

**DETERMINANTS OF BUDGETARY SLACK: THE INFLUENCE OF BUDGET PREPARER BEHAVIOUR IN LOCAL GOVERNMENT*****FAKTOR PENENTU SENJANGAN ANGGARAN: PENGARUH PERILAKU PENYUSUN ANGGARAN DI PEMERINTAH DAERAH*****Iqbal Lhutfi**Fakultas Pendidikan Ekonomi dan Bisnis, UPI  
iqbal.lhutfi@upi.edu**Abstract**

This study aims to examine the influence of budget preparers' behaviour on budgetary slack within the local government context, specifically in the Pariaman City Government. Employing a quantitative approach, primary data were collected through questionnaires distributed to 34 respondents, including heads and staff of regional apparatus organisations (OPD) involved in the budgeting process for at least three consecutive years. The study applies simple linear regression analysis to assess the relationship between the behaviour of budget preparers and the occurrence of budgetary slack. The results demonstrate that budget preparers' behaviour has a significant positive effect on budgetary slack ( $p < 0.05$ ;  $R^2 = 0.135$ ), indicating that individual characteristics and values play a crucial role in shaping budget-related outcomes. The findings highlight the importance of understanding personality-driven behaviours in enhancing budget transparency and accountability in public sector organisations. This research contributes to the literature by providing empirical evidence on the behavioural determinants of budgetary slack in Indonesian local governments, and offers practical implications for policymakers to design interventions that foster ethical behaviour and reduce slack in the budgeting process. Limitations and directions for future research are also discussed.

**Keywords:** Budget, Behaviour, Budgetary Slack, Local Government, Personality

**Abstrak**

*Penelitian ini bertujuan untuk menguji pengaruh perilaku penyusun anggaran terhadap senjangan anggaran dalam konteks pemerintah daerah, khususnya di Pemerintah Kota Pariaman. Dengan menggunakan pendekatan kuantitatif, data primer dikumpulkan melalui kuesioner yang disebarakan kepada 34 responden, termasuk kepala dan staf organisasi perangkat daerah (OPD) yang terlibat dalam proses penyusunan anggaran setidaknya selama tiga tahun berturut-turut. Penelitian ini menggunakan analisis regresi linier sederhana untuk menilai hubungan antara perilaku penyusun anggaran dan terjadinya senjangan anggaran. Hasil penelitian menunjukkan bahwa perilaku penyusun anggaran berpengaruh positif signifikan terhadap senjangan anggaran ( $p < 0,05$ ;  $R^2 = 0,135$ ), yang mengindikasikan bahwa karakteristik dan nilai-nilai individu memainkan peran penting dalam membentuk hasil terkait anggaran. Temuan ini menyoroti pentingnya memahami perilaku yang didorong oleh kepribadian dalam meningkatkan transparansi dan akuntabilitas anggaran dalam organisasi sektor publik. Penelitian ini berkontribusi pada literatur dengan memberikan bukti empiris mengenai faktor penentu perilaku dari senjangan anggaran di pemerintah daerah di Indonesia, dan menawarkan implikasi praktis bagi para pembuat kebijakan untuk merancang intervensi yang dapat mendorong perilaku etis dan mengurangi senjangan anggaran dalam proses penganggaran. Keterbatasan dan arah untuk penelitian di masa depan juga dibahas.*

**Keywords:** Anggaran, Perilaku, Budgetary Slack, Pemerintah Daerah, Kepribadian



## INTRODUCTION

Budgeting plays a central role in the management of public sector organisations, serving not only as a planning and control instrument but also as a benchmark for evaluating performance (Fanggidae & Manafe, 2019). In the Indonesian context, the persistent gap between planned budgets and actual realisations in local governments raises concerns regarding efficiency, effectiveness, and accountability in public financial management. For instance, data from the Pariaman City Government between 2017 and 2022 consistently show significant discrepancies between budgeted and realised revenues and expenditures, with realisation rates often falling short of or, in some cases, exceeding the initial budget targets. These fluctuations indicate potential inefficiencies in budget preparation and implementation processes that may be linked to budgetary slack.

Budgetary slack, defined as the intentional overestimation of expenses or underestimation of revenues by managers during the budgeting process, has been widely observed in both private and public organisations (Merchant, 1985; Chow et al., 1988). Previous studies have predominantly focused on factors such as participative budgeting, information asymmetry, organisational culture, and compensation systems as determinants of budgetary slack (Van der Stede, 2000; Maiga & Jacobs, 2007; Pamungkas et al., 2014). However, there remains a limited understanding of how the individual characteristics and behavioural tendencies of budget preparers, particularly personality-driven behaviours, contribute to the creation of slack in the public sector context.

Existing literature in Indonesia has largely concentrated on organisational and procedural variables, while studies exploring the role of personal attributes—such as the personality traits and ethical values of budget preparers—are relatively scarce. This represents a significant research gap, especially considering that individual behaviour can fundamentally influence decision-making processes and outcomes within local government budgeting.

To address this gap, the present study examines the influence of budget preparers' behaviour, grounded in the behavioural theory of personality, on the occurrence of budgetary slack in the Pariaman City Government. By integrating concepts from social psychology and organisational behaviour, this research aims to provide new empirical evidence on the behavioural determinants of budgetary slack in Indonesian local governments. The findings are expected to offer theoretical and practical contributions by informing policymakers of the importance of individual behavioural factors in achieving more transparent, accountable, and sustainable budgeting practices. The following presents the budget and realisation of revenue and expenditure of the Pariaman City Government for 2017-2022 as follows:

Table 1. Budget and Realisation of Revenue of Kota Pariaman 2017 - 2022

Year	Revenue		%
	Budget	Realisation	
2017	645,650,000,000	639,030,000,000	98.97%
2018	586,520,000,000	627,170,000,000	106.93%
2019	686,200,000,000	673,530,000,000	98.15%
2020	726,070,000,000	632,220,000,000	87.07%
2021	639,480,000,000	613,250,000,000	95.90%
2022	616,930,000,000	606,840,000,000	98.36%

Sources: Kementerian Keuangan Republik Indonesia (2024)

**Table 2. Budget and Realisation of Expenditure of Kota Pariaman 2017 - 2022**

Year	Expenditure		%
	Budget	Realisation	
2017	704,010,000,000	641,310,000,000	91.09%
2018	659,030,000,000	634,780,000,000	96.32%
2019	723,870,000,000	703,460,000,000	97.18%
2020	780,970,000,000	645,140,000,000	82.61%
2021	671,460,000,000	613,180,000,000	91.32%
2022	646,930,000,000	606,420,000,000	93.74%

Sources: Kementerian Keuangan Republik Indonesia (2024)

Based on Table 1 and Table 2, it can be seen that there were fluctuations in the revenue and expenditure budget plans and realisations. In 2017, 2019, 2020, 2021, and 2022, the revenue realisation of Pariaman City Government did not reach the budget plan (98.97%, 98.15%, 87.07%, 95.90%, 98.36%), while in 2018, the revenue realisation exceeded the budget plan (106.93%). The realisation of Pariaman City Expenditure from 2017 to 2022 always did not reach the budget target with significant fluctuations (91.09%, 96.32%, 97.18%, 82.61%, 91.32%, 93.74%). The conditions experienced by the Pariaman City Government have been explained through previous studies (Maiga and Jacobs, 2007; Pamungkas et al., 2014; Widanaputra and Mimba, 2014; Kusniawati and Lahaya, 2017; Fanggidae and Manafe, 2019; Fitriani and Fisher, 2019). In general, the results of these studies indicate that the erratic and fluctuating local government budgeting process can stem from high revenue realisation, lack of ability to apply the concepts of economy, effectiveness, and efficiency, or low absorption of local government budgets.

Research on budgetary slack has evolved significantly over the past decades. Early studies, such as those by Merchant (1985), Schif and Lewin (1970), and Chow et al. (1988), identified budgetary slack as a common phenomenon in both private and public organisations. Subsequent research highlighted various antecedents of slack, including participative budgeting, information asymmetry, and organisational culture (Van der Stede, 2000; Maiga & Jacobs, 2007; Pamungkas et al., 2014). In the Indonesian context, studies by Kusniawati and Lahaya (2017), Widanaputra and Mimba (2014), and Fanggidae and Manafe (2019) have confirmed the prevalence of budgetary slack in local governments and linked it to structural and procedural factors, such as budget planning, regulatory environment, and financial management systems. Most of these studies emphasise the organisational or procedural drivers of slack, often neglecting the personal and behavioural dimensions of budget preparers.

While previous literature has provided valuable insights into organisational and environmental determinants of budgetary slack, there is limited empirical investigation into how the individual characteristics of budget preparers, particularly their behavioural tendencies and personality traits, influence the emergence of slack. Most studies assume rational behaviour and overlook the potential role of psychological factors, such as personality-driven behaviour, ethical values, and individual attitudes. This gap is particularly evident in studies of Indonesian local governments, where research on the interplay between personal attributes and budgetary outcomes remains scarce.

Contemporary research in management accounting has begun to incorporate behavioural theories to explain phenomena that cannot be fully understood through organisational or economic perspectives alone (Covaleski et al., 2006). The integration of personality theory, especially in the context of public sector budgeting, is still at an early stage, and empirical studies in developing countries like Indonesia are especially limited.



Internationally, the role of personality and behaviour in budgeting decisions has been explored in corporate settings (Locke et al., 1981; Stevens, 2002), but comparable research in the public sector, particularly at the local government level, is lacking.

This study offers a novel contribution by examining the behavioural determinants of budgetary slack from the perspective of the personality traits of budget preparers in local government. By adopting the behavioural theory of personality, this research moves beyond traditional organisational variables to focus on how individual characteristics shape budgetary outcomes. The empirical setting in Pariaman City provides original evidence from the Indonesian public sector, thereby extending the literature on budgetary slack and offering fresh insights for both scholars and policymakers regarding the importance of individual behaviour in the budgeting process.

## **METHODS**

This research employs a quantitative approach to investigate the influence of budget preparers' behaviour on budgetary slack within the Pariaman City Government. The study utilises primary data collected through structured questionnaires distributed to respondents involved directly in the budget preparation process.

### **Population and Sampling Technique**

The population in this study consists of officials and staff within the Regional Apparatus Organisations (OPD) of Pariaman City Government, who are actively engaged in preparing budgets. A purposive sampling technique was adopted, with the following criteria for inclusion: respondents must have participated in the budget preparation process for at least three consecutive years. This approach is intended to ensure that the respondents have sufficient experience and insight regarding budgeting practices. Based on these criteria, a total of 34 respondents—including Heads of OPD, Secretaries, Heads of Finance Subdivisions, and staff—were selected as the sample.

### **Research Instrument**

The primary data were collected using a structured questionnaire developed from relevant previous studies. The instrument consisted of two main variables: (1) Budget Preparer Behaviour (independent variable), measured using items adapted from established scales in prior research (e.g., Ala & Manafe, 2020), encompassing aspects such as risk aversion, ethical consideration, and proactive attitude in budget preparation; (2) Budgetary Slack (dependent variable), measured using indicators relating to the intentional overestimation of expenditures or underestimation of revenues, also adapted from the literature (Merchant, 1985; Chow et al., 1988).

All items were rated using a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). The questionnaire was pre-tested for clarity and relevance among a small group of non-sample respondents to ensure face validity.

### **Validity and Reliability Testing**

Construct validity was examined using Exploratory Factor Analysis. The KMO value was 0.733 and Bartlett's Test of Sphericity was significant ( $p < 0.05$ ), indicating that the data were suitable for factor analysis. All items had factor loadings above 0.50, confirming their validity in measuring the intended constructs. Reliability was assessed using Cronbach's Alpha, with values of 0.645 for the Budget Preparer Behaviour variable and 0.614 for Budgetary Slack, both exceeding the minimum threshold of 0.6 (Ghozali, 2016), indicating acceptable internal consistency.



### **Data Analysis Technique**

Data were analysed using simple linear regression to examine the effect of budget preparer behaviour on budgetary slack. The model tested is as follows:

$$Y = a + Bx$$

Where Y is Budgetary Slack, X is Budget Preparer Behaviour, a is the constant, and b is the regression coefficient.

Prior to hypothesis testing, classical assumption tests were performed to ensure the suitability of the regression model, including tests for normality (Kolmogorov–Smirnov), heteroscedasticity (scatterplot examination), and, where relevant, multicollinearity and autocorrelation. Hypothesis testing was conducted using the t-test and F-test at a 5% significance level. All data analyses were performed using SPSS software.

### **Ethical Considerations**

All respondents participated voluntarily and provided informed consent. Confidentiality and anonymity of responses were ensured throughout the research process.

## **FINDINGS AND DISCUSSION**

### **Findings**

This study collected primary data from 34 respondents consisting of Heads of OPD, Secretaries, Heads of Finance Subdivisions, and staff in the Pariaman City Government, all of whom have been involved in the budgeting process for at least three consecutive years. Prior to further analysis, the reliability of the research instrument was tested. The Cronbach's Alpha values for the Budget Preparer Behaviour variable (X) and the Budgetary Slack variable (Y) were 0.645 and 0.614, respectively, both exceeding the minimum threshold of 0.6, thus indicating acceptable reliability (Ghozali, 2016). Construct validity was examined using Exploratory Factor Analysis. The KMO value was 0.733 and Bartlett's Test of Sphericity was significant ( $p < 0.05$ ), indicating that the data were suitable for factor analysis. All items had factor loadings above 0.50, confirming their validity in measuring the intended constructs.

### **Descriptive Statistics**

Descriptive analysis shows that the mean score for Budgetary Slack (Y) is 23.41 with a standard deviation of 2.105, while the mean score for Budget Preparer Behaviour (X) is 21.35 with a standard deviation of 1.807. These values indicate moderate tendencies in both variables among the respondents.

Table 3. Descriptive Analysis

	Y	X
N	34	34
Mean	23.41	21.35
Std. Dev.	2.105	1.807

### **Simple Linear Regression Analysis**

A simple linear regression was performed to test the effect of budget preparer behaviour on budgetary slack. The regression model can be expressed as:  $Y = a + bX$ , where Y represents Budgetary Slack and X represents Budget Preparer Behaviour.

**Table 4. The result of Simple Linear Regression**

Statistic	Value
t-value	2.233
p-value	0.033
F-value	4.978
R Square ( $R^2$ )	0.135
Adjusted R Square	0.108

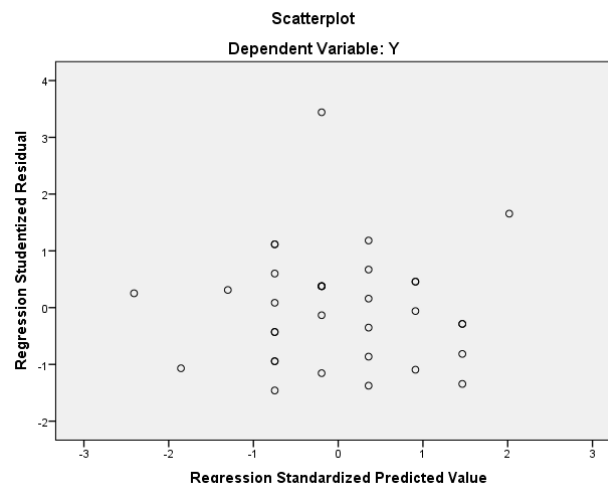
The t-test for the regression coefficient indicates a statistically significant effect of budget preparer behaviour on budgetary slack ( $p = 0.033 < 0.05$ ). The F-test result ( $F = 4.978$ ) also supports the overall significance of the regression model at the 5% level. The  $R^2$  value of 0.135 indicates that approximately 13.5% of the variance in budgetary slack can be explained by the behaviour of budget preparers, while the remaining variance is attributable to other factors not examined in this study.

### Classical Assumption Tests

The Kolmogorov–Smirnov normality test yielded a significance value of 0.200 ( $> 0.05$ ), indicating that the data are normally distributed. The heteroscedasticity test, as assessed using a scatterplot, showed no clear pattern, suggesting that heteroscedasticity is not present in the data.

**Table 5. Normality Test Result**

Kolmogorov–Smirnov test	Normality
0.200	Normal

**Figure 1. Heteroscedasticity Test Result**

### Discussion

The results of this study indicate that budget preparers' behaviour has a significant positive effect on budgetary slack within the Pariaman City Government. This finding is consistent with the behavioural theory of personality, which posits that individual actions in the budgeting process are influenced by enduring personal characteristics and environmental interactions. The evidence obtained strengthens the proposition that not only organisational or procedural factors but also personality-driven behaviours shape budgeting outcomes in the public sector.





These findings corroborate previous research by Ala & Manafe (2020), who found a similar significant relationship between preparer behaviour and budgetary slack in the context of Indonesian local governments. Furthermore, the results align with international literature which emphasises that personality factors—such as risk aversion, ethical disposition, and self-interest—can directly influence the tendency to create slack in budgeting (Stevens, 2002; Locke et al., 1981). This study contributes to the ongoing academic debate about whether budgetary slack is solely a function of organisational systems or also a product of individual behavioural tendencies.

One notable aspect of this study is the relatively low coefficient of determination ( $R^2 = 0.135$ ), suggesting that while behaviour significantly influences budgetary slack, other unobserved factors may also contribute substantially. This indicates that variables such as organisational culture, participative budgeting, leadership style, and external pressures may also play important roles, as highlighted in the works of Van der Stede (2000) and Maiga & Jacobs (2007).

Contextually, the findings highlight the unique dynamics of budgetary practices in Pariaman City. The observed fluctuations between planned and realised budgets from 2017 to 2022 suggest persistent challenges in achieving both efficiency and accountability. The tendency of preparers to create slack may reflect both individual inclinations and institutional pressures. In many Indonesian local governments, the complexity of regulations, limited technical capacity, and socio-political influences can reinforce the creation of budgetary slack as a protective strategy or a response to uncertainty.

From a practical perspective, these results underscore the need for local government policymakers to focus not only on strengthening procedural controls but also on fostering ethical values and professional integrity among budget preparers. Targeted interventions, such as ethics training, transparent evaluation systems, and clear accountability mechanisms, may help mitigate the adverse effects of personality-driven slack in the budgeting process.

Theoretically, this study advances the literature by empirically demonstrating the role of personality-driven behaviour in the formation of budgetary slack, particularly in the public sector of developing countries. By integrating behavioural theory into the analysis of budgeting practices, the study encourages further research that explores other psychological and contextual determinants of budgetary slack, as well as their interaction with organisational variables.

### **Limitations and Future Research**

This study is subject to several limitations. The small sample size and focus on a single local government limit the generalisability of the findings. Additionally, the reliance on self-reported measures may introduce bias. Future studies are recommended to incorporate a larger and more diverse sample, consider mixed-method approaches, and explore the moderating effects of organisational culture or leadership style in different regional contexts.

### **CONCLUSION**

This study provides empirical evidence that budget preparers' behaviour has a significant positive effect on budgetary slack within the Pariaman City Government. The findings support the behavioural theory of personality, highlighting that individual characteristics and behavioural tendencies of budget preparers play a crucial role in shaping budget outcomes in the public sector. Specifically, the results show that approximately 13.5% of the variance in budgetary slack can be explained by the behaviour of budget preparers, while the remaining variance is likely influenced by other organisational or environmental factors.

Theoretically, this research enriches the literature on public sector budgeting by



emphasising the importance of personality-driven behaviour in the creation of budgetary slack. It demonstrates that effective budget management should not only address structural and procedural aspects but also consider the personal and ethical values of individuals involved in the budgeting process.

From a practical perspective, the results suggest that local governments should implement interventions aimed at fostering ethical behaviour, enhancing professional integrity, and strengthening internal control systems to minimise the potential for budgetary slack. Training, transparent evaluation, and accountability mechanisms are recommended to encourage more responsible behaviour among budget preparers.

This study is not without limitations. The relatively small sample size and the focus on a single local government may limit the generalisability of the findings. Additionally, the use of self-reported data could introduce potential bias. Future research should consider expanding the sample to other regions, employing mixed-method approaches, and exploring additional factors such as organisational culture, leadership style, and external environmental pressures to gain a more comprehensive understanding of the determinants of budgetary slack in local governments.

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