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DETERMINANTS OF THE PROPENSITY TO CREATE BUDGETARY SLACK IN NIGERIA: BEHAVIOUR RELATED THEORIES PERSPECTIVE

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ABSTRACT

The study investigated the determinants of the propensity to create budgetary slack in Nigeria from the perspective of behaviour related theories. The study is a survey of subordinate managers and employees of firms listed in the Nigerian Stock Exchange. The data used for the analysis were obtained from questionnaire administered on 1,340 employees of the 177 firms quoted on the main board of the Nigerian Stock Exchange as at December, 2017 out of which 338 were retrieved, and only 269 (79.58%) were found usable. The validity and reliability of the test items were estimated through factor analysis, while the specified model was estimated using a qualitative response (ordered logit and probit) model, after diagnostic tests such as normality, multicollinearity and heteroscedasticity were conducted. The study reveals that the propensity to create budgetary slack in Nigeria is moderately high. The analysis shows that multiple use of budget, pressure, and participation all has positive and significant relationship with the creation of budget slack. On the other hand, reward, ethics, organizational commitment, size and information asymmetry have negative but significant relationship with the creation of budgetary slack. The analyses also show that organizational stability has a positive but insignificant relationship with the creation of budgetary slack. The study recommends that subordinate managers and employees who participate in the budgeting process should be closely monitored by management of firms and that management should also maintain close contact with the environment to enable them have a working knowledge of the local operating conditions to reduce information asymmetry and budgetary slack. The study also recommends that if budget targets must be used for evaluating performance of employees and managers, firms must ensure that the budget targets reflect operating realities and conditions. Furthermore, the study recommends that firms should ensure all employees imbibe a culture of strong international best practices by placing high premium on ethics and reputational concerns.

KEYWORDS

budgetary slack, opportunism, intentions, behavior, propensity.

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1. INTRODUCTION

The global meltdown at the dawn of the 21st century which sent shock waves across national economies opened up a new vista in the operation of firms in Nigeria. Expectedly, this phenomenon exacerbated the competition in the business environment and became the harbinger of the intense quest for survival among firms, compelling businesses to explore measures for controlling operations and making better decisions. Interestingly, target setting became a common feature among Nigerian firms – both large corporations and small and medium scale enterprises (SMEs). Prior to these events, budgeting was more of annual routine exercise. There were no monthly performance reviews (MPRs) or quarterly performance reviews (QPRs) and managers were not held responsible for achieving budget targets. In a bid to surmount competition and ensure a healthy financial performance and position, management of firms began to set targets for individual managers and branches. With time, this process became part of conditions for employment as prospective employees are required to sign a contract of employment containing clauses of deliverables expected of them such as customer acquisition, increase in sales and market share, deposit mobilization and so on. Consequently, staff appraisal was then tied to the budget for the period and payment of the variable portion of staff pay and continuity on the job are tied to performance to wit: achievability of planned targets.

When organizations use budgets for performance evaluation, and as basis for some compensation plans, there is the tendency to provide economic incentive for subordinate managers to misrepresent their capability and create slack into the budget (Damrongsukniwat, Kunpanitchakit, & Durongwatana, 2015). This is because humans as rational beings always seek to maximize their interest and are therefore prone to engaging in dysfunctional behaviours that are usually at variance with the goals of the organization. Creation of slack into the budget makes a budget to be achieved with relative ease and paints an untrue picture of employees' performance, leading to failure in achieving the fundamental purpose of the budget, and making the practice of comparing actual performance to budgeted data a meaningless exercise (Yuen, 2004).

Firms in Nigeria (especially financial services firms), frequently evaluate managers' performance in comparison with their operating budgets which are also used for target setting and resource allocation decisions as well as rewarding/sanctioning managers. In view of the pervasive influence of budgeting and the heavy reliance placed on it by Nigerian firms, it is not unlikely that the tendency to create slack into the budget by employees of these firms will be high as the frequent staff turnover and the attendant job insecurity in the country could compel managers and employees to create slack into the budget as a way of obviating job loss. While previous studies such as Leavin, Karim and Siegel (1997), Indjejikian and Matejka (2006) used performance target achieved as perceived by managers to measure budgetary slack creation because budgetary slack is not amenable to direct observation; Damrongsukniwat, Kunpanitchakit and Durongwatana (2015)

used achievability of annual performance target (that is, variance between actual and budget amounts) to measure budgetary slack. These researchers argue that the more easily a target is achieved, the higher the likelihood of slack having been built into the budget. These arguments seem to suggest that budget target may not be achievable unless it contains slack.

Previous studies like Merchant and Manzoni (1989); Leavin, Karim and Siegel (1997), Indjejikian and Matejka (2006) used performance target achieved as perceived by managers to measure budgetary slack creation because budgetary slack is not amenable to direct observation. Damrongsukniwat, Kunpanitchakit and Durrongwatana (2013) used achievability of annual performance target (that is, variance between actual and budget amounts) to measure budgetary slack. They argue that the more easily a target is achieved, the higher the likelihood of slack having been built into the budget. These arguments seem to suggest that budget target may not be achievable unless it contains slack. This study advocates that using the ease of achieving the target to imply the presence of slack is subjective. The study takes the view that behavioural intention and orientations constitute more objective measures of budgetary slack as slack itself is more of a behavioural phenomenon than otherwise. Intentions are strong factors that inspire behaviour. Therefore, this study measured budgetary slack creation by the simultaneous consideration of the influence of behavioural intention and opportunistic behaviour through the constituent elements of behavioural intention and opportunistic behaviour. Moreover, while the study conducted by Steven (2000; 2002) which examined the concern for personal reputation and ethics as factors that influence budget slack was carried out in a contrived environment, this study relied on survey.

Studies have been conducted in Nigeria on various aspects of the determinants of budgetary slack. Such studies like Adeyemi and Omorogbe (2012), Ajibolade and Akinniyi (2013) and Ogiedu and Odi (2013), concentrated mainly on budget participation which is just one of the determinants of budgetary slack. This study provides a broader perspective of the determinants of budgetary slack through the consideration of the various components of behavioural intention and opportunistic behaviour as theoretical factors that influences the creation of budgetary slack. Similarly, Ogiedu, Isenmila, and Otor (2017) examined the relationship between behavioural intentions and the creation of budgetary slack by looking at three variables: attitude towards slack, subjective norms and perceived behavioural control. On their part, Otor, Ogiedu, and Isenmila (2017) studied the determinants of budgetary slack creation from the opportunistic behavior viewpoint by examining the three variables of opportunistic behavior, information asymmetry, and budget participation. This study combined four behavior related perspectives: Attitude, subjective norm, perceived behavioural control, and opportunistic behavior.

In the light of the foregoing, the main objective of this study is to ascertain the determinants of the propensity to create budgetary slack in Nigeria from behaviour related theories perspective. To achieve this objective, the following research questions were formulated: 1) What is the extent of the propensity to create budgetary slack by managers and employees of Nigerian firms?; 2) To what extent does reward affect the propensity to create budget slack?; (3) What is the relationship between ethical/ reputational concern and the propensity to create budget slack?; (4) What is the relationship between budget pressure and the propensity to create budgetary slack?; (5) What is the relationship between organisational commitment and the propensity to create budgetary slack?; (6) What is the relationship between organisational stability and the propensity to create budgetary slack?; (7) What is the relationship between multiple use of budget and the tendency to create budgetary slack? (8) What is the relationship between size of the organisation and the propensity to create budgetary slack?; (9) what is the relationship between budget participation and the tendency to create budgetary slack? (10) what is relationship between information asymmetry and the propensity to create budgetary slack?

To achieve the objectives of the study, the following hypotheses formulated in the null form were tested:

H₀₁: There is no significant relationship between reward and propensity to create budgetary slack.

H₀₂: There is no significant relationship between ethical/ reputational concern and the propensity to create budgetary slack.

H₀₃: There is no significant relationship between budget pressure and the propensity to create budgetary slack.

H₀₄: There is no significant relationship between organisational commitment and the propensity to create budgetary slack.

H₀₅: There is no significant relationship between organisational stability and the propensity to create budgetary slack.

H₀₆: There is no significant relationship between multiple use of budget and the tendency to create budgetary slack.

H₀₇: There is no significant relationship between size of the organisation and the propensity to create budgetary slack.

H₀₈: There is no significant relationship between budget participation and the tendency to create budgetary slack.

H₀₉: There is no significant relationship between information asymmetry and the propensity to create budgetary slack.

The remainder of this paper is divided into sections: (2) Literature review and hypotheses development, (3) Methodology, (4) Data analysis and Discussion of findings, and (5) summary of findings and recommendation.

2. LITERATURE REVIEW

2.1 INTRODUCTION

The objective of this section is to explore existing literature on the determinants of budgetary slack. The section reviews literature that clarifies the key concepts of budgetary slack, and also reviews literature on the variables and the development of the hypothesis. The section is concluded with a theoretical framework.

2.2 BUDGETARY SLACK

The notion of organizational slack formulated by Barnard (1938) marked the beginning of discussions on budgetary slack in the literature on accounting. According to Banovic (2005), until the early 1950, accounting literature and practices treated budgeting as a technical phenomenon only. But he also pointed out that practitioners were of the opinion that organisations where good technical budgeting was practiced, sometimes had social-psychological events related to budgeting that were undesirable.

Padding the budget (introducing slack into the budget) is the practice of reducing or underestimating budgeted revenues and/or increasing or overestimating budgeted costs in order to have budgeted targets that are easy to achieve. The introduction of budget slack increases the likelihood that actual revenues will be more than the budgeted amounts. In other words, budgetary slack hedges against unexpected circumstances that are adverse. It potentially diminishes the purpose of comparing actual performance to budgeted data by creating wastages and inefficiencies (Bhimani, Hongren, Datar & Foster, 2008; Hopewood, 1972; Yuen, 2004).

Budgetary slack results when employees or managers hide some privileged information from their superiors, and intentionally misrepresent that information in order to derive personal benefit, and maximize their own utility by over estimating costs and under estimating revenue (Damrongsukniwat, et al., 2013). According to Stevens (2000) "While top management has the formal power to accept or reject the proposed budget, they may be unable to detect the level of slack in the budget due to subordinates' private information regarding local operating conditions" (p.4).

Merchant(1985), posits that the existence of budget slack affects the budgeting process negatively because budgetary slack provides the avenue for a budget to be easily achieved and gives a false perception of manager's performance, defeating the primary purpose of budget. Young (1985) defines budget slack as "the amount by which subordinates underestimate their productive capability when given a chance to select a work standard against which their performance will be measured" (p.831).

In the views of Merchant (1985), budgetary slack is the difference between budgeted amounts in a particular area and what is considered appropriate. Slack entails the use of organisations' resource by employees in excess of what is required (that is, employees' unreasonable utilisation of resources) in terms of their efforts toward achieving the objectives of the organisation (Merchant & Van der Stede, 2007)

Lukka (1988) defines bias in the budget as a deliberately created difference between the forecast or estimate about the future and the proposed budget figure. Budgetary slack has also been defined as the intentional overestimation of costs or resources needed to accomplish a proposed task and/or underestimation of revenues and productive capabilities (Dunk & Nouri, 1998).

Slack in the budget is created when subordinates understate their capacity to perform a task either by overestimating costs of carrying out the tasks and/or underestimating revenue derivable, or by understating the capabilities of a segment or unit of a business (Hobson, Mellon & Stevens, 2011). Budgetary slack refers to the excess/shortfall between the budgeted resource and the resource required for the attainment of the goals of the organisation efficiently (Kilfoyle & Richardson, 2011). Stevens (2002), defines budget slack as the amount by which a subordinates underestimate their productive capability at the time of preparing the

budget/estimates on the basis of which his performance will be measured. It is the amount by which requirements for resources exceed what is necessary or understatement of productive capabilities by budget actors (Bradshaw, Hills, Hunt, & Khanna, 2007). Slack can be considered to be a multidimensional construct that has both negative and positive implications for the organisation (Sprinkle, 2003).

In this study, the researcher adopted the definition of budgetary slack proposed by Chow, Cooper, and Haddad (1991) which is stated as the subordinates' intentional biasing of performance targets below their expected levels *and capabilities in order to make budgeted targets more easily achievable (Italics, ours)*. We therefore define budgetary slack as the intentional biasing of performance targets by subordinates below their expected levels and capabilities during budget proposal section in order to make budgeted targets more easily achievable. This definition is based on the review of the two theories upon which this work rests.

2.3 LITERATURE REVIEW ON VARIABLES

There are two types of variables in the study: the dependent and the independent variables. The dependent variable is budgetary slack while the main independent variables are attitude towards slack, subjective norm, perceived behavioural control, and opportunistic behavior.

2.3.1 Attitude and budgetary slack

Attitude is a measure of the individual's belief about the outcome of the behavior and evaluation of the expected outcome. The practice of linking rewards to budget performance can lead to budgetary slack. The stronger the link between the reward and performance, the greater the motivation to create slack into the budget (Heneman, Schwarb, Fossum & Dryer, 1980).

Attitude towards budgetary slack entails the individual's positive or negative assessment of the result of creating budgetary slack. Thus, attitude refers to the innate rational behaviour of employees which propels them to create slack into the budget. Attitude towards budget slack is determined by reward and ethical reputational concerns and it is these two variables that are used to represent attitude towards budget slack in this study.

2.3.1 (a) Reward and budgetary slack

The practice of linking rewards to budget performance can lead to budgetary slack. Prior studies show that expected rewards motivate employee to perform. However, the ability of a monetary reward system to motivate employees depends on whether the employee's perception of the relative capacity of the system and their belief that improved performance can lead to achievement of rewards (Vroom, 1964). The major determination of how compensation influences motivation to perform largely depends on the relationship between performance and pay (Lawler, 1971). It has been found that the stronger the link between reward and performance, the greater the motivation to create slack into the budget (Heneman, Schwarb, Fossum & Dryer, 1980). In the views of Lawler (1971), the necessary condition for pay to motivate performance is the belief by employees that high quality performance leads to increased pay. When rewards such as career advancement (promotion) and pay are based on employees' ability to meet set targets, budgetary slack is created by the actors to make achievability of target easy. It can therefore be argued that when a firm's reward system is linked to achievement of budget targets, managers are motivated to create budgetary slack in anticipation of rewards for the achievement of targets, that is, improved remuneration package (Hannan & Kuang, 2012). The hypothesized relationship between reward and propensity to create budgetary slack is stated thus:

Hypothesis 1: There is no significant relationship between reward and propensity to create budgetary slack

2.3.1 (b) Ethical /Reputation Concerns and budgetary slack

Budgetary slack which results from opportunistic use of private information is an ethical issue which occurs when subordinates deliberately decide to withhold accurate information or misrepresent actual information to superiors (Maiga & Jacobs, 2008; Sprinkle, 2003). When an organisation hires a person for a job, that individual brings in both specialized job skills and personal ethics. Ethics refers to a set of principles a person uses to decide whether an action is reasonable or unreasonable (Collins, 2012). Employees and managers who have high concern for reputation strives to uphold high ethical standards and would usually detest creating slack into the budget, while those with low concern for ethics will do otherwise. The apriority expectation of the relationship between ethical/reputational concern and the propensity to create budgetary slack is stated as follows:

Hypothesis 2: There is no significant relationship between ethical/ reputational concern and the propensity to create budgetary slack

2.3.2 Subjective norm and budgetary slack

Subjective norm refers to a person's belief regarding the thinking of others about the propriety of creating slack in the budget. Managers and employees feel that employers expects them to meet target and this can sometimes propel them to create slack so that they can achieve set target easily. The relationship between subjective norm and budgetary slack is captured under: budget monitoring and budget pressure and these variables constitute or form the basis for the hypotheses based on subjective norms below.

2.3.2 (a) Budget pressure and budgetary slack

Budget pressure constitutes one of the important factors that contribute to the creation of slack in the budget. The process of budgeting requires commitment from everybody involved. The possibility of the budget goals not being achieved is a probable a source of pressure. This pressure can create tension and make the individual to attempt to overcome the pressure by creating slack into the budget. Studies conducted by Yuen (2007) and Tagwireyi (2012) found that tight budgets could lead to behaviours that are not desirable by managers who are put under intense pressure to attain such targets. Employees and managers exhibit behavior to create budget slack when they underestimate their productive capacity to remove possible work pressure from the perceived tight budgets so as to satisfy personal aspirations in years of good fortune, with the hope of converting the slack into profit during years of unfavourable fortunes. Thus, budgetary slack increases with pressures that result from targets that appear hard to achieve. Therefore, hypothesized relationship between budget pressure and propensity to create budgetary slack is stated thus:

Hypothesis 3: There is no significant relationship between budget pressure and the propensity to create budgetary slack

2.3.2 (b) Organisational commitment and budgetary slack

There is no generally agreed definition of organisational commitment. However, some attempts have been made to define the concept. Ogedu and Odia (2013) define organisational commitment "as either employee's attitudes or as a force that binds an employee to an organisation" (p.255). Organisational commitment has also been described as the passion an employee has for the organisation he/she works for resulting from his/her willingness to identify with the organisation's expectations (goals and values) and a strong desire to remain loyal and continue to be a part of that business (Porter, Steers, Mowday & Boulian, 1974; Steers, 1977).

Organisational commitment is not just a passive interest in or obedience to the organization; it encompasses the willingness of the employee to work for the overall interest of the organisation (Eker, n.d). Qi (2010) argues that when subordinates participate in the process of budgeting, it has the tendency to motivate them and increase their commitment thereby improving their job satisfaction and performance. Moreover, the degree to which the organization and management are committed to the budget has significant impact in the determination of whether or not employees/managers will create slack into the budget. Also the extent to which lower level subordinates are monitored at the point of preparing the budget have the tendency of reducing the possibility of slack creation as such practices will be detected easily (Bradshaw, et al., 2007). Consequently, the apriori expectation is expressed as follows:

Hypothesis 4: There is no significant relationship between organisational commitment and the propensity to create budgetary slack

2.3.2 (c) Organisational stability and budgetary slack

Stability creates certainty in an organisation but change in structure has the capacity to diminish the benefits of this stability and create budgetary slack in the organisation. In stable organisations, the chance of budgetary slack being created by the operators of the budget appears to be lower (Bradshaw, et al., 2007). Organisations that are relatively stable are not likely to mount unnecessary pressure on employee to meet set targets. Therefore, the relationship between organisational stability and propensity to create budgetary slack states as follows:

Hypothesis 5: There is no significant relationship between organisational stability and the propensity to create budgetary slack

2.3.3 Perceived behavioural control and budgetary slack

When employees perceive that the budget targets are hard to achieve, they may be tempted to adopt measures that could assist them achieve the target by playing games. Perceived behavioural control refers to the perception of the ease or difficulties that the individual may encounter while attempting to perform the behaviour. Perceived behavioural control is employees' perception of the relative ease or difficulties they may encounter while carrying out their functions.

Undue emphasis on meeting the budget goals and multiple use of budget can engender perceived behavioural control and consequently, the creation of slack in the budget. Dimensions of behavioural control include multiple use of budget and size of the organisation

2.3.3 (a) Multiple use of budget and budgetary slack

The use of budget for both performance and accountability measures is described as multiple use of budget. The practice of putting great emphasis on the attainment of budget target and the use of budget for the performance evaluation of subordinates potentially leads to high job-related tension. High budget emphasis thus, encourages employee to find ways of protecting themselves from risk of not meeting such budget target (Lukka, 1988). Overemphasis on this measure can lead to a form of dysfunctional behaviour where a manager embarks on actions that improve budgetary performance in the short run but bring long term damage to the firm. Managers who engage in this kind of behaviour usually have short period to stay in their present position. These are usually cases where managers spend between three to five years in a position of responsibility before being promoted or transferred to a new area of responsibility. Thus, it is their successors who pay the price for their myopic behaviour (Shields, 2005).

The most appropriate way to avoid such behavior is to ensure that managers are evaluated based on more than one dimension, including among others long-run attributes such as productivity, quality, and personnel development. It is quite true that financial measures of performance are relevant, but overemphasis on them can produce undesired outcomes (Bhimani et al., 2008). The multiple use of budget has the tendency of encouraging managers to create slack in the budget at the time of formulating the budget to cover any unexpected expense and still be within the budget while at the same time enhancing their performance (Bradshaw, et al., 2007). Therefore, the hypothesized relationship between multiple use of budget and the tendency to create budgetary slack states as follows:

Hypothesis 6: There is no significant relationship between multiple use of budget and the propensity to create budgetary slack

2.3.3 (b) Size of organization and budgetary slack

In larger entities, the detection of budgetary slack will no doubt be cumbersome hence the chances of the existence of slack will be high. Therefore, there is the possibility of a positive relationship between the size of the company and the prospect of budget slack occurring (Bradshaw, et al., 2007). Size in this study shall be measured with total assets. Given that goal of every organization is to enhance the size of its statement of financial position, the higher the total asset the greater the size of the firm. Large organisations may not be able to monitor all employees during the budgeting process hence the chances of creating slack may be high. The presumed relationship between multiple use of budget and budgetary slack is hypothesized thus:

Hypothesis 7: There is no significant relationship between size of the organisation and the propensity to create budgetary slack

2.3.4 Opportunistic behaviour and budgetary slack

Viewed from Agency Theory, slack in an organization is created in the form of budgetary slack as a result of discretionary behaviour that occurs in an agency relationship as a consequence of the existence of bonding and monitoring costs which enable the agent to have sufficient control over certain resources that can be exploited to satisfy personal preferences at the expense of the organisation (Jensen & Meckling, 1976; Leitner, 2009). This is what Williamson (1964) referred to as opportunism. Opportunism is defined as a serious attempt to satisfy individual gains through dishonesty or insincerity in business dealings. Creating slack into the budget increases agency cost as it leads to suboptimal decisions in the allocation of resources since such decisions are predicated on inaccurate information (Maiga & Jacobs, 2008). In the budgeting process, these problems occur through information asymmetry when subordinate managers and employees are allowed to participate in setting budget targets.

2.3.4 (a) Participation in budgeting and budgetary slack

Budget participation describes a situation whereby subordinates are allowed to take part in and exercise influence on the budgeting process and budget targets. In this study, the term "participation" is conceptualised as participation in setting performance objectives or targets, which include financial and non-financial targets as distinct from most prior accounting literatures which narrowly interpreted participation conceptually as budget participation (Sholihin & Pike, 2013). Budget participation can affect an organisation's goals either positively or negatively depending on the level of employee commitment.

Participation in budget provides the opportunity and space for the employee to engage in the creation of slack (Young, 1985). Lowe and Shaw (1968) stated that employee do budgetary slack to protect their own interest and this action is economic rational behaviour. This is also supported by Lukka (1988) who argued that a high degree of participation gives subordinate managers the opportunity to contribute directly to the creation of slack and vice versa. This leads us to the next hypothesis as follows:

Hypothesis 8: There is no significant relationship between budget participation and the tendency to create budgetary slack

2.3.4 (b) Information asymmetry and budgetary slack

Information asymmetry refers to a situation where there is a difference in the amount of information between two or more parties in a contractual relationship. The direct effect of information asymmetry in any transaction is that the party who possesses more information derives more benefits than the other who may have less (Klann, Gomes, Gruel, & Bezerra, 2014; Pires, 2008). The actions related to information asymmetry manifests in the two forms: adverse selection, which takes place prior to the contract, and moral hazard, which occurs after the contract has been entered into (Santos, 2007). Adverse selection is indicated when principal and agents do not possess the same amount of information which consequently results to information asymmetry. The implication is that the principal is unable to determine the effect of the agent's actions as they both possess different amount of information because the agent decides to hoard information for personal benefit (Faria & Silva, 2013). Thus, adverse selection describes the possibility of one party obtaining information which aids decision geared towards private benefits. In other words, the employee will bias the information for the purpose of maximizing personal interest (Varian, 2006). The intentional provision of false and misleading information is what some researchers have described as employee dishonest reporting of privileged information (Presslee, 2013; Salterio & Webb, 2006).

Moral hazard on the other hand, arises from the difficulties principals encounter in the course of attempting to predict which opportunistic action the agent would take after their hiring, and the problem becomes glaring only after the agreement has been signed by the parties to the contract (Nascimento & Reginato, 2009). The problem of moral hazard occurs because of the possibility of one of the parties in a contract deciding to change his/her behaviour after the contract agreement has been sealed, leading to consequential damage to the unsuspecting party (Faria & Silva, 2013; Pindyck, 2002). The hypothesized relationship between information asymmetry and the propensity to create budgetary slack is stated thus:

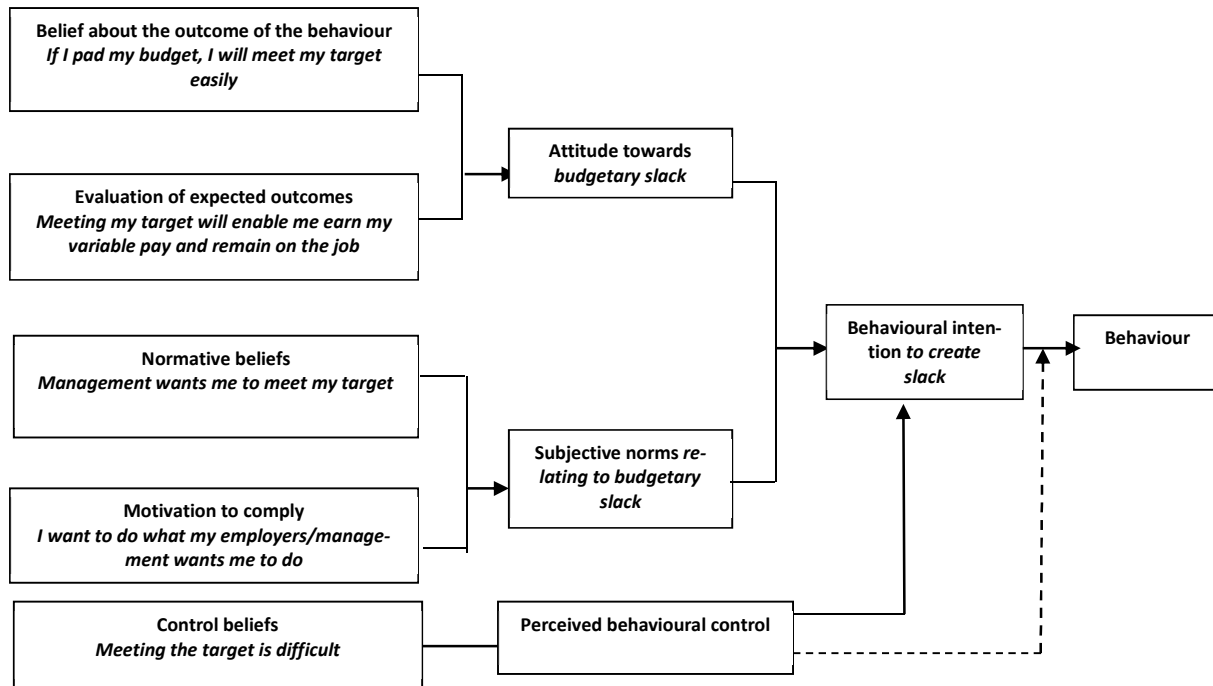
Hypothesis 9: There is no significant relationship between information asymmetry and the propensity to create budgetary slack

2.4 THEORETICAL FRAMEWORK: AGENCY THEORY AND THE THEORY OF PLANNED BEHAVIOUR

The study is based on two broad theories: the agency theory and the theory of planned behavior. Employees and managers as agent act on behalf of the organisation, and as rational being, there is the tendency that they may not always act in the interest of the organisation but seek ways to maximize personal goals. This creates agency problem, hence in part rest on the agency theory. From the Agency Theory perspective, organisational slack is created in the form of budgetary slack as a result of discretionary behaviour which occurs in the agency relationship as a consequence of the existence of bonding and monitoring costs which gives the agent sufficient control over certain resources that can be exploited to satisfy personal preferences at the expense of the organisation (Jensen & Meckling, 1976; Leitner, 2009). This is what Williamson (1964) referred to as opportunism. Opportunism is defined as a serious attempt to satisfy individual gains through dishonesty or insincerity in business dealings.

The Theory of Planned Behaviour (TPB) which is an extension of the Theory of Reasoned Action (TRA) has been used to explain and predict a wide range of behaviours relative to a limited set of constructs (attitude toward the behaviour, subjective norm, perceived behavioural control, and behavioural intention) and in these theories, salient beliefs are considered very important (Ajzen, 2002; Ajzen & Fishbein, 2000; Sutton, et al., 2003). The key components of the TPB used in this study which is depicted in figure 1 (italics, ours) was adopted from Munro, Lewin, Swart and Volmink (2007):

FIGURE 1: ADAPTED FROM MUNRO ET AL. (2007)



The model which describes the links between beliefs, attitudes, norms, intentions, and behaviour of individuals holds that intention to act is both the immediate determinant and the best predictor of behaviour and that intention is itself the result of the combined influence of the person's subjective norms and attitudes that shape the pattern of behaviour (Su & Ni, 2013; Fishbein & Ajzen, 1975). Budgetary slack as a behavioural phenomenon is a usually a premeditated action which the individual can decide to perform or not to perform. The more the motivation to carry out the behaviour, the more likely the performance and a behavioural intention finds expression in behaviour only if that behaviour can be exhibited at the volition of the person i.e., if the person has the ability (behavioural control) to decide at will whether to perform or not perform the behaviour (Ajzen, 1985, 1991; Boston University School of Public Health, 2013).

3. METHODOLOGY

This section gives an overview of the methods, procedures and steps the researcher adopted in the study to ensure that the results of the inquiry are valid, accurate and dependable. The section covers the research design, population and sampling technique, data sources and data collection methods, model specification and operationalization of variables and data analysis method.

3.1 RESEARCH DESIGN, POPULATION, SAMPLING TECHNIQUE AND METHOD OF DATA ANALYSIS

The study adopted survey research method. Survey which is useful for descriptive, explanatory and exploratory purposes is best suited for measuring attitudes and orientations in a large population. This method is considered more appropriate for this study because the research is interested in reporting the intention of managers and employees of Nigerian firms as individuals who are the unit of analysis and the variables measured are attitudes and orientations of the unit of analysis. Moreover, the research is interested in collecting original data to permit a description of the employees and managers of the firms listed on the main board of the Nigerian Stock Exchange (NSE) which is somewhat large and may not be observed directly without difficulties.

The population of study covers all staff of firms quoted on the main board of the Nigerian Stock Exchange (NSE) and this is 129,836 based on the researcher's computation from the annual reports and accounts of the companies. The sample was drawn from the firms in the following sectors namely: Agriculture, Conglomerate, Consumer Goods, Construction and Real Estate, Financial Services, Health Care, Information Communication Technology (ICT), Industrial Goods, Natural Resources, Oil and Gas and Services. However, the following sectors were excluded: Construction and Real Estate, ICT, Oil and Gas, and Services. This is to enable generalization of the results of the study. The firms in the four sectors were excluded because in our opinion, setting targets for individual employee or manager in these firms may not be easy because of the nature of their businesses – it is difficult for the products or services they offer to be easily moved from one place to another or can only be marketed pictorially.

As a result of the difficulty in reaching all members of the population of interest or sampling frame, a subset of the population was determined using the formula proposed by Yamane (1967). This formula is chosen because the sampling error of 5% is considered low enough to give assurance of negligible risk of being wrong. Using a population of 129, 836 and 5% error or 95% confidence level, we have a sample of approximately 400.

The expectation is that there will be about 30% response rate judging from previous experience and so, 1340 copies of questionnaires were distributed. The questionnaires were distributed to the staff of the selected firms on the basis of the proportion of the number of staff in each firm to the total number of staff in all firms to ensure adequate representation. Six research assistants were engaged to complement the researcher's effort and to ensure adequate coverage of the selected firms.

The data used for the study is mainly primary data. The data were culled from the responses to the administered instruments. The questionnaire consists of two sections: Section 1 contained respondents' biodata while section 2 consist of questions relating to the variables of study which were designed on a seven-point Likert scale: strongly agree, moderately agree, mildly agree, neutral, mildly disagree, moderately disagree and strongly disagree. However in analyzing the data obtained using the questionnaire, strongly agree, moderately agree and mildly agree responses are summed up and grouped under AGREE, mildly disagree, moderately disagree and strongly disagree responses are summed up and grouped under DISAGREE. The neutral responses are categorized as NEUTRAL.

Creation of slack was evaluated by three of the four item measures developed by Onsi (1973) and adopted by Kren (1993); Su and Ni (2013). Budget participation was evaluated by the six item measures developed by Milani (1975). This is similar to the scale of participation measure adopted by Maiga and Jacobs (2008) and Ogiedu and Odia (2013). The research estimated ethical concern by adapting the measures adopted by Steven (2000) and Presslee (2013). Evaluation of organizational commitment took the form adopted by Mowday et al. (1979) which was also used by Nouri and Parker (1998) and Eker (2008; n.d). For budget pressure, the measures adopted by Irvine (1979) which has also been used by Leavins et al. (1997) and Yuen (2007) was employed in this study.

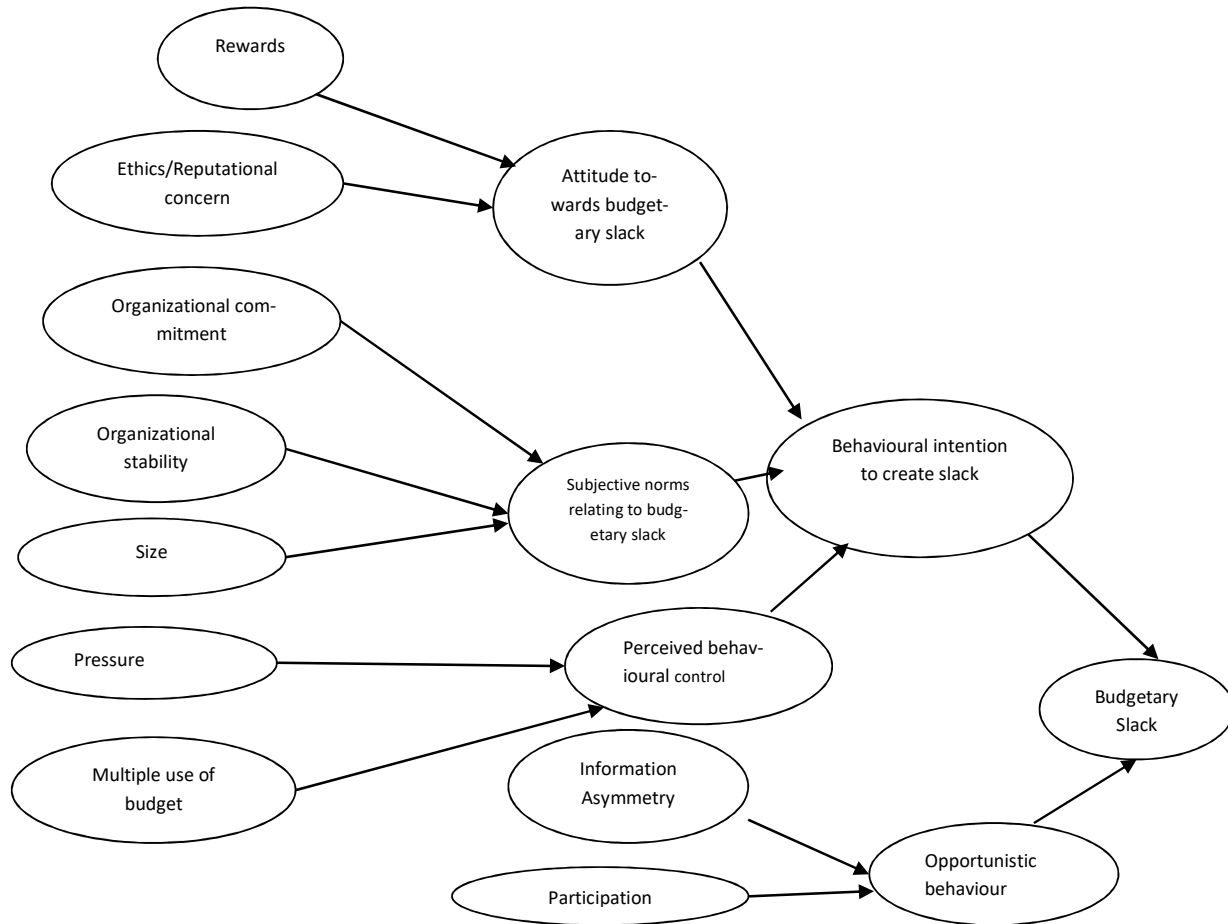
With respect to information asymmetry, this study adapted the measures used by Steven (2000). The researcher adapted the scale measure developed by Onsi (1973) and used by Bradshaw et al. (2007) in estimating size of the organization. Multiple use of budget was estimated using the measures adopted by Bradshaw et al. (2007). The measures enumerated above were adopted because researchers who used them find them to be reliable. To ensure that the result of the measuring instrument is valid and reliable, the study employed Factor analysis using IBM SPSS Statistics 23 to calculate the standardized Cronbach's Alpha in order

to establish the validity and reliability of the constructs or factors. The Cronbach's Alpha coefficient stipulates a standard score above 0.70 for test of reliability. This benchmark is the generally agreed lower limit for the unstandardized Cronbach's alpha. However, in evaluating statistical significance, factor loadings within the range +/- .50 to +/- .70 are considered practically significant, while loadings exceeding +/- 0.70 are indicative of well-defined structure. The bivariate logit and probit models which can be extended to incorporate *multiple ranked categories* was employed for the data analysis (Gujarati, 2004; Wooldridge, 2013). To test the overall conclusion of the models developed in this research, analysis was undertaken to test the models for the regression. The analysis took the form of residual diagnostic test such as: (i) Normality test (ii) test for Multicollinearity, and (ii) test for heteroscedasticity.

3.2 MODEL SPECIFICATION AND OPERATIONALISATION OF VARIABLES

The models specified in this study are hinged on the theories underpinning this work. This is predicated on the fact that most of the variables measured in this study are related to behavioural intentions and orientations. The study adapted the schematic model of the theory of planned behaviour proposed by Munro et al., (2007) and built a part of the model (behavioural intentions) from it. The remaining part is developed from the opportunistic behaviour perspective of the agency theory. The broad theoretical model showing the causal relationships proposed by this study is depicted in figure 2 below:

FIGURE 2: LINK BETWEEN BEHAVIOURAL INTENTION, OPPORTUNISTIC BEHAVIOR AND BUDGETARY SLACK



Source: Researcher (2018)

The econometric form of the broad model is derived and operationalized as follows as:

$$BUDSLACK = \delta_0 + \delta_1 ATTID + \delta_2 SUBJNORM + \delta_3 PEBEHCON + \delta_4 OPPORBEH + u \text{ ----- (1)}$$

Where

- ATTID = Attitude towards budgetary slack
- SUBJNORM = Subjective norms relating to budgetary slack
- PEBEHCON = Perceived behavioural control
- OPPORBEH = Opportunistic behaviour

And:

- ATTID = f (REWARDS, ETHICS) -----(2)
- SUBJNORM = f (ORGCMM, ORGSTAB, SIZE) -----(3)
- PEBEHCON = f (PRESSURE, MUBUDG) -----(4)
- OPPORBEH = f (INFASYMM, PARTI) -----(5)

Where

- REWARDS = Reward system
- ETHICS = Ethical/Reputational concern
- ORGCMM = Organisational commitment
- ORGSTAB = Stability of the organization
- SIZE = Size of the organization
- PRESSURE = Pressure arising from prospect of not achieving the goals of budget that is perceived to be tight by managers/employees.
- MUBUDG = multiple use of budgets i.e. using the budget for several purposes like accountability and performance measure

Model

The final model for the study is as shown in equation 6:

$$BUDSLACK = \lambda_0 + \lambda_1 REWARDS + \lambda_2 ETHICS + \lambda_3 ORGCMM + \lambda_4 ORGSTAB + \lambda_5 SIZE + \lambda_6 PRESSURE + \lambda_7 MUBUDG + \lambda_8 INFASYMM + \lambda_9 PARTI + u \text{ -----(6)}$$

4. RESULTS AND DISCUSSIONS

4.1 VALIDITY AND RELIABILITY OF MEASUREMENT

From a total of 1,340 questionnaires distributed to the employees of the selected firms, 338 were retrieved/returned translating to a response rate of 25.22%. About 69 (20.41%) of the returned forms were found to be unusable because they were either not properly completed or were completed by those who are neither involved in the budgeting process nor had budget target set for them or their unit/department/branch.

Table 2 presents the result of the factor analysis for the test items measuring the creation of budgetary slack, ethical/reputational concern, organisational commitment, organisational stability, budget pressure and monitoring, multiple use of budget, budget participation and information asymmetry. The test items for all the variables are sufficiently high with λ between 0.458 and 0.961 and eigenvalues between 1.038 and 4.159. These indicate that the items are practically significant. The factor explains between 31 and 92 percent of the variation {communality (λ^2)} in the distribution of items. The Kaiser-Meyer-Olkin (KMO) value of 0.500 and 0.852 shows that the sample size is adequate, while the unstandardized Cronbach-Alpha of 0.32 to 0.87 confirms the reliability of test items or the existence of internal consistency.

TABLE 2: ROTATED FACTOR MATRIX (OBLIMIN)

Variable	λ	Cronbach's alpha	Eigen value	KMO	% variance extracted	χ^2	χ^2 :p value	λ^2	Factors
BUDSLACK	0.823	.67(.657)	2.21	0.549	0.55	909.601	0	0.714	F1
REWARDS	0.882	.88(.87)	4.159	0.852	0.59	1032.87	0	0.505	F1
ETHICS	0.796	.39(.32)	2.195	0.63	0.31	271.845	0	0.706	F1
ORGCMM	0.735	.82(.79)	3.111	0.739	0.34	1177.995	0	0.643	F1
ORGSTAB	0.68	.43(.42)	1.414	0.518	0.47	40.393	0	0.471	F1
PRESSURE	0.832	.443(.436)	2.1147	0.602	0.27	257.908	0	0.751	F1
MUBUDG	0.823	.53(.51)	1.356	0.5	0.68	36.143	0	0.678	F1
PARTI	0.761	.62(.584)	2.343	0.557	0.39	259.747	0	0.72	F1
INFYASYMM	0.765	.764(.758)	2.37	0.678	0.59	324.683	0	0.593	F1

Source: Researchers' computation (2018) from IBM SPSS Statistics 23

4.2 DIAGNOSTIC TESTS

The diagnostics tests conducted for the regression results in line with the ordinary least square (OLS) regression assumptions are: normality, heteroscedasticity and multicollinearity tests.

TABLE 3: DIAGNOSTIC TEST FOR THE REGRESSION RESULTS

Variable	Normality	Heteroskedasticity	Multicollinearity Centered VIF
C	NA	Bruesch-Pagan-Godfrey	NA
BUDSLACK	9.62 (0.008)	F = 1.753 (F12,255); Prob. = 0.056	NA
REWARD	89.40(0.000)	Obs*R ² = 20.427; Prob. = 0.059	317.68
ETHICS	32.85(0.000)	GLEJSER	133.84
ORGCMM	52.32(0.000)	F = 2.544(F12,255); Prob. = 0.003	1.74
ORGSTAB	14.69(0.000)	Obs*R ² = 28.65; Prob. = 0.004	2.13
LNSIZE	1388.69(0.000)	RAMSEY'S RESET	1.47
BPRESSURE	84.10(0.000)	F = 3.286 (F 12,255); Prob. = 0.07	61.59
MUBUDG	48.98(0.000)	t = 1.813 Prob. = 0.07	327.81
PARTI	28.30(0.000)		1.11
INFYASYMM	21.57(0.000)		1.90

Source: Researchers' computation (2017) from E-view 9.5

The result of the diagnostic test in table 3 shows that all the variables are normally distributed thus: BUDSLACK= 9.62 (0.008); REWARD = 89.40(0.000); ETHICS = 32.85 (0.000); ORGCMM = 52.33(0.000); ORGSATB = 14.69(0.000); LNSIZE = 1388.69(0.000); MUBUDG = 48.98(0.000); PARTI = 28.30(0.000) and INFYASYMM = 21.57(0.000). The centred variance inflation factors were high for some of the variables, reaching 317.68 and 327.81 for REWARD and MUBUDG respectively. However, not all the VIF values are high, thus giving the impetus for estimating the model specified in equation 6. The chi-square values are similar for both Glejser and Breusch-Pagan-Godfrey techniques suggesting the heavy presence of heteroscedastic disturbances in the cross sections used for the survey. The F-statistic for the Ramsey's RESET suggests that the model has not been wrongly specified.

4.3 DATA PRESENTATION

Table 4 presents the descriptive statistics of responses on the variables of this study derived from appendix C. While the strongly agree, moderately agree and mildly agree responses are summed up and grouped under AGREE, mildly disagree, moderately disagree and strongly disagree responses are summed up and grouped under DISAGREE. The neutral responses are categorized as NEUTRAL.

TABLE 4: DESCRIPTIVE STATISTICS OF RESPONSES

	AGREE (%)	NEUTRAL (%)	DISAGREE (%)	OBS
BUDSLACK	497 (61.59)	90 (11.15)	220 (27.26)	807
PARTI	1270 (78.69)	102 (6.32)	242 (14.99)	1614
ORGCMM	2050 (84.68)	110 (4.54)	261 (10.78)	2421
PRESSURE	1638 (76.11)	188 (8.74)	326 (15.15)	2152
REWARD	1305 (69.3)	176 (9.35)	402 (21.35)	1883
INFASYMM	654 (60.95)	143 (13.33)	276 (25.72)	1073
ETHICS	1113 (83.12)	92 (6.87)	136 (10.16)	1339
MUBUDG	421 (78.25)	30 (5.58)	87 (16.17)	538
ORGSTAB	470 (58.24)	117 (14.50)	220 (27.26)	807

Source: Researchers' computation (2017)

From table 4 above, 61.59% of the respondents agree that the three test items measuring budgetary slack contribute to the creation of budgetary slack, 11.15% of the respondents neither agreed nor disagreed, while 27.26% disagree. On the test items measuring participation in the budgeting process, while 78.69% agreed with the suggested items, 14.99% disagreed. With respect to items evaluating organizational commitment, while 4.54% were undecided, 10.78% disagreed and 84.68% agreed. For pressure, reward and information asymmetry, while 76.11%, 69.3% and 60.95% agree, 15.15%, 21.35 and 25.72% disagree respectively.

4.4 REGRESSION RESULTS, HYPOTHESIS TESTING AND DISCUSSION OF RESULTS

In order to provide the empirical analysis of the study as well as lay the foundation for testing hypotheses in the study, the model specified section two was estimated and analyzed using the ordered logit and probit econometric technique. For the ordered estimation conducted in this study, the main statistics of interest are the coefficient estimates and their corresponding significance. The diagnostic statistics (such as the McFadden Pseudo R-squared values) provide less useful representation of the models. However, the Lagrangian ratio (LR) statistic, provide some information on the performance of the estimated model. Three approaches are used for the estimation of the censored model. The choice of the best model to interpret is based on the size of the LR value for each of the reports. The one with the least LR value performs better in terms of output.

TABLE 5: ESTIMATED RESULTS FOR MODEL

Variable	Probit			Logit			Extreme value		
	Coef.	z-Stat.	Prob.	Coef.	z-Stat.	Prob.	Coef.	z-Stat.	Prob.
REWARD	-1.788	-2.17	0.03	-3.350	-2.40	0.02	-2.014	-2.04	0.04
ETHICS	-2.159	-2.61	0.01	-4.085	-2.88	0.00	-2.327	-2.33	0.02
ORGGCOMM	-0.424	-4.07	0.00	-0.803	-4.33	0.00	-0.544	-4.68	0.00
ORGSTAB	0.142	1.31	0.19	0.357	1.83	0.07	0.350	2.69	0.01
LNSIZE	-0.511	-3.87	0.00	-1.008	-3.78	0.00	-0.883	-4.97	0.00
MUBUDG	3.094	3.62	0.00	5.689	3.89	0.00	4.489	4.33	0.00
PRESSURE	3.069	3.71	0.00	5.467	3.91	0.00	4.263	4.17	0.00
PARTI	0.518	6.05	0.00	0.920	5.83	0.00	0.637	5.88	0.00
INFASYMM	-0.231	-3.51	0.00	-0.447	-3.85	0.00	-0.275	-3.83	0.00
Pseudo R-squared	0.076			0.079			0.093		
LR statistic	103.1 0.000			107.4 0.000			126.5 0.000		

Source: Researchers' computation (2017) from E-view 9.5 (Student Version)

The regression result for REWARD shows the coefficient is significant (-2.40, p = 0.02) at 5%, and high but negative at (-3.50). Therefore, the null hypothesis (H01) that reward has no significant relationship with the creation of slack is rejected. The regression result of ETHICS shows that ethics has a negative (-4.09) impact on budgetary slack and it is significant at 5% (-2.88, with p = 0.00). Consequently, the null hypothesis (H02) stating that ethics/reputational concerns have no significant relationship with creation of budgetary slack is rejected.

The regression result reveals that the coefficient of PRESSURE is positive (5.47) and significant (3.91) at 1% (p = 0.00). Thus, the null hypothesis (H03) that pressure does not contribute to budgetary slack creation is rejected.

The regression result reveals that ORGGCOMM has a negative (-0.803) and significant (-4.33 with p = 0.00) effect on budgetary slack creation. Therefore, the null hypothesis (H04) of no significant relationship is rejected.

From the regression result, the coefficient of ORGSTAB is positive (0.36) but not significant at 5% (1.83, p = 0.07). Thus, the null hypothesis (H05) which states that there is no significant relationship between organizational stability and the creation of budgetary slack is not rejected.

From the regression result, the coefficient of MUBUDG is high and positive at 5.69 and the z-value is 3.89 with p = 0.00, thus, the null hypothesis (H06) stating that there is no significant relationship between multiple use of budget and the creation of budgetary slack is rejected.

The regression result reveals that the coefficient of LNSIZE (-1.01) is significant at 5% with z-value -3.78 and p = 0.00. In view of this result, the null hypothesis (H07) stating that the size of the organisation has no significant relationship with creation of budgetary slack is rejected.

The regression result shows that the coefficient of PARTI is positive (0.92) and significant at 1% (5.83 with p = 0.00), therefore, the null hypothesis (H08) which states that budget participation has no significant relationship with the creation of budgetary slack is rejected. The regression result reveals that INFASYMM has a negative (0.45), but significant (-3.85, p = 0.00) relationship with the creation of budgetary slack. Therefore, the null hypothesis (H09) of no significant relationship with the creation of budgetary slack is rejected

In the results shown above, the coefficients of the variables representing attitude towards slack (i.e., rewards and ethics both have negative and significant coefficients. The implication of this result is that when rewards and high ethics are in place in the organization, the attitude of the employees would be rather negative towards the creation of slack and the end result is reduction in the probability or tendency of the employees to create slack in budgets. The result for ethics indicates that high ethics would reduce the probability of an employee create slack in the budget. This result, which is in tandem with the findings of Eker (2008) and Steven (2000) implies that high concern for ethics and reputation discourages employees and subordinate managers from creating slack into the budget.

Surprisingly, reward system in an organization tends to reduce the probability that an employee would create slack in the budget. Interestingly, this study finding is at variance with the conclusions of Steven (2000), Leavins et al. (1997). The plausible reason for this is that most firms in Nigeria may not be engaged in the practice of tying rewards to achievability of budget targets. For example, the researcher is aware that in many organisations in Nigeria, rewards are given to strategic business units and not individual employees/managers. It is also possible that the prospect of earning rewards motivates employees to be truthful and avoid creating slack in the budget.

For the subjective norm indicators, the results from the model indicate that while organizational commitment and the size of the organization have significant negative impacts on the tendency to create slack in budgets, organizational stability has a weak positive impact. Thus, employees in larger firms, from this result, tend to exhibit lesser tendencies to create slack in the budget. Also, more committed staff tends to have less propensity of creating slack into the budgets. However, higher tendency for staff turnover is an indication of higher probability of creating slack in budget for an organization. Hence, an organization that has high staff turnover rate would also have more issues with slack creation in the budgets. Moreover, employees in larger organizations tend to be more probable to create slack in the budget than employees in smaller organizations. This result agrees with the findings of Kochick (2011), Maiga and Jacobs (2007, 2008) and Buckland (1999). Specifically, the coefficient of LNSIZE is negative but significant with z-value of 3.78, implying that budgetary slack is less in larger firms. It is therefore concluded that the size of an organisation is not positively related with the creation of budgetary slack in Nigeria. However, this study finding is contrary to the findings of Bradshaw et al. (2007), Reid (1997). The plausible reason for this is that management of large organisations in Nigeria may not see any need to put pressure on employees to meet budget targets. Organizational stability does not have significant impact on creation of slack in budgets. Apparently, the results show that instability in a job is a strong motivation for, and could encourage slack creation, but stability in a job may not encourage slack creation. Interestingly, this result is not in harmony with the findings of Bradshaw et al. (2007), Reid (1997) who reported a significant relationship between organizational stability and creation of budgetary slack.

The perceived behavioural control in an organization is demonstrated by pressure on employees to deliver and the use of budgets for target setting and performance appraisal. From the results in the model, both pressure and use of budget for multiple outcomes tend to have positive and significant impact on creation of slack in budgets. Thus, it shows that organizations that use budgets as a tool for target setting and performance evaluation and are also more likely to mount pressure for performance on employees, would generally experience creation of slack in their budgets. The study finding is in harmony with the findings of Tagwireyi (2012), Yuen (2007), Davis, Dezoort and Kopp (2006). Similarly, the effect of MUBUDG is high and positive implying a significant association between multiple use of budget and budgetary slack. Consequently, the study concludes that using the budget for several purposes encourages manipulation of the budget by subordinate managers and employees. This finding is in complete agreement with the findings of Bradshaw et al. (2007).

Opportunistic behaviour is captured by information asymmetry and subordinate participation in the budget process. The results from the Table show that budget participation has a significant positive impact on tendency to create slack in the budget process. This result is in tandem with the conclusions of Ajibolade and Akinniyi (2013); Maiga and Jacobs (2007) and Leavins, et al. (1997). On the other hand, the coefficient of INFASYMM is negative but significant implying that in Nigeria information asymmetry tends to reduce the probability of creating slack in budgets among employees. Thus, regard for selfish inclinations among the employees has varied implication on the probability of creating slack in the budget process by subordinates. This result is however, not in agreement with the findings of Faria and Silva (2013) and Libby (2003) which report a positive relationship between information asymmetry and budgetary slack. The plausible explanation for the findings of this study is that management of Nigerian firms probably have a way of ascertaining the veracity of information supplied by subordinate managers/employees during the planning period.

5. SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

This study set out to examine the determinants of budgetary slack in Nigeria. To ensure that the investigation yield reasonable empirical results, both econometric and statistical tests were performed. Preliminary tests carried out on the research data include factor analysis, test for normality, heteroscedasticity and multicollinearity. Lastly, regression analysis (Ordered Probit and Logit) was undertaken to examine the effect of the regressors on budgetary slack.

The analysis shows that multiple use of budget, pressure, and participation all have positive and significant relationship with the creation of budget slack. On the other hand, reward, ethics, organizational commitment, size and information asymmetry have negative but significant relationship with the creation of budgetary slack. The analyses also show that organizational stability has a positive but insignificant relationship with the creation of budgetary slack.

Based on the findings of this study, the following are the study makes the following recommendations: (i) Subordinate managers and employees who participate in the budgeting process should be closely monitored by management of firms. Management should also maintain close contact with the environment to enable them have a working knowledge of the local operating conditions to reduce information asymmetry and budgetary slack; (ii) When budgeting is used as an accountability measure, firms should avoid placing undue emphasis on it; (iii) Firms should ensure fairness to all during the budgeting process in order to engender trust and greater commitment of employees and managers to the organization; (iv) Management of firms should avoid the temptation of using the budget target for multiple purposes such as performance evaluation and compensation. However, if budget targets must be used for evaluating performance of employees and managers, firms must ensure that the budget targets reflect operating realities and conditions; and (v) Firms should ensure all employees imbibe a culture of strong international best practices by placing high premium on ethics and reputational concerns.

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APPENDIX

APPENDIX C: QUESTIONNAIRE SURVEY RESULTS SUMMARY

	AGREE	NEUTRAL	DISAGREE	TOTAL
BUDSLACK				
Managers in my organisations tend to submit budget which can be easily achieved	171*	23	75	269
Slack in the budget is good so that things can be done that cannot be officially approved	146*	39	84	269
Department managers tend to influence their evaluations by adjusting the figures submitted in the budget.	180*	28	61	269
TOTAL	497	90	220	807
%	61.59	11.15	27.26	
PARTI	AGREE	NEUTRAL	DISAGREE	TOTAL
I am involved in setting my unit or branch or departmental budget or targets	237*	26	6	269
My contribution to the budget is very important	247*	11	11	269
My superior initiates frequent budget discussions when the budget is being prepared	237*	11	21	269
My superiors and I frequently discuss budget-related issues initiated by me	189	23	57	269
I have considerable influence over my unit/departmental/branch final budget	120	21	128*	269
My superior clearly explains budget revision to me	240*	10	19	269
TOTAL	1270	102	242	1614
%	78.69	6.32	14.99	
ORGCOMM	AGREE	NEUTRAL	DISAGREE	TOTAL
I am willing to put in a great deal of effort beyond that normally expected in order to help this organisation be successful	269	0	0	269
I talk up this organization to my friends as a great organization to work for	235	12	22	269
I would accept almost any type of job assignment in order to keep working for this organization	216	4	49	269
I found that my organisation and I share similar values	179	21	69	269
I am proud to tell others that I am part of this organisation	262	2	5	269
This organisation inspires me to achieve the utmost best in terms of job performance	224	12	33	269
I extremely glad I chose this organisation to work for over the others I was considering at the time of joining.	237	14	18	269
For me this is the best of all possible organisations for which to work	165	39	65	269
I really care about the fate of this organization	263	6	0	269
TOTAL	2050	110	261	2421
%	84.67575	4.543577034	10.78066914	
PRESSURE	AGREE	NEUTRAL	DISAGREE	TOTAL
When my department has not been performing as budgeted, my superior has visited my department or summoned me to the controlling office	233	10	26	269
My superior has mentioned budgets while talking to me about my efficiency as a unit head/supervisor/manager	223	37	9	269
Personnel from budget office have attempted to direct activities in my department	123	33	113	269
I have gotten extremely upset about budget variances in my department	222	15	32	269
Budget matters have been mentioned in informal conversations with fellow unit heads/supervisors/managers	220	17	32	269
Budget matters have been mentioned in informal conversations with advisory people not concerned with budgeting.	179	46	44	269
When budget conditions are tight, unit heads/supervisors/managers generally still attempt to find ways to make the targets less difficult to achieve	210	26	33	269
Performance review meetings are held with management monthly and quarterly	228	4	37	269
TOTAL	1638	188	326	2152
%	76.11524	8.73605948	15.14869888	
In my organization budget performance is an important factor in career advancement	228	6	35	269
A staff that attains his/her target is sure to get recognition by management	218	6	45	269
A staff that attains his/her target is likely to receive a promotion more quickly	204	18	47	269
In my organization part of the compensation scheme (variable pay) is tied to meeting the target	121	35	113	269
The compensation contract that I worked under would motivate a worker to set their budget at their forecast of output	195	25	49	269
Thinking about the reward I could earn makes me feel happy	193	26	50	269
I like the reward I could earn because I will spend it on things that I want rather than on necessities	146	60	63	269
TOTAL	1305	176	402	1883
%	69.3043	9.346787042	21.34891131	
INFASYMM	AGREE	NEUTRAL	DISAGREE	TOTAL
During budget session, my superior could accurately evaluate if I was setting my budget below my production	166	34	69	269
During budget session, I care that my superior thought I was setting budgets that were appropriate given my potential/capabilities	165	55	49	269
In developing my budget each period, I attempted to accurately predict my output for the period	166	31	72	269
Budgeting decisions by management for my area of responsibility are based on accurate information and well informed opinions	157	23	86	266
TOTAL	654	143	276	1073
%	60.95061	13.32712022	25.722274	

ETHICS	AGREE	NEUTRAL	DISAGREE	TOTAL
To have set the budget significantly below my potential/capabilities would have been unethical	269	0	0	269
I care about the overall impression members of my organisation have of me	236	14	15	265
It is most probable that the other members of staff earned their rewards by understating their targets rather than by working hard	221	22	26	269
In this organisation, it is unethical for someone to set a target significantly below his or her known performance capability	174	18	77	269
Setting performance target is more of an ethical decision to me than financial decision	213	38	18	269
TOTAL	1113	92	136	1339
%	83.12173	6.870799	10.1568335	
MUBUDG	AGREE	NEUTRAL	DISAGREE	TOTAL
In this organization budget is used for both performance evaluation and reward system	200	12	57	269
This organization uses the budget as accountability measure	221	18	30	269
TOTAL	421	30	87	538
%	78.2528	5.5762082	16.171004	
ORGSTAB	AGREE	NEUTRAL	DISAGREE	TOTAL
In this organisation staff turnover is low	113	35	121	269
In this organisation I know I have a career	158	56	55	269
In my organization inability to meet set targets can lead to disengagement	199	26	44	269
TOTAL	470	117	220	807
%	58.2404	14.4981413	27.26146221	100.00

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With sincere regards

Thanking you profoundly

Academically yours

Sd/-

Co-ordinator

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