

LEADER'S REPUTATION AND BUDGETARY SLACK: THE ROLE OF TRUTHFULNESS OF SUBORDINATE

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Abstract. *Prior research focusing on informal budget control systems is still limited, so this research is important to be conducted by researchers. In addition, there was a deficit problem that occurred in the West Bandung Regency government budget in 2019 showing an inaccurate budget estimate, so it was issued to discuss the budgetary slack. This study aims the effect of subordinates' truthfulness of the relationship between leader's reputation and budgetary slack. This study uses a laboratory experiment method with participants being Accounting Students at Panca Bhakti University. A data analysis technique used two-way ANOVA with 2x2 factorial experimental design. The results showed that (1) the influence of leader's reputation affected on the budgetary slack, (2) subordinates' truthfulness affected on the budgetary slack, (3) subordinates' truthfulness affected on the relationship between leader's reputation and budgetary slack, (4) in favourable leader's reputation condition, high subordinates' truthfulness would reduce budgetary slack compare to low subordinates' truthfulness, and (5) in conditions of high subordinates' truthfulness, the favourable leader's reputation would reduce budgetary slack compared to the unfavourable leader's reputation.*

Keywords. *Budgetary Slack; Leader's Reputation; Truthfulness of Subordinate.*

Abstrak. Masih terbatasnya literatur akuntansi yang berfokus terhadap sistem pengendalian anggaran yang bersifat informal memungkinkan penelitian ini penting untuk dilakukan oleh peneliti. Selain itu, adanya kasus defisit yang terjadi pada APBD pemerintah Kabupaten Bandung Barat Tahun 2019 menunjukkan estimasi anggaran tidak akurat, sehingga mengakibatkan terjadinya kesenjangan anggaran. Penelitian ini bertujuan untuk menguji pengaruh kejujuran bawahan terhadap hubungan antara reputasi atasan dan kesenjangan anggaran. Penelitian ini menggunakan metode eksperimen laboratorium dengan partisipan adalah Mahasiswa Akuntansi Universitas Panca Bhakti. Teknik analisis data menggunakan Two-Way ANOVA dengan desain eksperimen 2x2 faktorial. Hasil penelitian menunjukkan bahwa (1) reputasi atasan memengaruhi kesenjangan anggaran, (2) kejujuran bawahan memengaruhi kesenjangan anggaran, (3) kejujuran bawahan memengaruhi hubungan antara reputasi atasan dan kesenjangan anggaran, (4) dalam kondisi reputasi atasan yang *favourable*, kejujuran bawahan yang tinggi akan mengurangi terjadinya kesenjangan anggaran dibandingkan kejujuran bawahan yang rendah, dan (5) dalam kondisi kejujuran bawahan tinggi, reputasi atasan yang *favourable* akan mengurangi terjadinya kesenjangan anggaran dibandingkan reputasi atasan yang *unfavourable*.

Kata Kunci. Kejujuran Bawahan; Kesenjangan Anggaran; Reputasi Atasan.

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INTRODUCTION

The phenomenon of budgetary slack is one of the most researched topics in management accounting (Onsi, 1973; Merchant, 1985; Young, 1985; Dunk, 1993; Stevens, 2002; Web, 2002; Chong & Ferdiansah, 2011). However, these studies focus on budget control systems to reduce the occurrence of budgetary slack in the context of formal versus informal budget control systems (Chong & Loy, 2015). The formal budget control system is a mechanism that is structurally determined by the organization as

part of organizational procedures that aim to prevent and detect the dysfunctional behavior of managers, whereas the informal budget control system is a control mechanism established through the culture and environment of the organization that affects the behavior of organizational members to work in accordance with organizational goals (Chong & Ferdiansah, 2011). Formal budget control systems such as budget control (Kren, 1993), budget variance policies (Web, 2002), and preventive and detection controls (Christ et al., 2008). Kramer (1999) explains that

formal budget control systems tend to cause employee dissatisfaction. In addition, the application of formal budget control systems tends to have high costs (Baker, Jensen, & Murphy, 1988). In contrast, information budget control systems such as, organizational culture, organizational values, and trust between individuals in the organization (Christ et al., 2008).

Chong & Loy (2015) explained that previous studies were still limited to testing the informal budget control system in reducing budgetary slack. Some studies that examine the formal budget control system in reducing budgetary slack such as, Douglas & Wier (2005) examine the culture and ethics of organizations in reducing budgetary slack; Chong & Ferdiansyah (2011) tested the trust of superiors and the subordinates' truthfulness in reducing budgetary slack; and Chong & Loy (2015) show that leader's reputation negative effect on budgetary slack. Kren (1993) explains that budgetary slack are wrong managers' actions in interpreting their budgets as related to scarce resources or younger budgets to be achieved. In addition, Anthony & Govindaran (2005) explained that the budgetary slack is the difference between the budget reported and the budget in accordance with the best estimate for the organization. Budgetary slack occur when subordinates play down their productive abilities when given the opportunity to determine their work standards (Young, 1985).

One form of budget slack in local government organizations is the case of deficits that occur in the West Bandung Regency Regional Budget in 2019 to Rp. 300 billion. This condition occurs because the projected revenue in the 2019 APBD is increased, so that spending is adjusted to the revenue projection but in realities the revenue projection is not reached. One important element in the income projection that causes the deficit is, the income projection from the element of the Land and Building Tax. At the time of revenue projections, the projected revenue element of the Land and Building Tax was raised quite high, while in reality it was not achieved and had a negative impact on

spending that had not been fulfilled because the money budget did not exist. This condition shows that the budget calculation is inaccurate and the budgetary slack is high.

Researchers try to fill the limitations of the previous literature that tests the informal budget control system by testing the leader's reputation and subordinates's truthfulness in reducing the occurrence of budgetary slack. This research is a modification of the research of Chong & Ferdiansyah (2011) and Chong & Loy (2015). This research is important to do to provide information to stakeholders that the budgetary slack can not only be reduced through a formal but also informal budget control system. The leader's reputation is a level of attributes such as integrity, expertise, experience, and trust inherent in the leader. Leader's who have integrity, honesty values, and fair values have a tendency for subordinates to follow the behavior of leader. This condition can occur because the leader's reputation plays an important role in providing implications for organizational policies. A good leader's reputation will make subordinates follow the behavior of superiors as effective informal controls to reduce the occurrence of budgetary slack created by subordinates. Chong & Loy's research results (2015) show that the leader's reputation negative effect on budgetary slack.

Subordinates truthfulness is the behavior of subordinates who show honesty values in the budget preparation process through the accurate transfer of information between subordinates and leaders, so that both have the same information. Subordinates who have honesty values tend to provide relevant and accurate information, so that budgetary slack can be reduced. This condition occurs because subordinates are responsible for their work to leaders to achieve organizational goals. The results of Chong & Ferdiansyah's research (2011) showed that bandura reduce the occurrence of budgetary slack.

Leader's Reputation and Budgetary Slack

Bandura (1977) explained that social learning theory is related to the behavior of leaders to be emulated by their subordinates.

This theory explains that individuals who lead organizations with a good reputation such as integrity and good leadership style will influence the behavior of subordinates, so that subordinates will be motivated to do the right thing in accordance with the norms set in the organization. Leader's reputation is a level of attributes such as expertise, experience, integrity, and trust inherent in the superior. Leaders who have this attribution become public figures for subordinates to act following the behavior of leaders. This condition can occur because the leader's reputation plays an important role in providing implications for organizational policies. A leader who has a good reputation which is realized through the level of attributes above, will make subordinates follow the leader's behavior as an effective informal control to reduce the occurrence of budgetary slack created by subordinates.

Anthony & Govindarajan (2005) explained that the budgetary slack is the difference between the reported budget and the budget that matches the best estimate for the organization. Subordinates involved in preparing the budget tend to try to make the budget lower than the best estimate with the aim of achieving its performance more easily, so it does not require hard work in achieving the budget. On the other hand, subordinates involved in preparing the budget also tend to increase the budget from the best estimate with the aim of obtaining appreciation from leaders for showing achievement of budget targets that relatively require hard work. Young (1985) explains that budgetary slack occurs when subordinates downplay their productive abilities when given the opportunity to determine their work standards. To reduce the occurrence of budgetary slack, an informal budget control system is needed, such as the leader's reputation because this system does not require costs compared to formal budget control systems with relatively higher costs. Chong & Loy's research results (2015) show that the leader's reputation has a negative effect on budgetary slack. Based on the description, the hypothesis proposed is as follows.

H₁: The leader's reputation affects on the budgetary slack.

Subordinates' Truthfulness and Budgetary Slack

Jensen & Meckling (1976) explained that the essence of a conflict of interest is due to the information asymmetry in the organization. Information asymmetry can occur between subordinates and leaders in the organization. This means that subordinates involved in preparing the budget when distributing information dishonestly to leaders, the tendency of the information to be inaccurate. Conversely, when subordinates involved in preparing the budget share information honestly with leaders, the tendency of the information becomes more accurate. The implication of the transfer of information between subordinates involved in preparing the budget to leaders shows that superiors have the same information as subordinates, so the budgetary slack is lower (Fisher et al., 2002; Chow et al., 1988). This condition shows that leaders can easily detect budgetary slack that occur when budget submission.

Subordinates' truthfulness is the behavior of subordinates who show honesty values in the budget preparation process through the accurate transfer of information between subordinates and leaders, so that both have the same information. Subordinates who have honesty values tend to provide relevant and accurate information, so that budgetary slack can be reduced. This condition occurs because subordinates are responsible for their work to superiors to achieve organizational goals. The results of Chong & Ferdiansyah's research (2011) show that subordinates' truthfulness can reduce the occurrence of budgetary slack. Based on the description, the purpose of this study is to examine and analyze the effect of subordinate honesty on the relationship between leaders' reputation and budgetary slack. Based on the description, the research hypothesis is as follows.

H₂: Subordinates' truthfulness affects on budgetary slack.

Leader's Reputation, Truthfulness of Subordinate, and Budgetary Slack

The theory of social learning explained by Bandura (1977) shows that the behavior exhibited by a leader will influence the behavior of his subordinates. When a leader has a good reputation in an organization such as integrity, high level of education, experts in their field, and good leadership style will influence the behavior of subordinates to act in accordance with the leader's actions in the context of doing the right thing in accordance with the norms set in the organization. A good leader's reputation will become a public figure for subordinates to act according to the leader's actions. This condition can occur because the important role of the leader's reputation in increasing the achievement of organizational goals will affect organizational policy.

A leader who has a good reputation which is realized through the level of attributes above, will make subordinates follow the leader's behavior as an effective informal control to reduce the occurrence of budgetary slack created by subordinates. When leaders have a good reputation and are proven through behavior in accordance with the norms in the organization, subordinates will trust leaders and follow leaders' behavior and are honest in providing accurate information. This condition shows that relations between subordinates and leaders will be better and encourage subordinates to communicate and share information honestly with leaders, so that the information asymmetry is reduced. Subordinates involved in budget participation when motivated to follow the behavior of superiors who have integrity and good leadership style will reduce the budgetary slack when supported by subordinates' trust in superiors. The results of Chong & Loy's research (2015) show that leaders' reputation reduces the occurrence of budgetary slack. Furthermore, the results of Chong & Ferdiansyah's research (2011) show that subordinates' truthfulness reduces budgetary slack.

H₃: Subordinates' truthfulness affects on the relationship between leader's reputation and budgetary slack

Leader's Reputation (Favourable), Truthfulness of Subordinate, and Budgetary Slack

The essence of conflicts of interest that occur in an organization is the asymmetry of information (Jensen & Meckling, 1976). This information asymmetry can occur between subordinates and leaders in the organization with the aim of fulfilling their respective interests. As a result, the tendency of subordinates involved in preparing the budget to not provide honest information to leaders, resulting in budgetary slack. Conversely, if subordinates involved in budgeting provide honest information to leaders, leaders can easily detect budgetary slack. This condition shows that when transferring accurate information from subordinates to leaders will reduce the occurrence of budgetary slack (Fisher et al., 2002; Chow et al., 1988).

Bandura (1977) explains that social learning theory can be used to find out the behavior of leaders who can influence the behavior of subordinates. Leader's who have good behavior shown through integrity and good leadership style will influence the behavior of subordinates to act in accordance with the actions of their leaders in accordance with the norms in the organization. This action shows that the employer has a good reputation for subordinates. A good leader's reputation will be a public figure for subordinates to act in accordance with the actions of leaders. This condition can occur because the important role of the superior's reputation in increasing the achievement of organizational goals will affect organizational policy.

Subordinates who are involved in budgeting have a high level of honesty towards their leaders, they tend to reduce budgetary slack when supported by a favorable employer reputation, such as higher education, skill, and older age, and good leadership style. Chong & Ferdiansyah's research (2011) show that subordinates' truthfulness reduces budgetary slack. Based on these descriptions, the researchers propose the following hypothesis.

H₄: In a favourable leader's reputation condition, high subordinates' truthfulness

will reduce budgetary slack compared to low subordinates' truthfulness.

Leader's Reputation, Subordinates' Truthfulness (High), and Budgetary Slack

Jensen & Meckling (1976) explained that information asymmetry is the essence of conflicts of interest in organizations. Information asymmetry is an important reason individual want to fulfill their interests. In public sector organizations, the tendency of subordinates involved in preparing the budget to not provide honest information to superiors will result in budgetary slack. This condition occurs because subordinates want to fulfill their interests through performance targets that are more easily achieved. Conversely, when subordinates involved in budgeting provide honest information to superiors, the budgetary slack is reduced. This condition indicates that communication between subordinates and leaders is more accurate, so that leaders are easier to detect budgetary slack (Fisher et al., 2002; Chow et al., 1988).

Social learning theory can be used to determine the behavior of leaders who can influence the behavior of subordinates (Bandura, 1977). Leaders who have good behavior show that the leader's reputation is good because they have integrity, transparency, and good leadership style, so that it will influence the behavior of subordinates to act in accordance with the actions of their leaders. This action shows that the employer has a good reputation for subordinates. A good leader's reputation shows subordinates to follow the behavior of leaders because leaders are public figures for subordinates to act in accordance with the actions of leaders.

Leaders who have integrity, transparency, and good leadership style tend to motivate subordinates to reduce budgetary slack with superiors who lack integrity, transparency, and leadership style that is not good. This condition will be supported by the high level of honesty possessed by subordinates. That is, when the conditions of honesty of subordinates are high, the favorable reputation of the superior will reduce the budgetary slack compared to the reputation of

the boss who is unfavorable. Chong & Ferdiansyah's research (2011) show that subordinates' truthfulness can reduce budgetary slack. Based on the description, the research hypothesis is as follows.

H₅: In conditions of high subordinates' truthfulness, the favorable reputation of the leaders will reduce the budgetary slack compared to the reputation of the leaders who is unfavorable.

RESEARCH METHODOLOGY

Experimental Method and Research Design

The method that will be used in this research is experiment. The experimental method is useful for testing the effect of certain manipulations on other conditions under controlled conditions (Sukardi, 2003). Characteristics of experimental research that are deliberately applied to test the effect of the treatment carried out on the independent variable and the results seen in the dependent variable that has been manipulated. To see how the results of the independent variables were manipulated the researchers conducted experiments by comparing the four groups that had been manipulated.

This research uses factorial experimental design. The research design used in this study is 2x2 which means that this experiment uses two levels of leader's reputation conditions namely, favourable and unfavourable conditions, and subordinates' truthfulness namely, low and high conditions. Factorial design is used to examine the effect of leader's reputation and subordinates' truthfulness on budgetary slack. Researchers conducted this research through laboratory experiments. Nahartyo (2012) explains that laboratory experiments are arranged in an artificial environment where control and manipulation are given to prove the causal relationship between the variables studied. This mock experimental environment is an accounting student at Panca Bhakti University who is manipulated by researchers through their role as subordinates participating in budgeting.

Selection of research subjects that play a role in this experiment is done by researchers through manipulation checks, so that only

subjects who pass the manipulation checks will be used by researchers to test the research hypothesis. The researchers uses the subject of students in laboratory experiment research compared to subordinates who participate in budgeting is to eliminate biases such as, psychological pressure due to the organizational environment and position in the organizational structure that has a tendency to not respond to the actual conditions because it is related to ethics, personality, and honesty subordinates, thereby reducing the social propriety bias that occurs when the subject distorts the answers to conform to social norms (Newman, 2003).

The 2x2 factorial ANOVA two-way experimental design to test the influence of leader's reputation and subordinates' truthfulness on budgetary slack. Chong & Loy (2015) examined the effect of leader' reputation on budgetary slack; and Chong & Ferdiansah (2011) examined the effect of trust towards leaders and subordinates' truthfulness on budgetary slack. The researchers adapted and modified the two studies to compile the experimental module in the context of this research. To improve the quality of this research module, the researchers held discussions with several accounting lecturers.

The researchers observes the tendency of high or low budgetary slack that is done by subordinates by dividing the subject into several groups: Group 1: the favourable leader's reputation with low conditions of subordinates' truthfulness; Group 2: the favourable leader's reputation with high conditions of subordinates' truthfulness; Group 3; the unfavourable leader's reputation with low conditions of subordinates' truthfulness; Group 4: the unfavourable leader's reputation with high conditions of subordinates' truthfulness. The design of the experiment is shown in the table 1.

Table 1. Factorial Design 2X2 ANOVA Experiment

Leader's Reputation	Truthfulness of Subordinate	
	Low	High
Favourable	Group 1	Group 2
Unfavourable	Group 3	Group 4

The subjects of this study were 60 with 15 subjects for each treatment carried out. Sekaran (2006) has provided guidelines for determining the number of simple experimental samples with strict control that is the size of the sample of the target subject studied with a sample size ranging from 10-20. State manipulation has been designed with a series of procedures that will be carried out by the subject so that the experiment can run accordingly.

Operational Definitions and Variable Measurements

The independent and dependent variables are used by researchers to explain social phenomena that occur in the budgeting process. The independent variables of this study are the leader's reputation (favorable and unfavorable), and subordinates' truthfulness (low and high). Meanwhile, the dependent variable is the budgetary slack.

Chong & Loy (2015) explained that the leader's reputation is a general attribute that reflects the reputation of a favorable or unfavorable leader based on the background and characteristics of the leader known by subordinates. Measurement of leader's reputation uses two conditions namely, favorable and unfavorable. The following is a brief explanation regarding the level of reputation of a favorite and unfavorable leader.

Favorable level of leader's reputation occurs when your boss has a minimum level of magister education background, has expertise as evidenced by certification, has relatively longer work experience in government organizations, and a relatively older age.

Unfavorable leader's reputation level occurs when your boss has the highest level of education background of the bachelor, does not have the expertise as evidenced by not

having a certification degree, the boss's work experience is relatively not too long, and the age of leaders is relatively easier.

Subordinates' truthfulness in the budget preparation process show the values of honesty through the existence of an accurate transfer of information between subordinates and leaders, so that both have the same information. Subordinates who have honesty values tend to provide relevant and accurate information, so that budgetary slack can be reduced. The measurement of subordinates' truthfulness uses two conditions namely, low and high. The following is a brief explanation related to the conditions of truthfulness of low and high subordinates.

Low truthfulness conditions occur when subordinates do not provide full information to leaders in the budget preparation process. Conditions of high truthfulness of subordinates occur when subordinates provide overall information to superiors in the budget preparation process.

Budgetary slack is the difference between the budget reported and the budget in accordance with the best estimate for the organization (Anthony & Govindarajan, 2005). To measure the budgetary slack, participants are given scenarios or cases of goods/services procurement in district X. Participants' decision forms as subordinates involved in preparing the goods/services procurement budget to make budgetary slack are known through the gap between the best budget estimate and the budget submitted by subordinates. The best estimate of the budget in this experimental scenario is Rp.50 (million rupiah) and participants are asked to submit a budget in a range of two points, namely the budget submission point with a range of 1-49 (million rupiah) and 51-100 (million rupiah) with due regard to reputation budget (favorable versus unfavorable) and subordinates' truthfulness (low versus high). Participants who chose a budget proposal in the range of 1-49 (million rupiah) showed a budget submission that was too low compared to the best estimate. This condition shows the potential for a surplus due to inaccurate budget submission. Conversely, participants who

chose a budget proposal in the range of 51-100 (million rupiah) showed a budget submission that was too high compared to the best estimate. This condition causes the potential for a budget deficit as happened in the West Bandung Regency APBD.

Experimental Procedure

The researchers conduct a series of experimental procedures, namely (1) the distribution of the experimental module to the participants and is not permitted to open the experimental module before it is instructed by the researchers. There are four experimental modules according to the treatment conditions. The four experimental modules are divided into four groups: Group 1: the favourable leader's reputation with low conditions of subordinates' truthfulness; Group 2: the favourable leader's reputation with high conditions of subordinates' truthfulness; Group 3; the unfavourable leader's reputation with low conditions of subordinates' truthfulness; Group 4: the unfavourable leader's reputation with high conditions of subordinates' truthfulness; (2) the researchers gives a brief instruction about the participant's task in the experiment, and (3) the end of the assignment, the participant is asked to place the experiment module as instructed by the researchers and later it will be collected by the researchers.

Research Participant

The experimental participants of this research were undergraduate accounting students at Panca Bhakti University. The use of students as experimental participants because it is a third person as explained by Liyanarachi & Newdick (2009) and Newman (2003) for ethics research. The aim is to reduce participant response bias when participants are faced with a variety of sensitive ethical issues or reduce social propriety bias that occurs when participants distort answers to conform to social norms. Important reasons researchers chose the subject are, (1) Accounting students have been equipped with a comprehensive understanding of various ethical and budgeting issues, so that they represent research issues;

and (2) the topic under study relates to issues of ethics, personality and sensitive beliefs if done directly to subordinates involved in budgeting.

Data Analysis Technique

The research hypothesis will be tested by researchers using two-way analysis of variances (ANOVA). Before the researchers tests the hypothesis, the researchers test several assumptions namely, (1) normality assumptions, and (2) homogeneity assumptions. The normality assumption test is carried out through the Kolmogorov Smirnov one-sample test with the provisions that is, if sig. > 0.05, then the residuals are normally distributed. Meanwhile, the homogeneity

assumption test uses the levene's test with the provisions that is, if sig. > 0.05, then the homogeneous residual. Furthermore, researchers conducted a randomization test and hypothesis testing when both assumptions have been met.

RESULTS AND DISCUSSION

Two questions related to manipulation checks were used by researchers for the whole scenario given to participants. Furthermore, the results of participant responses to the two manipulation check questions are used by researchers in order to determine the final participant whose data will be used in hypothesis testing. Table 4 below is the result of manipulation check.

Table 2. Manipulation Check Results

Group	Number of Participants	Participant Failed to Answer the Questions	Final Participant
Group 1	15	2	13
Group 2	15	3	12
Group 3	15	2	13
Group 4	15	3	12

Table 2 shows that participants were divided by researchers into four groups. Each group was given different treatment by researchers with a total of 60 groups in total. Each group consists of 15 participants. Furthermore, there were 13 group 1 participants who passed the manipulation check. Meanwhile, 2 participants in group 1 did not pass the manipulation check. Group 2 participants who passed the manipulation check were 12 participants. Meanwhile, 3 participants in group 2 did not pass the

manipulation check. Group 3 participants who passed the manipulation check were 13 participants. Meanwhile, 2 participants in group 3 did not pass the manipulation check. Group 4 participants who passed the manipulation check were 12 participants. Meanwhile, 3 participants in group 4 did not pass the manipulation check.

The following is table 5 showing the descriptive statistics of the subjects used in this study.

Table 3. Descriptive Statistics of Participant

Variable	Treatment Group	Category	N	Percentage	Total
Gender	Group 1	Male	2	15%	Male = 15 (30%) Female = 35 (70%)
		Female	11	85%	
	Group 2	Male	3	25%	
		Female	9	75%	
	Group 3	Male	7	54%	
		Female	6	46%	
	Group 4	Male	3	25%	
		Female	9	75%	
	Group 1	18-20	11	85%	
		21-24	2	15%	

Age	Group 2	18-20	5	42%	18-20 tahun = 23 (46%) 21-24 tahun = 27 (54%)
		21-24	7	58%	
	Group 3	18-20	3	23%	
		21-24	10	77%	
	Group 4	18-20	4	33%	
		21-24	8	67%	

Table 3 shows that for gender, female participants were more numerous in this experiment (70%) than male participants (30%), and for age participants who ranged between 21-24 years were more (54%) than participants' age with a range between 18-20 years (46%). Next, the researchers conducted a randomization test with the aim to find out the distribution of each participant was evenly distributed for each group. Based on the results of the randomization test, the researchers concluded that the sex of the participants had a test value of $F = 0.223$, sig. 0.639; and age have a test value of $F = 0.338$, sig. 0.564. Thus, there were no significant differences between the male and female treatment groups, and the treatment groups ages 18-20 and ages 21-24. Thus, participants have been distributed evenly and there are no confounding variables in this research model.

ANOVA testing requires test assumptions that must be met, namely the assumption of normality and homogeneity. The following is table 4 showing the results of testing normality assumptions using the Kolmogorov Smirnov one-sample.

Table 4. Normality Test Results

Information	One-Sample Kolmogorov Smirnov
Results	0.353

Table 4 shows that the results of testing Kolmogorov Smirnov one-sample normality assumption with sig values. $0.353 > 0.05$. The results of this test prove that the research model has a normally distributed residual, so that the research model has fulfilled the normality assumption test. Next, the researchers tests the assumption of homogeneity through the Leven's test. The following is table 5 of the homogeneity assumption test results.

Table 5. Homogeneity Variance Test Result

Information	Levene's Test
Result	0.966

Table 5 shows that the results of testing the homogeneity assumption through the Leven's test show the value of sig. $0.966 > 0.05$. The results of this test prove that the research model has a homogeneous variant of residuals, so this research model has fulfilled the assumption of homogeneity.

Researchers conducted a 2x2 factorial ANOVA test and descriptive decision response statistical tests to test the research hypothesis. The following is table 6 showing the results of the 2x2 factorial ANOVA test.

The first hypothesis testing (H_1) that is, the leader's reputation affects on the budgetary slack. Based on table 6, the test results show that the leader's reputation has a value of $F = 11,188$, and sig. 0.002 at a significance level of 1%. The findings of this study indicate that the leader's reputation affects on the budgetary slack. Therefore, the first hypothesis (H_1) is supported.

The theory of social learning is related to the behavior of leaders who will be emulated by their subordinates (Bandura, 1977). This theory explains that leaders or leaders who lead organizations with good reputation such as integrity, transparency, and good leadership style will influence the behavior of subordinates to act in accordance with the actions of leaders, so that subordinates will be motivated to do the right thing in accordance with the norms that have been set in the organization. Leaders are said to have a reputation when superiors have integrity, expertise, experience, and trust inherent in leaders. The positive implications of the leader's reputation that benefit this organization shows that the leader is a public figure for subordinates to act in accordance with the leader's behavior. This condition can

occur because the leader's reputation plays an important role in providing implications for organizational policies. Leaders who have a favorable reputation will make subordinates follow the behavior of leaders as effective informal controls to reduce the budgetary slack created by subordinates.

The second hypothesis testing (H₂) namely, subordinates' truthfulness affects on the budgetary slack. Based on table 6, the test results show that the subordinates' truthfulness

has a value of F = 5.522, and sig. 0.023 at a significance level of 5%. The findings of this study indicate that subordinates' truthfulness affects on the budgetary slack. Therefore, the second hypothesis (H₂) is supported

Table 6. Factorial 2x2 ANOVA Test Results

Source	Df	Mean Square	F	Sig.
Corrected Model	3	603.168	6.826	0.001***
Intercept	1	20642.400	233.597	0.000***
Leader's Reputation	1	988.683	11.188	0.002***
Truthfulness of Subordinates	1	488.000	5.522	0.023**
Leader's Reputation X Truthfulness of Subordinate	1	379.723	4.297	0.044**
Error	46	88.368		
Total	50			
Corrected Total	49			
R ² = 0.308				
Adjusted R ² = 0.263				
Notes: *** significance at level 1%; ** significance at level 5%				

Subordinates' truthfulness is the behavior of subordinates who show honesty values in the budget preparation process through the accurate transfer of information between subordinates and leaders, so that both have the same information. The implication of the transfer of information between subordinates involved in preparing the budget to leaders shows that leaders have the same information as subordinates, so the budgetary slack is lower (Fisher et al., 2002; Chow et al., 1988). This condition shows that leaders can easily detect budgetary slack that occur when budget submission. Subordinates who have honesty values tend to provide relevant and accurate information, so that budgetary slack can be reduced. This condition occurs because subordinates are responsible for their work to leaders to achieve organizational goals.

The third hypothesis testing (H₃) namely, subordinates' truthfulness affects the relationship between leader's reputation and budgetary slack. Based on table 6, the test results show that the interaction between the leader's reputation and subordinates;

truthfulness has a value of F = 4,297, and sig. 0.044 at the 5% significance level. The findings of this study indicate that subordinates' truthfulness influences the relationship between leader's reputation and budgetary slack. Therefore, the supported hypothesis (H₃) is supported.

Leaders who have a good reputation are manifested through the level of attributes of expertise, experience, integrity, honesty, fairness, and trust inherent in superiors will make subordinates follow the behavior of leaders as effective informal controls to reduce the occurrence of budgetary slack created by subordinates. When leaders have a good reputation and are proven through behavior in accordance with the norms in the organization, subordinates will trust leaders and follow leaders' behavior and are honest in providing accurate information. This condition shows that relations between subordinates and leaders will be better and encourage subordinates to communicate and share information honestly with leaders, so that the information asymmetry is reduced. Subordinates involved

in budget participation when motivated to follow the behavior of leaders who have integrity and good leadership style will reduce the budgetary slack when supported by subordinates' trust in superiors.

To test hypotheses 4 and 5, researchers used a descriptive test of the decision response

statistics and the One-Way Anova test. Table 7 shows the results of the descriptive statistical testing of participant decision responses and table 8 shows the results of the One Way Anova test.

Table 7. Descriptive Statistics of Decision Response

Leader's Reputation	Subordinates' Truthfulness		Total
	Low	High	
Favourable	Group 1 (N=13) (Mean=21.77) (Std.=10.66)	Group 2 (N=12) (Mean=10.00) (Std.=8.83)	(N=25) (Mean=16.12) (Std.=11.34)
Unfavourable	Group 3 (N=13) (Mean=25.15) (Std.=7.87)	Group 4 (N=12) (Mean=24.42) (Std.=9.99)	(N=25) (Mean=24.80) (Std.=8.77)
Total	(N=26) (Mean=23.46) (Std.=9.34)	(N=24) (Mean=17.21) (Std.=11.80)	(N=50) (Mean=20.46) (Std.=10.94)

The fourth hypothesis testing (H₄) namely, in a favorable leader's reputation condition, high subordinates' truthfulness will reduce the budgetary slack compared to low subordinates' truthfulness. Based on table 6, the test results show that the leader's reputation has a value of $F = 11,188$, and sig. 0.002 at a significance level of 1%. Furthermore, subordinates' truthfulness has a value of $F = 5,522$, and sig. 0.023 at a significance level of 5%. To test the fourth hypothesis (H₄), the researchers compared groups 1 and 2. The results of the comparison of these two groups showed that the mean difference was 11.77, and sig. 0.007 at a significance level of 1%. The mean value of favorable leader's reputation in conditions of high subordinate truthfulness related to budgetary slack is lower than the mean value of favorable leader's reputation in conditions of low subordinates' truthfulness. The findings of this study prove that the favorable leader's reputation in conditions of high subordinates' truthfulness will reduce the budgetary slack compared to conditions of low subordinates' truthfulness. Thus, the fourth hypothesis (H₄) is supported.

Favorable leader's reputation will be a public figure for subordinates to act in accordance with the actions of leaders. This

condition can occur because the important role of the leader's reputation in increasing the achievement of organizational goals will affect organizational policy. Subordinates involved in budgeting have a high level of honesty towards their leaders, they tend to reduce budgetary slack when supported by a favorable leader's reputation, such as higher education level, expertise, and older age, and good leadership style.

The fifth hypothesis testing (H₅) is that, in conditions of high subordinates' truthfulness, the favorable reputation of the leader will reduce the budgetary slack compared to the reputation of the leader who is unfavorable. Based on table 6, the test results show that the leader's reputation has a value of $F = 11,188$, and sig. 0.002 at a significance level of 1%. Furthermore, subordinates' truthfulness has a value of $F = 5,522$, and sig. 0.023 at a significance level of 5%. To test the fourth hypothesis (H₅), the researchers compared groups 2 and 4. The results of the comparison of these two groups showed that the mean difference was 14.42, and sig. 0.001 at a significance level of 1%. The mean value of favorable leader's reputation in conditions of high subordinates' truthfulness related to budgetary slack is lower than the mean value

of reputation of leader's who are unfavorable in conditions of high subordinates' truthfulness. The findings of this study prove that under conditions of high subordinates' truthfulness, the favorable reputation of leaders will reduce the budgetary slack compared to the reputation of leaders who are unfavorable. Thus, the fifth hypothesis (H₅) is supported.

In public sector organizations, the tendency of subordinates involved in preparing the budget to not provide honest information to leaders will result in budgetary slack. This condition occurs because subordinates want to fulfill their interests through performance targets that are more easily achieved. Conversely, when subordinates involved in budgeting provide honest information to leaders, the budgetary slack is reduced. This condition indicates that communication between subordinates and leaders is more accurate, so that leaders are easier to detect budgetary slack (Fisher et al., 2002; Chow et al., 1988). Leader who have integrity, transparency, and good leadership style tend to motivate subordinates to reduce budgetary slack with leader who lack integrity, transparency, and leadership style that is not good. This condition will be supported by the high level of honesty possessed by subordinates. That is, when the conditions of subordinates' truthfulness are high, the favorable reputation of the leader will reduce the budgetary slack compared to the reputation of the leader who is unfavorable.

CONCLUSION

The results of this study proves that (1) the influence of leader's reputation affected on the budgetary slack, (2) subordinates' truthfulness affected on the budgetary slack, (3) subordinates' truthfulness affected on the relationship between leader's reputation and budgetary slack, (4) in favourable leader's reputation condition, high subordinates' truthfulness would reduce budgetary slack compare to low subordinates' truthfulness, and (5) in conditions of high subordinates' truthfulness, the favourable leader's reputation would reduce budgetary slack compared to the

unfavourable leader's reputation. Based on the description of the research findings, this research can provide several contributions such as theoretical and policy contributions.

The contribution of this research to the development of theory is, (1) Favorable leader's reputation can reduce budgetary slack in the organization. The leader's reputation shows that the leader has a high level of education, expertise, experience, integrity, honesty, fairness, and trust inherent in the leader. The positive implication of a leader's favorable reputation in the organization is that the leader's will be made a public figure by subordinates, so that subordinates will be motivated to do the right thing in accordance with the norms set in the organization as a reflection of the leader's behavior. Therefore, this research is able to provide confirmation of social learning theory, (2) budgetary slack caused by the information asymmetry between subordinates and leaders in preparing the budget. This means that subordinates involved in preparing the budget when distributing information dishonestly to leaders, the tendency of the information to be inaccurate. Conversely, when subordinates involved in preparing the budget share information honestly with leaders, the tendency of the information becomes more accurate. The implication of the transfer of information between subordinates involved in preparing the budget to leaders shows that superiors have the same information as subordinates, so the budgetary slack is lower. Thus, this research is able to contribute to agency theory.

The contribution of this research to policy is that regulators need to design informal control systems in reducing the occurrence of budgetary slack in accordance with the specific goals of the organization by considering an important aspect of the leader's reputation. Leader's reputation that is favorable in public sector organizations such as, a high level of education, expertise, experience, integrity, honesty, fairness, and trust inherent in superiors. The application of a leader's reputation as an important part of the budget control system contributes to the organization because it reduces costs

compared to the adoption of a formal budget control system.

The limitations of this study are, (1) this study only uses accounting students at Panca Bhakti University who are undergraduate as participants. This is because the researchers takes into account the adequacy of participants in each group, and (2) the researchers only examines in terms of an informal budget control system due to the limitations of the previous literature by referring to the phenomenon or case of budget deficits that occurred in the West Bandung Regency government in 2019 without taking into account the factors other. Thus, further research is expected (1) to expand experiment research participants such as bachelor students by taking into account the adequacy of participants in the experiment, and (2) researchers can use other factors that can affect budgetary slack by using deficit cases that occur in public sector organizations.

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