



## **BUDGETING GAMESMANSHIP IN REAL ESTATE AND CONSTRUCTION: A STUDY OF MSME'S**

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### **Abstract**

*This study aims to seek how the process of budget preparation, implementation, and execution in the MSMEs Real Estate and Construction sector. The research focuses on the possibility of Gamesmanship in the budgeting process. This research is a case study with descriptive analysis method. Data was collected through in-depth interviews with several MSMEs business actors who contribute to the enterprise budgeting process. Budget gaming may happen because of a conflict of interest by a divisional or individual. This research picturing the budgeting process in real estate and construction MSME's and also reveals that the variables of the level of budget difficulty and the level of participation support the practice of budget gaming. The implementation of feedback and evaluation of the budget is going quite well by top-level management. Either contributes to the literatures, this research also trying to give advice to government as regulator that the importance of the budget for the sustainability of MSMEs should be a concern, especially for micro-enterprises to level up. And hopefully, training and good budgeting practices can be echoed more often to MSMEs business actors in the real-estate and construction sector.*

**Keywords:** *Budgeting; Construction; Gamesmanship; Real estate.*

### **Abstrak**

Penelitian ini bertujuan mengungkap bagaimana proses penyusunan, pelaksanaan, dan evaluasi anggaran pada UMKM di sektor Real Estate dan Konstruksi. Penelitian ini berfokus pada kemungkinan Gamesmanship dalam proses penganggaran. Penelitian ini merupakan studi kasus dengan metode analisis deskriptif. Data dikumpulkan melalui wawancara mendalam dengan beberapa pelaku usaha UMKM yang berkontribusi dalam proses penganggaran perusahaan. Diketahui bahwa terdapat praktik permainan anggaran dalam proses penganggaran. Permainan anggaran dapat terjadi karena konflik kepentingan oleh divisi atau individu. Penelitian ini memberi gambaran proses penganggaran pada UMKM sektor real estate dan konstruksi, dan bahwa variabel tingkat kesulitan anggaran dan tingkat partisipasi mendukung praktik permainan anggaran. Implementasi umpan balik dan evaluasi anggaran berjalan cukup baik oleh manajemen tingkat atas. Selain berkontribusi pada literatur terkait, penelitian ini mencoba memberikan saran kepada pemerintah sebagai regulator bahwa pentingnya anggaran bagi keberlangsungan UMKM harus menjadi perhatian, khususnya bagi usaha mikro yang menjadi perhatian besar akhir-akhir ini oleh pemerintah untuk dikembangkan sehingga naik level. Pada akhirnya, peneliti berharap praktik pelatihan dan penganggaran yang baik dapat lebih sering digaungkan kepada pelaku usaha UMKM di sektor real estate dan konstruksi.

**Kata Kunci:** *Anggaran; Gamesmanship; Konstruksi; Real estate.*

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## **INTRODUCTION**

The economic recovery and resilience are higher in countries with more reliable budget processes and more transparent public finances (Dzigbede, 2022). In addition, the strength or effectiveness of the pre-pandemic budget system moderates the impact of government stimulus measures on economic recovery and resilience in the medium-term forecast. In the context of economic recovery and resilience, Micro, Small, and Medium Enterprises (MSMEs) have a big role to play. As stated on the official website of the Ministry of Cooperatives and Small and Medium Enterprises (UMKM, 2022), MSMEs receive great attention from the government for their significant contribution to national GDP and economic growth. MSME business continuity cannot be separated from the role of a good planning and evaluation system for the implementation of continuous improvement.

The practice of budgeting for MSMEs were carried out with the awareness that the existence of a budget in MSMEs can determine operational targets to be achieved (Arifin & Pagalung, 2018; Yuliansyah et al., 2018). Surviving in a competitive business environment means that the business can be flexible and innovative, both in terms of product development and services offered or good financial management. Then good financial management can be started with financial planning in the form of a budget.

Real estate and construction sector will become potential business in the future. Various regions and cities are developing lands that have not been used optimally to be further managed as a real estate business and meet other needs (Makmur, 2021). According to Liu et al., (2021) as a comprehensive industry, the real estate industry integrates various economic activities, taking land and buildings as business objects, mainly engaged in real estate development, sales, management, and services.

The construction business is growing rapidly with limited control over costs, labor skills, and workforce skills. However, recent economic and geopolitical shocks have taken them by surprise and forced them to cut costs suddenly and tighten operations. Construction businesses need to develop a more flexible organizational model, with centralized functions, appropriate incentive structures, a performance-based culture, and strong project management capabilities (Borgogna, 2015). Based on this complexity, researchers consider it important to deepen the financial planning or budgeting process for real estate and construction businesses.

Warue, B., & Wanjira (2013) and Abdullahi (2015) found that one of the main tools of effective business planning and control is the budget and the budgeting process. The absence of budget control leads to neglect of established procedures or principles, loss of focus, and poor coordination of activities that affect business growth.

According to Kung & Huang (2005), it is important to create an atmosphere that encourages business unit managers to maximize the effectiveness of incentives and emotional oversight. As a result, it is critical to determine how to fully communicate with the business unit during the budget participation process, as well as to share information and experiences, improve access to job-relevant information, and create a flexible control environment that empowers and supports business unit managers. Hariyanti, Widi (2015) stated that the budget is one of the instruments to evaluate the performance of managers. According to Almasi (2015), budgeting is a manager's job and the budget is a tool to control, motivate, and assess performance. In the budgeting process, a participatory approach is often used.

Translating strategic plans into measurable financial standards and goals for an organization, on the other hand, is not considered a good manner in science. First, there is always uncertainty in the business environment. As a result, the preparation of the budget which is then packaged into a form of competition between the divisions will become a problem. Second, it is generally assumed that lower-level employees are used to “play” in preparing their budget forecasts – which results in distorted and even falsified information for report recipients.

Through the budgeting process, many "players" have their respective rights and responsibilities in to the budget. The competition mentioned above also would happen because of each prerogative power to fulfill either personal or group interests. The separation of power in the budgeting process as one way to solve this problem seems to be an essential principle (Lauth, 2002).

Participative budgeting according to Almasi (2015) is defined as the amount of involvement in budget preparation and development. There is a significant relationship between managerial participation in budgeting and management performance. However, according to Arifin (2018), participatory budgeting is not the only factor that can affect management performance, another factor that has a significant influence is the behavior of the participants in making the budget. In the results of her research, Lidia (2014) states that budget dysfunctional behavior causes serious losses to organizations. The practice of budgetary slack or budget gaming is not a new problem in the practice of budgeting. The game that employees and business unit managers play with their budgets is an interesting topic to research.

There were evidences showing that budget gaming has occurred significantly within MSMEs. In the preparation stage and budget execution stage, most players tend to agree with the practice of budget gaming (Setin et al., 2019). Preliminary observation that conducted by researcher on MSMEs’ was strengthen the empirical evidence to be created as research question. The practice of budget gaming has been reported mostly through anecdotal references in qualitative but very limited studies. Existing researches tend to confirm the general idea that when budgets are used to evaluate managerial performance, they affect managers' attitudes toward financial information. Akroyd (2021) surveyed managers who have an accounting background. Thus, they are more likely to receive budget amounts because they understand the process better than managers in other functional areas. Based on this laxity, in this study, the researcher took a sample of informants from various educational backgrounds to increase the generalizability of the findings.

Based on this description, the researcher aims to answer these kind of research questions: (1) Does the practice of Budgeting Gamesmanship occur in MSMEs in the Real Estate and Construction sector?; (2) How can this budget gaming practice be carried out?. In this study, the practice of budgeting gamesmanship is analyzed with several related variables that will be the main focus of research to determine the impact of budgeting on managerial behavior and the possibility of budget gaming. Those variables included are participation rate, budget difficulty, budget evaluation, and frequency of feedback. Meanwhile, research related to Budgeting Gamesmanship in this industrial reform era is still very rarely carried out, especially in the Real Estate and Construction sector, which is a vital sector for budget implementation. The researcher explores the data with in-depth interviews to find out the potential for Budgeting Gamesmanship. It is hoped that this research will be able to answer the conditions of the budgeting system of MSMEs in the Real Estate and Construction sector.

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## LITERATURE REVIEW

Budgeting characteristics and manager performance budget characteristics according to Putri et al., (2017), which are used as variables in this study are as follows:

### **Budgetary Participation**

Participatory budgeting is an alternative because it is considered to have a positive impact on managerial motivation. Participation allows greater acceptance of the set targets and effective exchange of information because the information comes from those who know the market best, who then communicate it to superiors (Anthony, 2012). On the other hand, the level of participation can also be one of the variables that affect the level of play in the budgeting process. A high level of participation can be an indication of a high level of play if it is not accompanied by proper monitoring and evaluation of the budgeting process.

### **Budget Difficulty**

A budget that is difficult to achieve causes managers to feel frustrated by the possibility of unfavorable deviations. A budget that is too easy to achieve will result in managers not feeling challenged because without trying hard, the target will not be achieved. On the other hand, if the budget is too difficult to achieve, there will be a possibility for managers to take short-term actions that may not be following the company's long-term objectives. Therefore, the budget should be at the standards that have been made, not too easy nor too difficult to achieve (Anthony, 2012).

### **Budget Evaluation**

Budget evaluation refers to efforts to determine the magnitude of deviations that occur between the budget and actual performance at each responsibility center. So that the performance of the responsibility center manager will be known. The evaluation aims to determine the manager's performance so that it can be used as a basis for providing rewards or promotions and punishments under the results achieved by the manager. A punishment approach, for example, will lead to negative actions and low motivation (Anthony, 2012). Giving rewards can motivate to improve performance but on the other hand, invites participants to cheat.

### **Budget Feedback**

Feedback is a big difference between the budget and the realization results that become the basis for management to take corrective action (Mowen et al., 2014). With this feedback, managers and employees will be able to decide whether the implementation will continue or take corrective action so that the actions taken are carried out according to the original plan. Budget feedback involves examining managers' past performance and systematically revealing alternative ways to make better decisions in the future.

This research uses Goal-Setting Theory and Agency Theory. Edwin Locke and Gary Latham as the originators of goal-setting theory state that individuals' subjective judgments of actual or possible outcomes affect their motivation and actions. This theory assumes that the absence of specific goals and objectives can be a source of ambiguity, confusion, and lack of direction for subordinates. This has an impact on dysfunctional behavior. Related to this research, the budget must reflect clear organizational goals because unclear goals will have behavioral consequences that are detrimental to the organization (Setin et al., 2019). Goal setting is recognized and is a major theory of motivation in the workplace. Hard goals have consistently

been shown to lead to higher levels of performance than easy goals. If there is no commitment, a goal will have no motivational effect. Goals are today's main motivation treatment, and goal commitment is a necessary condition for difficult goals to result in higher task performance (Ginting, 2017).

The concept of agency theory, according to Supriyono (2018), is explained as a contractual relationship between the principal as the giver of authority and the agent as the recipient of the authority to make decisions and carry out operations by prioritizing interests in optimizing company profits. However, the basic assumption of agency theory that was initiated by Jensen & Meckling in Setin (2019) is that employees are motivated by personal interests, have limited rationality, and tend to avoid risk, so employees need monetary compensation to motivate them by prioritizing the interests of the principal or the owner of capital. In the context of budgeting, the achievement of budget targets is often used as a principle as the basis for evaluating managers' performance. This creates a conflict of interest for the manager. To facilitate the achievement of budget targets, managers involved in the budgeting process have the opportunity to do budget gaming (Setin et al., 2019). All "players" who contribute in to the budget has each own power to do so to.

In the United States of America, separation of powers is a fundamental principle. They divide government powers along legislative, executive, and judicial branches, which each branch has the power to check or balance the other two and not mutually exclusive (Khan et al., 2002). The theory of separation of powers wrote by James Madison said that it is agreed on all sides, that the powers properly belonging to one of the departments ought not be directly and completely administered by either of the other departments. It is equally evident, that none of them ought to possess, directly or indirectly, an overruling influence over the others in the administration of their respective powers. It will not be denied, that power is of an encroaching nature, and that it ought to be effectually restrained from passing the limits assigned to it (Lauth, 2002).

The important role of the budget in the overall planning process, causes the budget to become a playing field for the players. The prevalence of budget game practices in organizations is the result of widespread traditional budgeting practices (Sandalgaard, N., & Bukh, 2014). Budgeting gamesmanship is an act of deliberate and planned manipulation by managers regarding sales, costs, profit estimates, and other manipulations in the budgeting process. Budget gaming is synonymous with the term we know, namely budgetary slack. Budgetary slack is a process of padding the budget by overestimating costs and underestimating revenues (Mowen, Hansen, & Heitger, 2014). The act of padding budgets is called into question when considering what is seen as ethical professional practice. A padding budget is an intentional misstatement of costs and/or revenues. Excessive padding is a misrepresentation and can lead to failure to manage resources that in other areas may need it.

Sneak games, games play, budget manipulation, and budget gap, are terms used interchangeably to describe managers' dysfunctional behavior towards budgets (Libby & Lindsay, 2010). The term budget gap is most often used to describe dysfunctional budget behavior. A budget slack is a deliberate attempt by a divisional or business unit manager to increase his or her chances of achieving that budget and reduce the risks that will be faced. Even though there are gaming problems in the budget, companies still choose to use the budget for control purposes and continue to try to adapt to the use of the budget, tending to overcome budget problems rather than choosing to leave the budget completely (Libby & Lindsay, 2010).

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## **RESEARCH METHOD**

Research data is primary data taken from in-depth interviews technique and secondary data from the documentation. The scripting approach is semi-structured. First, the researcher determines the theme based on the research questions and variables employed. From these considered themes, researcher determines questions as points that will be developed during the interview process for each respondent. MSMEs entrepreneurs of real estate and construction sector were conducted using a purposive sampling method.

This research is a case study with descriptive analysis method in several real-estate and construction MSMEs, hereinafter referred to as ABC. The business sample is determined based on the criteria. ABC refers to an initial for combined of three medium-sized MSMEs (R1, S1, T1 codes) in Central Java Region, with annual income exceeding 15 billion and working capital exceeding 5 billion rupiahs. Today, ABC have been able to absorb more than 70 workers and are actively accepting housing projects whose majority locations are outside the region. Based on the documentation, ABC have a divisional organizational structure. The divisional structure is implemented by requiring a good budget allocation. This is because, in a divisional structure, divisions need to plan and coordinate the work of various separate functions (Anthony & Govindarajan, 2012).

The research respondents are called as Informants, were selected with the following criteria: 1. Informants are involved and have an understanding of the participatory budgeting process, 2. Informants represent positions at different levels of authority (top-level and lower-level management); and 3. Informants represent diverse educational backgrounds (accounting or non-accounting). The number of samples in qualitative research is not the main issue, but researchers need to dig up as much data as possible until they feel they have reached data saturation to answer research questions. Saturated data is defined as when researchers get the same and consistent response from different informants, to similar questions being asked (Idrus, 2009).

Interview data were analyzed through several stages of thematic analysis (Cresswell, 2009). The researcher first applies the "inductive" or "bottom-up" stage by exploring the research objectives as much as possible without regard to the theory or analytical scheme in it. The researcher compiled interview transcripts and read the transcripts repeatedly to get a deep understanding of the data. In the next step, the researcher set the code manually and grouped the code groups based on the theme (Braun & Clark, 2006). In this study, source triangulation was applied to test the credibility of the data in answering research questions. In interviews, source triangulation is a technique of comparing interview data from two or more sources to verify each theme in the study. Sugiyono (2016) argue that the activities in qualitative data analysis are carried out interactively and take place continuously until complete until data saturation is achieved. Research data analysis activities are carried out by collecting data, reducing data, presenting data, and drawing conclusions.

## RESULTS AND DISCUSSION

### Participation Rate

The existence of a budget in the real estate and construction sector is considered important in evaluating the division's financial performance. The budget is used as a reference for carrying out work. Budgeting for MSMEs in the real estate and construction sectors uses a bottom-up approach.

"The process of budgeting came from the lower level (management), prepared by the experienced of the employees who have surveyed the field and then prepared a detailed budget later, I as the leader will re-evaluate it (the budget proposed)." (R1-9)

"So each division will provide input on how much budget is needed because they know best, of course, there will also be a review from top management and an audit as well, the key is supervision." (S1-9)

The bottom-up approach relies on the participation of employees at lower management levels because it is believed that they are the ones who better understand the conditions on the ground. Conflicts of interest between divisions may be considered insignificant, but competition in performance between divisions must exist.

"The participation rate is quite high because they usually know better about the location, market, competitors, suppliers, and other licensing fees." (S1-10)

"The level of participation remains and is open, and can be considered together." (T1-12).

"The level of participation here adjusts to the project's objectives, so there is usually no glaring conflict of interest between divisions in my company, so it is in harmony. All divisions are involved although it will probably be dominated by the technical division because they know the pitch." (R1-11)

A fairly high level of participation from lower-level management and the existence of conflicts of interest between divisions should be the top-level management's consent for the common goals to be realized properly.

### Budget Difficulty

The level of budget difficulty is influenced by the leadership style and culture within the company (Anthony & Govindarajan, 2012). ABC management strongly upholds a culture of trust and honesty within an organization. For them, honest employees are valuable assets that need to be maintained and rewarded for their work loyalty. "That's where supervision is always needed in the field, so we try to always work with honest people, it's not difficult to find honest people, as long as we treat them well too. And don't forget to keep praying, that's just the key" (S1-16) "..., but again we also need to instill trust in the executor, ....." (S1-28)

"Employees will be honest and in line with our goals if they are always appreciated. I always call all employees by greeting followed by (his/her) name, for example, Mba Sarah, Mas Dika, it is called *ngewongke* (the way to humanize in the Javanese language). Then giving instructions is also an art, even in our meetings, it's usually not formal and tense. So we use a humanist approach so that subordinates can be in line with the company's goals." (T1-24)

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"We usually give supervisors and implementers who work within budget and are honest, because getting and keeping honest people is difficult, right. So even if there is a difference, they can be honest, not collusion, that's what we will appreciate..." (S1-22)

"When recruiting, of course, we look for honest people, we check their track records, but the proof can only be seen when he is already working, how his performance is..." (S1-24)

Budget standards can reflect the level of difficulty of the budget. Some informants stated that there was no written standard. Budget orientation focuses on the amount of the proposed budget by adjusting the target percentage. For projects that are regular in nature, they use a standard budget, but for projects that are custom (according to demand), the budget has been adjusted. The standards used can refer to the target profit, cost-plus-markup, market price, and adjustments to the products made.

"Standard cost huh? Yes, that was the standard, judging from our main material needs, the engineering department will detail the required budget and usually, there is a profit target too, as long as the profit target is met." (S1-12)

"In general, it means that we use cost-plus-markup in every project. For example, we budget for a project, so a minimum percentage of 20% profit is completed." (S1-14)

"For example, for our standard, for buildings of a few square meters, we as property and property service entrepreneurs already know that market prices are used. although this standard is not a written standard. But for subsidized housing, we follow government standards." (R1-12) "The standard is from our supplier's material prices and adjusted to the type of housing that will be worked on." (T1-14) "Using the market price, I think it's more appropriate so that the budget can be up to date..." (T1-16)

The use of standards is done because the standards provide realistic figures to apply. Not too difficult and not too easy to achieve. Thus, it is hoped that the variance that occurs can be minimized.

"We usually apply these standards because they are realistic, yes, if we budget more than that, it means that the indications are wasteful, because we already know the building count per square meter, how much asphalt per square meter is. But of course, the location affects, for example, the price of cement in Java may be different from the price of cement in Kalimantan, usually the most expensive in Papua because the logistics there are also expensive." (R1-14)

Finally, the level of budget difficulty can be seen from how material the variance occurs and how often the budget variance occurs. The level of variance that occurs is generally immaterial and has a small frequency. A variance occurs in some costs that are uncontrollable costs.

"Yes, sometimes there are, more for some material items that are sent to the contractor's house, even though there is no difference from the proof of purchase, right?" (S1-15).

"So if the budget deviation is relatively small, what is unpredictable is a legal budget, that's why we have spies, spies, usually there is tactical money or not in each region, it's different." (S1-17)



"Yes, the difference that occurs is usually material and legal, for the material it is not significant, yes, for legal, it is sometimes material." (S1-18)

Given the participatory nature of the budget, divisional managers must prepare a revenue budget that is still affordable. Top-level management also tends to agree with the emphasis on revenue targets if conditions in the market are not supportive.

"Sometimes there is a difference in income, which is related to sales, yes, marketing too. Sometimes some projects still have several units left, or sometimes certain projects are difficult to sell because there are other housing estates in the area not far from the location. The amount is quite material, so we have to suppress the profit that has been targeted." (S1-19)

It can be concluded that the budget difficulty in the real estate and construction sectors is low. Of course, budget variances will be rare or immaterial, due to a familial leadership style, upholding a culture of trust and honesty, and non-standard budget standards.

### **Budget Evaluation**

Top-level management shows activeness in the evaluation of the budget. The results of the evaluation that have been carried out will be taken into consideration in budget execution in the coming period.

"Yes, the unfavorable difference will be searched for the causal factors, and become a concern for future monitoring." (S1-20)

"I always evaluate Ma'am, controlling must be done throughout the process, for example, for the workforce, the budget has been exceeded, is it because the work is slow or what, if there is too much material, we can also immediately remind you when in the field." (R1-24)

Evaluation is done by comparing the budget with the realization. The application of reward & punishment is given from the results of the evaluation and achievement of performance. Rewards for achieving targets are very visible. Sanctions are only given to perpetrators who are found to have committed fraud.

"Yes, there is, for example, when the sales target is achieved, the profit target is also achieved, so share the happiness, yes, managers can get a motorbike like that, so that they also feel appreciated for their performance." (T1-22)

"Sanctions are more if someone has harmed which is not only material in nature but has also damaged the good name of the company, only if it comes to that can stop the cooperation." (T1-23)

"For materials, sometimes the purchase amount is appropriate, but the amount of use is different, and the nature is material, so if there is primary data that can prove the error, we can turn off the employee." (S1-23)

"We don't sanction immediately, but we pay attention, investigate, and prove it. If someone plays, we try to shift the task, but if the loss is large, the cooperation can be ended." (R1-21)

The evaluation of the implementation of the budget carried out by top-level management is quite high. Awareness to evaluate the budget is quite high, to carry out better work in the future. The evaluation also needs to be carried out considering that there are parties who need to be given a cost accountability report for tender projects.

### **Budget Feedback**

Upper-level management shows the seriousness of giving reciprocity to financial planning carried out by lower-level management. The feedback given is more on the use of reasonable budget figures.

"... If we are a construction service for auction, then we make it competitive, usually the first selected is administration, then the lowest, lowest price will be evaluated in detail, clarified again on its fairness, responsibility, so even the lowest does not necessarily win, the one who decides is bohir (the project owner). While the budget for the property is a little more flexible, we manage it, we adjust the location and market share." (R1-4)

Feedback is done quite often. Good communication is given to achieve a common goal. Communication is also carried out to minimize budget gaming by lower-level management. An informal communication style was chosen because it was deemed suitable to touch the habits of employees.

"Indeed, the key is communicating, so they know what our goals are together. Thank God I have an honest team, so every monitoring and evaluation, God willing, can minimize fraud in preparing and realizing the budget." (S1-29)

"When there are things that need consideration or solutions, I will also provide them, yes, communication is just like that, it is not formal like a report, often discussions are packed with just talking about progress in the field." (T1-29)

"I trust but I also always control and evaluate, both of which I do. Supervision is very, very important. I'm also a field officer, we'll see how it relates to technical or administrative matters. I also communicate and provide approaches during meetings so that the vision and mission of the company and employees can be aligned. God willing, the evaluation can minimize the existing deviations." (R1-26)

Good leadership conducts evaluation and feedback regularly. Feedback is carried out with approaches that can be accepted by employees so that the delivery of messages can also be well received. The motivation for implementing feedback is to minimize the practice of gamesmanship by employees.

## Budgeting Process

MSME Real-Estate and Construction Sector implements a budget system. They stated the importance of the budget in the process of development and implementation of work.

"Yes, we have a budget, of course, we make our own RAB. If we are a construction service for auction, we make it so that we can compete, usually the first selected is administration, then the lowest and lowest prices will be evaluated in detail, re-clarified their fairness, responsibilities, so even the lowest does not necessarily win, the one who decides is the bohir. While the budget for the property is a little more flexible, we manage it, we adjust the location and market share." (R1-4)

"The budget is like our reference in realizing development, it means Ms. So it is very important. Evaluation cannot be carried out if there is no budget." (R1-5)

The budget that is prepared is not only about the numbers but the quality of the goods. As a business actor in the real estate and construction sector, they place great importance on the quality of the building materials ordered from vendors.

"Comparing the budget and the use of materials used, we will also look at the quality of the product, is it still within the tolerance limit, a kind of quality control. There is always an audit both technical and financial audit..." (S1-21)

"The budget is implemented according to the schedule or development schedule so it must be on time, there are terms, so we do it not only on time but also with the right quality." (R1-8)

In the real estate and construction sectors, budget execution usually has a specific timeframe – project-based budgeting. However, careful analysis was carried out in the context of preparing the budget for each of these projects.

"That's right, we will first budget for a project referring to location, location, location. So that much is important and determines this location analysis." (T1-4)

"Furthermore, the team will survey the feasibility study, spatial planning according to government regulations, and the target market, unit design, and other facilities." (T1-5)

For new projects, they take an initial approach to minimize budget variances

"We first survey everything from the materials needed once the design is ready, we survey the location, survey the licensing in the area concerned, check the target market, and make a marketing strategy that fits the new product." (S1-25)

"There is always a thorough survey and analysis for every new project that we will work on, so that budgeting can be more precise and attainable." (T1-25)

Budgets are prepared with a bottom-up approach and some are combined with a top-down approach. In this study, researchers focused on the implementation of participatory budgeting. The type of budget that is prepared is a static budget, namely operational and financial budgets.

"Here the owner still dominates in budget planning but also does not turn a blind eye to inputs and suggestions from our subordinates." (T1-11)

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"We make an operational budget, such as for employee salaries and office administration, then there is also a budget for each project, both from building materials, licensing fees, to marketing." (T1-9)

### **Budgeting Gamesmanship**

Indications of budget gaming are seen in MSMEs in the real estate and construction sectors. There have also been incidents of budget gaming that were found directly by the top-level management.

"Sometimes, in some cases, I was shown that way by accident, so I think it has something to do with our prayers and penance." (S1-21)

"Indeed, in this property, people on the field are prone to playing games, but we are respectful but careful, okay?" (S1-24)

"There may be unit heads or employees who take advantage of the conditions of their new superiors, who do not understand the field, but we have a supervisory team in the field who are quite understanding and have high flying hours." (S1-26)

"There are things like that, dishonest, but leaders who have experience in property or construction services are usually able to detect things like that." (R1-23)

Top-level management gives high trust to subordinates. This leadership style and culture motivates performance, but on the other hand, giving a lot of authority will tend to free up employees to determine budget figures which end in the budget game itself. Moreover, variances that are considered insignificant are usually not investigated.

"The difference between the budget and the actual is normal, as long as it's not material, we usually don't have a problem with it, maybe this can also be minimized with careful analysis beforehand." (T1-17)

"We have communicated and agreed on the budget, so if we focus too much on differences or problems, I don't think it's wise either, so I put my trust in the implementers...". (T1-28)

There was a practice of budget gaming by lower-level management employees which is known and proven directly by top-level management. Top-level management itself stated that an understated budget had been carried out which caused a discrepancy in the material quality criteria that had been budgeted at the beginning. They also take advantage of the new boss's lack of understanding to try a budget game

"I, as a leader, almost wanted to miss out, but I was able to tell because there were irregularities, for example, repeated deliveries of sand, or the purchase of ceramics with a certain brand cheaper, because I know the price very well. So there is also a conspiracy between my employees and the material store supervisor. But if I wanted to find out, I didn't ask the employee right away, but I went straight to the shop and proved the fraud from there and the employees couldn't dodge it anymore." (R1-17)

"Once there was a new boss, he thought he and his friends didn't understand the price, they didn't understand the field. Some say we just increase the price of the material." (R2-23)

Employee dishonesty is perceived by top-level management as a signal for more oversight of budgeting. Price bidding competition to win tenders in the real estate and construction sectors can reduce the quality of the finished product, in this case usually buildings. Good business actors will usually pay attention to the quality of the finished product, so they can maintain customer satisfaction and maintain the good name of their business.

"It means that in principle they are dishonest, not trustworthy because each individual's faith is also different, the motivation can be a necessity. This is when we talk in general in construction services, each company is also competitive to cut prices, so sometimes some of them sacrifice quality, but that depends on Bohir who will evaluate it." (R1-18)

## **CONCLUSIONS**

There is a practice of budget gaming in MSMEs in the real estate and construction sector. The practice of budget gaming is described in terms of the variables discussed above. Budget gaming is carried out by lower-level management either for divisional or personal interests. The level of participation is quite high from lower-level management in preparing the budget, providing flexibility for them to play budget gaming. Conflict of interest between divisions should also be consented to by top-level management so the common goals can be realized properly. However, in reality, down-to-earth communication and leadership are still not enough to touch the hearts of employees to always act honestly.

Based on the budget difficulty variable, the practice of budget gaming is very possible. Budget difficulty in the real estate and construction sector is low. As stated in Putri (2017), the conditions that reflect budget difficulty are the level of budget variance, leadership style, and the existence of budget standards. Budget variances will certainly be rare or immaterial, due to the family-style of leadership and upholding a culture of trust and honesty, as well as the absence of budget standards. From the evaluation variables and budget feedback, the real-estate and construction sectors are doing well.

That a good budget leader is someone who always provides feedback and evaluates the budget regularly. However, back to the behavior and "faith" of each participant in the budget maker. Therefore, giving trust and authority to employees must be as good as the adequate intensity of budget supervision. Giving rewards as positive evaluation and punishment as the absence of professional and bad attitude is the act implemented in MSMEs' way of leadership. The effect of reward and punishment on employee performance is expected to be able to prevent conflicts of interest between companies and employees who propose budgets in a participative-budgeting system (Govindarajan, 2012).

This study already provides an overview of the budgeting process and the practice of budget gaming in MSMEs in the real estate and construction sector. The importance of the budget for the sustainability of MSME businesses should be a concern for the government as a regulator, especially for micro-enterprises which are of great concern to the government to be level up (Septyaningsih, 2021). In the end, the researchers hope that training and good budgeting practices can be echoed more often to MSME business actors in the real estate and construction sector. That a good supervision and techniques for budgeting is necessary.



The topic of budget gaming still requires further investigation, future research can examine deeper and broader about the possibility of budget gaming practices in Indonesia in a wider sample (Daumoser et al., 2018). Since this study only uses interview and documentation data collection techniques, data verification is still inadequate. Based on that reason, researchers recommend for the following researchers (on the same topic) also use the observation technique to prove the practice of budget gaming.

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