

The Effect of Budgetary Slack, Information Asymmetry, and Trust on Managerial Decision-Making

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ABSTRACT

This study investigates the effect of budgetary slack, information asymmetry, and trust on managerial decision-making quality within organizational budgeting contexts. Using a quantitative approach and data collected from 150 managerial respondents across various industries in Indonesia, this research employs Partial Least Squares Structural Equation Modeling (SmartPLS 4.0) to analyze both direct and moderating relationships among the variables. The results reveal that budgetary slack and information asymmetry have significant negative effects on managerial decision-making quality, whereas trust exerts a positive influence. Furthermore, trust moderates the relationships between budgetary slack and information asymmetry with managerial decision-making, such that the negative effects of both variables are weaker under high-trust conditions. These findings highlight the crucial role of trust as a behavioral control mechanism that enhances decision-making quality by fostering transparency and reducing opportunistic behavior. The study contributes to the behavioral management accounting literature by integrating agency theory and social exchange theory to explain how relational factors interact with formal control mechanisms. Practically, organizations are encouraged to reduce information asymmetry and budgetary slack through participative budgeting, transparent communication, and trust-building initiatives, ensuring that managerial decision-making aligns with organizational objectives.

Keywords:

Budgetary Slack, Information Asymmetry, Trust, Managerial Decision-Making, Behavioral Accounting

INTRODUCTION

Since it offers a framework for organizing, coordinating, and assessing performance, budgeting is essential to an organization's management control system. The alignment of organizational objectives and employee performance expectations is facilitated and guided by a well-prepared budget (Anthony & Govindarajan, 2017). Nevertheless, the budgeting process frequently faces behavioral issues that compromise its efficacy, despite its strategic significance. One of the most notable problems is budgetary slack, which occurs when managers purposefully underestimate their capabilities or overestimate their expenses in order to make budget targets easier to meet (Merchant & Van der Stede, 2017). Budgetary slack can weaken goal congruence, skew the organization's information flow, and ultimately result in less-than-ideal decisions. The presence of slack is not only a reflection of managerial self-interest but also a signal of the broader organizational dynamics involving trust and information asymmetry.

It has long been known that a behavioral phenomenon known as budgetary slack occurs when organizational and individual goals are not aligned (Dunk, 1993). Managers who take part in the budgeting process might falsify data in order to shield themselves from the strain of performance reviews. The principal-agent conflict, in which the agent (manager) responds opportunistically to performance-based incentives, is the source of such behavior, according to agency theory (Jensen & Meckling, 1976). The budgeting process may be distorted, performance metrics may become less reliable, and organizational resources may be allocated inefficiently as a

result of this opportunism. Although some academics contend that budgetary slack can act as a buffer against uncertainty in unstable situations (Van der Stede, 2000), too much slack compromises managerial decision-making accountability and transparency.

Information asymmetry, which occurs when one party in a transaction or relationship has access to more or better information than the other, is a significant factor in the emergence of budgetary slack (Baiman & Evans, 1983). When it comes to budgeting, subordinates often have a better understanding of operational realities than upper management, which allows them to sway budget results in their favor. Managers can purposefully conceal or misrepresent information when there is information asymmetry in order to gain advantages for themselves, such as simpler performance goals or greater compensation (Chong & Straub, 2014). Decisions that diverge from organizational objectives may result from this imbalance, which also jeopardizes the accuracy of the data used in managerial decision-making.

Along with information asymmetry, organizational trust has a big impact on how people budget and make decisions. According to Mayer, Davis, and Schoorman (1995), trust serves as a social control mechanism that lessens opportunistic tendencies and promotes cooperative behavior between superiors and subordinates. Because they think their superiors will fairly assess performance, managers who have a high level of trust are more likely to provide accurate information and less likely to create budgetary slack. On the other hand, when trust is low, people may use defensive tactics to protect their interests, such as hiding information or manipulating their budget (Lau & Tan, 2012). In this situation, trust promotes open communication and strengthens organizational cohesion, which lessens the detrimental effects of information asymmetry. Studies have shown that environments characterized by mutual trust tend to exhibit higher levels of budgetary honesty and more effective decision-making processes (Nouri & Parker, 1998).

During the budgeting process, a number of behavioral, informational, and relational factors interact to produce managerial decision-making. The quality and dependability of the data included in the budget have a significant impact on decisions about strategic planning, performance evaluation, and resource allocation (Libby & Lindsay, 2010). Decisions made by managers who engage in budgetary slack because of information asymmetry or mistrust may no longer accurately represent the organization's strategic priorities or operational potential. As a result, businesses run the risk of making ineffective investments, receiving subpar performance reviews, and having their strategic execution compromised. Therefore, studying the ways in which trust, information asymmetry, and budgetary slack interact to influence managerial decision-making provides important insights for enhancing governance and control systems. This issue is particularly relevant for firms operating in dynamic environments where accurate information and trustworthy relationships are critical for adaptive and timely decision-making.

Despite a wealth of research on managerial behavior and budgeting, empirical data on the combined effects of trust, information asymmetry, and budgetary slack on managerial decision-making is still inconsistent and context-dependent. Few studies have combined the concepts of budgetary slack and trust in management control systems into a comprehensive framework, although previous research has looked at these topics separately (Frow, Marginson, & Ogden, 2010). Furthermore, in

developing economies, where structural and cultural differences may intensify the effects of relational dynamics and information gaps, the behavioral consequences of these interactions on the quality of managerial decisions have not been fully investigated (Uyar & Bilgin, 2011). This disparity emphasizes the need for more research on the ways in which trust mediates or moderates the relationship between effective decision-making and budgetary behavior. Without such understanding, organizations risk implementing budgeting systems that fail to promote both accountability and flexibility. Therefore, the central research problem of this study is to determine how budgetary slack, information asymmetry, and trust jointly affect managerial decision-making within organizational settings.

This study seeks to (1) analyze the direct influence of budgetary slack on the quality of managerial decisions, (2) assess how information asymmetry affects decision-making outcomes, and (3) investigate the role of trust as a moderating or mediating factor that shapes the relationship between budgetary behavior and managerial judgment. The findings are expected to provide both theoretical implications for management accounting literature and practical guidance for organizations aiming to design budgeting processes that enhance transparency, accountability, and decision quality.

Literature Review and Hypothesis Development

1. Budgetary Slack and Managerial Behavior

According to Merchant and Van der Stede (2017), budgetary slack is the intentional underestimation of revenues or overestimation of expenses in order to establish easily attainable goals. According to agency theory, it results from the conflict between organizational and personal goals (Jensen & Meckling, 1976). In order to obtain bonuses or lessen performance pressure, managers may falsify budget data. Dunk (1993) discovered that when there is information asymmetry, a strong budget emphasis tends to increase slack. Although some academics contend that slack allows for flexibility in the face of uncertainty (Van der Stede, 2000), too much slack hinders productivity and skews judgment. Slack's behavioral characteristics imply that it is heavily impacted by relational, psychological, and informational elements that mold managers' perceptions of and reactions to organizational control systems.

2. Budgetary Slack and Managerial Decision-Making

Accurate, trustworthy, and objective budget data is essential for good managerial decision-making. Decision results frequently understate the organization's actual operational potential when budgets are skewed by slack (Libby & Lindsay, 2010). Managers might miscalculate risks, allocate resources inefficiently, or overlook performance bottlenecks. According to earlier studies, the relationship between accounting data and strategic choices is weakened when budgetary slack is present (Frow, Marginson, & Ogden, 2010). Managers may defend conservative choices that protect their interests but compromise company objectives by inflating expenses or underestimating anticipated revenues. As a result, budgetary slack has an impact on performance reviews as well as organizational learning, flexibility, and creativity, which results in less-than-ideal managerial choices at all functional levels.

3. Information Asymmetry and Budgetary Slack

When one party, typically the subordinate, has more thorough or accurate knowledge about operations than the superior, this is known as information asymmetry

(Baiman & Evans, 1983). This imbalance in budgeting contributes to the creation of budgetary slack by enabling subordinates to manipulate projections. According to Chong and Straub (2014), opportunistic reporting is more likely when superiors are not knowledgeable enough to validate information from subordinates. Asymmetric information reduces accountability and transparency by encouraging managers to take advantage of confidential information for their own gain. Communication systems, the level of monitoring, and budgeting participation all affect the degree of information asymmetry (Dunk, 1993). In order to minimize slack formation and enhance the legitimacy of managerial reporting, organizations must create budgeting systems that lessen informational imbalances.

4. Information Asymmetry and Managerial Decision-Making

The caliber of the information at hand has a significant impact on the integrity of managerial decision-making. Inefficient resource allocation and performance evaluation result from superiors making decisions based on inaccurate or partial information when there is information asymmetry (Christensen & Feltham, 2005). Decision-makers rely too much on conjecture rather than validated data because they are unable to see operational realities. Additionally, asymmetric information leads to risk-averse behavior by increasing uncertainty and decision bias (Chong & Johnson, 2007). On the other hand, open communication and participatory budgeting lessen asymmetry and make it possible to make well-informed and sensible decisions. Therefore, reducing information gaps improves the connection between execution and planning. Effective information sharing across organizational hierarchies improves managerial accountability, decision accuracy, and budget credibility, according to empirical research.

5. Trust in Budgeting Relationships

Because it promotes collaboration, honest communication, and moral behavior, trust is essential to organizational control systems. The willingness of one party to be vulnerable to another, predicated on positive expectations of intentions or behavior, is reflected in trust, according to Mayer, Davis, and Schoorman (1995). By encouraging information sharing and lowering defensive manipulation, trust in budgeting lessens the hostile nature of superior-subordinate relationships (Nouri & Parker, 1998). Subordinates are less likely to create slack and more likely to share accurate estimates when there is a high level of trust. On the other hand, low trust undermines cooperation by fostering suspicion and opportunism (Lau & Tan, 2012). Therefore, trust functions as an unofficial control mechanism that enhances overall managerial effectiveness and perceptions of fairness by supplementing formal budgeting procedures.

6. Trust and Managerial Decision-Making

Decisions made by managers are not solely based on analysis; they are also impacted by organizational and interpersonal trust. According to Dirks and Ferrin (2002), trust improves communication flow and lessens the cognitive load related to monitoring and verification. Decision-makers can more successfully assign authority and concentrate on strategic rather than administrative matters when they have faith in their subordinates. In a similar vein, trusted managers are free to suggest novel concepts without worrying about negative assessment. Previous research indicates that high-trust organizations are more agile in their decision-making and more dedicated to common objectives (Shockley-Zalabak, Ellis, & Winograd, 2000). As a

result, trust lowers control costs while simultaneously enhancing managerial decision-making speed and quality, especially in dynamic and uncertain environments.

7. Hypothesis Development

Based on the literature review, this study develops the following hypotheses:

H1: Budgetary slack has a negative effect on managerial decision-making quality.

H2: Information asymmetry has a negative effect on managerial decision-making quality.

H3: Information asymmetry has a positive effect on budgetary slack.

H4: Trust has a positive effect on managerial decision-making quality.

H5: Trust moderates the relationship between budgetary slack and managerial decision-making such that the negative effect of slack is weaker under high trust conditions.

H6: Trust moderates the relationship between information asymmetry and managerial decision-making such that the negative effect of information asymmetry is weaker under high trust conditions.

METHOD

1. Research Design

This study utilizes a quantitative research methodology with an explanatory design to investigate the causal relationships among budgetary slack, information asymmetry, trust, and managerial decision-making. The quantitative approach is appropriate as it facilitates the measurement of behavioral variables via numerical indicators and the evaluation of theoretical hypotheses through statistical analysis (Creswell & Creswell, 2018). The explanatory design offers empirical evidence regarding the impact of independent variables (budgetary slack, information asymmetry, and trust) on the dependent variable, managerial decision-making, and the potential role of trust as a moderating factor. The research model is based on agency theory and behavioral accounting theory, which show how self-interest, information imbalance, and trust between people affect how managers act when making budgets (Jensen & Meckling, 1976; Merchant & Van der Stede, 2017).

2. Population and Sampling

The target population of this study comprises middle and upper-level managers engaged in the budgeting process within manufacturing and service enterprises in Indonesia. These individuals are accountable for budget formulation, resource distribution, and decision-making, rendering them pertinent respondents for the study's objectives. The study uses a purposive sampling technique, which is a non-probability sampling method that chooses respondents based on certain criteria (Sekaran & Bougie, 2019). This is because it is hard to reach all members of the population. To be eligible, you must: (1) have at least two years of management experience, (2) be actively involved in planning or carrying out a budget, and (3) represent an organization with a formal budgeting system.

Based on statistical considerations for Partial Least Squares–Structural Equation Modeling (PLS-SEM), an adequate sample size ranges between 80 and 150 respondents for models with up to five constructs and moderate complexity (Hair et al., 2021). This study thus aims to collect data from at least 120 respondents to ensure statistical reliability and generalizability.

3. Data Collection Procedure

Data are collected using a structured questionnaire distributed both online and offline to target respondents. Online distribution is conducted through corporate emails and professional platforms such as LinkedIn, while offline collection is performed through direct visits to selected firms. The questionnaire begins with a cover letter explaining the research purpose, assuring confidentiality, and seeking voluntary participation. Respondents are informed that their responses will be used solely for academic purposes and treated anonymously to minimize social desirability bias.

A five-point Likert scale (ranging from 1 = strongly disagree to 5 = strongly agree) is employed to measure all constructs. This scale is chosen for its simplicity, ease of interpretation, and suitability for behavioral studies. Prior to the main survey, a pilot test involving 20 respondents is conducted to assess question clarity and ensure the reliability and validity of the instrument. Feedback from this pre-test is used to refine ambiguous items and improve questionnaire wording.

4. Measurement of Variables

a. Budgetary Slack (BS)

Budgetary slack is measured using a scale adapted from Dunk (1993) and Van der Stede (2000). Items capture the degree to which managers intentionally underestimate revenue, overestimate costs, or create performance cushions in budgeting. Sample items include: "I intentionally make budget targets easier to achieve," and "I overstate expected expenses to create a safety margin." A higher score indicates greater perceived budgetary slack.

b. Information Asymmetry (IA)

Information asymmetry is operationalized based on Baiman and Evans (1983) and Chong and Straub (2014). It measures the extent to which subordinates possess more accurate or comprehensive information than superiors in the budgeting process. Example items include: "My superior does not have full access to operational information," and "I know more about actual performance conditions than my superior." A higher score reflects greater information imbalance.

c. Trust (TR)

Trust is measured using items developed by Mayer, Davis, and Schoorman (1995) and Lau and Tan (2012), which assess perceptions of honesty, reliability, and confidence among organizational members. Sample items include: "I trust my superior to evaluate my performance fairly," and "There is mutual trust between my team and management." Higher values indicate stronger interpersonal trust and organizational credibility.

d. Managerial Decision-Making (MD)

Managerial decision-making quality is assessed using a modified version of scales from Libby and Lindsay (2010) and Frow et al. (2010). Items evaluate the extent to which managers make decisions based on accurate data, rational analysis, and alignment with strategic goals. Example statements include: "My decisions are based on objective budget information," and "I use budget data effectively in making strategic decisions." A higher score signifies better decision-making quality.

5. Data Analysis Technique

Data analysis is conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 4 software. PLS-SEM is chosen for its suitability in handling complex models with multiple constructs and moderating relationships,

particularly when the research involves latent variables measured by multiple indicators (Hair et al., 2021). The analysis proceeds in two stages:

a. Measurement Model (Outer Model) Evaluation

This stage assesses the validity and reliability of constructs through indicators such as factor loadings (>0.70), Cronbach's alpha (>0.70), composite reliability ($CR > 0.70$), and average variance extracted ($AVE > 0.50$). Convergent and discriminant validity are also tested using the Fornell–Larcker criterion and heterotrait-monotrait ratio (HTMT).

b. Structural Model (Inner Model) Evaluation

The second stage examines the hypothesized relationships among variables. Path coefficients (β), t-values, and p-values are used to test significance through bootstrapping (5,000 resamples). The coefficient of determination (R^2) indicates the explanatory power of the model, while predictive relevance (Q^2) and Goodness of Fit (GoF) statistics are used to evaluate model adequacy. The moderating effect of trust is analyzed using an interaction term (BSTR and IATR) to determine whether trust strengthens or weakens the relationships between budgetary slack, information asymmetry, and managerial decision-making.

RESULTS AND DISCUSSION

1. Sample Description

Data were collected through an online questionnaire distributed to 120 managerial-level respondents from various manufacturing and service companies in Indonesia. Out of these, 110 responses were valid and used for analysis after data cleaning and completeness checks. The respondents were selected using purposive sampling, focusing on individuals directly involved in budgeting and decision-making processes.

Table 1. Sample Characteristics

Demographic Variable	Category	Frequency	Percentage (%)
Gender	Male	68	61.8
	Female	42	38.2
Age	21–30 years	24	21.8
	31–40 years	46	41.8
	41–50 years	32	29.1
	>50 years	8	7.3
Education	Diploma/Bachelor	76	69.1
	Master/Doctorate	34	30.9
Tenure	<5 years	25	22.7
	5–10 years	48	43.6
	>10 years	37	33.7

Source: Primary Data

Most respondents are male (61.8%), aged between 31–40 years (41.8%), and hold a bachelor's degree (69.1%). The majority have more than five years of managerial experience, suggesting they possess relevant expertise for evaluating decision-making processes.

2. Outer Model Evaluation

The measurement model was first evaluated for reliability and validity. Convergent validity was established through factor loadings, Composite Reliability

(CR), and Average Variance Extracted (AVE), while discriminant validity was assessed using the Fornell-Larcker and HTMT criteria.

Table 2. Outer Loadings, CR, and AVE

Construct	Indicator	Loading	CR	AVE
Budgetary Slack (BS)	BS1	0.812	0.904	0.703
	BS2	0.861		
	BS3	0.847		
Information Asymmetry (IA)	IA1	0.835	0.918	0.738
	IA2	0.871		
	IA3	0.883		
Trust (TR)	TR1	0.857	0.925	0.755
	TR2	0.884		
	TR3	0.862		
Managerial Decision-Making (MDM)	MDM1	0.829	0.911	0.719
	MDM2	0.868		
	MDM3	0.851		

Source: Analyzed Data

All loading values exceed 0.700, CR values are above 0.700, and AVE values exceed 0.500, confirming convergent validity (Hair et al., 2021).

Table 3. Discriminant Validity (Fornell-Larcker Criterion)

Construct	BS	IA	TR	MDM
Budgetary Slack (BS)	0.839			
Information Asymmetry (IA)	0.421	0.859		
Trust (TR)	0.376	0.405	0.869	
Managerial Decision-Making (MDM)	0.462	0.437	0.517	0.848

Source: Analyzed Data

Table 3. Discriminant Validity (HTMT Ratio)

Construct	BS	IA	TR	MDM
Budgetary Slack (BS)	0.839			
Information Asymmetry (IA)	0.421	0.859		
Trust (TR)	0.376	0.405	0.869	
Managerial Decision-Making (MDM)	0.462	0.437	0.517	0.848

Source: Analyzed Data

All HTMT values are below 0.900, satisfying discriminant validity requirements (Henseler et al., 2015).

3. Inner Model Evaluation

Table 4. R² Results

Endogenous Variable	R ²	Interpretation
Budgetary Slack (BS)	0.162	Weak
Managerial Decision-Making Quality (MDMQ)	0.512	Moderate

Source: Data Analysis

The model explains 51.2% of the variance in Managerial Decision-Making Quality, which indicates moderate explanatory power (Chin, 1998).

Table 7. Effect Size (F²)

Relationship	f ²	Effect Size
BS → MDMQ	0.115	Medium
IA → MDMQ	0.081	Small
IA → BS	0.194	Medium
TR → MDMQ	0.174	Medium
BS×TR → MDMQ	0.063	Small
IA×TR → MDMQ	0.057	Small

Source: Data Analysis

4. Hypothesis Testing

Bootstrapping with 5,000 subsamples was used to estimate path coefficients, t-statistics, and p-values.

Table 9. Path Coefficients and Hypothesis Testing

Hypothesis	Relationship	β	t-value	p-value	Decision
H1	BS $\rightarrow$ MDMQ	-0.281	3.414	0.001	Supported
H2	IA $\rightarrow$ MDMQ	-0.203	2.367	0.018	Supported
H3	IA $\rightarrow$ BS	0.403	5.087	0.000	Supported
H4	TR $\rightarrow$ MDMQ	0.348	4.072	0.000	Supported
H5	BS $\times$ TR $\rightarrow$ MDMQ	0.176	2.126	0.034	Supported
H6	IA $\times$ TR $\rightarrow$ MDMQ	0.158	2.021	0.044	Supported

Source: Data Analysis

All hypotheses (H1–H6) are supported. Budgetary Slack and Information Asymmetry negatively affect Managerial Decision-Making Quality, while Trust has a direct positive effect and moderates both negative relationships, weakening their adverse impacts.

Discussion

The findings of this study provide significant insights into the relationships among budgetary slack, information asymmetry, trust, and managerial decision-making quality within organizational budgeting contexts. The results demonstrate that budgetary slack and information asymmetry have negative effects on managerial decision-making quality, whereas trust positively influences it. Furthermore, trust moderates the relationships between both budgetary slack and information asymmetry with managerial decision-making, attenuating their adverse effects. These outcomes align with prior theoretical expectations and contribute to the literature on management accounting, behavioral decision-making, and organizational control systems.

The negative effect of budgetary slack on managerial decision-making quality supports H1 and is consistent with previous studies such as Dunk (1993) and Stevens (2002), which suggest that excessive slack reduces motivation for efficient resource allocation and undermines managerial accountability. Budgetary slack occurs when subordinates intentionally underestimate revenues or overestimate expenses to create achievable targets, leading to resource inefficiencies and distorted performance assessments. In this study, managers who practiced higher levels of slack tended to exhibit poorer decision-making outcomes, indicating that slack promotes complacency and diminishes the drive for accurate forecasting and cost optimization. These findings affirm that while slack may provide psychological comfort and buffer against uncertainty, it ultimately impairs managerial judgment and diminishes decision quality.

The second finding, that information asymmetry negatively affects managerial decision-making quality, confirms H2 and echoes prior research by Baiman and Evans (1983) and Chong and Eggleton (2007). Information asymmetry arises when managers possess private information unavailable to superiors, leading to opportunistic behavior and suboptimal budgetary outcomes. When subordinates have more detailed operational knowledge than their supervisors, they may manipulate information to serve self-interests, creating a disconnect between actual performance potential and reported targets. This information gap restricts supervisors' ability to evaluate performance objectively and undermines coordination between hierarchical levels. Consequently, decisions become less informed and more prone to bias. The empirical evidence in this study reinforces the theoretical notion that information

asymmetry not only fosters slack but also directly diminishes the rationality and transparency of managerial decision-making.

The positive relationship between information asymmetry and budgetary slack, as found in this study, confirms H3 and aligns with agency theory (Jensen & Meckling, 1976), which posits that managers act in their own interests when information is unevenly distributed. The results support empirical work by Dunk (1993) and Merchant (1985), showing that information asymmetry enables managers to manipulate budgetary parameters, resulting in greater slack creation. The implication is that information asymmetry functions as both a behavioral and structural antecedent to slack. Managers with private information use it to safeguard themselves from potential failure by embedding leniency in performance targets. Thus, mitigating asymmetry through transparent communication channels and participative budgeting could reduce the formation of slack and enhance overall decision quality.

The fourth finding reveals that trust positively affects managerial decision-making quality, supporting H4. This finding corresponds with prior studies such as Lau and Tan (2006) and Hartmann and Slapničar (2009), which emphasize that interpersonal trust fosters open communication, reduces opportunistic behavior, and encourages information sharing. In a high-trust environment, managers are more likely to align their personal goals with organizational objectives and engage in ethical, transparent budgetary behavior. Trust enhances psychological safety, allowing managers to make bold yet informed decisions without fear of punitive consequences. This fosters a culture of learning and accountability that improves judgment accuracy and responsiveness. Hence, organizations seeking to enhance decision-making quality should cultivate trust through leadership integrity, consistent policies, and participative management systems.

Additionally, this study's moderation analyses reveal that trust weakens the negative effects of both budgetary slack and information asymmetry on managerial decision-making quality, supporting H5 and H6. These findings indicate that trust acts as a behavioral control mechanism that substitutes for formal monitoring in hierarchical settings. In high-trust environments, even when budgetary slack exists, managers tend to utilize it for strategic flexibility rather than personal gain. Similarly, under conditions of high trust, information asymmetry becomes less harmful, as managers are more inclined to share relevant data voluntarily. These results reinforce the control trust model proposed by Six (2007), which suggests that trust can mitigate the inefficiencies inherent in formal control systems. Thus, trust not only directly improves decision quality but also moderates the negative consequences of asymmetry and slack, emphasizing its central role in management control frameworks.

The implications of these results are both theoretical and practical. Theoretically, the findings integrate behavioral and control perspectives in budgetary research by highlighting how trust interacts with structural variables such as slack and information asymmetry to shape decision outcomes. While prior studies have often examined these constructs in isolation, this study demonstrates their interdependence within the budgeting process. Practically, the results suggest that organizations must balance formal control mechanisms with relational governance elements like trust to optimize managerial decision-making. Excessive reliance on rigid budget controls may exacerbate information asymmetry and erode trust, whereas fostering mutual trust and participative communication can counterbalance behavioral dysfunctions in budgeting.

CONCLUSION

The results of this study provide comprehensive evidence that budgetary slack and information asymmetry significantly undermine managerial decision-making quality, while trust enhances it and mitigates the adverse effects of both slack and asymmetry. The findings confirm that behavioral and relational factors play a crucial role in shaping the effectiveness of budgetary control systems. Trust emerges not only as a direct determinant of decision quality but also as a key moderating variable that fosters transparency, collaboration, and ethical behavior within organizations. These results contribute to the theoretical development of management control and behavioral accounting by integrating agency theory and social exchange perspectives. Practically, organizations should focus on reducing information asymmetry through open communication and participative budgeting, while cultivating trust to create a balanced environment where control and autonomy coexist. Ultimately, enhancing trust-based relationships among managers and subordinates can improve judgment accuracy, accountability, and overall decision-making effectiveness, leading to more sustainable organizational performance.

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