



# THE INFLUENCE OF BUDGET PARTICIPATION, ORGANIZATIONAL CULTURE, ORGANIZATIONAL COMMITMENT AND ENVIRONMENTAL UNCERTAINTY ON BUDGET SLACK IN LANGKAT REGENCY GOVERNMENT

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## **Abstract:**

The research aims to examine the influence of budget participation, organizational culture, organizational commitment, and environmental uncertainty on budget slack in the Langkat Regency Government. The type of data used in this research is primary data using a questionnaire. The population in this study were all employees of the Langkat Regency Government. The sample in the research consisted of 89 respondents who were involved in budget preparation. The method used to determine the sample is the purposive sampling technique. The data analysis method used in this research is the multiple linear regression method. The research results show that environmental uncertainty has a significant positive effect on the budget slack. Meanwhile, budget participation, organizational culture, organizational commitment, and environmental uncertainty do not affect the budget slack in the Langkat Regency Government.

**Keywords:** *Budget Participation, Organizational Culture, Organizational Commitment, Environmental Uncertainty, Budget Slack.*

## **INTRODUCTION**

Government annual financial planning with the approval of the DPRD or so called APBD, is used as a tool for determination of the amount of income & expenses, and used as a guide in making decisions next decision (Maqdliyan & Setiawan, 2023). Procedure There are several regional budget preparations The process starts from determining which activities will be implemented, Musrenbang, preparation budget for each work unit in plan format work and budget (Basloom et al., 2022). The local government makes it possible to do so irregularities in the preparation process budget. Langkat Regency is there problems regarding errors budgeting ([www.bpk.go.id](http://www.bpk.go.id)). Government Langkat district has a work unit consisting of from departments, agencies and inspectorates has a budget in each organization and The budgeting process involves a lot several parties. There are many parties indicates that this could happen budget gaps that can be seen from government agency performance reports in the form of a budget realization report Langkat district government.

Suspicion of the budget slack can be known from the realization revenue in 2019-2023 is higher compared to the income budget and expenditure budget

is higher compared to actual spending. Difference between realization and target This budget means that the work unit makes smaller budget targets so Performance appraisal can look good because of the target budget achieved. But for the budget expenditure is high compared to realization Shop for this so you can use your budget shopping looks good because it optimizes budget.

Apart from the disparity between budgets using realization, Langkat Regency still has weaknesses in terms of compliance with Legislative Regulations in the form of 1) Error budgeting for Goods and Services Expenditures as well Capital expenditure; 2) Overpayment over rehabilitation and treatment Street place and Overpayment Department ([www.bpk.go.id](http://www.bpk.go.id)).

Based on the background that has been explained, the budget gap is something that is detrimental to many parties and able to reduce the trust of society and central government accountability and transparency area (Nasution et al., 2021). This can be identified several main problems, namely 1) Management a bad budget can have an impact bad for government and the budget for the coming year, 2) Budget that is arranged does not match correctly creates budget gaps, 3) Not yet consistency of previous research regarding the independent variables that have been explained on. Therefore, researchers want investigate whether there is an influence of budget participation, organizational culture, organizational commitment, and uncertainty environment against budgetary slack on local government work units Langkat Regency.

## **LITERATURE REVIEW**

### **Agency Theory**

Agency theory is a theory that discusses about the behavior of various parties have an interest, namely between the principal (superior) and agent (subordinate) (Satibi & Atik, 2023). Public sector in Indonesia already unconsciously using agency theory. Relationship theory agencies with this research are available interests between the Langkat Regency Regional Government as agent and society as principal. In this case the Regional Government (agent) acts as a party authority to make decisions, while the community (principal) is the party who reserves the right to evaluate synchronous use applicable regulation (Nasution, 2023).

### **Budget Slack**

According to Selten & Klievink (2024) and Nasution (2020) The budget slack is intentional made by an agent (subordinate) in making budget plans and its practical implementation. This is done to improve the performance of an organization (Mahaarcha & Sirisunhirun, 2023). The bad impact of This budget slack is an imprecision resource allocation and the nature of evaluation budget performance could be biased (Rodrigues & Carvalho, 2023).

### **Budget Participation**

Budget participation is a discussion together between superiors and subordinates where decisions can be made from the results of these discussions impact on the future and able to have an impact on the parties involved in making that decision (Wang et al., 2023). More and more the number of members who participated in the preparation rules then there is a possibility of gaps occurring There are also many rules (Zhang & Mora, 2023). Several previous studies were carried out by Hoai et al. (2022) and Aysan et al. (2023) Research results shows that budget participation has a significant positive

influence on budget slack. Based on the description above, then the following hypothesis is proposed:

H1: Budget participation has an effect positive for budget slack.

### **Organizational Culture**

Organizations with a strong culture will strive to implement appropriate budgets with needs without any other purpose (Obicci et al., 2021). Very cultural influence individual behavior in an organization is included in the implementation of the process budgeting. Deep sense of togetherness organization can be a trigger party subordinates and superiors make improvements participation in the budgeting process so it will increase the risk of occurrence budget slack (Cárcaba et al., 2022). The higher the organizational culture, the higher it will be increasing regulatory gaps. Study previously done by Msongole et al. (2022), and Carnero et al. (2023) shared that organizational culture negative effect on budget slack. based on the description above then the following hypothesis is proposed:

H2: Organizational culture has a positive effect against budget slack.

### **Organizational Commitment**

Organizational commitment is an encouragement from within someone to do something to support success organization in accordance with its objectives and prioritize the interests of the organization. Organizational commitment can have an influence to the budgeting process because it is deep the budgeting process contains commitments subordinates to set and achieve targets predetermined budget. The higher it is organizational commitment will be higher budget slack. This happens because when individuals are loyal to the organization, then the ability to do so can emerge and try to do the best in achieving organizational goals (Tangney et al., 2023). Previous research conducted by Vilarinho et al. (2023) shows that organizational commitment is not very influence the budget gap. Different from research conducted by Mantilla-García et al. (2023) the results of his research show that organizational commitment has an influence positive for budget slack. Based on the description above, it is proposed hypothesis as follows:

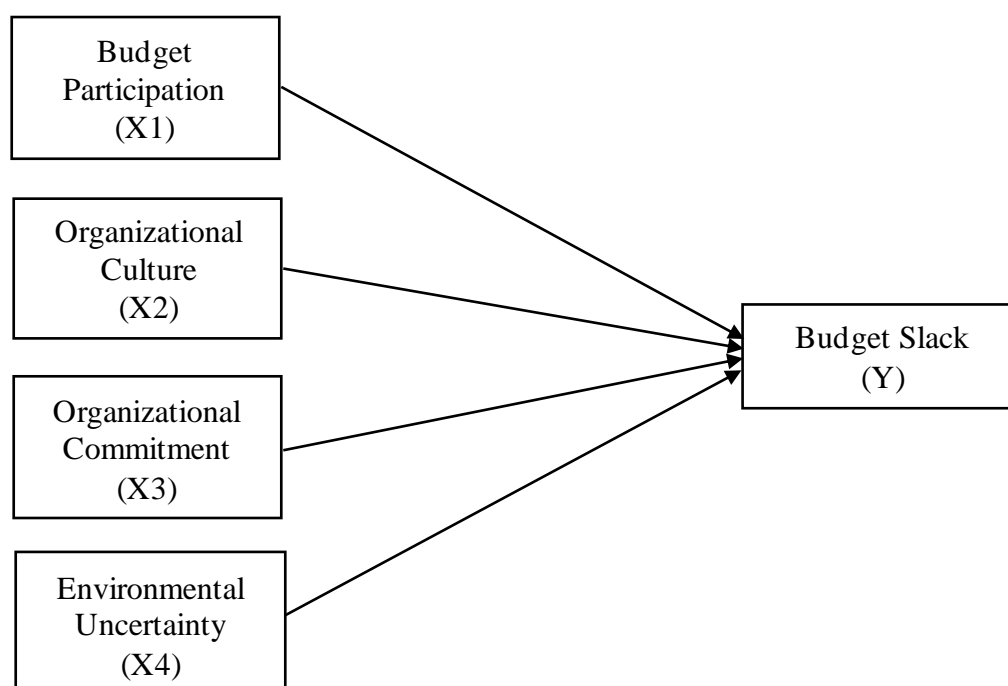
H3: Organizational commitment has an influence positive for budget slack.

### **Environmental Uncertainty**

Environmental uncertainty is the perceptions of related organizational members are complicated whether or not the environmental conditions faced by the organization (Tan et al., 2022). Uncertain environmental conditions can occur causing differences in information which can cause budget slack. The higher the uncertainty environment will increase budget slack. Previous research carried out by Giglio et al. (2018) and Helm et al. (2024) research results states that environmental uncertainty has no effect on budget slack. Different from research carried out by Kassa & Ning (2023) research results states that environmental uncertainty influence the budget slack. Based on the description above, it is proposed hypothesis as follows:

H4: Environmental uncertainty positive effect on budget slack.

The conceptual framework in this research can be presented as follows:



**Figure 1. Conceptual Framework**

## RESEARCH METHODS

Types of quantitative research data and data sources namely primary data by distributing questionnaires. The population is all employees of 24 work units Langkat Regency. The research sample is Head Department, Secretary, Treasurer, Head of Division and Head of Subdivision. Sample selection method using purposive sampling. Sample criteria in this study organizational official's regional officials who play a role in the budget preparation process, echelon III and VI officials who have worked > 1 year and have education last high school. Data analysis techniques are: descriptive analysis to illustrate respondent demographics, then quality test data through validity tests and reliability tests and multiple linear regression analysis.

## RESULTS AND DISCUSSION

A total of 154 questionnaires were distributed and can be processed as many as 89. This test is useful Find out what instrument is being used is valid or not. The results are possible known by its significance value or compared with the r table and calculated r values (McDermott, 2023). Validity test results shows that each instrument Independent variable research has an r value table number 208 & r count >208 The conclusion is that every variable instrument is valid.

An instrument is said to be reliable if it has value positive Cronbach alpha > 0.60 (Díaz & Cano, 2022). From the table of reliable test results, Cronbach alpha value >0.60 so it is concluded that each instrument reliable.

The aim of the multiple linear regression test is to knowing the effect of budget participation, organizational culture, organizational commitment, and environmental uncertainty regarding budget slack.

**Table 1. Multiple Linear Regression Test Results**

	<b>B</b>	<b>P Value (Sig)</b>	<b>Results</b>
<b>(Constant)</b>	9,548	,016	
<b>Budget Participation</b>	0,133	0,345	H1: Rejected
<b>Organizational Culture</b>	0,061	0,564	H2: Rejected
<b>Organizational Commitment</b>	-0,035	0,639	H3: Rejected
<b>Environmental Uncertainty</b>	0,320	0,000	H4: Accepted

Research result shows that budget participation, organizational culture, and organizational commitment does not have a significant influence regarding budget slack in Langkat Regency work units. Party who participated in the drafting mechanism the budget does not convey that information biased, & set low standards high so as to minimize the appearance budget slack (Tangney et al., 2023). Results research does not support that research carried out Maqdliyan & Setiawan (2023) and Rodrigues & Carvalho (2023) who believes that budget participation has a positive effect significant impact on budget slack. High organizational culture in the work unit Langkat Regency shows loyalty members to always follow existing rules in it so it will lower budget slack occur. Khalife et al. (2023) stated that organizational members will create a budget that complies with the rules during the budget creation process. Results the current study supports the research Almeida et al. (2022) and Kassa & Ning (2023) who believes that organizational culture has no effect on budget slack. Organizational commitment is attitude which reflects members' loyalty to organization or agency on an ongoing basis where the organization focuses its attention on success and progress sustainable. Results of this research shows that organizational commitment has no effect on the budget slack. This means that members have a high commitment to the organization, hence the budget slack will be lower (Vilarinho et al., 2023).

In this study, only one variable whose hypothesis is supported, namely environmental uncertainty. Uncertainty environment, namely the perception of members organization or agency, uncertainty arises due to the member's inability to predict something that will happen in its environment accurately because lack of supporting information (Helm et al., 2024). Someone experienced uncertainty because he feels he doesn't have enough information to predict the future accurately. Results this research shows that environmental uncertainty has an influence against budget slack means members organizations cannot predict conditions environment, unable to understand components the environment will change, and limited information to predict future. The higher the level environmental uncertainty, then increasingly high level of budget slack. Study this time supports the research carried out by Mahaarcha & Sirisunhirun (2023) argues that environmental uncertainty has an influence against budget slack. This research supports research conducted by Giglio et al. (2018) argue that uncertainty the environment influences budget slack.

## CONCLUSION

This research provides that only environmental uncertainty variables has an impact on budget slack. The other three variables, namely participation rules, organizational culture, as well Organizational commitment has no impact. The Langkat Regency Regional Government can pay more attention to the possibility of this happening regulatory gaps in participation policies budget. The government can prevent it the occurrence of budget slack with more pay attention and supervise the preparers budget by ensuring that the budget have been arranged according to ability government, that is, there is no income lowered and costs raised, so that government performance can be better maximum. Apart from that, in the preparation process superiors as the principal must have full information regarding budget and potential agency so that it can prevent it the occurrence of personal interests of the parties' budget preparer.

Suggestions that can be given by researchers for further research is adding other variables such as asymmetry information, budget emphasis, and preferences risk. Future research can be done added data collection methods with the direct interview method in filling out the questionnaire so that the answers respondents are more reflective of their answers Actually. Apart from that, further research can expand the mass sample with adding Regional Apparatus Organizations such as sub-districts or expanding locations not only in one district but in one province.

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