

# Can Organizational Commitment, Locus of Control, and Ethical Considerations Moderate the Relationship Between Budget Participation and Budgetary Slack

*by Wirawan Hardinto*

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**Can Organizational Commitment, Locus of Control, and Ethical Considerations Moderate the Relationship Between Budget Participation and Budgetary Slack?**

Sigit Handoyo<sup>1</sup>, Ahada Nur Fauziya<sup>2</sup>, Wirawan Hardinto<sup>3</sup>, Reny Lia Riantika<sup>4</sup>, Wutia Ramadhani Ika Safitri<sup>5</sup>

<sup>1</sup>Universitas Islam Indonesia, Accounting Department, Ring Road Utara, Condong Catur, Depok, Sleman, Indonesia  
sigit.handoyo@uui.ac.id

<sup>2</sup>Universitas Islam Indonesia, Accounting Department, Ring Road Utara, Condong Catur, Depok, Sleman, Indonesia  
ahadanur@uui.ac.id

<sup>3</sup>Universitas Islam Indonesia, Accounting Department, Ring Road Utara, Condong Catur, Depok, Sleman, Indonesia  
wirawanhardinto@uui.ac.id

<sup>4</sup>Universitas Islam Indonesia, Accounting Department, Ring Road Utara, Condong Catur, Depok, Sleman, Indonesia  
renylia@uui.ac.id

<sup>5</sup>Universitas Islam Indonesia, Accounting Department, Ring Road Utara, Condong Catur, Depok, Sleman, Indonesia  
wutia.ramadhani28@gmail.com

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**Abstract**

Budgetary participation is one of the concepts that has been developed and is widely used by companies in budget preparation. Budget participation itself involves employees which aims to make employees more responsible and motivated to improve their performance so that company goals can be achieved. This research aims to examine the association among of budgetary participation towards budgetary slack with organizational commitment, locus of control, and ethics as moderation variables at AP Co. Indonesia. The selection of data sample used purposive sampling. The research used primary data that was collected by distributing questionnaires to the manager level employees at AP Co. Indonesia. The result of this research shows that budgetary participation has positive and significant effect on budgetary slack. Meanwhile the organizational commitment, locus of control and ethics do not moderate budgetary participation on budgetary slack. The implication of this research is that companies must be more selective in choosing officials who will later participate in budget preparation, namely those who have organizational commitment, locus of control, and high ethical considerations. Because by having organizational

commitment, locus of control, and high ethical considerations, a person will feel able to complete work with optimal results, thereby reducing the occurrence of budgetary slack.

**Keywords:** budgetary slack, budgetary participation, organizational commitment, locus of control, ethics

## **1. Introduction**

### *1.1 Research Background*

The budget is a representation of the plans that are presented in monetary units for a period of one period and becomes the basis for the realization of programs that have been previously prepared in accordance with the vision and mission as well as the company's goals. According to Adikusuma & Mukhzarudfa (2017) explained that companies that have complete and quality data and information are possible to prepare long-term budgets and this can have a positive effect on the company's performance going forward. The budgeting process is carried out as a means of communication with the aim that each unit in the company can participate in overseeing the implementation and achievement of the budget.

One of the functions of the budget is that it can be used as a performance appraisal tool. The assessment is seen from the realization of the budget that can be achieved or that cannot be achieved. From this assessment, employees will get rewards if the budget is reached or exceeds the target and gets punishment when the budget target is not achieved. Rewards are given not only to motivate employees to work, but also as a form of organization or company to appreciate the good performance of employees. However, this reward can not only have a positive impact, but can also become a boomerang for the organization or company because when employees cannot achieve the target, there is the possibility of fraud to get the promised reward and avoid punishment when the target is not achieved (Adikusuma & Mukhzarudfa, 2017).

Budgetary participation is a concept that has developed rapidly and is widely used by many companies. Budget participation itself aims to motivate employees to improve their performance in the company so that company goals can be achieved (Adikusuma & Mukhzarudfa, 2017). Employees who are involved in making the budget will later feel responsible for the budget that has been prepared. This sense of responsibility can encourage employees to increase their performance motivation in order to achieve company goals (Nengsi et. al., 2013).

A budget can be a good motivational tool if it meets the challenging but attainable or demanding but achievable trait. The point is that a budget should not be too high so that it cannot be fulfilled, nor should it be too low so that it is too easy to achieve (Sari, 2015). In other words, a good budget is a budget that is reliable and achievable and can be accepted by the parties concerned so that it can be a reference for the company's operations. High budgeting can motivate employees to work harder and require employees to think creatively on how to achieve budget targets so as to improve company performance (Nengsi et al., 2013). However, sometimes the budget target encourages employees to take deviant actions (Triana et al., 2012). Deviant actions that can occur when implementing the concept of budgetary participation is the existence of budgetary slack. Budgetary slack itself is the difference between budget realization and the actual budget that can be achieved (Veronica & Komang, 2009). Involving lower-level

employees or managers in budgeting opens up opportunities for budgetary slack. They will lower the revenue budget and increase the expense budget to make it easier to achieve (Triana et al., 2012). This is supported by research conducted by Irfan et al., (2016), Riliana (2018), and Pranata & Putri (2017) which revealed that budget participation has a positive effect on budgetary slack.

There are several studies on several factors that can moderate the relationship between budgetary participation and budgetary slack, but show inconsistent results such as the organizational commitment variable studied by Irfan et al., (2016), Perdana & Yasa (2017), Negar & Wirajaya (2018), Riliana (2018) which showed that organizational commitment could moderate the relationship between budget participation and budgetary slack. However, Fatmawati & Widyaningsih (2014) and Adikusuma & Mukhzarudfa (2017) explained otherwise. Furthermore, the locus of control variable studied by Pello (2014), Adikusuma & Mukhzarudfa (2017), and Pranata & Putri (2017) showed that locus of control could moderate the relationship between budgetary participation and budgetary slack. However, the research conducted by Ardin (2017) explained the opposite. The next variable is ethical considerations studied by Perdana & Yasa (2017) which showed that ethical considerations were able to moderate the relationship between budget participation and budgetary slack. However, the research conducted by Miyati & Setiawan (2014) and Priyetno (2018) showed the opposite result.

State-Owned Enterprises (BUMN) cannot be separated from the obligation to make a budget. This statement is supported by the Decree of the Minister of State-Owned Enterprises Number: KEP-101/MBU/2002 concerning the preparation of work plans and budgets for state-owned enterprises. The following table describes the development of the Budget Work Plan of AP Co. Indonesia:

**Report on Work Plan and Budget Realization Expense Revenue AP Co. Indonesia: (in IDR 000,-)**

Year	Revenue Budget	Realization	Achievement (%)	Expense Budget	Realization	Achievement (%)
2016	197,661,059	213,865,184	108%	117,110.252	132,778,298	113%
2017	266,276,214	298,843,214	112.1%	159,505.849	161,820,305	101%
2018	314,085,940	338,663,730	108%	173,413.225	176,848,677	102%

Source: Management Report of AP Co. Indonesia 2019, data processed

Based on the table above, it can be seen that AP Co. Indonesia succeeded in achieving the target of the revenue budget plan that had been prepared previously. The realization of the budget is always higher than the revenue budget itself or in other words, exceeds the predetermined revenue budget. Even in the expenditure budget, the realization value is higher than the predetermined expense budget. Budget income that is lower than the budget realization in the table above can indicate the occurrence of budgetary slack during budget preparation. So that this is one of the factors that researchers want to examine more deeply related to the influence of budget participation on budgetary slack at AP Co. Indonesia.



In addition, with the construction of the Yogyakarta International Airport (YIA), which was just inaugurated, the results of this research are expected to be one of the considerations for AP Co. Indonesia to pay more attention and tighten supervision of budget preparation is expected to be carried out in order to minimize the occurrence of budgetary slack. Ensure that the budget prepared is in accordance with the company's capabilities, namely by not lowering revenues and increasing expenses, so that the company's performance is maximized.

### *1.2. Literature Review*

#### *Agency Theory*

Agency theory is a concept that explains the relationship between one or more people in which the management acts as an agent and the owner of the company acts as the principal. This company owner or principal will later appoint and give authority to other people as agents to manage the company in accordance with the company's goals (Jensen and Meckling, 1976). In agency theory, the owner of the company will give authority to the management who manages the company. The authority given can be in the form of delegation of authority for decision making, while the principal will later receive and evaluate the information provided by the agent. However, the goals of the principal and the agent are not necessarily in line. This can cause agency problems. This agency problem occurs because of a conflict of interest between management (agent) and owner (principal) where the management (agent) does not carry out their duties in accordance with the interests of the owner (principal) which can later affect the performance of the company or organization. Pradita & Haryanto (2017) explained that budgetary slack is a dysfunctional behavior that leads to moral hazard. Moral hazard arises in the problem in agency theory, namely when managers make decisions. Budgetary slack arises when managers have an individual interest drive to make a profit at the time of budgeting. The urge to do individual slack is strongly influenced by the behavior and ethics of the manager.

According to Eisenhardt (1989) explained that agency theory has three types of assumptions, namely assumptions about human nature, organizational assumptions and information assumptions. The assumption about human nature explains that each individual has a tendency to fulfil his own interests. The organizational assumptions are grouped into three, namely the existence of conflicts between members of the organization, efficiency as an effectiveness criterion, and information asymmetry between agents and principals. Agency problems as described above can lead to information asymmetry. Meanwhile, information asymmetry is the difference in information owned by management (agent) and owner (principal) due to differences in sources and access to information. This information asymmetry can lead to incentives for those who have more information to manipulate the data. Finally, the information assumption is the assumption that information is a commodity that can be purchased.

#### *Decision Making Theory*

According to Desmita (2008) decision making is a systematic approach to a problem, collecting facts and data, careful research on alternatives and actions. Decision making must be based on available data and facts so that the decisions made contain a high level of credibility or trust. Decision making that is not based on facts can lead to bias and misinformation that can mislead users.

According to Adikusuma & Mukhzarudfa (2017), the participation of managers in budgeting is a joint decision-making process by two or more parties that has a future impact on the decision maker. Decision making at the time of budgeting is an important part that must be considered by the parties involved in budget preparation so that bias and misinformation do not arise that because budgetary slack problems.

#### *Budgetary Slack*

Budget participation is inseparable from the risk of budgetary slack problems. Because budget participation itself involves top management with lower level management, where each individual has a personal goal. According to Veronica & Komang (2009) explained that budgetary slack is the difference between the budget that has been prepared with honest budget estimates that can be achieved. In addition, budgetary slack created by managers can occur when managers estimate lower revenues and estimate costs higher than the required target. This aims to make it easier for managers to realize budget targets so that when performance measurements are made, they will get a good assessment of their achievements. Participatory budgeting cannot be separated from the risk of budgetary slack problems. Because participatory budgeting itself involves top management with lower level management, where each individual has a personal goal.

According to Veronica and Komang (2009) explained that budgetary slack is the difference between the budget that has been prepared with honest budget estimates that can be achieved. Meanwhile, according to Perwani (2013) defined budgetary slack as the difference from the estimated budget stated with the best budget made by the company. So it can be concluded that budgetary slack is the difference between the budget prepared by subordinates and the budget estimate made by the company or the actual budget that can be achieved. Lower-level management will lower the revenue budget or increase the cost budget, with the aim that the budget target can be achieved easily. Budgetary slack created by managers can occur when managers estimate lower revenues and estimate costs higher than the required target. This aims to make it easier for managers to realize budget targets so that when performance measurements are made, they will get a good assessment of their achievements. According to Hilton (2000) there were three reasons managers do budgetary slack, first is that people believe that their performance will be judged good when they can achieve budget targets, secondly, budgetary slack is used by managers to overcome a condition of uncertainty, namely when there are no events that do not occur. unexpectedly, what happens is that the manager can exceed or achieve his budget target, and the third is that the budget plan is always cut in the process of allocating resources.

#### *1.3. Hypothesis Formulation*

##### *Budget Participation*

Puspaningsih (2002) explained that budgetary participation is a process in which each individual involved in it has an influence on the preparation of the budget whose performance will then be evaluated and assessed on the targets achieved. Budgetary participation provides an opportunity for lower-level managers to be involved in preparing the organization's or company's budget.

Budget participation can encourage lower-level managers to think creatively how to realize organizational goals. So that the budget made can really motivate lower-level managers to achieve the targets that have been planned in the budget.

According to Adikusuma & Mukhzarudfa (2017) budget participation had three potential problems. The first is setting standards that are too high or too low. When standards are set too high, management will tend to focus on short-term goals and ignore long-term goals. Second, is to make slack in the budget. This problem will later lead to budgetary slack because management sets a lower budget than it should be able to achieve. The third is quasi-participation.

Although it has some problems, budget participation also has some positive impacts that can be felt. According to Mulyani (2012) explained that budgetary participation had an influence on managerial motivation. Because with the participation of the budget top managers and lower level managers exchange information so that they can improve the quality of the budget made. Top managers and lower level managers exchange their information, as top managers can provide knowledge about environmental and technology issues, while lower level managers provide more specific information about the organization that top managers do not know. Second, this budget participation process generates commitment among top managers and lower level managers to implement and meet budget targets. Based on the explanation described above, the following hypothesis can be formulated:

H1: There is a positive effect of budget participation on budgetary slack

#### *Organizational Commitment*

According to Robbins & Judge (2008) explained that organizational commitment is a condition where employees are bound to an organization or company and company goals and maintain membership relationships within the organization or company. When an employee declares his commitment to an organization or company, the employee is required to make a full contribution to activities and programs to achieve organizational goals. This organizational commitment reflects employee loyalty and loyalty to the organization or company which is reflected through their willingness to carry out programs and activities within the organization or company for the realization of the company's goals and objectives.

This organizational commitment can be used by organizations or companies to ensure that employees have goals that are aligned with the company. So that organizational commitment can minimize the occurrence of problems that can affect the performance of the organization or company. For example, the occurrence of budgetary slack. This is supported by research conducted by Riliana (2018), Perdana and Yasa (2017), Negara and Wijaya (2018), Irfan et al. (2016) which explained that organizational commitment moderated the relationship between budget participation and budgetary slack.

Based on the explanation described above, the following hypothesis can be formulated:

H2: Organizational commitment has a positive effect on the relationship between budget participation and budgetary slack



*Locus of Control*

According to Adikusuma & Mukhzarudfa (2017) locus of control is a concept in which it explains whether a person considers his life to be under his own control or under the control of others. So it can be concluded that locus of control is a situation where a person can control himself in an event from within and from outside himself. Pello (2014) explained that locus of control is divided into two, namely internal locus of control and external locus of control.

First, the internal locus of control is a condition that describes that a person believes that every action they take is influenced by factors within themselves and is at the same time responsible for the actions they take.

Second, external locus of control is a situation in which a person believes that every outcome of their actions is influenced by factors outside of themselves such as destiny, luck, and opportunity. According to the results of research conducted by Licata et al (1986) explained that a manager who has an internal locus of control provides more opportunities for his subordinates to contribute opinions than a manager than an external locus of control. This is supported by the results of research by Adikusuma and Mukhzarudfa (2017) that locus of control is able to moderate the relationship between budget participation and budgetary slack.

Based on the explanation described above, the following hypothesis can be formulated:

H3: Locus of Control has a negative effect on the relationship between budget participation and budgetary slack

*Ethical Considerations*

Miyati and Setiawan (2014) defined ethics as a collection of rules that regulate good human behavior that must be carried out and bad behavior that must be abandoned by individuals or groups of people. Meanwhile, according to Isnanto (2009) the notion of ethics is a rule for human behavior, customs, and habits in getting along with each other and judging the good and bad things. Ethics itself greatly affects all aspects of life. Therefore, ethics is considered important and must be considered as a basis for managers to act so as not to go out of line.

Ethics can help managers improve the quality of decisions to be more credible and trustworthy. Supported by decision-making theory which explains that decision-making must be done based on existing data and facts so that decisions made contain a high level of credibility or trust. Decision making that is not based on facts can lead to bias and misinformation that can mislead users. So it can be concluded that the more a person pays attention to ethics, the more honest and responsible that person is for all his actions, and tends not to be concerned with personal goals for the sake of profit. This ethical consideration plays an important role in the budgeting process, because this ethics can prevent budgeting slack. So based on the explanation above, the following hypothesis can be made:

H4: Ethical considerations have a negative effect on the relationship between budget participation and budgetary slack



**2. Method**

The population used in this study were employees of AP Co. Indonesia. The sample was obtained using a purposive sampling method with the following criteria: 1) Employees who have positions (General Manager, Manager, Junior Manager, and Manager Equivalent). 2) Have worked for at least 1 year. 3) Involved in the budgeting process. The type of data collected in this study is primary data obtained by distributing questionnaires containing questions that become instrument variables sent to AP Co. Indonesia. In this study, the questionnaire used a Likert scale with a score value of 1-4 to measure the answers of the respondents. The study was analyzed using the Structural Equation Model (SEM) with the help of SmartPLS 3 software. SEM was used to estimate several multiple regression equations simultaneously.

*Validity test*

The validity test in this study used Confirmatory Factor Analysis (CFA), with the Partial Least Square (PLS) approach. This research was conducted by looking at the AVE (average variance extracted) value. The AVE value can be calculated using the formula below:

$$AVE = \frac{(\sum \lambda_i)^2}{(\sum \lambda_i)^2 + \sum \text{var}(\epsilon_i)}$$

Information:

$\lambda_i$  = component loading  
 $\text{var}(\epsilon_i) = 1 - \lambda_i^2$

*Reliability Test*

This study uses the Composite Reliability model. Indicators measuring constructs are declared reliable when the composite reliability value has a value above 0.7. Ghazali (2006) explained that composite reliability can be calculated by the following formula:

$$pc = \frac{(\sum \lambda_i)^2}{(\sum \lambda_i)^2 + \sum \text{var}(\epsilon_i)}$$

Information:

$\lambda_i$  = component loading  
 $\text{var}(\epsilon_i) = 1 - \lambda_i^2$

*Partial Least Square regression analysis*

The equation that can reflect the hypothesis testing used to test the effect of budget participation on budgetary slack with three moderating variables is as follows:

$$BS = \alpha + \beta_1 BP + \beta_2 M_1 + \beta_3 M_2 + \beta_4 M_3 + \epsilon$$

$$BS = \alpha_2 + \beta_1BP + \beta_2OC + \beta_3BP*OC + \beta_4LOC + \beta_5BP*LOC + \beta_6EC + \beta_7BP*EC + \beta_8BP*OC + \varepsilon_1 \dots\dots$$

Information:

BS : Budgetary Slack

BP : Budget Participations

OC : Organization Commitment

LOC : Locus of Control

EC : Ethics Considerations

$\alpha$  : Constanta

$\beta_1-8$  : Multiple Regression Coefficients

$\varepsilon_1-2$  : error

The results of testing the hypothesis in this study can later be seen from the result of the inner weight generated. If the original sample estimate coefficient value is positive, then there is a positive relationship and vice versa. To see the influence between variables, the researcher compared the T statistic with the T table.

(1)

### 3. Results

#### *Research result*

#### *Characteristics of Respondents*

Characteristics of respondents analyzed in this study include length of service, current position and involvement in budgeting. The characteristics of these respondents can be explained as follows:

#### *Length of work*

Table 1 Characteristics of respondents based on length of work

Year of work	Number	Percentage
1 – 5 years	10	26%
5 – 10 years	14	36%
>10 years	15	38%
Total	39	100%

From the data above, it can be concluded that the majority of respondents are those who have positions of 5 to 10 years, which is 38%. Respondents who worked for 1-5 years were 26%, and respondents who worked for >10 years were 36%. The characteristics of the length of work are used to determine the experience possessed by respondents when they are involved in budgeting

*Position Now*

Table 2 Characteristics of respondents based on current position

Position	Number	Percentage
<i>General Manager</i>	1	3%
<i>Airport Duty Manager</i>	5	13%
<i>Department Manager</i>	7	18%
<i>Section Head</i>	26	67%
Total	39	100%

From the data above, it can be concluded that the majority of respondents are those who have a section head as many as 26 respondents with a percentage of 67%. Respondents who served as department managers were 18%, respondents who served as airport duty managers were 13% and respondents who answered as general managers were 3%. The characteristics of this position are used as an indicator of the respondent's role in decision making during the budgeting process.

*Involvement in Budgeting*

Table 3 Characteristics of respondents based on involvement in budgeting

Involvement	Number	Percentage
Involved	39	100%
Not Involved	0	0%
Total	39	100%

This characteristic based on involvement in budgeting is to indicate who is involved in budgeting. It is known that all respondents are involved in budgeting.

*Education Level of Respondents*

Table 4 Characteristics of respondents based on education level

Level of Education	Number	Percentage
Senior High School	0	0%
Diploma	2	5%
Undergraduate	21	54%
Master	14	36%
Postgraduate	2	5%
Total	39	100%

From the data above, it can be concluded that the majority of respondents are those who have an undergraduate education level of 21 people, which is 54%. Respondents whose education level is Master degree are 14 people, which is 36%, Diploma is 2 people, which is 5%, and Postgraduate degree is 2 people, which is 5%. This characteristic is used to determine the intellectual level of the respondents.

*Validity test*

Table 5 Average Variance Extracted (AVE)

Variables	Average Variance Extracted (AVE)	squared AVE
<i>Budgetary Slack</i>	0.587	0.766
Organization Commitment	0.532	0.729
<i>Locus of Control</i>	0.567	0.753
BP * OC	1.000	1.000
BP * LOC	1.000	1.000
BP * EC	1.000	1.000
BP	0.552	0.743
EC	0.648	0.805

From the table above, it can be concluded that the AVE root of each research construct has a value greater than 0.5. Therefore, it can be concluded that all constructs in the estimated model meet the discriminant validity criteria.

*Reliability Test*

Reliability test is conducted to determine the level of stability of a measuring instrument or indicator. Researchers used the SmartPLS 3 software to perform a reliability test. Here are the results of the reliability test:

Table 6 Composite Reliability

Variable	Composite Reliability
<i>Budgetary Slack</i>	0.808
Organization Commitment	0.910
<i>Locus of Control</i>	0.838
BP * OC	1.000
BP * LOC	1.000
BP * EC	1.000
BP	0.859
EC	0.915

Based on the table above, composite reliability shows a satisfactory value, that is, each variable has a value of more than 0.70. From this it can be concluded that the level of consistency and



stability of the instrument used is very good or in other words the reliability of the instrument is met.

*Structural Model Testing*

Table 7 Inner Model Test

Variable	R Squared
<i>Budgetary Slack</i>	0.681
Organization Commitment	
<i>Locus of Control</i>	
BP * OC	
BP * LOC	
BP * EC	
BP	
EC	

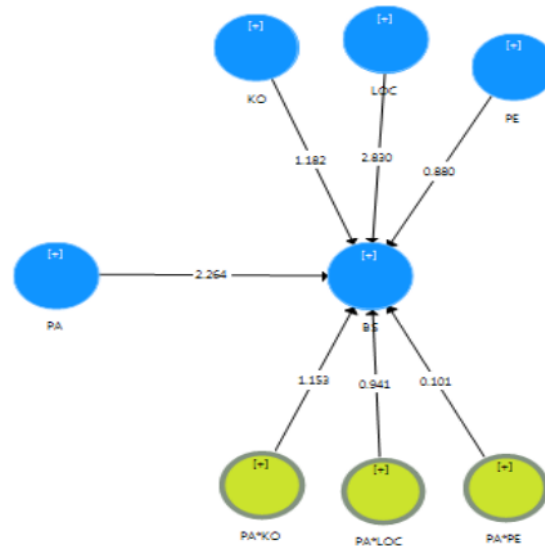
The R square value generated from the model that has been tested is 0.681 on the budgetary slack variable, which means that the budgetary slack variable can be explained by the budgetary participation variable, and the moderating variables are organizational commitment, locus of control, ethical considerations of 0.681 or 68.1%.

*Hypothesis test*

The results of the research show that the T table value is obtained from the reduction of 39 (number of respondents) – 5 (number of variables) which results in 34 points. So for one-way research with an alpha of 5%, the resulting value is 1.69092 which is rounded up to 1.69.

Table 8 Result of Inner Weights

	<i>Original Sample (O)</i>	<i>Sample Mean (M)</i>	<i>Standard Deviation (STDEV)</i>	<i>T Statistics ( O/STDEV )</i>	<i>P Values</i>
OC -> BS	0.228	0.221	0.193	1.182	0.238
LOC -> BS	0.370	0.376	0.131	2.830	0.005
BP -> BS	0.311	0.319	0.137	2.264	0.024
BP*OC -> BS	-0.179	-0.168	0.155	1.153	0.249
BP*LOC -> BS	0.132	0.099	0.140	0.941	0.347
BP*EC -> BS	-0.016	0.005	0.160	0.101	0.920
EC -> BS	0.182	0.105	0.207	0.880	0.379

*Research Results Model***4. Discussion**

*There is a positive influence of budget participation on budgetary slack*

From the test results above, the first hypothesis is that there is a significant positive effect of budget participation on budgetary slack. This is indicated by the T-statistic value of 2.264. At a significance level of 5%, the relationship between budgetary participation and budgetary slack has a T-statistic value greater than the t-table value of 1.69. So it can be said that budget participation has a significant positive effect on budgetary slack.

Employee involvement in budgeting requires employees to participate and think creatively when involved in budgeting. However, because the budget will later be used to assess performance, budgetary slack problems arise. The higher the level of employee participation in budgeting, the easier it is for employees to achieve goals. However, in reality, many are not able to achieve the budget targets that have been set. Employees who are involved in the budgeting process will tend to increase costs and reduce revenue targeted in the budget with the aim that targets can be realized easily.

From the above data processing, it can be concluded that the results of testing the first hypothesis are accepted or in other words, budget participation has a positive and significant effect on budgetary slack. This is supported by previous research conducted by Adikusuma & Mukhzarudfa (2017), Irfan, et al (2016), Miyati & Setiawan (2014) showed that budget participation has a positive effect on budgetary slack.

*Organizational commitment is able to moderate the effect of budget participation on budgetary slack*

The results of testing the second hypothesis that organizational commitment is able to moderate the effect of budget participation on budgetary slack is not proven. This happens because the ability of organizational commitment to moderate the relationship between budgetary participation and budgetary slack has a T-statistic value of 1.153. At a significance level of 5%, the ability of organizational commitment to moderate the relationship between budgetary participation and budgetary slack has a T-statistic value that is smaller than the t-table value of 1.69. So that it can be said that organizational commitment does not have a positive effect on the relationship between budget participation and budgetary slack or the hypothesis is rejected.

This can happen because managers who participate in budgeting will of course prioritize a high level of professionalism and integrity. Regardless of whether managers have high or low organizational commitment, it does not reduce their level of professionalism at work. In addition, the relationship between budgetary participation and budgetary slack depends on the extent to which individuals are more concerned with themselves or work for the organization which is the actualization of the level of commitment they have. Therefore, with this condition, organizational commitment does not affect the relationship between budget participation and budgetary slack. The results of this study are supported by research conducted by Fatmawati & Widyaningsih (2014) and Adikusuma & Mukhzarudfa (2017) which explained that organizational commitment is not able to moderate the relationship between budget participation and budgetary slack.

*Locus of Control is able to moderate the effect of budget participation on budgetary slack*

The results of testing the third hypothesis, namely that locus of control is able to moderate the effect of budget participation on budgetary slack is not proven. This happens because the ability of locus of control to moderate the relationship between budget participation and budgetary slack has a T-statistic value of 0.941. At a significance level of 5%, the ability of locus of control to moderate the relationship between budgetary participation and budgetary slack has a T-statistic value that is smaller than the t-table value of 1.69. So it can be said that the locus of control is not able to moderate the relationship between budget participation and budgetary slack.

The locus of control owned by managers who participate in budgeting cannot affect the relationship between budget participation and budgetary slack. This is supported by the results of data collection that has been carried out, which shows that the manager at AP Co. Indonesia has a fairly high level of length of work or level of experience. The length of work affects managers in making decisions, including at the time of budgeting. However, other factors such as the possibility that the work situation is perceived as less conducive so that it does not require managers to have high self-control and have a greater ability to influence the environment. The results of this study are supported by Ardin (2017) which stated that locus of control cannot moderate the relationship between budget participation and budgetary slack.

*Ethical considerations are able to moderate the effect of budgetary participation on budgetary slack*

The results of testing the fourth hypothesis that ethical considerations are able to moderate the effect of budget participation on budgetary slack are not proven. This happens because the ability of ethical considerations to moderate the relationship between budget participation and budgetary slack has a T-statistic value of 0.101. At a significance level of 5%, the ability of ethical considerations to moderate the relationship between budgetary participation and budgetary slack has a T-statistic value that is smaller than the t-table value of 1.69. So it can be said that ethical considerations are not able to moderate the effect of budget participation on budgetary slack.

This can happen because of the possibility that the ethics of managers who participate in budgeting are good, such as acting in accordance with applicable rules. In addition, there may be other factors that are not caused by individual factors such as ethics. This research is supported by Miyati & Setiawan (2014) and Priyetno (2018) which stated that ethical considerations do not moderate the relationship between budgetary participation and budgetary slack.

## **5. Conclusion**

The results of this study prove that budgetary participation is very influential on budgetary slack but this influence cannot be moderated by organizational commitment, locus of control or ethical considerations. This proves that even though budget planning is already participatory, it is still dominated by middle and upper level management.

## **6. Recommendations and Implications**

Based on the results of previous research and discussion, it is hoped that AP Co. Indonesia can pay attention to the possibility of budgetary slack when implementing budget participation during budget preparation. Paying attention to and tightening supervision of budget preparation is expected to be carried out in order to minimize the occurrence of budgetary slack. Ensure that the budget prepared is in accordance with the company's capabilities, namely by not lowering revenues and increasing expenses, so that the company's performance is maximized. In addition, company leaders are expected to pay more attention to the departments under their leadership. For example, such as the capabilities and potentials of each department, this is done to minimize the occurrence of budgetary slack which is carried out for the benefit of individuals.

In addition, it is hoped that it can be used as material to increase knowledge and insight about budgetary slack, so that company management can design a proper implementation mechanism for the continuation of the company. Companies must be more selective in choosing officials who will later participate in budget preparation, namely those who have organizational commitment, locus of control, and high ethical considerations. Because by having organizational commitment, locus of control, and high ethical considerations, a person will feel able to complete work with optimal results, thereby reducing the occurrence of budgetary slack.



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