

## The Mediating Role of Employee Motivation in The Relationship Between Budget Participation and Budgetary Slack

Fajra Octrina<sup>1\*)</sup>; May Swastawati<sup>2)</sup>

<sup>1\*)</sup> [fajraoctrina@telkomuniversity.ac.id](mailto:fajraoctrina@telkomuniversity.ac.id), Telkom University, Bandung, Indonesia

<sup>2)</sup> [mayswastawt@student.telkomuniversity.ac.id](mailto:mayswastawt@student.telkomuniversity.ac.id), Telkom University, Bandung, Indonesia

\*) Corresponding Author

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### ABSTRACT

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**Objectives:** A budget is a plan expressed in the company's financial measures as a guideline for work in a certain period. Budgeting involves many parties starting from the top and bottom levels, making it vulnerable to budgetary slack. The purpose of this study is to examine employee motivation at the corporate offices of PT ASDP Indonesia Ferry (Persero) in order to ascertain the impact of budgetary participation on the occurrence of budgetary slack.

**Methodology:** This study used quantitative research by conducting surveys through questionnaires. The respondents in this study were 211 employees of PT ASDP Indonesia Ferry (Persero) head office and were analyzed using path analysis.

**Finding:** The findings indicated that when employees at PT ASDP Indonesia Ferry (Persero) head office are directly involved in budgeting, it has a noteworthy and favorable impact on their motivation and the occurrence of budgetary slack. Employee motivation has a direct and significant positive effect on budgetary slacks at PT ASDP Indonesia Ferry (Persero). Additionally, employee motivation at the PT ASDP Indonesia Ferry (Persero) headquarters can mediate the impact of budget participation on budgetary slack.

**Conclusion:** This study highlights the significance of employee involvement in budgeting for enhancing motivation and reducing budgetary slacks. It underscores the need for balanced budget participation to maintain control and suggests that employee motivation acts as a vital mediator in this relationship, offering valuable insights for optimizing budget processes and fostering workforce efficiency.

**Keywords:** Budget Participation; Budgetary Slack; Employee Motivation.

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## INTRODUCTION

In March 2020, the outbreak of COVID-19 shocked the global community. State-Owned Enterprises (SOEs) also known as affected business institutions are impacted by the pandemic. According to a report by the Ministry of State-Owned Enterprises (2020), almost 90% of SOEs are under pressure in their performance. The COVID-19 pandemic has put pressure on state-owned enterprises' (SOEs') financial performance, primarily in terms of the decline in revenue from the cluster. The Tourism and Support Services, Infrastructure, and Logistics clusters experienced the most significant impact. COVID-19 affected the state-owned logistics company, PT ASDP Indonesia Ferry (Persero). The operating income of PT ASDP Indonesia Ferry (Persero) fluctuated between 2019 and 2021. The total operating income of PT ASDP Indonesia Ferry (Persero) decreased by 3.5% in 2020 over 2019 but increased by 14% in 2021 when compared to 2020 (ASDP Indonesia Ferry (Persero), 2021). This is due to the effects of the economic recovery. This phenomenon is a challenge to PT ASDP Indonesia Ferry (Persero) in facing a pandemic and transition situation full of uncertainty and various choices. Therefore, companies need to plan future work guidelines through budgeting so that the company can be directed in achieving the goals set by designing a budget (Magistrate, 2019). This is useful for considering cost savings initiatives, capital expenditure optimization initiatives, the implementation of good corporate governance, and setting measurable targets. Good corporate governance is one of the keys to a better company (Karyatun et al., 2023). The extent to which an organization achieves pre-determined goals is indicative of its performance (Susilowati et al., 2021). One of these performances is financial performance reports assist in communicating the implementation of company activities to align expenditures with budgets (Rahayu & Zutilisna, 2021).

Budgets are described in financial form as estimates or constraints that management uses to guide and ensure the achievement of organizational goals. According to Supriyono (2018), a budget is a plan for activities to be carried out in an organization and expenses in monetary terms for a specified future period. It is generally made for the next one-year plan. Budgets are used for allocating funds to subunits. Budgeting is crucial to an organization's needs prediction and should be incorporated into management control functions (Silva et al., 2022). To carry out activities using funds that are on target, effective, and efficient, planning and budgeting are strongly influenced by human behavior (Juwita & Murti, 2020). In order to avoid problems that arise from budgeting, interaction between parties is required in budgeting which requires budget participation. Budget participation is aimed at obtaining an objective budget and producing better information during budget preparation where all levels of management are involved (Khasanah & Kristanti, 2020). Each individual has the responsibility to control the income and expenditure of their budgeting estimates and submit them to the highest level of management where the designed estimates will be reviewed and consolidated in their movement towards higher levels of management (Robbins & Judge, 2018). A company's employees are a strength. All agency activities involve employees as planners and active participants (Asda & Nilasari, 2022). Participation in the budgeting process might encourage employees to share further details, minimize excess costs, undertake to pursue the company's goals, and work more effectively (Silva et al., 2022). The large number of individuals who participate in budgeting is followed by the magnitude of each person's responsibility to carry out the decisions made together (Wandi & Supriyono, 2021).

The effects of budgetary participation on behavior and organizations have been studied by numerous researchers. The application of budget participation in the budgeting process can have both positive and negative impacts. Positive behavior that arises from budget participation when preparing budgets can motivate managers or employees by making budgets the basis and increasing performance achievements (Carolina, 2020). The motivation that arises in each manager will encourage managers to take a full part or contribute in planning activities both as a plan maker, implementation, and evaluation of the plan or budget prepared. Carolina (2020), budget participation increases employee motivation so the higher the budget participation, the greater the increase in employee motivation.

Budgetary slack is demonstrated by the unfavorable behavior that results from budget participation during budget preparation. When managers feel they can influence the budget's creation, the likelihood of creating budgetary slack rises (Silva et al., 2022). Gusti & Sofyan (2019) Budgetary slacks are the chance for employees to create budgets with low estimates of income and high costs of estimated budget targets with the intention of easily achieving the budget, in hopes that each level and individual is still safe. The budgetary slack can be reflected by looking at the budget realization report which is used as a comparative tool between the budget and its realization.

The purpose of this study is to investigate the effect of budget participation on employee behavior, especially in the context of PT ASDP Indonesia Ferry (Persero), and how employee motivation affects the relationship between budget participation and budgetary slack.

**Table 1. Expenditure Budget Realization of PT. ASDP Indonesia Ferry (Persero)**

Year	Budget Expenditure (Rp)	Realized Budget Expenditure (Rp)	Absorption (%)
2019	835,382,899,250	867,932,188,776	104
2020	901,033,297,078	860,618,670,772	96
2021	1,278,520,353,545	945,837,373,988	74
2022	1,353,884,078,956	1,013,364,933,264	75

Source: ASDP Financial Planning Unit Head Office (2022)

Table 1 shows that the budget for PT. ASDP Indonesia Ferry (Persero) for the period 2019 to 2022 experienced a difference between the budget and the realization. In this case, it reflects an indication of a budgetary slack that arises caused by the discrepancy between the budget and its actualization where the budget realization tends to be below and above the set budget target. This research is limited to PT ASDP Indonesia Ferry (Persero) and may not be generalizable to other companies. This research only involves data from 2019 to 2022 so it does not consider changes in economic or industrial conditions that may occur after that period.

This research can help companies to understand how participation in budget planning and employee motivation can affect company performance and budgeting. This can help companies plan more effective budgets and reduce inappropriate budgeting. This research can provide insight to managers and employees about the importance of participation in budget planning and motivation in achieving budget targets. This can increase employee understanding and involvement in the budget planning process. This research can be an academic contribution in understanding the relationship between participation in budget planning, motivation, and flexible budgeting. It can be used as a reference for further research in the same field.

Previous research has laid the groundwork for further exploration, highlighting a significant research gap in the existing literature. Dinanti & Taqwa (2022) found that motivation does not play a moderating role in the relationship between budget participation and budgetary slacks. Instead, budget participation positively and significantly impacts budgetary slacks. Consequently, motivation cannot be considered a moderating variable. In contrast, Carolina (2020) introduced employee motivation as an intervening variable between budget participation and budgetary slacks. The results indicated that employee motivation had a negative effect on budgetary slacks and a positive effect on budget participation. Our research aims to address this gap by delving deeper into the role of employee motivation as an intervening variable. We are motivated by the significance of understanding how individual motivation influences the interaction between participation in budget planning and the organization's capacity to create adaptable budgets. Hence, our study endeavors to fill this research gap by comprehensively and systematically investigating the connection between budget planning participation, employee motivation, and the flexibility of budgeting.

The novelty of this research is that it focuses on the relationship between participation in budget planning, employee motivation, and flexible budgeting, specifically in the context of PT ASDP Indonesia Ferry (Persero). In addition, this research also provides insight into how these factors can influence each other in the context of a state-owned company.

## **LITERATURE REVIEW**

### **Agency Theory**

An agency relationship exists between two (or more) parties as one, referred to as the agent, acts for, on behalf of, or as a representative of the other, referred to as the principal in a particular set of decision problems (Ross, 1973). In this case, agency theory can explain the relationship between the parties involved in budget preparation. Agency theory is used to pinpoint how budget participation contributes to dysfunctionality in the form of budgetary slacks. By explaining the relationship between the parties involved in the budgeting process, such as managers, superiors, and subordinates in determining budget targets where there are differences in interests between the agent and the principal in achieving or maintaining the desired level of risk security, resulting in the practice of budgetary slacks (Madjodjo, 2018). It can be interpreted that the use of agency theory in budgeting can assist the gap between the prepared budget and the actual performance of the organization which can develop when management and the organization's owner have competing interests.

### **Contingency Theory**

The main theoretical lens through which organizations are viewed is the contingency theory (Dakhli, 2021). Contingency theory is a theory associated with organizations to manage companies, lead companies, and make decisions where there is no common ideal approach to deploy in organizations given that it must adapt to both internal and external conditions (Sari, 2018). In this study, the contingency approach of management accounting is used to describe an effort to identify the most appropriate control system under the most appropriate conditions. Management accounting involves analyzing the design and management accounting system to evaluate the effectiveness of the relationship between budget constraints and budget preparation participation (Dinanti & Taqwa, 2022). The correlation between budgetary slacks and budget

participation may be influenced by additional factors, such as employee motivation which acts as an intervening variable.

### **Budget Participation**

Budgetary participation's success depends on its organizational setting (Dakhli, 2021). Pratama (2020) stated that budgetary participation refers to the engagement of management at all levels in the process of creating an unbiased budget. Budget participation allows all management parties, both upper and lower levels can take part in the creation of budget goals and take responsibility for achieving these goals through decision-making that is directly related to the budgeting process. Kusniawati & Lahaya (2018) argue that budget participation allows subordinates to participate in the organization's budgeting process. Participation in budgeting needs to happen because subordinates know more about the current state of the organizational unit. Therefore, the target is most appropriate if all individuals in the organization participate in its targets, thus being able to determine actions to achieve the goals.

### **Employee Motivation**

Umami (2020), motivation can be interpreted as a process that describes the strength, direction, and perseverance of individuals in their efforts to achieve goals. Individuals are motivated to engage in activities by two factors: intrinsic and extrinsic factors. Dinanti & Taqwa (2022) define motivation as an encouragement in a person, both within and outside of oneself, to do work with high enthusiasm that mobilizes all abilities and skills possessed to achieve appropriate work results. Intrinsic motivation greatly impacts employee innovation. Intrinsically, motivated employees will take risks and are confident in developing new ideas. They also give their all when their leaders assign them new, difficult, and complicated tasks (SI & Satria, 2020). Motivating employees is crucial for organizations to enhance their performance (Armawan, 2014; Saratian et al., 2022). Pratama (2020) motivation is needed at work. In this case, it plays a role in encouraging employees to participate in budget preparation planning, budget execution, and decision-making regarding the created budget.

### **Budgetary slack**

According to Gusti & Sofyan (2019), budgetary slack is a situation that shows dysfunctional behavior. Only after the budget has been implemented can the budgetary slack be determined, this can be seen in the budget realization report (Ariani & Budiasih, 2021). The budgetary slack occurs when the estimated budget does not match the actual capacity owned so that the budget can be easily realized. Ambarani & Mispriyati (2020) budgetary slack occurs when realized revenues tend to exceed predetermined targets while realized expenditures tend to be lower than set targets. The budgetary slack occurs with a formula to make it easier to achieve and avoid risks (Dinanti & Taqwa, 2022). Budgetary slacks tend to be created by subordinates to facilitate the achievement of performance targets to look better in the eyes of the leadership. In addition, budgetary slacks also serve to anticipate and predict future uncertainties, as well as provide flexibility in the budget prepared (Sari R. C., 2018).

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## Hypothesis Development

### **Budget Participation on Employee Motivation**

The underlying theory regarding the relationship between budget participation and employee motivation suggests that involving employees in the budgeting process can serve as a powerful motivator. According to Silva et al. (2022), allowing employees to participate in and influence the budgeting process can boost their motivation to perform their duties and responsibilities. When employees are actively engaged in planning, implementing budgets, and making budget decisions, their motivation tends to increase (Pratama, 2020). Research by Carolina (2020) and Giusti, Kustono, & Effendi (2018) indicates a positive correlation between employee motivation and budget participation with higher levels of budget participation leading to greater employee motivation. High motivation, in turn, leads employees to desire greater involvement in the budgeting process. This desire for involvement is driven by the recognition that participating in budgeting is a means to achieve goals, making it a significant motivator for improved performance.

**H1: Budget participation influences employee motivation positively and significantly.**

### **Employee Motivation on Budgetary Slack**

The theory underlying the relationship, as discussed by Carolina (2020) and Rentor & Carolina's research (2020), suggests that employee motivation plays a significant role in how employees use the budget within an organization. Highly motivated employees are more likely to use the budget to advance the organization's goals. They see the budget as a tool to support and align with the organization's objectives. As a result, they are less inclined to create budgetary slack which means they are less likely to artificially inflate the budget to make it easier to achieve. Conversely, employees with low motivation tend to use the budget to advance their personal interests or to meet budget targets safely which may involve creating budgetary slack. They are more concerned with protecting their own interests and job security. Carolina (2020) and Rentor & Carolina's research (2020) indicate that the level of budgetary slack is influenced by employee motivation. Specifically, they suggest that higher employee motivation is associated with a reduced tendency to create budgetary slack, meaning that motivated employees are more likely to work towards achieving the budget targets without resorting to manipulative practices.

**H2: Employee motivation influences budgetary slacks positively and significantly.**

### **Budget Participation on Budgetary slack**

The relationship between budgetary slacks and budgetary participation is influenced by various theories. Budgetary slacks can develop when budgetary participation occurs, primarily involving lower-level parties with the authority to adjust the budget (Dinanti & Taqwa, 2022). The process of budget preparation is influenced by opinions or factors that contribute to an increase in budgetary slacks. Both Dinanti & Taqwa (2022) and Junika, Hapsari, & Asalam (2019) have demonstrated a positive and significant correlation between budget participation and the presence of budgetary slacks. If the budget is used to measure performance, subordinates will strive to meet or exceed the target and minimize costs to impress superiors. To achieve good performance, all means will be pursued, possibly regardless of ethics. Employees feel a sense of belonging and alignment with the company while adhering to ethics and expectations (Soelton et al., 2020). Creating budgetary slack is one form of deviant behavior (Kepramareni et al., 2020). This suggests that the likelihood of budgetary slacks

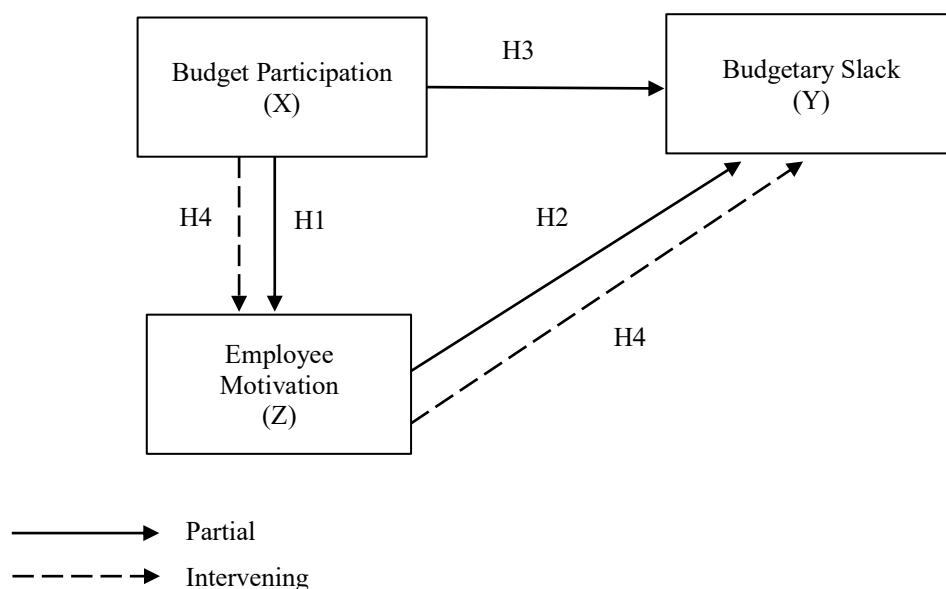
occurring increases with a higher level of budgetary participation. On the other hand, Wafiroh et al. (2020) argue that budgetary slacks are negatively affected by budget participation. They propose that a greater level of budget participation in the budgeting process reduces the likelihood of budgetary slacks.

**H3: Budget participation influences budgetary slacks positively and significantly.**

### Budget Participation on Budgetary slack through Budgetary slack

The underlying theory of the relationship is that budget participation entails involving employees in the budget preparation process to encourage them to concentrate on budget targets. However, attaining these targets is often susceptible to the introduction of budgetary slacks. According to Carolina (2020), employee motivation may serve as a mediating variable between budget participation and the occurrence of budgetary slacks.

**H4: Budget participation significantly influences budgetary slack through employee motivation as an intervening variable.**



**Figure 1. Conceptual Framework**

## METHOD

This study adopts the framework from Carolina's works (2020). The research aims to explore the relationship between budget participation and budgetary slacks with a focus on the mediating role of employee motivation. The survey methodology employed a quantitative approach, utilizing questionnaire distribution. The questionnaire was divided into two sections. The first section focused on gathering demographic and functional data, such as gender, age, educational background, field of specialization, and years of experience. The second section assessed the study variables, as developed by Carolina (2020). This included the independent variable, Budget Participation (BP), measured through six statement indicators, the intervening variable, Employee Motivation (EM), measured through six statement indicators, and the dependent variable, Budgetary Slack (BS), measured through four statement indicators.

Participants used a 5-point scale to indicate their agreement level, ranging from strongly disagree (1) to strongly agree (5) where 5 denoted the highest level of agreement.

The respondent selection was based on a random sampling technique so 211 employee respondents of PT ASDP Indonesia Ferry (Persero) were collected. Tests were carried out using IBM SPSS 25 software with path analysis techniques, t-test, F test, coefficient of determination, and classical assumption test (heteroscedasticity, multicollinearity, and normality test). The questionnaire underwent pre-testing based on the results to make sure it was valid and reliable.

The validity test is carried out to determine whether or not it is valid in testing the items in the questionnaire. The calculated R-value in the validity test must be higher than the R table, namely 0.361 with a significance level of 0.05.

The findings of the validity test measurements are listed below.

**Table 2. Validity Test Result**

Variable	Item	R-Value	Status
<b>Budget Participation (BP)</b>	BP1	0,721	Valid
	BP2	0,795	Valid
	BP3	0,650	Valid
	BP4	0,668	Valid
	BP5	0,640	Valid
	BP6	0,619	Valid
<b>Budgetary Slack (BS)</b>	BS1	0,820	Valid
	BS2	0,851	Valid
	BS3	0,841	Valid
	BS4	0,712	Valid
<b>Employee Motivation (EM)</b>	EM1	0,568	Valid
	EM2	0,701	Valid
	EM3	0,797	Valid
	EM4	0,690	Valid
	EM5	0,611	Valid
	EM6	0,613	Valid

Source: SPSS Outputs

Table 2 shows that the statement items are said to be valid because the calculated R-value for each statement item is greater than 0.361. It can be said that all of the study's measurement tools for the variables budget participation, employee motivation, and budgetary slacks have been declared valid.

The reliability test is carried out to prove the level of measurement confidence with relatively consistent measurement results. The Cronbach Alpha value for the reliability test must be higher than 0.60.

The reliability test measurements' outcomes are listed below.



**Table 3. Reliability Test Result**

Variable	Cronbach Alpha	Significance Level	Status
Budget Participation (BP)	0,770	0,60	Reliable
Budgetary Slack (BS)	0,818	0,60	Reliable
Employee Motivation (EM)	0,746	0,60	Reliable

Source: SPSS Outputs

Table 3 demonstrates the results of the reliability test. The reliability of the data was assessed using the Cronbach Alpha coefficient, with a significance level set at 0.60. The table indicates that all research variables, namely Budget Participation (BP), Budgetary Slack (BS), and Employee Motivation (EM), exhibit a Cronbach Alpha value exceeding 0.60, thus indicating reliability. These findings confirm that the questionnaire items for each variable are deemed reliable instruments for measuring the respective constructs in this study. The data analysis technique used for this assessment is the Cronbach Alpha coefficient, a widely recognized measure for assessing the internal consistency reliability of a set of questionnaire items. The results indicate the robustness of the research instrument in capturing the intended constructs with a high level of reliability. These findings strengthen the validity and credibility of the study's overall outcomes. The analysis was conducted using SPSS software, and the results were derived from the SPSS outputs, ensuring accuracy and rigor in the data analysis process.

## RESULTS AND DISCUSSION

### RESULTS

#### Descriptive Analysis

Descriptive data describes respondents' conditions to help understand the study's findings. Description of respondent demographic statistics, including gender, age, level of education, position at work, and years of experience in the first section. The second section is a description of each variable.

**Table 4. Descriptive Statistics on Characteristics Respondent**

Characteristics	Frequency	Percent (%)
Gender	Male	56
	Female	44
	Total	100
Age	21-30	51
	31-40	32
	41-50	13
	>50	4
Level of Education	Diploma (D3)	11
	Bachelor (S1)	69
	Magister (S2)	26
	Doctor (S3)	0
	Total	100
Position on work	Vice President	2
	Manager	9
	Auditor	4
	Functional	6
	Expertise	1
	Senior Analyst	5

Characteristics	Frequency	Percent (%)
Junior Analyst	14	6
Staf	141	67
Total	211	100
Years of Experience		
<1	33	16
1-5	100	47
6-10	49	23
>10	29	14
Total	211	100

Table 4 shows that descriptive analysis of characteristics reveals that the majority of employees participating in the preparation of the budget are male employees aged 21 to 30 with a level of education equivalent to a Bachelor who has worked in staff positions for 1 to 5 years.

**Table 5. Descriptive statistics on Variables**

Variables	Percent (%)	Category
Budget Participation	76.6	High
Employee Motivation	76.2	High
Budgetary Slack	74.3	High

Table 5 shows that the level of budget participation is in the "High" category, at 76.6% with a final score of 5053. The level of employee motivation is in the "High" category, namely 76.2% with a total score of 5029. The level of budgetary slack is in the "High" category, namely 74.3% with a total score of 3267.

### Regression Analysis

In this study, there are two regression models

#### Model I

$$Z = \alpha + \beta_1 X + e_1 \quad (1)$$

$$Z = 4,505 + 0,807 X + e_1$$

$$\text{Employee Motivation} = 4,505 + 0,807 \text{ Budget Participation} + e_1$$

#### Model II

$$Y = \alpha + \beta_1 X + \beta_2 Z + e_2 \quad (2)$$

$$Y = 0.004 + 0,155 X + 0,494 Z + e_2$$

$$\text{Budgetary Slack} = 0.004 + 0,155 \text{ Budget Participation} + 0,494 \text{ Employee Motivation} + e_2$$

Information:

$\alpha$  = Constant

X = The independent variable (BP)

Y = The dependent variable (BS)

Z = The intervening variable (EM)

$\beta_1 X_i$  = Coefficient regression of BP

$\beta_2 Z_i$  = Coefficient regression of EM

$e_i$  = standard error

Equation (1) demonstrates that employee motivation is positively impacted by budget participation by 0.807 points. Equation (2) shows that employee motivation influences budgetary slack positively by 0.494 and budget participation positively affects budgetary slack by 0.155.

### Normality Test

**Table 6. Normality Test Results**

Relationship of Variables	Asymp. Sig
BP -> EM	0.087
BP, EM -> BS	0.200

The Asymp Sig value in both of the regression models used in this study is greater than 0.05, indicating that the data are normally distributed.

### Multicollinearity Test

**Table 7. Multicollinearity Test Results**

Relationship of Variables	Tolerance	VIF
BP -> EM	1.000	1.000
BP, EM -> BS	0.316	1.000

Because both regression models' tolerance values are higher than 0.10 and their VIF values are lower than 10, there are no signs of multicollinearity in this study.

### Heteroscedasticity Test

**Table 8. Heteroscedasticity Test Results**

Relationship of Variables	Sig.
BP -> EM	0.186
EM -> BS	0.083
BP -> BS	0.936

Because the significance value of each independent variable in both regression models was greater than 0.05, there were no signs of heteroscedasticity in this study.

### T-test

**Table 9. Results of the T-test**

Relationship of Variables	t Value	Sig.
BP -> EM	21.275	0.000
EM -> BS	7.427	0.000
BP -> BS	2.386	0.018

In this study, both models' t values for each independent variable are greater than the t table, at 1.652, and the sig value is less than 0.05. That is, each independent variable has a partial impact on the dependent variable.

### F test

**Table 10. F Test Results**

F Value	Sig.
142,712	0.000

The calculated F value in this study is 3.039, higher than the F table, and the sig value is less than 0.05. In light of this, it can be said that the independent variable influences the dependent variable simultaneously.

**Path Test (Path analysis)**

**Table 11. Path Analysis Results**

Relationship the variables	Standardized coefficient	Direct Effect	Indirect Effect	Total
Regression model I Budget Participation (BP) -> Employee Motivation (EM)	0,827	0,827		0,827
Regression model II Employee Motivation (EM) -> Budgetary Slack (BS)	0,595	0,595		0,595
Budget Participation (BP) -> Budgetary Slack (BS)	0,191	0,191	0,827 x 0,595 = 0.492	0.683

The indirect effect between variable X and variable Y in this study is worth more than the direct effect, at a ratio of  $0.492 > 0.191$ . Therefore, the effect of the independent variable on the dependent variable can be mitigated by the intervening variable.

**Coefficient of Determination**

**Table 12. Test Results of the Coefficient of Determination**

Regression model	Adjusted R Square
BP -> EM	0.683
BP, EM -> BS	0,574

According to the results of the relationship between BP and EM, 68.3% of the independent variables can explain the dependent variable, and in the relationship between BP, EM, and BS, 57.4% of the independent variables can do the same.

**DISCUSSIONS**

**Effect of Budget Participation on Employee Motivation**

The results of the direct effect test and t-test analysis reveal a significant and positive impact of budget participation on employee motivation at PT ASDP Indonesia Ferry (Persero). This is supported by the direct effect coefficient of 0.827, a t-statistic of 21.275 which exceeds the critical t-table value of 1.652, and a significance level (Sig value) of 0.000, well below the conventional significance threshold of 0.05. These findings align with previous research conducted by Carolina (2020) and Giusti, Kustono, & Effendi (2018) which also highlighted the positive influence of budget participation on employee motivation. In essence, our results confirm that as the level of employee involvement in the budgeting process increases so does their motivation to perform well and meet budgetary targets. Incorporating employees into the budget preparation process serves as a motivational tool by fostering a sense of ownership and

responsibility. It empowers them to take pride in their work and motivates them to meet and even exceed budgetary expectations.

### **Effect of Employee Motivation on Budgetary slack**

The findings derived from the t-test and direct effect test underscore the significant and positive influence of employees' work motivation on budgetary slack at PT ASDP Indonesia Ferry (Persero). The calculated t-value (7.427) surpasses the critical t-value (1.652), confirming the statistical significance of the relationship. Additionally, the obtained Sig value ( $0.000 < 0.05$ ) supports the robustness of the results, emphasizing the importance of the direct effect of employee motivation on budgetary slack which is quantified as 0.595. Consistent with Rentor & Carolina's (2020) and Carolina's (2020) research, our findings reaffirm that employee motivation significantly impacts budgetary slack. Specifically, as employee motivation intensifies, the tendency for budgetary slack to escalate becomes apparent. This implies that heightened levels of employee motivation are directly associated with their behavioral patterns and capacity to achieve budget targets. Notably, motivated employees are more inclined to invest additional effort in generating innovative ideas and fostering collaboration to minimize operational budgetary gaps. Moreover, it is imperative to acknowledge that employee motivation serves as a catalyst, fostering an organizational environment conducive to greater efficiency and goal attainment. By fostering a culture of motivation, organizations can effectively cultivate a workforce that is proactive, innovative, and resilient in the face of budgetary constraints. Effectiveness is the implementation of knowledge, skills, and behaviors to improve overall performance and fulfill specific roles (Qurotalain et al., 2022). This aligns with the idea that fostering a motivated workforce can contribute significantly to the overall operational efficiency and financial performance of PT ASDP Indonesia Ferry (Persero). Furthermore, an in-depth exploration of the mechanisms through which employee motivation impacts budgetary slack is warranted. Future studies should delve into the specific motivational factors and their interplay with organizational dynamics to comprehend the intricate relationship between employee motivation and budgetary slack fully. By understanding the underlying motivational drivers, organizations can devise targeted strategies to optimize employee performance, streamline budget allocation, and enhance overall operational effectiveness.

### **Effect of Budget Participation on Budgetary slack**

The results of the t-test and direct effect test provide clear evidence that budget participation directly and significantly influences budgetary slack at PT ASDP Indonesia Ferry (Persero). This is evidenced by the t count (2.386) being greater than the critical t value (1.652), the significance value ( $0.018 < 0.05$ ), and the observed direct effect value of budget participation on budgetary slack being 0.191. These findings corroborate the findings of Dinanti & Taqwa (2022) and Junika, Hapsari, & Asalam (2019) which also demonstrate a positive and substantial

impact of budget participation on budgetary slacks. The results suggest a strong association between higher levels of budget participation and increased budgetary slack. This implies that as employees engage more actively in the budgeting process, the tendency for budgetary slack to rise becomes more pronounced. Consequently, a higher level of budget participation can play a crucial role in pinpointing areas within the organization where efficiency can be enhanced to mitigate budget slack. Moreover, the active participation of employees in the budgeting process fosters a proactive approach toward resource optimization and the reduction of unnecessary costs. Consequently, this can lead to a more streamlined and efficient allocation of resources, contributing to the organization's overall performance enhancement. It is important to note that while budget participation can be a powerful tool for identifying inefficiencies, its implementation should be accompanied by robust monitoring and control mechanisms to ensure that the participatory approach does not lead to an undesirable increase in budgetary slack.

### **The Effect of Budget Participation on Budgetary slack through Employee Motivation as an intervening variable**

The results of the path analysis provide valuable insights into the relationship between budgetary participation, employee motivation, and budgetary slack at the PT ASDP Indonesia Ferry (Persero) head office. It is evident from our findings that employee motivation serves as a significant mediator in the relationship between budgetary participation and budgetary slack. This mediation is supported by the observation of a greater indirect effect compared to the magnitude of the direct effect. Specifically, our analysis reveals that the indirect effect of budget participation on budgetary slack through employee motivation is substantial with a path coefficient value of 0.492. In contrast, the direct effect of budget participation on budgetary slack has a path coefficient value of 0.191. This indicates that employee motivation plays a pivotal role in influencing the extent of budgetary slack within the organization. Our findings align with the research conducted by Carolina (2020) which emphasized the significance of motivated employees in the context of budgeting participation and its impact on the practice of budgetary slack. It is important to note that while involving employees in the budgeting process can have positive outcomes such as increased motivation, it may also lead to some unintended consequences, such as budget rigidity. When employees actively participate in determining a realistic budget and gain a clear understanding of the implications of discrepancies between the budget and operational reality, it serves as a powerful motivator for them to work towards achieving the budgetary goals. This suggests that organizations can leverage employee motivation as a strategic tool to mitigate budgetary slack and enhance the effectiveness of the budgeting process.

### **CONCLUSION**

In summary, the study's findings reveal several key insights. Firstly, it is evident that employee motivation receives a substantial positive boost from their active involvement in the budgeting process at the head office of PT ASDP Indonesia Ferry (Persero). This underscores the vital role of employee participation in enhancing their motivation. Secondly, the research demonstrates a noteworthy relationship between employee motivation and budgetary slacks at the same location. A higher level of employee motivation is associated with a reduced occurrence of budgetary slacks. This implies that fostering a motivated workforce can help mitigate the tendency for budgetary slacks. Thirdly, the study highlights a positive and significant link between budget participation and budgetary slacks at the head office of PT

ASDP Indonesia Ferry (Persero). In essence, a greater involvement of employees in the budgeting process is connected to a higher likelihood of budgetary slacks, indicating the need for careful oversight in such scenarios. Lastly, the research shows that employee motivation serves as a mediator in the relationship between budgetary slacks and budget participation. This underscores the pivotal role of employee motivation in moderating the impact of budget participation on budgetary slacks.

These findings have important implications for organizations, particularly within PT ASDP Indonesia Ferry (Persero). It suggests that encouraging the active participation of employees in the budgeting process can be a valuable strategy to boost motivation and simultaneously reduce the prevalence of budgetary slacks. Additionally, organizations should be cautious when budget participation is excessively high, as it may lead to an increased risk of budgetary slacks. Recognizing the role of employee motivation as a mediator highlights its significance in managing budget-related challenges.

To capitalize on these insights, organizations should consider implementing measures to promote employee engagement in the budgeting process, such as regular feedback sessions and training. Furthermore, a balanced approach to budget participation is advisable to maintain control over budgetary slacks. Companies should also invest in initiatives to enhance employee motivation, such as recognition and reward programs, as this can serve as a valuable tool for controlling budgetary slacks. Overall, a comprehensive understanding of these relationships can aid in optimizing budgeting processes and fostering a more motivated and efficient workforce within PT ASDP Indonesia Ferry (Persero) and beyond.

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