

## The Influence of Budget Participation, Asymmetric Information, and Organizational Commitment on Budgetary Slack with Budget Emphasis as a Moderating Variable in the Langkat Regency Government

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### ABSTRACT

The aim of this research is to analyze the influence of budget participation, asymmetric information and organizational commitment on the budget gap with budget emphasis as a moderating variable in the Langkat Regency Government. Data were collected through questionnaires to structural officials who carry out budgeting in 56 OPDs in Langkat Regency, totaling 224 people selected using the purposive sampling method and 212 questionnaires filled in from the research from January to April 2024. The analysis method uses SEM based on the SmartPLS Version 4.1 variant. The research instrument has passed the validity and reliability test. The research results show that budget participation, asymmetric information and organizational commitment have a significant positive effect on the budget gap, budget participation becomes significantly negative on the budget gap, when budgetary emphasis moderates the relationship between the two, while information asymmetry and organizational commitment are not significantly related to the budget gap when the emphasis is on budget gaps. Budget as a moderating variable.

## INTRODUCTION

Accountable state financial management essentially starts from budget planning which is prepared proportionally according to needs and is benefit-oriented. The Performance Based Budget System is used based on the Minister of Home Affairs Decree No. 29 of 2002. Organizational performance in the public sector can be measured, including through financial management accountability, which focuses on budget realization and program output resulting from a number of funds (Niven, 2008). This measurement can also see the organization's best estimate in managing its budget, to minimize the occurrence of budgetary slack.

Budgetary slack is the difference between the reported budget and the budget according to the organization's best estimate, budgetary slack is carried out by budgeting or determining an income target that is lower than the actual capabilities that can be achieved by the organization with the aim that the target can be easily achieved (Sulistyowati, 2019). Mardiasmo (2004) states that budget realization reports in public sector organizations are different from budget realization reports in private companies, because in public sector organizations budget realization reports must be informed to the public. This is done so that the public can criticize, discuss and provide input for the future performance of public sector organizations (Intan Fitri Ardinasari, 2017).

Minister of Finance Regulation No. 22 of 2021 which in the planning year (n) is allocated to achieve a number of organizational performance targets, however in the implementation year (n+1) the report results show the achievement of targets or outputs whose performance is better than the actual budget or what is known as budgetary slack.

Based on this, this research uses data from the Langkat Regency Government Budget Realization Report for the period 2019 - 2022 which is described in the Regional Government Financial Report which has been published via the Langkat Regency Government's official website. This is done in carrying out the function and accountability of budget implementation in the process of improving the quality of budgeting. to evaluate whether there are indications of budgetary slack in the budgeting process, which is further explained in the following table:

**Table 1**  
**Realization of Regency Regional Income and Expenditures Steps for**  
**Fiscal Year 2019 - 2022**

| Tahun | Revenue Budget Target Region (Rp) | Realization of Revenue Budget Region (Rp) | %      | Budget Target Regional Expenditures (Rp) | Budget Realization Regional Expenditures (Rp) | %     |
|-------|-----------------------------------|---|--------|--|---|-------|
| 2022  | 2,207,232,047,887.00              | 2,213,563,402,095.09                      | 100.29 | 2,492,341,637,007.00                     | 2,265,521,092,187.00                          | 90.90 |
| 2021  | 2,134,997,096,064.00              | 2,266,625,881,854.64                      | 106.17 | 2,326,815,938,858.00                     | 2,166,967,560,816.95                          | 93.13 |

|      |                      |                      |        |                      |                      |       |
|------|----------------------|----------------------|--------|----------------------|----------------------|-------|
| 2020 | 2,180,786,190,792.00 | 2,122,684,872,331.88 | 97.33  | 2,438,362,154,104.36 | 2,183,224,861,799.75 | 89.54 |
| 2019 | 2,351,829,208,710.00 | 2,361,512,739,444.63 | 100.41 | 2,471,357,642,435.37 | 2,224,061,799,667.64 | 89.99 |

Based on table 1 in the regional income post, it shows that in 2019, 2021 and 2023, budget realization even exceeded the achievement of more than 100% of the budget target, this explains The revenue budget target in the following year is lower than the actual budget achievements in the previous year. Based on the explanation above, it was detected that there was a budget gap in the budgeting process in the Langkat Regency Government through the following indications: (1) setting a low income target and setting a relatively high expenditure target to make it easier to achieve the budget target, and (2) mismatch in projections for achieving the target with budget realization showing inefficiency in regional government budget allocation.

The aims of this research are: To analyze whether Budget Participation has a positive effect on Budget Gaps (Budgetary Slack), To analyze whether Information Asymmetry has a positive effect on Budget Gaps (Budgetary Slack), To analyze whether Organizational Commitment has a positive effect on Budget Gaps (Budgetary Slack), To analyze whether Budget Emphasis can moderate the influence of Budget Participation on Budget Gaps (Budgetary Slack). To analyze whether Budget Emphasis can moderate the influence of Asymmetric Information on Budget Gaps (Budgetary Slack). To analyze whether Budget Emphasis can moderate the influence of Organizational Commitment on Budget Gaps ( Budgetary Slack).

## LITERATURE REVIEW

### *Agency Theory*

Jensen and Meckling (1976), explained that there is a difference between principal (owner) and agent (managerial), thus emphasizing the need for appropriate contracts and incentives to overcome agency problems and motivate managers to act in accordance with the owner's interests.

### *Stakeholder Theory*

Freeman (1984:46) introduced the idea that organizations must take into account the needs and interests of various groups or "stakeholders" in making strategic decisions. Stakeholder Theory is an approach to organizational management that emphasizes the importance of considering the interests and expectations of various related parties (stakeholders) in decision making and organizational operations.

### *Budget Gaps*

According to Hansen and Mowen (2017), the budget gap is the difference between the budget amount that has been set and the best estimate. The factors that influence the creation of budgetary slack can vary, and some of them are participative budgeting that can help reduce

budgetary slack (Yuwono, 2009). Irfan et., al, (2016) also tested the effect of budget participation on budgetary slack with information asymmetry, budget emphasis, and organizational commitment as moderating variables.

### ***Budget Participation***

Budget participation is considered to trigger negative behavior that can arise from the involvement of subordinates (agents) in budget preparation, namely by creating budget gaps (Afiani, 2010). Participation in budget preparation is expected to reduce budgetary slack, but because budgets are prepared by agents who have more information, agents tend to create budgetary slack to create a safety margin because agents want the budget to be easier to achieve. Dahlia Tri Anggrainiet al. (2023), which shows that participation in budget preparation has a positive effect on budgetary slack. This condition illustrates that the higher the level of participation in budget preparation, the higher the budgetary slack that will arise. Based on the arguments above, the researcher proposes the following hypothesis:

**Hypothesis 1: Budget participation has a positive effect on the budget gap.**

### ***Asymmetric Information***

Janet Anetta (2020) explained that the higher the information asymmetry, the greater the budgetary slack. This condition is because the existing information asymmetry is used as an opportunity for agents to carry out budgetary slack with the assumption that superiors will not know about the actions they are taking because of the limited information they have (Adriyani, 2017). So budgetary slack will be greater in conditions of information asymmetry because information asymmetry encourages subordinates or budget implementers to create budgetary slack (Suartana, 2010). Based on the arguments above, this research proposes the following hypothesis:

**Hypothesis 2: Information Asymmetry has a positive effect on Budget Gaps**

### ***Organizational Commitment***

Organizational commitment is a strong belief and support for the values and goals an organization wants to achieve which describes the extent to which an employee supports an organization and its goals (Robin, 2008). Affective organizational commitment is characterized by participation, feelings of pride, and loyalty to the organization (Rousseau and Aube, 2020). In general, organizational commitment is considered to have a negative relationship with the budget gap, meaning that the higher the level of commitment tends to lead to behavior that is more consistent and focused on organizational goals, thereby reducing the gap between the planned and actual budget. However, research by Meyer and Maltin (2020) explains that effective organizational commitment is similar to a form of automatic motivation for each individual, where individual values dominate more than the cultural values of the organization itself. Based on the arguments above, this research proposes the following hypothesis:

### **Hypothesis 3: Organizational Commitment has a positive effect on Budget Gaps**

#### ***Budget Emphasis as a Moderating Variable***

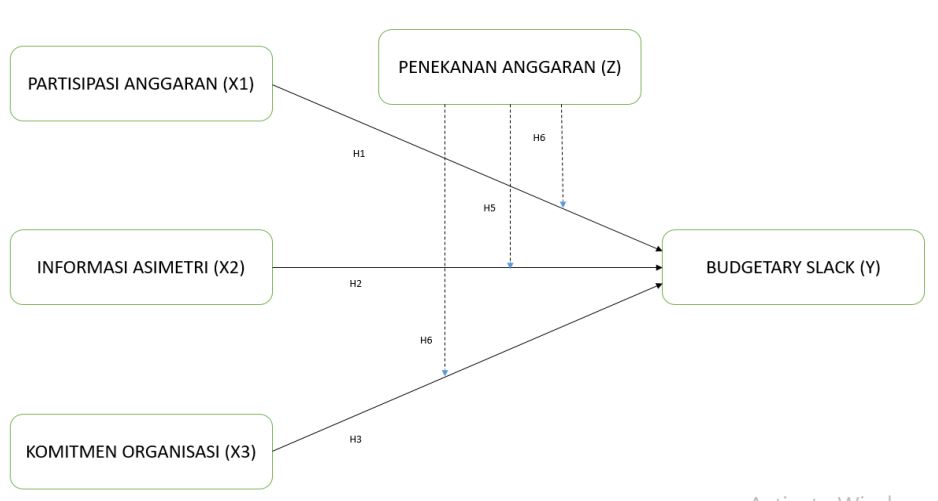
Budget emphasis is pressure from superiors on subordinates to implement the budget that has been prepared well. Measuring performance based on a budget that has been prepared means that subordinates will try to obtain profitable variances by creating slack, including by lowering income and increasing costs when preparing the budget (Rani, 2015). Budgetary emphasis refers to the pressure or targets placed on managers or areas to achieve budgets. According to Dito Aditia Darma Nasution (2020), budget emphasis is able to moderate the negative relationship between budget participation and the creation of budget gaps. Information asymmetry is the difference in information held by top level managers and lower level managers due to differences in sources and access to that information (Rahmiati, 2013). Research result Ni Made Lamita Sari, et al (2017) revealed that budget emphasis was able to moderate asymmetric information on the budget gap. Wardhana & Gayatri (2018) found that a person's high level of organizational commitment in preparing a budget can reduce the practice of budgetary slack. However, if the budget emphasis variable is included, it will weaken the relationship between organizational commitment and the budget gap. Based on the arguments above, this research proposes the following hypothesis:

#### **Hypothesis 4: Budget Emphasis moderates the effect of Budget Participation on Budget Gaps**

#### **Hypothesis 5: Budget Emphasis moderates the effect of Information Asymmetry on Budget Gaps**

#### **Hypothesis 6: Budget Emphasis moderates the effect of Organizational Commitment on Budget Gaps**

Based on the literature review and also previous research, then a conceptual framework can be prepared. According to Sugiyono (2016) the conceptual framework is the research variables, regarding how the theories relate to the research variables you want to research, namely the independent variable and the dependent variable. The relationship between variables will be explained conceptually as follows:



**Figure 1. Conceptual Framework**

## METHODOLOGY

### *Research Population and Sample*

The population in this study was 224 structural officials in the Langkat Regency Government spread across 56 OPDs. The sampling technique was carried out using a purposive sampling method, with a total of 212 questionnaires returned.

### *Data analysis*

The analysis method uses SEM based on the SmartPLS Version 4.1 variant, by carrying out Validity Tests and Reliability Tests. The Outer Model will be tested through Convergent Validity, Discriminant Validity, and Composite Reliability. The Inner Model will be tested through Composite Reliability and Cronbach Alpha, through bootstrapping.

### *Variable Operationalization Research Consists of:*

- a) Variable Free (*Independent variables*), consist of :
1. Participative Budgeting (X1);  
Soobaroyen (2005) explains that budget participation indicators can be seen as follows:
    - a. Participation in budget preparation.
    - b. The magnitude of the influence on budget determination
    - c. The need to give an opinion
  2. Asymmetry Information (X2);  
Novita, et al (2009) measured using 6 indicators, namely:
    - a. Sufficiency of information;
    - b. Suitability of information;
    - c. Information quality is information that is able to meet information quality needs;
    - d. Quantity of information is information that is able to meet the

- need for a large amount of information;
    - e. Understanding Information;
    - f. Information changes.
  - 3. Organizational Commitment (X3)  
Indicators of Organizational Commitment according to Steers and Porter (2011) are measured by 3 indicators, namely:
    - a. Identification;
    - b. Involvement;
    - c. Loyalty
- b) Moderation Variable, namely Budget Emphasis *Emphasis*(Z)  
According to Anggasta and Murtitini (2014), Budget Emphasis Indicators are as follows:
  - (1) Performance Assessment
    - a. Budget as a tool for measuring and monitoring performance
    - b. The budget is set to require performance to achieve budget targets
    - c. A set budget improves performance
  - (2) Budget Achievement
    - a. Get rewards or appreciation from superiors when budget targets are achieved;
    - b. There is compensation (bonus) when the budget target is achieved
- c) The dependent variable is the Budgetary Slack (Y).  
There are three indicators of budgetary slack according to Anthony and Govindarajan (2007), namely:
  - a. The difference between the budget amount and the best estimate
  - b. Budget targets
  - c. Environmental conditions

## RESEARCH RESULT

### *Descriptive Statistical Analysis*

In this research, it will be displayed in table form showing the number of respondents' answers with the lowest and highest values for each variable, as well as the average answers resulting from collecting questionnaires for each variable. The available questionnaire data is 212 (two hundred and twelve) sheets with the research time period on APBD data from 2019 to 2022. Table containing the number of data frequencies and their percentages, minimum value, maximum value, mean and standard deviation which are processed based on the results of the respondents' answers collected.

**Table 2. Categorization of Average Values**

| Score       | Criteria          |
|-------------|-------------------|
| 1.00 - 1.79 | Strongly Disagree |

|             |                |
|-------------|----------------|
| 1.80 - 2.59 | Don't agree    |
| 2.60 - 3.39 | Doubtful       |
| 3.40- 4.19  | Agree          |
| 4.20 - 5.00 | Strongly agree |

Source: Sudjana (2005)

To calculate the length of class intervals, the formula according to Sudjana (2005) is used as follows.

$$\text{Class Length} = \text{Range} / \text{Many Classes} \dots\dots\dots (1)$$

Where: Class Range is Highest Value - Lowest Value

$$\text{Number of Classes} = 5$$

$$\text{So: Interval Class Length} = (5 - 1) / 5 = 0.80$$

| No | Variable                  | Mean  | Standard Deviation | Category       |
|----|---------------------------|-------|--------------------|----------------|
| 1  | Budget Participation      | 4,255 | 0.432              | Strongly agree |
| 2  | Asymmetric Information    | 3,928 | 0.538              | Agree          |
| 3  | Organizational Commitment | 4,174 | 0.435              | Strongly agree |
| 4  | Budget Emphasis           | 4,163 | 0.378              | Agree          |
| 5  | Budget Gaps               | 4,156 | 0.355              | Agree          |

The overall average value of the budget participation variable is 4.255 in the "strongly agree" category, with a standard deviation of 0.431 which shows that respondents' answers tend to be close together and do not vary too much from the average value. The overall average value of the asymmetric information variable is 3.928 in the "agree" category, with a standard deviation of 0.538 which shows that the values in the data are spread out from the average. The overall average value of the organizational commitment variable is 4.174 in the "strongly agree" category, with a standard deviation of 0.435 which shows that the values in the data are spread out from the average, tend to be close together and do not vary too much from the average value. The overall average value of the asymmetric information variable is 4.163 in the "agree" category, with a standard deviation of 0.378 which shows that the values in the data are spread out from the average, tend to be close together and do not vary too much from the average value. The overall average value of the asymmetric information variable is 4.156 in the "agree" category, with a standard deviation of 0.355 which indicates that the values in the data are spread out from the average, tend to be close together and do not vary too much from the average value.

### Measurement Outer Model Analysis

#### Convergent Validity

The convergent validity test in PLS with reflective indicators is assessed based on loading factors. High loading factors indicate that the indicator has a strong correlation with the construct, so it is important in forming the construct. A value of 0.50 is often considered an acceptable minimum, but higher values (e.g. 0.70 or more) are usually more desirable to indicate a stronger relationship (Chin and Dibbern, 2010). Based on the analysis results, the model structure can be seen in the following picture:

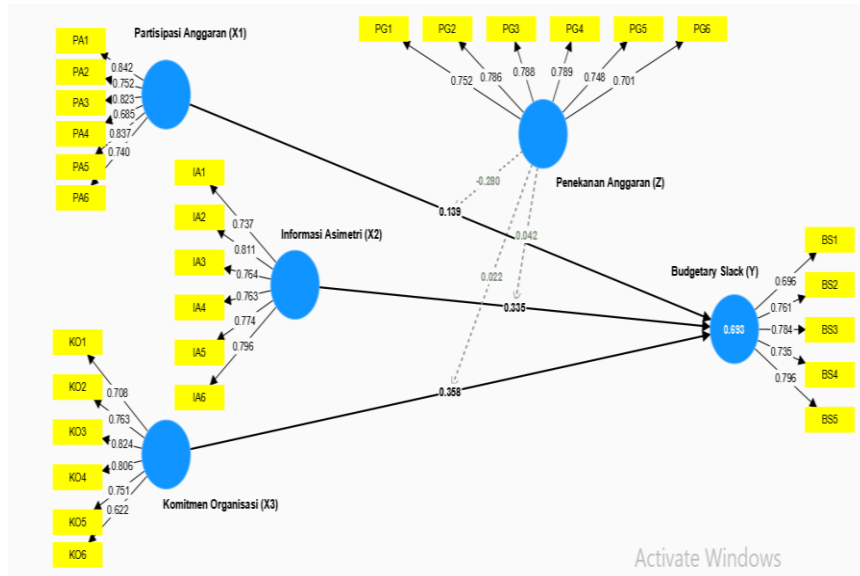


Figure 2. Measurement Model (Outer Model I)

There are two indicators whose values are below  $<0.70$ , namely PA4, KO6, and BS1, then these indicators are dropped, then analysis is carried out again using Smart - PLS 4 on the model, the second model can be seen from the following picture:

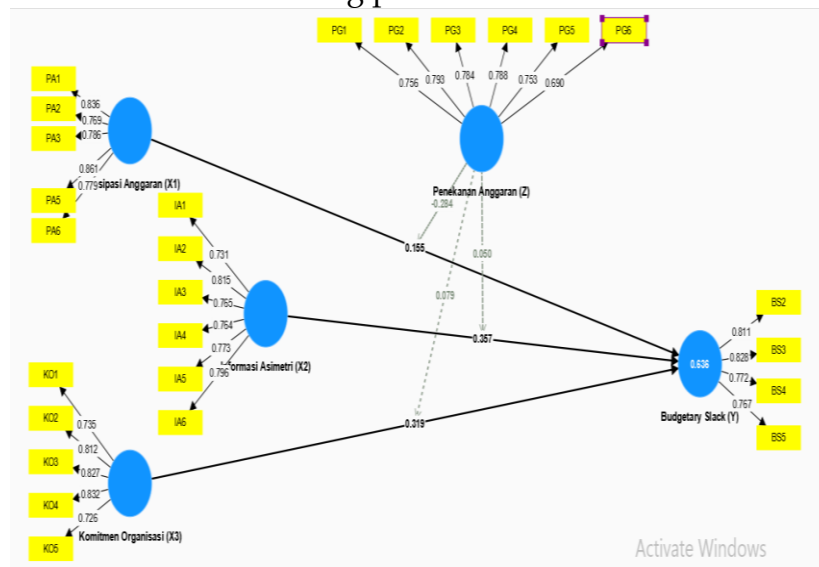


Figure 3. Measurement Model (Outer Model II)

The results of the analysis found that there were still indicator variables that had a loading factor value  $< 0.70$ , namely PG 6, so this indicator was dropped from the model, then analysis was carried out again on the model, so that the results of the loading factor value for all indicators were  $> 0.70$  as in the following picture. :

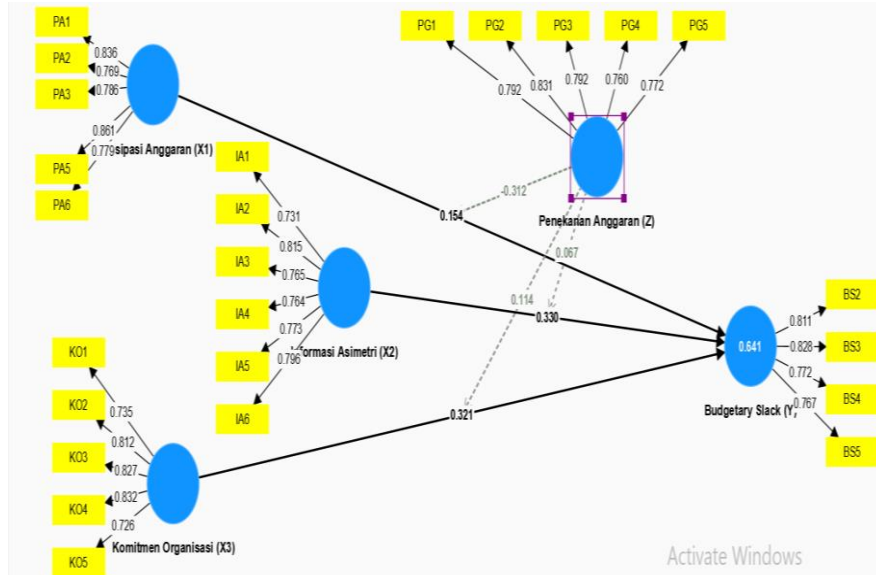


Figure 4. Measurement Model (Outer Model) III

The initial structural model in Figure 2 has undergone changes to Figure 4, so that the indicators that are not used based on the analysis results of the indicator loading factor  $< 0.70$  are as follows:

Table 3. Loading Factor

| INDICATOR                      | Loading Factor $> 0.70$ | Information |
|--------------------------------|-------------------------|-------------|
| Model I Structure              |                         |             |
| *Budget Participation (4)      | 0.685                   | Drop        |
| *Organizational Commitment (6) | 0.622                   | Drop        |
| *Budgetary Slack (1)           | 0.696                   | Drop        |
| Model Structure II             |                         |             |
| *Budget Emphasis (6)           | 0.690                   | Drop        |

Source: SEM PLS-4 output, 2024

Another method for testing convergent validity is by comparing the square root of average variance extracted (AVE) value for each construct with the correlation between the construct and other constructs in the model, where the Average Variance Extracted (AVE) value is  $> 0.50$ . The AVE value is shown as follows:

**Table 4. Average Variance Extracted**

| Variable                          | AVE value > 0.50 |
|-----------------------------------|------------------|
| X1<br>(Budget Participation)      | 0.632            |
| X2<br>(Asymmetric Information)    | 0.600            |
| X3<br>(Organizational Commitment) | 0.621            |
| Z<br>(Budget Emphasis)            | 0.651            |
| Y<br>(Budget Gap)                 | 0.624            |

Source: SEM PLS-4 output, 2024

From table 4 it can be seen that all variables have an AVE value > 0.50, so they meet the requirements used for convergent validity. This means that each indicator of the latent construct is able to explain 50% or more of the variance (Wong, 213, Sarstedt, et al 2011).

*Discriminant Validity*

*Discriminant validity* from a measurement model with reflexive indicators assessed based on the cross loading of the measurement with the construct, so that it meets the requirements for discriminant validity. In this criterion, cross loading and fornell-larcker values are tested (Ghozali & Latan, 2015).

**Table 5. Fornell - Larcker Criteria**

|                                | (Y)   | (X2)  | (X3)  | (X1)  | (Z)   |
|--------------------------------|-------|-------|-------|-------|-------|
| Budgetary Slack (Y)            | 0.755 |       |       |       |       |
| Asymmetric Information (X2)    | 0.686 | 0.775 |       |       |       |
| Organizational Commitment (X3) | 0.698 | 0.597 | 0.749 |       |       |
| Budget Participation (X1)      | 0.613 | 0.528 | 0.513 | 0.782 |       |
| Budget Emphasis (Z)            | 0.717 | 0.678 | 0.636 | 0.706 | 0.761 |

Source: SEM PLS-4 output, 2024

From the table above it can be seen that the method used is cross loading. If the Fornell - Larcker value of the latent variable has the highest value compared to all the cross loading values of the latent variable, it means that the discriminant assumption has been met.

*Composite Reliability*

The condition usually used to assess construct reliability is that composite reliability must be greater than 0.70 (Ghozali & Latan, 2015). The results of composite reliability calculations in this research are displayed in the following table:

**Table 6. Composite Reliability and Cronbach Alpha**

| Variable Indicator                | Composite Reliability | Cronbach Alpha | Conclusion |
|-----------------------------------|-----------------------|----------------|------------|
| X1<br>(Budget Participation)      | 0.903                 | 0.866          | Reliable   |
| X2<br>(Asymmetric Information)    | 0.900                 | 0.867          | Reliable   |
| X3<br>(Organizational Commitment) | 0.891                 | 0.846          | Reliable   |
| Y<br>(Budgetary Slack)            | 0.873                 | 0.806          | Reliable   |
| Z<br>(Budget Emphasis)            | 0.892                 | 0.850          | Reliable   |

Source: SEM PLS-4 output, 2024

Table 6 shows that the composite reliability value is  $> 0.70$  and the Cronbach's Alpha value is  $> 0.70$ , so it can be concluded that all construct indicators are reliable or meet the reliability test (Sarstedt, et, al 2011).

*Measurement Inner Model Analysis*

Inner Model is an evaluation of the structural model by bootstrapping in SEM-PLS 4 which includes the path coefficient for testing model fit and R-Square. In the context of structural equation modeling (Structural Equation Modeling), especially those using the Partial Least Squares (PLS-SEM) approach, this model refers to the part of the model that describes the relationship between latent constructs.

*Path Coefficient*

The path coefficient sign (positive or negative) shows the direction of the relationship between variables. A positive path coefficient means that when the value of the independent variable increases, the value of the dependent variable also increases. A negative path coefficient means that when the value of the independent variable increases, the value of the dependent variable decreases.

**Table 7. Path Coefficient**

| No | Variable Relationships           | Original Sample | STDEV | t-statistics | p-values | Ket                         |
|----|----------------------------------|-----------------|-------|--------------|----------|-----------------------------|
| 1  | Budget Participation (X1)→Budget | 0.154           | 0.078 | 1,975        | 0.048    | Significant Positive Effect |

|   | Gap (Y)   |         |       |       |       |                             |
|---|---|---------|-------|-------|-------|-----------------------------|
| 2 | Asymmetric Information (X2)→Budget Gap (Y)                          | 0.330   | 0.101 | 3,272 | 0.001 | Significant Positive Effect |
| 3 | Organizational Commitment (X3)→Budget Gap (Y)                       | 0.321   | 0.063 | 5,117 | 0,000 | Significant Positive Effect |
| 4 | Budget Emphasis (Z) x Budget Participation (X1)→Budget Gap (Y)      | - 0.312 | 0.101 | 3,099 | 0.002 | Effect Significant Negative |
| 5 | Budget Emphasis (Z) x Information Asymmetry (X2)→Budget Gap (Y)     | 0.067   | 0.066 | 1,020 | 0.308 | No effect                   |
| 6 | Budget Emphasis (Z) x Organizational Commitment (X3)→Budget Gap (Y) | 0.114   | 0.062 | 1,832 | 0.067 | No effect                   |

Source: SEM PLS-4 output, 2024

Based on the table above, Budget Participation, Information Asymmetry and Organizational Commitment have a positive relationship to the Budget Gap, but not the relationship between Budget Participation and the Budget Gap, when Budget Emphasis Moderates the relationship becomes a negative direction. Information Asymmetry and Organizational Commitment become insignificant when Budget Emphasis moderates its relationship with Budget Gaps.

#### Fit Models

**Table 8. Fit Models**

|            | <i>Saturated models</i> | <i>Estimated model</i> |
|------------|-------------------------|------------------------|
| <b>NFI</b> | 0.669                   | 0.666                  |

Source: SEM PLS-4 output, 2024

In model fit, there is the Normed Fit Index (NFI). NFI is one of the indices used to assess model suitability in structural analysis, such as Structural Equation

Modeling (SEM). NFI values ranging from 0 – 1 are derived from a comparison between the hypothesized model and a certain independent model. The model has a high suitability if the value is close to 1. Based on the table above, the NFI value is 0.666, which means the model has sufficient suitability (Ghozali, 2014).

*R-Square*

**Table 9. R-Square**

|                           | <i>R-square</i> | <i>R-square adjusted</i> |
|---------------------------|-----------------|--------------------------|
| <i>Budgetary Slack(Y)</i> | 0.693           | 0.682                    |

*Source: SEM PLS-4 output, 2024*

The  $R^2$  value can be used to assess the influence of certain endogenous variables and whether exogenous variables have a substantive influence (Ghozali, 2014). The  $R^2$  results of 0.67, 0.33, and 0.19 indicate that the model is "strong", "moderate", and weak. (Ghozali, 2014). Based on Table 4.19, the R-Square value is 0.682, this means that 68.2% of changes in the budget gap are influenced by budget participation, asymmetric information and organizational commitment. Meanwhile, the remaining 31.8% is explained by other causes, so it can be said that the  $R^2$  of the budget gap variable is strong.

## DISCUSSION

### Testing the Effect of Budget Participation on Budget Gaps

The analysis results from hypothesis 1 state that budget participation has a positive and significant effect on the budget gap. The agency relationship between the Regional Head who represents his political promise to the community and ASN employees, where the Regional Head is the principal and the ASN employee is the agent. Where risks and performance assessments motivate ASN employees to carry out budgetary slack.

If the research results are linked to agency theory and stakeholder theory, budget participation and budget gaps are closely related, meaning that H1 is accepted. Although budget participation can help reduce agency conflicts by increasing the agent's sense of responsibility, this can also increase the risk of budget gaps if not balanced with strict supervision and appropriate incentive mechanisms. Therefore, it is important to find the right balance in implementing budget participation and managing budget gaps to ensure a relationship of interest between principals and agents, by involving stakeholders because it is important to ensure that the budget participation process is carried out transparently and to minimize the risk of budget gaps, so that The budget prepared reflects the interests and needs of all stakeholders, not just some parties. The results of this research are also in line with the research of Rahadias Danar Muria (2020) which states that budget participation has a positive and significant influence on budgetary slack.

### **Testing the Effect of Asymmetric Information on Budget Gaps**

The analysis results from hypothesis 2 state that information asymmetry has a positive and significant effect on the budget gap. This means that H2 is accepted, the condition of asymmetric information means that employees are increasingly technically familiar with work and have a better understanding of what can be achieved in their respective areas of responsibility. The relationship between research results and agency theory shows how asymmetric information between principals and agents can cause budget gaps due to agents leveraging their information advantage to set targets that are easier to achieve.

By understanding this relationship, organizations can implement better mechanisms and strategies to manage asymmetric information and reduce budget gaps, both from stakeholder theory, ensuring that information is distributed evenly and all interested parties are involved, the budget prepared can better reflect collective interests and reduce opportunistic behavior from certain parties. The results of this research are in line with research by Janet Anetta (2020) which states that high levels of information asymmetry will have a positive effect on increasing the budget gap. Likewise with research by Dahlia Tri Anggraini, et al (2023).

### **Testing the Effect of Organizational Commitment on Budget Gaps**

The analysis results from hypothesis 3 state that organizational commitment has a positive and significant effect on the budget gap. This means that H3 is accepted, organizational commitment influences individual motivation to do something (Yulianti, 2014). This explains that low organizational commitment is due to being motivated by short-term incentives, such as bonuses or other incentives. They may be more likely to create budget gaps to make it easier to achieve their personal targets or when agents do not feel committed or loyal to the organization, they may not have a strong motivation to act in the principal's best interests.

The results of this research are in line with Meyer and Maltin (2020), who state that effective organizational commitment is similar to a form of automatic motivation for each individual, where automatic motivation means that the individual is free to participate in activities that are consistent with the values embedded in that individual. Alone. Likewise, the research results of Rizki Sari Eka Putri, et al (2022), stated that organizational commitment shows a positive and significant influence on the budget gap.

### **Budget Emphasis Test moderates the effect of Budget Participation on Budget Gaps**

The results of the analysis of hypothesis 4 show that the interaction between budget participation and budget emphasis has a negative and significant influence on the budget gap, meaning that H4 is accepted by increasing supervision and pressure on achieving budget targets, organizations can reduce the tendency of managers to create budget gaps, even though they are involved in the process budget preparation.

In the context of agency theory, budget suppression is a tool used by principals to reduce opportunistic behavior from agents. This emphasis makes it harder for agencies to hide budget gaps, so they are more motivated to set realistic targets and act in the best interests of the organization. This helps ensure that the agent's interests are better aligned with the principal's interests and the overall goals of the organization. The research results are in line with Rani's (2015) research, measuring performance based on a budget that has been prepared means that subordinates will try to obtain profitable variances by creating slack, including by lowering income and increasing costs when preparing the budget.

### **The Budget Emphasis Test moderates the effect of Asymmetric Information on Budget Gaps**

The results of the analysis of hypothesis 5 show that budget emphasis does not significantly moderate the interaction between asymmetric information and the budget gap. This means that H5 is rejected. Asymmetric information gives managers an advantage in setting budget targets that are easier to achieve, creating budget gaps. Budgetary emphasis, although intended to reduce this gap, is often unable to completely eliminate the impact of asymmetric information because according to agency theory asymmetric information gives managers the opportunity to use their in-depth knowledge of company operations to hide this gap from principals. The results of this research are not in line with research by Anggasta (2014), which revealed that budget emphasis weakens asymmetric information on the budget gap, as well as research by Christensen (1982) which explains that budget emphasis strengthens the influence of asymmetric information on the budget gap.

### **Budget Emphasis Test moderates the influence of Organizational Commitment on Budget Gaps**

The results of the analysis of hypothesis 6 show that budget emphasis is unable to moderate the interaction between organizational commitment and the budget gap. This means that H6 is rejected. Organizational commitment influences individual motivation to do something, but when budget emphasis is made a variable in its interaction in creating budget gaps, the results of this research show that there is no moderating relationship in the interaction. So it can be stated that budgetary emphasis is not able to strengthen the influence of organizational commitment on the budget gap in Langkat Regency. The results of this research are not in line with research by Wardhana & Gayatri (2018) which found that high organizational commitment in a person preparing a budget can reduce the practice of budgetary slack. However, if the budget emphasis variable is included, it will weaken the relationship between organizational commitment and the budget gap.

## CONCLUSIONS AND RECOMMENDATIONS

Based on the results of research tests carried out with SmartPLS 4, it can be concluded that:

1. Budget participation has a positive and significant effect on the budget gap in the Langkat Regency Government.
2. Information asymmetry has a positive and significant effect on the budget gap in the Langkat Regency Government.
3. Organizational Commitment has a positive and significant effect on the budget gap in the Langkat Regency Government.
4. Budget emphasis is able to moderate (significantly negative) the relationship between budget participation and the budget gap.
5. Budget emphasis is unable to moderate the relationship between asymmetric information and the budget gap
6. Budget emphasis is unable to moderate the relationship between organizational commitment and budget gaps.

## ADVANCED RESEARCH

Based on the results of the research that has been carried out, there are several suggestions that can be given as input for employees carrying out the budgeting process as well as research limitations that are explained in an effort to minimize budget gaps, namely:

1. Increase monitoring of the ethical work climate for employees who carry out the budgeting process.
2. A performance-based approach to reducing gaps in budget distribution.
3. Increase managerial and administrative capacity by assigning tasks to government officials who are more skilled in planning, implementation and evaluation in Langkat Regency.
4. There are research limitations, so for further research, it is recommended to expand the research objects and locations, by adding other factors such as adding qualitative research methods to explore perceptions of gaps and enrich the population and research sample resources, and adding research variables so that they are not limited to budget participation variables, asymmetric information, budget emphasis and organizational commitment only as well as using more updated applications or software in carrying out statistical analysis, in order to enrich research results.

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