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Individual Capacity as a Moderator of the Effects of Budget Emphasis, Organizational Commitment, and Information Asymmetry on Budgetary Slack

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Abstract---*Budgetary slack remains a persistent concern in both private- and public-sector organizations because it may reduce the accuracy of resource allocation and weaken organizational accountability. Budgetary slack occurs when individuals involved in the budgeting process deliberately overestimate expenditures or underestimate revenues to make budget targets easier to achieve. Although such behavior may reduce the risk of failing to meet predetermined targets, it can also lead to inefficient resource allocation and distort performance evaluation. This study examines the effects of budget emphasis, organizational commitment, and information asymmetry on budgetary slack, as well as the moderating role of individual capacity in these relationships. The study was conducted at Udayana University and involved 72 Assistant Faculty Expenditure Treasurers and members of Faculty Planning Teams. Data were collected through a questionnaire survey and analyzed using partial least squares structural equation modeling (PLS-SEM). The results demonstrate that budget emphasis has a positive and significant effect on budgetary slack, indicating that stronger pressure to achieve budget targets increases the tendency to create slack. Organizational commitment has a negative and significant effect on budgetary slack, suggesting that employees with stronger organizational attachment are less likely to engage in opportunistic budgeting behavior. Information asymmetry does not have a significant effect on budgetary slack. Furthermore, individual capacity does not moderate the effects of budget emphasis, organizational commitment, or information asymmetry on budgetary slack. These findings indicate that technical knowledge, experience, and individual capabilities alone may be insufficient to alter the effects of organizational and informational factors on budgetary slack in a public university setting.*
Keywords---*budget emphasis, organizational commitment, information asymmetry, budgetary slack, individual capacity, public university.*

Introduction

Budgeting is a fundamental component of financial management in both public- and private-sector organizations. It supports organizational planning, resource allocation, managerial control, and performance evaluation. An effective budgeting process should involve relevant organizational actors so that the resulting targets reflect actual operational needs and contribute to the achievement of organizational objectives (Amahoru et al., 2026). In the public sector, the quality of budget formulation is particularly important because it affects financial accountability, expenditure absorption, and the delivery of publicly funded programs.

Despite these functions, budgeting may also generate dysfunctional behavior, particularly budgetary slack. Budgetary slack refers to the deliberate overestimation of expenditures or underestimation of revenues to make budget targets easier to achieve (Davila & Wouters, 2005). From an agency theory perspective, this behavior may

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arise because principals and agents have different interests and unequal access to information. Subordinates who possess superior operational information may use that advantage to propose less demanding targets, particularly when budget achievement is used as the basis for performance evaluation, rewards, or sanctions. Consequently, budgetary slack may weaken budget accuracy, reduce resource allocation efficiency, and undermine organizational accountability (Nurhayati et al., 2022).

Although budgetary slack has been widely examined in manufacturing firms and local government institutions, relatively limited attention has been given to public universities. This setting is important because public universities operating under the Public Service Agency, or *Badan Layanan Umum* (BLU), system have distinctive budgeting arrangements. They receive government funding while also managing non-tax state revenues and are granted a certain degree of financial flexibility under government supervision. Such characteristics create a complex relationship between financial autonomy, budget accountability, and managerial discretion.

This issue is relevant at Udayana University, where differences between budgeted and realized expenditures and revenues indicate the possibility of budgetary slack. Institutional data show that expenditure realization reached 82.30% of the approved budget in 2021, 88.02% in 2022, 93.10% in 2023, and 96.53% in 2024. During the same period, revenue realization exceeded the budgeted targets by 160.23%, 147.44%, 103.13%, and 105.42%, respectively (Udayana University, 2025). Although these differences cannot independently establish the existence of intentional slack, the recurring pattern of under-realized expenditure and over-realized revenue may indicate that expenditure estimates were relatively high or revenue targets were conservatively established. The pattern therefore provides an empirical basis for investigating the behavioral factors associated with budgetary slack in a public university.

One factor that may influence budgetary slack is budget emphasis. Budget emphasis refers to the extent to which organizational leaders place pressure on subordinates to achieve predetermined budget targets and use budget performance as a major criterion for evaluation (Lazimatul et al., 2023). When rewards and sanctions are closely linked to target achievement, employees may create slack to increase the likelihood of favorable performance evaluations and reduce the risk of failing to meet the budget (Dewi & Trisnawati, 2021). However, previous findings remain inconclusive. Junjunan & Yulianto (2019) reported a positive effect of budget emphasis on budgetary slack, whereas Lazimatul et al. (2023) found no significant positive effect. Dewi & Trisnawati (2021) similarly identified a positive but statistically insignificant relationship.

Organizational commitment may also shape budgeting behavior. It reflects the degree to which employees identify with organizational goals, participate in organizational activities, and maintain psychological attachment to the institution (Pradita et al., 2021; Stefanus Mamentu et al., 2023). Employees with strong organizational commitment are generally expected to prioritize institutional interests and avoid opportunistic budgeting practices. Nevertheless, empirical findings remain inconsistent. Putri & Firmansyah (2022) found that organizational commitment had a positive and significant effect on budgetary slack, while Regita Naraswari & Sukartha (2019) reported a negative relationship. Pradita et al. (2021) also demonstrated that organizational commitment was positively associated with managerial performance through budgetary slack.

A further determinant is information asymmetry, which arises when subordinates possess more detailed information about operational conditions, resource requirements, and potential performance than their superiors. Such informational advantages may enable subordinates to influence budget proposals in ways that increase the opportunity to create slack (Dewi & Trisnawati, 2021; Fatimah et al., 2023). However, the direction of this relationship is not consistent across studies. Dewi & Trisnawati (2021) found that information asymmetry significantly affected budgetary slack, whereas Noor et al. (2025), reported a negative effect. The latter finding suggests that formal rules and clearly defined reporting responsibilities in public-sector organizations may reduce the possibility that informational advantages are used opportunistically.

The inconsistency of previous findings indicates that the relationships between budget emphasis, organizational commitment, information asymmetry, and budgetary slack may depend on contextual conditions. Accordingly, this study adopts a contingency approach and examines individual capacity as a moderating variable. Individual capacity encompasses the knowledge, skills, experience, analytical ability, and problem-solving competence required to formulate and implement budgets. Individuals with greater capacity may be better able to prepare realistic estimates, respond to budget pressure, and use operational information appropriately. They may therefore be less likely to create budgetary slack, even when they face strong budget emphasis or possess superior information (De Baerdemaeker & Bruggeman, 2015).

Based on these theoretical arguments and empirical inconsistencies, this study examines the effects of budget emphasis, organizational commitment, and information asymmetry on budgetary slack at Udayana University. It further investigates whether individual capacity moderates these relationships. By replicating and extending previous budgetary-slack research in the context of a public university, the study provides additional evidence regarding the applicability of agency and contingency perspectives in public-sector budgeting.

Literature Review and Hypothesis Development

Budget emphasis refers to the extent to which the achievement of budget targets is used as a primary basis for evaluating employee performance. When an organization places strong pressure on employees to meet predetermined targets, subordinates may be encouraged to formulate budgets that are easier to achieve by underestimating revenues or overestimating costs. From the perspective of agency theory, this behavior reflects a conflict of interest between principals, who expect realistic and efficient budgets, and agents, who seek favorable performance evaluations, incentives, promotions, or other rewards. The stronger the emphasis placed on budget achievement, the greater the incentive for agents to create a safety margin in the budget and reduce the risk of failing to meet performance targets. Previous studies have found that budget emphasis has a positive effect on budgetary slack (Dewi & Trisnawati, 2021; Safaria et al., 2023; Nugraha & Sulistyowati, 2024). Similar findings were reported by Meirina (2018), Munawaroh et al. (2024), and Junjunan & Yulianto (2019), indicating that greater pressure to achieve budget targets increases the likelihood of slack creation. Therefore, the following hypothesis is proposed:
H1: Budget emphasis has a positive effect on budgetary slack.

Organizational commitment reflects an individual's loyalty, psychological attachment, and willingness to prioritize organizational interests over personal interests. Employees with strong organizational commitment are more likely to identify themselves with institutional goals, accept responsibility for organizational outcomes, and prepare budgets that realistically reflect operational needs. In contrast, individuals with low organizational commitment may place greater emphasis on personal interests and become more inclined to engage in dysfunctional behavior, including the creation of budgetary slack. Agency theory suggests that organizational commitment may reduce conflicts of interest between principals and agents because highly committed individuals are less likely to act opportunistically at the expense of the organization. Empirical evidence supports this argument, as Sanjiwani & Suryanawa (2020), Kepramareni et al. (2020), and Regita Naraswari & Sukartha (2019), found that organizational commitment negatively affects budgetary slack. Accordingly, higher organizational commitment is expected to reduce employees' tendency to manipulate budget estimates for personal benefit. The following hypothesis is therefore proposed:
H2: Organizational commitment has a negative effect on budgetary slack.

Information asymmetry arises when subordinates possess more extensive and accurate information regarding operational conditions, resource requirements, performance potential, and implementation constraints than their superiors. Agency theory explains that such informational imbalance may provide agents with an opportunity to behave opportunistically, particularly when principals are unable to verify all information submitted during the budgeting process (Devece et al., 2016). In this situation, subordinates may strategically underestimate revenues or overestimate expenditures to establish less demanding budget targets and improve the likelihood of receiving favorable performance evaluations. This condition is particularly relevant in public service agency universities, where individual work units may possess more detailed information about their budgetary needs than higher-level decision makers. Previous studies have shown that information asymmetry positively affects budgetary slack (Harsanti et al., 2021; Yunista et al., 2024; Amahoru et al., 2026). These findings suggest that a wider information gap between superiors and subordinates increases the opportunity for agents to use privately held information in creating budgetary slack. Thus, the following hypothesis is formulated:
H3: Information asymmetry has a positive effect on budgetary slack.

The contingency approach suggests that the effects of management control mechanisms depend on contextual and individual factors. Individual capacity, which includes knowledge, skills, experience, competence, and analytical ability, may influence how employees respond to pressure to achieve budget targets. Although strong budget emphasis may encourage individuals to create slack as a means of avoiding failure, employees with greater capacity are generally better able to understand budgeting procedures, evaluate the consequences of unrealistic estimates, and prepare accurate budgets despite performance pressure. In the context of a public service agency university, competent employees are expected to respond to budget pressure through technical problem-solving rather than opportunistic manipulation. Al Furkhon & Yuhertiana (2022), found that individual capacity negatively affects budgetary slack, while Oktarini et al. (2025), similarly demonstrated that stronger individual capacity reduces the tendency to create slack. Based on contingency theory and prior empirical findings, individual capacity is expected

to weaken the positive relationship between budget emphasis and budgetary slack. Therefore, the following hypothesis is proposed:
H4: Individual capacity weakens the positive effect of budget emphasis on budgetary slack.

The negative effect of organizational commitment on budgetary slack may depend on whether employees possess sufficient capacity to translate their commitment into effective budgeting practices. Highly committed individuals are generally motivated to protect organizational interests; however, commitment alone may be insufficient when employees lack the knowledge, skills, experience, or analytical competence required to prepare realistic budgets. Conversely, individuals who combine strong organizational commitment with high capacity are more capable of converting institutional goals into accurate financial plans, allocating resources effectively, and avoiding unnecessary budgetary slack. The contingency approach therefore suggests that individual capacity strengthens the behavioral effect of organizational commitment. This argument is supported by Oktarini et al. (2025) and Al Furkhon & Yuhertiana (2022), who found that individual capacity has a negative effect on budgetary slack. Accordingly, employees with both high commitment and strong capacity are expected to show a lower tendency to create slack than employees whose commitment is not supported by adequate competence. The following hypothesis is thus proposed:
H5: Individual capacity strengthens the negative effect of organizational commitment on budgetary slack.

The influence of information asymmetry on budgetary slack may vary according to the capacity of the individuals who possess superior information. Employees with greater knowledge, experience, education, training, and analytical skills are expected to understand organizational objectives, accountability requirements, and the consequences of preparing unrealistic budgets. Although information asymmetry may provide agents with an opportunity to exploit privately held information, individuals with high capacity may be more capable of using such information responsibly to improve budget quality rather than to pursue personal interests. Amahoru et al. (2026) and Meirina (2018) found that information asymmetry positively affects budgetary slack, whereas Al Furkhon & Yuhertiana (2022) and Oktarini et al. (2025) found that individual capacity negatively affects budgetary slack. Drawing on the contingency perspective, individual capacity is therefore expected to limit the opportunistic use of informational advantages and weaken the positive relationship between information asymmetry and budgetary slack. Accordingly, the following hypothesis is proposed:
H6: Individual capacity weakens the positive effect of information asymmetry on budgetary slack.

Methods

This study employed a quantitative explanatory design to examine the effects of budget emphasis, organizational commitment, and information asymmetry on budgetary slack, as well as the moderating role of individual capacity. The research was conducted at Udayana University, a public university operating under the *Badan Layanan Umum* (Public Service Agency) financial management system. The population consisted of 72 employees directly involved in budgeting and financial planning, including Assistant Faculty Expenditure Treasurers and members of Faculty Planning Teams. Because all eligible population members were included, the study applied a census or saturated sampling technique. Primary cross-sectional data were collected using a structured questionnaire measured on a five-point Likert scale. The constructs of budget emphasis, organizational commitment, information asymmetry, budgetary slack, and individual capacity were measured using multiple indicators adapted from previous studies and adjusted to the public university budgeting context.

The data were analyzed using partial least squares structural equation modeling (PLS-SEM) with SmartPLS 4.0. The analysis consisted of measurement model and structural model assessments. Convergent validity was evaluated using indicator loadings and average variance extracted, while discriminant validity was assessed through cross-loadings. Internal consistency reliability was examined using Cronbach's alpha and composite reliability. After the measurement model met the validity and reliability criteria, the structural model was evaluated using the coefficient of determination (R^2), predictive relevance (Q^2), path coefficients, and interaction effects. Hypothesis testing was conducted through bootstrapping using a two-tailed test at a 5% significance level, with relationships considered significant when the t-statistic exceeded 1.96 and the p-value was below 0.05. The moderating effects of individual capacity were tested through interaction terms between individual capacity and each independent variable.

Result and Discussion

Measurement Model Assessment

The measurement model was assessed through convergent validity, discriminant validity, and internal consistency reliability. Convergent validity was first examined using the outer-loading values. Following Hair et al. (2014), an indicator loading above 0.70 indicates that the item adequately represents its intended construct. As presented in Table 1, all indicators recorded outer loadings ranging from 0.899 to 0.962. Therefore, all measurement items met the required convergent-validity criterion and were retained in the model.

Table 1
Outer-Loading Values

Variable	Indicator	Outer loading
Budget emphasis (X1)	X1.1	0.917
	X1.2	0.919
	X1.3	0.934
	X1.4	0.950
	X1.5	0.955
Organizational commitment (X2)	X2.1	0.911
	X2.2	0.938
	X2.3	0.943
	X2.4	0.938
	X2.5	0.917
	X2.6	0.928
Information asymmetry (X3)	X3.1	0.945
	X3.2	0.950
	X3.3	0.962
	X3.4	0.920
Budgetary slack (Y)	Y1	0.899
	Y2	0.937
	Y3	0.937
	Y4	0.901
	Y5	0.919
	Y6	0.907
Individual capacity (M)	M1	0.947
	M2	0.948
	M3	0.939
	M4	0.946
	M5	0.947

Primary Data, 2026

Discriminant validity was evaluated by comparing the loading of each indicator on its intended construct with its correlations with the remaining constructs. As shown in Table 2, each indicator loaded more strongly on its corresponding construct than on the other constructs. The results therefore confirm that the constructs were empirically distinguishable from one another.

Table 2
Cross-Loading Results

Indicator	M	X1	X2	X3	Y	QE (X3)	QE (X2)	QE (X1)
M1	0.947	0.065	0.128	0.047	0.240	0.013	−0.000	−0.008
M2	0.948	0.159	0.142	0.017	0.270	0.053	−0.069	−0.023
M3	0.939	0.170	0.108	0.039	0.298	0.036	0.007	−0.073
M4	0.946	0.034	0.167	−0.012	0.205	0.083	−0.028	−0.022
M5	0.947	0.109	0.202	0.019	0.215	0.053	−0.078	−0.011

Indicator	M	X1	X2	X3	Y	QE (X3)	QE (X2)	QE (X1)
X1.1	0.138	0.917	−0.045	0.137	0.475	−0.040	−0.219	0.034
X1.2	0.127	0.919	0.036	0.040	0.399	−0.056	−0.190	0.007
X1.3	−0.003	0.934	−0.047	0.084	0.451	−0.021	−0.191	0.036
X1.4	0.140	0.950	−0.059	0.139	0.513	−0.125	−0.193	0.059
X1.5	0.151	0.955	−0.009	0.263	0.523	−0.088	−0.205	0.024
X2.1	0.149	−0.122	0.911	−0.122	−0.425	0.033	−0.319	−0.088
X2.2	0.144	−0.017	0.938	−0.194	−0.467	0.141	−0.352	−0.120
X2.3	0.214	−0.070	0.943	−0.076	−0.397	0.024	−0.354	−0.060
X2.4	0.139	0.017	0.938	−0.139	−0.428	0.150	−0.331	−0.098
X2.5	0.069	0.008	0.917	−0.054	−0.353	0.041	−0.291	−0.035
X2.6	0.136	0.030	0.928	−0.119	−0.405	0.087	−0.290	−0.152
X3.1	0.017	0.182	−0.049	0.950	0.588	−0.427	−0.023	−0.043
X3.2	0.073	0.115	−0.223	0.945	0.603	−0.405	0.176	0.068
X3.3	0.016	0.168	−0.089	0.962	0.613	−0.443	0.043	0.053
X3.4	−0.015	0.091	−0.130	0.920	0.548	−0.481	0.150	−0.118
Y1	0.226	0.409	−0.404	0.586	0.899	−0.269	0.004	0.033
Y2	0.269	0.434	−0.435	0.548	0.937	−0.255	0.177	−0.049
Y3	0.274	0.518	−0.423	0.552	0.937	−0.252	0.082	−0.049
Y4	0.187	0.449	−0.361	0.631	0.901	−0.359	0.134	−0.049
Y5	0.317	0.483	−0.456	0.557	0.919	−0.311	0.118	−0.091
Y6	0.177	0.503	−0.373	0.559	0.907	−0.171	0.048	−0.047
QE (X3)	0.049	−0.073	0.088	−0.463	−0.295	1.000	−0.083	−0.134
QE (X2)	−0.034	−0.214	−0.349	0.090	0.103	−0.083	1.000	−0.114
QE (X1)	−0.032	0.035	−0.101	−0.008	−0.046	−0.134	−0.114	1.000

Primary Data, 2026

Convergent validity was further assessed through the average variance extracted. All AVE values exceeded the recommended threshold of 0.50, ranging from 0.841 for budgetary slack to 0.894 for individual capacity. These values indicate that each construct explained more than half of the variance in its indicators.

Table 3
Average Variance Extracted

Variable	AVE
Budget emphasis (X1)	0.875
Organizational commitment (X2)	0.863
Information asymmetry (X3)	0.892
Budgetary slack (Y)	0.841
Individual capacity (M)	0.894

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Internal consistency was examined using composite reliability and Cronbach’s alpha. As reported in Tables 4 and 5, composite-reliability values ranged from 0.962 to 0.984, exceeding the threshold of 0.70. Cronbach’s alpha values ranged from 0.960 to 0.971 and were also above the minimum criterion of 0.60. Therefore, all constructs demonstrated strong internal consistency.

Table 4
Composite-Reliability Results

Variable	Composite reliability
Budget emphasis (X1)	0.970
Organizational commitment (X2)	0.972
Information asymmetry (X3)	0.962
Budgetary slack (Y)	0.963
Individual capacity (M)	0.984

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Table 5
Cronbach's Alpha Results

Variable	Cronbach's alpha
Budget emphasis (X1)	0.964
Organizational commitment (X2)	0.968
Information asymmetry (X3)	0.960
Budgetary slack (Y)	0.962
Individual capacity (M)	0.971

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Overall, the outer-model assessment confirmed that all indicators and constructs met the required validity and reliability criteria. The analysis therefore proceeded to the structural-model evaluation.

Structural Model Assessment

The structural model was evaluated using the coefficient of determination, predictive relevance, and goodness of fit. Table 6 shows an R2R^2R2 value of 0.778 and an adjusted R2R^2R2 value of 0.753 for budgetary slack. This indicates that budget emphasis, organizational commitment, information asymmetry, individual capacity, and the interaction effects collectively explained 77.8% of the variation in budgetary slack, while the remaining 22.2% was attributable to factors outside the model.

Table 6
Coefficient of Determination

Endogenous variable	R^2	Adjusted R^2
Budgetary slack (Y)	0.778	0.753

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Predictive relevance was calculated as follows:
Q^2 = 1- (1-0,778) = 1 – 0,222 = 0,778
The Q2Q^2Q2 value of 0.778 was greater than zero, indicating that the model had predictive relevance for budgetary slack. The model's goodness of fit was calculated using the square root of the product of the average communality and the average R^2:
GoF = 0,25 (sedang) dan GoF = 0,36 (besar). Untuk GoF adalah sebagai berikut GoF = $\sqrt{Com \times R^2}$ = $\sqrt{0{,}873 \times 0{,}778}$ = 0,824
The resulting GoF value of 0.824 exceeded the threshold of 0.36 and was therefore classified as large. Accordingly, the model demonstrated a high overall level of explanatory adequacy based on the criteria used in this study.

Hypothesis Testing and Discussion

Hypothesis testing was conducted through a bootstrapping procedure in SmartPLS 4.0. A two-tailed test with a 5% significance level was applied. A relationship was considered significant when the *t*-statistic exceeded 1.96, and the *p*-value was below 0.05. Table 7 summarizes the direct and moderating effects.

Table 7
Path-Coefficient Results

Relationship	Original sample (O)	Sample mean (M)	Standard deviation	t-statistic	p-value	Decision
Budget emphasis → Budgetary slack	0.492	0.484	0.085	5.805	0.000	H1 supported
Organizational commitment → Budgetary slack	−0.452	−0.474	0.091	4.940	0.000	H2 supported
Information asymmetry → Budgetary slack	0.092	0.086	0.122	0.756	0.450	H3 not supported
Budget emphasis × Individual capacity → Budgetary slack	−0.058	−0.095	0.107	0.541	0.589	H4 not supported
Organizational commitment × Individual capacity → Budgetary slack	0.046	0.036	0.061	0.753	0.452	H5 not supported
Information asymmetry × Individual capacity → Budgetary slack	0.088	0.062	0.065	1.346	0.178	H6 not supported

Primary Data, 2026

Budget Emphasis and Budgetary Slack

Budget emphasis had a positive and significant effect on budgetary slack, as indicated by a path coefficient of 0.492, a t-statistic of 5.805, and a p-value below 0.001. Therefore, H1 was supported. This result indicates that stronger pressure to achieve budget targets increases employees' tendency to create slack. When budget attainment becomes a central criterion for performance evaluation or compensation, employees may establish less demanding targets to increase the likelihood of success and avoid sanctions or unfavorable evaluations.

This finding supports agency theory, which assumes that principals and agents may have different interests. While principals expect realistic budgets that support organizational performance, agents may seek to protect their own performance assessments. When budget outcomes are used as a principal measure of success, agents may either improve actual performance or make targets easier to achieve by introducing slack. The result is consistent with Junjunan & Yulianto (2019), Dewi & Trisnawati (2021), Safaria et al. (2023), and Ambaraini (2019), who found that stronger budget emphasis increases budgetary slack. However, it differs from Lazimatul et al. (2023), Meirina (2018), and Aditia & Nasution (2020), who reported no significant effect.

Organizational Commitment and Budgetary Slack

Organizational commitment had a significant negative effect on budgetary slack, with a path coefficient of −0.452, a t-statistic of 4.940, and a p-value below 0.001. H2 was therefore supported. The negative coefficient indicates that employees with stronger organizational attachment, loyalty, and responsibility are less likely to create budgetary slack. Conversely, employees with lower organizational commitment may be more inclined to prioritize personal interests, setting lower revenue targets or proposing expenditures that exceed actual needs (Ginanti & Widanaputra, 2022).

This result is consistent with agency theory because organizational commitment can align agents' interests with those of the principal. Employees who identify strongly with the institution are more likely to prioritize institutional goals and less likely to exploit their informational or operational position for personal advantage. The result suggests that employees involved in budgeting at Udayana University tend to reduce opportunistic budgeting behavior when they possess a strong sense of loyalty and responsibility toward the institution. This finding is consistent with Umasangadji et al. (2019), Islami & Nahartyo (2019), Pramudiati et al. (2022), and Zhuang et al. (2025), but differs from Pradita et al. (2021), Putri & Firmansyah (2022), and Stefanus Mamentu et al. (2023), who reported a positive relationship.

Information Asymmetry and Budgetary Slack

Information asymmetry had a positive but statistically insignificant effect on budgetary slack, with a coefficient of 0.092, a t-statistic of 0.756, and a p-value of 0.450. Therefore, H3 was not supported. The result indicates that differences in the information possessed by subordinates and superiors did not independently increase budgetary slack at Udayana University.

Although agency theory suggests that agents may exploit superior operational information to create easier budget targets, this informational advantage may not necessarily lead to opportunistic behavior. In the university context, clearly defined duties, reporting requirements, and financial-management procedures may require subordinates to disclose relevant information accurately to their superiors. Moreover, employees' detailed knowledge of their areas of responsibility may improve budget accuracy rather than create slack. This result is consistent with Bire Kire & Oematan (2019) and Pramudiati et al. (2022), who found that information asymmetry did not significantly contribute to budgetary slack. However, it differs from Harsanti et al. (2021), Amahoru et al. (2026), and Nahdah et al. (2025), who found that greater information asymmetry increased slack.

The Moderating Role of Individual Capacity in the Relationship Between Budget Emphasis and Budgetary Slack

The interaction between budget emphasis and individual capacity had a coefficient of −0.058, a t-statistic of 0.541, and a p-value of 0.589. Because the interaction effect was statistically insignificant, H4 was not supported. Individual capacity therefore neither strengthened nor weakened the effect of budget emphasis on budgetary slack.

This finding suggests that employees' knowledge, experience, analytical competence, and budgeting skills were insufficient to offset the behavioral consequences of strong target pressure. When budget achievement is used as a primary performance criterion, employees may continue to create a safety margin regardless of their technical capacity. In agency-theory terms, self-protective incentives generated by budget pressure may dominate the effect of individual competence. Thus, even highly capable employees may create slack when they perceive that failing to meet budget targets could result in sanctions or unfavorable performance assessments. This finding differs from Oktarini et al. (2025), who reported that stronger individual capacity reduces the tendency to create budgetary slack.

The Moderating Role of Individual Capacity in the Relationship Between Organizational Commitment and Budgetary Slack

The interaction between organizational commitment and individual capacity was also insignificant, with a coefficient of 0.046, a t-statistic of 0.753, and a p-value of 0.452. Consequently, H5 was not supported. Individual capacity did not strengthen the negative effect of organizational commitment on budgetary slack.

The result indicates that the ability of organizational commitment to reduce slack does not depend on employees' technical competence. Employees with strong institutional attachment may avoid opportunistic budgeting because of their loyalty and acceptance of organizational goals, regardless of differences in budgeting knowledge or experience. In contrast, technical capacity alone may not produce ethical or organization-oriented behavior when it is not accompanied by strong commitment. From an agency perspective, commitment reduces goal conflict by aligning personal and institutional interests, whereas capacity primarily reflects the ability to perform budgeting tasks. This result is consistent with Ardianti et al. (2015), who found that individual capacity did not moderate the relationship between participative budgeting and budgetary slack. Their findings suggest that budgetary behavior may be more strongly influenced by psychological and organizational conditions than by technical competence alone.

The Moderating Role of Individual Capacity in the Relationship Between Information Asymmetry and Budgetary Slack

The interaction between information asymmetry and individual capacity had a coefficient of 0.088, a t-statistic of 1.346, and a p-value of 0.178. H6 was therefore not supported. Individual capacity did not significantly alter the relationship between information asymmetry and budgetary slack.

The finding indicates that employees' knowledge, experience, and budgeting skills did not determine whether informational differences would be used to create slack. From the agency perspective, informational advantages may create opportunities for opportunistic behavior, but whether such opportunities are exploited may depend more on organizational controls, accountability mechanisms, personal values, and incentive structures than on individual competence. Moreover, because information asymmetry itself had no significant direct effect, there was limited evidence that individual capacity could meaningfully alter this relationship. This result is consistent with Adikusuma & Mukhzarudfa (2018), who found that individual capacity did not change the effect of budget participation on budgetary slack. The evidence therefore suggests that individual capacity is not a consistent contingency factor in explaining budgetary-slack behavior.

Conclusion

This study examined the effects of budget emphasis, organizational commitment, and information asymmetry on budgetary slack, as well as the moderating role of individual capacity, within the budgeting context of Udayana University. The findings demonstrate that budget emphasis has a positive and significant effect on budgetary slack, indicating that stronger pressure to achieve predetermined budget targets increases employees' tendency to create more attainable budget estimates. In contrast, organizational commitment has a negative and significant effect on budgetary slack, suggesting that employees with stronger loyalty, attachment, and responsibility toward the institution are less likely to engage in opportunistic budgeting behavior. Information asymmetry does not significantly affect budgetary slack, implying that differences in the information held by subordinates and superiors do not automatically lead to slack creation in a setting characterized by formal reporting procedures and clearly defined responsibilities.

The findings further show that individual capacity does not moderate the effects of budget emphasis, organizational commitment, or information asymmetry on budgetary slack. Employees' knowledge, skills, experience, and analytical competence were therefore insufficient to alter the behavioral effects of budget pressure, institutional commitment, or informational differences. These results indicate that budgetary slack in a public university is influenced more directly by organizational pressure and employees' psychological attachment to the institution than by individual technical capacity. Accordingly, the study supports the relevance of agency theory in explaining the direct effects of budget emphasis and organizational commitment, while the contingency role of individual capacity is not empirically supported in this research context.

Managerial Implications

The findings provide several practical implications for university management. First, management should reconsider the excessive use of budget achievement as the primary criterion for evaluating individual or unit performance. Strong budget emphasis may encourage employees to prioritize the achievement of easily attainable targets rather than the preparation of accurate and efficient budgets. Performance evaluation should therefore incorporate broader indicators, such as program outcomes, service quality, resource efficiency, compliance, and the accuracy of budget projections. Reward and sanction systems should also be designed carefully so that they do not unintentionally motivate employees to overestimate expenditures or underestimate revenues.

Second, the negative effect of organizational commitment suggests that strengthening employees' identification with institutional goals can reduce budgetary slack. University management should improve internal communication regarding institutional objectives, involve budgeting personnel in decision-making, recognize their contributions, and promote a culture of accountability and collective responsibility. Employees who understand how their budgeting decisions affect the university's academic and public-service objectives are more likely to prepare realistic budgets and prioritize institutional interests over personal performance considerations.

Third, although information asymmetry did not significantly affect budgetary slack, management should continue to maintain transparent and standardized information-sharing mechanisms. Budget proposals should be supported by verifiable operational data, historical realization records, workload projections, and documented program requirements. Regular coordination between faculty planning teams, expenditure treasurers, financial data officers, and university-level management can reduce uncertainty and improve the accuracy of budget decisions. The insignificant effect of information asymmetry should not be interpreted as evidence that information controls are unnecessary, but rather as an indication that the existing procedures may have limited the opportunistic use of private information.

Finally, the absence of significant moderating effects indicates that training and technical competence alone may not be sufficient to prevent budgetary slack. Capacity-building programs should therefore be integrated with improvements in performance evaluation, ethical standards, accountability mechanisms, supervisory practices, and organizational commitment. Budgeting training should not only emphasize technical procedures but also address ethical decision-making, realistic target setting, public accountability, and the long-term consequences of budget manipulation. This integrated approach may be more effective than relying solely on employees' individual knowledge and experience.

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