

The role of budget emphasis and participation on budgetary slack for start up industry

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Abstract

The main background of this research are the problem issues of companies in start up industry. Budgeting has been the crucial factor to be researched, related to efficiency, cost thrift, and performance improvement in start up companies. This quantitative research uses the questionnaire research instrument towards 120 startup company's managers. The spss method were applied in data processing stage. The testing result shows that budget participation has positive impact toward budgetary slack, while budget emphasis has no impacts whatsoever. The implication of this research's result can be utilized by startup industries as input related to Budget Participation, budget emphasis and Budgetary Slack so that the appointed budget's target can be implemented and achieved efficiently. The originality of this research is the test related to budget emphasis, budget participation and budgetary slack in Indonesia's startup industries.

Keywords: *bugdet emphasis; budget participation; budgetary slack; start up; Indonesia*

Abstrak

Issue dan permasalahan tentang perusahaan-perusahaan di industri start up menjadi latar belakang masalah dalam penelitian ini. Peran anggaran menjadi faktor yang sangat penting untuk diteliti terkait dengan issue efisiensi, penghematan dan tuntutan peningkatan kinerja di perusahaan start up. Penelitian ini adalah penelitian kuantitatif dengan instrument penelitian kuesioner terhadap 120 orang manager startup. Pengolahan data menggunakan spss. Hasil pengujian memperoleh hasil bahwa budget participation berpengaruh positif terhadap budgetary slack sedangkan budget emphasis tidak berpengaruh. Implikasi Hasil penelitian ini dapat digunakan oleh industry start up sebagai masukan terkait Budget Participation, budget emphasis dan Budgetary Slack, supaya target anggaran yang ditetapkan oleh industry start up di tengah efisiensi yang dilakukan akan lebih maksimal dalam hal pencapaian dan implementasinya. Originalitas penelitian ini adalah pengujian terkait budget emphasis, budget participation dan budgetary slack yang baru di teliti di start up industry di Indonesia.

Kata kunci: *bugdet emphasis; budget participation; budgetary slack; start up; Indonesia*

INTRODUCTION

The issues about startup industry are the trending discussion topic at the moment as many articles writes about problem issues in startup companies, from the employment cut, up to the permanent closure of some companies (Kompas, 2022; Bisnis, 2020).

It can be said that startup companies are vulnerable to failure threat at any times, one of the reason is that startup companies are depending to some resources that inter impacting one to another, especially related to funds from investors. Right now, startup companies are forced to cut their spending and enhance their performance while implementing tight budgeting and demanding employee's maximum performance during efficiency. During monitoring and tight budget implementation, budget as one of management control instrument has significant implication towards managers behavior, both positive and negative (Pongawa, 2013; Sari, 2019).

The budget problems that emerge to the surface would impact policies, management control and organizational behavior, one of them is the factor in measuring the employee's performance that so called as budget emphasis. When employee's performance very much influenced by budget achievement, the situation could lead into budgetary slack practice (Umasangadji et al. 2019)

The other factor that influencing the budget discrepancy is budget participation, as no exception in startup companies, most of the times, the staffs are involved in budgeting as the startup companies human resource are usually limited. The preceding research proves that large Budget Participation from superiors or subordinates would impact the Budgetary Slack (Fitra, 2017).

Some preceding research that studying the influence of budget emphasis toward budgetary slack shows inconsistent result, some of them are by Schoute & Wiersma (2011) that shows the evidence that budget emphasis is negatively influencing budgetary slack, while Sulastri & Wardani (2020) shows the evidence that budget emphasis is positively influencing budgetary slack, but overly tight budget thrift could lead into deviate subordinate behavior because of the work pressure to achieve the set target. Another research by Elmassri & Harris (2011) found that budget emphasis is not influencing budgetary slack.

The research on Budget Participation also shows various results, budget participation has positive influence toward Budgetary Slack (Latuheru, 2006; Suriani et al, 2017). Another research states that Budget Participation has negative influence toward Budgetary Slack (Kahar, 2016; Sudirman et al., 2018).The differences on research results shows the research GAP, other than that, the sample taking in startup industries by looking into various problems background to test the influence of budget emphasis and participation budgeting toward budgetary slack is a new way of research.

This research hoped to be able to contribute toward the start up industry as inputs related to Budget Participation, Budget Emphasis and Budgetary Slack so that the set budget target by start up industry during efficiency could be more maximum in its accomplishment and implementation.

LITERATURE REVIEW

The main theory in this research is Behavioral Accounting, which is a theory in accounting that connects the human behavior with information system that covers monetary accounting and management accounting. According to Siegel and Marconi (1986) there are some factors of sociology, psychology, and social psychology that relevant with behavioral accounting, those are: attitude, motivation, perception, learning and personality. Behavior is individual reaction towards encouragement and environment. The nature of both individual

response and reaction could either supporting or against the stimulation/ encouragement. When encouragement is continuously given, then the individual would either slowly or quickly adapting towards it (Skinner, 1983; Goodhue & Thompson, 1995).

Budget emphasis

Budget should become the base of employee's achievement and performance assessment. According to Ikhsan & Ishak (2005) managers are trying to enhance the efficiency of budget factor. The push given by the superior to the subordinate, whereas rewards would be given when the target reached, and punishment given when it is not. Budget Emphasis considered to be the factor that cause the budget slack. This could happen if the subordinate's performance assessment were determined by the set budget, as the subordinate would strive to enhance their performance by making their easily reached budget. Budget emphasis would likely to happen when the compensation/ bonus awarding scheme from the superior to the subordinate exist if the subordinate were able to reach the target that has been set. If the subordinate convinced that the reward given is based on the achieved budget target, then they would try to build slack on its budgeting. The pressure in budgeting also creates tensions among employees which lead to many dysfunctional employee's behavior.

Many research on budget emphasis shows various results, but the previous research result that interline with hypothesis development and problem issues background in startup industries, shows the positive influence of budget emphasis toward budgetary slack (Sulastrri & Wardani, 2020; Nopriyanti, 2016)

H₁ : Budget emphasis has positive influence toward budgetary slack in Indonesia's startup industries

Budget participation

The intended means of participation in budgeting is the involvement of operating manager that cooperating with the budget commission to decide the future activities which can also be implemented by the operating manager to reach the targeted budget (Mulyani, 2010:513).

Budget Participation is the process of subordinate involvement to affect the elements of budgeting. Budgeting is an effective process in creating the common goals of each unit that responsible to the whole organization goals. Participation with positive communication would become a participation that aiding brain storming as budget participation proved to be able to lower the budget loss (Rifqi et al, 2017).

The former research states that there is a positive influence of budget participation towards budgetary slack (gsasghas) How is the influence of both variables toward Indonesia startup industries, the test of second hypothesis will explain the influence. (Nasution, 2020 ; Ariani & Budiasih, 2020).

H₂: Budget Participation has positive influence toward Budgetary Slack in Indonesia's startup industries

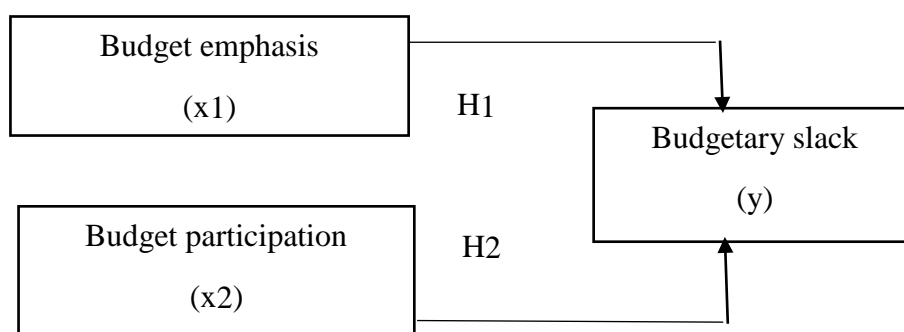


Figure 1. Research framework

RESEARCH METHOD

The method implemented on this research is quantitative research with hypothesis testing. The samples are 120 startup industry staffs those involved in budgeting for more than 3 years. The questionnaire was distributed within 5 months period (January-May 2022). The business samples of start up industry used are e-commerce, edutech and fintech. Majority location of the companies are in Jakarta and has been operating between 2- 5 years. The managers samples were obtained from the writer’s network. The Instrument used in this research is Likert scale questionnaire, the questionnaire was developed from the previous research. The questionnaire variables on budget emphasis were referring to Schoute & Wiersma (2011) which consist of 8 questions that was adjusted to meet the requirements of this research. The questionnaire variables on budget participation were adopted from the research conducted by Maiga (2005), Wentzel (2017), and Wiratno, et al (2016), while the questionnaire variables on budget slack were adopted from Schoute & Wiersma (2011) and Elmassri & Harris (2011). Data analysis in this research uses SPSS.

RESULTS AND DISCUSSION

Validity on each question in the questionnaire, if the correlation coefficient mark were either larger than or equal to 0,30, then the question is valid (Barker et al, 2016:70). When, the result of questionnaire reliability mark of three variables is bigger the 0,70 of critical mark, all classic assumption tests those are normality test, multicollinearity test and heteroscedasticity test, shows good result especially for the normality test, the research result of normal distributed regression model with Kolmogorov-Smirnov significant test value larger than 0,05 (Field, 2009:148).

Table 1. Result of validity testing

Variable	Questions	rhitung	description
Budget emphasis	BE1	0,506	Valid
	BE2	0,354	Valid
	BE3	0,67	Valid
	BE4	0,598	Valid

	BE5	0,591	Valid
	BE6	0,513	Valid
	BE7	0,704	Valid
	BE8	0,46	Valid
Budget participation	BP1	0,774	Valid
	BP2	0,741	Valid
	BP3	0,808	Valid
	BP4	0,799	Valid
	BP5	0,789	Valid
	BP6	0,814	Valid
Budgetary slack	BS1	0,735	Valid
	BS2	0,696	Valid
	BS3	0,793	Valid
	BS4	0,783	Valid
	BS5	0,79	Valid
	BS6	0,789	Valid

Source: SPSS Out put result

Table 2. Result of Reliability testing

Variable	<i>Cronbach's Alpha</i>	description
Budget emphasis	0,821	Reliabel
Budget participation	0,925	Reliabel
Budgetary slack	0,916	Reliabel

Source: SPSS Output result

The result of regression for this research is as shown in Table 3

Table 3. Multiple Linier Regression Analysis Result

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	-0,042	0,314		-0,132	0,895
Budget Emphasis	0,115	0,071	0,056	1,611	0,110
Budget Participation	0,891	0,033	0,924	26,61	0,000

a. Dependent Variable: budgetary Slack

Source: SPSS Output result

Table 4. Anova

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	80,732	2	40,366	356,26	,000 ^b
Residual	13,257	117	0,113		
Total	93,989	119			

a. Dependent Variable: budgetary Slack

b. Predictors: (Constant), Budget Participation, Budget Emphasis

Source: SPSS Output result

The results show that hypothesis 1 is not proven, significance mark with value $0,110 > 0,05$, this means that startup industry budget emphasis has no influence toward budgetary slack, In this matter, if staff, especially managers were given such pressure in budgeting and performance determined by budget achievement evaluation, this condition does not influencing the slack in startup industry. This matter is inline with the research conducted by Elmassri & Harris (2011) where state that budget emphasis is not influencing budgetary slack.

There are many factors that making budget emphasis having no impact toward budget slack in Indonesia's startup industries, one of the possibilities is that budget factor were not seen as negative thing by the startup industries managers, this is inline with the reseach conducted by Elmassri & Harris (2011).

The hypothesis 2 test comes out with significant value $0,00 < 0,05$, which means that in startup industry budget participation has positive influence toward budgetary slack. This result is in line with the previous research related to the positive influence of budget participation toward budgetary slack (Ariani & Budiasih, 2020; Nasution, 2020; Santhi et al, 2019). The more the staff/ manager being involved in budgeting, then the more apparent the potency of slack. It can be concluded that higher level of budget participation would also heighten the budget discrepancy practice.

The impact of increasing Budgetary Slack is the staff tends to prioritize their personal concerns because they don't care about the impact of their doing. If the slack heightens then the target would not maximally achieved because the staff tend to lower their capability in budgeting. This matter can be anticipated by monitoring performed by top managements to see and analyze the budget that suitable with the company's resource capacity.

CONCLUSION

Based on the research then it can be concluded that Budget Participation has positive influence toward Budgetary Slack in Indonesia's startup industry, while budget emphasis is not influencing budgetary slack. The Impact of heighten Budget Participation generate both good and bad influence toward budget discrepancy.

One good influence of Budget Participation increase is that by doing so, would generate motivation and freedom creativity. One of the action is the role of manager in budgeting, the manager will determine a more achievable target so that could anticipate the uncertainty in budgeting and looser operational activity.

On The other hand, Budget Participation has negative impact where manager trying to fulfill his interest that increasing the organizational cost as he makes an easy achievable budget by lowering the income target and higher cost.

This research meets many limitations in the process such as due to Covid-19 pandemic the data collecting takes longer than the expected time target as the researcher unable to directly meet the response. The other limitation is that the samples should have been broader by adding the startup categories and sampling locations outside Jakarta, other than that the researcher should have been adding the interview method to support and digging the information of that causing or resulting hypothesis 1, this could not be done as startup managers have limited time and there were 120 managers that have been the sample of this research.

The implication of this research can be utilized by the startup industry as input related to Budget Participation, budget emphasis and Budgetary Slack, so that the determined budget target in the middle of ongoing efficiency measure could be a lot more maximum in its achievement and implementation.

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