: a) to immediately accurate data collection about the real potential of income resources for each SKPD and do Socialization of the standard price of goods each year as a reference in the development of expenditure targets, b) evaluating by comparing budget targets to real potential that can actually be achieved in each year (based on previous data collection data) as a basis for assessing performance.

For the policy aspect, the result of this research can be an input to the Head of Government Dompu to make policy in the form of Local Regulation and Regent Regulation related to supervision system in budget preparation in order to realize the fair performance as a result of the achievement of annual budget targets in each SKPD. In addition, this research can be an input for structural officials manager at 8 (eight) SKPD in Dompu Government in assessing the results of work that has been done (especially the achievement of the 2015 budget target) to determine the policy that must be done in an effort to overcome the budgetary slack problem in the hope The next year this problem (slack in budgeting) does not happen again.

## *5.2. Research limitations*

Based on the process of data collection and data analysis, the following are some limitations in this research: (1) The scope of this research focused on 8 (eight) SKPD in Dompu Government which indicated directly experiencing slack in the preparation of the budget. So it can not be done generalize to the entire SKPD in Dompu Government in general, (2) The rate coefficient of determination are still small (refer to the statistical test results  $R^2$ , In particular for individual capacity variable moderating

influence participatory budgeting on budgetary slack). This indicates there is still another equation model that can affect participatory budgeting to budgetary slack, (3) The instrument used in this research, was adopted from previous research compiled from information and the environment may be different from this research, and (4) The research data were derived from the perception of respondents in the form of a score of answers to the research instrument. Have not been able to provide information that is more about the main reasons of structural officials manager in conducting budgetary slack.

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