

Does Asymmetric Information Have A Moderating Effect On Budgetary Slack In Lhokseumawe City Government?

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Abstract. This study aimed to determine the effect of budgetary participation and clarity of budget targets on the budgetary slack with information asymmetry as a moderating variable. The study was conducted at 33 OPD, Lhokseumawe City. Select a sample using a targeted sampling method. The maximum number of interviewees was 66, made up of secretaries and heads of financial divisions. Data were collected using questionnaires. The analytical techniques used were multiple linear regression analysis and moderated regression analysis. The results of this study found that budgetary participation had an effect on budgetary slack, clarity of budget targets had no effect on budgetary slack, information asymmetry could not moderate the effect of budgetary participation on budgetary slack, and information asymmetry could also not moderate the effect of clear budget targets on budgetary slack.

Keywords: *budgetary slack, participation budgeting, clarity of budget targets, information asymmetry*

INTRODUCTION

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). If top-level managers have more information than lower-level managers, then there will be greater demands from top-level managers about achieving budget targets that are likely to be very difficult for lower-level managers to achieve and if lower-level managers have more information than top-level managers, managers lower levels tend to make lower targets than the highest targets to be achieved.

Budget participation is one of the best methods of budgeting, where all components within the organization are involved in preparing the budget and this participatory budgeting will result in good relations between superiors and subordinates (Krishnan, et al, 2012). However, it is possible that greater participation in the budget will increase the occurrence of budgetary gaps if subordinates who participate in preparing the budget provide suggestions or information that is not in accordance with actual information regarding the budget, or does not match what is needed. Budgeting behavior can also be affected by whether or not the objectives of the budget are clear

Putra (2013), the clarity of budget goals is to define clearly and specifically with the aim that the budget can be understood by those who are responsible for achieving the budget. Having clear budget targets will make it easier for individuals to set their budget targets based on the budget the organization wants to achieve, this will have an impact on reducing budgetary slack.

Indications of a new budgetary slack can be assessed when the budget is realized. Events that often occur in the field show that when subordinates set budgets, discrepancies often occur, where the budget set in preparing the budget is greater than the actual budget,

this is commonly referred to as a positive budgetary slack. However, sometimes the cost budget set in the preparation of the budget is smaller than the actual budget or is called a negative budgetary slack. This can be seen from the following budget table and budget realization for the City of Lhokseumawe for 2016-2020:

Table 1.
Realization of Lhokseumawe City Local Revenue and Expenditure Budget 2016-2020
(in rupiah)

Year	Local Revenue Budget	Realized Local RevenueBudget	Local ExependitureBudget	Realized Local ExpenditureBudget
2016	1.180.645.303.809	908.888.389.623	1.246.375.866.172	890.338.348.966
2017	928.679.687.143	901.721.200.897	952.460.290.264	870.168.392.236
2018	807.871.157.381	749.405.667.506	860.904.569.164	775.480.033.294
2019	922.536.203.518	864.499.598.942	948.495.249.512	873.465.604.518
2020	882.717.271.430	835.667.970.983	898.210.311.849	809.391.294.069

Source: Lhokseumawe City Budget Realization Report, 2016-2020

In Table 1 above, it can be seen that every year there is a difference between budget realization and budget targets. From these data it is suspected that there is a slack in the local expenditure budget where the realization of the local expenditure budget is lower than the target of the regional expenditure budget. The existence of this difference can be said that the achievement of the budget is not in accordance with the previous plan, where the amount of expenditure that is budgeted to finance program activities is not fully realized. This is considered as an increase in performance in the form of savings, but the realization of the budget is not the actual budget of the budget that has been determined, thus indicating an indication of a budgetary slack in the Lhokseumawe city government budget.

Marfuah (2014) and Rahmiati (2013) state that information asymmetry has a positive effect on the relationship between budget participation and budgetary slack. Which means that information asymmetry can strengthen the relationship between budgetary participation and budgetary slack. In contrast to research conducted by Irfan, et al (2016), and Suriani, et al (2018) which stated that information asymmetry has a negative effect on the relationship between budget participation and budgetary slack.

Research conducted by Agusti (2013) states that information asymmetry has a positive effect on the relationship between clarity of budget targets and budgetary slack. Meanwhile, the research by Yanti and Sari (2016) and Kridawan and Mahmud (2014) shows that information asymmetry does not moderate the effect of clarity on budget targets on budgetary slack.

Budget participation is a process in which a person is involved in preparing a budget that will be used as a reference by responsible parties (Saputri, 2017). Participating in the preparation of the budget is a process within the organization that involves managers in determining budget goals which are the responsibility of all organizational goals. In local government agencies, if employees participate in preparing the budget, then budgetary slack can be avoided (Rahmiati, 2013).

Previous research conducted by Biantara and Putri (2014) and Yanti and Sari (2016) regarding the effect of budget target clarity on budgetary slack shows that the results of budget target clarity have a positive effect on budgetary slack. Meanwhile, research conducted by Bulan (2011), Agusti (2013), and Erina and Suartana (2016) shows that the clarity of budget targets has a negative effect on budgetary slack.

Several previous researchers have examined the factors that influence budgetary slack. On the basis of the inconsistent results of the findings of several previous researchers and the existence of problems with the phenomenon of budgetary slack that occurred in the city of Lhokseumawe, the researchers are interested in conducting further research on the effect of budget participation, clarity of budget targets and information asymmetry on budget gaps. Based on the description, the hypothesis

H1: Budget participation has an effects on budgetary slack.

H2: Clarity of budget targets affects on budgetary slack

H3: Information asymmetry moderates the effect of budgetary participation on Budgetary slack.

H4: Information asymmetry moderates the effect of clarity of budget targets on Budgetary slack

METHOD

The survey was conducted at 33 OPD, Lhokseumawe Municipality. Select a sample using purposive sampling method. The sample criteria selected therein relate only to the processes of budget formulation, execution and accountability. The number of respondents was 66, including secretaries and heads of financial departments. The data used in this study is the original data obtained through the survey method of distributing questionnaires to the respondents. This method is conducted by asking respondents questions on a 1-5 Likert scale ranging from strongly disagree to strongly agree. The analytical techniques used were multiple regression analysis and moderated regression analysis.

RESULTS AND DISCUSSION

Hypothesis testing aims to see how far the influence of an independent variable in explaining the dependent variable. The way to do this is to compare t count with t table or look at the significance value. In Table 2 the results of the hypothesis that test the effect of the independent variable budgetary participation on budgetary slack. The results of the test show that the t count is $2.201 > t \text{ table } 1.672 (59-2)$ and has a significance value below 0.05, namely 0.032. This means that budget participation has an influence on budgetary slack. So the first hypothesis (H1) is accepted. This research is in line with research by Mardhiana (2018) and Syahrir (2017) which proves that budgetary participation has an effect on budgetary slack. The results of testing this hypothesis are supported by agency theory, where there is an element of conflict of interest between the agent and the principal. This can cause an agent to behave in a manner that deviates from the guidelines, orders or expectations of the principal.

Table 2
Multiple Linear Regression Test Results

Variabel	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0,571	0,132		4,313	0,000
LogX1	0,262	0,151	0,251	1,734	0,089
LogX2	0,089	0,116	0,111	0,768	0,446

Source: Data processed, 2021

Based on the table above, the regression equation can be made as follows:

$$Y = a + b_1X_1 + b_2X_2 + e \dots\dots\dots(1)$$

$$Y = 0,571 + 0,262X_1 + 0,089X_2 + e$$

The results of the hypothesis testing the effect of the independent variable clarity of budget targets on budgetary slack. The results of the test show that the t count is 1.574 < t table 1.672 (59-2) and has a significance value above 0.05, which is 0.121. This means that the clarity of budget targets has no effect on budget gaps. So the second hypothesis (H2) is rejected. The clarity of budget targets has no effect on the emergence of budgetary slack, which means that the higher or lower the clarity of budget targets, it has no effect on the occurrence of budgetary slack. Budget targets are often set in the previous period so that budget targets will be rigid, uncertain and difficult to adjust to actual conditions, which will result in an inconsistent increase in budgetary slack. This is according to Suhartono and Solichin (2006) stating that uncertain environmental conditions will make individuals commit budgetary gaps. This research is in line with the research of Prakasa (2020) and Kridawan and Amir (2014) which proves that the clarity of budget targets has no effect on budgetary slack.

Moderated Regression Analysis is used to see how far the moderating variable can strengthen or weaken the influence of the independent variables and the dependent variable. The results of the Moderated Regression Analysis are as follows:

Table 3
Hasil Uji Moderated Regression Analysis

Variabel	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0,685	0,194		3,533	0,001
LogX1	0,501	0,201	0,479	2,485	0,017
LogX2	0,228	0,209	0,284	1,089	0,282
LogZ	0,358	0,255	0,392	1,403	0,167
LogInteraksi_X1Z	-0,203	0,128	-0,485	-1,585	0,120
LogInteraksi_X2Z	-0,137	0,209	-0,248	-0,657	0,515

Source: Data processed, 2021

Based on the results that have been obtained from the regression coefficients above, the regression equation can be made as follows:

$$Y = a + b_1X_1 + b_2X_2 + b_3Z + b_4(X_1Z) + b_5(X_2Z) + e \dots\dots\dots(2)$$

$$Y = 0,685 + 0,501X_1 + 0,228X_2 + 0,358Z - 0,203X_1.Z - 0,137X_2.Z + e$$

In Table 3 the results of the hypothesis that examine the effect of the independent variable budget participation on the budget gap with information asymmetry as a moderator. The results of the test indicate that the value of t count $-1.822 < t$ table 1.672 (59-2) and has a significance value above 0.05, which is 0.074. This means that information asymmetry is not able to moderate the effect of budget participation on the budgetary slack. So the third hypothesis (H3) is rejected. This means that the presence of high information asymmetry is not used by subordinates to create budgetary slack. The possibility of information asymmetry is very small, this is due to the existence of clear regulations regarding the duties and obligations of each officer, including rules related to information held by subordinates that must be reported to their superiors.

The results of the hypothesis that test the effect of the independent variable clarity of budget targets on the budget gap with information asymmetry as a moderator. The results of the test show that the t arithmetic value is $-0.276 < t$ table 1.672 (59-2) and has a significance value above 0.05, which is 0.444, This means that information asymmetry is not able to moderate the effect of clarity on budget targets on budgetary slack. So the fourth hypothesis (H4) is rejected. This study shows that information asymmetry is not able to moderate the effect of clear budget targets on budgetary slack. The existence of definite budget targets results in budget implementers being able to prepare budgets in accordance with existing targets even though there is information asymmetry. Information from clear budget targets can reduce information asymmetry in the form of adverse selection, so that it will not cause gaps in the budget. In Lhokseumawe City OPD, there is very high information asymmetry and very clear budget targets. This means that even if there is information asymmetry, it will not have an impact on the effect of clarity on budget targets on budgetary slack.

The value of the coefficient of determination that is close to one means that the independent variables almost provide all the information needed to predict the dependent variable. The value of R^2 is between 0 and 1. If $R^2 = 1$, it means that 100% of the total variation in the dependent variable can be explained by the independent variable. The results of the coefficient of determination in the regression of equation one are 0.061. This means that 6.1% of changes (up and down) that occur in the budget gap are influenced by budget participation and clarity of budget targets, while 93.9% is influenced by other variables.

The value of Adjusted R Square for the second regression equation is 0.071. This means that 7.1% of the rise and fall of the budget gap is influenced by budget participation, clarity of budget targets, and information asymmetry as a moderator, while 92.9% is influenced by other variables.

CONCLUSION

Based on the statistical analysis of this study, it was found that budgetary participation had an effect on the budgetary slack in Lhokseumawe municipality. The clarification of the budget target does not affect the emergence of the budget gap in Lowe Mawu. Information asymmetry cannot mitigate the impact of budget participation and budget clarity on budget slack.

The advice that can be given based on the results of this study is to remember that budgetary participation minimizes the budget gap, which is why Lhokseumawe City OPD needs to increase the involvement of structure officers in the budgeting process. One of them is to listen more to the views of subordinates when discussing budget proposals. For researchers who want to conduct a similar study, it would be advisable to include other variables that affect individuals' creation of a household surplus, such as: Individual capabilities, organizational commitment, and budget priorities. So that it can be known how to create better performance and reduce budgetary slack

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