

# Organizational Commitment as a Moderator of Budget Participation with Budget Gaps

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**Abstract** – This research examines the relationship between participation budgets and participation budgets involving organizational commitment. The aim of this research is to determine the effect of organizational commitment as a moderating variable between the correlation between budget participation and budget accounting. This research uses primary data obtained by distributing questionnaires to respondents non-randomly. The unit of analysis for this research is individuals, namely managers consisting of marketing managers, sales managers, financial managers, production managers and other department managers. Sample collection was carried out using a purposive sampling method which was carried out at one time within a period of one year and one month (one-stage-study). This research succeeded in testing that the moderating variable commitment influences the organization influencing individual participation in budget preparation, and accepted the research hypothesis that there is a significant influence between the independent interaction variables on the dependent variable.

**Keywords:** Organizational Commitment, Budget Participation, Budget Gaps

## 1. INTRODUCTION

In an organization, one of the most important things is to plan the budget accurately and in detail. A detailed budget plan can be a plan for future activities in a certain period to achieve predetermined goals. The parties that can be involved in the budget preparation process are usually from top management to lower management.

Darlis (2002) in his research stated that the budget is the entire planning consisting of operational activities of the company. Based on that, a company manager must make a budget as well as possible. This is because budgeting has a direct impact on human behavior, especially for those directly involved in budgeting. The results of research conducted by Yuwono (1999) stated that when subordinates give biased assessments

to their superiors, a budget deficit occurs. This biased estimate can reduce the effectiveness of the budget in organizational planning.

Previous researchers have found that budget slack is influenced by several factors, including the extent to which subordinates participate in budget preparation. Previous studies examining the influence of budget participation and budget slack have been widely conducted. Dunk (1993) has tested the influence of information asymmetry and budget weight on the relationship that occurs in budget portions and budget deficits. Young (1985) has tested the influence of private information on productivity, risk preferences, and participation in relaxing the budget. The results of the study stated the importance of the budget participation factor in increasing the budget deficit.

Another study was conducted in Indonesia by Yuwono (1999), who examined the relationship



between budget participation and budget gap moderated by organizational commitment. The results of the study did not find a significant effect on budget gap. In contrast, a similar study conducted by Darlis (2002) found that the higher the organizational commitment, the lower the willingness of participants to make budget cuts.

Based on the description above, there are inconsistencies in several test results that have been conducted by previous researchers related to the relation between budget participation and budget gaps. Based on the above, the researcher intends to conduct a study and re-test the inconsistencies of various previous research findings that examine budget participation and budget gaps using a predictive approach, by including a moderating variable, namely Organizational Commitment.

The term moderating variable is used in the sense that organizational commitment will also influence the relationship between budget participation and budgetary slack. The reason for choosing organizational commitment as a moderating variable is based on the researcher's assumption that organizational commitment will also influence a person's motivation in making decisions.

Organizational commitment can be interpreted as a belief and support for the organization's *values* and *goals*. This is also expressed in the research of Mowday *et al.* (1979) and Darlis (2002). High organizational commitment will cause organizational management as company leaders to be determined to achieve *organizational goals* and prioritize organizational profits. A highly committed leader will have a positive outlook and be fully willing to achieve the best for the progress of the organization he leads.

## 2. RESEARCH METHODS

The subjects of this study were non-financial company managers selected non-randomly in Batam. The unit of analysis was the organizational leader or managerial level consisting of managers of the finance, marketing, sales, production and other departments. The researcher chose the managerial level as the subject of the study

because it will play an important role in the organization, the performance of the managers' work results (Key Performance Indicators) will be seen from the budget data, and their accountability.

This study uses a survey method to collect data, distributing questionnaires that are filled out simultaneously within a period of one month. Based on the time horizon, this study uses a one-time study. Sampling uses the convenience sampling method with a minimum sample size of 5 observations for each parameter.

Sampling used an observation ratio of 1:5 for each parameter, where there were at least 5 responses for each question.

Budget participation can be interpreted as the involvement of responsibility center managers in budget preparation (Govindarajan, 2016). The instrument developed by Milano (1975) was used to measure participation and the level of influence in the budgeting process. This tool consists of 6 questions used to measure financial involvement with a Likert scale of 1-5, where low values (scale 1) indicate high involvement and high values (scale 5) indicate low involvement. The measurement scale used in this study is a spatial scale. According to Wiener (1982) organizational commitment is the motivation within an individual to do something to support the success of the organization in accordance with its goals and focus on management needs. Nine respondent questions developed by Mowday (1979) were used to assess the respondents' organizational commitment. Respondents were asked to answer nine questions with a Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). The instrument used in this study was an interval scale. The budget deficit referred to here is the behavior of subordinates, when given the opportunity to set their own performance standards, then their performance decreases (Young, 1985). Onsi (1973) developed four questions to assess the budget deficit.

Metode Analisis Data

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 [(X_1 - X_2)]$$

Dalam hal ini,

$\beta$  : Koefisien Regresi

Y : Senjangan Anggaran

X<sub>1</sub> : Partisipasi Anggaran

X<sub>2</sub> : Komitmen Organisasi

[(X<sub>1</sub>-X<sub>2</sub>)] : Nilai absolut perbedaan antara X<sub>1</sub> dengan X<sub>2</sub>, yang mewakili interaksi antara partisipasi anggaran dengan komitmen organisasi.

**Figure 1. Data Analysis**

**Source:** Brownell (1982), Frucot and Shearon (1991), Supomo and Indriantoro (1993), Supomo and Indriantoro (1998), and Yuwono (1999): Processed by Researchers (2023)

**3. RESULTS AND DISCUSSION**

**Table 1. Respondent Demographics**

		Frequency	Percentage
Sample Size		110	100%
Gender	- Man	68	61.8%
	- Woman	42	38.2%
Department	- Finance	41	37.2%
	- Marketing	19	17.2%
	- Sale	13	13.0%
	- Production	32	29.0%
	- Other	5	4.54%
Length of work	- 1 to 4 years	57	51.8%
	- 5 to 8 years	53	48.2%

**Source:** Processed primary data (2023)

**Table 2. Validity Test Results**

Variables	Factor Loading	Conclusion
<b>Budget Participation</b>		
- Question 1	0.642	Valid
- Question 2	0.633	Valid
- Question 3	0.624	Valid
- Question 4	0.622	Valid
- Question 5	0.742	Valid

- Question 6	0.613	Valid
<b>Organizational Commitment</b>		
- Question 1	0.727	Valid
- Question 2	0.812	Valid
- Question 3	0.837	Valid
- Question 4	0.712	Valid
- Question 5	0.623	Valid
- Question 6	0.536	Valid
- Question 7	0.771	Valid
- Question 8	0.562	Valid
- Question 9	0.542	Valid
<b>Budget Slack</b>		
- Question 1	0.732	Valid
- Question 2	0.717	Valid
- Question 3	0.845	Valid
- Question 4	0.762	Valid

**Source:** Processed primary data (2023)

**Table 3. Reliability Test Results**

Variables	Amount Item	Cronbach Alpha	Conclusion
Budget Participation	6	0.5748	Reliable
Organizational Commitment	9	0.5004	Reliable
Budget Slack	4	0.5084	Reliable

**Source:** Processed primary data (2023)

**Table 4. Normality Test Results**

Variables	Significance Kolmogorov	The Significance of Shapiro Wilk	Conclusion
Budget Participation	0.000	0.000	Abnormal
Organizational Commitment	0.000	0.028	Abnormal
Budget Slack	0.000	0.000	Abnormal

**Source:** Processed primary data (2023)

**Test Results**

Model	F	Sig.
Regression	5,726	0.001(a)

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Source : Processed primary data (2023)

F (Overall ) is 5.726 with a probability value of 0.001 ( $p \leq 0.05$ ). This can be interpreted that the independent variables of budget participation and organizational commitment simultaneously affect budgetary slack.

**Table 6. Results of Regression Coefficient**

**Test**

Variables	B	t	Sig.
(Constant)	3,768	110,981	0.00
Zscore: Budgetary Participation	-0.051	-1,827	0.06
Zscore: Organizational Commitment	0.017	0.656	0.50
Absolute value of X1_X2	-0.048	-1,962	0.05

Source : Processed primary data (2023)

**Regression model equation:**

$$Y = 3.768 - 0.051 X_1 + 0.017 X_2 - 0.048 [(X_1 - X_2)]$$

**Table 7. Results of the Determination Coefficient Test**

R (Relation Coefficient)	Adjusted R Square (Coefficient of Determination)
0.374	0.113

Source: Processed primary data (2023)

The table above shows the results of the coefficient test of the relationship has a weak relationship to the influence of organizational commitment and to the relationship between budget participation and budgetary slack with an R value of 0.374 ( $p < 0.5$ ). The results of the adjusted determination coefficient test value ( *Adjusted R Square* ) of 0.113 or 11.3% which means that the variation in changes in budgetary slack that can be explained by the independent variables of budget participation and organizational commitment and the interaction of the absolute value between budget

participation and organizational commitment is 11.3% while the remaining 88.7% is explained or influenced by other factors that have not been studied in this study.

**4. CONCLUSION**

The test results prove that budget participation does not have a significant effect on budgetary slack. This finding is contrary to the research findings of Dunk (1993), Lukka (1988), Young (1985), and Yuwono (1999). On the other hand, organizational commitment does not have a significant effect on budgetary slack.

Budget participation and organizational commitment have a significant effect on budgetary slack. These results are in line with research conducted by Mathieu and Zajac (1990), Randall (1990), and Nouri and Parker (1996), which state that the higher the level of organizational commitment, the higher the tendency of subordinates to actively participate in budget preparation to reduce budgetary slack. Conversely, the lower the organizational commitment, the more subordinates will be willing to be involved in budget preparation so that it will be able to increase budgetary slack.

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