

THE EFFECT OF ENVIRONMENT DIMENSIONS OF CONTINGENCY ON BUDGETARY SLACK: EVIDENCE FROM SOUTH SULAWESI'S GOVERNMENTAL INTERNAL AUDITOR

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Abstract: *This research aims at testing the effect of contingency determinants dimensioned into organizational commitment, budgeting participatory, information asymmetry and environmental uncertainty on the budgetary slack. The sample of this research is sixty governmental internal auditors of BPKP in South Sulawesi. All data were analyzed using path analysis. The results have shown that contingency determinants consisting of organizational commitment, budgeting participatory, information asymmetry, and environmental uncertainty provide positive direct effect on the budgetary slack, otherwise organizational commitment has no indirect effect on the relationship between contingency determinants and the budgetary slack*

Keywords: *Budgeting Participatory; Budgetary Slack; Environmental Uncertainty; Informational Asymmetry; Organizational Commitment*

Abstrak: Penelitian ini bertujuan untuk menguji pengaruh determinan kontingensi yang didimensikan ke dalam komitmen organisasi, partisipasi anggaran, asimetri informasi dan ketidakpastian lingkungan terhadap kesenjangan anggaran. Sampel penelitian ini adalah 60 auditor internal pemerintahan BPKP di Sulawesi Selatan. Semua data dianalisis menggunakan analisis jalur. Hasil penelitian ini menunjukkan bahwa determinan kontingensi yang terdiri dari komitmen organisasi, partisipasi anggaran, asimetri informasi, dan ketidakpastian lingkungan menyediakan efek langsung yang positif terhadap kesenjangan anggaran, sedangkan komitmen organisasi tidak menyediakan efek tidak langsung terhadap hubungan determinan kontingensi dan kesenjangan anggaran.

Kata Kunci: Partisipasi Anggaran; Kesenjangan Organisasi; Ketidakpastian Lingkungan; Asimetri Informasi; Komitmen Organisasi

1. INTRODUCTION

Accounting frauds have developed in various countries including Indonesia. Both public sector and private sector have involved in many cases. For example, the case of tax fraud in the private sector was carried out by PT Bumi Resource Tbk as one of the largest coal mining producers in Indonesia. Meanwhile, in the public sector, there were also various accounting frauds especially related to the public budget which is one of the cases that often occurs is the occurrence of slack in the budget. Firms with distressing financial stability tend to commit fraudulent practices (Abbas, 2017). At present, there is a great deal of attention to accounting practices in government institutions, state-owned and regional companies, and various other government organizations compared to the previous period. There are greater demands on public sector institutions from the public for transparency and public accountability as a form of public organization's responsibility to the community. In government, as a way to ensure that the optimal use of organizational resources is with a careful planning so that all programs and activities of the organization can run in a direction to achieve the goals set. These plans can be stated in the form of a budget that contains a plan of activities along with an estimate of the resources needed to carry out these activities. Based on South Sulawesi Governor Regulation Number 30 Year 2016 concerning the Standard Input Costs for Regional Revenue and Expenditures for South Sulawesi Province, the budget period of 2016 has been revoked and declared invalid then amended by South Sulawesi Governor Regulation No. 46 of 2017 concerning the standard input and revenue budget input costs of South Sulawesi Province. It aims to ensure accountability in the use of the budget, discipline and orderliness of the budget as well as flexibility in the use of the budget based on applicable laws and regulations.

There are human behaviors that may arise as a result of budgetary participation. The behavior can be positive or negative side. Positive behavior can be in the form of the increase of performance and job satisfaction of managers because they are motivated by the budget used as a basis for evaluating their performance, while negative behaviors that may arise include the tendency to create slack in the budget. Anthony and Govindarajan (2007) state that the slack or gap in the budget is the difference between the best estimate and the amount of the budgeting set. In other words, budgetary slack can also be said as the amount where managers intentionally put too some resources into the budget, or consciously do not express actually productive ability.

Another factor that is considered to be the trigger for the emergence of budget slack is the biased information. It indicates that the budget in government is a political contract between the people represented by the legislative or the government for the foreseeable future. In addition, there is a condition that can also cause budgeting slack, namely environmental uncertainty which is defined as a sense of the inability of individuals to predict something that happens in their environment accurately. In addition to budgetary participation, information asymmetry and uncertainty of the environment could be expected to affect the slack. Organizational commitment is shown in the attitude of acceptance, a strong belief in the values and goals of an

organization and a strong drive to maintain membership in the organization in order to achieve organizational goals (Robbins, 2008).

The problem of principal-agent theory in the budgeting process is related to the phenomenon of budgetary slack which is often termed as padding the budget. Budgetary slack is a tendency that is done by the agent manager when given the opportunity to participate in preparing the budget, will underestimate revenue or overestimate expenditure. This is done because the budget as a basis for evaluating the performance of agent managers so that to facilitate the level of achievement they will do a budgetary slack. Firana and Abbas (2020) state that the contingency factors relates to situational factors. There are three types of contingency factors that can affect slack, namely environmental, organizational, and individual. Environmental factors consist of economy, politics, technology, uncertainty of environment and social pressure. Organizational factors consist of the level of decentralization, reward system, culture, budget pressure, information asymmetry and organizational commitment. Individual factors include ethics and morals. Looking at the factors that caused the slack to occur, the researchers only focused on budgetary participation, information asymmetry and environmental uncertainty through organizational commitment as an intervening variable.

In addition to agency theory, which evaluates the effectiveness of budgetary participation against budgetary slack there is also a contingency theory, where the contingency approach in organizational behavior is that different environments cause different behaviors. Contingency theory motivates situation analysis before action is taken and removes the usual behavior based on assumptions about behavior. Thus, contingency theory can be used for all current knowledge about organizations in the most appropriate way, because appropriate action depends on situational variables. Govindarajan (1986) implied that the relationship between budgetary participation and budgetary slack can be resolved through a contingency approach , namely by including other variables that can mediate the relationship between budgetary participation, information asymmetry, environmental uncertainty and budgetary slack. In this research contingency approach is organizational commitment. This variable will mediate the relationship between budgetary participation, information asymmetry, and environmental uncertainty to budgetary slack.

Budgeting participation is the level of influence that is felt by individuals in the budget design process. Merchant (1985) stated that the budget system is a combination of information flow with administrative procedures and processes which are generally an integral part of short-term planning and control of an organization.

Information asymmetry is the principal or the authority of budget has more knowledge and insight than the budget agent or executor regarding the unit of responsibility, or vice versa. If the first possibility occurs, there will be a greater demand or motivation from the budget supervisor or authority to implement the budget regarding the achievement of agreed budget targets. Conversely, if a second possibility occurs, the budget implementer will declare a lower target than is possible to be achieved. Baiman (1982) stated that information asymmetry arises if subordinates have

information relevant to the decision making process with regard to budgeting while superiors do not. Information asymmetry is the difference in relevant information used in decision making between top-level managers and lower-level managers.

Conditions of environmental uncertainty will affect the ability of managers to predict the future, including in preparing budgets that will be submitted to superiors. Therefore, the efforts of subordinate managers to create budgetary slack when they participate in preparing the budget will certainly also be influenced by the managers' perceptions of the environmental conditions they face. Duncan (1972) defines the environment as a totality of physical and social factors that directly influence the behavior in decision making of individuals in the organization.

Budgetary slack is the difference between the amount of budget submitted by subordinates and the estimated amount of the organization (Anthony and Govindarajan, 2007). Subordinates carry out budgetary slack by lowering revenue or increasing costs compared to the best estimate of the proposed, so that the budget target will be more easily achieved. Budgetary slack arises because the desires of superiors and subordinates are not the same, especially if the performance of subordinates is judged based on budget achievement. If subordinates feel the incentives depend on achieving the budget targets, then they will create a budgetary slack through a participatory process (Yusfaningrum and Gozali, 2005). The practice of budgetary slack contains an understanding of agency theory, namely the existence of a conflict of interest between the agent (management) and the principal. Govindarajan and Anthony (2007) explained that the concept of agency theory occurs when superiors delegate authority to subordinates to carry out an authority or task in making decisions. Agency relations in the context of local government between superiors and subordinates, where subordinates carry out the planning, implementation and reporting processes of the regional budget while superiors play a role in carrying out supervision.

High organizational commitment will reduce the desire of individuals to make budgetary slack. Conversely, if the commitment of an employee's organization is low, his personal interests take precedence, and he can make budgetary slack so that the budget is easily achieved and in the end the success of the budget target is expected to enhance performance appraisal because it is successful in achieving the goals. Commitment to the organization means more than formal membership because it includes an attitude of liking the organization and a willingness to strive for a high level of effort for the interests of the organization for the achievement of objectives.

This research aims to determine the effect of contingency environments dimensioned by budgeting participation, information asymmetry, environmental uncertainty and organizational commitment on budgetary slack. The finding of this research is expected to develop the theory of agency and contingency in the concept of budgetary slack. In addition to the contribution, this research can contribute thoughts to readers about the importance of the role of each individual in the application of organizational goals. For academics, it is expected to add knowledge and references in conducting future study.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

2.1 Agency Theory

The problem of principal-agent theory in the budgeting process is related to the budgetary slack phenomenon which is often termed padding the budget (Jensen & Meckling, 1976). Budget-array slack is a tendency carried out by agent managers when given the opportunity to participate in budgeting, to underestimate revenue or overestimate expenditure. This is done because the budget is the basis for appraising the performance of the agent manager so that to facilitate the level of achievement they will carry out a budgetary slack. There are three types of factors that can influence slack, namely environmental, organizational, and individual. Environmental factors consist of economic, political, technological conditions, uncertainty environment and social pressure. Organizational factors consist of the level of decentralization, reward system, culture, budget pressure, information asymmetry and organizational commitment. Individual factors include ethics and morals. Looking at the factors that cause slack, the researcher only focuses on budgeting participation, information asymmetry and environmental uncertainty through organizational commitment as an intervening variable.

Budgetary slack research on public sector organizations is less frequent than in private sector organizations. Mardiasmo (2002) states that the different characteristics of public budgeting from the characteristics of private sector budgeting may be one of the causes. The complexity of public budgeting involving multiple constituents with different interests requires a principal - agent theory analysis. In addition, the person in charge / public budget maker who varies according to the jurisdiction of each region can also be the cause.

2.2 Contingency Theory

Contingency theory explains the contingency approach in organizational behavior is that different environments cause different behaviors. Contingency theory motivates the analysis of the situation before action is taken and eliminates the usual behavior based on assumptions about behavior. So that contingency theory can be used for all current knowledge about organizations in the most appropriate way, because the right action depends on the situational variables. Govindarajan (1986) states that the relationship between budgeting participation and budgetary slack can be resolved through a contingency approach, namely by including other variables that can mediate the relationship between budgeting participation, information asymmetry, environmental uncertainty and budgetary slack. In this study, the contingency approach is organizational commitment. It will mediate the relationship between budgeting participation, information asymmetry, and environmental uncertainty on budgetary slack.

2.3 Effect of Budgeting Participation on Organizational Commitment

The effect of budgeting participation on budgetary slack. Participation in budgeting provides opportunities for responsibility center managers to undertake budgetary slack. This can happen because the center manager of responsibility is given the authority to determine the content of their budget and will be assessed for their performance against that budget. A performance-based budget system, namely an efficient and participatory development process in which performance is a measure of the success of an organization in implementing government activities. However, the performance appraisal based on whether or not the regional budget target is achieved causes a budgetary slack. In addition, the planning and preparation stages of regional budgets often cause budgetary slack, because budget formulation is often dominated by executive and legislative interests, and does not reflect the needs of the community. Setiyanto (2011) in his research concluded that organizational commitment can be an intervening variable between budgeting participation on budgetary slack. This result is also in line with Baiman (1982), in his research examining the relationship between budgetary participation and budgetary slack from the perspective of agency theory, finding that participating in budgeting will encourage subordinates to help superiors by providing the information they have so that the budget is more accurate. .5. The effect of information asymmetry on budgetary slack Information asymmetry that occurs between principals and agents participating in budgeting can cause budgetary slack. This is because the performance that is assessed from the level of budget attainment becomes the agent's motivation to perform information asymmetry to facilitate budget achievement. Setiyanto (2011) in his research concluded that organizational commitment can be an intervening variable between budgeting participation on budgetary slack. This is supported by Young (1985) that participatory budget interactions have a positive and significant effect on budgetary slack. According to Anthony and Govindarajan (2007) executives as agents tend to commit budgetary slack to secure their positions in government. Meanwhile, the legislature as the principal tends to make pseudo contracts with the executive. However, Dunk (1993) states that if positive communication between agent and principal occurs, the budgetary slack will decrease.

H1. Budgeting participation has positive effect on organizational commitment

2.4 The Effect of Information Asymmetry on Budgetary Slack

Information asymmetry that occurs between principals and agents participating in budgeting can cause budgetary slack. This is because the performance that is assessed from the level of budget attainment becomes the agent's motivation to perform information asymmetry to facilitate budget achievement. Setiyanto (2010) in his research concluded that organizational commitment can be an intervening variable between budgeting participation on budgetary slack. This is supported by Young (1985) that participatory budget interactions have a positive and significant effect on budgetary slack. According to Anthony and Govindarajan (2001) executives as agents tend to do budgetary slack to secure their positions in government. Meanwhile, the

legislature as the principal tends to make pseudo contracts with the executive. However, Dunk (1993) states that if positive communication between agent and principal occurs, the budgetary slack will decrease.

H2. Information Asymmetry has positive effect on budgetary slack.

2.5 Effect of Environmental Uncertainty on Budgetary Slack

Environmental uncertainty is often a factor that causes organizations to make adjustments to organizational conditions with the environment. Individuals will experience high environmental uncertainty if they feel the environment is unpredictable and cannot understand how the components of the environment will change. Conversely, in low environmental uncertainty (relatively stable environment), individuals can predict circumstances so that the steps to be taken can be planned more accurately (Duncan, 1972). Factors that cause the organization to make adjustments to the conditions of the organization with the environment. Individuals will experience high environmental uncertainty if they feel the environment is unpredictable and cannot understand how the components of the environment will change. Conversely, in low environmental uncertainty (relatively stable environment), individuals can predict circumstances so that the steps to be taken can be planned more accurately (Duncan, 1972). The ability to predict future conditions in conditions of low environmental uncertainty can also occur in individuals who participate in budget preparation. Personal information that is owned by subordinates can be used to assist in the preparation of an accurate budget because subordinates are able to overcome uncertainty in their area of responsibility and can predict their environment. According to Govindarajan (1986), the relationship between participation and budgetary slack is positive in conditions of low environmental uncertainty, while the relationship becomes negative in high environmental uncertainty. A subordinate who has high participation in budgeting and faces low environmental uncertainty will be able to create slack in the budget, because he is able to overcome uncertainty and be able to predict the future. Conversely, in high environmental uncertainty, it will be more difficult to predict the future and the more difficult it will be to create budgetary slack. This can be resolved through a contingency approach.

H3. Environmental uncertainty has positive effect on budgetary slack

2.6 The Effect of Organizational Commitment on Budgetary Slack

Organizational commitment shows a strong belief and support for the values and goals the organization wants to achieve (Mowday et al., 1979). A strong organizational commitment within individuals will cause individuals to strive to achieve organizational goals in accordance with the goals and interests of the organization. Individuals who have a high level of organizational commitment will have a positive outlook and try to do their best in budgeting for the benefit of the organization so that budget slack occurs. From the research results, Setiyanto (2011) states that organizational commitment has a positive effect on budgetary slack. This result is in line with research conducted by Nouri and Parker (1996), which states that a person's

level of organizational commitment can affect their desire to create budgetary slack. High organizational commitment will reduce individuals to carry out budgetary slack. Conversely, if the subordinate's commitment is low, then his personal interests are prioritized, and he can carry out budgetary slack so that the budget is easily achieved and in the end, the success of achieving the budget targets is expected to enhance the assessment of his performance because it is successful in achieving goals

H4. Organizational commitment has positive effect on budgetary slack

2.7 The Effects of Contingency Determinants on *Budgetary Slack* through Organizational Commitment

Achievement of organizational goals is important. Conversely, individuals or employees with low organizational commitment will have low attention to achieving organizational goals, and tend to try to fulfill personal interests. A strong organizational commitment within individuals will cause individuals to strive to achieve organizational goals in accordance with the goals and interests of the organization (Angle and Perry 1981; Porter et al., 1974) and will have a positive outlook and try to do their best for the benefit of the organization (Porter. et al., 1974). High commitment makes individuals care about the fate of the organization and tries to make the organization a better direction, and the possibility of budgetary slack can be avoided. Commitment shows a strong belief and support for the values and goals the organization wants to achieve (Mowday et al., 1979). Participating employees will be encouraged to assist the leadership by providing the information they have so that the budget is prepared more accurately. According to him, subordinates who have specific information about local conditions will report this information to their superiors. Individuals who have high commitment will prioritize the interests of the organization and try to make the organization more productive and profitable. Lower-level managers who expect to benefit from their budgetary slack, then they must increase their participation in the budgeting process (Lukka, 1988). If participation is low, the opportunity for lower managers to create budgetary gaps is very small regardless of presenting budgetary pressures and information asymmetry. The level of environmental uncertainty faced by subordinates in an organizational environment has important implications for the organization. The ability to analyze and predict different environments will lead to different perceptions from managers and subordinates about the environmental uncertainty faced by subordinates.

H6. Organizational commitment serves as intervening variable on contingency determinants and budgetary slack

3. METHOD

This research was conducted by quantitative methods. Data were obtained from BPKD of South Sulawesi Province in the city of Makassar. The type of data used in this research is primary data. The data were in the form of a questionnaire.

The population of this research is structural officials consisting of 60 auditors of SKPD who are active in the city of Makassar. Seeing the total population of only 60

respondents, the total population is suitable for all used as a sample, so the sampling technique used is the census sampling method.

The budgeting participation variable in this study was developed by Milani (1975) measured by five indicators, namely: (a) Participation when the budget is being drafted, (b) Ability to provide opinions in budget preparation, (c) Frequency of giving and asking for opinions or suggestions on budgets to superiors, (d) frequency of superiors asking for opinions when budgets are prepared, and (e) Contribution to budget preparation. Information asymmetry is one of the factors causing budgetary slack. The opportunity to participate is used by agents to make budgetary slacks to improve their performance. Information asymmetry indicators are measured by six indicators, namely: (a) Adequacy of information, (b) Adequacy of information, (c) Quality of information, namely information that is able to meet the needs of information quality, (d) Quantity of information, namely information that is able to meet the needs of the amount of information, (e) understanding of information, and (f) changes in information.

Furthermore, environmental uncertainty indicator is measured by three indicators, namely: (a) Information relating to future conditions, (b) Information about the influence of external factors (economic conditions, technology, etc.), and (c) Non-economic information (market share, market opportunities, price predictions, etc.). The instrument used was a questionnaire developed by Begum (2009) on Sandrya (2013) in public sector organizations. The budgetary slack (Y) indicator is the amount of the revenue budget that is made lower than it should be and the amount of the budget that is made is higher than it should be. Commitment owned by principals or agents who are involved in the preparation of regional budgets and have a strong relationship to budgetary slack. Organizational commitment parameter is measured using five indicators, such as: 1) employee loyalty to SKPD agencies, 2) willingness to work together in achieving SKPD goals, 3) having a desire to uphold the honor of SKPD, 4) Always willing to attend workplace and 5) having a confident attitude towards the values that exist in the SKPD institution.

The analytical method used is path analysis (path analysis). The sobel test is utilized to know the indirect effect generated by intervening variable.

$$Y_1 = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon \dots\dots\dots (1)$$

$$Y_2 = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 Y_1 + \varepsilon \dots\dots\dots (2)$$

$$Y_2 = \alpha + \beta_1 Y_1 + \varepsilon \dots\dots\dots (3)$$

Where,

- Y₁ = organization commitment
- Y₂ = budgetary slack
- α = constant parameter
- β₁, β₂ = regression coefficient that can be estimated
- X₁ = budgeting participation
- X₂ = asymmetry information
- X₃ = environmental uncertainty
- E = error term

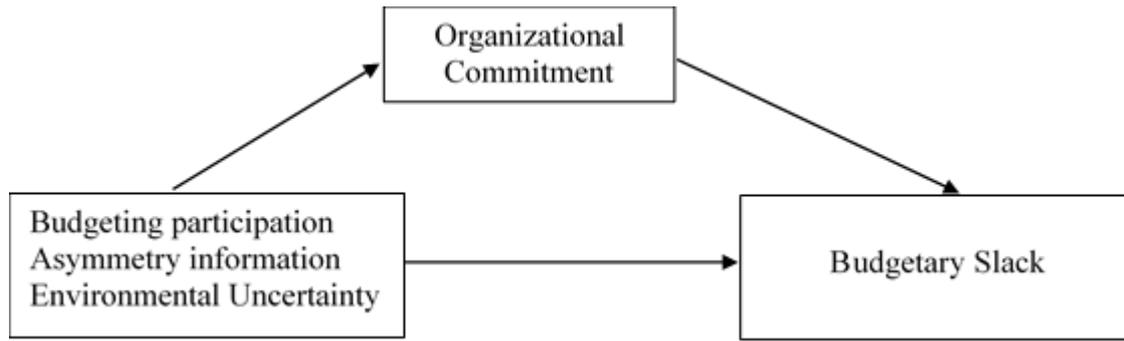


Figure 1. Research Model

4. RESULT AND DISCUSSION

Based on table 1, it is obtained the coefficient value of direct and indirect effects among variables. The first path provides direct effect of organizational commitment, budgeting participation, information asymmetry, and environmental uncertainty on the budgetary slack. The second path provides indirect effect of organizational commitment serving as an intervening variable on the relationship between budgeting participation, information asymmetry, environmental uncertainty, and budgetary slack.

Table 1. The Result of Effect Test

Variable			P-Value	Direct Effect	Indirect Effect	Total Effect	Result
Exogenous	Intervening	Endogenous					
Budgeting participation	-	Budgetary Slack	0,042	0,127	0,000	0,127	Significant
Information asymmetry	-	Budgetary Slack	0,038	0,113	0,000	0,113	Significant
Environmental uncertainty	-	Budgetary Slack	0,000	0,193	0,000	0,193	Significant
Organizational commitment	-	Budgetary Slack	0,044	0,261	0,000	0,261	Significant
Budgeting participation	organizational commitment	Budgetary Slack	0,715	0,113	0,014	0,127	Non Significant
Information asymmetry	organizational commitment	Budgetary Slack	0,125	0,193	0,086	0,279	Non Significant
Environmental uncertainty	organizational commitment	Budgetary Slack	0,131	0,261	0,068	0,329	Non Significant

The first test is the direct effect of organizational commitment, budgeting participation, information asymmetry, and environmental uncertainty on the budgetary slack. Those variables provide significance at 0.05 level. The second test is the indirect effect of organizational commitment as intervening variable. It provides significance above the level of 0.05.

Table 2. Result of Hypothesis

	Hypothesis	Significant	Result
H1	Positive	Significant	Accepted
H2	Positive	Significant	Accepted
H3	Positive	Significant	Accepted
H4	Positive	Significant	Accepted
H5	Positive	Significant	Rejected

4.1 The Effect of Budgeting Participation on *Budgetary Slack*

From the results of the regression analysis, it shows that the regression coefficient for the budgeting participation variable has a positive and significant effect on budgetary slack. If the budgetary participation increases, it will reduce the budget gap. The results of this study are consistent with the results of the study of Collins (1978) which states that budgetary participation and budgetary slack have an insignificant relationship. However, it is not consistent with the results of Dunk (1993), Merchant (1985), and Onsi (1973) which show that participation in the budget reduces the amount of budgetary slack.

Baiman (1982) examined the relationship between budgetary participation and budgetary slack from the perspective of *agency theory* finding that participation in budgeting would encourage subordinates to help superiors by providing information so that the prepared budget could be more accurate. If subordinates (agents) involved in budgetary participation have specific information about local conditions, it will be possible for them to report this information to their superiors (principal). In other words, budgetary participation will cause subordinates to provide the information if they have to help the organization.

4.2 The Effect of Information Asymmetry on *Budgetary Slack*

The results of regression analysis showed that the positive effect of information asymmetry is significant to the *budgetary slack*. This shows that in the budget formulation there is a need for communication and reciprocal relations between the members responsible in it. In order for budget participation to provide benefits for superiors as *principals* to access information owned by subordinates as agents, subordinates need help in processing incoming information in accordance with the subordinate's line of work. Thus, it can be concluded that the imbalance of information possessed by someone can influence their desire to create a *budgetary slack*.

The result of this study is consistent with Asak (2014) who concluded that information asymmetry has no effect on *budgetary slack*. This was reinforced by Anthony and Govindarajan (2007) who said that executives as agents tend to do budgetary slack to secure their position in government. Meanwhile, the legislature as a principal tends to make fake contracts with the executive.

4.3 The Effect of Environmental Uncertainty on *Budgetary Slack*

Results of regression analysis showed that environmental uncertainty positive and significant effect on the budgetary slack . The degree of environmental uncertainty faced by subordinates in the organizational environment has important implications for the organization. The ability to analyze and predict the environment varies from managers and subordinates to the environmental uncertainty faced by subordinates.

The results of this study are consistent with the results of research conducted by Yuwono (1999) who said that there was a positive relationship between environmental uncertainty and budgetary slack but not significant. This is thought to be due to the influence of advances in information technology. The ease with which advances in information technology have helped top management control its activities. The development of information technology for several reasons, namely the ease of accessing data, increasing data accuracy, and providing reports and other data inputs that are more timely (Wilkinson, 1997). This convenience causes the boss does not face difficulties in obtaining information that previously could not be done. But it is not consistent with Alfebriano (2013), Asak (2014), Kartika (2010), and Govindarajan (1986) disclosing that environmental uncertainty is significant to *budgetary slack*.

4.4 The Effect of Organizational Commitment on *Budgetary Slack*

Based on the results of the regression analysis shows that organizational commitment has a positive effect on budgetary slack . In this study individuals who have high commitment will prioritize the interests of the organization rather than the personal or group interests (Pinder, 1984). Commitment will make the organization more productive and profitable (Luthans, 1998). For individuals with high organizational commitment, achieving organizational goals is important. Conversely, for individuals or employees with low organizational commitment will have low attention to achieving organizational goals, and tend to try to meet personal interests. Strong organizational commitment in individuals will cause individuals to strive to achieve organizational goals in accordance with the goals and interests of the organization (Porter et al ., 1974) and will have a positive outlook and try to do the best in the interests of the organization (Porter et al., 1974). High commitment makes individuals concerned with the fate of the organization and tries to make the organization a better direction, and the possibility of budgetary slack can be avoided. This study is in line with Setiyanto (2011) states that organizational commitment has a positive effect on budgetary slack . This result is also reinforced by research conducted by Nouri and Parker (1996), that a person's level of organizational commitment can influence their desire to create budgetary slack. High organizational commitment will reduce individuals to make budgetary slack. Conversely, if the subordinate's commitment is low, then his personal interests take precedence, and he can make budgetary slack so that the budget is easily achieved and in the end the success of achieving the budget target is expected to enhance performance appraisal because it is successful in achieving the goals.

4.5 The Effects of Contingency Determinants on *Budgetary Slack* through Organizational Commitment as Intervening Variable

Based on the table 1, it is found that budgetary participation, information asymmetry and environmental uncertainty have no significant effect on budgetary slack through organizational commitment. The high participation in budgeting makes subordinate employees play down their productive capabilities causing an increasingly large budgetary gap between subordinates and superiors. This clearly has no effect on an organization because cooperation between subordinates and superiors becomes less harmonious. One of the right efforts to reduce budgetary slack is to involve several subordinates to participate directly in preparing the budget.

Personal information (private information) owned by subordinates can be used to assist the preparation of the budget to more accurately because the subordinate is able to deal with uncertainty and can be used to predict future events. Referring to the opinion of Govindarajan (1986), which concluded that the relationship between budgetary participation and budgetary slack is positive under conditions of low environmental uncertainty, and vice versa would be negatively related when under conditions of high uncertainty. Under conditions of low uncertainty, high participation of subordinates will be able to create budgetary slack. This is possible because subordinates are able to predict future prospects and can predict the steps that must be taken so that it can be used to make budgetary slack by reporting biased estimates.

This research reveals that that with an individual commitment that is limited to fulfilling the obligations, then the individual will have low participation in carrying out their activities, so that they may not be able to predict future prospects because individuals have a negative view of providing information so that budgetary making occurs. slack. This research is consistent with research conducted by Asak (2014). However, this result does not align with Setiyanto (2011) who states that budgeting participation, information asymmetry have a positive and significant effect on budgetary slack through organizational commitment.

The relationship between contingency determinants and budgetary slack can be resolved through a contingency approach, namely by including other variables that can mediate the relationship between budgeting participation, information asymmetry, environmental uncertainty and budgetary slack. In the result of this research, the contingency approach includes organizational commitment and it does not work to affect the relationship between budgeting participation, information asymmetry, and environmental uncertainty on budgetary slack.

5. CONCLUSION

The contingency approach motivates organizations to act on situational behaviours. Budgeting slack is affected by the contingency factors. This research has proven that contingency dimensions consisting of organizational commitment, budgeting participation, information asymmetry, and environmental uncertainty have

positively direct effect on budgetary slack, otherwise organizational commitment does become intervening variable because it has no indirect effect on the budgetary slack.

The finding of this research is expected to increase the effectiveness of auditors of budget in South Sulawesi Province. Budgetary slack must be estimated and controlled early because it is detrimental to the organization and can reduce the standard to be achieved. This means that organizational resources cannot be utilized to the full and the need for changes towards a better direction. To find out the consistency of research, it is necessary to conduct further researches on the same aspect. Future researches are expected to use individual capacity and work involvement in addition to budgetary participation, information asymmetry and environmental uncertainty as independent variables in their effects on budgetary slack. Besides, the use of other variables as intervening variables can utilize budget emphasis, budget sufficiency, strategic uncertainty, and characteristics of budget target clarity.

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