



The Impact of Locus of Control on Budgetary Slack: Insights from The Literature Review

Aryan Danil Mirza. BR^{1*}

¹Accounting Department, Universitas Lampung
aryan.danil@feb.unila.ac.id

**Corresponding Author*

ABSTRACT

Budgetary slack is a prevalent issue in managerial accounting, often linked to individual behavioral tendencies. On the other hand, Locus of control has emerged as a significant factor influencing budgeting behavior. This study explores the relationship between locus of control and budgetary slack through a literature review approach. We Use Scopus, Web of Science and Google Scholar database using keyword “locus of control” and “budgetary slack”. The review indicates that individuals with an internal locus of control are generally less likely to create budgetary slack due to their intrinsic motivation, sense of responsibility, and goal alignment with the organization. In contrast, those with an external locus tend to manipulate budgets as a means of protection or strategic advantage, especially under conditions of uncertainty or perceived injustice. The study underscores the importance of integrating psychological insights into budgeting processes and suggests that organizations can mitigate dysfunctional budgeting behavior by fostering environments that support accountability, trust, and participation. Ultimately, this research contributes to the field of behavioral accounting by providing a theoretical foundation for understanding how personality traits interact with organizational controls to shape budgeting outcomes.

Keywords: Budgetary Slack, Locus of Control, Managerial Accounting, Personality Traits

INTRODUCTION

Budgeting is one of the most pervasive and influential processes within organizational systems (BR & Adi, 2020). While traditionally conceived as a rational, technical process for resource allocation and performance evaluation, contemporary research in management accounting increasingly acknowledges the behavioral dimensions of budgeting (Namazi & Rezaei, 2024). Budgetary decisions are not made in a vacuum—they are shaped by human judgment, cognitive limitations, motivation, interpersonal dynamics, and psychological predispositions (Sukmasari, dkk. 2023; Stenstrom, & Haycock, 2015; SeTin, & Natalia, 2024). This has led to a proliferation of research exploring how individual and organizational factors jointly influence budgeting outcomes, especially in the emergence of budgetary slack (Rohma, 2022).

Budgetary slack refers to the deliberate misrepresentation of budget figures by subordinates, typically to create buffers that make performance targets easier to achieve (Agustina, dkk., 2023). Though often subtle and difficult to detect, slack undermines the integrity of budgeting systems and distorts performance evaluations, leading to inefficient resource allocation, impaired organizational learning, and potentially dysfunctional managerial behavior (BR & khoirunisa, 2021; Rohma, F. F., & Chamalinda, 2023). It may also erode trust between superiors and subordinates (Mareta, et al., 2021), ultimately compromising the effectiveness of control systems. While slack creation can sometimes be rationalized as a protective mechanism in response to uncertainty or unrealistic targets, it remains a largely undesirable behavior from an organizational efficiency standpoint (BR, et al., 2023).

Within this behavioral context, one psychological construct that has gained traction in accounting literature is locus of control. Locus of control captures an individual's generalized belief system about the causation of life events (Nguyen, & Mitrou, 2025). Individuals with an internal locus of control believe that outcomes are primarily the result of their own efforts, decisions, and





abilities (Hamzah, & Othman, 2023). Conversely, individuals with an external locus of control attribute outcomes to external circumstances, such as luck, fate, or the influence of powerful others (Arkorful, & Hilton, 2022). This trait, though relatively stable, plays a pivotal role in how individuals approach responsibility, decision-making, and ethical judgment in organizational settings.

The relationship between locus of control and budgetary slack is theoretically compelling yet empirically nuanced. Internally oriented individuals are generally expected to take greater ownership of their roles and exhibit higher standards of integrity (Caliendo, et al., 2022). They may perceive slack creation as a moral compromise or a failure of personal responsibility. On the other hand, externally oriented individuals might be more inclined to justify slack behavior due to their belief that outcomes are beyond their personal influence. When placed in high-pressure budgetary environments or when confronted with rigid top-down targets, these individuals might resort to slack as a defensive strategy, rationalizing their behavior through external attributions (Mareta, et al., 2021).

Despite the intuitive appeal of this relationship, the empirical literature has not provided conclusive findings. Some studies suggest a negative correlation between internal locus of control and slack creation, while others indicate weak or context-dependent effects (Sukmasari, et al., 2023; Mareta, et al., 2021). Factors such as organizational culture, leadership style, reward systems, and task uncertainty appear to moderate this relationship, complicating efforts to draw clear causal inferences. Moreover, the methodological diversity in how locus of control and slack are operationalized—ranging from self-reported questionnaires to experimental budget-setting tasks—further contributes to inconsistent results (Mareta, et al., 2021; Mukhtaruddin, et al., 2024 Alsadoni, et al., 2023).

This literature study aims to systematically examine and synthesize scholarly research on the impact of locus of control on budgetary slack, with the goal of clarifying conceptual linkages, identifying dominant theoretical frameworks, evaluating methodological approaches, and highlighting gaps in current understanding, slack. The literature review is conducted using a systematic search strategy across major academic databases such as Scopus, Web of Science, and Google Scholar. Keywords such as 'locus of control' and 'budgetary slack' were used, resulting in a total of 53 relevant sources after a thorough filtering and selection process. Through a literature review, this study intends to build a coherent narrative around the psychological dimensions of budgeting behavior, particularly as they pertain to individual personality traits and their influence on ethical financial decision-making.

This inquiry holds both academic and practical relevance. For scholars, it offers an opportunity to deepen theoretical integration between accounting and behavioral sciences, particularly in understanding how personality variables interact with structural factors in shaping organizational outcomes. For practitioners, insights from this literature may inform the design of more psychologically informed budgeting systems—ones that not only account for economic incentives but also for the values, perceptions, and motivations of the individuals operating within them. In an era where transparency, accountability, and ethical stewardship are increasingly emphasized in corporate governance, understanding the roots of budgetary slack is more pertinent than ever.

By mapping the intellectual terrain surrounding locus of control and budgetary slack, this study contributes to a growing body of behavioral accounting literature that seeks to humanize the field of budgeting. It underscores the idea that behind every numerical target lies a human decision-maker—subject to biases, pressures, and personal beliefs—that ultimately shapes the integrity and usefulness of the budgeting process.

LITERATURE STUDY

Budgetary Slack

Budgetary slack refers to the intentional underestimation of revenue or overestimation of costs in a budget proposal, resulting in an easily attainable target that does not reflect the most accurate forecast (Mursita, & Nahartyo, 2018). It is considered a form of dysfunctional behavior in





budgetary processes, as it undermines the effectiveness of budgeting as a performance planning and evaluation tool. While some scholars argue that slack can serve as a cushion against environmental uncertainty (Rohma, & Novitasari, 2023; BR & Adi, 2020), most literature emphasizes its negative implications on organizational efficiency, resource allocation, and managerial accountability.

The phenomenon of budgetary slack is deeply rooted in the behavioral dimension of budgeting. BR & Khoirunisa (2021) noted that budget targets often create tension between organizational goals and individual interests. This conflict gives rise to opportunistic behavior, especially when budgetary performance is closely tied to rewards or evaluations (Rohma, & Novitasari, 2023). In such settings, individuals are incentivized to manipulate budget information to ensure favorable performance assessments.

A central factor influencing slack creation is the degree of participation in the budgeting process. While participative budgeting is often associated with positive outcomes such as motivation, commitment, and information sharing, it also provides subordinates with the opportunity to insert slack. BR & Adi (2021) and Rohma (2022) both highlight the paradox that while participation increases buy-in, it simultaneously allows for strategic misrepresentation of information. This makes the role of managerial characteristics—such as honesty, ethical orientation, and personality traits—crucial in determining whether participation leads to collaboration or manipulation.

Numerous studies have attempted to identify antecedents of budgetary slack. Individual traits such as locus of control, ethical values, and risk aversion play a significant role. For instance, Douglas and Wier (2000) found that individuals with stronger ethical standards were less likely to create slack, even when given the opportunity. In a similar vein, Chong and Johnson (2007) found that budgetary slack was less likely when employees perceived high procedural fairness and trust in the budgeting system.

Organizational context also contributes to slack behavior. Performance-based incentives may increase the pressure to meet targets, thereby motivating slack. Sariri, & Septiana (2023) observed that the link between performance evaluation and budget achievement intensifies the motivation to pad budgets. Conversely, organizations that emphasize long-term goals, transparency, and learning tend to reduce the incidence of slack. Environmental uncertainty adds another layer, as individuals may justify slack as a buffer against unpredictability (BR & Adi, 2020), especially in volatile industries or economic climates.

Although slack can serve as a psychological or strategic buffer, its long-term effects are often detrimental. It distorts the reliability of performance measures, weakens internal controls, and reduces the alignment between actual and expected results. Furthermore, excessive slack can promote a culture of complacency and undermine trust between employees and management.

Locus of Control

Locus of Control (LoC) is a psychological construct introduced by Julian Rotter (1966), referring to an individual's belief system regarding the causes of their successes or failures. Individuals with an internal locus of control believe outcomes result from their own efforts, decisions, and abilities (Thomas. & Feldman, 2011). In contrast, those with an external locus of control attribute outcomes to factors beyond their control, such as luck, fate, or powerful others (Arkorful, & Hilton, 2022). Over the years, this concept has been widely applied in various disciplines including psychology, management, and accounting, especially in understanding managerial behavior and decision-making under uncertainty.

In organizational settings, particularly in management accounting, LoC has been linked to budgetary behavior, performance evaluation, and ethical decision-making. Internals are typically characterized by higher motivation, accountability, and ethical awareness. According to Chong and Monroe (2007), individuals with internal LoC demonstrate a greater sense of ownership over their tasks and are more inclined to align their actions with organizational goals (Hamzah, & Othman, 2023). This internal motivation reduces their tendency to manipulate budgeting figures or engage in dysfunctional behaviors such as creating budgetary slack. On the other hand, externals are more likely to perceive performance targets as threats and may engage in defensive behaviors like





padding budgets to protect themselves from negative evaluations or unexpected outcomes.

Several studies reinforce this behavioral pattern. For example, Mareta, et al., (2021) found that subordinates with an internal LoC were less likely to engage in budgetary slack even under high-pressure environments. Similarly, Sukmasari, et al., (2023) suggested that LoC is a strong predictor of ethical decision-making in budgetary settings, where internals were less prone to falsify reports or misrepresent data. These findings imply that internal LoC correlates positively with ethical conduct, budgeting accuracy, and alignment with organizational performance metrics.

On the other hand, the external locus of control (LoC) refers to an individual's belief that outcomes in their life are primarily shaped by forces beyond their control, such as luck, fate, powerful others, or external circumstances. This orientation stands in contrast to the internal locus of control, where individuals see themselves as the primary agents of their success and failure. When applied to managerial behavior—especially in budgeting contexts—the external LoC has meaningful implications for how individuals perceive accountability, opportunity, and ethical responsibility (Forte, 2005). One of the most consequential behavioral outcomes associated with external LoC is a heightened propensity to engage in budgetary slack (Sukmasari, et al., 2023).

Individuals with an external LoC tend to perceive limited control over organizational outcomes and may view the budgeting process as an external imposition rather than a collaborative tool for planning and performance. Consequently, they often approach budgeting with a sense of strategic detachment or defensiveness. Rather than seeing budgets as tools for coordination and achievement, they may perceive them as threats to personal well-being or as mechanisms of control imposed by higher authorities (Mareta, et al., 2021). This perception fosters a behavioral mindset where budgetary slack becomes a self-protective strategy—a way to shield themselves from performance pressure, failure, or perceived unfair evaluations. Unlike internals, who view participation as an opportunity to contribute meaningfully and take ownership (Alsadoni, et al., 2023), externals may see participation primarily as a chance to secure favorable targets for themselves (Irfan, A. 2014). They may use their involvement in budget discussions not to improve accuracy, but to strategically inflate cost estimates or suppress revenue projections. Their focus is not on optimizing the budget for organizational success, but on reducing the likelihood of failure or criticism (Lim, et al., 2003). In this way, participative budgeting can inadvertently provide externals with more avenues to create slack, especially if oversight is weak or trust is low.

LoC also interacts with contextual factors such as budgetary participation and environmental uncertainty. Machmud, et al., (2022) observed that participative budgeting can reinforce the positive effects of an internal LoC by increasing engagement and accountability. However, the same participation structure may not deter externals, who may still use the system to insert slack if they perceive little personal control over outcomes. Sukmasari et al., (2023) noted that under high uncertainty, even internals may experience weakened control beliefs, although they are more likely to respond with problem-solving behaviors rather than opportunistic ones. Nevertheless, the accumulated evidence suggests that LoC is a foundational variable in understanding behavioral outcomes in budgeting and managerial control systems.

METHOD

This study adopts a qualitative literature review approach to explore and synthesize the current body of academic work concerning the relationship between locus of control and budgetary slack. Rather than generating primary data, this research is grounded in the systematic interpretation of existing peer-reviewed literature, aiming to uncover theoretical patterns, evaluate methodological rigor, and identify gaps for future exploration. A literature study of this nature is especially appropriate for behavioral topics in accounting, where psychological constructs like locus of control are often studied across diverse empirical settings. By focusing on previously published findings, this research offers a comprehensive conceptual framework and lays the groundwork for a more unified understanding of how individual personality traits intersect with financial decision-making in organizational contexts.

The literature used in this study was sourced from academic databases, including Scopus,





Web of Science, and Google Scholar. These databases were chosen for their credibility and broad coverage of high-impact journals in accounting, psychology, and management disciplines. The keyword combinations used in the search included “budgetary slack” and “locus of control.” Articles were filtered based on their relevance, and theoretical contribution. This study utilized a total of 53 sources, categorized into journal articles and academic books.

The inclusion criteria required that each selected study explicitly address the concept of budgetary slack as a behavioral outcome and include locus of control as either an independent variable or as part of a broader personality-based framework. Preference was given to studies that offered clear definitions, employed empirical or theoretical rigor. Studies that explored slack in contexts unrelated to individual budgetary behavior—such as macro-level organizational slack—or that discussed locus of control without connecting it to budgetary settings were omitted to maintain a focused and coherent scope.

To analyze the selected literature, a narrative synthesis approach was employed. This method was chosen for its flexibility and depth, allowing for thematic analysis across diverse study designs and theoretical perspectives. The synthesis process involved several steps: descriptive mapping of studies based on theoretical orientation and methodology; comparative evaluation of consistent and contradictory findings; and critical reflection on gaps and unresolved issues within the literature. Unlike a statistical meta-analysis, this narrative synthesis allowed the researcher to retain the richness and contextual variability inherent in behavioral research.

RESULTS AND DISCUSSION

Results

Internal Locus of Control on Budgetary Slack

The internal locus of control (LoC) plays a significant role in shaping how individuals engage in the budget-setting process, particularly regarding the tendency to create or avoid budgetary slack (Mareta, et al., 2021). Individuals with an internal locus of control believe they have personal control over their outcomes, behaviors, and life events. This fundamental belief system influences their decision-making style, ethical reasoning, and approach to accountability within organizational contexts, including budgeting practices (Sukmasari, et al., 2023). From a behavioral standpoint, individuals with an internal locus of control tend to exhibit higher levels of self-regulation, responsibility, and achievement orientation (Limunga, (2019). When involved in budget preparation, these individuals often perceive the process not merely as a technical task but as a reflection of their personal credibility and professional standards. Their focus is typically on producing accurate, honest, and fair budget estimates. This is because they associate performance with effort, and effort with personal identity and success. As a result, they are less inclined to manipulate or distort budget figures for personal gain, which is the essence of budgetary slack creation (Alsadoni, et al., 2023)

Internal LoC also approach budgeting with a performance-driven mindset. Rather than seeking to make their performance targets artificially easy to achieve by padding costs or underestimating revenues, they tend to view challenging but realistic budgets as opportunities for growth and demonstration of competence (Fitri, et al., 2024; Mukhtaruddin, et al., 2024). They are intrinsically motivated to meet high standards and often pursue continuous improvement. In contrast to those who use slack as a psychological safety net or a political tool, internals typically see slack as a deviation from personal and organizational integrity. Moreover, internals are less influenced by external pressures, such as political dynamics, peer manipulation, or short-term incentives that might encourage opportunistic behavior (Sukmasari, et al., 2023). Their belief in autonomy and individual influence leads them to maintain a consistent standard of conduct, even in situations where slack might be tolerated or even informally encouraged. While they may recognize organizational inefficiencies or the strategic rationale for slack in some contexts, internals are more likely to challenge or avoid such practices unless they are explicitly required by higher authority. Even then, they may raise ethical concerns or seek to minimize such distortions.

The psychological orientation of internals also makes them more resilient in the face of uncertainty or ambiguity in budgeting (Liem, & Hien, 2020; Nowicki, 2016). While others may





insert slack to buffer against risk or cover for unpredictability, internals are more likely to respond by improving data accuracy, refining forecasts, or seeking greater clarity about assumptions (Ijeoma, & Oluwarotimi, 2022). Their belief that they can shape outcomes encourages proactive problem-solving and discourages the use of slack as a substitute for sound planning. Another significant factor is the way internals respond to participative budgeting environments. When given a voice in budget discussions and the autonomy to contribute meaningfully, internals tend to become more committed to budget targets and more transparent in their estimations (Hutama, & Yudianto, 2019). They view participation as a form of empowerment and as a confirmation of their influence in organizational processes. As a result, their engagement is more authentic, leading to budgets that are both achievable and closely aligned with actual expectations. Internal LoC are also more likely to use participative budgeting to communicate real operational constraints and opportunities, rather than as an avenue for self-serving adjustments (Hutama, & Yudianto, 2019).

Furthermore, internal LoC is often associated with stronger ethical awareness and moral reasoning (Yulianti, et al., 2024). Internal LoC tend to internalize organizational values and professional codes of conduct more deeply (Zakiy, et al., 2024), viewing compliance as a personal obligation rather than a set of rules to be navigated for personal advantage. This ethical inclination further reduces their likelihood of engaging in slack behavior, even when doing so might be difficult to detect or rationalize as harmless. The link between internal control beliefs and moral behavior is particularly evident in environments where ethical standards are emphasized and rewarded (Kutani, et al., 2011; Forte, 2005). In such settings, internals thrive, and slack is minimized. The impact of internal locus of control is not entirely immune to contextual variables. In environments where distrust prevails, where goals are ambiguous, or where leadership implicitly condones gaming the system, even internals may begin to rationalize small deviations. However, their threshold for such behavior remains significantly higher than that of externals. Moreover, internals tend to experience greater cognitive dissonance when engaging in behavior inconsistent with their self-view, which often results in corrective action or personal discomfort that discourages repeat behavior. In high-pressure environments where budget attainment is closely tied to rewards or penalties, internals may still feel the strain of performance expectations (Sukmasari, et al., 2023). However, rather than resorting to slack as a coping mechanism, they are more likely to engage in problem-solving, negotiate for realistic targets, or seek structural changes to reduce the gap between expectations and resources. This makes them valuable contributors to performance management systems, as they balance ambition with realism and align personal success with organizational integrity.

Finally, organizations that cultivate a culture of trust, transparency, and ethical leadership provide fertile ground for the strengths of internal LoC to manifest. Internals in such environments are empowered to engage in accurate budgeting, challenge unrealistic assumptions, and serve as role models for others. On the other hand, in rigid, punitive, or politically charged cultures, the positive impact of internal LoC may be suppressed, leading even well-intentioned individuals to conform or disengage. Thus, while internal LoC is a strong individual predictor of reduced slack, its full influence is best realized when organizational systems support integrity and individual empowerment.

External Locus of Control on Budgetary Slack

Slack creation by externals is often rationalized as necessary due to the unpredictability of their environment or the perceived lack of influence over performance outcomes (Alsadoni, et al., 2023). Because they believe that success or failure is not entirely within their control, they are more likely to insert buffers in their budget estimates. These buffers, in the form of understated revenues or overstated costs, serve as a cushion against unexpected changes, perceived misjudgments from superiors, or unfavorable evaluation systems (Handoyo, et al., 2022). Rather than investing in better forecasting or negotiation, externals often rely on slack as a means of reducing personal risk. The tendency to create slack among those with external LoC is also closely tied to lower perceived accountability. Externals are less likely to feel personally responsible for the consequences of their budgeting decisions. If performance targets are missed or budget variances arise, they are more





inclined to attribute the outcomes to externalities—such as changing market conditions, insufficient support from others, or unclear leadership. This attribution style reduces the psychological cost of budgetary manipulation and makes it easier for externals to justify their actions (Desmayani, et al., 2016). In this context, slack becomes not just a tactical behavior but part of a broader psychological defense mechanism.

Additionally, externals often operate with lower intrinsic motivation. They may see little value in setting challenging or ambitious budget targets because they doubt the efficacy of their efforts in influencing results (Machmud, et al., 2022). This lack of internal drive reduces their commitment to accuracy in budgeting and increases their reliance on behaviors that minimize personal exposure. Their focus is more on compliance and survival rather than performance excellence or strategic alignment (Mareta, et al., 2021). As a result, the budgeting process may be treated as a procedural hurdle rather than a meaningful management function, increasing the risk of information distortion.

External LoC is also associated with greater susceptibility to organizational politics and social pressure. Externals tend to be more reactive to the behaviors and expectations of others, particularly those in positions of authority or influence (Sukmasari, et al., 2023). If the organizational culture implicitly rewards achieving targets over how those targets are achieved, externals are more likely to conform to unethical norms, including slack creation. Furthermore, in environments where peers routinely manipulate budgets or where leaders send mixed messages about ethical conduct, externals may feel justified—or even compelled—to adopt similar behaviors to maintain favor or avoid blame (Sukmasari, et al., 2023).

The ethical implications of external LoC also deserve attention. Externals often display lower moral engagement in decision-making (Guo, et al., 2021), particularly when ethical outcomes are ambiguous or when peer norms suggest acceptance of slack behavior. Because they externalize the source of control, they may feel less morally responsible for organizational harm that results from their actions (Husser, et al., 2019). They may justify budgetary slack as a norm or necessity, especially in highly competitive or punitive environments. This moral disengagement can lead to habitual slack creation, even when conditions no longer warrant it (Liessem, et al., 2015). However, the influence of external LoC on slack is not entirely deterministic. Certain organizational factors can mitigate its negative effects. For example, environments that promote ethical leadership, transparent communication, and accountability structures can reduce the opportunity and perceived necessity for slack (Agustina et al., 2024; Daumosser, et al., 2018). Regular budget reviews, cross-functional validation, and strong cultural emphasis on fairness can discourage externally oriented individuals from resorting to manipulation. Moreover, training and development programs that emphasize ownership, ethical decision-making, and goal alignment may gradually reduce external orientation over time.

Discussion

The psychological construct of locus of control serves as a critical lens through which we can understand variations in managerial behavior, especially in relation to the creation of budgetary slack. The dichotomy between internal and external locus of control reveals fundamental differences in how individuals perceive their agency within organizational systems and how that perception influences their ethical standards, decision-making style, and strategic responses during budget formulation (Machmud, et al., 2022; Lefcourt, 2014). Individuals with an internal locus of control possess a strong belief that outcomes result from their own abilities, efforts, and choices. This belief shapes a proactive, responsibility-driven approach to organizational tasks, particularly budgeting, which is often laden with ambiguity, performance expectations, and ethical complexity (Hill, 2011; Francis, 2020).

Internal LoC tend to view budget preparation as a domain where their competence, diligence, and honesty are both tested and revealed. Consequently, they strive for accuracy and fairness in budget estimates, seeing these not only as organizational duties but as reflections of personal integrity. Budgetary slack is therefore perceived by internals as a deviation from ethical standards and professional accountability. Their internal motivation to succeed based on merit, not





manipulation, often deters them from distorting budgetary data, even when slack could be used to meet performance targets with less effort or reduce the risk of penalties (Sukmasari, et al., 2023).

On the other hand, individuals with an external locus of control interpret outcomes as being shaped predominantly by factors outside of their personal influence (Rachman, 2022). This external orientation breeds a more passive and defensive posture in budgeting, where individuals focus less on self-initiated effort and more on safeguarding their interests in what they perceive to be a volatile or unfair environment. In this context, budgetary slack becomes a rationalized tool for survival. External LoC are more likely to perceive the budget not as an objective planning instrument, but as a mechanism of control imposed by others, one that can expose them to blame or pressure if actual results deviate from targets (Mareta, et al., 2021). Thus, they tend to manipulate budget figures—adding slack—to create psychological and performance buffers that reduce perceived risk. Their budgeting behavior is shaped not by internal standards of excellence, but by a reactive need to mitigate what they see as systemic vulnerabilities or leadership inconsistencies (Mareta, et al., 2021). In environments where feedback is punitive or expectations are rigid and unrealistic, individuals with an external locus of control are more inclined to build slack as a means of coping with anticipated failure or criticism, reinforcing a cycle of disengagement and data manipulation.

Finally, it is important to recognize that context can moderate these tendencies. Even internally oriented individuals may engage in slack creation if placed in highly political, distrustful, or fear-driven environments, especially when honesty is penalized or when leadership implicitly condones target manipulation (Mareta, et al., 2021). Conversely, externally oriented individuals can be nudged toward more ethical behavior if the organization fosters a culture of trust, clarity, accountability, and support. Structured feedback mechanisms, ethical training, and transparent evaluation criteria can reduce the reliance on slack among externals by reducing uncertainty and increasing perceived control (Ashmeade, et al., 2017; Deng, et al., 2020). Nonetheless, internals resist slack creation because of their personal beliefs and self-driven ethics, while externals are more susceptible to slack creation due to their reliance on external cues, perceived lack of control, and vulnerability to external pressures.

CONCLUSION

This study explores the relationship between locus of control and budgetary slack through a literature review. The study suggests that locus of control is a significant psychological factor that influences individual budget behavior, especially in contexts where discretion and judgment play a significant role in budget forecasting. Individuals with an internal locus of control show a lower tendency to create budgetary slack, reflecting a sense of responsibility, personal accountability, and alignment with organizational performance goals. In contrast, individuals with an external locus of control are more likely to construct budgetary slack as a defensive or opportunistic tactic, especially in the face of uncertainty or a punitive evaluation system. These two personality types differ markedly in how they interpret and respond to a participatory budget environment. For those with an internal locus, participatory budgeting is an opportunity to engage in strategic planning and demonstrate ownership of decisions. They tend to provide accurate and honest estimates. On the other hand, individuals with an external locus view participatory budgeting more as a negotiation platform to influence targets for personal gain, often creating slack under the pretext of operational uncertainty. From an ethical perspective, individuals with an internal locus are typically more morally engaged in their organizational roles and make decisions based on personal values. Meanwhile, individuals with an external locus tend to experience moral disconnection, especially when the ethical climate is weak. In terms of motivation, individuals with an internal locus are more driven by intrinsic motivation, while individuals with an external locus rely more on extrinsic motivation. Future research should consider a more integrative approach and take into account cross-cultural perspectives to enhance the relevance of the findings. The insights from this study provide important implications for organizations in designing and implementing budgeting systems.





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