

# **Budget Participation and Budget Emphasis Effects on Budgetary Slack in Baitul Mal wa Tanwil (BMT) Sukoharjo Regency, Central Java Applying the *Mardhotillah* Theory**

Djoko Kristianto, Universitas Slamet Riyadi Surakarta  
djokokristianto@yahoo.co.id

Suharno, Universitas Slamet Riyadi Surakarta  
suharno\_mm\_akt@yahoo.co.id

Asa Novia Apriliya, Universitas Slamet Riyadi Surakarta  
asanoviaapriliya@gmail.com

---

## **Abstract**

In order to prepare an effective budget, managers must be able to predict the future; therefore, managers must properly prepare a budget because the budget is a financial plan that describes all operational activities in a company. Participating in budgeting allows subordinate managers and employees to influence decisions regarding their superiors' expectations. In this study, budgeting in BMT is examined from the perspectives of budget participation and budget emphasis in relation to its impact on budgetary slack. Management and operational managers of BMTs in Sukoharjo participated in this survey as respondents. The multiple linear regression method was the analytical technique used in this investigation. According to the study's findings, budget participation has no impact on budgetary slack, but budget emphasis does.

**Keywords: Budget Participation, Budget Emphasis, Budgetary Slack, Baitul Mal wa Tanwil (BMT)**

---

Date of Submission: 14-01-2023

Date of acceptance: 29-01-2023

---

## **I. INTRODUCTION**

Everyone desires happiness. Just not everyone is aware of how to find happiness. Some people believe that having a lot of money makes one happy. Power is simple to obtain and all material and spiritual requirements can be met when there is an abundance of cash. So to speak, happiness can be purchased. Endi Suhendi (2022) asserts that if acquiring wealth is the purpose of happiness, then the results are obvious: corruption is rampant, and theft, robbery, and fraud occur frequently. Others believe that happiness is merely a mirage, a delusion, and a creation of the mind. They never see evidence of lasting enjoyment in the realities of their lives. Everything is fleeting and temporary. The Islamic perspective on the ideal life includes principles that can enhance the welfare of human life in the world and help manage and use it as a resource for life in the hereafter. It also includes principles that inspire people to work toward achieving a happier life in the hereafter so that they are not enslaved to pleasure and worldly luxuries. A dimension that may bring together both the interests of this life and the life to come is the ideal dimension. When we make a livelihood or acquire riches, one of them is by working for a corporation, that is the aspect of life that is in the world. When we are given a leadership mandate and one of the objectives is to create a budget, we must accomplish this with professionalism and seriousness. Managers must effectively develop a budget since it is a financial plan that details all operational activities in a firm, which means that creating an efficient budget necessitates the capacity to foresee the future. The budget can also be used as a benchmark and tool for assessing manager performance, as well as to explain goals and objectives, communicate and coordinate plans, distribute resources, and do all of these things. Participation can be used to strengthen individual managers' acceptance of organizational goals by enabling them to see decisions that will influence their operations as joint decisions between them and their superiors. Setting one's own standards and goals tends to motivate people to put more effort into achieving them, which can lessen information asymmetry and create non-cash incentives that promote higher performance (Hansen & Mowen, 2006). According to [Republika.co.id](http://Republika.co.id) (2015), a phenomena exists where the influence of the economic recession has caused the increase of baitul maal wa tamwil (BMT stagnated). Microfinance

organizations like BMT have been impacted by the Covid-19 Pandemic and the management of the Islamic banking industry as a result of current economic situations. BMT expands and develops within the community as a da'wah movement in the sphere of business. Muslims can also use self-help. The presence of BMT to absorb the ambitions of the Muslim community in the midst of anxious economic operations with the idea of usury, as well as supporting funds to establish initiatives to empower small and medium enterprises. Baitul Maal wa Tamwil (BMT), an Islamic microfinance institution, is thought to have benefited the community financially because it is focused on a people's economy, especially tiny villages that are unbankable and reject usury. The development of BMT is extremely rapid in comparison to the development of other traditional microfinance institutions because its presence on the one hand carries out the Islamic economic mission and on the other hand completes the duty of the people's economy by enhancing microeconomics. The privileged position that managers enjoy in the budgetary participation process enables them to act opportunistically and use the information at hand to negotiate for favorable outcomes in their own best interests, particularly when the goals reached during budgeting serve as the foundation for compensation. This faulty habit causes fiscal slack or budgetary slack to be created. Additionally, because it can be used to negotiate for results and relieve pressure to meet goals, managers' perceptions of the possibility of participating in budget formulation tend to increase expectations to be able to inject budgetary slack. This discourages employees from being truthful about their abilities.

The presence of budgetary slack has a detrimental effect on the budgeting process because it creates a possible budget that is straightforward to accomplish and creates an inaccurate impression of manager success (Merchant, 1985). Participation will cause slack, according to a phenomenon that appears in a number of literary works. They tend to try to make the budget that has been prepared easy to achieve the higher the participation offered to subordinates in budget preparation (creating slack). When creating the budget, they attempt to make it more flexible so that they can easily achieve it. Agents may have trouble achieving budgets that were simply created on the basis of the principal's wishes and without their input. On the other hand, a budget that is solely created by the agent's will can result in low subordinate motivation for hitting ideal targets and even slack. Participation in budgeting may or may not have an impact on slack due to the intricacy of problems involving human behavior. The impact of budgeting involvement on slack has caused debates among researchers and authors up until this point.

High involvement will lead to high slack, according to certain studies or authors, although the contrary is also true. Some literature, among others, suggests that involvement granted to agents will result in budgetary slack and supports this idea. Subordinates tend to try to make the budget that has been produced easy to achieve the more input they are given during budget preparation (creating slack). They attempt to loosen the budget when creating it in order to make it easier to achieve. Declaring lesser income and higher-than-expected expenses is one technique to relax the budget. If the concerned party takes part in creating the budget, this can be accomplished. Another example of the impact of budgeting involvement on slack is (Lukka, 1988). According to Lukka, there is room for slack creations depending on the extent of budgeting engagement. On the other hand, the minimal amount of agent involvement in budgeting does not directly present a chance for slack creations.

Subordinates have the chance to add local information by taking part in the budget preparation. Some personal information that may be relevant to the standards or budgets that serve as the foundation for performance reviews can be shared or disclosed by subordinates. (Dunk, 1993) defines performance evaluation as the periodic assessment of an organization's, its components', and its workers' operational effectiveness based on defined goals, standards, and performance. This occurs because managers want to always appear favorable in the eyes of their superiors; they don't want poor performance reviews; and they believe that if they consistently receive positive reviews, they will be given a reward (bonus) or promotion. The performance is thus always presented in a positive light by adding budget slack. The results of several research undertaken on the subject of the impact of budgetary participation on budgetary slack have produced mixed outcomes.

According to research by Dunk (1993), Lukka (1988), and H. Nouri and Parker (1998), there is a relationship between budgetary participation and slack, and excessive budget participation can result in slack. In the meantime, (Merchant, 1985) demonstrates how budget participation might cut down on slack. The operational efficacy of an organization, its components, and its workers are periodically assessed based on specified goals, standards, and performance, according to Dunk (1993). (Siegel and Marconi, 1989).

This occurs because managers want to always look good in the eyes of their superiors; they don't want poor performance reviews; and they anticipate rewards (bonuses) or promotions if they consistently receive positive reviews. So that the performance always appears strong, budget slack is then implemented. In contrast to a number of earlier studies, the focus of this research is on budget participation, budget emphasis, and budgetary slack in BMT Sukoharjo Regency.

## II. LITERATURE REVIEW

### Agency Theory

This theory contends that the connection between owners and managers is inherently difficult to establish due to competing interests. This is the agency theory approach. According to agency theory, a connection between two parties (principals and agents) results when the principals employ an agent to perform a service and then give the agent the power to make decisions. The theory of agency also explains how agency relationships come about when one or more persons (the principal) employ a different person (the agent) to perform a service and then give the agent the power to make decisions (Jensen and Meckling 1976). The agency theory also explains the contractual arrangement between the principal and agent. The agent's authority to act on behalf of the principal in his capacity as the decision-maker comes from the principal. In a corporation, the agent is the manager, and the principle is the shareholder.

### Mardhotillah Theory

According to Endi S (2022), the word *ridha* is derived etymologically from the phrase *radhiya-yardha*, which denotes being content, willing of heart, accepting something gracefully, or yielding to something. In other words, willing, like, or contentment is what is intended when someone says *ridha* literally translates to imply willing, like, or contentment. *Al-ridha*, often known as *ridha* or willing, is a word that has become Indonesian. *Ridha*, as used in Arabic, denotes a high level of acceptance of anything that *al-Haq* offers him/ her as a special gift, whether it is pleasant or not. *Ridha* also refers to the ability to face the manifestations of destiny with a calm heart and to not have one's heart rocked when facing adversity. *Ridha*, then, refers to mental tranquility and acceptance of Allah SWT's decrees and destiny, as well as the capacity to respond to them resolutely, especially to the hardship, sadness, and challenges that He/ She brings about that are felt by the soul. *Ridha* adalah menjernihkan hati dan berlapang dada atau ikhlaskan menerima ketentuan Allah SWT. According to Al-Ghazali, *ridha* is Allah SWT's largest door. Whoever discovers the path of *ridha* and is able to see with his/ her heart's eyes will be granted *karomah* (privileges) and a high position in the eyes of Allah SWT. Someone who has reached this station has a calm heart that is not shaken by anything. Because everything in nature is determined by Allah SWT's will. The goal of every practice performed by every believer is to seek Allah SWT's pleasure. Described in a hadith Rasulullah SAW asked his friends, "who are you?" they replied, "we are believers." Rasulullah SAW asked again, "what is the sign of your faith?" they replied, "We are patient when experiencing trials and grateful when we get welfare and are willing to accept Allah's decision." Thus, Rasulullah SAW said, "By God (his) Kaaba, you are indeed believers". The actual fruit of *ridha* is the development of tremendous joy and tranquility that flow from Allah SWT's pleasure and directly blend with a servant's lofty aims and expectations. All of this is neither *dzaug*, which results from being close to Allah SWT, nor is it sweet, which results from lavish prayer and submission. It's not even the joy experienced after defeating sin spiritually. But it is a spiritual pleasure infused with high hopes and expectations, etched with vigor and reflection.

### Budget Participation

Budget participation implies that top managers and their subordinates jointly contribute in the determination process for resources use and generation in their own activities and operations. In other words, budget participation has an influence on managerial performance. Budget participation, on the other hand, is defined by Lau & Tan (2003) as the process whereby subordinates/budget executors are given the opportunity to be involved in and have influence in the budgeting process. Budget participation is defined by (Brownell & McInnes, 1986) as the level of individual involvement and influence in budgeting. Budget participation in this study is defined as a chance for subordinates to participate in the budget planning process alongside superiors in each agency. This variable was measured using a questionnaire developed by Milani (1975). This instrument consists of six statements that measure the level of participation of respondents with a score on a 5-point Likert scale. Scale 1 means strongly disagree to scale 5 which means strongly agree.

### Budget Emphasis

The budget can be used as a planning tool to organize various responsibility center operations so that they are carried out in accordance with the goals that have been set. When the budget is utilized as a benchmark for an accountability center's performance, it can also serve as a control tool. Budget pressure or budget emphasis is the term used when the budget in an organization is the primary factor used to evaluate the performance of subordinates. In addition, another reason why lower-level managers attempt to use slack is to boost their chances of earning more money. If the benefits are tied to meeting the budget, participants will be

more likely to provide wiggle room in their budgets (Waller, 1988). The use of the budget as the exclusive metric for gauging management performance is known as budget emphasis. An instrument (Hopwood, 2013) that has five question items and uses a Likert scale with a range of 1 to 5 is used to measure this variable.

### **Budgetary Slack**

Budgetary slack is the practice of overestimating the expenses and/or underestimating the projected revenues when preparing a budget statement for the next financial period. The acts of subordinates who are more likely to hinder their capacity to prepare the budget in a way that makes it feasible to achieve are characterized as the budgetary gap (Dunk, 1993). The slack variable is added as a result of subordinates' behaviors that limit their capacity to produce when given the chance to choose their own work standards (Young, 1985). Through strategy, managers can increase budget wiggle room by decreasing income and raising costs (Schiff and Lewin, 1968). So, when managers purposefully establish too low revenues and too high costs, slack can result. As a result, these activities increase the likelihood that managers will stick to the budget set and lower the risks involved.

## **HYPOTHESIS**

### **Hypothesis**

#### **The Effects of budgetary participation and budgetary slack**

From upper-level management to lower-level management, many people are involved in the budget development process. Human behavior is directly affected by budgets, especially for those who participate in budgeting (Siegel, 1989). Managers must be able to forecast the future while taking into account variables like participation, participation rates, and preparation methods in order to create an effective budget. Budgetary slack occurs when employees give unreliable projections to supervisors.

These skewed projections may lessen the budget's efficiency in organizing and managing the company. When given the chance to determine his own work standards, a subordinate's ethic of "budgetary slack" affects his ability to be productive (Young, 1985). Budgetary slack, on the other hand, is defined by Anthony and Govindarajan (1998) as the discrepancy between the reported budget and the budget that corresponds to the organization's best estimate. Merchant research shows that budget participation can reduce slack. Elis Badriah that budget participation has no significant effect on budgetary slack. Made Bagas WisnuPamungkas 2014. Meanwhile, budgetary participation has a negative and significant effect on budgetary slack. Dunk (1993) and Dina (2010) state that budget emphasis can influence the relationship between budgetary participation and budgetary slack. Research conducted by Kren (2003), Maiga (2005), Maiga and Jacobs (2008), Kren and Maiga (2007) participation in the budget reduces the amount of budgetary slack. Yucell (2010); Langevin and Mendoza (2013); Ozer and Yilmaz (2011); Husain (2011); Hobson et al (2011) found that highly participatory budgeting can reduce budgetary slack behavior. Huang and Chen's research (2009); Langevin and Mendoza (2013); Saldalgaard et al (2011); Hobson et al (2011) and Su and Ni (2013). The results of their research found that when participatory budgeting is high, it can reduce budgetary slack behavior. Thus, the hypothesis developed based on the findings of the researchers above is as follows:

#### **H1. There is an effect of budget emphasis and budgetary slack**

By enhancing the motivational bond between subordinates, the emphasis on the budget will aid attempts to meet its objectives. However, Yeandrawita (2015) asserts that excessive budget pressure brought on by the need to meet specified goals will have an impact on subordinates' atypical conduct. However, there is pressure to meet a low individual's goal, which can result in financial slack so that it can be appreciated. Budget emphasis is a factor that can lead to budgetary slack with justifications for pay raises. Budget focus is a state in which the budget is the primary metric utilized to assess how well employees are performing inside a business. Because performance evaluations are based on the budget that has been created, subordinates are motivated to find ways to create budgetary wiggle room, such as by decreasing income and raising expenditures during the budget development process. Ramdeen, et al., (2007) found that the interaction of budget participation and budget emphasis had a significant negative effect on budgetary slack, Davila and Wouters, (2005) found in research recording budget emphasis had a positive effect on budgetary slack and performance. Trisianto (2014) found a budget pressure variable. Erina and Suartana, (2016), concluded in their research that the budget emphasis variable has a positive effect on budgetary slack. Research by HeniKusniawati, Ibn AbniLahaya 2017. Budget emphasis has a significant positive effect on budgetary slack Budget emphasis has a significant positive effect on budgetary. Davila and Wouters, (2005) found in their research that budget emphasis has a positive effect on budgetary slack and performance. Afifi, et al., (2016) budget emphasis has a positive effect on budget participation. Thus, the hypothesis developed based on the findings of the researchers above is as follows:

## **H2. There is an effect of budget emphasis on budgetary slack**

### **III. RESEARCH METHOD**

#### **Research Design**

This study employs a quantitative descriptive technique, in which the method is used to assess the relationship between a variable and the variables it influences in a study as well as the magnitude of the effect. Sugiono (2011) asserts that the quantitative data analysis employed in the examination of certain populations or samples, as well as the data collecting utilizing research tools, are all part of the research technique.

#### **Population and Sample**

##### **Population**

The population in this study were the chairmen, secretaries, treasurers and managers of BMTs, totaling 21 BMTs in Sukoharjo. Respondents who were taken in this study were BMT administrators and managers, where these managers were directly involved in preparing the budget.

##### **Sample**

The research sample was obtained from the research object, the BMT Manager, namely: the sample to be studied was 84 respondents, consisting of the chairman and secretary, treasurer and operational manager, each at 21 BMTs in Sukoharjo.

##### **Sampling Technique**

The purpose of the sampling technique, which uses saturated sampling techniques, is to make the research process easier. 84 respondents make up the sample for this study, which uses the saturation sampling technique, which involves taking samples from the entire population.

#### **Research Variables and Operational Definitions**

##### **Budget Participation (x1)**

is the level of involvement and influence of individuals in preparing the budget.

##### **Budget Emphasis (x2)**

is a condition when the budget is used as the most dominant factor in measuring the performance of subordinates in an organization.

##### **Budgetary Slack (Y)**

is a gap that is carried out by subordinate managers when they participate in preparing the budget, by providing proposals and budget estimates that are not in accordance with capacity.

#### **Type and Source of Data**

##### **Quantitative Data**

is information that has been scaled numerically. Qualitative data, on the other hand, cannot be quantified numerically, but because all statistical data must be in numerical form, qualitative data is typically quantified in order to be processed further by categorizing it.

##### **Source of Data**

derived from both primary and secondary data. The information required for this study is primary data, which was obtained by distributing questionnaires to people in the field.

##### **Data Collecting Technique**

All necessary data will be gathered in stages, beginning with the design of a questionnaire based on the research variables, distribution to the target respondents for completion, and collection back to the researchers. While the methods utilized to get the additional information required are surveys and interviews. Following are specifics regarding the quantity of questionnaires distributed and their rate of return:

**Table I**  
**Questionnaire Recapitulation**

<b>Information</b>	<b>Number</b>
The questionnaire that was distributed	<b>84</b>
Unreturned questionnaires	<b>(8)</b>
The number of questionnaires returned and can be used or can be processed	<b>76</b>

**Source: data processed 2022**

#### **Data Analyzing Technique**

##### **Validity Test**

Validity test is used to measure the validity or validity of a questionnaire. According to Ghazali (2011) that a questionnaire is said to be valid if the statements in the questionnaire are able to express something that will be

measured by the questionnaire. This test uses the Pearson Correlation method. Data is said to be valid if the probability value  $< 0.05$  and vice versa if the probability value  $\geq 0.05$  is declared invalid.

**Tale II**  
**Budget Participation Variable Validity Test**

Variable of Budget Participation	Score	Interpretation
pa1	0,000	Valid
pa2	0,000	Valid
pa3	0,000	Valid
pa4	0,000	Valid
pa5	0,000	Valid
pa6	0,000	Valid

**Source: data processed 2022**

It can be seen from the table above that all statements for the budget participation variable are valid, since the variable's significance value is below the value of 0.05.

**Table III**  
**Budget Emphasis Variable Validity Test**

Variable of Budget Emphasis	Score	Interpretation
be1	0,000	Valid
be2	0,000	Valid
be3	0,000	Valid
be4	0,000	Valid
be5	0,000	Valid

**Source: data processed 2022**

It can be seen from the table above that all statements for the budget emphasis variable are valid, since the variable's significance value is below the value of 0.05.

**Table IV**  
**Budgetary Slack Variable Validity Test**

Variable of Budgetary Slack	Score	Interpretation
bs1	0,000	Valid
bs2	0,000	Valid
bs3	0,000	Valid
bs4	0,000	Valid
bs5	0,000	Valid
bs6	0,000	Valid

**Source: data processed 2022**

It can be seen from the table above that all statements for the budgetary slack variable are valid, since the variable's significance value is below the value of 0.05.

**Reliability Test**

The reliability test is used to determine the extent to which a measuring device is reliable or reliable and remains consistent if measurements are made twice or more in the same group using the same measuring instrument. The Cronbach Alpha test is used to test the reliability level of each variable questionnaire. The instrument is declared reliable if the Cronbach's Alpha value is  $> 0.60$  otherwise if the Cronbach's Alpha value is  $\leq 0.60$  then it is not reliable (Ghozali, 2011: 57).

**Table V**  
**Reliability Test**

Variable	Score	Interpretation
Budget Participation	0,830	Reliable
Budget Emphasis	0,835	Reliable
Budgetary Slack	0,852	Reliabel

**Source: Data processed 2022**

It can be seen from the table above that all the variables in the study are reliable, because the variable significance value is above the value of 0.60.

**Classic Assumption Test**

**Multicollinearity Test**

Pengujian multikolinearitas yang dilakukan menggunakan *Variance Inflation Factor* (VIF) dengan kriteria jika angka *tolerance* dibawah 0,10 dan  $VIF > 10$  dikatakan terdapat gejala multikolinearitas. Sedangkan jika angka *tolerance* diatas angka 0,10 dan  $VIF < 10$  dikatakan tidak terdapat gejala multikolinearitas (Ghozali, 2011: 96).

**Table VI**  
**Multicollinearity Test**

Variable	Score of Tolerance Value	Criteria	VIF	Criteria
Budget Participation	0,741	0,10	1.349	10
Budget Emphasis	0,741	0,10	1.349	10

**Source: Data processed 2022**

From the data above, it is known that participation in the budget has a tolerance value of 0.741 and a VIF value of 1.349. Meanwhile, budget emphasis has a tolerance value of 0.741 and VIF 1.349 so that it can be concluded that all variables are not affected by multicollinearity problems.

**Autocorrelation Test**

The autocorrelation test in this study used the Runs Test using the SPSS program. The criterion is, if the probability resulting from the test is not significant or the p value is  $> 0.05$  then there is no autocorrelation. Conversely, if the probability resulting from the test is significant or the p value  $\leq 0.05$  then there is autocorrelation.

**Table VII**  
**Autocorrelation Test**  
**Runs Test**

	Unstandardized Residual
Test Value <sup>a</sup>	.13048
Cases < Test Value	38
Cases $\geq$ Test Value	38
Total Cases	76
Number of Runs	32
Z	-1.617
Asymp. Sig. (2-tailed)	.106

a. Median

**Source: data processed 2022**

From the results of data processing, it can be seen that the significance value is 0.106 and above the value 0.05 which means that this data is not affected by autocorrelation problems.

**Heteroscedasticity Test**

The use of the autocorrelation test in this study is by using the Glejser Test. This test compares the significance of this test if the results are  $\text{sig} > 0.05$  or 5%. If it is significant above 5%, it is concluded that the regression model does not contain heteroscedasticity (Ghozali, 2011).

**Table VIII**  
**Heteroscedasticity Test**  
**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.552	1.475		.374	.709
x1	.050	.066	.103	.764	.448
x2	.016	.070	.030	.221	.826

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.552	1.475		.374	.709
x1	.050	.066	.103	.764	.448
x2	.016	.070	.030	.221	.826

a. Dependent Variable: abs\_res

**Source: data processed 2022**

From the description of the data above, it is known that the budget participation variable has a significance value of 0.448 above the value of 0.05. The budget emphasis variable also has a significance value of 0.826 above 0.05. Thus, it can be concluded that all variables are not affected by heteroscedasticity problems.

**Normality Test**

The normality test is a test of the residual assumptions that are normally distributed or not. A good regression model is one where the model has a normal distribution or close to normal.

**Table IX  
Normality Test  
One-Sample Kolmogorov-Smirnov Test**

		Unstandardized Residual
N		76
Normal Parameters <sup>a</sup>	Mean	.0000000
	Std. Deviation	2.63386566
Most Extreme Differences	Absolute	.054
	Positive	.039
	Negative	-.054
Kolmogorov-Smirnov Z		.469
Asymp. Sig. (2-tailed)		.980

**Source data processed 2022**

Judging from the table above, it can be explained that the significance value of 0.980 is far above the value of 0.05. Therefore, it can be concluded that the data is normally distributed.

**Multiple Linear Regression Analysis**

**T-Test**

The t test is used to determine whether the independent variables partially have a significant effect or not on the dependent variable.

**Table XVI  
Result of T-Test  
Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	8.053	2.403		3.351	.001
x1	.111	.107	.105	1.030	.307



x2	.679	.115	.604	5.931	.000
----	------	------	------	-------	------

a. Dependent Variable: y

**Source: data processes 2022**

From the test results, it can be explained that the budget participation variable (x1) has no effect on the budgetary slack level of 0.307. Budget emphasis (x2) has an effect on budgetary slack, since the significance value of 0.000 is far below the significance value of 0.005. The results of statistical tests can be explained as follows:

H1: Budget participation has a significant effect on budgetary slack. The results show that budget participation (x1) has no significant effect on the budgetary slack with a significance value of  $0.307 > 0.05$ .

H2: Budget emphasis has a significant effect on budgetary slack. The results show that Budget Emphasis (x2) has an effect on budgetary slack since the significance value of 0.000 is far below the significance value of 0.005.

**F-Test**

The F test is used to determine whether the independent variables simultaneously have a significant effect on the dependent variable.

**Table XVII**  
**Result of F-Test**  
ANOVA<sup>b</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	408.062	2	204.031	28.627	.000 <sup>a</sup>
	Residual	520.294	73	7.127		
	Total	928.355	75			

a. Predictors: (Constant), x2, x1

b. Dependent Variable: y

**Source: data processed 2022**

From the test results, it can be explained that the budget participation variable (x1) budget emphasis (x2) has a simultaneous effect on the budgetary slack, since the significance value is 0.000 below the significance value of 0.05.

**Determination Coefficient Test**

This Adjusted R2 value reflects how much the variation of the dependent variable Y can be explained by the independent variable X.

**Table XVIII**  
**Result of Determination Coefficient Test (R<sup>2</sup>)**  
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.663 <sup>a</sup>	.440	.424	2.66970

a. Predictors: (Constant), x2, x1

**Source: data processed 2022**

From the results of the output above, it can be explained that the variables of budget participation (x1) and budget emphasis (x2) contribute or contribute to budgetary slack, by 42% and the rest are variables that have not been examined in this study.

#### **IV. Data Analysis and Discussion**

##### **The Effect of Budget Participation on Budgetary Slack**

The results of this study are not in line with Belianus Patria Latuheru's research (2005) that budgetary participation has an effect on budgetary slack. However, the results of this study are in line with the results of Burhanuddin's research (2009) who conducted research on BMT (Baitul Mal walTamsil) in Yogyakarta. Burhanuddin stated that budgetary participation has no effect on budgetary slack. Budgeting involvement can also have unfavorable effects, one of which being the occurrence of fictitious or pseudo-participation from lower-level managers who then receive formal approval from higher, preventing the anticipated participation from being accomplished. Budgetary slack may result from this circumstance. Budgetary slack appears, according to Hansen and Mowen (2009), when a manager purposely underestimates income or raises costs. Lower-level managers produce slack by underestimating revenues and overestimating costs. They do this in order to meet budget objectives and present a positive performance. Budgets are frequently used by businesses as the sole indicator of managerial effectiveness. Such a focus on the budget runs the risk of creating fiscal slack. The likelihood of implementing budgetary slack increases with the extent of budgetary participation by subordinates in the budget preparation process. Thus, there is no correlation between budgetary participation and budgetary slack. According to the hypothesis, there is a direct relationship between subordinates' level of budgetary participation and the likelihood of budgetary slack; however, the findings of the regression analysis did not support this theory. These results are consistent with the results of research conducted by I Gusti Agung (2014) and I Made Bagas (2014) who found that budgetary participation has no significant effect on budgetary slack. However, these results differ from the research by AliatiMukaromah (2015), SolabumiOmobola (2013), Arie Trisianto (2014), and I Gusti Ayu (2017) which show results that budgetary participation has a significant effect on budgetary slack. Budget participation, or the desire to get bonuses in the form of material or in any other way, need not be the primary objective if it is carried out in the sincere intention of receiving Allah SWT's grace. In other words, budget participation by itself will be able to close the budget gap. The utmost delight is to encourage others to work properly and ethically without deceiving anyone, as this is done only to please Allah SWT.

##### **The Effect of Budget Emphasis on Budgetary Slack**

The results of the study show that there is an influence between budget emphasis on budget gaps. Thus, it can be concluded that budgetary slack is defined as the actions of subordinates that reduce their productive capabilities when they are given the opportunity to determine their work standards Young (1985) in Asriningati (2006). Slack/budgetary slack, according to Hansen and Mowen (1995), develops when managers purposefully set revenues too low or costs too high. According to the findings of Enni Savitri and EriantiSawitri, the manager will undoubtedly benefit from this because, on the one hand, it will increase the likelihood that the manager will fulfill the budget made, and, on the other hand, it will decrease the risks that it will encounter. As a result, the manager's performance will improve because the budgeted target is achieved (2014). Budget emphasis is when superiors put pressure on subordinates to carry out the budget that has been correctly created, either by pay if they are able to exceed the budget target or through sanctions if they fall short of it. The risk of intervention from upper management, the loss of organizational resources, the loss of bonuses or yearly awards, or even the loss of a manager's position awaits managers who fail to meet budget targets, according to Merchant and Manzoni (1989) in Sucipto (2009). Managers will, according to studies, consider strategies to shield themselves from the risk of failing to meet budgetary goals in these situations (Lukka, 1988; Onsi, 1973; Schiff and Lewin, 1970). The H2 hypothesis is accepted because of budget emphasis' impact on budgetary slack. Thus, if budget emphasis rises, budgetary slack will also rise noticeably, and vice versa. Employee motivation is really decreased by pressure from superiors or by pressure. Employees' fear of pressure from senior management, the depletion of organizational resources, the loss of annual bonuses, and the possibility of termination as a result of missed budgetary goals are the root causes of this. In these situations, employees will make room so that budget goals are simpler to reach. The key motivation for lower-level managers to try to use slack is to boost their chances of earning more money. If the incentives awarded are tied to budget accomplishments, they will likely include wiggle room into their budgets through a collaborative process. The results of this study are in accordance with previous studies conducted by Savitri and Sawitri (2014), Erina and Suartana (2016), and Afiani (2011) which state that budgetary pressure has a significant and positive effect on budgetary slack. The results of this study are also in line with research conducted by Afiani (2010), Purgianto (2009) which showed significant results between the effect of budgetary pressure on budgetary slack. This study is consistent with Afiani (2010), Anggraeni (2008), Maya Triana, Yuliusman, Wirmie Eka Putra (2012). But contrary to the research of Dunk (1993) and Sujana (2010). In addition, the results of this study are also in line with Karsam's research (2015) which found that the emphasis on the budget applied in the company will trigger managers' efforts to exercise budgetary slack so that the budget that has been prepared is easily achieved by loosening the budget. This occurs as a result of managers being compensated for meeting budget targets, which encourages them to enhance performance and attempt to meet budget targets by instituting financial slack. In reality,

managers that are under a lot of stress and have challenging goals may experience budgetary shortages. It goes without saying that this is a bad situation; if it is carried out, moral hazard will result. This action is not anticipated to occur because if it is, the manager may conduct an act that is either good or bad, and of course, this will not have Allah SWT's blessing. However, if it is, it may result in a sin.

## V. CONCLUSION, LIMITATION, AND SUGGESTION

### Conclusion

From the test results, it can be explained that the budget participation variable (x1) has no effect on the budgetary and budget emphasis (x2) has an effect on the budgetary slack. The results of the statistical test can be explained as follows: Budgetary participation has no effect on the budgetary slack with a significance value of 0.307 above the significance value of 0.005. Budget emphasis affects the budgetary slack (x2) since it has a significance value of 0.000, the value below the significance value of 0.005.

### Limitation

The fact that this study's sample was limited to the BMT in Sukoharjo prevents generalizing from the findings, among other limitations.

### Suggestion

Suggestions for future researchers can be done by expanding the research area, for example by using BMT respondents in more than 1 district, or by adding other variables that have not been examined in this study.

## Bibliography

- [1]. Adam S. Maiga. 2015 The Effect of Manager's Moral Equity on the Relationship Between Budget Participation and Propensity to Create Slack: A Research Note in *Advances in Management Accounting*. Published online: 10 Mar 2015; 141-157. Permanent link to this document: [http://dx.doi.org/10.1016/S1474-7871\(07\)16004-4](http://dx.doi.org/10.1016/S1474-7871(07)16004-4).
- [2]. Afiani, Dina Nur. 2010. The Effect of Budget Participation, Budget Emphasis and Information Asymmetry on Budgetary Slack. *Diponegoro University Accounting Journal*. Semarang.
- [3]. Afrizal Tahar and Hafiez Sofyani 2020. Budgetary Participation, Compensation, and Performance of Local Government Working Unit: The Intervening Role of Organizational Commitment. *Journal of Accounting and Investment*, 145-161. Vol. 21 No. 1, January 2020.
- [4]. Agbejule, A. dan Saarikoski, L. 2006. The effect of cost management knowledge on the relationship between budgetary participation and managerial performance. *Journal of The British Accounting Review*, 38: 427-440.
- [5]. Anggraeni, Rika Sari. 2008. The Effect of Budget Participation, Budget Emphasis and Information Asymmetry on Budget Slack. Indonesian Islamic University. Yogyakarta.
- [6]. Buckland, C. S. (1999). The effect of budget emphasis, budget participation, trust and organizational commitment on job related tension and propensity to create slack: Empirical evidence from Norway (Master's thesis). Available at: [http://www.ro.ecu.edu.au/cgi/view\\_content.cgi](http://www.ro.ecu.edu.au/cgi/view_content.cgi). Retrieved February 19, 2015.
- [7]. Devi Meilana. 2014. The influence of budgetary participation, information asymmetry and organizational commitment to budgetary slack (a study of regional work units in Pacitan district), *STIE Perbanas Surabaya, Indonesia Journal of economics STIE Perbanas* 2014.
- [8]. Dunk, Alan S. 1993, April. "The Effect of Budgetary Emphasis and Information Asymmetry on the relation Between Budgetary Participation and Slack". *The Accounting Review*. Vol. 68 No. 2: 400-409.
- [9]. Demski, Joel S. and Gerald A. Feltham. "Economic Incentives in Budgetary Control Systems". *The Accounting Review*. Vol. 53, No. 2, 1978, pp. 336 – 359.
- [10]. Demski, Joel S. and Gerald A. Feltham. "Economic Incentives in Budgetary Control Systems". *The Accounting Review*. Vol. 53, No. 2, 1978, pp. 336 – 359.
- [11]. Dunk, Alan S. 1989. "Budget Emphasis, Budgetary Participation and Managerial Performance: A Note". *Accounting, Organization and Society*. Vol. 14, No. 4, pp. 132-324.
- [12]. Dunk & Hector Perera (1997) The incidence of budgetary slack: a field study exploration. *Accounting, Auditing & Accountability Journal*, Vol. 10 No. 5, 1997, pp. 649-664. © MCB University Press, 0951-3574
- [13]. Endi Suhendi, 2022. Mardhatillah as the Final Destination of Islamic Education Indonesian Journal of Education: Theory, Research and Innovation ISSN: 2807-3878 [www.jurnal.penerbitwidina.com](http://www.jurnal.penerbitwidina.com).
- [14]. Enni Savitri & Erianti Sawitri. 2014. THE EFFECT OF BUDGET PARTICIPATION, BUDGET EMPRESSION AND ASYMMETRIC INFORMATION ON THE ARISING OF BUDGET GAPS *Journal of Accounting*, Vol. 2, No. 2, April 2014: 210-226 ISSN 2337-4314 210 Faculty of Economics, University of Riau.
- [15]. Falikhatun. (2007). The Effect of budgetary participation on budgetary slack with moderating variables environmental uncertainty and group cohesiveness. *Journal of Accounting and Finance*, p. 207-221.
- [16]. Kartika, Andi. (2010). The influence of organizational commitment and environmental uncertainty in the relationship between budgetary participation and budgetary slack (Empirical study at a private hospital in Semarang City). *Journal of Accounting*, February, p. 39-60.
- [17]. Latuheru, Belianus Patria. (2005). The effect of budgetary participation on budgetary slack with organizational commitment as a moderating variable. *Journal of Accounting and Finance*, Vol. 7, No 2. *Society* 10, pp. 201-210.
- [18]. Hansen, D.R. & Mowen, M.M. (2005). *Management Accounting*. 7<sup>th</sup> Edition. Jakarta: Salemba Empat.

- [19]. Govindarajan, V. 1986. "Impact of Participation in the Budgetary Process on Managerial Attitudes a Performance: Universalitic and Contingency Perspective ". *Decision Science* 17. Hal 496-516.
- [20]. Indriantoro, Nur & Bambang Supomo. (1998). The influence of organizational structure and culture on the effectiveness of budgetary participation in improving managerial performance: An empirical study of manufacturing companies. Yogyakarta: Manage. Vol. 7 No. 18.
- [21]. Irfan, Muh. Santoso, Budi. Effendi, & Lukman Effendi. (2016). The effect of budgetary participation on budgetary slack with organizational information asymmetry as a moderating variable. *Journal of Accounting and Investment*, Vol. 17 No. 2, pp: 158-175, July 2016.
- [22]. Hair. J. F. Jr. R. E. Anderson R. L thatham, and W. C. Black. 1998. *Multivariat Data Analysis*. New Jersey. Prentice-Hall, Inc.
- [23]. Hanson, D. R dan M. M. Mowen. *Management Accounting*. Fourth Edition. Cincinnati, Ohio: south Western College Publishing, 1997.
- [24]. Hopwood, Anthony G. "An Empirical Study of tHe Role of Accounting Data in Performance Evaluation, Empirical Research in Accounting: Selected Studis". Supplement Vol. 10. *Journal of accounting Research*. 1972, pp. 156-183.
- [25]. Ismacoryanata, 2017. The Effect of Individual Capacity on Budgetary Slack in Finance Companies in Bengkulu City *Journal of Accounting* Vol.7 No.3 October 2017.
- [26]. Jensen, M., C., dan W. Meckling, 1976. "Theory of the firm: Managerial behavior, agency cost and ownership structure", *Journal of Finance Economic* 3:305- 360, di-download dari <http://www.nhh.no/for/courses/spring/eco420/jensenmeckling-76.pdf>.
- [27]. Jui-Chen Chen and Colin Silverthorne, 2008. The impact of locus of control on job stress, job performance and job satisfaction in Taiwan. *Leadership & Organization Development Journal* Vol. 29 No. 7, 2008 pp. 572-582.
- [28]. Kartika, Andi. (2010). The influence of organizational commitment and environmental uncertainty in the relationship between budgetary participation and budgetary slack (Empirical study at a private hospital in Semarang City). *Journal of Accounting*, February, p. 39-60.
- [29]. Lukka, K.1988. Budgetary Biasing in Organization: *The Teoritical Framework and Empirical Evidence. Accounting, Organization and Society*. Vol. 13 (30: 281– 301).
- [30]. Leslie Kren, Adam Maiga 2015 The Intervening Effect of Information Asymmetry on Budget Participation and Segment Slack in Advances inManagement Accounting. Published online: 10 Mar 2015; 141-157.Permanent link to this document: [http://dx.doi.org/10.1016/S1474-7871\(07\)16004-4](http://dx.doi.org/10.1016/S1474-7871(07)16004-4).
- [31]. Merchant, K.A. 1985. *Budgeting and the Propensity to Create Budgetary Slack*. *Accounting, Organizations and Society*. Vol. 10 (2): 201-210.
- [32]. Milani, Ken. 1975. "The Relationship of Paraticipation in Budget Setting to Industrial Supervisor Performance and Attitudes: A Field Study".*The Accounting Review*. Vol. 50, no. 2: 274-284.
- [33]. Nouri, H. 1994 "Using Organizational Commotment and Job Involvement to Predict Budgetary Slack ": Research Note "Accounting, Organizational and society. No. 3. pp. 289-295.
- [34]. Nouri, H. and R. J Parker 1996 "The Effect of Organizational Commotment on Relation Between Budgetary Participation and Budgetary Slack ": *Behavior Research in Accounting*, 8. pp. 74-89.
- [35]. Novita DewiMasyithoh. 2014. Normative Analysis of Law no. 1 of 2013 concerning Micro Finance Institutions (LKM) for Legal Entity Status and Oversight of Baitul Maal waTamwil (BMT). *Economica*. Volume V/ Issue 2/October 2014.
- [36]. Pugh Setiawan. 2018. The Impact of Budget Emphasis and Budgeting Participation on Managerial Performance MENARA Ilmu Vol. XII, No. 11 October 2018.
- [37]. Purgianto, Eko. (2012). Analysis of the Influence of Institutional Strategy, Budgetary Pressure, and Conflict of Interest on Budgetary Slack (Case Study on District Government and City Government of Magelang).
- [38]. Rahman, Abdul, Firdaus, &Supomo Bambang. (2003). The effect of budgetary participation and work involvement on budgetary slack with organizational commitment as a moderating variable. *Journal of Business and Accounting*. Vol. 5.
- [39]. Robith Abdullah, Rifqi Imam Subekti,Aulia Fuad Rahman. 2017. The Effect of Budget Participation to Budgetary Slack with External Pressure as Moderating Variable *Journal of Accounting and business education* Volume 2 No 1 Sepetember 2017.
- [40]. Rony Abdillah. 2021. The Growth of Islamic Financial Institutions in the Middle of the Covid-19 Pandemic (Analysis of Liquidity Impact and Financial Reports on KSPPS-BMT Amanah Indonesia WangonBanyumas) Postgraduate IAIN Purwokerto.
- [41]. SintaTiara Putri, 2017. The Effect of Budget Participation on Budgetary Slack with Information Asymmetry, Environmental Uncertainty Organizational Commitment and Rewards as Moderating Variables in Regional Apparatus Units (SKPD) of Riau Province *JOM Fekon* Vol. 4 No. 1 (February) 2017.
- [42]. Sugiyono. (2014). Quantitative, qualitative, and combination research methods (Mixed Methods). Bandung: Alfabeta.
- [43]. Suleman H. A. Kahar. 2017. The Role of Budget Emphasis in Moderating the Relationship between Budgetary Participation and Managerial Performance (Studies on 30 Ternate city SKPD) *Journal of Accounting and Auditing* Volume 14/ No.1 of 2017: 71-88.
- [44]. Tony Davila a, Marc Wouters B,2005 Managing budget emphasis through the explicit design of conditional budgetary slack. *Accounting, Organizations and Society* 30 (2005)587–608[www.elsevier.com/locate/aos](http://www.elsevier.com/locate/aos).
- [45]. Wermie Eka Putra. 2012.The effect of budget participation, budget emphasis, and locus of control on budget slack (a survey of star-rated hotels in the city of Jambi) 2012, e-Jurnal BINAR AKUNTANSI.
- [46]. Putu Novia HapsariArdianti, I Made SadhaSuardikhaI, D. G. Dharma Suputra, 2015. The Effect of Participatory Budgeting on Budgetary Slack with Information Asymmetry of Self Esteem, Locus of Control and Individual Capacity as a Moderating Variable *Journal of Economics and Business*, Udayana University Vol 4.0 No 5 (2015).
- [47]. YuniNuryani, SyaikhulFallah, Bill J.C. Pangayow. 2018. The Effect of Budget Participation on Budgetary Slack with Psychological Capital as an Intervening Variable (Empirical Study of Hospitals in Jayapura City) *Regional Journal of Accounting & Finance* Volume 13, Number 1, May 2018: 38–52.

