

## Budgetary Slack: Information Asymmetry and Emphasis of Budgetary as Moderating Effect



Sri Maryati<sup>1</sup> and Roni Hendrawan<sup>2</sup>

<sup>1</sup>Jurusan Akuntansi, Universitas Sriwijaya, Provinsi Sumatera Selatan, Negara Indonesia

<sup>2</sup>Jurusan Akuntansi, IIB Darmajaya, Provinsi Lampung, Negara Indonesia

<sup>1</sup>maryatisri@fe.unsri.ac.id, <sup>2</sup>ronihendrawan40@gmail.com

### ARTICLE INFO

### ABSTRACT

#### Keywords:

*Budgetary Slack, Information Asymmetry, Emphasis of Budgetary*

*The purpose of this study empirically to test the relationship of budgetary participation to budgetary slack with information asymmetry and budgetary emphasis as a moderating. Some research finds that budgetary participation to budgetary slack is not consistent, so to be a motivation of research to conduct further studies with modification of object. The object of this study was 22 Regional Government Organizations of Tulang Bawang Regency with a number of questionnaires distributed by 104. Data was processed using SEM. Based on the results of the analysis it can be concluded that budgetary participation has no effect on budgetary slack, information asymmetry can strengthen the relationship of budgetary participation to budgetary slack while the budgetary emphasis is not able to strengthen the relationship of budgetary participation to budgetary slack. The implication of this study is budgetary slack can occur to make result of performance look good, when budgetary as a tool in evaluate of performance.*

### 1. INTRODUCTION

Negative and positive behaviors that may arise as a result of the budgetary process. Managers feel motivated by the budgetary that is used as a basis for evaluating performance so that they further improve their performance. This is a positive behavior that

arises from the budgetary, while the manager's tendency to create budgetary slacks is negative behavior arising from the budgetary. Based on these data it can be concluded that there is a budgetary slack that can be seen from lower budgetary revenues and higher budgetary costs. So that it shows that the budgetary is not absorbed maximally. This is done so that the performance of the local government looks good, because the realization of the budgetary achieved always exceeds the predetermined target and the realization of expenditure achieved is always lower than the budgetary expenditure previously set (Anthony and Govindarajan, 2007).

Research related to budgetary slack has been carried out by several researchers including Riansyah (2013), Saputri (2017) from several studies there are similarities namely using participation of members as independent variables. Several studies have been conducted on factors that can lead to a tendency to create budgetary slack. One that is considered to have a tendency to slack is Budgetary Participation. Budgetary participation is a process that describes individuals involved in budgetary and has an influence on budgetary targets and the need for rewards for achieving these budgetary targets (Falikhathun in Irfan 2016). Research conducted by Dunk (1993), Dewi and Erawati (2014), Alfebriano (2013), Tresnayani (2016) and Raudhiah (2014) shows that participation influences the budgetary slack. Whereas Utami (2012), Mahadewi (2014), Anggasta (2014), Pratama (2013) and Yanti and Mariam (2016) show opposite results namely with the existence of participation in the budgetary process, opportunities will arise to create a slack in the budgetary.

Inconsistency of the results is the motivation of researchers to carry out further studies. This research was conducted on public sector organizations with the object of research in the Regional Work Unit (OPD) of Tulang Bawang Regency. The choice of location is due to an interesting phenomenon that occurs in the process of drafting the Regional Budgetary (APBD) in Tulang Bawang Regency Government, namely the budgetary realization report which shows that budgetary income is always lower and budgetary costs are higher than budgetary.

## **2. LITERATURE REVIEW AND HYPHOTESIS**

### **Agency Theory**

One of the things underlying an agency's theory is that principals and agents have different intentions and objectives or often their interests clash (Anthony and Govindarajan,

2007). According to the principal view, the compensation given is based on the results, while according to the opinion of the agent, the compensation system does not merely see the results but also the level of effort it does to achieve the results (Yanti and Mariam, 2016).

Yanti and Mariam (2016) argue that these agency relationships will result in two problems i.e. the occurrence of: (a) information asymmetry, where management generally has more information on actual financial position and position Operating entity from the owner, and (b) the occurrence of a conflict of interest due to the inequality of such interests or purposes, where management does not necessarily act in the interest of the owner.

### **Budgetary Slack**

Sholihin (2016) and Saputri (2017) stated that lower-level managers tried to insist on committing slack if they had the hope of gaining more profit in the budget participation process, and expecting the award Agent in the achievement of budget. The manager commits a slack in his budget in order to protect his personal gains and it is a rational behavior (Armaeni, 2012).

The budgetary slack is defined as the difference in the amount of budget raised with the best estimate of an organization or the difference between the actual resources needed to effectively complete a job, with Added resources to complete the work (Arfan, 2010:241). The budgetary slack is the difference between the actual budget can be achieved with the budget to be delivered (Yanti and Mariam, 2016).

### **Budgetary Participation**

Mahadewi and Saputri (2017), explained that the participation of budgets as one of the objectives of the management control system will encourage managers to be more effective and efficient in achieving the goals of the organization. Falikhathu and Riansah (2013) said that budgeting participation is a process by which individuals are directly engaged in it and have an influence on the preparation of the budget target whose performance will be evaluated and the possibilities will be rewarded on the basis of achieving their budget targets.

### **Information Asymmetry**

Mahadewi and Saputri (2017) state that information asymmetry appears in situations where the owner or employer does not have sufficient information about his or her

subordinate performance, so that the owner or employer cannot determine exactly how Agents contribute to the actual results of the company. Superiors may have more knowledge than subordinates about subordinate responsibility units, as well as vice versa.

### **Budgetary Emphasys**

Budget emphasis (budget emphasis) is the insistor of superiors on subordinates to implement a well-established budget (Putra, 2012:52). This opinion is supported by Irfan and Lukman (2016:160) who defines the budget emphasis as a insistent on subordinates on the subordinate to implement a well-crafted budget, which is sanctioned if less than the target budget and compensation If able to exceed the target budget.

### **Budgetary Participation and Budgetary Slack**

According to Latuheru (2005) Participation in budget is an effective way to align the objectives of the accountability center with the objectives of the organization thoroughly and with participation in the process of drafting the budget, the budgetary slack will be greater because the individual has an opportunity to manipulate the budget to meet his or her personal interests. It is supported by Utami (2012) and Pratama (2013) that shows the results that budgetary participation affects the budgetary slack. Based on the description, the hypothesis is formulated as follows:

H<sub>1</sub> : Budget participation affects budgetary slack.

### **Asymmetry Information, budgetary participation and budgetary slack**

Asymmetry of information occurs between principals and agents participating in budgeting can cause a budgetary slack. Because, the assessed performance of the budget achievement level becomes the agent's motivation for asymmetry of information to facilitate the achievement of the budget. The study, supported by Young (1985); Utomo (2006); Fadhilah (2011) and Falikhatun (2007); Djasul and Fadilah (2011) that the interaction of participatory budgeting information significant to relation of budgetary slack and budgetary slack. Based on the description, the hypothesis is formulated as follows:

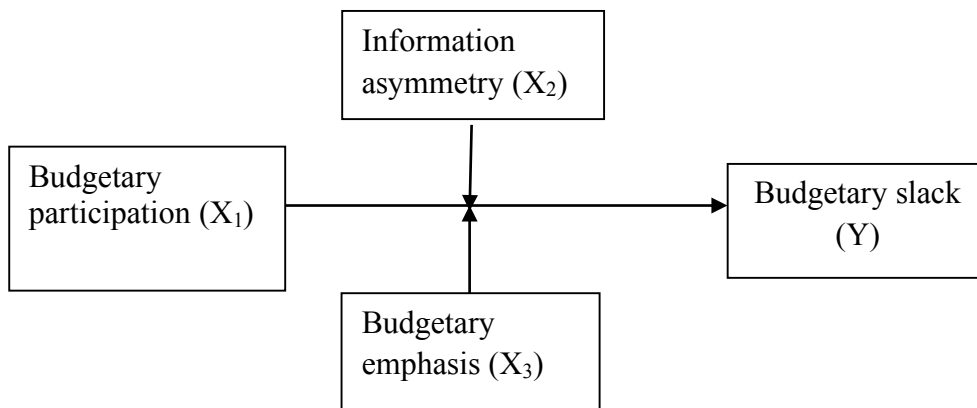
H<sub>2</sub> : Budgetary participation affects budgetary slack with information asymmetry as a moderate.

### **Budgetary Emphasis, budgetary participation and budgetary slack**

Budgetary emphasis is a insistor on the superiors of subordinates to implement a well-established budget. Performance measurement based on the budget that has been

compiled makes the subordinates will try to obtain profitable variance by creating slack, among others by lowering the income and increasing the cost during the budget preparation (Rani , 2015). If an employee's performance assessment is determined by the budget that has been drafted, the subordinates tend to do the budget. Budgetary emphasis is the likelihood of achieving a successful budget in the easiest way possible. (Gamal 2001, in Irfan 2017). When a budget is the only benchmark of an employee's performance assessment or subordinate in an agency, the employee or subordinate will be more likely to do things in improving its performance to look good and continue to gain confidence (Anggasta, 2014). This budgetary emphasis will be the pressure for subordinates to provide the best by looking for certain profitable opportunities and these opportunities that will cause a slack (Sujana, 2010). It is supported by Armaeni (2012) which suggests that the emphasis budgetary strengthening can affect relationship of budgetary participation on the slack based on the explanation above, can be formulated as the following hypothesis:

H<sub>3</sub> : Budgetary participation affects budgetary slack with budgetary emphasis as moderate



**Figure 1.**  
**Research Framework**

### 3. RESESARCH METHOD

The data source used in this research is primary data, primary Data is obtained through survey methods using questionnaires shared to respondents. This method is done by asking the respondent a question, which is measured using a Likert 1-5 scale. The data collection methods used in this study are using purposive sampling.

The instruments in this study were adopted from several sources, budgetary participation (Begum, 2016); budgetary slack (Supriyatno, 2016); information asymmetry (Novita, 2009); budgetary emphasis (Rani, 2015). The questionnaire in this study will be distributed on June 2019 to officials or officials of the Tulang Bawang Regency Government as many as 22 Regional Government Organizations (OPD). Data analysis method in this study uses SEM (Structural Equation Modelling) analysis techniques which are operated through PLS (Partial Least Squares) to answer the hypothesis.

#### 4. RESULT AND DISCUSSION

The AVE and communality values > 0.50, thus fulfilling the rule of thumb requirements used for convergent validity. According (Ghozali, 2013) Discriminant validity of the measurement model with reflexive indicators is assessed based on cross loading measurements with the construct' The results of the Composite Reliability this study test reliability on the measurement model (outer model) on the reflective indicator by looking at the value of Composite Reliability. Indicators are declared reliable or have good reliability if the Composite Reliability value is > 0.70.

From the results of the analysis found the R-square value for the endogenous latent variable is 0.720, which means that this model can explain 13.74% of changes in the endogenous latent variable Y1 and the remaining 86.26% is explained by other factors beyond those studied. In this study the hypothesis can be seen from the value of the T-statistic. Exogenous variables are stated to have a direct effect on endogenous variables if the T-statistic results > T-table (1.65) level 5% (two tailed).

**Table 1.**  
**Path Coefficients**

	<b>Original Simple(O)</b>	<b>Sampel Mean (M)</b>	<b>Standar Deviation (STDEV)</b>	<b>T statisti  O/STERR</b>	<b>P value</b>
$X_1 \rightarrow Y$	0.122	0.127	0.135	0.905	0.366
$X_1 * X_2 \rightarrow Y$	0.288	-0.260	0.131	2.202	0.028
$X_1 * X_3 \rightarrow Y$	0.179	0.160	0.168	1.067	0.287

From the table 1 can be explain that the hypothesis test results show that between budgetary participation and budgetary slack has a value of T-statistics (0.905) < T<sub>table</sub> (1.65) with a significance level of 5% (two tailed), which is 0.366 indicating that budgetary

participation has no a significant effect on budgetary slack. This means that hypothesis 1 is rejected. The effect of budgetary participation on budgetary slack with information asymmetry as a moderating variable has the value of  $T_{\text{-statistics}} (2.202) > T_{\text{-table}} (1.65)$  with a significance of 5% (two tailed) and p-value 0.028, indicating budgetary interaction with asymmetry information has a significant effect, meaning that information asymmetry is able to influence the budgetary participation relationship to budgetary slack. This means that hypothesis 2 is accepted. The interaction of budgetary participation on budgetary slack as a budgetary emphasis moderating variable has a  $T_{\text{-statistics}}$  value  $(1.067) < T_{\text{-table}} (1.65)$  with a significance level of 5% (two tailed), and P-value 0.287 shows the interaction between budgetary participation and budgetary emphasis there is no a significant influence. This means that hypothesis 3 is rejected.

## 5. CONCLUSION

Based on the results of the analysis and discussion it can be concluded that budgetary participation does not affect budgetary slack, interaction of budgetary slack with asymmetry information has a significant effect, meaning that information asymmetry is able to influence the budgetary participation relationship on budgetary slack. The budgetary emphasis cannot moderating interaction of budgetary participation on budgetary slack.

## 6. IMPLICATION

Result this study can be used by government to see that budgetary slack can occur to make result of performance look good, when budgetary as a tool in evaluate of performance.

## REFERENCE

- Alfebriano. 2013. Factors That Affect Budget Slack at BRI in Jambi City. "*E-Journal Akuntansi of BINAR Vol. 2 No. 1.*
- Anggasta. 2014. Determinants of Budgetary Slack with Information Asymmetry as Moderating (Study on SKPD Semarang City). *AAJ 3 (4).*
- Anthony and Govindarajan. 2007. Anthony, R.N., and V. Govindarajan. 2007. *Management Control System.*, McGraw Hill, New York
- Arfan. 2007. Effect of Budget Participation on Budgetary Slack by Using Five Moderating Variables. *Symposium Nasional Akuntansi 10.*
- Armaeni. 2012. Analysis of the Effect of Budget Participation, Asymmetry Information and Budget Emphasis on Budgetary Gaps. *Journal of Participatory Budgeting Accounting*

- on Budgetary Slack in Composing Local Governments' Budget in Bali Province. *Procedia - Social and Behavioral Sciences*.
- Begum, Amaliah. 2009. The Effect of Participatory Budgeting on Budget Gaps with Organizational Culture as a Moderating Variable, Case Study in Serang District Government. *Thesis*. Faculty of Economics. University of Indonesia
- Dewi, N.P and Erawati, N.M.A. 2014. Effects of budgetary participation, information asymmetry, budget emphasis, and organizational commitment on budget gaps. *E-Journal Accounting of Udayana University*. Vol. 9 (2), hlm. 476-486.
- Djasuli, M., and Fadilah, N, I. 2011. Effects of Asymmetrical Information Interaction, Organizational Culture, Group Cohesiveness and Motivation in a Causal Relationship Between Budgeting Participation and Budgetary Slack. *PESAT Proceeding (Psychology, Economics, Literature, Architecture And Civil)*.
- Dunk, U.S. 1993. The Effect Of Budgetary Emphasis And Information Asymmetry On The Relationship Between Budgetary Participation And Slack. *The Accounting Review*. pp.400-410.
- Falikhatun (2007). Asymmetric Information Interaction, Organizational Culture and Group Cohesiveness in the Relationship Between Budget Participation and Budgetary Slack (Case Study in Regional General Hospitals in Central Java). *SNA X. Makassar*.
- Ghozali, Imam. 2013. *Partial Least Squares Concepts, Techniques and Applications Using the Smart PLS 3.0 Program*. Semarang: M3.BP-Diponegoro University.
- Irfan and Lukman (2016). Effect of Budget Participation on Budgetary Slack with Information Asymmetry, Budget Emphasis and Organizational Commitment as Moderating Variables. *Journal of Accounting and Investment*, Vol. 17 No. 2, pp. 158-175.
- Irfan, Muhammad., et al. 2016. The Influence of Budgetary Participation on Budgetary Slack with Asymmetry of Information, Budget Emphasis, and Organizational Commitment as Moderating Variables. *Journal of Accounting and Investment*. Vol.17 (2), pp. 158-176.
- L. Sholihin. 2016. The Effect of a Decision on the Relationship Between Information Asymmetry and Budgetary Slack under the Truth Inducing Compensation Method. *Journal of Indonesian Economy Business*, Vol. 21 (2).
- Latuheru. 2005. The effect of budgetary participation on budget gaps with organizational commitment as a moderating variable. *Journal of Accounting and Finance*. Vol. 7 (2).
- Mahadewi, S., & S Agung, A. A.2014. The Effect of Budgeting Participation on Budgetary Slack with Information Asymmetry and Organizational Commitment as Moderating. *E-Journal of Accounting, Udayana University*. Vol. 8.3 p. 458-473.
- Novita, D., I. Sam and S. Jumaili. 2009. Analysis of the Effect of Budgeting Participation, Asymmetric Information, Organizational Commitment to 78 Budgetary Slacks in PDAM Tirta Mayang, Jambi City. *Journal of Accounting Horizons*. Vol. 1 (1), pp. 1-10.



- Pratama, R. 2013. The Effect of Budget Participation on Budgetary Slack with Organizational Commitment and Motivation as Moderating. *Thesis of the Faculty of Economics, Padang State University*.
- Putu Yunartha Pradnyana Putra, Farah Nisa Ul Albab, Christopher Clark Aditya Swara. 2019. Reflections on Individual Personal Values in the Budgetary Slack Phenomenon. *The Indonesia journal of accounting research*. Vol. 22(1).
- Putranto, Y.A. 2012. The Effect of Asymmetry and Group Cohesive Information Moderation on the Relationship of Budget Participation with Budgetary Slack. *Journal of Economics in STIE Musi Palembang*. Vol. 8 (2).
- Rahmiati, Elfi. 2013. The Influence of Budget Participation on Budgetary Slack with Information Asymmetry and Organizational Commitment as Moderating (Empirical Study on the Regional Government of Padang City). *Scientific Articles. Padang State University*
- Rani, A. 2015. Ability of Information Asymmetry, Environmental Uncertainty, Budget Emphasis, and Individual Capacity as Moderation Variables for Budgetary Participation in Budgetary Slack (Case Study on SKPD in Bandung Regency). *Thesis, Udayana University*
- Raudhiah. 2014. Impact of Organizational Factors On Budgetary Slack. *E-Proceedings Of The Conference On Management And Muamalah*.
- Rianysah, L.A. 2013. The Effect of Budget Participation on Budget Slack with Information Asymmetry and Budget Adequacy as Moderating Variables (Study in Sukabumi City Government Institution). *Essay. Faculty of Economics and Business Syarif Hidayatullah State Islamic University*.
- Saputri. 2017. Asymmetry of Information as a Moderating Influence of Budgeting Participation, Clarity of Budget Goals, and Budget Emphasis on Budget Gaps (Study in Sukoharjo District Government Skpd). *Thesis, Faculty of Economics and Business Islam, Surakarta State Islamic Institute*
- Sujana, I. K. 2010. Effects of Budgetary Participation, Budget Emphasis, Organizational Commitment, Information Asymmetry, and Environmental Uncertainty on Budgetary Slack. *Scientific Journal of Accounting and Business*. Vol 5 (2).
- Supriyatno. 2010. Influence of Structural Officials' Participation in Budgeting, Organizational Commitment, Professionalism and Organizational Structure on the Managerial Performance of the Denpasar City Government. *Thesis, Udayana University*
- Tresnayani. 2016. Influence of budget participation, information asymmetry, individual capacity, and clarity of budget targets on the potential for budgetary slack. I ssn: 2302-8556 *E-Journal Accounting University Of Udayana University*. Vol.6 (2), pp.1405-1432.
- Tresnayani, Ardi. L.G and Gayatri. 2016. *Effect of Budget Participation, Information Asymmetry, Individual Capacity, and Clarity of Budget Objectives on the Potential for Budgetary Slack. E-Accounting Journal Vol (16):1405-1432*
- Utami. 2012. Influence of Cohesiveness Group Organizational Culture Interaction in Relationship Between Budget Participation and Budgetary Slack. Empirical Study on

Regional Government SKPD Dhamasraya Regency. Padang: *Thesis: Padang State University*.

Utomo. 2006. *Indonesian New Public Administration*. Yogyakarta: Student Library.

Yanti and Mariam. 2016. Information asymmetry as a moderating effect of budgetary participation and budget target clarity on budget gaps. Issn: 2302-8556. *Udayana University Accounting Journal*. Vol. 15(1). pp. 257-285.

Young, S. M. 1985. Participative Budgeting: The Effect of Risk Aversion and Asymmetric Information on Budgetary Slack. *Journal of Accounting Research (autumn)*. Vol. 23. pp. 829-842.