

The Effect of Budget Participation, Budget Emphasis, and Compensation on Budget Slack at Le Grande Bali

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Abstract: Managers and supervisors at Le Grande Bali participate in preparing company budgets and pressured to be able to achieve budget targets, so managers and supervisors make it easier to achieve budget targets through budgetary slack to get compensation in the form of bonuses but also offset by penalties to managers and supervisors and all existing employees at Le Grande Bali a truth inducing system. This study aims to determine the effect of budget participation, budget emphasis, and compensation on budgetary slack both partially and simultaneously on Le Grande Bali. The type of data used in this study is primary data obtained by distributing questionnaires to respondents. The questionnaire was distributed to the Head of Department and supervisors of each section department and subordinates who were involved in the budgeting process at Le Grande Bali. The sampling method in this study uses saturated samples using multiple linear regression analysis techniques. The results of this study indicate that: (1) Budget participation does not affect budgetary slack. (2) Budget emphasis has a significant positive effect on budgetary slack. (3) Compensation has no effect on budgetary slack. (4) Budget participation, budget emphasis, and compensation simultaneously have a significant positive effect on budgetary slack.

Keywords: budget participation, budget emphasis, compensation, budget slack.

1. Introduction

The development of tourism in Bali has a direct impact on increasingly fierce hotel business competition. One of the famous five star hotels in Bali is Le Grande Bali which is located at Jalan Pecatu Indah Resort, Blok 5, South Kuta, Bali. To be able to compete with other hotels in Bali, Le Grande Bali has a good company performance and is able to work effectively and efficiently in order to survive amid the competition. To achieve these goals, companies must compile good planning and planning. One of the important components of planning and control is a budget that provides information about the company's operational activities in a certain period so that the company's goals can be achieved. The budget is a plan that is prepared systematically, which includes all company activities, which are stated in monetary units (unity) and agreements for a certain future period (period). A budget is a plan that will be used as an innovative way of carrying out operational activities [1]. In the process of compiling and implementing it, Le Grande Bali prepares and executes a budget involving the director of each department and a manager in each section per department. The involvement of subordinates in the

preparation of the budget is known as budget participation. The existence of authority in preparing the budget and determining the contents of the budget will provide opportunities for participants to abuse the authority they get by facilitating budget achievement so that it can harm the company, this abuse is done by creating budgetary slack. Budgetary slack occurs when the revenue realization tends to exceed the revenue budget or the cost realization tends to be lower than the cost budget [2]. Based on the data obtained, the budget from the realization of Le Grande Bali 2017-2019 revenues reflects an indication of budgetary slack.

Le Grande Bali makes budget the most dominant factor used in measuring the performance of subordinates. A state or condition known as budget emphasis if within a company is the most dominant factor used in measuring the performance of subordinates [3]. This budget emphasis occurs when the performance of the agent (director of each department and manager of each section per department) is assessed based on the achievement of the company's budget targets, the directors and managers will try to obtain profitable variance by creating a budgetary slack. Budgetary slack or budgetary slack in the budget preparation process can also be caused by compensation. Compensation is a reward that is given by the company to employees as a form of remuneration. This of course will encourage the manager, who has a bonus program, will tend to create a budget that is easily achieved or in other words, to take a budget slack in order to get a bonus when the budget target is reached.

Le Grande Bali was chosen as the object of research because this company is engaged in room service, food and beverage services which in its operational activities use a reporting system to the owner or owner of Le Grande Bali itself. Le Grande Bali was chosen as the object of this study because employee performance is assessed based on the level of achievement of the budget that has been determined in other words only the final result is considered.

1. Literature Review

1.1 Budget participation

Budget participation is a process where individuals are directly involved in and have an influence on the preparation of budget targets whose performance will be evaluated and likely to be rewarded on the basis of achieving their targets [4]. Budget participation is a process of joint decision-making by two or more parties that have a future impact on the decision maker, participation in budgeting means the participation of the operating manager in deciding together with the budget committee regarding a series of activities that will be taken by the operating manager in the future achievement of budget targets [5].

1.2 Budget emphasis

Budget emphasis is a condition where within a company or organization, the budget is the most dominant factor used as a measurement of the performance of subordinates. A person's performance appraisal is determined based on whether or not the budget target is achieved where subordinates are stimulated by a reward if budget planning is achieved, and sanctions if budget planning is not achieved [6]. The emergence of budgetary slack in budget emphasis is encouraged or motivated by the desire or interest of each individual by making budgetary slack, the individual concerned can facilitate the achievement of the budget target itself.

2.3 Compensation

Compensation is an amount of money or awards given by a company or organization to employees in return for services in carrying out the duties, obligations and responsibilities charged. The company or organization will give compensation itself when the employee's performance is considered good [7]. Compensation is a service fee or remuneration provided by the company to its workers because the workforce has contributed energy and thoughts for the progress of the company in order to achieve

predetermined goals [8]. Compensation is also aimed at providing stimulation and motivation to the workforce to improve work performance, efficiency and effectiveness.

2.4 Budgetary slack

Budgetary slack is a budgeting process where there are deliberate distortions by reducing budgeted revenues and increasing budgeted costs. Budgetary slack in practice, from the perspective of agency theory, is influenced by a conflict of interest between the principal and the agent itself that arises when each party is determined to maintain its desires and goals [2]. There are five important conditions that cause budgetary slack. First, there is information asymmetry between agents and principals. Second, the manager's performance is uncertain. If there is certainty, then superiors can predict the manager's efforts through their output, making budgetary slack difficult. Third, managers have personal interests. Fourth, there is a conflict of purpose between managers and their superiors. And the fifth condition is the importance of the role of managers in their participation in the budgeting process. Based on these five factors, three factors, including budgetary participation, budget emphasis, and personal interests (in this case including achieving compensation), have a major influence on budgetary slack [9].

2. Research Method

The type of data used in this research is quantitative data. The quantitative data referred to is budget data and company budget realization collected from the Accounting Department as well as the results of a questionnaire in the form of scores from respondents' answers or quantification of assessment indicators from variables calculated using a Likert scale. The data source of this research consists of primary data. Primary data in this study consisted of survey results using a questionnaire distributed to respondents who then used a Likert scale of 1 to 5, by strongly disagreeing with strongly agree, where the respondents were managers and supervisors (who were involved in budget planning) every time department at Le Grande Bali.

The data collection method used in fulfilling the data required in this study is through field research (Field Research), namely research conducted by interviewing techniques and questionnaires. The population in this study were all department managers and supervisors who participated in the preparation and implementation of the budget at Le Grande Bali. Determination of the sample in this study using saturated samples, which means the technique of determining the sample when all members of the population are used as samples. As for who will be the population as well as the research sample in this study, about 27 people consisting of 1 General Manager, 9 Head of Department, 17 Supervisors at Le Grande Bali.

Technical analysis of the data used is multiple linear regression testing aims to determine the effect simultaneously (simultaneously or simultaneously) between budget participation, budget emphasis, and compensation for budgetary slack. Multiple linear regression analysis will be conducted if the number of independent variables is at least two [10]. The regression equation model is as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

The analytical tool used is the research instrument test, classical assumption test, hypothesis testing.

3.1 Research instruments test

The instrument used to collect primary data must meet two criteria, namely validity and reliability. Validity testing aims to determine whether the instrument used is valid (valid) or not. Testing is done by calculating the correlation between the scores of each question item with the total score in order to obtain Pearson Correlation. If the correlation score of each question item with the total score shows a

positive value and the amount is ≥ 0.3 , then each question item can be said to be valid [10]. Reliability testing was conducted to test whether the data collected through the research instrument showed adequate internal consistency. This research will use the Cronbach Alpha statistical test with the Statistical Package of Social Science (SPSS). A variable is said to be reliable if the Cronbach Alpha value is > 0.70 .

3.2 Classic assumption test

The classic assumption tests used in this study include the normality test, heteroscedasticity test, and multicollinearity test. The normality test aims to determine whether each variable is normally distributed or not [11]. The normality test for the variables in this study used the Kolmogorov-Smirnov statistical test. The data is said to be not normally distributed if it has a significance level below 0.05. Heteroscedasticity testing aims to test whether the regression model has an inequality of variants from the residuals of one observation to another [11]. Heteroscedasticity testing is done by making a Scatterplot (distribution path) between the residuals and the predicted values of the dependent variable that have been standardized. Multicollinearity test aims to test whether the regression model found a correlation between independent variables [11]. To test for multicollinearity, it is done by looking at the VIF value of each independent variable, if the VIF value is less than 10 ($VIF < 10$), then the data is free from symptoms of multicollinearity.

3.3 Hypothesis test

The test of the coefficient of determination is used to measure the proportion or percentage of the contribution of the independent variables under study to the fluctuation of the dependent variable. This test uses the Adjusted R Square value when evaluating which is the best regression model. To test the hypothesis in this study, the feasibility test value of the model (F) was also measured. The F test is carried out to show whether all the independent variables included in the model have a joint influence on the dependent variable [11]. The test criteria for the F test is to show the magnitude of the F value and the significance value of p. If the analysis results show a p value ≤ 0.05 , the regression equation model is significant at the alpha level of 5%, so it can be concluded that the model formulated in the multiple linear regression equation is correct. To test the hypothesis in this study partially the value of the variable significance test (t test) was also measured. The significance level less than 0.05 indicates a significant influence between the independent variables and the dependent variable.

3. Result and Discussion

3.1 Research instruments test

Table 1. Validity test results

No	Variable	Instrument Code	Pearson Correlation Score	Information
1	Budget Participation	X11	0,867	Valid
		X12	0,857	Valid
		X13	0,859	Valid
		X14	0,697	Valid
		X15	0,901	Valid
		X16	0,773	Valid
2	Budget Emphasis	X21	0,813	Valid
		X22	0,811	Valid
		X23	0,735	Valid

		X24	0,781	Valid
		X25	0,634	Valid
		X26	0,839	Valid
		X31	0,552	Valid
		X32	0,812	Valid
3	Compensation	X33	0,685	Valid
		X34	0,656	Valid
		X35	0,546	Valid
		X36	0,812	Valid
		Y1	0,675	Valid
		Y2	0,788	Valid
4	Budgetary Slack	Y3	0,630	Valid
		Y4	0,820	Valid
		Y5	0,675	Valid
		Y6	0,788	Valid

Based on Table 1, the results of the validity test state that all statement items are valid because they have met the criteria in the validity test, namely the Pearson Correlation value ≥ 0.3 .

Table 2. Reliability result test

Variable		Cronbach Alpha	Information
Budget Participation	(X1)	0,908	Reliable
Budget Emphasis	(X2)	0,860	Reliable
Compensation	(X3)	0,765	Reliable
Budgetary Slack	(Y)	0,822	Reliable

Based on Table 2, the reliability test results state that all variables are reliable because they have met the criteria in the reliability test, namely the Cronbach's Alpha value of each variable exceeds the requirement > 0.70 .

3.2 Classic assumption test

Table 3. Normality test

Variable		Sig.	Information
Budget Participation	(X1)	0,015	Normal
Budget Emphasis	(X2)	0,390	Normal
Compensation	(X3)	0,107	Normal
Budgetary Slack	(Y)	0,877	Normal

Based on the results of the normality test above, the variable budget participation (X1), budget emphasis (X2), compensation (X3), and budgetary slack (Y) have a Sig. above 0.05. It can be concluded that the data tested by the Shapiro-Wilk normality test is normally distributed and can be tested further on classical assumptions.

From the heteroscedasticity test with the Scatterplot, it was stated that the data did not occur heteroscedasticity symptoms and could be continued with further testing of classical assumptions.

Table 4. Multicollinearity test

Variable		Tolerant	VIF
Budget Participation	(X1)	0.450	2,223

Budget Emphasis	(X2)	0,363	2,752
Compensation	(X3)	0,634	1,578

Based on Table 4, it can be seen that the tolerance value of the variable budget participation, budgetary emphasis, and compensation is greater than 0.10 and the VIF of each of the independent variables is less than 10. This means that the regression equation model is free from multicollinearity.

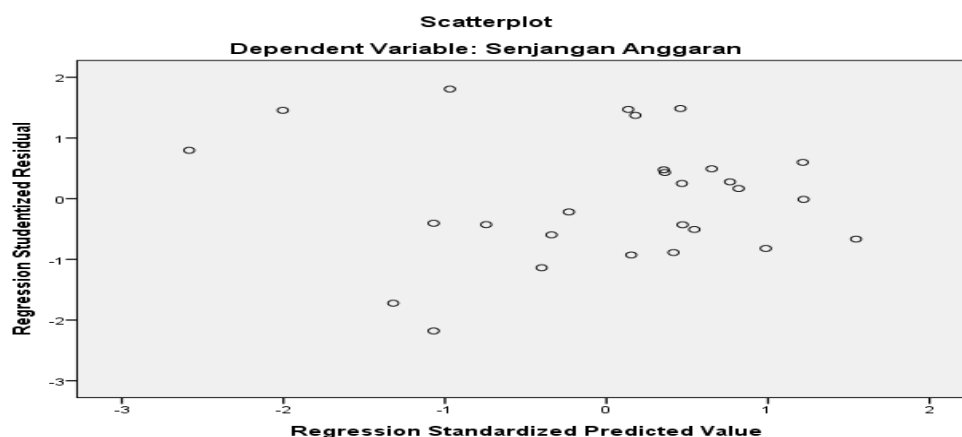


Figure 1. Heteroscedasticity test

3.3 Multiple regression analysis test

3.3.1 Hypothesis test

Table 5. The results of multiple regression analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,887	0,788	0,760	1,769

Table 6. F test analysis

Model	Sum of Squares	df	Mean Square	F	Sig
1 Regression	266,717	3	88,906	28,420	0,000

Table 7. t test analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig
	B	Std. Error	Beta		
1 (Constant)	7,047	1,929		3,653	0,001
Budget Participation	0,023	0,101	0,032	0,225	0,824
Budget Emphasis	0,584	0,126	0,738	4,628	0,000
Compensation	0,172	0,112	0,186	1,544	0,136

Based on Table 7, the multiple linear regression equation can be arranged as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

$$Y = 7,047 + 0,023X_1 + 0,584X_2 + 0,172X_3 + e$$

3.3.1.1 Test the coefficient of determination (R^2)

Adjusted R Square shows a result of 0.760 means that 76% of the variation in budgetary slack is influenced by variations in budget participation, budget emphasis and compensation, while the remaining 24% is explained by other factors not included in the model.

3.3.1.2 Model feasibility test (*F*)

Based on Table 6, it is known that the calculated *F* value is 28.420 with a significance of 0.000, which has a significant probability smaller than the significant criterion, namely 0.05. This shows that the model used in this study is feasible. Budget participation, budget emphasis, and compensation can be used to predict budgetary slack or it can be said that budget participation, budget emphasis, and compensation simultaneously or simultaneously have a positive and significant effect on budgetary slack.

3.3.1.3 Variable significance test (*t*)

Based on the test results shown in Table 7, it is known that the significant level of *t* is 0.824 for budget participation (X1), 0.000 for budget emphasis (X2), and 0.136 for compensation (X3). In reference to *t*-test decision making, it can be seen from the significance value that it must be smaller or below the probability value of 0.05. This shows that partially or the *t* test only budget emphasis has a positive and significant effect on budgetary slack, while budget participation and compensation do not partially affect budgetary slack.

4. Conclusion

4.1 The effect of budget participation on budgetary slack

In a partial test using the *t* test shows that budget participation has no effect on budgetary slack. This can be seen from the significance value that must be less than or below the probability value of 0.05, namely $0.824 > 0.05$. This means that increasing or decreasing budget participation in the company budgeting process accompanied by negative or positive behavior to facilitate the achievement of budget targets will not affect the occurrence of budgetary slack.

4.2 The effect of budget emphasis on budgetary slack

Budget emphasis has a positive and partially significant effect on budgetary slack, this conclusion can be proven from the significance value that must be smaller or below the probability value of 0.05. For budget emphasis, the *t* test results are $0.000 < 0.05$, meaning that the higher the emphasis from the principal on the performance of the agent in achieving the targeted budget will tend to increase the occurrence of budgetary slack.

4.3 The effect of compensation on budgetary slack

In a partial test using the *t* test shows that compensation has no effect on budgetary slack. This can be seen from the significance value that must be less than or below the probability value of 0.05, namely $0.136 > 0.05$. This means that the higher or lower the compensation in the form of bonuses or commissions given on the basis of achieving budget targets will not affect or lead to tips from the company in facilitating the achievement of budget targets through budgetary slack due to penalties given to subordinates.

4.4 The effect of budget participation, budget emphasis, and compensation on budgetary slack simultaneously

Budget participation, budget emphasis, and compensation together (simultaneously) have a positive and significant effect on budgetary slack, where when the variables of budget participation, budget emphasis, and compensation are constant or have a value of 0, the budgetary slack increases by 0.747 units. This means that the higher the participation of the agent in preparing the budget which is followed by negative or positive behavior and the higher emphasis on achieving budget targets to obtain compensation in the form of bonuses, the higher the budgetary slack that occurs.

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