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THE ABILITY OF DAYAK CULTURE TO MODERATING THE EFFECT OF BUDGET PARTICIPATION IN BUDGETARY SLACK

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ABSTRACT

Public sector budget is created to plan action that would be taken by government, how much cost that needed, and how much the outcome can be obtained from the government spending. By establishing a budgetary system which can combine performance plan with yearly budget, it will be seen the presence of relationship between available fund and the outcome expected. As main policy instrument for local government, Local Revenue and Expenditure Budget (APBD) has taken central position in an effort to develop capability and effectiveness of local government. The development of APBD of Palangka Raya city in fiscal year of 2008-2016 indicates the presence of budgetary slack. It is allegedly occurred due to several contingency factors which can affect the relationship of budget participation and budgetary slack. This research used organization culture based on local culture as moderating variable toward budget participation on budgetary slack. Respondent in this study was selected by way of proportionate random sampling. Data was collected by survey method with questionnaire and analyzed with analysis of absolute differential moderation regression test. The result of research showed that budget participation had an effect toward budgetary slack. The ability of variable of organization culture also was able to moderate the effect of budget participation on budgetary slack.

KEY WORDS

Budget, participation, Dayak culture, slack.

Public sector budgets are designed to plan what actions the government will take, in the form of the required costs, and how much the proceeds derive from that government expenditure. By building a budgeting system that can integrate performance planning with an annual budget, there will be a link between available funds and the expected results. As the main policy instrument for local government, the Regional Budget or Regional Budget (APBD) occupies a central position in the effort to develop the capability and effectiveness of regional government.

Research on the factors affecting slack also developed with the inclusion of other variables that are considered influential one of them is the organizational culture that is influenced by local local culture, one of which is the Dayak culture which is a culture on the island of Borneo. Dayak culture is used as a moderating variable because dayk culture is the basic assumptions and beliefs that any organization can influence the way humans act and strengthen an organization. Because this research is done in Palangka Raya city then one of the cultures that need to be considered is Dayak culture in Palangka Raya city that is Isen Mulang culture, Mamut Menteng, and Huma Betang philosophy.

Development of APBD Kota Palangka Raya budget year 2008-2016 indicates a budgetary slack. This is thought to be due to several contingency factors that can affect the relationship of budget participation with budgetary slack. This study uses organizational culture based on local culture as a moderating variable to budgetary participation in budgetary slack.

The purpose of this study is to obtain empirical evidence of the effect of budgetary participation on budgetary slack, as well as to prove empirically the role of Dayak culture in moderating the influence of budgetary participation on budgetary slack at the Municipal Government of Palangka Raya, Central Kalimantan Province.

THEORETICAL REVIEW

Agency Theory. Agency theory is a concept that explains the contractual relationship between principal and agent, ie between two or more individuals, groups or organizations (Jensen and Meckling, 1976). Agency theory also explains the phenomenon that occurs when the boss delegates his authority to subordinates to perform a task or authority to make a decision (Anthony and Govindarajan, 1998). According to Eisenhard (1989), agency theory has three assumptions, namely: (1) assumptions about human nature; (2) assumptions about organization; (3) assumptions about information.

Goal Setting Theory. The goal-setting theory is a theory of cognitive motivation based on the premise that a person has needs that can be thought of as specific outcomes or as a target (Locke et al., 1968). The goal setting theory describes the relationship between a defined goal and work performance. The goal-setting theory dictates that goals are specific (specific) and difficult, with feedback will lead to higher performance (Robbins and Judge, 2008).

Public Sector Budget Concept. A budget is a written plan for the activities of an organization which is stated quantitatively for a specified period and is generally expressed in units of money. Public sector budgets state that public sector budgets are activity plans that are represented in the form of revenue and expenditure plans in monetary units.

Public sector budget has several main functions (Haruman, 2013), as follows: (1) budget is the end result of work plan process; (2) The budget shall be a blueprint for activities to be carried out in the future; (3) budget as an internal communication tool connecting various work units and work mechanism between superior and subordinate; (4) budget as a control tool of work unit; (5) budget is a tool of motivation and persuasion of effective and efficient action in achieving the vision of the organization; (6) budget is a political instrument; (7) budget is an instrument of fiscal policy.

The Regional Income and Expenditure Budget (APBD) based on Permendagri No. 37 of 2012 is an annual financial plan of local government discussed and mutually agreed upon by the local government and DPRD, and stipulated by regional regulations. The regional budget year covers a period of one year commencing from 1 January to 31 December. The structure of APBD is a unity consisting of: regional income, regional expenditure, and regional financing.

Budgetary Slack Concept. The budgetary slack is the difference between the number of submissions submitted by subordinates to the best estimate of the organization (Anthony and Govindarajan, 2007). Budgetary slack arises because the desires of superiors and subordinates are not the same, especially if the performance of subordinates assessed based on budget achievement. Merchant (1985) Lukka (1988), and Young (1985) share the same understanding of budget slack, that is, as a disclosure included in a budget that makes it easy to achieve. Budgetary slack is defined as a resource and a pursuit of activities that can not be easily justified in the form of its contribution to organizational goals (Stede, 2001).

Budget Participation. According to Hansen and Mowen (2013) budgetary participation is a budgeting approach that allows managers who will be responsible for budget performance to participate in budget development, budget participation communicates a sense of responsibility to lower level managers and encourages creativity.

Brownell (1982) says budgetary participation is a process whereby individuals are directly involved in it and have an effect on the formulation of budget targets whose performance will be evaluated and likely to be rewarded on the basis of achieving their budget targets. According to Anthony and Govindarajan (2007) which distinguish the budgeting process as follows: (1) top-down approach; (2) bottom-up approach; (3) top-down and bottom-up approach.

Contingency Theory. The contingency theory approach is used as a supporting theory in this study, because it assumes the various behavioral patterns leaders (or characteristics) are needed in various situations for leadership effectiveness. The contingency theory approach allows for other variables that can act as moderating variables that influence the participation relationships in budgeting.

Organizational Culture (Dayak Culture). Organizational culture can be analyzed in 3 (three) different levels, namely: artifacts, espoused values, and basic underlying assumptions (Schein, 1997). Schein adds that the value (espoused values) embraced by each organization, will be a common basic assumption in addressing the problem of external adaptation and internal integration.

Every public organization has an organizational culture value feature that is used to distinguish it from other public organizations. Organizational culture is the value (value) owned by an organization that is perceived and understood by all members of the organization (Hutapea and Thoha 2008).

With the existence of one of Central Kalimantan Dayak culture of "Isen Mulang, Mamut Menteng, and Huma Betang philosophy" is expected to be included in the category of organizational culture into local culture within the organization which is expected to bring bureaucratic organization in the era of regional autonomy demanded for how spend the limited budget as efficiently as possible and make the most of the well-earned results. Thus, the organization is able to anticipate the environmental changes that will occur and is expected to be a benchmark for growth and development of the economy and culture of Dayak itself in accordance with the spirit of Dayak Isen Mulang (abstinence surrender), "Mamut Menteng" (Grave brave), and Philosophy Huma Betang (togetherness in the difference) which later with one of the Dayak culture can lift the Dayak tribe is economically better.

FRAMEWORK AND HYPOTHESES

The concept of this study is the logical relationship of the foundations and empirical studies that have been described in the literature review. Figure 3.2 describes the effect of independent variables: budgetary participation on budgetary slack as dependent variable and organizational culture as moderation variable.

Figure 1 – Conceptual Framework

Based on the conceptual framework, two research hypotheses can be prepared:

- Budget participation has a positive effect on budgetary slack.
- Organizational culture moderates the participative budgetary relationship to budgetary slack.

METHODS OF RESEARCH

The population in this research is structural officer as Regional Finance Manager (PPKD) and Activity Technical Activity Officer (PPTK) at SKPD of Local Government of Palangka Raya City amounting to 792 people, with Slovin formula obtained 265 samples. Technique of sampling using technique of proportionate stratified random sampling.

The data analysis technique used in this research is interaction moderation regression analysis to test all hypothesis, with the help of computer program SPSS 24.0. The use of the regression must meet the requirements of passing the classical assumption test and the feasibility test of the model (goodness of fit).

Data analysis model and hypothesis test in this research is simple linear regression analysis model and regression analysis model of absolute difference test. Systematically obtained regression equation:

$$Y = a + b_1X_1 + e \quad (1)$$

$$Y = a + b_2ZX_1 + b_3ZX_2 + b_4\text{Abs}(ZX_1 - ZX_2) + e \quad (2)$$

Where: Y: Budgetary slack; X_1 : Budget Participation; X_2 : Dayak Culture; ZX_1 , ZX_2 : standardized value of X_1 and X_2 ; $\text{Abs}(ZX_1 - ZX_2)$: absolute difference of $ZX_1 - ZX_2$; a: Constanta; b_1 - b_4 : Regression Coefficient; e: error.

RESULTS AND DISCUSSION

Characteristics of Respondent. Respondents' data show that most respondents (55%) are between 46-55 years old. Meanwhile, when viewed from the gender, as many as 62% of respondents are men. The education of respondents is also dominated by undergraduate educated respondents (S1) as much as 55%. Related work experience, as many as 62% of respondents have work experience in the field of budget for 4 (four) years.

Descriptive Analysis. Descriptive analysis of the research variables, as Table 1 follows:

Table 1 – Output Descriptive Analysis

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Y	100	12,99	28,43	18,6404	2,90595
X1	100	7,79	29,70	20,5725	3,42589
X2	100	20,43	36,57	27,2307	4,02058

Based on Table 1, it can be explained that: (1) the average of respondents' assessment on budget participation is 18.64% is good; (2) The average respondent's assessment on Dayak culture is 20.57% is good; (3) The average rating of respondents in the budgetary slack is 27.23% is good.

Regression Analysis and Hypotheses Testing. The result of the regression analysis according to the framework and the research hypothesis presented in Table 2.

Table 2 – Output of Regression Analysis

Model	Variable	Unstandardized Coefficients	Standardized Coefficients	t-value	Significant Value
Regression Model 1	Constanta	1,858		9,590	0,000
	X_1	0,378	0,658	8,507	0,000
Regression Model 2	Constanta	3,399		75,738	0,000
	ZX_1	0,266	0,653	9,065	0,000
	ZX_2	0,156	0,383	5,447	0,000
	$\text{Abs}(ZX_1 - ZX_2)$	0,088	0,179	2,431	0,017
Regression Model 1, Value of $R^2 = 0,432$; F-test = 72,376 (Sig. 0,000)					
Regression Model 2, Value of $R^2 = 0,575$; F-test = 41,956 (Sig. 0,000)					

Based on Table 2, the regression equation is as follows:

$$Y = 1,858 + 0,378 X_1 + e \quad (4)$$

$$Y = 3,399 + 0,266 ZX_1 + 0,156 ZX_2 + 0,088 \text{ Abs}(ZX_1 - ZX_2) + e \quad (5)$$

Where: Y: Budgetary slack; X_1 : Budget Participation; X_2 : Dayak Culture; ZX_1 , ZX_2 : standardized value of X_1 and X_2 ; $\text{Abs}(ZX_1 - ZX_2)$: absolute difference $ZX_1 - ZX_2$; e: error.

Regression model 1 has R^2 value of 0.432 means that 43.2% of budgetary slack variation can be explained by the variation of budget participation, while the remaining 56.8% is influenced by other variables outside the model. The value of F arithmetic of 72.376 with the value of F (sig) of $0.000 \leq 0.05$ means that the regression model formed eligible model feasibility.

Regression model 2 has a value of R^2 of 0.575, meaning that 57.5% of budgetary slack variation can be explained by the variation of budget participation, Dayak culture and the interaction between budget participation and Dayak culture, while the remaining 42.5% is influenced by other variables outside the model. The value of F arithmetic of 41.956 with the value of F (sig) of $0.000 \leq 0.05$ means that the regression model formed eligible model feasibility.

Formulation of hypothesis 1 in this research is budget participation (X_1) have positive effect on budgetary slack (Y). From the regression analysis results in Table 2 shows that the value of beta coefficient for budget participation in regression model 1 of 0.378 with p-value of $0.000 / 2 \leq 0.05$ indicates that budget participation has a positive effect on budgetary slack so that the first hypothesis is accepted.

The hypothesis 2 formula in this research is Dayak culture to moderate the influence of budget participation on budgetary slack. Hypothesis 2 test result presented in Table 2 shows that beta coefficient value for the interaction between budget participation and Dayak culture in regression model 2 is 0,088 with p-value equal to $0,017 \leq 0,05$, indicating interaction of budget participation and culture of dayak influence on budgetary slack. The value of standardized coefficients of regression model 1 for budget participation of 0.658 decreased in regression model 2 to 0.653. The results of this study indicate that the Dayak cultural variables are able to weaken the positive influence of budgetary participation on budgetary slack, so that the second hypothesis is accepted.

Regression Analysis and Hypotheses Testing. The results of this study show empirical evidence that budget participation has a positive effect on budgetary slack. Employee participation in budgeting will increase the gap, so increasing employee participation in budgeting can increase the lagging. Employee participation in the budget will make the employees freely in determining what will be achieved for their own interests, not the interests of the organization or institution. It can be concluded that the higher the participation given to subordinates, there will be a tendency that the budget they arrange can be achieved by loosening the budget which means it can create a slack. On the other hand it can create the impression that agency performance will look good if the budget has been met.

Dayak Culture that Moderate the Effect of Budgetary Participation to Budgetary Slack. The results of this study show empirical evidence that Dayak culture has a positive effect on budgetary budget slack. The existence of Dayak culture will affect the relationship of budget participation to budgetary slack. Where the main points of Dayak culture are Isen Mulang (abstinence surrender), Mamut Menteng (brave), and Huma Betang philosophy (togetherness in difference), these points are increasingly increasing participation in the preparation of the budget. In addition, the values of harmony and kinship contained in Dayak culture also strengthen the attendance of participants in budgeting, in which a budget is proposed that avoids the existence of slack. Because the existence of Mamut Menteng philosophy in Dayak culture which means is valiantly brave in attitude and in deed (always fair) will minimize the occurrence of slack in the process of making the budget.

CONCLUSION

Based on the results of research on the ability of the Dayak culture to moderate the influence of budgetary participation on budgetary slack, it can be concluded that budgetary participation proved to have a positive effect on budgetary slack. Middle and lower level

managers (heads of sub-offices and staff employees) are budgetary slack to avoid the risk of environmental uncertainty and improve the performance appraisal of their agencies.

In addition, Dayak culture has weakened the positive influence of budgetary participation on budgetary slack. Dayak culture, especially local culture that is Isen Mulang culture, Mamut Menteng, and philosophy of Huma Betang increasingly participate in budget preparation. The value of harmony and kinship embodied in Dayak culture also strengthens the attendance of participants in budgeting and with the Mamut Menteng philosophy which means to be courageous and courageous in attitude and in action (always fair) will minimize the occurrence of slack in the process of making the budget.

There are several things that are recommended as follow-up to the results of the research, namely: (1) involving participants directly related to the use of the budget and the independent party or budget supervisor in budget discussions, so as to create real participation instead of false participation; (2) further research is expected to separate budget participation into pseudo participation and active participation so that further analyzed Dayak cultural moderation on the relationship between budgetary participation with budgetary slack.

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