Asian Journal of Economics, Business and Accounting

Volume 23, Issue 23, Page 63-75, 2023; Article no.AJEBA.109617
ISSN: 2456-639X

Mitigating Budget Gap Behavior: An Experimental Study on the Role of Superiors' Reputation in Information Asymmetry

Eva Herianti [a*] and Amor Marundha [b]

[a] *Faculty of Economic and Business, Universitas Muhammadiyah, Jakarta, Indonesia.*
[b] *Faculty of Economic and Business, Universitas Bhayangkara, Jakarta, Raya, Indonesia.*

Authors' contributions

This work was carried out in collaboration between both authors. Both authors read and approved the final manuscript.

Article Information

DOI: 10.9734/AJEBA/2023/v23i231171

Open Peer Review History:
This journal follows the Advanced Open Peer Review policy. Identity of the Reviewers, Editor(s) and additional Reviewers, peer review comments, different versions of the manuscript, comments of the editors, etc are available here: https://www.sdiarticle5.com/review-history/109617

Method Article

Received: 12/09/2023
Accepted: 23/11/2023
Published: 25/11/2023

ABSTRACT

Background: The objective of this study is to examine the effect of superior reputation in reducing budgetary gaps within the context of information asymmetry in local government budgeting. The budgetary gap is a manifestation of the agency conflict between subordinates and superiors, where subordinates possess superior information due to their in-depth knowledge of the field conditions. Consequently, an information asymmetry arises between subordinates and superiors, leading to the occurrence of budgetary slack.

Methods: The study employed an experimental research design, focusing on accounting students from the University of Muhammadiyah Jakarta as subjects. Purposive sampling was used to select accounting students who have completed the government accounting course as participants. The study took place at the University of Muhammadiyah Jakarta. The observation period took place between July and August 2022 at the Faculty of Economics and Business, University of

---

**Corresponding author: E-mail: eva.herianti@umj.ac.id;*

Muhammadiyah Jakarta. The research examines the role of a superior reputation in mitigating budgetary gaps under conditions of information asymmetry. The experiment was conducted online, using a simulated environment. The study hypothesizes that superiors' reputation has a negative effect on budgetary slack, while information asymmetry has a positive effect on budgetary slack.

Findings: Firstly, it is anticipated that the superiors' reputation has a negative impact on budgetary slack. Secondly, it is expected that information asymmetry has a positive impact on budgetary slack. Lastly, it is anticipated that the superiors' reputations have a negative impact on budgetary slack under conditions of information asymmetry

Conclusion: The objective of this study is to contribute to the understanding of how superior reputation and information asymmetry interact in the context of local government budgeting. The findings from this study may provide insights into improving budgetary processes and reducing budget gaps.

Practical Implications: The reputation of superiors who have competence and integrity can improve information asymmetry conditions and can reduce budget gaps.

Keywords: Superior's reputation; information asymmetry; budget gap.

1. INTRODUCTION

Budget gap is defined as a fundamental issue that often occurs in an organization, particularly in the public sector. This is caused by weak budget oversight. Budget oversight can be defined as a process that aims to ensure the proper execution of a series of planned activities. In this context, budget oversight focuses on monitoring the compliance with budget implementation in accordance with applicable laws and regulations. Additionally, budget oversight plays a crucial role in providing feedback and recommending necessary actions to be taken in case of deviations from the predefined targets [1]. Budget targets are used by management as a means of control for the organization. However, budget targets can lead to unethical pro-organizational actions [2]. Organizations that have bonuses or incentives as management targets will allow management to behave unethically in achieving the set budget targets. Thus, if budget targets are used to evaluate management performance, it will affect compensation or management positions which can lead to unethical behavior [3].

The phenomenon of budget gaps is still an important concern for various stakeholders and has been widely researched in management accounting topics [4,5]. Budget gaps occur when organizational management makes a mistake in setting budget targets because they do not match the resources they have [4]. The phenomenon of budget indulgence that occurs in local governments is an important factor in this research. Budget surpluses and deficits are evidence of deviations from targets in public policy. A surplus indicates a failure of budget planning, implementation and accountability by regulators, as well as politically illegitimate budget execution. Budget deficits indicate the inability of budgeting to increase policy effectiveness, which has a negative impact on people's welfare [6]. Deficits in the public sector rarely occur due to lengthy and rigid budget revision processes. It is difficult to increase resource allocations because the process takes a long time and lacks flexibility [7].

Data shows deficit fluctuations in district/city local governments in Indonesia over the past three years (2016-2018). According to data processed by researchers from the Directorate General of Fiscal Balance (DJPK), there were 9 district/city local governments with deficits in 2018, 226 in 2017, and 318 in 2016. These fluctuations reflect variations in the financial situations of local governments throughout the specified period. Deficit refers to illegal actions that occur in several countries, and the perpetrators can be subject to sanctions in the form of punishment [6]. The case of the Bekasi city regional budget (APBD) is a budget deficit case that occurs in local governments in districts/cities and is of public concern. This is caused by the fact that the Bekasi City Government has engaged in excessive regional spending without considering the guarantee of future revenue, thus indicating a weak budget estimation. According to PMK Number 117/PMK.07/2017, the maximum limit of the Regional Expenditure and Revenue Budget deficit for the fiscal year 2018 in each region is determined based on the Regional Fiscal Capacity, referring to the estimated regional revenue with the following categories: (a) 5% for the very high category, (b) 4.5% for the high category, (c) 4% for the moderate category, (d) 3.5% for the low category, and (e) the very low category.

The situation indicates the potential for a budget deficit in the regional budget (APBD). The phenomena of surplus and deficit illustrate the existence of a budget gap. The budget gap refers to the difference between the reported budget and the budget that aligns with the best estimates for an organization [8]. Budgetary slack is a phenomenon where subordinates intentionally reduce their productivity when given the authority to determine their work standards [9]. This occurrence reflects the shortcomings in budget planning, implementation, monitoring, and accountability by regulators, resulting in budget surpluses or deficits. The budgetary gap is a manifestation of the agency conflict between subordinates and superiors, where subordinates possess superior information due to their in-depth knowledge of the field conditions. Consequently, an information asymmetry arises between subordinates and superiors, leading to the occurrence of budgetary slack.

Previous studies have conducted tests on budget control systems to address budget gaps, with a predominant focus on formal systems rather than informal ones [10]. Research in this area has explored the effectiveness of formal budget control systems [11], budget variance policies [12], preventive and detective controls [13], as well as informal budget control systems [13] encompassing organizational culture, values, and trust among individuals within the organization. Furthermore, studies have examined trust in superiors and subordinates' honesty [14], and superiors’ reputation [10], accountability pressure and level of honesty regarding budget gaps [15], Information asymmetry as a mediator of the influence of budget participation on the budget gap [16], gender and code of ethics towards ethical assessment of budget gaps [17], honesty in reducing budget gap misalignment [18], belief and distrust of budget gaps [19], the role of subordinate honesty and leadership reputation on budget gaps.

Researchers are attempting to examine the effect of superiors’ reputation on budgetary slack in the context of information asymmetry. This will address the limitations of previous studies that solely focused on formal budgetary control systems. This research is a modification of the research of [20] and [10].

This research is important to inform stakeholders that effective budget controls, including both formal and informal measures, can help mitigate budgetary gaps despite the presence of information asymmetry. Superiors’ reputation encompasses various attributes such as expertise, experience, integrity, honesty, fairness, and trust, which are inherently associated with the supervisor's character [10]. The ethical conduct of supervisors, characterized by integrity, honesty, and fairness, has a significant effect on shaping the behavior of their subordinates, who tend to emulate their superiors' example. This condition arises due to the influential role of superiors’ reputation on organizational policies. The positive reputation of a superior can serve as an effective means of informal control, influencing subordinates to emulate their behavior. This, in turn, helps mitigate potential budget gaps resulting from the actions of subordinates.

2. MATERIALS AND METHODS

2.1 Agency Theory

The fundamental concept of agency theory revolves around the presence of information asymmetry between the agent and the principal [21]. The presence of information asymmetry is widely acknowledged as a primary determinant of budget gaps [22,23]. Information asymmetry occurs when subordinates have relevant information in making budget-related decisions. In other words, information asymmetry arises because subordinates in organizational units or responsibility centers have more information than superiors [22]. Information asymmetry arises when principals (superiors) delegate the responsibility of managing the organization to agents (subordinates). The limited information held by the principals can then be exploited by the subordinates, leading to the creation of budget gaps. In public sector organizations, budget-based performance measurement systems incentivize subordinates to reduce budgets, making it easier to achieve targets and obtain rewards such as job promotions. When organizations offer incentives as rewards, subordinates may exploit information asymmetry to intentionally create budget gaps [24].

2.2 Budget Gap

Budget gap represents the variance between the reported budget and the budget that should be determined based on the organization's most accurate estimates [8]. Budget gap is considered a behavioral problem because it is related to the moral framework of budgeting arrangements and leads to dysfunctional budget behavior [25,26]. Budgetary slack arises when subordinates purposefully diminish their productive capabilities while having the autonomy to establish work standards [9]. Budget gap occurs when individuals misinterpret their budget in the context of limited resources or challenging targets [11]. The budget gap refers to the discrepancy that arises when individuals misinterpret their budget in light of constrained resources or demanding targets [11]. The budget gap serves as an indication of the regulator's failure in budget planning, implementation, monitoring, and accountability, resulting in the occurrence of budget surplus or deficit. An often overlooked yet effective factor in research is the utilization of informal budget control systems, which can effectively reduce budget gaps. An informal budget control system is characterized as a control mechanism rooted in organizational culture and environment, exerting influence on the behavior of organizational members to align with established objectives. One manifestation of such an informal budget control system is the superiors' reputation [14].

2.3 Superiors' Reputation

Superiors' reputation encompasses various attributes such as expertise, experience, integrity, honesty, fairness, and trust, which are inherently associated with the supervisor's character [10]. Subordinates perceive superiors exhibiting these characteristics as individuals capable of enhancing organizational achievements to a higher level. Consequently, subordinates are inclined to emulate the behavior of their superiors. A leader who has a good reputation and is proven to behave in accordance with the norms applicable to the organization, then subordinates will trust the leader and follow the leader's behavior [27]. This condition arises due to the influential role of superiors' reputation on organizational policies. The superiors' reputation with such characteristics encourages subordinates to reduce budget gap behaviors, thus enabling the establishment of informal budget control systems.

2.4 Information Asymmetry

Information asymmetry occurs when subordinates have relevant information in making budget-related decisions [22]. The essence of information asymmetry lies in subordinates possessing more information within an organizational unit or responsibility center than their superiors. Information asymmetry arises when superiors entrust subordinates with the responsibility of managing the organization and participating in the budgeting process.

The limited information held by the principals can then be exploited by the subordinates, leading to the creation of budget gaps. The utilization of performance-based budgeting in public sector organizations for measuring subordinate performance has the potential to incentivize subordinates to minimize budgetary allocations. This approach facilitates the attainment of predetermined budget targets, thus increasing the likelihood of obtaining rewards such as job promotions. When organizations offer incentives as rewards, subordinates may exploit information asymmetry to intentionally create budget gaps [24].

2.5 Superior Reputation and Budget Gap

Information asymmetry arises when superiors entrust subordinates with the responsibility of managing the organization and participating in the budgeting process. The limited information held by the principals can then be exploited by the subordinates, leading to the creation of budget gaps. Information asymmetry occurs when subordinates have relevant information in making budget-related decisions [22]. The adoption of performance-based budgeting measures in public sector organizations can potentially incentivize subordinates to reduce budgets, thereby facilitating easier target achievement. When organizations offer incentives as rewards, subordinates may exploit information asymmetry to intentionally create budget gaps [24]. The result of study indicated information asymmetry contributes to an increase in the occurrence of budget gaps [20]. More ever, high information asymmetry tends to increase the budget gap [16]. Considering the information provided, the researcher formulates the research hypothesis in the following manner:

> H_1: Superiors' reputation has a positive effect on budget gaps

2.6 Information Asymmetry and Budget Gap

Information asymmetry has significant effect on budget gaps. The essence of a conflict of interest is the separation of duties between the principal and the agent [21]. In this context, the term "principal" denotes the primary stakeholders or the party vested with authority, while "agent" refers to the individual or entity acting on behalf of the principal. Within the principal-agent relationship, agents possessing broader knowledge of organizational conditions tend to withhold comprehensive information from the principal.

When organizations offer incentives as rewards, subordinates may exploit information asymmetry to intentionally create budget gaps [24]. The limited information held by the principals can then be exploited by the subordinates, leading to the creation of budget gaps. Information asymmetry occurs when subordinates have relevant information in making budget-related decisions [22].

An often overlooked yet effective factor in research is the utilization of informal budget control systems, which can effectively reduce budget gaps. An informal budget control system is characterized as a control mechanism rooted in organizational culture and environment, exerting influence on the behavior of organizational members to align with established objectives. One manifestation of such an informal budget control system is the superiors’ reputation [14].

The ethical conduct of supervisors, characterized by integrity, honesty, and fairness, has a significant effect on shaping the behavior of their subordinates, who tend to emulate their superiors' example. This condition arises due to the influential role of superiors’ reputation on organizational policies. The positive reputation of a superior can serve as an effective means of informal control, influencing subordinates to emulate their behavior. This, in turn, helps mitigate potential budget gaps resulting from the actions of subordinates. Superiors’ reputation has a negative effect on budget gaps [10]. Considering the information provided, the researcher formulates the research hypothesis in the following manner:

> H_2: Information asymmetry has a positive effect on budget gaps

2.7 Superior Reputation, Information Asymmetry and Budget Gap

Public sector organizations that implement budget-based performance indicators have the potential to incentivize subordinates to reduce budgets in order to facilitate easier achievement of budget targets. This condition arises due to the motivation of subordinates to attain rewards, such as promotion, leading them to exploit information asymmetry in order to generate budget gap. When organizations offer incentives as rewards, subordinates may exploit information asymmetry to intentionally create budget gaps [24].

An essential factor that can be employed to mitigate budget deficits, yet remains relatively understudied, is the utilization of informal budgetary control mechanisms, such as budgetary reputation. Superiors’ reputation encompasses various attributes such as expertise, experience, integrity, honesty, fairness, and trust, which are inherently associated with the supervisor's character [10]. The presence of integrity, honesty, and justice values displayed by superiors tends to elevate their status as public figures in the eyes of subordinates, thereby motivating subordinates to emulate their behavior. This condition arises due to the influential role of superiors’ reputation on organizational policies. The positive reputation of a superior can serve as an effective means of informal control, influencing subordinates to emulate their behavior. This, in turn, helps mitigate potential budget gaps resulting from the actions of subordinates.

According to the research conducted by Chong & Loy [10], the superiors’ reputation exerts a negative effect on budget gap [10]. Conversely, the study by Fanani & Saudale [20] reveals that information asymmetry contributes to an increase in budget gaps [20]. Considering the information provided, the researcher formulates the research hypothesis in the following manner:

> H_3: The differences in the tendency to engage in budget gaps when the superiors’ reputation is favorable and when the superiors’ reputation is unfavorable exist across three levels of information asymmetry.

3. RESEARCH DESIGN AND Methodology

Researchers employed experimental methods to examine hypotheses related to the budget gap phenomenon in the context of public sector organizations. The primary focus of this study was on the effect of superiors’ reputation and information asymmetry on the phenomenon. The experimental method is a research design employed by researchers to investigate a phenomenon by deliberately manipulating specific circumstances or conditions through predetermined procedures. Subsequently, the outcomes of these manipulations are observed and interpreted. Within the experimental method, the researcher manipulates the independent variable in order to observe its impact on the dependent variable.

Researchers conducted this study through laboratory experiments set in an artificial environment where control and manipulation were provided to prove a causal relationship between the variables studied. This experimental mock environment involved Accounting students from the University of Muhammadiyah Jakarta who were manipulated by researchers through their role as subordinates in budgetary participation. The students in this experiment were tasked with managing and being responsible for the budget of a Regional Work Unit (SKPD). Participants who will be involved in this study are selected through a manipulation selection process, so that only participants who pass the manipulation selection will later be used to test the research hypothesis. The researchers employed college students as participants to mitigate social desirability bias, which refers to the tendency of participants to provide responses that conform to societal norms [28].

This study utilizes a 2x3 factorial design with a two-way ANOVA experimental framework to investigate the impact of superiors' reputation on information asymmetry and budget gap. The research conducted by Fanani and Saudale [20] examined the effect of information asymmetry and self-efficacy on budget gap [20]. Meanwhile, the study by Chong and Loy (2015) discussed the impact of superiors' reputation on budget gap. Researchers modified the research module based on relevant research in the context of public sector organizations [10]. The validity of the research module is discussed with several lecturers who teach related subjects to improve their quality. This discussion is important in order to understand the validity, experimental procedures, and case materials with the aim of achieving perfection in the experimental design [29]. Table 1 presents the experimental design of the 2x3 factorial two-way ANOVA.

Table 1 shows that the researcher divided the participants into six groups. Group 1: Favorable superior reputation with high information asymmetry. Group 2: Favorable superior reputation with low information asymmetry. Group 3: Favorable superior reputation without information asymmetry. Group 4: Reputation of an unfavorable superior with high information asymmetry. Group 5: Unfavorable superior reputation with low information asymmetry. Group 6: Unfavorable superior reputation without information asymmetry.

3.1 Operational Definition and Measurement of Variables

Researchers use independent and dependent variables to study and understand social phenomena occurring in public sector organizations, which often involve abstract concepts. In this study, the independent variables are the superiors' reputation (favorable and unfavorable) and the level of information asymmetry (high, low, and none). The dependent variable being examined is the budget gap. Superiors' reputation is defined as a broad characteristic that encompasses subordinates' perceptions of the superiors' reputation. This perception can be either favorable or unfavorable and is based on the information known to the subordinates. Superiors' reputation can be assessed by considering two conditions: favorable and unfavorable reputations [10]. Information asymmetry refers to a situation where there is a discrepancy in knowledge between superiors (acting as principals) and subordinates. It indicates that superiors lack complete awareness of the activities performed by subordinates. Consequently, subordinates may have the potential to withhold accurate information from superiors [20].

The measurement of information asymmetry involves three distinct conditions: high information asymmetry, low information asymmetry, and no information asymmetry. The following is an explanation of each condition:

Table 1. 2X3 Factorial ANOVA experiment design

Superiors' Reputation	**Information Asymmetry**		
	High	**Low**	**None**
Favourable	Group 1	Group 2	Group 3
Unfavourable	Group 4	Group 5	Group 6

1. There is a high degree of information asymmetry when subordinates do not report complete information about the procurement of goods and services for SKPD to their superiors.
2. There is a low level of information asymmetry when subordinates only report information about one task out of three goods and services procurement jobs for SKPD to superiors.
3. There is no information asymmetry when subordinates report complete information about all goods and services procurement work (work 1 to 3) for SKPD to superiors.

The budget gap represents the variance between the reported budget and the budget that should be determined based on the organization's most accurate estimates [8]. The budget gap is measured by subtracting the total budget reported by the subordinate with the best estimated budget. The equation that researchers employ to measure this budget gap is:

$$Budget\ Gap = \frac{\text{Procurement of Goods \& } Services \text{ 3} - Target\ of\ Procurement\ of\ Goods/Services}{\text{Performance Expectation}}$$

Performance expectation is the potential for procurement of subordinate goods or services, as measured by the average results of procurement of goods or services 1 and 2. The researcher formulates it as follows:

$$\text{Performance Expectation} = \frac{\text{Procurement of Goods \& } Services \text{ 1} - \text{Procurement of Goods \& } Services \text{ 2}}{2}$$

3.2 Experimental Procedure

Researchers perform a series of experimental procedures. This study uses four stages in the implementation of the core experiment as follows;

1. **Briefing Stage:** This stage focuses on explaining the experimental procedure to the subject through clear instructions regarding the task to be given. The goal is to provide a concise understanding and avoid confusing the subject during the experiment.
2. **Subject Demographic Data Filling Stage:** In this stage, the subjects are asked to fill in personal identification details such as gender, age, courses taken, and GPA. The purpose of this stage is to obtain descriptive information about all subjects and conducted the randomization required in the experimental method.
3. **Manipulation Check Stage:** This stage aims to evaluate the subject's understanding of their role in the experiment. Researchers use this stage to verify whether the instructions given have been successfully implemented by the subjects and whether they truly understand the case or scenario that will be presented.
4. **Debriefing Stage:** This stage involves a discussion between the researcher and the subject regarding the experiment, with the aim of alleviating any pressure the subject may feel due to their involvement. The purpose of this stage is to anticipate and address any potential negative reactions from the subject.

Based on this description, the various stages in experimental research can be described in detail as follows: Fig. 1.

3.3 Research Participants

This study utilized Accounting students from the University of Muhammadiyah Jakarta as subjects. This approach emphasizes the involvement of a third person in ethical research, aiming to minimize social appropriateness bias and participant responses to the ethical issues being examined [30].

The researcher selected Accounting students from the University of Muhammadiyah Jakarta as participants for the following reasons: (1) They possess a comprehensive understanding of ethical issues and public sector budgeting as they have successfully completed relevant coursework, (2) The utilization of these students is uncommon in accounting research, thus reducing bias in decision-making, and (3) The research focuses on topics related to ethical issues and responsibilities, which can be sensitive when involving subordinates in the preparation of SKPD budgets. By involving students, it is expected to elicit more honest and proper responses without psychological pressure [31]. Researcher will use 120 participants in this study because the experimental design consists of 6 groups. To achieve high internal validity, it is recommended that the number of samples range from 10-20 [32]. Therefore, each group will have the same number of participants.

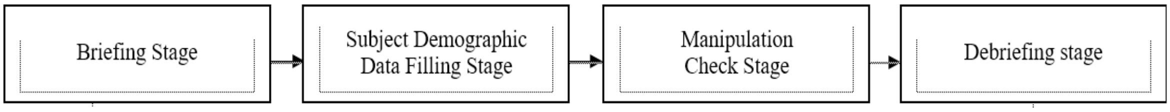

Fig. 1. Experimental stage

3.4 Data Analysis Techniques

The research hypothesis will be tested using two-way ANOVA after the researcher tests two assumptions, namely normality and homogeneity. For the normality test, the one-sample Kolmogorov-Smirnov test with sig. > 0.05 indicates that the residuals are normally distributed. As for the homogeneity test, Levene's test was used with sig. > 0.05 indicates that the residual is homogeneous. After the two assumptions were met, the researcher randomized and tested the hypothesis.

4. RESULTS AND DISCUSSION

This research is an experiment involving accounting students from the Faculty of Economics and Business. The student acts as a superior, and has graduated in professional and business ethics courses and public sector budget accounting. The results of this study prove that:

Table 2 indicates that a total of 108 students were utilized as subjects to examine the hypotheses of this study. The student participants were presented with manipulation check questions aimed at assessing their understanding of high, low, and absence of asymmetry information concerning budget gap and the impact of superiors' reputation.

Table 3 presents the findings of the study, indicating a predominance of female participants who accounted for 61% of the total 108 respondents, while males represented only 39%. A similar trend was observed in the age category, where the 21-23 year old group dominated with a proportion of 59%, while the 18-20 year old group contributed 41% of the total respondents.

To analyze these differences, a two-way ANOVA test was conducted after conducting normality and homogeneity tests on the data. The study results revealed that the F-statistic value for gender was 1.642 with a significance level greater than 5%. This implies that there is no significant difference between genders within each group of respondents.

Furthermore, the study findings indicated that the F-statistic value for the difference between the 18-20 year old and 21-23 year old age groups was 0.874 with a significance level greater than 5%. This suggests that there is no significant difference between the two age groups in terms of the responses provided.

Based on these results, the study concluded that gender did not have a significant effect on the participants' responses, and there was no significant difference in responses between the 18-20 year old and 21-23 year old age groups.

Table 4 presents the test results supporting the H_1 hypothesis, which indicates that the superiors' reputation has a negative and significant impact on budgetary slack. The F-statistic value is -23.361, significant at a level above 1%, confirming the acceptance of H1. These findings suggest that a superior with a good reputation effectively reduces the likelihood of budgetary discrepancies. Additionally, the superiors' reputation plays a crucial role in mitigating practices that can lead to budget gaps. The trust factor is closely associated with reputation since a good reputation can only be established

Table 2. Results of manipulation check

Group	Participant	Participant Did Not Qualify	Final Participant
1	20	3	17
2	20	4	16
3	20	0	20
4	20	12	18
5	20	3	17
6	20	0	20

Source: processed primary data, 2022

Table 3. Descriptive statistics

Variable	Group	Category	N	%	Total
Gender	1	Female	10	9	Female: 66
		Male	7	6	(61%)
	2	Female	10	9	Male:
		Male	6	6	42 (39%)
	3	Female	12	11	
		Male	8	7	
	4	Female	10	9	
		Male	8	7	
	5	Female	11	10	
		Male	6	6	
	6	Female	13	12	
		Male	7	6	
Age	1	18-20	9	8	18-20:
		21-23	8	7	44 (41%)
	2	18-20	5	5	21-23:
		21-23	11	10	64 (59%)
	3	18-20	9	8	
		21-23	11	10	
	4	18-20	7	6	
		21-23	11	10	
	5	18-20	5	5	
		21-23	12	11	
	6	18-20	9	8	
		21-23	11	10	

Source: processed primary data, 2022

Table 4. Result of hypothesis testing

Source	df	Mean Square	F	Sig
Corrected Model	5	9,847	12,594***	,000
Intercept	1	376,421	284,355***	,030
Superiors' reputation	1	12,346	-23,361***	,000
Budget Gap	2	17,857	28,048***	,002
Superiors' reputation X Budget Gap	2	5,873	3,082***	,000
Error	98	0,238		
Total	108			
Corrected Total	100			
R2	0,401			
Adjusted R2	0,391			

*Note: Levene's test of the equity of error variances is is 0.123 > 1% and 5% and even 10%. This indicates that the assumption of homogeneity is met. indicates the assumption of homogeneity is met (This assumption is not required to be used by researchers in studies referring to Ghozali, 2016) [33]. ** level 5%, *** level 1%*
Source: processed primary data, 2022

through trustworthiness. When subordinates have confidence in their superiors' reputation and capabilities, it helps in reducing budget gaps by minimizing potential risks. Thus, a good reputation plays a vital role in preventing and controlling budget gap. Subordinates working under superiors with good reputations experience lower levels of budget gap compared to those with superiors having poor reputations. This is because a superiors with good reputation enables more accurate performance assessments. The results of this analysis align with previous research conducted by [34-39]. These studies also demonstrate that superiors with high reputations are less likely to engage in behaviors that contribute to budget gap and can effectively mitigate their impact.

Testing H2 is shown in Table 6. It can be concluded that there is a positive and significant effect between information asymmetry and budget gap. This results of this analysis shows

Table 5. Descriptive statistics response decisions

Superiors' reputation	Information Asymmetry			Total
	High	Low	None	
Favourable	Group 1 (N=17) (mean=2.848) (Std=0,98	Group 2 (N=16) (mean=4.571) (Std=0,59)	Group3 (N=20) (mean=2.975) (Std=0,78)	(N=53) (mean=4.571) (Std=1,46)
Unfavourable	Group 4 (N=18) (mean=4.612) (Std=1,81)	Group 5 (N=17) (mean=2.478) (Std=1,34)	Group 6 (N=20) (mean=4.077) (Std=2,21)	(N=55) (mean=3,159) (Std=1,61)
Total	(N=35) (mean=3,517) (Std=1,96)	(N=33) (mean=4.841) (Std=1,19)	(N=40) (mean=2,376) (Std=0,88)	(N=108) (mean=3,283) (Std=1,98)

Source: processed primary data, 2022

Table 6. Result of the two-way ANOVA

(V) Information Asymmetry	(A) Information Asymmetry	Mean Square	Mean Difference	Std error	F
High	Low	9,385	2,162	0,0137	27,177
	None	17,583	2,287	0,0123	19,072
Low	High	9,835	2,158	0,0109	7,249
	None	9,376	2,273	0,0130	8,121
None	High	-17,538	2,283	0,0036	13,709
	Low	-9,674	2,774	0,0117	27,057

Source: processed primary data, 2022

that high information asymmetry has an impact on increasing the budget gap. The results of this analysis align with previous research conducted [40-47,39]. In the context of agency theory, the limited information that superiors have is often used by subordinates to make budget gap. Information asymmetry motivates subordinates to make budgetary gaps because there is an imbalance of information between subordinates and superiors in the budgeting process. In addition, the tendency of subordinates to commit budget gaps is also aimed at maintaining their position in the government structure. Under these conditions, there are necessary and sufficient conditions for the occurrence of individual behavior that tends to act for personal gain. This shows that the existence of information asymmetry plays an important role in driving the budgetary gap. Thus, based on these findings, it can be concluded that information asymmetry has a positive and significant effect on budget gaps.

The H3 test examines the impact of a superiors' reputation on the budget gap in the presence of information asymmetry. The results from Tables 4, 5, and 6 indicate that an unfavorable superior (Group 4) has a higher budget gap value of 4.612 compared to a favorable superior (Group 1) with a value of 2.848 in conditions of information asymmetry. This finding is further supported by Table 6, which demonstrates a significant difference in the presence of high, low, or no information asymmetry. Specifically, the superiors' reputation has a negative effect on budget gap when information asymmetry exists. These results highlight the importance of a superiors' reputation in the context of information asymmetry. When a superior has a good reputation and is trustworthy, they possess more information about budget prospects. This knowledge and trustworthiness contribute to reducing the budget gap. A superior with a good reputation, who can be trusted and possesses relevant information, plays a crucial role in minimizing the budget gap. Superiors' reputation encompasses various attributes such as expertise, experience, integrity, honesty, fairness, and trust, which are inherently associated with the supervisor's character [10].

5. CONCLUSION

This study utilized an experimental approach, focusing on Accounting students from the Faculty of Economics and Business from University of

Muhammadiyah Jakarta as research subjects. The experiment was conducted online, using a simulated environment that provided a comprehensive understanding of professional and business ethics, as well as public sector budgetary accounting. Prior to participating in the experiment, the subjects had completed relevant courses on professional and business ethics, as well as Public Sector/Governmental Accounting. The observation period took place between July and August 2022 at the Faculty of Economics and Business, University of Muhammadiyah Jakarta.

The findings of this study revealed that the superiors' reputation has a negative impact on budget gap, whereas information asymmetry has a positive impact on budget gap. Moreover, it was observed that superiors' reputation negatively affects on budget gap under conditions of information asymmetry. Therefore, this research contributes to agency theory that information asymmetry can be reduced when the leader has a reputation. Leaders who have a reputation are characterized by expertise, experience, integrity, honesty, fairness, and trust, which are inherently associated with the supervisor's character. However, it is important to acknowledge the limitations of this study, such as the exclusion of other variables like internal control systems, superior capability, and moral hazard, which may also influence on budget gap. Furthermore, the study solely focused on undergraduate students as experimental subjects. Therefore, it is recommended that future research consider the inclusion of these variables and involve a different artificial environment with subjects from stratum 2 or stratum 3, in order to provide a more comprehensive understanding of the research problem.

ACKNOWLEDGEMENTS

A brief acknowledgement section may be given after the conclusion section just before the references. The acknowledgments of people who provided assistance in manuscript preparation, funding for research, etc. should be listed in this section. All sources of funding should be declared as an acknowledgement. Authors should declare the role of funding agency, if any, in the study design, collection, analysis and interpretation of data; in the writing of the manuscript. If the study sponsors had no such involvement, the authors should so state.

COMPETING INTERESTS

Authors have declared that no competing interests exist.

REFERENCES

1. Siregar T. Pengaruh penetapan single identity number dalam rangka pemenuhan kepatuhan Kewajiban Perpajakan, J. Akunt. 2017;6(1).
2. Fukushima K, Yamada A. Does budget target setting lead managers to engage in unethical behavior for the organization?. The British Accounting Review. 2023 Jun 19:101218.
3. Jones GE, Kavanagh MJ. An experimental examination of the effects of individual and situational factors on unethical behavioral intentions in the workplace. Journal of Business Ethics. 1996 May;15: 511-23.
4. Malmmose M. Accounting research on health care–Trends and gaps. Financial Accountability & Management. 2019 Feb;35(1):90-114.
5. Starkey K, Madan P. Bridging the relevance gap: Aligning stakeholders in the future of management research. British Journal of management. 2001 Dec;12:S3-26.
6. Johansson T, Siverbo S. The Appropriateness of tight budget control in public sector organizations facing budget turbulence, Manag. Account. Res. 2014; 25(4):271–283.
7. Wirasedana IWP, Sisdyani EA, Setiawan IPE. Kendali Budget Ketat pada Pemda di Provinsi Bali dalam Menghadapi Turbulensi Budget, E-Jurnal Akunt. Univ. Udayana. 2018;25(1):300–327.
8. Anthony RN, Govindarajan V. Management Control System. USA: McGraw-Hill; 2005.
9. Young SM. Participative Budgeting: The Effects of Risk Aversion and Asymmetric Information on Budgetary Slack, J. Account. Res. 1985;829–842.
10. Chong VK, Loy CY. The effect of a leader's reputation on budgetary slack, in Advances in Management Accounting, Emerald Group Publishing Limited. 2015;49–102.
11. Kren L. Control system effects on budget slack, Adv. Manag. Account. 1993;2:109–118.
12. Webb RA. The Impact of Reputation and Variance Investigations on the Creation of

Budget Slack, Accounting, Organ. Soc. 2002;27(4–5):361–378.
13. Christ MH, Sedatole KL, Towry KL, Thomas MA. When Formal Controls Undermine Trust and Cooperation, Strateg. Financ. 2008;89(7):39.
14. Chong VK, Ferdiansah I. The Effect of Trust-In-Superior and Truthfulness on Budgetary Slack: An Experimental Investigation, in Advances in Management Accounting, Emerald Group Publishing Limited. 2011;55–73.
15. Jensen MC. Paying people to lie: The truth about the budgeting process. European Financial Management. 2003 Sep;9(3): 379-406.
16. Brinkerhoff DW. Taking account of accountability: A conceptual overview and strategic options. Draft Report, US Agency for International Development, Center for Democracy and Governance, Implementing Policy Change Project, Phase. 2001 Mar;2.
17. Jermias J, Yigit F. Budgetary participation in Turkey: The effects of information asymmetry, goal commitment, and role ambiguity on job satisfaction and performance. Journal of International Accounting Research. 2013 Apr 1;12(1): 29-54.
18. Cheng KC, Chen TC, Shih NS. The Influence of Budgetary Participation by R&D Managers on Product Innovation Performances: The Effect of Trust, Job Satisfaction and Information Asymmetry. Asia Pacific Management Review. 2014 Jun 1;19(2).
19. K Chong V, Strauss R. Participative budgeting: the effects of budget emphasis, information asymmetry and procedural justice on slack-additional evidence. Asia-Pacific Management Accounting Journal (APMAJ). 2017;12(1):181-220.
20. Fanani Z, Saudale GEK. Influence of information asymmetry and self-efficacy on budgetary Slack: An Experimental Study, J. Akunt. dan Keuang. 2018;20(2):62–72.
21. Jensen MC, Meckling WH. Theory of the Firm: managerial behavior, Agency Costs and Ownership Structure, J. Financ. Econ. 1976;3(4):305–360.
22. Dunk AS. The Effect of budget emphasis and information asymmetry on the relation between budgetary participation and slack, Account. Rev. 1993;400–410.
23. Dunk AS, Nouri H. Antecedents of Budgetary Slack: A Literature Review and Synthesis, J. Account. Lit. 1998; 17(72).
24. Douglas PC, Wier B. Cultural and ethical effects in budgeting systems: A Comparison of US and Chinese Managers, J. Bus. Ethics. 2005;60:159–174.
25. Hormati A, Laduna R, Mahdi S, Kahar S. The effect of budgetary participation on budgetary slack using budgetary ethical compliance as the mediating and moderating variable. International Journal of Civil Engineering and Technology. 2017;8(8):1081-92.
26. Kelley T, Margheim L. The Impact of Time Budget Pressure, Personality, and Leadership Variables on Dysfunctional Auditor Behavior. Auditing: A Journal of Practice & Theory. 1990 Mar 1;9(2).
27. LATA P. The influences of participatory management and corporate governance on the reduction of financial information asymmetry: Evidence from Thailand. The Journal of Asian Finance, Economics and Business. 2020;7(11):853-66.
28. Neuman WL. Research Basic of Social Research: Qualitative and Quantitative Approach. Boston: Pearson Education Inc; 2003.
29. Nahartyo E, Utami I. Panduan Praktis Riset Eksperimen. Jakarta: PT. Indeks Gramedia Grup; 2016.
30. Liyanarachchi G, Newdick C. The impact of moral reasoning and retaliation on whistle-Blowing: New Zealand Evidence, J. Bus. Ethics. 2009;89(1):37–57.
31. Sitanala TF. Superior authority and fraudulent in procurement of goods/services: The Role of Code of Ethics, J. Tata Kelola dan Akuntabilitas Keuang. Negara. 2019;5(2):139–155.
32. Sekaran U, Bougie R. Business Research Methods: A Skill-Building Approach. Chichester: John Wiley& Sons Ltd; 2019.
33. Ghozali I. Model Persamaan Struktural: Konsep dan aplikasi dengan program AMOS Ver. 5.0, Badan penerbit UNDIP, Semarang; 2016.
34. Patricia P, Handoko TJ. Pengaruh Skema Pemberian Insentif dan Harga Diri terhadap Budgetary Slack, J. Akunt. Bisnis. 2022;15(2).
35. Charles J, Handoko J. Pengaruh reputasi dan tanggung jawab personal terhadap budgetary Slack, J. Akunt. Bisnis. 2021; 14(2).
36. Rahmawati AIE. Pengaruh Reputasi pimpinan pada senjangan anggaran dan

kepercayaan diri sebagai variabel pemoderasi, J. Akunt. dan Bisnis. 2020; 20(2):132–144.
37. Andriansyah B, Puspita L. Pengaruh Pemberian Insentif dan Tanggung Jawab Personal terhadap Budgetary Slack, Simp. Nas. Akunt., 2017;1–18.
38. Romadhon F, Fitri A, Maharani H, Narsa NPDRH. The Effect of superior's reputation and the need for achievement character on budgetary slack: An Experimental Study, JIA (Jurnal Ilm. Akuntansi). 2022;7(1):59–87.
39. Pamungkas B, Ibtida R, Avrian C. Factors Influencing Audit Opinion of the Indonesian Municipal Governments' Financial Statements, Cogent Bus. Manag. 2018; 5(1):1540256.
40. Nurhayati Y, Sari DW, Pradesa E. Pengaruh partisipasi anggaran, tekanan anggaran locus of control, asimetri informasi, dan komitmen organisasi terhadap kesenjangan Anggaran pada Perusahaan BUMN di Kota Lubuklinggau, EKOMBIS Rev. J. Ilm. Ekon. dan Bisnis. 2022;10(1):237–248,
41. Taufiqurrahman MA, Widajantie TD. Pengaruh Partisipasi Penyusunan Anggaran dan Asimetri Informasi terhadap Senjangan Anggaran pada Badan Daerah Kabupaten Bojonegoro, Fair Value J. Ilm. Akunt. dan Keuang. 2022;4(10):4648–4658.
42. Paramitha YN. Pengaruh Partisipasi Anggaran, Informasi Asimetri dan Self Esteem terhadap Budgetary Slack (Studi Kasus pada SKPD Kota Surabaya). STIESIA SURABAYA; 2022.
43. Afdhal AMN, Rahayu A, Ardi DA. Pengaruh Partisipasi Anggaran, Penekanan Anggaran, Asimetri Informasi terhadap Budgetary Slack pada SKPD Kabupaten Soppeng, J. Ilm. Metansi (Manajemen dan Akuntansi). 2021;4(1):1–10.
44. Ningsih S, Indira DS. Budgetary Participation Effect, Budget Emphasis, and Information Asymmetry on Budgetary Slack, Opción Rev. Ciencias Humanas y Soc. 2020;27:50.
45. Melasari R, Nisa FY. Pengaruh Penekanan Anggaran, Asimetri Informasi dan Reputasi Terhadap Senjangan Anggaran pada SKPD Kabupaten Indragiri Hilir, J. Akunt. Dan Keuang. 2020;9(1):37–46.
46. Naraswati D. Gross Up Bermanfaat dalam Tax Planning? Jurnal Ilmiah Bisnis dan Perpajakan (Bijak); 2019.
47. Untari D, Nasir A, Diyanto V. Pengaruh partisipasi anggaran, asimetri informasi, locus of control, penekanan anggaran, dan ketidakpastian lingkungan terhadap Senjangan Anggaran (Studi Empiris pada SKPD Kabupaten Bengkalis), J. Online Mhs. Bid. Ilmu Ekon. 2017;4(1):1–15.

© 2023 Herianti and Marundha; This is an Open Access article distributed under the terms of the Creative Commons Attribution License (http://creativecommons.org/licenses/by/4.0), which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.

Peer-review history:
The peer review history for this paper can be accessed here:
https://www.sdiarticle5.com/review-history/109617