

Information Asymmetry As A Moderator Of The Influence Of Budget Participation, Budgetary Emphasis, And Target Clarity On Budgetary Slack In OPDs In The SIPD Era

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Abstract

This study aims to examine the influence of budget participation, budget emphasis, and clarity of budget targets on budgetary slack in Regional Apparatus Organizations (OPD) during the implementation of the Regional Government Information System (SIPD), as well as the role of information asymmetry as a moderator variable. The research approach used is quantitative explanatory with data collection through questionnaires to officials in OPD Baubau City. Regression analysis shows that all independent variables, namely budget participation, budget emphasis, and clarity of targets, significantly influence budgetary slack. In addition, information asymmetry is proven to strengthen the relationship of these three variables to slack, indicating the risk of opportunistic behavior in budget management if oversight and transparency are not optimal. The findings of this study emphasize the importance of budget governance that pays attention to improving coordination, increasing oversight, and clarity of information to minimize slack practices in the OPD environment.

Keywords: Budget_participation; Budget_emphasis; Target_clarity; Information_asymmetry; Budgetary_slack

1. Introduction

Following the reform of Indonesia's regional government system, new demands for financial management emerged, one of which was the implementation of the Regional Government Information System (SIPD). SIPD was first launched in October 2019 as an amendment to Law Number 23 of 2014, Article 391, which requires regional governments to provide information about regional government through a Regional Government Information System [1]. The aim of SIPD is to increase transparency and accountability in regional planning and budgeting. However, there are still problems of budget shortages or manipulation in budget preparation by Regional Apparatus Organizations (OPD), which shows that SIPD is not effective in reducing budget bias [2].

Budgetary Slack is a deliberate difference between the estimated actual realization and the proposed budget, usually for the benefit of certain individuals or groups within the organization. Insufficient funds can lead to inefficiency, low motivation, and trust in local government financial information. Therefore, it is important to evaluate the various components that trigger or suppress budget shortfalls during the SIPD period [3]. The amount of slack in public organizations is higher than in private sector organizations, (Busch and Gustafsson, 2002) in [4].

One component that influences budget shortfalls is the level of participation of individuals or work units in the budget preparation process. Budget participation refers to the involvement of lower-level officials and functional units in the budgeting process [5]. The higher the involvement of individuals or work units in this process, the greater the chance of budget shortfalls because they have a better understanding of the real situation and can use this information for their own personal gain. If the budgeting system does not have good control mechanisms, this effect can increase [6].

Another factor that can influence budget shortfalls is the strong emphasis on budgets as the primary tool for assessing performance. In situations where people are forced to achieve their budget targets, they may decide to seek a “safe zone” by inflating their budgets to show that they have met the budget successfully, while the organization's goals are no longer optimal [7].

Clarity in budget targets is recognized as reducing ambiguity, improving understanding of the targets being achieved, and theoretically reducing the likelihood of budgetary slack. However, various studies have shown inconsistent results: in some cases, even when targets are clear, individuals still tend to create slack in anticipation of the risk of failure or uncertainty [8]

In SIPD and OPD, information asymmetry is crucial. When budget agents or parties have more information than their superiors, they are more likely to create budget shortfalls. However, research also shows that information asymmetry can moderate the effects of participation, budget emphasis, and target clarity on budget shortfalls in complex ways. Depending on how the organizational structure and control system function, these relationships are sometimes reinforced and sometimes diminished [8].

Several studies that show inconsistent results regarding the influence of budget participation, information asymmetry, and target clarity on budgetary slack include research by [9] who found that budget participation does not always have a significant effect on budgetary slack, but information asymmetry actually strengthens slack in the SKPD environment. Research by [10] also showed different results, namely that clarity of budget targets sometimes reduces slack but under certain conditions does not have a significant effect on local government. Research that shows inconsistent results includes research by [9] which found that the influence of budget participation was sometimes significant and sometimes not on budgetary slack, research by [10] which noted the inconsistent influence of budget target clarity in reducing slack in local government, and Puspita's study in Bandung City which found that budget participation could increase slack, but information asymmetry had no significant impact in some cases. This inconsistency indicates the need for further research and specific research in regional contexts, such as Baubau.

Research on asymmetric information as a moderator of the influence of participation, budget emphasis, and target clarity on budgetary slack is very relevant in Baubau City because even though the budgeting process has been regulated through SIPD and in accordance with regulations, problems are still found such as the difference in realization to the budget ceiling, the potential for manipulation of figures in planning, to the less than optimal transparency and efficiency of regional financial management; these factors are important to study so that budgetary slack control can be improved, especially considering the challenges of coordination, human resources, and the dynamics of information asymmetry that actually occur in the OPD environment of Baubau City .

2. Methodology

This research uses a quantitative approach with an explanatory design. Its primary objective is to empirically test the moderating role of information asymmetry in the influence of budget participation, budget emphasis, and target clarity on budgetary slack in OPDs in the SIPD era.

The research population was the apparatus involved in the process of budget preparation, implementation, and accountability in all OPDs in Baubau City. The sample was selected using a purposive sampling technique based on the following criteria: active participants in budget planning such as heads of departments and planning staff. The sample size was based on the number of OPDs (33 OPDs) multiplied by 2 respondents per OPD, resulting in a sample size of 66. Primary data was collected through a closed questionnaire with a Likert scale of 1-5. The questionnaire contained items related to budget participation, budget emphasis, target clarity, information asymmetry, and budgetary slack. Before distribution, the validity and reliability of the instrument were tested on trial respondents. The questionnaire data were processed using multiple linear regression statistics with the help of SPSS software.

3. Results and Discussion

3.1. Result

Table 1. The Influence Of Budget Participation On Budgetary Slack In Opds In The SIPD Era

ANOVA ^a					
Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	494,434	1	494,434	34,640	.000 ^b
1 Residual	913,506	64	14,274		
Total	1407,939	65			

a. Dependent Variable: Budgetary Slack
 b. Predictors: (Constant), Budget Participation

The significance value obtained from the results of the simple linear regression data analysis is $0.000 < \alpha 0.05$, so it can be concluded that Budget Participation has an effect on Budgetary Slack in Opds in the SIPD Era.

Does budget emphasis affect budgetary slack in OPDs in the SIPD era?

ANOVA ^a					
Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	495,619	1	495,619	34,768	.000 ^b
1 Residual	912,320	64	14,255		
Total	1407,939	65			

a. Dependent Variable: Budgetary Slack
 b. Predictors: (Constant), Budget Emphasis

The significance value obtained from the results of simple linear regression data analysis is $0.000 < \alpha 0.05$ so that it is concluded that Budget Emphasis has an effect on Budgetary Slack in Opds in the SIPD Era.

Does the clarity of budget targets influence budgetary slack in OPDs in the SIPD era?

ANOVA ^a					
Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	635,052	1	635,052	52,586	.000 ^b
Residual	772,887	64	12,076		
Total	1407,939	65			

a. Dependent Variable: Budgetary Slack
 b. Predictors: (Constant), Target clarity

The significance value obtained from the results of the simple linear regression data analysis is $0.000 < \alpha 0.05$, so it can be concluded that target clarity has an effect on Budgetary Slack in Opds in the SIPD Era.

Information Asymmetry As A Moderator Of The Influence Of Budget Participation On Budgetary Slack In Opds In The SIPD Era

Model Summary				
Model	R	R Square	Adjusted R Square	Standard Error of the Estimate
1	.593 ^a	.351	.341	3.77803

a. Predictors: (Constant), Budget Participation

The R square value in regression equation 1 is 0.351, so it can be said that budget participation has an effect of 35.1% on budgetary slack.

Model Summary				
Model	R	R Square	Adjusted R Square	Standard Error of the Estimate
1	.818 ^a	.669	.653	2.74242

a. Predictors: (Constant), Budget Participation x Information Asymmetry, Budget Participation, Information Asymmetry

After the presence of a moderate variable, namely Information Asymmetry, in the second regression equation, the R square value increased to 0.669 or 66.9%, so it can be concluded that the presence of Information Asymmetry as a moderate variable can strengthen or increase the influence of The Influence of Budget Participation on Budgetary Slack .

Information Asymmetry As A Moderator Of The Influence Of Budgetary Emphasis On Budgetary Slack In Opds In The SIPD Era

Model Summary				
Model	R	R Square	Adjusted R Square	Standard Error of the Estimate
1	.593 ^a	.352	.342	3.77558
a. Predictors: (Constant), Budget Emphasis				

The R square value in regression equation 1 is 0.352, so it can be said that Budgetary emphasis has an effect of 35.2% on Budgetary Slack.

Model Summary				
Model	R	R Square	Adjusted R Square	Standard Error of the Estimate
1	.830 ^a	.688	.673	2.66046
a. Predictors: (Constant), Budget Emphasis x Information Asymmetry, Information Asymmetry, Budget Emphasis				

After the presence of a moderating variable, namely Information Asymmetry, in the second regression equation, the R square value increased to 0.688 or 68.8%, so it can be concluded that the presence of Information Asymmetry as a moderating variable can strengthen or increase the influence of The Influence of Budget Emphasis on Budgetary Slack.

Information Asymmetry As A Moderator Of The Influence Of Target Clarity On Budgetary Slack

Model Summary				
Model	R	R Square	Adjusted R Square	Standard Error of the Estimate
1	.672 ^a	.451	.442	3.47511
a. Predictors: (Constant), Clarity of Budget Targets				

The R square value in regression equation 1 is 0.451, so it can be said that Budgetary emphasis has an effect of 45.1% on Budgetary Slack.

Model Summary				
Model	R	R Square	Adjusted R Square	Standard Error of the Estimate
1	.824 ^a	.679	.664	2.69966
a. Predictors: (Constant), KSA x Information Asymmetry, Clarity of Budget Goals, Information Asymmetry				

After the presence of the moderating variable, namely Information Asymmetry, in the second regression equation, the R square value increased to 0.679 or 67.9%, so it can be

concluded that the presence of Information Asymmetry as a moderating variable can strengthen or increase the influence of the Influence of Target Clarity. On Budgetary Slack

3.2. Discussion

The analysis shows that budget participation, budget emphasis, and target clarity each significantly increase or decrease the likelihood of budgetary slack in regional government agencies (OPD) in the SIPD era. High budget participation has been shown to increase the likelihood of budgetary slack, in line with agency theory, which states that the more complex the participation process without strong oversight, the greater the information asymmetry that can be exploited by budget preparers for personal or group gain. High levels of budget participation have been shown to increase the potential for budgetary slack in the budgeting process in regional government agencies (OPD), especially if it is not supported by a strong oversight system. Based on agency theory, the more people involved in the budgeting process, the more complex the coordination and information content of team members or OPD officials. This situation has the potential to create information asymmetry, where budget holders or active participants have access to more comprehensive and detailed information than the final decision-makers. With this information advantage, budget holders can easily increase or decrease the budget for specific purposes, such as making goals more achievable or creating bargaining power during implementation, which ultimately leads to budgetary slack for personal or group gain. This finding aligns with several empirical studies in local governments, which show that increased participation does not always produce positive impacts if it is not balanced by accountability and transparency mechanisms. This can actually increase opportunities for opportunism in regional financial management and reduce budget efficiency.

The emphasis on budget as a performance benchmark also has a significant influence. The greater the pressure placed on achieving budget targets, the greater the tendency for individuals or teams to strategically create slack to avoid the risk of failure or institutional sanctions. The emphasis on budgeting as a performance metric significantly influences the tendency for teams or individuals to strategically create budget slack. In practice, the greater the organizational pressure to achieve budget targets, the greater the motivation for budget team members to create slack to make goals appear more achievable in the future. This is because pressure from performance appraisals, rewards, and the threat of institutional sanctions tends to trigger opportunistic behavior in which individuals overestimate or underestimate the value of budget requests to avoid the risk of failure or negative consequences from senior management. Thus, the pressure to achieve excessive budget targets in local government performance appraisal systems indirectly encourages slack practices, jeopardizing the integrity and efficiency of budget management unless balanced by better oversight or transparency in the budget planning and implementation process. The emphasis on budgeting as a performance metric significantly influences the tendency for individuals or teams to strategically create budget slack. With increasing pressure to meet budget targets, organizational members tend to be more cautious and attempt to create budgetary loopholes to avoid the risk of failure or sanctions from management. This practice arises because rewards and punishments are often based on the level

of budget target achievement. Therefore, a strategy of shirking is used to protect against potential failure or ensure good performance evaluation. Consequently, the goal of budget optimization will be hampered if the pressure applied is not accompanied by adequate internal controls and transparency.

Third, clarity of budget targets positively influences budgetary slack; when budget targets are unclear or ambiguous, the tendency to provide slack increases because budget preparers create a "safety margin" to anticipate changes during the budget implementation process. Clarity of budget objectives positively impacts budget slack. If an organization's budget objectives are unclear or ambiguous, budget planners tend to create this slack as a "safety margin" to deal with uncertainty during the budget implementation process. Ambiguous objectives make managers or budget planners more cautious and encourage them to add reserves to the budget amount to anticipate obstacles due to future conditions or policy changes. This phenomenon is consistent with empirical findings that budget clarity and specificity help individuals make plans that are more precise and aligned with organizational goals, thereby reducing slack. Conversely, ambiguous objectives cause budget planners to avoid the risk of failure and "protect themselves" by creating slack, which can ultimately compromise the effectiveness and accountability of regional financial management. Research also shows that organizations with clear budget objectives and targets tend to have less slack, while goal ambiguity increases the likelihood of slack.

Furthermore, the research results also confirm that information asymmetry as a moderator variable strengthens the relationship between the three main factors (budget participation, emphasis, and target clarity) on slack. When information asymmetry is high, the influence of budget participation on budgetary slack becomes greater because budget team members have more information that is not known to the leadership, so that slack is easier to create. The moderating role of information asymmetry is also seen in the influence of budget emphasis and target clarity: the higher the information asymmetry, the higher the opportunity for slack despite the pressure or clarity in the budget system. Thus, the six hypotheses that are all proven (three direct effects and three moderating effects) indicate that the management of budgetary slack in the OPD environment in the SIPD era is greatly influenced by involvement, transparency, and equal distribution of information between budget members and organizational leaders.

4. Conclusion

Based on the results of regression analysis and hypothesis testing, it can be concluded that budget participation, budget focus, and clarity of budget objectives have a significant influence on the occurrence of budgetary slack in regional apparatus organizations (OPD) in the SIPD era. High budget participation tends to increase the likelihood of budgetary slack, especially if it is not balanced with adequate oversight and transparency. This is in accordance with the principal-agent theory, which states that the greater the information asymmetry between the agent and the principal, the greater the potential for manipulation to protect personal or group interests. Budget focus as a performance measure also makes a positive contribution, because high pressure to achieve budget objectives encourages organizational members to create slack to avoid the risk of failure, rewards, and institutional sanctions.

Furthermore, clarity of budget objectives has a significant influence on slack; unclear or ambiguous objectives cause budget preparers to increase slack to anticipate uncertainty in budget implementation. These findings underscore the importance of budget management that prioritizes transparency, clear target setting, increased oversight capacity, and limiting information asymmetry to minimize budget constraints in the OPD environment.

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