

DETERMINANT OF BUDGETARY SLACK WITH REGULATION AS MODERATION VARIABLE ON VILLAGE FINANCIAL MANAGEMENT AT SUMBAWA REGENCY INDONESIA

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Abstract

This study aims to obtain empirical evidence of the influence of participatory budgeting, information asymmetry, and budget emphasis on the formation of budgetary slack, besides also want to see the influence of budgetary slack determinants mentioned above when moderated by regulation. Based on data obtained from the village community empowerment office of Sumbawa regency in 2015, the indication of budget slack in village financial management before and after the implementation of village regulations (Law No.6 of 2014). This study used proportionate stratified random sampling method. The sample consists of 201 people who are financial managers in the villages within the scope of local government district Sumbawa. The analytical method used to test the hypothesis is moderation structural equation modeling. The results of research show that participative budgeting, information asymmetry, and budget emphasis have positive and significant effect on budgetary slack formation in village financial management and regulation able to moderate that relationship. So that, in an effort to minimize the formation of budgetary slack on village financial management can be done with the effective application of regulation.

Keywords: Budgetary slack, regulation, village financing, budgeting, MSEM

INTRODUCTION

Paradigm shift change of village post Implementation of government policy on village development through Law no. 6 Year 2014 on the village, bringing various impacts for the village itself. One of them is the flow of funds to the village with a relatively large amount. Submission of authority to the village administration in the case of financial planning and management (based on Permendagri No. 113 and 114 of 2014) and the existence of Village Fund disbursements sourced from state budget revenues (based on PP No. 22 of 2015) and Village Fund Allocation and Section of the Regional Taxes and Retributions of the district's revenue and expenditure budget (based on PP No. 47 of 2015), requires villages to be more transparent and accountable to their financial management processes.

Before the implementation of Law no. 6 Year 2014 on the Village and its derivative rules, villages in Sumbawa regency each year get information from the local government of Sumbawa Regency about the amount of village budget funds as the basis for submission of the Budget Plan (RAB) or Money Use Plan (RPU) for their shopping needs. With the amount of transfer funds in the range of 140 million rupiahs up to 280 million rupiahs for each village in Sumbawa Regency in 2014 (based on data from the Village Community Empowerment Office (DPMD) of Sumbawa Regency 2015), there are very few activities that can be undertaken by each, each village.

Total Village Revenue (PADes) of each village in Sumbawa Regency in the 2015 Village Head accountability report is in the range of 50 million rupiahs to 250 million rupiahs (based on data on the Village Community Empowerment Office (DPMD) of Sumbawa Regency 2015). However, after Law no. 6 Year 2014 on villages implemented, where followed by a relatively large funding for the villages, the data show that most villages no longer set targets as amounts have been reported in previous years. Even some villages in Sumbawa Regency are targeting revenue from Village Original Revenue (PADes) with a very small amount.

Table 1: Some revenue targets before and after the implementation of regulations

No.	Village Name	targets before implementation	targets after implementation
1	Nijang	99.000.000	6.038.000
2	Jorok	265.716.000	104.580.000
3	Tarusa	151.700.000	10.000.000
4	Boak	174.300.000	1.000.000
5	Moyo	185.809.543	3.000.000
6	Pemasar	139.200.000	2.100.000

The phenomenon shown in the above table is an illustration of the implementation of budgeting planning conducted by the financial managers in the village before and after the implementation of the latest regulations on the village.

Preliminary Survey This research indicates that there is an indication of budgetary slack practice at every stage of village development planning, which is at the stage of preparation of village mid-term development plan (RPJMDes), stage of preparation of village government work plan (RKPDDes), and also at final stage of planning, and village expenditure (APBDes). Illustration of indication of budgetary slack practice in the planning process is simply shown in the following figure.

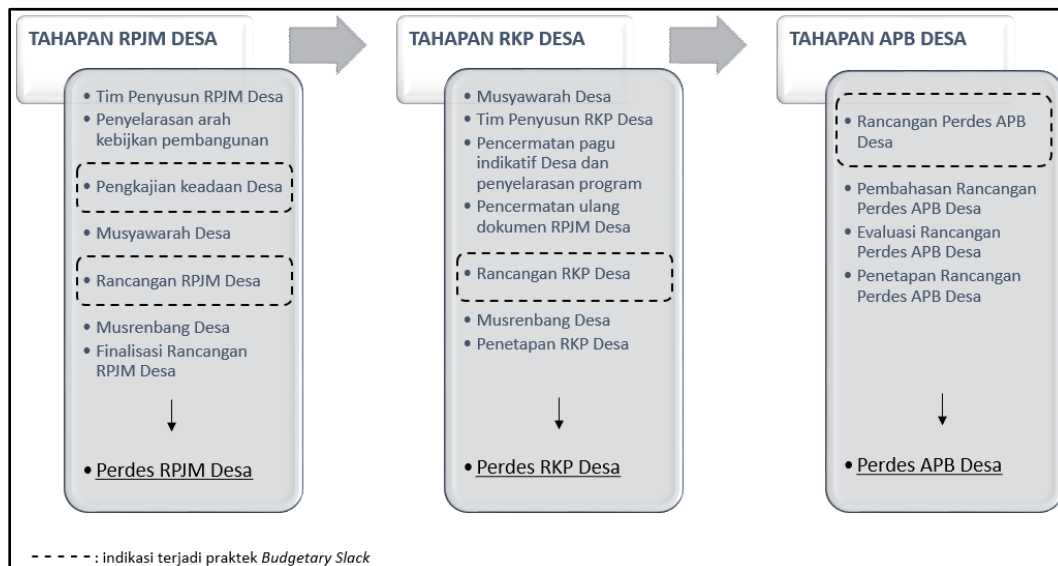


Figure 1: Indication of Budgetary Slack on Village Development Planning

Several studies have been conducted to test hypotheses about the influence of determinant associations of budgetary slack. Faria and Silva (2013) in his research confirm the hypothesis of agency theory. That regardless of a person's position on a company (principal or agent), both use information asymmetry to set goals with budget slack, which is beyond the real need. Through this experiment it is proved that information asymmetry creates a situation that is likely to increase budgetary slack. Karsam (2015) mentions the results of his research that the emphasis budget becomes moderator that strengthens the relationship between participatory budgeting system and budgetary slack. In addition, at the level of budget emphasis on the relationship between participative budgeting system and budgetary slack concluded have positive and significant effect. While Özer and Yılmaz (2011) concluded that the effectiveness of

budgetary control has a significant and negative impact on the tendency of managers to create budget slack in public organizations. Budget control and ethical work climate affect manager perceptions. Raudhiah (2014) in his research concludes that there is a negative and significant relationship between management style and budget slack, while the high interaction in budget participation, budget emphasis and information asymmetry increase budgetary slack.

This research was motivated by phenomenon that occurred between before and after the implementation of Law No. 6 Year 2014 about the village, this research aims to obtain empirical evidence of influence between participative budgeting, information asymmetry, and budget emphasis on budgetary slack formation and see whether the regulation on village able to moderate the relationship between participatory budgeting, information asymmetry, and budget emphasis on budgetary slack formation in village financial management.

LITERATURE REVIEW

Agency theory

Agency theory is one of the main theories to justify various activities of the entity so far. Anthony and Govindarajan (2005) argue that the main principle of this theory states the existence of a working relationship between an authorizing party and an authorized party (principal and agent). Fundamentally, this theory reveals that ideal conditions between principal and agent will be difficult to create due to conflicting interests between the two parties.

Information Asymmetry

In agency theory, agency relationships arise when principals hire agents to provide a service and then delegate authority for decision making to the agent. The relationship between principal and agent can lead to a condition of information imbalance (asymmetrical information) because the agent is in a position that has more information about the organization than the principal.

Participatory budgeting

To minimize the occurrence of information imbalance between principal and agent in an organization, one effort that can be done is by implementing participative system in organizational budget process. One of the benefits of participation of middle and lower managers in budgeting is to reduce inequality of information within organizations (Kren, 1992; in Sahara, 2005). Milani (1975) in Rahayu (1997) defines participatory budgeting as the level of influence and involvement that individuals perceive in the budget drafting process. Participation of agents in the process of budgeting allows the principal to access local information (Baiman, 1982), which allows agents to communicate private information they have. Engaging agents to

participate in the budgeting process provides an opportunity to lower the level of information asymmetry. However, participation provides an opportunity for agents to influence budgets in ways that may not always be in accordance with the wishes and interests of the principal. Agents may demand resources more than the amount they need to meet their budget goals. This condition leads to misallocation of resources owned by the organization as a whole.

Budget Emphasis

In a situation of high budget emphasis, where the principal demands an agent to work in accordance with his or her desire to meet the budget targets as planned, employees will find ways to protect themselves from the risk of not reaching the budget targets (Lukka, 1988 in Raudhiah, 2014). Onsi (1973) in Raudhiah (2014) also mentions that when managers use budget emphasis, they will get a defensive response from their employees. In line with Lukka (1998) and Onsi (1973) in Raudhiah (2014), Sujana (2010) in Anggasta and Murtini (2014) also stated that when the budget becomes the sole criterion of employee performance appraisal in an agency, doing various things in improving its performance to look good and continue to gain confidence.

Budgetary Slack

Budgetary slack is a budget process that found intentional distortion by lowering budgeted revenues and increasing budgeted costs (Suartana, 2010). Schiff and Lewin (1970) in Kurniawan (2002), stated that budget slack is an attempt by managers to make adjustments to the budget based on their own personal interests rather than based on real factors that will affect the achievement of budget targets. Slack budgets generally take the form of overstated expenses, understated revenues, and performance capability estimates below the actual capabilities.

Regulation

In general, regulation is a rule created to help control a group, institution, or organization in order to achieve certain goals in life together, community, and socialize. The purpose of making regulations or rules is to control people or society with certain limitations. Regulations apply to various public institutions, both for the general public as well as for business.

According to a large Indonesian dictionary (KBBI), regulation is a tool for controlling human or community behavior with rules or restrictions. Regulations can be done in various forms, for example: legal restrictions announced by government authorities.

RESEARCH METHODS

Research Population and Sample

The population used in this research are financial managers in 157 villages within the scope of Sumbawa Regency Government which totals 942 people, with details of 1 Head of Village, 1 Village Secretary, 3 Section Heads, and 1 Village Consultant Board (Badan Permusyawaratan Desa/BPD) for each village. The sampling technique used by the researcher is proportionate stratified random sampling. Determination of sample by using proportionate stratified random sampling is intended by the researcher to guarantee the representation of each group in this research proportionally.

Conceptual and Operational Definitions Variable

The independent variables used in this study are: participatory budgeting, information asymmetry and budget emphasis. The dependent variable used is budgetary slack and the moderation variable is regulation.

1. Participatory budgeting according to Mulyadi (2001: 513) is an approach in the budgeting system, which indicates the participation of lower level managers, including in deciding jointly with the budget team regarding the sequence of activities in the future or implemented by the lower level manager in achievement budget goals and objectives. Participation in budgeting is measured by 5 indicators: (1) Contribution and participation of TAPDesa in preparing RAPBDesa, (2) Contribution and involvement of Village Head in preparing RAPBDesa, (3) Contribution and participation of TAPDesa in finalization of RAPBDesa, (4) Contribution and involvement of Head Village in finalization of RAPBDesa, (5) Contribution and involvement of other party in determining RAPBDesa. Measurement using Likert scale 5 points.
2. Information asymmetry by Jensen and Meckling (1976) is a situation in which managers have access to information on the prospect of an organization that is not owned by the principal or a condition in which the principal and agent have different data or information related to the organization or their institutions. Information asymmetry is measured by 5 indicators: (1) Adequacy / Quantity of information, (2) Conformity of information, (3) Information quality, (4) Understanding of information, and (5) Information Changes. Measurement using Likert scale 5 points.
3. Budget emphasis is the insistence of superiors on subordinates in budget planning, which is considered a performance benchmark and control tool (Hansen and Mowen, 2006). If subordinates believe that rewards are dependent on achieving targets within the budget, subordinates will try to build slack in their budgets (Sujana, 2010 in

Anggasta and Murtini, 2014). Budget emphasis is measured by 5 indicators: (1) Number of incentives TAPDesa, (2) Time limit in preparing APBDesa, (3) Sanction against TAPDesa, (4) Technique and mechanism of APBDesa, (5) Ability to reach budget target. Measurement using Likert scale 5 points.

4. Budgetary slack is an estimate difference from the budget prepared with the best estimate of a budget that is honestly predictable. The estimate is related to the determination of revenue targets and the allocation of expenditure (Mardiasmo, 2009). Budgetary Slack is measured by four indicators: (1) Standards in the preparation of revenue targets, (2) Standards in the preparation of budget plans, (3) Number of revenue targets made lower than it should be, (4) Total allocation of spending made higher should. Measurement using Likert scale 5 points.
5. Regulation according to National Standardization Body (BSN), regulation in Indonesia is defined as a source of formal law in the form of legislation which has several elements, that is a written decision, constituted by a state institution or authorized official, and publicly binding. This variable is measured based on the application of Law no. 6 year 2014 and its derivative regulations. Indicators of regulatory implementation are measured by see whether Law no. 6 year 2014 on the Village along with its derivative regulation has been applied well in the management of village finances. Measurement using Likert scale 5 points.

The Data

The data used in this study is the primary data obtained from the questionnaires distributed to the respondents who became the sample research. The way of distributing questionnaires is done by delivering direct questionnaires to respondents with the aim of minimizing the number of questionnaires that are not returned.

Table 2: Distribution of research questionnaires

No.	Description	Amount	Percentage
1	Distributed questionnaire	214	100%
2	The questionnaire is not returned	6	2.8%
3	The questionnaire received back	208	97.2%
4	Questionnaire not filled out completely	7	3.3%
5	The questionnaire can be analyzed	201	93.9%

Data analysis approach

A complete SEM modeling basically consists of Measurement Models and Structural Models (Ferdinand, 2006). Measurement Model is intended to confirm a dimension or factor based on the empirical indicators. Structural Model is a model of the relationship structure that forms or explains causality between factors. In model testing using SEM, there are seven steps taken (Ferdinand, 2006), as follows:

1. Development of the Theory-Based Model

The first step is to conduct a theoretical identification of the research problem. Research topics are examined in depth and the relationship between the variables to be hypothesized must be supported by a strong theoretical justification.

2. Development of Flow Chart

at this stage there are two things that need to be done is to construct a structural model that connects between endogenous and exogenous latent variables and compile a measurement model that connects endogenous or exogenous latent variables with manifest variables.

3. Conversion of Flow Charts into Structural Equations and Measurement Models

After the research model developed and drawn on the path diagram, the next step is to convert the model specification into the built-in equation, which consists of:

- a. Structural equations;
- b. Measurement model.

4. Choosing Type Input Matrix and Model Estimation

The input matrix type included is input data in the form of variant or covariance matrix or correlation matrix. The raw observation data will be automatically converted by the program into a covariant matrix or correlation matrix. The covariance matrix has advantages over the correlation matrix in providing validity of comparison between different populations or different samples. However, the covariant matrix is more complicated because the coefficient value must be interpreted on the basis of the construct measurement unit.

The estimation of the proposed model is dependent on the number of research samples (Ferdinand, 2006), with the following criteria:

- Between 100 - 200: Maximum Likelihood (ML)
- Between 200 - 500: Maximum Likelihood or Generalized Least Square (GLS)
- Between 500 - 2500: Unweighted Least Square (ULS) or Scale Free Least Square (SLS)
- Above 2500: Asymptotically Distribution Free (ADF)

The range above is only a reference and not a provision. If sample size is below 500 but assumption of normality not fulfilled may use ULS or SLS.

Based on the consideration of the proposed model estimation based on the number of samples of the study mentioned above, this study used the estimated Maximum Likelihood (ML) model. which by using the above model estimation has fulfilled the assumption of normality.

5. Assessing Identification of Structural Models

The structural model is said to be good if it has one solution for one parameter estimate. In one model it is possible to have many solutions, so the appropriate solution is chosen. The selection of suitable solutions is often called the problem of identification. Regarding the problem of structural model identification is that when the estimation process takes place, there is often an illogical estimation result. When the problem of identification occurs, then the model becomes unidentified. To solve a system of equations in order to obtain solutions on SEM, then the model must be identified.

6. Evaluation of Goodness-Of-Fit Criteria

SEM is very sensitive to the characteristics of data distribution, especially distribution that violates multivariate normality. For that, before the data processed should be tested assumption of normality first. Once the data is confirmed to be normal in a multivariate way, the next step to do is to assess the overall fit model with various fit model assessments. Goodness-of-Fit measures the suitability of the input of observation with the prediction of the proposed model.

7. Interpretation of Test Results and Modified Models

At this stage the model being developed will be interpreted and for models that do not meet the requirements of the test are modified. The need to modify a model can be seen from the amount generated by the model. Hair, et. al. 1995 (in Ferdinand, 2006) provides a guide to consider whether or not a model should be modified by looking at the amount of residuals generated by the model. The security limit for the residual amount is 5 processes of all residual covariance generated by the model, then a modification begins to be considered. Furthermore, if it is found that the resulting residual value of the model is quite large (> 2.58), then another way of modifying is to consider adding a new path to the estimated model.

After seven step model testing using SEM above, the next step is testing to analyze the influence of interaction of moderating variable in model using Ping method. To run the Moderating SEM (MSEM) method with the help of AMOS 22.0 program will be done in two stages:

1. Estimates without including interaction variables, so it will only estimate the model with two exogenous variables used to predict the endogenous variables.

The output of this model is used to calculate the loading factor value of latent variable interaction ($\lambda_{\text{interaction}}$) and the variance error value of the latent variable interaction indicator (Θ_q);

- After the value of the interaction factor loading and the variance interaction error value are obtained from the first stage, then these values are incorporated into the model with the latent variable interaction. Manual calculation results from the interaction factor loading used to set the value of the interaction loading value parameter, while for the manual calculation result variance variable interaction is used to set the error variance variable interaction.

RESEARCH FINDING

Confirmatory Factor Analysis (CFA)

This confirmatory factor analysis is a measurement stage against the dimensions that make up the latent variables in the research model. The latent variables or constructs used in this research model consist of 4 variables with the total number of dimensions is 19.

1. Confirmatory factor analysis of exogenous variables

The exogenous variables in this confirmatory factor analysis consist of three latent variables: Participatory Budgeting, Information Asymmetry and Budget Emphasis with fifteen indicators, where each latent variable has five indicators as its forming dimension.

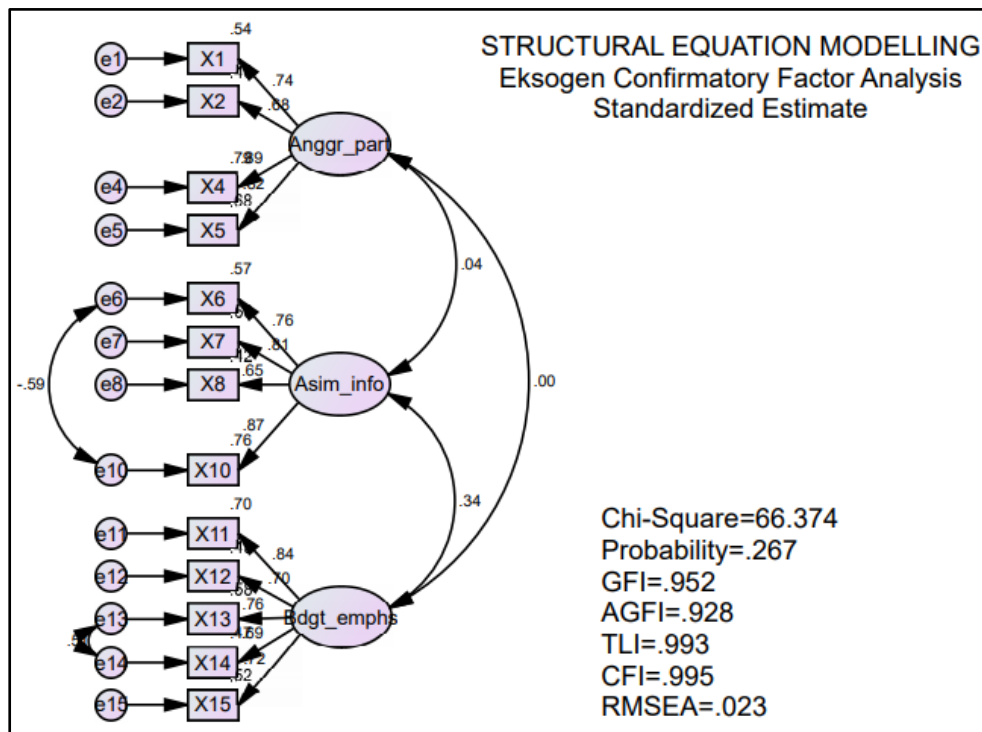


Figure 2: Confirmatory factor analysis of exogenous variables

Summary of results confirmatory factor analysis of exogenous variables:

Table 3: Result of feasibility test of exogenous variable model

Goodness of Fit Indices	Cut-Off Value	Analysis result	Model evaluation
Chi-Square	$\leq \alpha.df$ (lebihkecildari χ^2 tabel)	66.374	Good
Probability	≥ 0.05	0.267	Good
GFI	≥ 0.09	0.592	Good
AGFI	≥ 0.09	0.928	Good
TLI	≥ 0.09	0.993	Good
CFI	≥ 0.09	0.995	Good
RMSEA	≤ 0.08	0.023	Good

The results of data processing analysis showed that all constructs used to form a research model on the confirmatory factor analysis process have met the predetermined goodness of fit criteria.

Table 4: Regression Weight of Confirmatory Analysis of Exogenous Variables

Regression Weights: (Group number 1 - Default model)						
		Estimate	S.E.	C.R.	P	Label
X5	<--- Anggr_part	1.000				
X4	<--- Anggr_part	1.098	.082	13.452	***	
X2	<--- Anggr_part	.746	.073	10.165	***	
X1	<--- Anggr_part	.949	.085	11.196	***	
X10	<--- Asim_info	1.000				
X8	<--- Asim_info	.623	.071	8.830	***	
X7	<--- Asim_info	1.122	.100	11.248	***	
X6	<--- Asim_info	.962	.101	9.505	***	
X15	<--- Bdgt_emphs	1.000				
X13	<--- Bdgt_emphs	1.049	.111	9.490	***	
X12	<--- Bdgt_emphs	.978	.109	9.012	***	
X11	<--- Bdgt_emphs	1.084	.104	10.441	***	
X14	<--- Bdgt_emphs	.995	.114	8.736	***	

The factor analysis also shows the test value of each constructor. The results indicate that the indicators or dimensions of each latent variable represent good results, ie values with *C.R.* above 1.96 or with a probability(*P*) that is less than 0.05.

2. Confirmatory factor analysis of endogenous variables

Endogenous latent variable in this confirmatory factor analysis is Budgetary Slack with four indicators as its forming dimension.

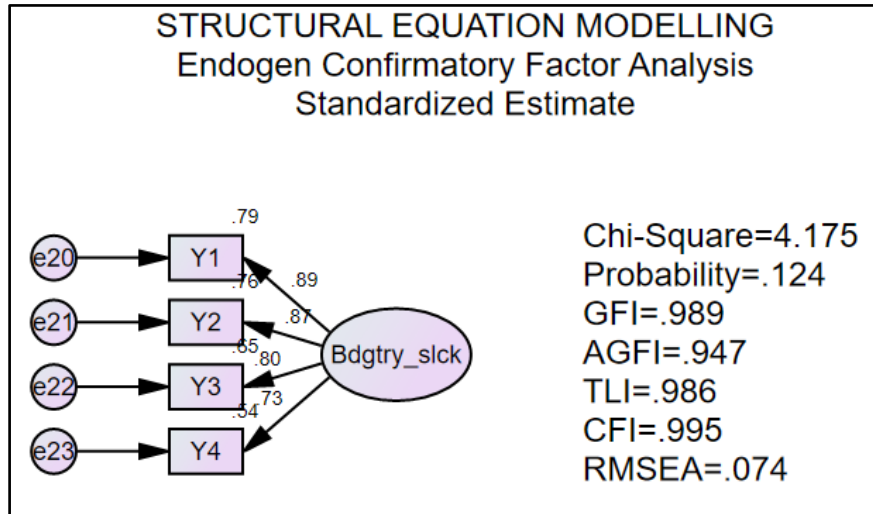


Figure 3: Confirmatory factor analysis of endogenous variables

Summary of results confirmatory factor analysis of endogenous variables:

Table 5: Result of feasibility test of exogenous variable model

Goodness of Fit Indices	Cut-Off Value	Analysis result	Model evaluation
Chi-Square	$\leq \alpha.df$ (lebihkecildari χ^2 tabel)	4.175	Good
Probability	≥ 0.05	0.124	Good
GFI	≥ 0.09	0.989	Good
AGFI	≥ 0.09	0.947	Good
TLI	≥ 0.09	0.986	Good
CFI	≥ 0.09	0.995	Good
RMSEA	≤ 0.08	0.074	Good

The results of data processing analysis showed that all constructs used to form a research model, in the process of confirmatory factor analysis has met the predetermined goodness of fit criteria.

Table 6: Regression Weight of Confirmatory Analysis of Endogenous Variables

Regression Weights: (Group number 1 - Default model)					
	Estimate	S.E.	C.R.	P	Label
Y4 <--- Bdgtry_slck	1.000				
Y3 <--- Bdgtry_slck	1.122	.100	11.230	***	
Y2 <--- Bdgtry_slck	1.276	.107	11.916	***	
Y1 <--- Bdgtry_slck	1.263	.104	12.116	***	

The factor analysis also shows the test value of each constructor. The results indicate that the indicators or dimensions of each latent variable represent good results, ie values with *C.R.* above 1.96 or with a probability(*P*) less than 0.05.

3. Confirmatory Factor Analysis of moderation variables

The moderation variable in this confirmatory factor analysis is Regulation with four indicators as its forming dimension.

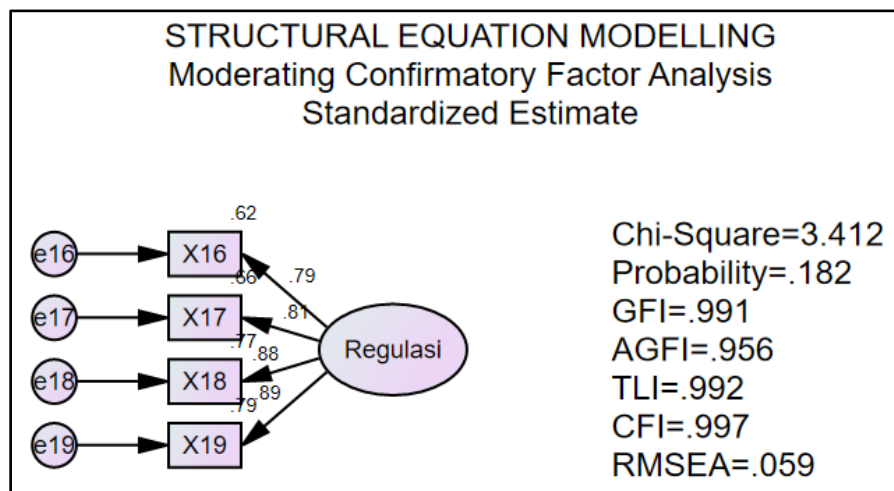


Figure 4: Confirmatory factor analysis of moderation variables

Summary of Confirmatory Factor Analysis results of moderation variables:

Table 7: Result of feasibility test of exogenous variable model

Goodness of Fit Indices	Cut-Off Value	Analysis result	Model evaluation
Chi-Square	$\leq \alpha.df$ (lebihkecildari χ^2 tabel)	3.412	Good
Probability	≥ 0.05	0.182	Good
GFI	≥ 0.09	0.991	Good
AGFI	≥ 0.09	0.956	Good
TLI	≥ 0.09	0.992	Good
CFI	≥ 0.09	0.997	Good
RMSEA	≤ 0.08	0.059	Good

The results of data processing analysis showed that all constructs used to form a research model, in the process of confirmatory factor analysis has met the predetermined goodness of fit criteria.

Table 8: Regression Weight of Confirmatory Analysis of moderation Variables

Regression Weights: (Group number 1 - Default model)					
	Estimate	S.E.	C.R.	P	Label
X19 <--- Regulasi	1.000				
X18 <--- Regulasi	.962	.057	16.760	***	
X17 <--- Regulasi	.910	.063	14.354	***	
X16 <--- Regulasi	.869	.063	13.717	***	

The factor analysis also shows the test value of each constructor. The results show that the indicators or the dimensions of each latent variable represent good results, ie the value with C.R. above 1.96 or with a probability (P) less than 0.05.

Structural Equation Modeling Analysis

The next analysis is the analysis of Structural Equation Model (SEM) in full model. Analysis of data processing result at full stage of SEM model is done by doing conformity test and statistical test.

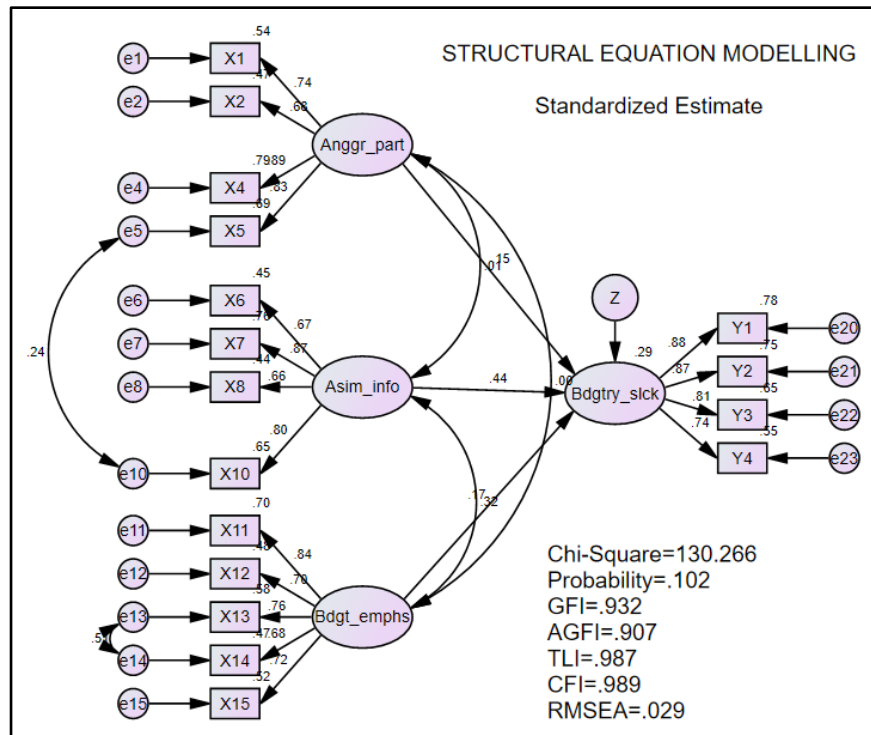


Figure 5: Full Model SEM Analysis

The test of the full feasibility of the SEM model is tested using Chi square, Probability, GFI, AGFI, TLI, CFI and RMSEA and the value of each test is within the expected range of values.

Table 9: Result of feasibility test of Full Model SEM

Goodness of Fit Indices	Cut-Off Value	Analysis result	Model evaluation
Chi-Square	$\leq \alpha.d.f$ (lebihkecildari χ^2 tabel)	130.266	Good
Probability	≥ 0.05	0.102	Good
GFI	≥ 0.09	0.932	Good
AGFI	≥ 0.09	0.907	Good
TLI	≥ 0.09	0.987	Good
CFI	≥ 0.09	0.989	Good
RMSEA	≤ 0.08	0.029	Good

From the table above it can be concluded that Full Model SEM is an acceptable Fit Model. This shows that the structural equation produced by the fit model in this study can be used to explain the relationship and influence between the variables studied.

Table 10: Standardized Regression Weight Full Model SEM

			Estimate
Bdgtry_slck	<---	Anggr_part	.147
Bdgtry_slck	<---	Asim_info	.436
Bdgtry_slck	<---	Bdgt_emphs	.167
X5	<---	Anggr_part	.828
X4	<---	Anggr_part	.889
X2	<---	Anggr_part	.683
X1	<---	Anggr_part	.737
X10	<---	Asim_info	.804
X8	<---	Asim_info	.660
X7	<---	Asim_info	.873
X6	<---	Asim_info	.673
Y1	<---	Bdgtry_slck	.883
Y2	<---	Bdgtry_slck	.867
Y3	<---	Bdgtry_slck	.809
Y4	<---	Bdgtry_slck	.741
X15	<---	Bdgt_emphs	.722
X14	<---	Bdgt_emphs	.684
X13	<---	Bdgt_emphs	.763
X12	<---	Bdgt_emphs	.696
X11	<---	Bdgt_emphs	.838

The structural equations generated by the fit model can be formed from the output of AMOS 22.0 in the Standardized Regression Weight table above, as follows:

Budgetary Slack = 0,147*Participatory Budgeting + 0,436*Information Asymmetry + 0,167*Budget Emphasis + 0,712

Moderating Structural Equation Modeling

The Moderating Structural Equation Modeling (MSEM) method is done in two stages, the first stage is estimating without including the interaction variable, where the output of this model will be used to calculate the interaction factor loading and variance interaction error which will be used to carry out the second stage estimation which has included the variable interaction. The moderation variable used in this study is the latent variable of regulation. To analyze the effect of moderation on the relationship between exogenous and endogenous variables with Ping

method, each new latent variable will be formed for each model of analysis with interaction relationship.

1. Stage I Moderated Structural Equation Modeling (MSEM)

At this stage each model is estimated without including the interaction variable.

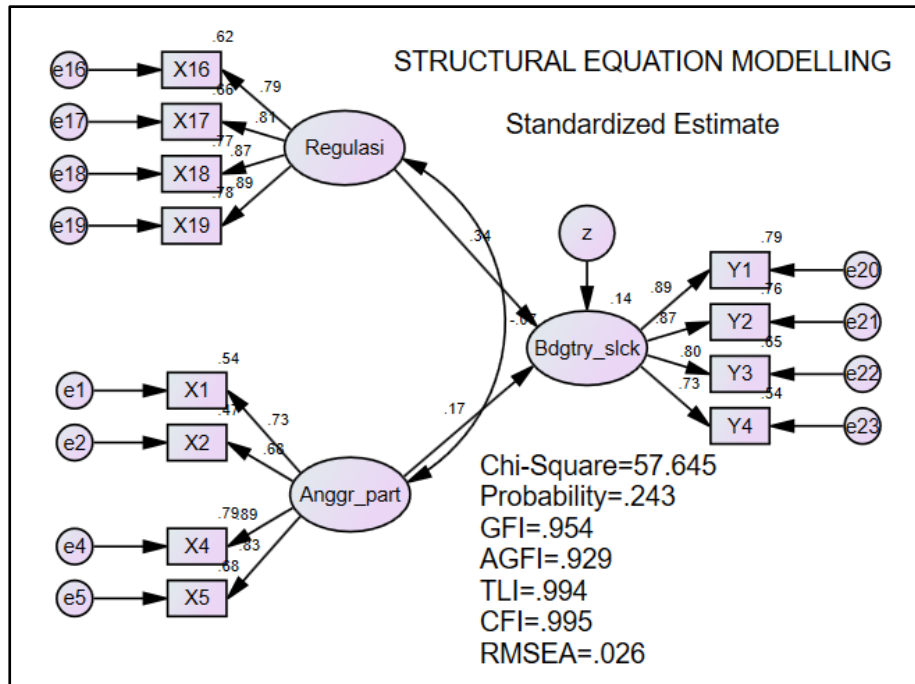


Figure 6: MSEM analysis stage I - Participatory Budgeting Variable

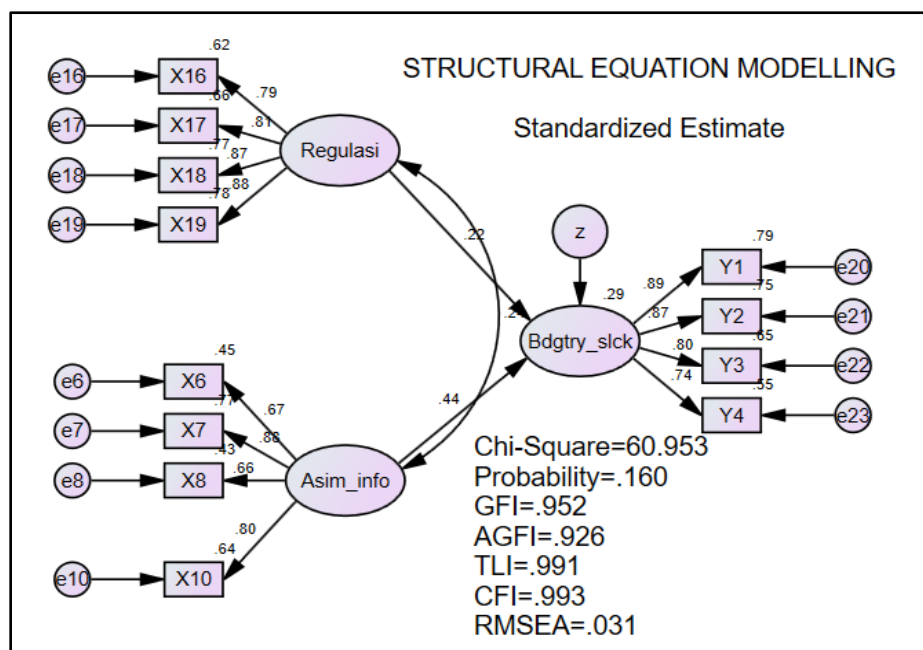


Figure 7: MSEM analysis stage I - Information Asymmetry Variable

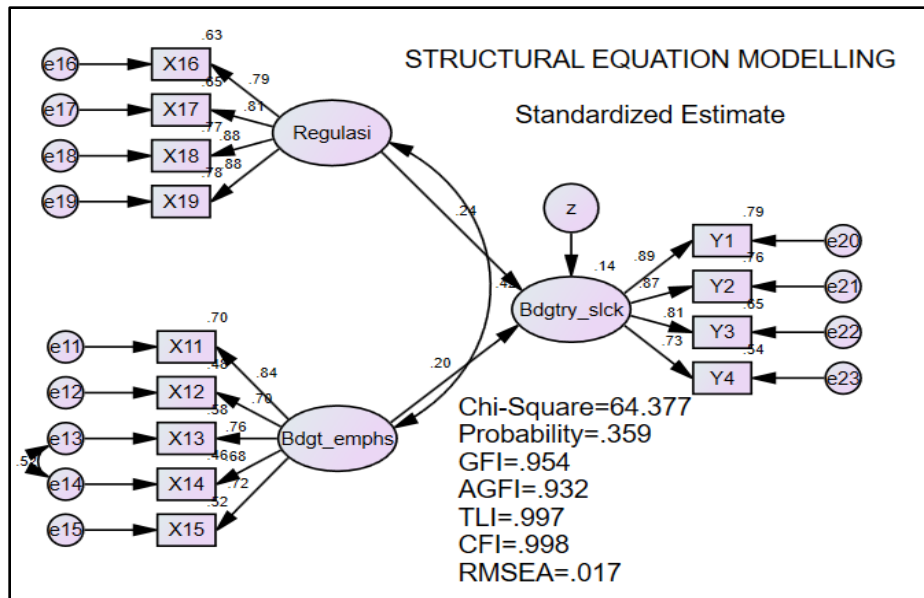


Figure 8: MSEM analysis stage I - Budget Emphasis variable

The above drawings are the result of first stage MSEM analysis which aims to get the value of latent variable latent factor loading and variance error values from the latent variable interaction.

2. Second stage Moderated Structural Equation Modeling (MSEM)

After the latent variable load factor loading interaction and the variance error value of the latent variable interaction is entered into the model with the latent variable interaction, the final result of the MSEM analysis will be obtained.

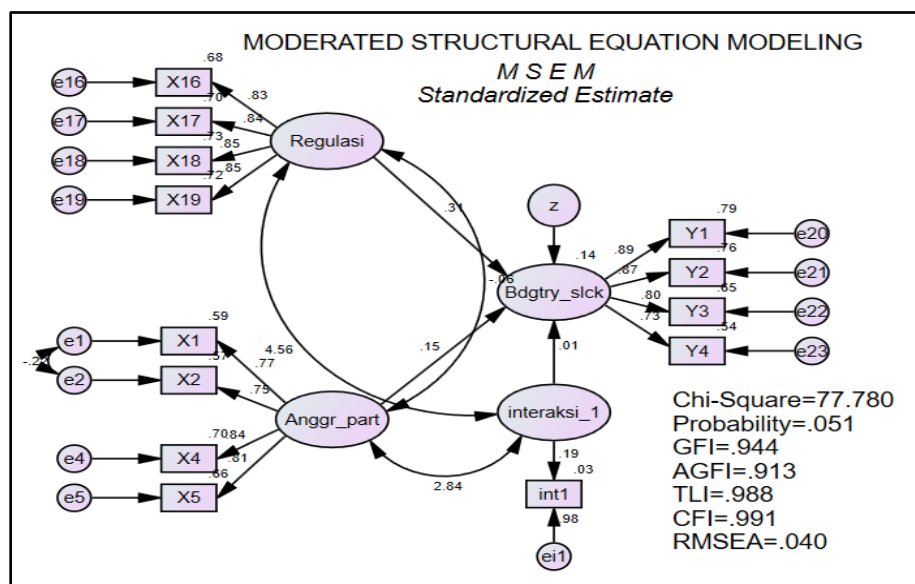


Figure 9: MSEM analysis results for interaction variables 1

Goodness of fit index test result on SEM analysis Interaction 1 variable:

Table 11: MSEM Feasibility Test Results Interaction Variable 1

Goodness of Fit Indices	Cut-Off Value	Analysis result	Model evaluation
Chi-Square	$\leq \alpha$.df (lebihkecildari χ^2 tabel)	77.780	Good
Probability	≥ 0.05	0.051	Good
GFI	≥ 0.09	0.944	Good
AGFI	≥ 0.09	0.913	Good
TLI	≥ 0.09	0.988	Good
CFI	≥ 0.09	0.991	Good
RMSEA	≤ 0.08	0.04	Good

In the table above can be seen that the results of Goodness of Fit Analysis Index model has met the criteria of a good model.

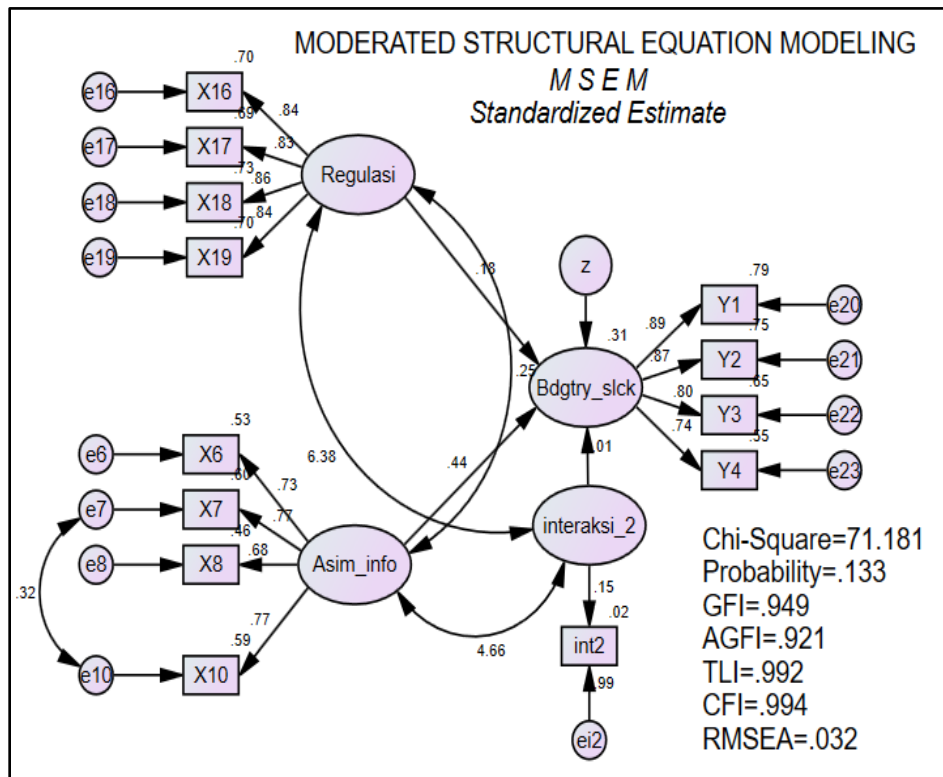


Figure 10: MSEM analysis results for interaction variables 2

Goodness of fit index test result on SEM analysis Interaction 3 variable:

Table 13: MSEM Feasibility Test Results Interaction Variable 3

Goodness of Fit Indices	Cut-Off Value	Analysis result	Model evaluation
Chi-Square	$\leq \alpha.df$ (lebihkecildari χ^2 tabel)	86.071	Good
Probability	≥ 0.05	0.093	Good
GFI	≥ 0.09	0.945	Good
AGFI	≥ 0.09	0.917	Good
TLI	≥ 0.09	0.991	Good
CFI	≥ 0.09	0.993	Good
RMSEA	≤ 0.08	0.034	Good

In the table above can be seen that the results of Goodness of Fit Analysis Index model has met the criteria of a good model.

Hypothesis Testing

The Influence of Participatory Budgeting on Budgetary Slack

The first hypothesis (H_1) proposed in this study is Participatory Budgeting has a positive effect on Budgetary Slack. Result of data analysis show that research hypothesis accepted because t-value value $\geq 1,967$ and or probability value $\leq 0,05$. Where the value of t-value and probability variable of Participatory Budgeting is equal to 2,097 and 0,036. These results prove that Participatory Budgeting has a positive and significant impact on Budgetary Slack, meaning that the higher the budget participation rate in village financial management will be the higher the slack rate in the village budget.

Influence of Information Asymmetry on Budgetary Slack

The second hypothesis (H_2) proposed in this study is Information Asymmetry has a positive effect on Budgetary Slack. Result of data analysis show that research hypothesis accepted because t-value value $\geq 1,967$ and or probability value $\leq 0,05$. Where the value of t-value and probability variable Asymmetry Information is equal to 5,425 with probability $\leq 0,05$ (marks ***). This result proves that Information Asymmetry has a positive and significant impact on Budgetary Slack, meaning that the higher level of information asymmetry between agent and principal in village financial management will be higher also slack rate in village budget.

Influence of Budget Emphasis on Budgetary Slack

The third hypothesis (H_3) proposed in this study is Budget Emphasis positively affect the Budgetary Slack. Result of data analysis show that research hypothesis accepted because t-value value $\geq 1,967$ and or probability value $\leq 0,05$. Where the value of t-value and probability variable Asymmetry of Information is equal to 2,169 with probability equal to 0,03. This result proves that Budget Emphasis positively and significantly influence to Budgetary Slack, meaning that the higher level of budget emphasis applied to the management of village finance will be higher also the slack rate in village financial management.

Regulation moderates the relationship between Participatory Budgeting and Budgetary Slack

The fourth hypothesis (H_4) proposed in this study is that the Regulation moderates the relationship between Participatory Budgeting and Budgetary Slack. The result of data analysis of Moderating Structural Equation Modeling shows that the research hypothesis is accepted because the value of t-value ≥ 1.967 and or probability value $\leq 0,05$. Where the value of t-value and probability variable interaction is equal to 2,142 with probability equal to 0,032. These results indicate that the regulation moderates the relationship between Participatory Budgeting and Budgetary Slack on village financial management.

Regulation moderates the relationship between Information Asymmetry and Budgetary Slack

The fifth hypothesis (H_5) proposed in this study is that the Regulation moderates the relationship between Information Asymmetry and Budgetary Slack. The result of data analysis of Moderating Structural Equation Modeling shows that the research hypothesis is accepted because the value of t-value ≥ 1.967 and or probability value $\leq 0,05$. Where the value of t-value and probability interaction variable is 3.569 with probability $\leq 0,05$ (marked ***). These results indicate that the regulation moderates the relationship between Information Asymmetry and Budgetary Slack on village financial management.

Regulation moderates the relationship between Budget Emphasis and Budgetary Slack

The sixth hypothesis (H_6) proposed in this study is that the Regulation moderates the relationship between Budget Emphasis and Budgetary Slack. The result of data analysis of Moderating Structural Equation Modeling shows that the research hypothesis is accepted because the value of t-value ≥ 1.967 and or probability value $\leq 0,05$. Where the value of t-value and probability interaction variable that obtained is equal to 2,979 with probability equal to

0,003. These results indicate that the regulation moderates the relationship between Budget Emphasis and Budgetary Slack on village financial management.

CONCLUSION

Based on the results of hypothesis testing and statistical analysis of the effect of participatory budgeting, information asymmetry and budget emphasis on budgetary slack and the influence of participatory budgeting, information asymmetry and budget emphasis on budgetary slack with moderated by regulation, several conclusions can be taken in this research:

1. Participatory budgeting system has a positive effect on budgetary slack. This means that any increase in the level of participation in the budgeting process will lead to an increase in the rate of budget slack in the village budget;
2. Information asymmetry has a positive effect on budgetary slack. This means that any increase in the level of information asymmetry in the budgeting process will result in an increase in the rate of budgetary slack formation in the village budget;
3. Budget emphasis has positive effect on budgetary slack. This means that any increase in the level of budget emphasis on village financial management will lead to an increase in the rate of budgetary slack formation in village financial management;
4. Regulation moderates the relationship between participatory budgeting and budgetary slack. This means that the positive effect of participative budgeting on budgetary slack on budget preparation will be moderated by regulation. Where moderation influence by regulation here weakens the relationship. In other words, the regulation lowers the level of influence of participative budgeting on budgetary slack incidents in the village budgeting process;
5. Regulation moderates the relationship between information asymmetry and budgetary slack. This means that the positive influence of information asymmetry on budgetary slack on budget preparation will be moderated by regulation. Where moderation influence by regulation here weakens the relationship. In other words, regulation lowers the level of influence of information asymmetry on budgetary slack incidents in the village budgeting process;
6. Regulation moderates the relationship between budget emphasis and budgetary slack. This means that the positive impact of budget emphasis on budgetary slack on village financial management will be moderated by regulation. Where moderation influence by regulation here weakens the relationship. In other words, the regulation lowers the level of influence of budget emphasis on the cessation of budgetary slack on the management of village finances.

LIMITATIONS OF THE CURRENT STUDY

This study has limitations that would otherwise be improved and developed in subsequent studies. where the limitations are:

1. This study only examines three variables that influence the formation of budgetary slack, thus less exploring other factors that would also affect the formation of budgetary slack on village financial management;
2. In looking at the effect of moderation on budgetary slack formation, this study uses only one moderate variable, in other words less exploring other factors that can also moderate the relationship between exogenous variables on budgetary slack formation in village financial management;
3. The object of research in this study is only conducted on the villages within the local government area of Sumbawa Regency, so that the generalization of the findings and recommendations of this research will be less applicable for villages outside the local government area of Sumbawa Regency;
4. This study uses a quantitative approach so that only aims to explain the relationship between variables studied.

SUGGESTIONS

Based on the results of research that has been done, it is proposed suggestions include:

1. Further research can be developed by using research variables in addition to the variables used in this study, or by combining these research variables with other variables other than the variables used in this study to see the effect on the formation of budgetary slack on village financial management;
2. Further research can explore variables other than regulation or variables that have been commonly used as a moderator in seeing the effect on the formation of budgetary slack on village financial management. For example, use a variable of Religious Adherence Rate as a moderating variable to see the effect on budgetary slack formation on financial management;
3. Subsequent research is also expected to expand the object of research, for example by using villages in West Nusa Tenggara Province or even villages in Indonesia as research objects. So generalizations of findings and research recommendations can be used more widely;
4. Subsequent research can use a qualitative approach. So that not only limited to explain the relationship but can further explore more in the phenomenon of the formation of budgetary slack on village financial management.

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