

Beyond The Numbers: How Do Gender and Proactivity Influence Budgetary Slack in Indonesian Higher Education? Stewardship Theory Perspective

Lisia Apriani¹, Mahfud Sholihin², Supriyadi³, Dian Kartika Rahajeng⁴

¹Doctoral Student, Accounting Department, Gadjah Mada University, Yogyakarta, Indonesia

^{2,3,4}Accounting Department, Gadjah Mada University, Yogyakarta, Indonesia

Corresponding Email addresses: lisia.apriani@mail.ugm.ac.id

Abstract

Budget plays a crucial role in managing and allocating financial resources within the organizational framework. Budgetary slack is a complex phenomenon shaped by various factors. It doesn't always lead to dysfunctional behavior; rather, it can be functional and create value by managing risk. Proper management is essential to maximize its benefits and minimize potential inefficiencies. Most research examining budgetary slack is based on agency theory. Although there is a lot of research on personality which is related to ethical decisions, research linking personality with budgetary slack is still rare. This study fills the gap by highlighting budgetary slack among universities in Indonesia. Based on stewardship theory, the present study examines the relationship between proactivity, gender and budgetary slack within the specific context of higher education institutions in Indonesia. This study uses age as a control variable. The researchers utilizes online survey techniques for data acquisition, and the data is then analysed using the Partial Least Squares - Structural Equation Modeling (PLS-SEM) approach. The results of this study show that proactivity and gender are related to budgetary slack. Additionally, age as a control variable shows a significant relationship with budgetary slack

Keywords: Personality traits, proactivity, budgetary slack, gender, age

INTRODUCTION

The budget in higher education has a crucial role in supporting various aspects of academic activities and the development of educational institutions. An efficient and well-planned budget ensures that financial resources are available for daily operations, curriculum development, facility maintenance, and investment in educational technology. With proper budgeting, universities can provide an optimal learning environment for students, including laboratory facilities, a complete library, and support for research activities. In addition, good budgeting also supports academic and administrative staff development, including training and professional development to improve the quality of teaching and student services. Therefore, proper budget management in universities is the key to achieving higher education's mission of developing competent and ready graduates to compete globally. According to Hyatt (2020), this endangered the institution's reputation and caused disillusionment among faculty, students, staff, and others who supported the plan.

Budgetary slack does not automatically result in dysfunctional behavior in some instances. Indeed, budgetary slack can also be functional and thus create value (Davila & Wouters, 2005), and budgetary slack can be seen as a way to manage risk (Elmassri & Harris, 2011). Lukka (1988) states that budgetary slack is a complex phenomenon and can be viewed from many sides because many interacting factors influence it. Most studies investigating budgetary slack rely on the principles of agency theory (Chong et al., 2021). Even though there is much research on personality, in a literature review from 1974 - 2015 involving 162 articles, research on personality traits in the context of budget is rare (Daumosier et al., 2018). While budgeting is a crucial method for allocating resources, it has not received much academic attention in the university context, even though universities play a significant

role in society (Jalali Aliabadi et al., 2021). There still needs to be more research using stewardship theory in the non-private sector, one of which is by Namazi and Rezaei (2023). And finally, previous results were mostly reported in developed countries. Because management accounting behavior and cultural differences in management accounting implementation in other countries are still debated, it is necessary to conduct research in Indonesia. This study fills the gap by highlighting budgetary slack among universities in Indonesia. By using a stewardship theory perspective, this research includes variables of proactivity and gender in relation to budgetary slack.

Several studies within profit-oriented organizations employ agency theory to explain how managers acting as agents interact with company owners, who serve as principals regarding the phenomenon of budgetary slack (Altenburger, 2021; Chong et al., 2021; Daumoser et al., 2018; De Baerdemaeker & Bruggeman, 2015; Gago-Rodríguez & Naranjo-Gil, 2016; Hergert, 2000; Hobson et al., 2011; Islami & Nahartyo, 2019; Kren, 2003; Merchant, 1985; Stevens, 2002). Different from previous studies, the present study utilizes stewardship theory to understand budgetary slack.

Since budgetary slack is a unique phenomenon and can be seen from various points of view, we investigate if budgetary slack is affected by personality. Based on research conducted by Craft (2013) regarding empirical reviews of ethical decision-making from 2004 to 2011, it turns out that personality received the most attention from the 43 existing dependent variables. According to Daumoser et al. (2018), research that links budgetary slack with personality traits is still needed.

A personality trait used in the context of ethical behavior is proactivity. The "proactive personality" variable explains variance in measuring personality proactiveness more than the Big Five Inventory (Major et al., 2006). A study conducted by Major et al. (2006) found that the Big Five Personality Factors (Neuroticism, Extraversion, Openness, Agreeableness, and Conscientiousness) only accounted for 26% of the variance in proactive personality. Proactivity is one of the three personality traits in Mowchan et al.'s research (2015); two other personality traits are impulsivity and authoritarianism (Mowchan et al., 2015). In his study, Mowchan needed to include a direction in developing a hypothesis linking proactivity to ethical behavior; this shows the importance of exploring the relationship between proactivity and ethical behavior in a broader research context.

Research by Mowchan et al. (2015) failed to support the hypothesis proposed that proactivity influences compliance with superiors' requests to commit to compliance violations. After interacting with the authoritarian variable, the proactivity variable negatively influences fulfilling superiors' requests to commit compliance violations. Research by Johnson et al. (2019) provides evidence that people with a high level of proactivity are associated with a low intention to commit fraud. The results of Johnson et al. (2019) show that subordinates with high self-serving self-enhancement (SSSE), with a high level of proactivity, will have a low intention to obey superiors to commit fraud. SSSE is a form of maladaptive narcissism characterized by altruistic behavior that is intended to increase self-esteem. Because the research results on the relationship between proactivity and ethical behavior are still inconclusive, it is necessary to research budgetary slack concerning the proactivity variable.

Gender Socialization Theory (GST) assumes differences in moral or ethical behavior between men and women (Betz et al., 2013). According to GST, gender identity is stable and cannot be changed (Dawson, 1992). Gender differences influence business and accounting practices (Roxas & Stoneback, 1997). The relationship between gender and morality has received attention from many researchers in recent decades. In general, the results of this research are mixed (Bossuyt & Van Kenhove, 2018). One study that examines the relationship between morals and gender is research by Nguyen et al. (2008). The study by Sari et al. (2023) concluded that the decrease in intention to manipulate accruals was more significant in women than in men after clawback adoption (Sari et al., 2023). However, research by Clikeman et al. (2001) found no earnings manipulation between men and women. Because several previous studies linking personality to unethical behavior did not consider gender aspects (Brown et al., 2021; Johnson et al., 2019; Mowchan et al., 2015), this research tries to overcome this gap.

This current study provides the following contributions. Our focus on proactivity adds to research documenting how the attributes of managers shape behavior within accounting settings. In addition to the studies on proactivity mentioned earlier, prior accounting research also examines how

other traits, such as empathy (Hobson et al., 2011); narcissism (Hales et al., 2012; Mutschmann et al., 2021; Olsen et al., 2013); self-monitoring (Seybert, 2010); Machiavellianism (Brown et al., 2021) influence ethical behavior within reporting and budgeting contexts. Previous research examining gender is usually related to ethical behavior only, but this research includes aspects of budgetary slack. The other theoretical contribution expands the conceptual basis of stewardship theory within the scope of budgetary slack in higher education. Also, our study is the first to examine how stewardship theory operates within higher education in the context of budgetary slack. This study may also provide practical contributions, particularly on how to design an appropriate management control system to achieve institutional goals by considering the personality types of subordinates. As in research conducted by Brown, it turns out that formal performance contracts will be responded to differently by people with different levels of Machiavellianism (Brown et al., 2021).

The subsequent sections of the paper are structured as follows: The second part covers a review of the literature and the formulation of hypotheses. The next part pertains to the research methodology. The analysis and findings section comes next. The concluding part serves as the final segment.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Literature Review and Hypothesis Development

Budgetary slack

Budgeting systems have a significant position inside a company's control system. Most organizations do not intend to discontinue this practice despite a significant number of them aiming to enhance their budgeting systems to address the deficiencies highlighted by various criticisms (Libby & Lindsay, 2010). The achievement of budgetary goals is a crucial factor in organizational control systems, with managerial decisions substantially impacting individuals and the company (Merchant & Manzoni, 1989). It is essential to comprehensively integrate administrative and departmental viewpoints to comprehend budgeting (Schick & Schick, 2018). In the study conducted by Yuen (2004), it was observed that budgeting systems had multiple dimensions and operated within diverse contexts. Furthermore, these systems have a wide-ranging scope and necessitate a comprehensive comprehension of the intricate interconnections among variables.

Hansen et al. (2016) argue that budgetary slack deliberately inflates costs and decreases revenue during budget preparation. Both approaches enhance the manager's likelihood of attaining budgetary goals and mitigate the hazards encountered concurrently. It is imperative for upper management to conduct a thorough examination of the budgets put forth by lower managers and offer essential feedback to mitigate the impact of creating budgetary slack. According to Elmassri and Harris (2011), budgetary slack is a favorable aspect of risk management.

Upper management sometimes considers budgetary slack tolerable, particularly during favorable business conditions. From an academic standpoint, slack can be perceived as unfavorable or indicative of dysfunctional conduct. Nevertheless, from a business standpoint, budgetary slack can be perceived as a favorable and permissible phenomenon, provided that it falls within the permissible range, aligns with the company's aspirations and goals, and is minimized to the greatest extent feasible (Elmassri & Harris, 2011). According to a study conducted by Elmassri and Harris (2011), organizational leaders consistently stressed the significance of ethics as a component that might mitigate or prevent the occurrence of budgetary slack.

The research on budgetary slack is primarily grounded in agency theory. In addition to the agency theory, some studies have employed additional theories to broaden our understanding of budgetary slack. For instance, Davis (2008) combined obedience and attribution theories to explain why managers typically create budgetary slack in specific contexts. Islami and Nahartyo (2019) employ self-determination theory to examine how leadership style affects organizational commitment and budgetary slack. Additionally, Hobson (2011) uses moral theory to examine budgetary slack in business ethics and finds that financial incentives determine the moral framework in a budgeting context, and an individual's response to the moral framework is influenced by their values.

To determine whether managers' honesty in reporting their budgets is influenced by their

emotional states, Altenburger's (2021) research combines economic theory with contingency theory. Further, a study by Altenburger (2021) found that managers in a positive mood report their budget more honestly than managers in a negative mood. Finally, Chong's (2021) research applied impression management theory. The results of his study suggest that budgetary slack is (lowest) highest when accountability pressure is (present) absent under a private information situation. The results further reveal that accountability pressure is positively associated with subordinates' perceived levels of honesty, which in turn is negatively associated with budgetary slack creation (Chong et al., 2021). The findings imply that budgetary slack is (greatest) when accountability pressure is (present) or absent in a scenario including private information. The findings also show that the development of budgetary slack is adversely correlated with the perceived honesty of subordinates, which is positively correlated with accountability pressure (Chong et al., 2021).

On the other hand, budgetary slack is a situation where budgeting does not match the plans made, usually by reducing budgeted revenues and increasing budgeted costs. These two concepts are related because budget ratcheting can affect future performance and allow a budget not according to plan, resulting in budgetary slack. However, a specific investigation into the budgetary disparities within universities linked to personality traits still needs to be addressed, presenting an intriguing avenue for future research.

University budget managers have different goals than general managers, primarily obtaining bonuses. Budget makers frequently need to fill gaps when maximizing budget amounts from year to year. This is comparable to the budget ratcheting practices of Japanese schools (Kuroki & Shuto, 2022) and the local government in South Korea (Choi et al., 2021). In Japan, universities and private institutions implement budget ratcheting to enhance the standing of internal stakeholders (Kuroki & Shuto, 2022). Budgeting in organizations that serve society at large can be compared to understanding budgeting in higher education, which is generally different from private businesses, where managers receive bonuses in recognition of their accomplishments (De Baerdemaeker & Bruggeman, 2015).

Stewardship theory

Stewardship theory predicts that employees are inherently motivated to work in the organization's best interests and become good stewards of company assets when they feel psychological ownership, namely a sense of belonging, even though there is no legal basis (Pierce et al., 2001). Stewardship theory describes the circumstances when psychological ownership and pro-organizational behavior are most likely to occur. According to the theory, ownership can increase through specific workplace features that promote employee engagement (Hernandez, 2012). These features, or "structural factors," include organizational practices such as shared leadership or shared goals. Hernandez (2012) argues that these structural factors drive psychological ownership and, in turn, pro-organizational behavior.

According to Brown (2021), stewardship and justice theories offer different predictions in opportunism, where employees are affected or unaffected by uncompensated objectives. Stewardship theory predicts that something that impacts goals will cause employees to be less opportunistic in budget tasks. Equity theory, however, suggests a different prediction—that providing value to a firm without reward would be considered unfair (Brown et al., 2021).

This study adopts the framework of stewardship theory. Using stewardship theory is deemed appropriate because budgetary slack occurs within higher education institutions. Within the framework of stewardship theory, managers are inclined to engage in budgetary slack to enhance prestige. This notion is supported by Kuroki & Shuto (2022) research within budget ratcheting. The study suggests that managers in Japan have incentives to increase their budgets to bolster their reputation in the eyes of internal stakeholders. Budget ratcheting is not universally applied but focuses on areas directly linked to managerial reputation (Kuroki & Shuto, 2022).

In most private corporations, budgetary slack is typically engineered to enable managers to attain bonuses. However, department heads or unit leaders often create budgetary slack in higher education institutions to bolster their prestige rather than solely aiming for personal financial gain. Thus, they zealously initiate significant expenditures at the beginning of the fiscal year, which may not

be feasibly achieved by the year's end. This practice reflects a strategic maneuver to enhance their standing within the institution rather than a direct pursuit of monetary rewards. This lack of integration of stewardship theory in budget allocation research in higher education institutions highlights a pressing need for further investigation into applying this theoretical framework to understand better and improve budget allocation practices in these institutions.

According to Stewardship theory, in the university context, the steward is a manager or administrator representing the owner, the foundation, or the organization that finances the university. In this context, stewards are expected to be able to manage the organization as well as possible, prioritize the interests of the organization and owners, and ensure optimal performance. Management must have high motivation to achieve organizational goals and have integrity and honesty in decision-making. If stewards cannot meet these expectations, "slack" occurs, which can mean deficiencies in organizational management and deviating from the stewardship theory. In these situations, tighter oversight and control may be necessary to ensure that the board continues acting according to the organization's and its owner's goals.

Proactivity

Research on budgetary slack in higher education institutions associated with personality traits needs to be completed. While existing studies on budget ratcheting are related to budgetary slack, they are still relatively scarce. Two notable studies on budget ratcheting include research by Kuroki & Shuto (2022) and Choi et al.(2021). Budgetary slack can be associated with budget ratcheting. Budget ratcheting and budgetary slack are two concepts that are related in the context of budgeting. Budget ratcheting refers to budgeting behavior that occurs when budgeting is based on previous performance, which can influence future performance.

Crant (2000) defines proactive behavior as taking the initiative to enhance existing circumstances or establish novel ones. This conduct entails actively questioning the prevailing state of affairs rather than passively conforming to current situations. Employees have the potential to participate in proactive actions as a component of their in-role behavior, which is necessary for meeting fundamental job expectations. To enhance their job performance, sales agents may seek criticism regarding their sales closing strategies.

Bateman and Crant (1993) define individuals with the proactive personality prototype as unconstrained by situational forces and influencing environmental change. They view a proactive personality as a stable disposition toward proactive behavior. According to Bateman and Grant's formulation, highly proactive people identify and act on opportunities, show initiative, and persevere until they bring about meaningful change. They change their organization's mission, discover and solve problems, and take it upon themselves to impact the world around them. Less proactive people are passive and reactive; they tend to adapt to circumstances rather than change them (Seibert et al., 1999).

The quality of proactivity has been widely recognized as highly desired in various business situations, sometimes referred to as individuals who are proactive or "go-getters." Empirical evidence suggests that individuals who exhibit proactive tendencies offer distinct advantages to organizations, primarily through their proactive behavior, which includes a strong drive for innovation and enhanced leadership capabilities. Individuals with a proactive personality trait will demonstrate greater adaptability and responsiveness when confronted with various situations. A proactive disposition is frequently linked to the capacity for invention and a propensity to explore novel methodologies. Within budgetary shortfalls, an individual or management team exhibiting a proactive disposition can effectively motivate the development of novel approaches to budget management, hence mitigating the likelihood of budget gaps arising. A proactive mentality can potentially contribute to mitigating or exacerbating budgetary shortfalls.

In a university setting, proactive personalities are crucial in managing budgets effectively. Individuals with a proactive disposition tend to be more likely to take initiative in planning and allocating resources, ensuring that financial goals are met and exceeded. By anticipating potential budgetary constraints and developing contingency plans, proactive staff can mitigate the impact of

unexpected expenses and maintain a stable financial situation. Furthermore, proactive individuals are more likely to engage in cost-saving measures and identify opportunities for budget optimization, ultimately contributing to the university's overall economic health and sustainability. The research conducted by Mowchan (2015) regarding the association between proactive personality and tactical behavior needs to address the directionality of this relationship explicitly.

Based on the preceding discussion, the following hypothesis is formulated:

H1: Personal proactivity influences budgetary slack

Gender

Many women are entering the management and accounting fields and gender. Differences can affect accounting and business practices (Roxas & Stoneback, 2004). Thus, studies regarding gender differences are necessary. Several studies have found that women are more ethical than men (Betz et al., 2013; Lam & Shi, 2008; Mason & Mudrack, 1996; Radtke, 2000; Valentine & Rittenburg, 2007). Women are often described as less assertive, less aggressive, less self-confident, more anxious, more risk-averse, and more ethical, all of which are qualities that indicate a conservative mindset and a lower propensity to commit fraud (Byrnes et al., 1999; Powell & Ansic, 1997; Vermeir & Van Kenhove, 2008), women have lower power motivation than men, so they lack leadership skills (Schuh et al., 2014). The decrease in intention to manipulate accruals was more significant in women than in men after clawback adoption (Sari et al., 2023). However, research by Clikeman et al. (2001) found no earnings manipulation between men and women. Further, the hypothesis proposed by Suar and Gochhayat (2016), which states that women will manifest higher ethical attitudes and behavior than men, needs to be supported.

Roxas and Stoneback (1997) found that people from different countries respond to gender differences differently due to cultural norms. One of the studies that highlights organizational culture is research conducted by Busaibe et al. (2017). Several studies consider that a gender approach that looks at gender alone is insufficient but requires a multidimensional approach (McCabe et al., 2006), including looking from a feminine perspective (Suar & Gochhayat, 2016). Moreover, research conducted by Koburtay et al. (2020) found that religious and cultural factors can influence gender equality.

Lucyanda & Sholihin (2023) examine the relationship between gender and budget discrepancies, revealing that women perceive budget discrepancies as more unethical than men. The subjects in that study were undergraduate and graduate students, which provides a specific demographic focus on perceptions of budget ethics. In contrast, the current research uses subjects who are budget makers at higher education institutions, offering a different perspective on the issue. Additionally, this research investigates the propensity to engage in budget discrepancies rather than evaluating the ethical aspect. This shift in focus aims to provide insights into actual budget-making behaviors rather than ethical judgments.

The role of women in university governance is crucial for fostering a culture of transparency and ethical decision-making. Similar to the findings of Briano-Turrent (2022), which highlights the positive impact of female representation on boards in Latin American companies, the involvement of women in university governance can bring about a more ethical and transparent approach to decision-making. By having women at the table, universities can benefit from diverse perspectives and experiences, ultimately leading to more informed and responsible decision-making. Ensuring honesty in research and prioritizing student welfare are especially crucial in the academic environment.

Based on the explanation above, the following hypothesis is proposed:

H2: The tendency of women to create budgetary slack is lower than that of men.

Control variable

Several previous studies have concluded that age influences ethical behavior and attitudes (Roxas & Stoneback, 2004; Sikula & Costa, 1994) and that it is positively associated with ethical attitudes and behaviors. Hence, this study includes age as the control variable in examining the effect of proactivity and gender on budgetary slack.

The hypotheses in this study can be depicted in the research model as follows:

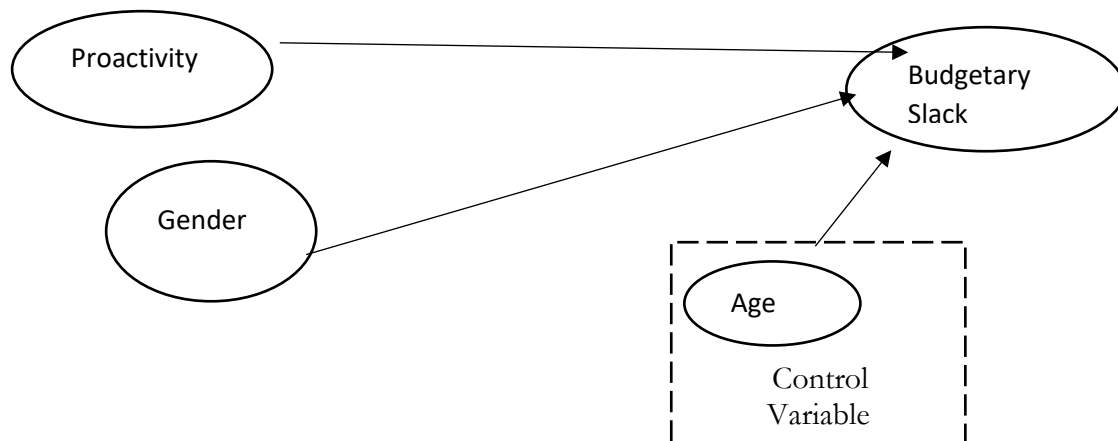


Figure 1. Research Framework

METHODS

Sample, Procedure, and Data Collection

The data collection in this study was conducted using a survey method. The sampling frame comprised college lecturers with budgeting experience within the Special Region of Yogyakarta. This location was selected because it is a prominent education city that houses numerous reputable universities. Eighteen best private universities in Indonesia in 2020, according to the Ministry of Education and Culture, four are in the Special Region of Yogyakarta (Anjani, 2021).

The sampling technique used to gather responses from participants was simple random sampling. According to data released by LLDikti Region 5, 106 universities/academies are in the Special Region of Yogyakarta. The questionnaires were distributed into two groups. The first group comprised individuals accessible through known colleagues or membership in the Indonesian Institute of Accountants (IAI). The second group was targeted by sending letters to the leaders of universities/academies in the Yogyakarta region via email. The content of the letters sent to the university/academy leaders included a request for them to appoint lecturers involved in budget preparation at their respective institutions.

To facilitate the process, the questionnaires were distributed using Google Forms, a method chosen for its efficiency and ease of access. The form included the researcher's contact number, allowing respondents to seek clarification or ask questions if necessary. Each university or academy received questionnaires intended for one to two respondents, ensuring a manageable and focused data collection process. Despite the challenge of reaching a broad and diverse participant pool, the approach proved effective, resulting in 85 responses from the distributed questionnaires.

Survey Instrument

The questionnaire contained two parts; the first was about the respondents' identity and asked about age, gender, structural position, university name, and cell phone number. The second part contained questions related to the instruments used in this study, including proactivity and budgetary slack.

Variable and Measurement

Proactivity

Proactivity was measured using ten items on a five-point Likert scale from 1 = strongly disagree to 5 = strongly agree. One example of the question is, "If I see something I don't like, I fix it." The measurement of proactivity was adapted from the short version of the Proactive Personality Scale developed by Bateman and Crant (1993).

Budgetary slack

This study modifies Onsi's (1973) instrument to measure budgetary slack. The study used a five-point Likert scale ranging from 1 to 5, with 1 indicating significant disagreement and 5 indicating strong agreement. The modification of the Onsi instrument was necessary because Onsi's original research and studies utilizing the Onsi instrument, such as Elmassri & Harris (2011), were conducted within the context of private companies. In contrast, this study is set in the context of higher education institutions. Consequently, two statements were altered to fit this new setting better. The original statement, "Do departmental managers submit a budget that can safely be attained?" was modified to "You submit an achievable budget." Similarly, the statement "Do departmental managers set two levels of budget; one between himself and his subordinates and another between himself and his superior?" was revised to "You set two budget levels; the first is the one related to you and your subordinates and the second is the one related to you and your superior."

Gender

Men were given a score of 1 and women 2

Control variable

Age was controlled in this study. Following Fogarty *et al.* (2017) in this study, age was grouped into:

- Less than 26 years old (Millennials)
- 27 – 46 years old (Generation X)
- 47 years and over (Boomers)

RESULT AND DISCUSSION

The proposed hypothesis was tested using the SEM-PLS technique, which consists of a measurement model and a structural model. All variables in this study were measured reflectively.

Measurement Model Analysis

This analysis aims to verify the reliability (including construct measures and internal consistency reliability) and the validity of the reflective measurement model.

Reliability test

Construct reliability was assessed using composite reliability and Cronbach Alpha. The measurement analysis results in this study (see Table 1) indicate that all measurements significantly exceed the threshold of 0.60. Therefore, it can be concluded that all the constructs have a level of reliability that meets the requirements, with a minimum value of 0.6 (Chin, 1998b, 1998a).

Table 1. Construct reliability test

	Proactivity	Slack	Age	Gender
R-squared		0.0096		
Adj. R-squared		0.063		
Composite reliab.	0.845	0.870	1.000	1.000
Cronbach's alpha	0.771	0.700	1.000	1.000
Avg. var. extra.	0.523	0.769	1.000	1.000
Full collin. VIF	1.023	1.127	1.059	1.090

Validity test

Construct validity is evaluated from two aspects, namely convergent validity and discriminant validity. Convergent validity is measured by calculating the average variance extraction (AVE). If the AVE value of a construct reaches 0.5 or more, then the construct meets the established convergent validity standards (Fornell & Larcker, 1981). In the context of this research, Table 1 shows that all constructs have AVE values that exceed the threshold of 0.5. Thus, all constructs met the criteria for convergent validity, providing strong evidence of adequate convergent validity.

To establish discriminant validity between two reflective concepts, the HTMT value must be smaller than 0.9 (Henseler *et al.*, 2015). Table 2 shows the findings of this research's HTMT analysis.

The findings show a figure of 0.118, which, according to the criteria, means it is in the best category because it is below 0.85. Overall, the analysis shows that the measurement model is reliable and valid.

Table 2. Discriminant Validity Test

HTMT ratios	
(good if < 0.90, best if < 0.85)	
	Proactivity
Slack	0.118
(good if < 0.05)	
	Proactivity
Slack	< 0.001

Structural Model Analysis

The results of the structural model analysis can be seen in Figure 2 and Table 3.

Hypothesis 1 predicts there is an association between proactivity level and budgetary slack. As shown in Table 3, the sign of the beta coefficient for proactivity is negative, and the relationship is marginally significant ($\beta = -0.154$; $p = 0.071$). This result indicates support for Hypothesis 1: personal proactivity influences budgetary slack.

Hypothesis 2 states that the tendency of women to create budgetary slack is lower than that of men. Women are given a score of 2; men are given a score of 1. As shown in Table 3, the sign of the beta coefficient for gender is negative, and this relationship is significant ($\beta = -0.253$; $p = 0.007$). These results indicate that women tend to create budgetary slack less than men. This result is consistent with the prediction in Hypothesis 2.

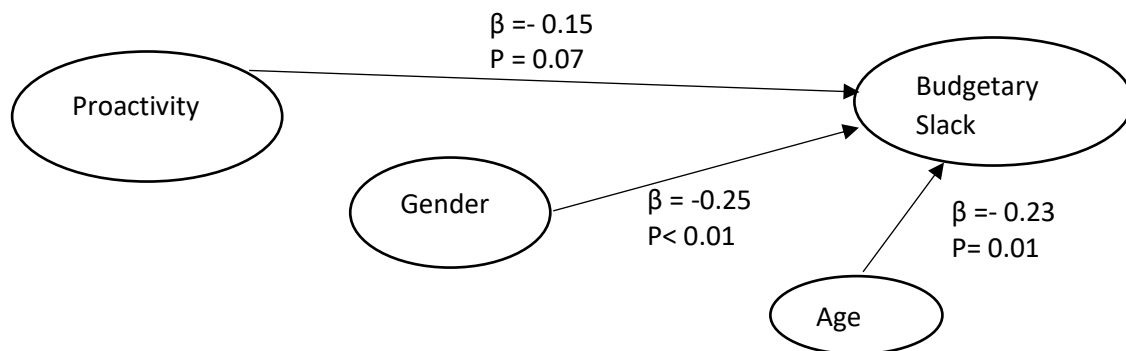


Figure 2. PLS results

Control variable

As shown in Table 3, the sign of the beta coefficient for age is negative, and the relationship is significant ($\beta = -0.227$; $p = 0.014$). These results indicate a relationship between age and budgetary slack, and the nature of the relationships is negative. In this research, the younger the age, the higher the score; the younger the age, the smaller the tendency to make budgetary slack.

Table 3. PLS results

	β	P Value	
H1	-0.154	0.071	Supported
H2	-0.253	0.007	Supported
Age	-0.227	0.014	

CONCLUSION

The present study investigated the relationship between proactivity, gender, and budgetary slack. Budgetary slack is a phenomenon that elicits both positive and negative perceptions, leading those engaged in budgetary slack to behave following their respective interests and perspectives. According

to the tenets of stewardship theory, individuals are inclined to act consistently with their objectives, which are, in turn, congruent with the organization's objectives. Research that is almost the same as this research was conducted by Mowchan (2015). The difference is that Mowchan (2015) is not specific to budgetary slack but to unethical behavior.

This research found that proactivity negatively influences budgetary slack. The more proactive a person is, the less likely they are to make budgetary slack. This research aligns with Johnson et al. (2019), who found that higher levels of subordinate proactivity were associated with lower behavioral intentions to comply with CEO directives to commit fraud. The difference between this research and the research of Johnson et al. (2019) is that the research is not in the context of budgetary slack but in the context of fraud. The finding that proactivity negatively influences budgetary slack is novel and contributes to the understanding of behavioral dynamics within organizations. While Johnson et al. (2019) explored the relationship between subordinate proactivity and fraud, this study extends the understanding by examining it in the context of budgetary slack, thus filling a gap in the literature.

Meanwhile, for hypothesis 2, this research is also supported, as women tend to commit to budgetary slack less than men. This study's results align with previous research on the relationship between gender and ethical behavior. The difference in this research is not in the context of budgetary slack but in other ethical behavior. These studies are research by Sari (2023), Betz et al. (2013), Lam and Shi (2008), Mason and Mudrack (1996), Radtke (2000), and Valentine and Rittenburg (2007). Meanwhile, for the age variable as a control variable, this research has proved that the younger a person, the smaller the budget gap created. In this study, age was divided into three categories. The third category is millennials. Confirming that women tend to commit budgetary slack less than men adds a new dimension to the discussion on gender differences in organizational behavior. While previous studies like those by Sari (2023), Betz et al. (2013), and others focused on gender and ethical behavior, this research examines it specifically within budgetary slack, providing novel insights into gender dynamics in financial management practices.

One potential constraint of this research is employing many question items to measure various dimensions. Numerous signs often need to be addressed to ensure the reliability and validity of the study. It is recommended that future research endeavors focus on addressing this particular limitation. Another weakness in this research is that one of the requirements for respondents is that they have held a structural position. This requirement caused only one respondent to be obtained for the millennial generation.

Furthermore, this paper presents empirical findings that demonstrate the influence of gender and age on the presence of budgetary slack. The increasing presence of women in the workforce significantly impacts organizations' policy-making regarding employee gender, as gender impacts budgetary slack. Based on the research findings about age, organizations must consider the various generational cohorts, as each generation exhibits distinct traits. Given the generational differences in responses to budgetary slack, future research could explore these findings.

REFERENCES

- Altenburger, M. (2021). Mood and Honesty in Budget Reporting. *Management Accounting Research*, 50, 100707. <https://doi.org/10.1016/j.mar.2020.100707>
- Anjani, A. (2021). 18 Universitas Swasta Terbaik di Indonesia versi Kemendikbudristek 2020. 2021. <https://www.detik.com/edu/perguruan-tinggi/d-5654199/18-universitas-swasta-terbaik-di-indonesia-versi-kemendikbudristek-2020>
- Bateman, T. S., & Crant, J. M. (1993). The Proactive Component of Organizational Behavior. *Journal of Organizational Behavior*, 14, 103–118.
- Betz, M., O'Connell, L., & Shepard, J. M. (2013). Gender Differences in Proclivity for Unethical Behavior. *Journal of Business Ethics*, 427–432. https://doi.org/10.1007/978-94-007-4126-3_20

- Bossuyt, S., & Van Kenhove, P. (2018). Assertiveness Bias in Gender Ethics Research: Why Women Deserve the Benefit of the Doubt: Marketing and Consumer Behavior. *Journal of Business Ethics*, 150(3), 727–739. <https://doi.org/10.1007/s10551-016-3026-9>
- Briano-Turrent, G. del C. (2022). Female representation on boards and corporate ethical behavior in Latin American companies. *Corporate Governance: An International Review*, 30(1), 80–95. <https://doi.org/10.1111/corg.12416>
- Brown, T. J., Majors, T. M., & Vance, T. W. (2021). Incomplete contracts and employee opportunism: How machiavellianism moderates the effects of impacting an uncompensated objective. *Journal of Management Accounting Research*, 33(2), 1–18. <https://doi.org/10.2308/JMAR-18-023>
- Busaibe, L., Singh, S. K., Ahmad, S. Z., & Gaur, S. S. (2017). Determinants of organizational innovation: a framework. *Gender in Management*, 32(8), 578–589. <https://doi.org/10.1108/GM-01-2017-0007>
- Byrnes, J. P., Miller, D. C., & Schafer, W. D. (1999). Gender differences in risk taking: A meta-analysis. *Psychological Bulletin*, 125(3), 367–383. <https://doi.org/10.1037/0033-2909.125.3.367>
- Chin, W. W. (1998a). Issues and opinion on structural equation modeling. *MIS Quarterly: Management Information Systems*, 22(1).
- Chin, W. W. (1998b). *The partial least squares approach to structural equation modelling*. In G. A. Marcoulides (Ed.) *Modern methods for business research*. (M. methods for business research. L. L. E. Associates (ed.)). London: Lawrence Erlbaum Associates.
- Choi, Y. S., Kim, M. O., Jung, H. R., & Cho, H. (2021). Bargaining power and budget ratcheting: Evidence from South Korean local governments. *Management Accounting Research*, 53(August 2018), 100767. <https://doi.org/10.1016/j.mar.2021.100767>
- Chong, V. K., Leong, M. K. C., & Woodliff, D. R. (2021). The effect of accountability pressure and perceived levels of honesty on budgetary slack creation. *Advances in Accounting Behavioral Research*, 24, 1–28. <https://doi.org/10.1108/S1475-148820200000024001>
- Clikeman, P. M., & Geiger, M. A. (2001). *Student Perceptions of Earnings Management : the. April*, 389–410.
- Craft, J. L. (2013). A Review of the Empirical Ethical Decision-Making Literature: 2004-2011. *Journal of Business Ethics*, 117(2), 221–259. <https://doi.org/10.1007/s10551-012-1518-9>
- Crant, J. (2000). Proactive behavior in organizations. *Journal of Management*, 26(3), 435–462. [https://doi.org/10.1016/s0149-2063\(00\)00044-1](https://doi.org/10.1016/s0149-2063(00)00044-1)
- Daumoser, C., Hirsch, B., & Sohn, M. (2018). Honesty in budgeting: a review of morality and control aspects in the budgetary slack literature. *Journal of Management Control*, 29(2), 115–159. <https://doi.org/10.1007/s00187-018-0267-z>
- Davila, T., & Wouters, M. (2005). Managing budget emphasis through the explicit design of conditional budgetary slack. *Accounting, Organizations and Society*, 30(7–8), 587–608. <https://doi.org/10.1016/j.aos.2004.07.002>
- Davis, S., DeZoort, F. T., & Kopp, L. S. (2008). The Effect of Obedience Pressure and Perceived Responsibility on Management Accountants' Creation of Budgetary Slack. *Behavioral Research in Accounting*, 18(1), 19–35. <https://doi.org/10.2308/bria.2006.18.1.19>
- Dawson, L. M. (1992). Will feminization change the ethics of the sales profession? *Journal of Personal Selling and Sales Management*, 12(1), 21–32. <https://doi.org/10.1080/08853134.1992.10753895>

- De Baerdemaeker, J., & Bruggeman, W. (2015). The impact of participation in strategic planning on managers' creation of budgetary slack: The mediating role of autonomous motivation and affective organisational commitment. *Management Accounting Research*, 29, 1–12. <https://doi.org/10.1016/j.mar.2015.06.002>
- Elmassri, M., & Harris, E. (2011). Rethinking budgetary slack as budget risk management. *Journal of Applied Accounting Research*, 12(3), 278–293. <https://doi.org/10.1108/09675421111187700>
- Fogarty, T. J., Reinstein, A., & Heath, R. S. (2017). Are today's young accountants different? An intergenerational comparison of three psychological attributes. *Accounting Horizons*, 31(2), 83–104. <https://doi.org/10.2308/acch-51655>
- Fornell, C., & Larcker, D. F. (1981). Evaluating Structural Equation Models with Unobservable Variables and Measurement Error. *Journal of Marketing Research*, XVIII, 39–50.
- Gago-Rodríguez, S., & Naranjo-Gil, D. (2016). Effects of trust and distrust on effort and budgetary slack: an experiment. *Management Decision*, 54(8), 1908–1928. <https://doi.org/10.1108/MD-10-2015-0480>
- Hales, J., Hobson, J. L., & Resutek, R. J. (2012). Beyond a One-Size-Fits-All Mentality: An Experimental Investigation of How Narcissistic Employees Respond to Relative Performance Information. *Ssrn*. <https://doi.org/10.2139/ssrn.2021889>
- Henseler, J., Ringle, C. M., & Sarstedt, M. (2015). A new criterion for assessing discriminant validity in variance-based structural equation modeling. *Journal of the Academy of Marketing Science*, 43(1), 115–135. <https://doi.org/10.1007/s11747-014-0403-8>
- Hergert, J. K. (2000). Budgetary slack, private knowledge, and managerial level. *ProQuest Dissertations and Theses*, 279. http://ezproxy.umuc.edu/login?url=https://search.proquest.com/docview/304680632?accountid=14580%0Ahttp://sfx.umd.edu/uc?url_ver=Z39.88-2004&rft_val_fmt=info:ofi/fmt:kev:mtx:dissertation&genre=dissertations+%26+theses&sld=ProQ:ABI%2FINFORM+Global&atitle=&t
- Hernandez, M. (2012). Toward an understanding of the psychology of stewardship. *Academy of Management Review*, 37(2), 172–193. <https://doi.org/10.5465/amr.2010.0363>
- Hobson, J. L., Mellon, M. J., & Stevens, D. E. (2011). Determinants of moral judgments regarding budgetary slack: An experimental examination of pay scheme and personal values. *Behavioral Research in Accounting*, 23(1), 87–107. <https://doi.org/10.2308/bria.2011.23.1.87>
- Hyatt, J. A. (2020). Strategic Budgeting at Colleges and Universities University of California Berkeley. *Berkeley: Center for Studies in Higher Education, CSHE.3.202*(May), 1–12.
- Islami, I. N., & Nahartyo, E. (2019). Do Leadership Styles Moderate the Relationship of Organizational Commitment and Budgetary Slack? an Experimental Approach. *Journal of Indonesian Economy and Business*, 34(2), 150. <https://doi.org/10.22146/jieb.32285>
- Jalali Aliabadi, F., Farooq, M. B., Sharma, U., & Mihret, D. G. (2021). Institutional work and the interplay of stability and change in public budgeting reform: the case of public universities in Iran. In *Accounting, Auditing and Accountability Journal* (Vol. 34, Issue 4). <https://doi.org/10.1108/AAAJ-11-2019-4261>
- Johnson, E. N., Kidwell, L. A., Lowe, D. J., & Reckers, P. M. J. (2019). Who Follows the Unethical Leader? The Association Between Followers' Personal Characteristics and Intentions to Comply in Committing Organizational Fraud. *Journal of Business Ethics*, 154(1), 181–193. <https://doi.org/10.1007/s10551-017-3457-y>

- Koburtay, T., Syed, J., & Haloub, R. (2020). Implications of Religion, Culture, and Legislation for Gender Equality at Work: Qualitative Insights from Jordan. *Journal of Business Ethics*, 164(3), 421–436. <https://doi.org/10.1007/s10551-018-4036-6>
- Kren, L. (2003). Effects of Uncertainty, Participation, and Control System Monitoring on the Propensity To Create Budget Slack and Actual Budget Slack Created. *Advances in Management Accounting*, 11, 143–167. [https://doi.org/10.1016/S1474-7871\(02\)11006-9](https://doi.org/10.1016/S1474-7871(02)11006-9)
- Kuroki, M., & Shuto, A. (2022). Budget Ratcheting and Debtholders' Monitoring: Evidence from Private Colleges and Universities. *Journal of Management Accounting Research*, 34(2), 163–179. <https://doi.org/10.2308/JMAR-2020-090>
- Lam, K. C., & Shi, G. (2008). Factors affecting ethical attitudes in Mainland China and Hong Kong. *Journal of Business Ethics*, 77(4), 463–479. <https://doi.org/10.1007/s10551-007-9360-1>
- Libby, T., & Lindsay, R. M. (2010). Beyond budgeting or budgeting reconsidered? A survey of North-American budgeting practice. *Management Accounting Research*, 21(1), 56–75. <https://doi.org/10.1016/j.mar.2009.10.003>
- Lucyanda, J., & Sholihin, M. (2023). The effect of gender and code of ethics on budgetary slack ethical judgment: experimental evidence from Indonesia. *Journal of Economics, Finance and Administrative Science*. <https://doi.org/10.1108/JEFAS-05-2021-0044>
- Lukka, K. (1988). Budgetary biasing in organizations: Theoretical framework and empirical evidence. *Accounting, Organizations and Society*, 13(3), 281–301. [https://doi.org/10.1016/0361-3682\(88\)90005-0](https://doi.org/10.1016/0361-3682(88)90005-0)
- Major, D. A., Turner, J. E., & Fletcher, T. D. (2006). Linking proactive personality and the big five to motivation to learn and development activity. *Journal of Applied Psychology*, 91(4), 927–935. <https://doi.org/10.1037/0021-9010.91.4.927>
- Mason, E. S., & Mudrack, P. E. (1996). Gender and ethical orientation: A test of gender and occupational socialization theories. *Journal of Business Ethics*, 15(6), 599–604. <https://doi.org/10.1007/BF00411793>
- McCabe, A. C., Ingram, R., & Dato-On, M. C. (2006). The business of ethics and gender. *Journal of Business Ethics*, 64(2), 101–116. <https://doi.org/10.1007/s10551-005-3327-x>
- Merchant, K. A. (1985). Budgeting and the propensity to create budgetary slack. *Accounting, Organizations and Society*, 10(2), 201–210. [https://doi.org/10.1016/0361-3682\(85\)90016-9](https://doi.org/10.1016/0361-3682(85)90016-9)
- Merchant, K. A., & Manzoni, J.-F. (1989). The achievability of budget targets in profit centers: a field study. *Readings in Accounting for Management Control*, 496–520. https://doi.org/10.1007/978-1-4899-7138-8_23
- Mowchan, M., Lowe, D. J., & Reckers, P. M. J. (2015). Antecedents to unethical corporate conduct: Characteristics of the complicit follower. *Behavioral Research in Accounting*, 27(2), 95–126. <https://doi.org/10.2308/bria-51186>
- Mowen, M. M., Hansen, D. R., & Heitger, D. L. (2016). *Cornerstones of Managerial Accounting*. Cengage Learning.
- Mutschmann, M., Hasso, T., & Pelster, M. (2021). Dark Triad Managerial Personality and Financial Reporting Manipulation. *Journal of Business Ethics*, 0123456789. <https://doi.org/10.1007/s10551-021-04959-1>
- Namazi, M., & Rezaei, G. (2023). Modelling the role of strategic planning, strategic management accounting information system, and psychological factors on the budgetary slack. *Accounting Forum*, 0(0), 1–28. <https://doi.org/10.1080/01559982.2022.2163040>

- Nguyen, N. T., Basuray, M. T., Smith, W. P., Kopka, D., & McCulloh, D. (2008). Moral issues and gender differences in ethical judgment using Reidenbach and Robin's (1990) multidimensional ethics scale: Implications in teaching of business ethics. *Journal of Business Ethics*, 77(4), 417–430. <https://doi.org/10.1007/s10551-007-9357-9>
- Olsen, K. J., Dworkis, K. K., & Mark Young, S. (2013). CEO narcissism and accounting: A picture of profits. *Journal of Management Accounting Research*, 26(2), 243–267. <https://doi.org/10.2308/jmar-50638>
- Onsi, M. (1973). *Factor Analysis of Behavioral Variables Affecting Budgetary Slack* Linked references are available on JSTOR for this article : *Factor Analysis of Behavioral Variables Affecting Budgetary Slack*. 48(3), 535–548. <https://www.jstor.org/stable/245151>
- Pierce, J. L., Kostova, T., & Dirks, K. T. (2001). Toward a theory of psychological ownership in organizations. *Academy of Management Review*, 26(2), 298–310. <https://doi.org/10.5465/AMR.2001.4378028>
- Powell, M., & Ansic, D. (1997). Gender differences in risk behaviour in financial decision-making: An experimental analysis. *Journal of Economic Psychology*, 18(6), 605–628. [https://doi.org/10.1016/S0167-4870\(97\)00026-3](https://doi.org/10.1016/S0167-4870(97)00026-3)
- Radtke, R. R. (2000). The effects of gender and setting on accountants' ethically sensitive decisions. *Journal of Business Ethics*, 24(4), 299–312. <https://doi.org/10.1023/A:1006277331803>
- Roxas, M. L., & Stoneback, J. Y. (1997). An investigation of the ethical decision-making process across varying cultures. *International Journal of Accounting*, 32(4), 503–535. [https://doi.org/10.1016/s0020-7063\(97\)90035-2](https://doi.org/10.1016/s0020-7063(97)90035-2)
- Roxas, M. L., & Stoneback, J. Y. (2004). *The Importance of Gender Across Cultures in. 1997*, 149–150.
- Sari, R. C., Sholihin, M., Zuhrohtun, Z., Purnama, I. A., Dewanti, P. W., & Udhma, U. S. (2023). Why are not men and women more alike? Gender and clawbacks in the trade-off between accrual and real activity earnings manipulation. *Gender in Management*, 38(8), 1117–1134. <https://doi.org/10.1108/GM-06-2022-0203>
- Schick, A. G., & Schick, A. G. (2018). *Linked references are available on JSTOR for this article : University Budgeting : Administrative Perspective , Budget Structure , and Budget Process*. 10(4), 794–802.
- Schuh, S. C., Hernandez Bark, A. S., Van Quaquebeke, N., Hossiep, R., Frieg, P., & Van Dick, R. (2014). Gender Differences in Leadership Role Occupancy: The Mediating Role of Power Motivation. *Journal of Business Ethics*, 120(3), 363–379. <https://doi.org/10.1007/s10551-013-1663-9>
- Seibert, S. E., Grant, J. M., & Kraimer, M. L. (1999). Research Reports Proactive Personality and Career Success. *Journal of Applied Psychology*, 84(3), 416–427.
- Seybert, N. (2010). R&D Capitalization and ReputationDriven Real Earnings Management. *Accounting Review*, 85(2), 671–693. <https://doi.org/10.2308/accr.2010.85.2.671>
- Sikula, A., & Costa, A. D. (1994). Are age and ethics related? *Journal of Psychology: Interdisciplinary and Applied*, 128(6), 659–665. <https://doi.org/10.1080/00223980.1994.9921294>
- Stevens, D. E. (2002). The Effects of Reputation and Ethics on Budgetary Slack. *Journal of Management Accounting Research*, 14(1), 153–171. <https://doi.org/10.2308/jmar.2002.14.1.153>
- Suar, D., & Gochhayat, J. (2016). Influence of Biological Sex and Gender Roles on Ethicality. *Journal of Business Ethics*, 134(2), 199–208. <https://doi.org/10.1007/s10551-014-2424-0>
- Valentine, S. R., & Rittenburg, T. L. (2007). The ethical decision making of men and women

executives in international business situations. *Journal of Business Ethics*, 71(2), 125–134.
<https://doi.org/10.1007/s10551-006-9129-y>

Vermeir, I., & Van Kenhove, P. (2008). Gender differences in double standards. *Journal of Business Ethics*, 81(2), 281–295. <https://doi.org/10.1007/s10551-007-9494-1>

Yuen, D. C. Y. (2004). Goal characteristics, communication and reward systems, and managerial propensity to create budgetary slack. *Managerial Auditing Journal*, 19(4), 517–532.
<https://doi.org/10.1108/02686900410530529>