

THE ROLE OF INFORMATION ASYMMETRY IN MODERATING THE INFLUENCE OF ORGANIZATIONAL COMMITMENTS AND BUDGETING PARTICIPATION TOWARDS BUDGETING GAP IN PIUI IN EAST JAVA

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Abstract

This study aims to examine the effect of organizational commitment and budgeting participation on budgeting gap at the Private Islamic University Institutions (PIUI) in the work area of Kopertais IV Pantura Cluster, using information asymmetry as a moderating variable. The analysis was conducted on 136 lecturers as respondents who served as deans, vice deans, chairpersons and secretaries of the study program, director and assistant director of the postgraduate program, and heads of administration from 20 PIUIs in East Java province spread across Gresik, Lamongan, Tuban, and Bojonegoro regions. The research hypothesis testing was carried out by MRA analysis. The research findings show that: organizational commitment has a significant negative effect on budgeting gap, budgeting participation has a positive effect on budgeting gap, information asymmetry does not play a role in moderating the influence of organizational commitment on budgeting gap, and information asymmetry provide weakening effect of budgeting participation on budgeting gap.

Keywords: Commitment, Budgeting, Information Asymmetry, Budgeting Gap

1. Introduction

Budget is the translation of any organization program, both profit-oriented and non-profit, which can be used by management in carrying out the planning, coordination and supervision functions. The program will be stated in detail in costs, and subsequently used by management to plan and control the activities of the organization (Hunger and Wheelen, 2012). The preparation of the program as outlined in the budget is very important as a strategy for success in achieving the goals set (Hansen and Mowen, 2012). Indirectly, budgeting is an organization's strategic planning that ensures the successful implementation of an organization's program by involving lower and middle-level leaders who have a high commitment to participate in budgeting.

Providing opportunities for subordinates to participate in budgeting has a positive impact, which can improve the performance of subordinates (Milani, 1975), and can improve performance as well as job satisfaction in the form of a positive attitude towards work and budget (Kenis, 1979) while budgeting participation can reduce budgeting gap (Dunk, 1993). Budget participation can also cause problems for organizations, namely the existence of budgeting gap (Etemadi, 2016), due to feelings of pressure that encourage structural leaders of PIUI to prepare a budget that does not show their true capacity.

Blanchette et al., (2002) mention four important conditions so that budgeting gap can occur. First, there is asymmetric information between lower-level leaders and superiors, and vice versa. If the boss can predict the potential performance of the leadership, then the proposed budget target will not be different. Second, the leader's performance is uncertain. If there is certainty in performance, superiors can suspect the leadership's efforts through the outputs produced, so that budgeting gap will be difficult. Third, leaders have personal interests. Fourth, there is a conflict of goals between leaders and superiors. Luthan (1998) states the budgeting gap arises because the desires of lower and middle-level leaders are not the same, especially if the

performance of lower-level leaders is judged based on the achievement of budget targets. Private Islamic Higher Education in East Java is a university that has a competitive advantage compared to other universities. For the success of higher education management in realizing goals following the organization's vision and mission, proper budgeting is required. Organizations will find it difficult to survive and thrive without funds. For this reason, budget planning and management are needed in any form of organization. Then the budget is managed to get more revenue than the costs incurred, although only slightly (Halim, 2009).

2. Literature Review

Budgeting gap is the amount of budget reported by the lower and middle leaders who deliberately reduce the productivity capability of the organization from the actual ability to get an assessment from superiors that the performance of the leader is good, namely by achieving the budget targets that have been determined as a form of productivity (Young, 1985). Nouri & Parker (1996) state budgeting gap is defined as the delivery of deliberate estimates if incorporated into the delivery of organizational estimates which makes it easier for subordinates to reach the budget. According to Dunk (1993), budgeting gap is related to human attitudes and behavior, with some characteristics of budgeting gap, namely the standard in the budget does not encourage increased productivity, the budget is easy to realize, there are no restrictions that must be considered, especially the limits set for costs, the budget does not demand specific things, the budget does not encourage efficiency, and general targets set in the budget are easy to achieve.

Robbins (2013:74) states that organizational commitment is a condition of a leader in favor of the goals of the organization and has a willingness to maintain them remain part of the organization. Organizational commitment includes understanding organizational goals, values developed by the organization, willingness to keep working in the organization, willingness to carry out tasks well, willingness to realize organizational goals, pride in working within the organization, being able to develop in the organization, great concern for the organization, and loyalty towards organizations (Mowdays, 1979).

Budget participation is the level of involvement of individual members of the organization in the budgeting process, including participation in budgeting, the reasons for superiors regarding budget revisions make sense, the need and opportunity to give opinions when budgeting, the magnitude of influence on setting the final budget, contribution to budget preparation, and often superiors ask for opinions when preparing budgets (Milani, 1975).

Asymmetry of information is a condition when the information held by subordinates exceeds the information possessed by their superiors, both local information, and personal information. Information includes the adequacy of information, understanding of the internal input-output relations of activities, the potential for performance achievement, technical understanding of work, the ability to overcome obstacles due to external factors, and understanding of the objectives that can be achieved (Dunk, 1993).

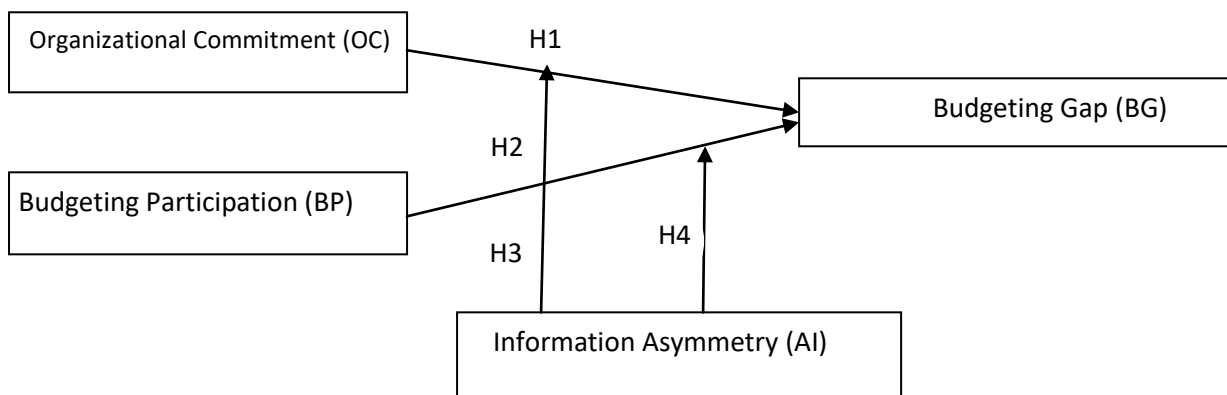
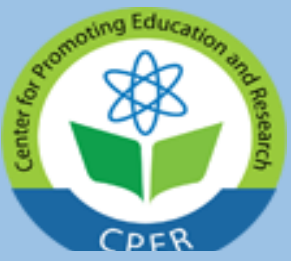


Figure 1. Conceptual Framework of the Study



Hypothesis

1. Organizational Commitment significantly affects Budgeting Gap
2. Budgeting Participation significantly affects Budgeting Gap
3. Information Asymmetry moderating the influence of Organizational Commitment towards Budgeting Gap
4. Information Asymmetry moderating the influence of Budgeting Participation towards Budgeting Gap.

3. Research Method

3.1 Population, Sample, and Data Sources

This study uses primary data obtained through surveys with a population of 206 people. Samples were selected using the Solving formula with the results of 136 respondents. The data collection technique was carried out using proportional random sampling allocation. The respondents of this study were lower and middle-level leaders, such as vice-chair, dean, vice dean, chair and secretary of the education program, director and assistant director of postgraduate and chief of administration from 20 PIUI in East Java province. Criteria for respondents are to have served as a leader for at least one year, to ensure that respondents have adequate knowledge and experience in answering questionnaires.

3.2 Variable Measurement

This study uses organizational commitment and budgeting participation as an independent variable, budgeting gap as the dependent variable, and information asymmetry as a moderating variable. These variables are measured by a questionnaire adopted from previous related studies.

3.2 Budgeting Gap

The budgeting gap is the tendency to compile a budget to express optimal ability in the process of achieving the budget target as it has been prepared. The measurement of budgeting gap is carried out using an instrument developed by Dunk (1993), with six questions using a scale of 1-5. The first scale shows the lowest level of budgeting gap, while the scale of five shows the highest level of budgeting gap.

3.3 Organizational Commitment

Organizational commitment is an attitude possessed by structural leaders to remain loyal to the tertiary institution and to be willing to continue working as well as possible to support the success of achieving the goals set by the organization. Measurement of organizational commitment is done using an instrument developed by Monday (1979) with nine questions, using a scale of 1-5 (Supriadi, 2017). The scale of one shows the lowest level, while the scale of five shows the highest level of Organizational Commitment.

3.4 Budgeting Participation

Budget participation is the involvement or influence of the lower and middle-level leaders in preparing the budget. The measurement of budgeting participation is carried out using an instrument developed by Milani (1975) because this instrument has an adequate level of validity and has been used in previous studies. In this instrument, each respondent was asked to answer 6 questions using a scale of 1-5. Scale one show the lowest level of participation, while scale five shows the highest level of participation.

3.5 Information Asymmetry

Information asymmetry is the completeness of information about the area of responsibility owned by lower and middle-level leaders compared to superiors, in the budget preparation process. Measurement of information asymmetry uses instruments developed by Dunk (1993), because this instrument has an adequate level of validity and has been used in previous studies. In this instrument, each respondent was asked to answer 6 questions using a scale of 1-5. Scale one show the lowest level of information asymmetry, while scale five shows the highest level of information asymmetry.

4. Data Analysis Technique

This study obtained data through a questionnaire. Validity test is done by the homogeneity of test data, using a correlation test between the score of the question items with the total score (Pearson Correlation) and with a significance level



of 0.05, if the value of sig. \leq 0.05, the item questionnaire is considered valid. The questionnaire was declared reliable if it had an acceptable level of consistency, that is if the Cronbach's Alpha coefficient value was 60 0.60 (Ghozali,2013:48). Hypothesis testing is done using MRA (Moderating Regression Analysis) to test the role of moderation. The use of this model requires several conditions for implementation. The classical assumption test is done through a normality test, multicollinearity test, and homoscedasticity.

5. Result and Discussion

5.1 Test of Data Quality

Validity test shows the value of questionnaire questions for all research variables is greater than 0.05, which means the questionnaire is declared valid, and the reliability test of the research instrument shows the Cronbach's Alpha value above 0.6, which means the research instrument is considered reliable. The classic assumption test which includes the normality test shows the Kolmogorov-Smirnov value at a significance value of more than 0.05, and then the research data has a normally distributed residual value. The multicollinearity test showed a tolerance value greater than 0.10 and a VIF value smaller than 10.00. Heteroscedasticity test shows a significance value of more than 0.05, which means that each variable does not experience heteroscedasticity.

5.2 Descriptive Statistics

136 questionnaires were directly submitted by researchers. Respondents have the criteria to have held leadership positions for at least one to two years, so they have experience in budgeting. Table 1 shows the descriptive statistics of the analyzed data, as follows:

Table 1: Descriptive Statistics

Variables	Mean	Standard of Deviation	Minimum	Maximum
Organizational Commitment	3,40	7,91	2,11	4,89
Budgeting Participation	3,42	4,71	1,83	5,00
Information Asymmetry	3,31	4,59	1,83	5,00
Budgeting Gap	4,02	4,91	2,33	4,83

5.3 Test to the Hypothesis

Table 2: The result of the test using double regression is presented in Table 2 below

Variables	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	22,590	6,124		3,689	0,000
Organizational Commitment	-0,341	0,140	-0,549	-2,431	0,016
Budgeting Participation	0,762	0,224	0,730	3,404	0,001
Information Asymmetry	0,754	0,334	0,704	2,257	0,026
Organizational Commitment*Information Asymmetry	-0,011	0,007	-0,415	-1,515	0,132
Budgeting Participation*Information Asymmetry	-0,028	0,010	-1,041	-2,711	0,008

F=70,290 Sig.= 0, 000
 Adjusted R Square =0,720



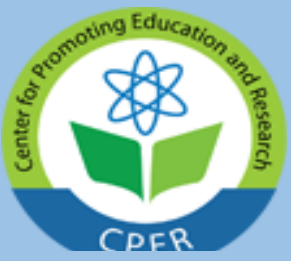
The result of the model accuracy test shows that the f value is 70.290 and the significance value of p is 0.000 (p -value is less than 0.05), so that the model test is significant, meaning that the model formulated in this study is appropriate. The coefficient of determination test results shows R^2 adj. of 0.720, meaning that the budgeting gap is simultaneously affected by Organizational Commitment, Budget Participation, Information Asymmetry, the interaction between Organizational Commitment and Information Asymmetry, and the interaction between Budget Participation and Information Asymmetry by 72%. The remaining 28% of the budgeting gap is influenced by other factors outside this research model.

The first hypothesis is that organizational commitment has a significant effect on the budgeting gap. The variable Organizational Commitment has a Standardized Coefficients value of -0.549 with a significance of 0.016 or less than 0.05. These results indicate that organizational commitment has a significant negative effect on the budgeting gap, so it can be concluded that this hypothesis is accepted. This finding reinforces the results of previous research conducted by Nouri and Parker (1996), and Su and Wen (2000), that the higher the organizational commitment of structural leaders, the lower the Budgeting Gap. This can be explained that if the leadership has a high organizational commitment, it will not carry out activities that harm the organization, such as creating a budgeting gap.

The second hypothesis is that Budget Participation has a significant effect on budgeting gap. The Budget Participation variable has a Standardized Coefficients value of 0.730 with a significance of 0.001, or less than 0.05. These results indicate that budgeting participation has a significant positive effect on the budgeting gap, so it can be concluded that this hypothesis is accepted. This finding shows that the higher the Budget Participation, the gap the budget will increase, and vice versa. These findings reinforce the results of previous studies conducted by Widanaputra (2014), Ajibolade (2013), and Chong (2017), who stated that the higher the Budget Participation, the higher the possibility of creating a Budgeting Gap. This can be explained by the fact that when leaders are involved in budgeting, they tend to create budgeting gap so that it is easy to achieve budget targets by lowering revenues and rising costs.

The third hypothesis is that Information Asymmetry moderates the effect of Organizational Commitment on Budgeting Gaps. Information Asymmetry Variable has a Standardized Coefficients value of 0.704, with a significance of 0.026, or less than 0.05. These results indicate that Information Asymmetry has a significant positive effect on Budgeting Gaps. The interaction between Organizational Commitment and Information Asymmetry has a standardized coefficient of -0.415 with a significance of 0.132, or more than 0.05, which means that it does not have a significant effect on the Budgeting Gap, so it can be concluded that this hypothesis is not accepted. Information asymmetry is not proven to moderate the effect of Organizational Commitment on Budgeting Gaps. The findings of this study indicate that Information Asymmetry cannot act as a moderating variable on the influence of Organizational Commitment to Budgeting Gaps. This means that a high commitment to the organization will foster an attitude that achieving the goals of the organization will be important, have concern for the fate of the organization, and try to bring the organization to a better direction.

The fourth hypothesis states that Information Asymmetry moderates the effect of Budget Participation on Budget Gap. Information asymmetry has a significant positive effect on the budgeting gap. Interaction between Budget Participation and Information Asymmetry has standardized coefficients of -1.041, with a significance of 0.008, or less than 0.05, which means that the interaction of Budget Participation and Information Asymmetry has a significant influence on Budget Gap. The negative coefficient value on the interaction between Budget Participation and Budgeting Gaps indicates that the moderating effect is negative, which means that Information Asymmetry has the effect of reducing or weakening the effect of Budgeting Participation on Budgeting Gaps. The significance of the Information Asymmetry coefficient shows its function as a quasi-moderator variable that has a dual function, which is in addition to being a moderating variable, as well as an explanatory variable or an independent variable. Thus, the hypothesis that Information Asymmetry moderates the effect of Budget Participation on Budgeting Gap can be accepted. This finding indicates that Budget Participation followed by equally high Asymmetry of Information will reduce the Budgeting Gaps made by PIUI leaders in East Java. This shows that PIUI leaders distribute information equally among each leader in PIUI, so the budget prepared in a participatory manner tends to be relatively appropriate so that the possibility of Budgeting Gap can be avoided. For this reason, a participatory budgeting process is needed to exchange information, both between superiors and subordinates and between equal management. If the



Asymmetry of Information and participation in the budgeting process is equally high, then the Budgeting Gap can be reduced or even eliminated.

6. Conclusion and Suggestion

6.1 Conclusion

Organizational Commitment harms Budgeting Gap, which means structural leaders who have high Organizational Commitment can encourage to work according to the provisions and objectives of the organization. The Chairperson, when involved in budgeting, will use the information he has, so that budgeting is relatively appropriate, and therefore Budgeting Gaps can be avoided. Budget Participation has a positive effect on budgeting gap, which means the greater involvement of structural leaders in the preparation of the budget, then he tends to use the information he has to plan the budget that is easier to achieve, so the greater the opportunity to create budgeting gap.

Information asymmetry cannot moderate the effect of organizational commitment on budgeting gap. This shows that the high Organizational Commitment and Information Asymmetry does not affect the attitudes of PIUI leaders to advance the organization, rather than taking actions that harm the organization, such as creating Budgeting Gaps. Information Asymmetry weakens the effect of Budget Participation on Budget Gap, which means that Budget Participation followed by equally high Information Asymmetry will reduce the Budget Gap that might be caused by PIUI leaders in East Java. This shows that if PIUI leaders distribute information equally among each leader at PIUI, then the budget prepared in a participatory manner tends to be relatively accurate.

6.2 Suggestion

For policymakers, it is recommended to increase organizational commitment in the leadership of PIUI leaders, by involving these leaders in full in the preparation of the budget, because leaders have more complete and relevant information compared to superiors because they are accustomed to being directly involved in day-to-day operational activities so that they are more know what is needed and faced in the scope of its responsibilities. Policymakers must increase the confidence of leaders that they can develop in PIUI organizations, increase willingness to work better, and foster and strengthen leadership pride to work for PIUI organizations with motivations that are more oriented to appreciation.

For PIUI structural leaders, it is recommended to have a high Organizational Commitment by increasing the confidence that they can develop in the PIUI organization, and increasing contributions in preparing the budget by providing appropriate information to PIUI, and utilizing the Information Asymmetry as a motivation to realize the budget prepared by how to improve understanding and deepening of the vision, mission, and goals of the organization through the creation of a family atmosphere and climate that is elaborated on the integration of ethical values in the form of a code of ethics, as well as into PIUI employee regulations.

For future research, because this research has limitations, it needs to be further tested according to the type of organization and carried out in other regions, as well as by adding other variables, such as the nature of the budget control system (tight or loose), the reputation of the leader, culture, and trust, perceptions of justice, ethical ideology, and religious understanding, so that a complete component will be formed on the issues around the Budgeting Gap. For the development of knowledge, the results of this study contribute to the development of management accounting science thinking about Budgeting Gap, Organizational Commitment, Budget Participation, and Information Asymmetry.

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