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Trust as a behavioral mechanism linking incentive schemes to budgetary slack: A laboratory experiment

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Abstract

This study examines the role of trust as a behavioral mechanism linking incentive scheme design to budgetary slack. While prior research has shown that incentive schemes influence budgetary slack, most explanations remain grounded in an economic perspective rooted in Agency Theory. This study integrates Agency Theory and Social Exchange Theory to explain how incentive scheme design shapes trust and subsequently influences budgeting behavior. Using a between subjects laboratory experiment, participants were randomly assigned to either a truth-inducing or a slack-inducing incentive scheme and then completed a budgeting task involving private information. Data were analyzed using Analysis of Variance and mediation analysis with the Hayes PROCESS macro. Results show that the truth-inducing incentive scheme significantly increases trust and reduces budgetary slack relative to the slack-inducing scheme. Trust also has a negative effect on budgetary slack and mediates the relationship between incentive scheme design and budgetary slack. These findings extend the behavioral management accounting literature by showing that trust is a behavioral mechanism explaining how incentive scheme design shapes the use of private information in the budgeting process. The results suggest that the effectiveness of management control systems depends not only on aligning economic incentives but also on building trust, so that information asymmetry is more likely to result in honest budget reporting rather than opportunistic behavior.

Keywords: Budgetary Slack, Incentive Schemes, Trust, Agency Theory, Social Exchange Theory, Management Control Systems

JEL Classification: M41, M52, D82, D91

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1. Introduction

Organizations are increasingly relying on performance-based budgeting systems to improve organizational accountability and performance (Azam & Bouckaert, 2025). Among these systems, budgeting remains one of the most important control mechanisms. However, despite the growing sophistication of management control systems, opportunistic behavior in the budgeting process remains a persistent challenge that undermines the effectiveness of the budgeting process(Müller, Gomez-Ruiz, & Naranjo-Gil, 2025). When the achievement of budget targets serves as the primary basis for performance evaluation and incentive granting, the budgeting system can create incentives for individuals to act opportunistically. Under such conditions, the budgeting process is no longer solely aimed at producing accurate estimates as a basis for planning but also becomes a means for individuals to protect or maximize their personal interests (Douthit, Schwartz, Stevens, & Young, 2022; Hobson, Mellon, & Stevens, 2011; Merchant, 1985).

One form of opportunistic behavior that has received the most attention in the management accounting literature is budgetary slack. Budgetary slack refers to a situation in which subordinates intentionally propose lower targets or higher resource requirements than the actual estimates, thereby making budget targets easier to achieve(Chow, Cooper, & Haddad, 1991; Webb, 2002). Various studies indicate that the design of incentive schemes is one of the main factors influencing the formation of budgetary slack. Previous research has consistently shown that incentive schemes that encourage budgetary slack lead to conservative budget proposals, whereas contracts that promote honesty reduce budgetary slack by rewarding honest reporting (Chow et al., 1991; Douthit et al., 2022; Hobson et al., 2011). These findings have confirmed that incentive schemes are an important mechanism for explaining the emergence of budgetary slack.

Although previous research has consistently shown that various incentive schemes affect the level of budgetary slack (Chow et al., 1991; Chow, Cooper, & Waller, 1988; Douthit et al., 2022; Hobson et al., 2011; F.F. Rohma, 2024). Little is known about why individuals facing identical incentive contracts often make different budgeting decisions. Research findings (Agustina, Suharman, Sumantri, & Agoes, 2024; Apriwandi & Christine, 2023; Dewi, Sarumpaet, & Gamayuni, 2022; Rabbani, Nahartyo, Mattunruang, & Maksar, 2025; Frida Fanani Rohma & Novitasari, 2023) confirm that individuals respond differently to the same incentive schemes because budgeting decisions are influenced not only by economic considerations but also by psychological and social processes. Collectively, these findings suggest that the relationship between incentive schemes and budgetary slack cannot be fully explained through an economic perspective alone. Further explanation is needed regarding the behavioral mechanisms that cause individuals to respond differently to the same incentive schemes.

Social Exchange Theory can explain why identical incentive schemes can elicit different budgeting responses. Individuals interpret organizational policies and actions as signals of how the organization values and treats them. When organizational policies reflect trust, fairness, and

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appreciation for employees, individuals tend to reciprocate through behavior that supports the organization's goals (Dirks & Ferrin, 2002). Conversely, if the control system is perceived more as a monitoring mechanism that emphasizes personal interests, employees tend to prioritize their own interests over the organization's goals. This is also supported by recent developments in the management control literature, which indicate that management control systems influence employee behavior not only through formal mechanisms such as goal setting, monitoring, and performance evaluation, but also through the formation of employees' perceptions regarding fairness, organizational support, and the quality of their relationships with supervisors (Lopez-Valeiras, Gomez-Conde, Naranjo-Gil, & Malagueño, 2024; Vuorenmaa, 2024; Weber, Pedell, & Rötzel, 2024). In other words, management control systems not only convey economic incentives but also send relational signals that employees interpret before deciding whether to act cooperatively or opportunistically. Therefore, the same control system can produce different behaviors because individuals interpret organizational signals differently.

In line with (Banaag, 2024) this study demonstrates that budgeting techniques are crucial in translating managerial decisions into improved organizational performance. It expands on that perspective by showing that the effectiveness of management control systems depends not only on the design of budgeting mechanisms but also on their ability to build trust. Although (Banaag, 2024) identifies budgeting techniques as the mechanism linking decision-making and performance, our findings suggest that trust serves as a complementary behavioral mechanism that, through incentive schemes, reduces budgetary slack and encourages honest budget reporting.

Previous research has successfully explained whether incentive schemes increase or reduce budgetary slack. However, these studies have largely focused on the economic consequences of incentive schemes and paid relatively little attention to the behavioral mechanisms that explain why individuals respond differently to the same incentive schemes. This gap is the primary focus of this study. This study argues that trust is an overlooked behavioral mechanism that explains how incentive schemes influence budgeting behavior. Recent research shows that trust enhances honesty in managerial reporting, reduces opportunistic behavior, and encourages individuals to provide more accurate information during the budgeting process (Agustina et al., 2024; Douthit et al., 2022).

Unlike many other organizational settings, tax administration evaluates performance directly based on revenue targets, making target setting highly susceptible to conservative reporting and budgetary slack. Therefore, this context serves as an ideal empirical laboratory to test whether trust can explain how incentive schemes influence budgeting behavior. This study contributes to the management control literature in three key aspects. First, this study demonstrates that management control systems operate not only through economic incentives but also through relational mechanisms that build trust. Second, this study expands Agency Theory by showing that information asymmetry does not always lead to opportunistic budgeting behavior; rather, it is trust

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that determines whether private information is used honestly or strategically. Third, by integrating Agency Theory and Social Exchange Theory, this study explains the behavioral process through which incentive schemes influence honest budget reporting and reduce budgetary slack.

2. Literature Review and Hypothesis Formulation

2.1 Incentive Schemes and Trust

Social Exchange Theory (SET) states that the relationship between an organization and its employees develops through a process of social exchange based on the principle of reciprocity, whereby individuals respond to the treatment they receive from the organization with corresponding attitudes and behaviors (Ahmad, Nawaz, Ishaq, Khan, & Ashraf, 2023; Blau, 1964; Cropanzano, Anthony, Daniels, & Hall, 2017). From this perspective, employees' responses to organizational policies are determined not only by the economic benefits they receive but also by the relational meaning they derive from those policies. Organizational policies are perceived as signals regarding the extent to which the organization values, trusts, and supports its employees. Therefore, management control systems serve not only as formal mechanisms for directing and evaluating performance but also as relational mechanisms that shape employees' perceptions of the quality of their relationship with the organization (Lopez-Valeiras et al., 2024; Vuorenmaa, 2024; Weber et al., 2024).

In the context of budgeting, the design of an incentive scheme is one form of relational signal that the organization conveys to employees. A truth-inducing incentive scheme rewards the provision of accurate budget information, rather than merely the achievement of budget targets (Nguon, Sadangharn, & Sanglimsuwan, 2025). Therefore, this scheme emphasizes honesty, transparency, and integrity in the budgeting process by encouraging employees to disclose private information honestly and reducing the tendency to misrepresent or create budgetary slack (Chow et al., 1991; Chow et al., 1988; Daumoser, Hirsch, & Sohn, 2018). Through this design, the organization communicates that employees are trusted to provide accurate estimates without having to manipulate information to earn rewards. According to SET, signals reflecting trust and appreciation such as these encourage employees to develop positive reciprocal relationships, which are reflected in increased trust in the organization and its leaders(Baquero, 2023; Dirks & Ferrin, 2002). Recent literature also indicates that control practices emphasizing support, fairness, and recognition of employee professionalism tend to strengthen trust and enhance cooperative behavior within organizations (Lopez-Valeiras et al., 2024; Vuorenmaa, 2024; Weber et al., 2024). This indicates that the effectiveness of management control systems depends not only on formal control procedures but also on their ability to foster positive perceptions of relationships among employees (Opaleye & Adelugba, 2024).

Conversely, slack-inducing incentive schemes provide rewards primarily based on achieving budget targets, rather than on the accuracy of reporting private information. Because these schemes do not explicitly provide incentives for honest budget reporting, employees have an economic

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incentive to set targets that are easier to achieve by understating expected performance or overstating resource needs, thereby increasing the likelihood of budgetary slack (Chow et al., 1991; Chow, Hirst, Shields, & Waller, 1994; Hobson et al., 2011). From a SET perspective, this design sends a signal that the organization values end results more than process integrity, leading employees to view the organization, employee relationship as a transactional one focused solely on economic interests. This perception tends to reduce the belief that the organization genuinely values professionalism and employee interests, thereby undermining trust. Developments in the literature on management control systems indicate that the design of control systems influences employee behavior not only through the alignment of economic incentives but also through the formation of relational perceptions regarding fairness, organizational support, shared values, and trust. Thus, employees' responses to control systems depend heavily on how these mechanisms are interpreted, rather than solely on their formal characteristics (Lopez-Valeiras et al., 2024; Vuorenmaa, 2024; Weber et al., 2024; Weibel et al., 2016). Based on these theoretical arguments and empirical evidence, this study posits that a truth-inducing incentive scheme will result in higher levels of trust compared to a slack-inducing incentive scheme, as these two incentive designs send different relational signals regarding how the organization values and treats its employees.

H_1 : Individuals assigned to a truth-inducing incentive scheme will exhibit higher levels of trust than individuals assigned to a slack-inducing incentive scheme.

2.2 Incentive Schemes and Budgetary Slack

Agency Theory explains that the relationship between principals and agents is characterized by conflicts of interest and information asymmetry, which provide agents with opportunities to act opportunistically to maximize their personal utility(Jensen & Meckling, 2019) . In the context of budgeting, agents generally possess better information about the actual capacity and performance prospects of their work units than principals do. When organizational rewards are primarily determined by success in meeting budget targets, information asymmetry creates an incentive for agents to exploit their private information by proposing targets that are easier to achieve. This behavior allows agents to increase the probability of receiving incentives without having to improve actual performance, thereby encouraging the formation of budgetary slack (De Baerdemaeker & Bruggeman, 2015; Dunk, 1993).

Agency Theory also asserts that opportunistic behavior can be reduced through contract design that aligns the interests of the principal and the agent. In management accounting literature, a truth-inducing incentive scheme is a contractual mechanism designed to alter the incentive structure so that reporting truthful information becomes the most profitable strategy for the agent. Unlike a slack-inducing incentive scheme, which rewards agents primarily based on achieving budget targets, a truth-inducing incentive scheme rewards agents for the accuracy of the reported information. Thus, economic benefits are no longer derived from manipulating budget targets but

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rather from providing more accurate performance estimates (Chow et al., 1991; Douthit et al., 2022; Hobson et al., 2011).

These theoretical predictions are supported by consistent empirical evidence. Experimental studies show that truth-inducing incentive schemes significantly result in lower levels of budgetary slack compared to slack-inducing incentive schemes because they reduce the economic incentive to conceal private information and increase honesty in budget reporting (Douthit et al., 2022; Hobson et al., 2011; F.F. Rohma, 2024). Developments in the management control literature also indicate that the effectiveness of control systems depends not only on the presence of incentives but primarily on how the design of those incentives aligns organizational goals with individual interests, thereby reducing opportunistic behavior in the budgeting process (Lopez-Valeiras et al., 2024; Ramlall & Grobbelaar, 2024; Vuorenmaa, 2024; Weber et al., 2024). Overall, these findings indicate that shifting the design of incentive schemes from a target-achievement orientation to a reporting-accuracy orientation will reduce individuals' tendency to create budgetary slack. Based on this theoretical argument and empirical evidence, this study proposes the following hypotheses.

H_2 : Individuals assigned to a truth-inducing incentive scheme will create lower levels of budgetary slack than individuals assigned to a slack-inducing incentive scheme.

2.3 Trust and Budgetary Slack

Social Exchange Theory (SET) states that the relationship between superiors and subordinates is formed through a reciprocal exchange of(Blau, 1964; Cropanzano et al., 2017) . In an organizational context, trust reflects an individual's willingness to accept vulnerability based on the expectation that superiors will act competently, fairly, and with integrity(Dirks & Ferrin, 2002). From this perspective, trust represents more than just a positive interpersonal relationship; it is a relational resource that shapes employees' willingness to cooperate and act in accordance with organizational goals.

In the budgeting process, subordinates have better knowledge of their unit's operational capacity and performance potential, creating an information asymmetry between them and their superiors. This type of asymmetry provides subordinates with an opportunity to create budgetary slack by intentionally underestimating expected performance or overestimating resource needs. Although Agency Theory predicts that self-interested individuals may exploit confidential information for personal gain, SET suggests that this behavior depends on the quality of the social relationship between employees and their superiors. When trust levels are high, subordinates tend to view budgeting as a collaborative process aimed at achieving organizational goals, rather than as a strategic negotiation to maximize personal gain. Consequently, they become more willing to disclose private information honestly, thereby reducing the incentive to manipulate budget targets.

Recent developments in the management control literature reinforce this argument. Experimental evidence shows that management control practices designed to foster trust encourage more honest

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reporting behavior and reduce opportunistic decision-making (Douthit et al., 2022). Similarly, a recent systematic literature review identified trust as one of the most consistent factors associated with lower levels of budgetary slack across various behavioral accounting studies(Agustina et al., 2024). Furthermore, studies in the field of management control indicate that higher levels of trust between supervisors and subordinates enhance information exchange, strengthen cooperation, and reduce defensive behavior during the budgeting process, thereby preventing the formation of budgetary slack (Lopez-Valeiras et al., 2024; Vuorenmaa, 2024; Weber et al., 2024). Overall, these findings suggest that trust functions as a behavioral mechanism that transforms information asymmetry from an opportunity for opportunistic behavior into a foundation for cooperative decision-making.

Thus, employees who have a higher level of trust in their supervisors are expected to be less likely to manipulate budget information and, consequently, create a lower level of budgetary slack. Based on this reasoning, the following hypothesis is proposed.

H_3 : Individuals with a higher level of trust in their supervisors will generate a lower level of budgetary slack compared to individuals with a lower level of trust.

2.4 Trust Mediates the Relationship Between Incentive Schemes and Budgetary Slack

Social Exchange Theory (SET) posits that employees do not respond to organizational policies solely on the basis of their economic consequences but also on the relational meaning embedded in those policies (Blau, 1964; Cropanzano et al., 2017). Organizational policies convey signals about how employees are valued, trusted, and supported, and these relational signals shape employees' perceptions of their relationships with the organization and its leaders. Consequently, employees' behavioral responses are influenced not only by the economic benefits associated with organizational policies but also by the extent to which those policies foster trust. Recent developments in the management control literature also suggest that management control systems influence employee behavior through formal control mechanisms and relational signals that shape perceptions of fairness, organizational support, and trust (Lopez-Valeiras et al., 2024; Vuorenmaa, 2024; Weber et al., 2024).

In the context of budgeting, incentive schemes that encourage honesty signal that the organization values honesty, transparency, and accurate budget information, rather than merely rewarding budget achievements. Such incentive structures signal trust in employees' professionalism and emphasize long-term collaboration over short-term performance results. According to SET, these relational signals encourage employees to reciprocate by building stronger trust in both the organization and their supervisors(Baquero, 2023; Dirks & Ferrin, 2002). Conversely, incentive schemes that encourage leniency, which primarily reward the achievement of budget targets regardless of the accuracy of reporting, can be interpreted as an emphasis on economic outcomes rather than the integrity of the budgeting process. As a result, employees may view the employment relationship as predominantly transactional, thereby weakening trust.

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Trust, in turn, influences how employees use the confidential information they possess when preparing budgets. Although subordinates have an information advantage over their superiors, employees who trust their superiors tend not to exploit this information asymmetry for personal gain because they expect that honest reporting will be fairly evaluated and rewarded. Conversely, they become more willing to share accurate information and cooperate to achieve organizational goals. In contrast, when trust levels are low, employees tend to use confidential information strategically to protect their own interests by underestimating performance forecasts or overestimating resource needs, thereby increasing budgetary slack. Thus, trust represents a behavioral mechanism that, through organizational policies, translates into budgeting behavior.

Although previous research has shown that incentive schemes affect budgetary slack, most explanations rely on economic arguments rooted in Agency Theory. Attention has been limited to understanding behavioral processes in which incentive schemes shape relative budgeting decisions. By positing trust as the underlying behavioral mechanism, this study expands the management accounting literature beyond incentive alignment and explains why employees bound by identical incentive contracts may still exhibit different budgeting behaviors. This study not only views incentive schemes as economic contracts that alter the costs and benefits of opportunistic behavior but also argues that incentive schemes shape employees' relational evaluations of the organization, which in turn influence their willingness to disclose personal information honestly during the budgeting process. Experimental evidence shows that management control practices that foster trust encourage more honest reporting behavior and reduce opportunistic decision-making.

Furthermore, recent research on management control indicates that employees' behavioral responses depend not only on the formal characteristics of the management control system but also on how the system is interpreted as a signal of organizational support, fairness, and trust (Lopez-Valeiras et al., 2024; Vuorenmaa, 2024; Weber et al., 2024). Overall, these findings suggest that the effect of incentive schemes on budgetary slack goes beyond the effect of changes in economic incentives and operates through the trust that employees develop toward the organization and their supervisors.

Therefore, this study proposes that trust functions as a behavioral mechanism linking incentive schemes to budgetary slack. Incentive schemes shape employee trust, and this trust subsequently influences whether employees choose to report budget information honestly or engage in opportunistic budgeting behavior. Based on this reasoning, the following hypotheses are proposed.

H_4 : Trust acts as a mediating variable in the relationship between incentive schemes and budgetary slack

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3. Research Methodology

3.1 Research Design and Instruments

This study employed a one-factor, two-level, between-subjects experimental design. The research instrument was designed to approximate the actual conditions at the Directorate General of Taxes (DGT) in Indonesia. The DGT was selected as a representative context for examining budgetary slack for several reasons: (1) tax revenue realization has consistently met or exceeded annual targets over the past five years, with performance surpassing 100% in some periods, despite Indonesia's persistently low tax ratio; and (2) the DGT operates under an incentive system that heavily emphasizes target achievement, which may encourage slack-inducing behavior.

The initial phase of developing the instrument involved conducting a Focus Group Discussion (FGD) directly with the DGT, focusing on three main issues: 1) the procedure for setting tax revenue targets, 2) the incentive scheme currently in place at the DGT, and 3) the perceived reputation of leaders and trust among DGT employees.

This research instrument begins with an explanation of the organizational structure of the Directorate General of Taxes (DGT), as well as its duties and responsibilities in managing government revenue from the tax sector. In this experiment, participants assumed the role of DGT Regional Office Heads, responsible for maximizing tax revenue in their respective regions. Participants were then asked to review the performance calculation formula, which determined the amount of performance-based bonuses they would receive.

Next, participants will be offered an incentive scheme. The compensation scheme is calculated in two ways: first, in accordance with the existing compensation scheme at the DGT, as stipulated in Presidential Regulation No. 96 of 2017, which focuses on achieving tax revenue targets, namely the "slack-inducing scheme." Second, a compensation scheme that rewards honesty, transparency, and integrity in reporting information, rather than merely achieving budget targets, the "truth-inducing scheme" (Hobson et al., 2011). To determine whether participants understand the performance bonus calculation, a manipulation check is conducted. If a participant passed the manipulation check, they were deemed to understand the incentive scheme and could proceed to the next stage.

In the next stage, participants were provided with information on conditions over the past five years, including a comparison of targets and actual results, potential risks, growth in tax intensification activities, and internal and external factors to be faced. This calculation revealed a realistic tax target for the coming year. Participants were then asked to set next year's revenue target by considering the available data. If a participant sets a target below the realistic target determined by headquarters, the participant is said to be exercising "budgetary slack." However, if the target set by the participant is greater than or equal to the target set by headquarters, the participant is not exercising "budgetary slack." In the final stage, participants answer questions

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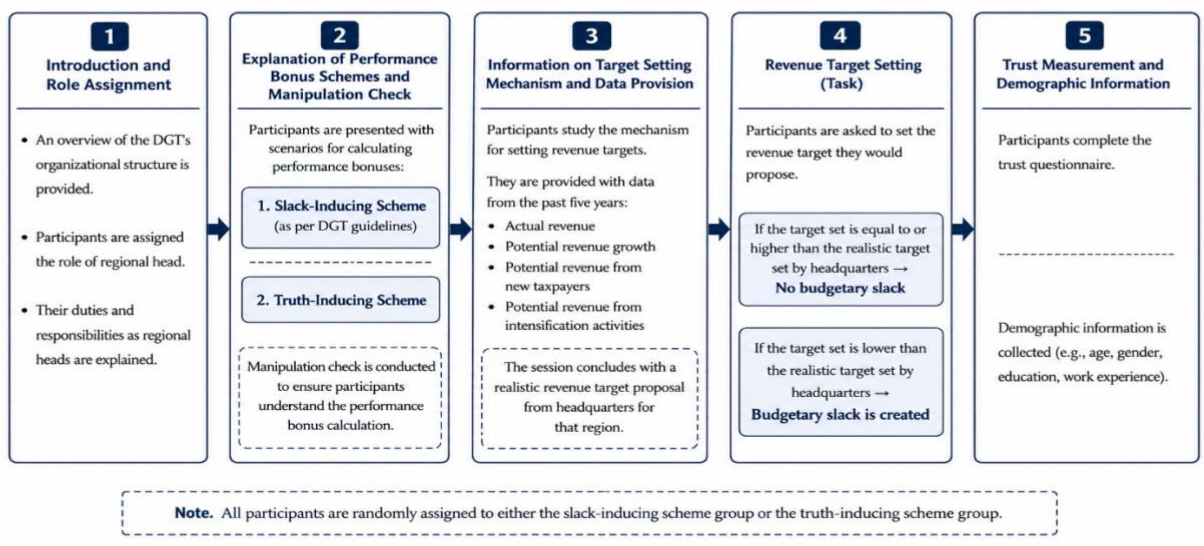
regarding trust on a five-point Likert scale. This is followed by the completion of the participants' demographic information. The stages of the experiment that have been conducted are shown in Figure 1.

Figure 1. Experimental Procedure



This study received ethical approval from the Institutional Review Board (IRB) of the Institute for Research and Community Service (LPPM), Lampung University, Number 1838/UN.26.21/PN/2026. All participants provided informed consent before participating in the experiment. Research instruments are attached.

3.2 Participants and Experimental Procedure

This study used college students as participants in the experiment. Using students as participants is justified when the tasks involve decision-making and information processing (Lopez-Valeiras et al., 2024; Vuorenmaa, 2024; Weber et al., 2024). Research findings indicate that using college students in experiments allows for a high degree of control (Floyd & List, 2016; Sprinkle, 2003) , can enhance validity (Libby, Bloomfield, & Nelson, 2002) , and reduce confounding variables (Libby et al., 2002) .

The experiments were conducted in two different regions, with a total of 126 male and female college students from 12 universities participating. The first experiment was conducted in Bandar Lampung, Sumatra, and the second in Magelang, Central Java. To help participants internalize the subject matter, the researchers offered prizes to lucky participants, with the primary requirement being that they pass the manipulation check. Rewards were given to 10 lucky participants in the form of cash amounting to Rp 250,000 (two hundred fifty thousand rupiah). The experimental procedure began with participant randomization. Participants were randomly assigned to two conditions: a leader with a high reputation and a leader with a low reputation. This was followed

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by participants filling out a consent form. After the consent form was completed, the committee provided an envelope containing the randomized research instruments. The envelope was not to be opened until the committee instructed it to be opened. The task was completed simultaneously. After finishing the task, participants filled out a demographic form and submitted it to the committee.

3.3 Research Variables

Budgetary slack was measured by examining the difference between the realistic target and the target proposed by the participant. If the participant's proposed target was lower than the realistic target, budgetary slack was present. However, if the participant's proposed target was greater than or equal to the realistic target, no budgetary slack was present.

Trust is defined as the trust subordinates place in their superiors, measured using an instrument previously employed by the (Hartmann & Slapničar, 2009) . Participants were asked to respond to questions on a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

4. Results

4.1 Manipulation Checks

To assess the effectiveness of the leader reputation manipulation, we analyzed participants' responses to the question: "Does Mr. Alex, as Director General of the Central Tax Office, demonstrate good leadership?" Participants were deemed to have passed the manipulation check if, in the high-reputation condition, they answered "yes" and, in the low-reputation condition, "no." Of the 126 participants, only 115 (91.3%) passed the manipulation check, with 89 participants (77%) from Bandar Lampung and 26 participants (23%) from the Magelang experiment. To measure *trust*, participants answered questionnaire items on a five-point Likert scale (1 = strongly disagree – 5 = strongly agree). The question asked to measure *trust* was: "Mr. Alex is a trustworthy person."

4.2 Descriptive Statistics

The experiment was conducted at two different locations. The experiment in Bandar Lampung involved 89 participants (77%), while the experiment in Magelang involved 26 participants (23%). Female participants made up the majority, with 86 participants (74.80%), while there were 29 male participants (25.20%). A total of 30 participants (26%) were employed, while 85 participants (74%) were unemployed. A total of 48 participants (41.73%) were in their seventh semester, while 67 participants (58.27%) were in their fifth semester. In terms of the participants' university affiliation, 18 participants (15.6%) attended public universities and 97 participants (84.4%) attended private universities. Although the experimental participants were diverse, the Chi-Square test showed no significant differences between experimental conditions based on the experiment

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location (p = 0.996), gender (p = 0.366), work experience (p = 0.315), academic semester (p = 0.150), and university affiliation (p = 0.562).

4.3 Hypothesis Testing

4.3.1 Incentive Schemes and Trust

Hypothesis 1 tests the effect of incentive schemes (*slack-inducing* and *truth-inducing*) on *trust* in the organization. Which scheme is most effective at increasing trust in the organization? The test for homogeneity of variances yielded a Levene's test result (based on the mean) with a significance level of 0.289, indicating that the data are homogeneous, have equal variances, and show no differences in variance (thus satisfying the ANOVA assumption). The ANOVA test revealed a significant effect of the incentive scheme on *trust* (F = 8.072; p = 0.005), as supported by the Tukey HSD post hoc test (*mean difference* = -1.438; p = 0.016). Descriptively, the mean trust score for the truth-inducing incentive scheme was 7.49, while for the slack-inducing incentive scheme it was 6.05, with a difference of 1.44 points on the trust measurement scale. This difference is not only statistically significant but also indicates that changes in incentive scheme design result in meaningful behavioral changes. This means that simply by shifting the focus of rewards from target achievement to reporting accuracy, organizations can tangibly increase employee trust levels. Thus, it can be concluded that the *truth-inducing* incentive scheme significantly increases *trust* in the organization. H1 is supported.

Table 1. Test of Homogeneity of Variances and ANOVA

	Levene's Test	ANOVA		Conclusion
		F	Sig.	
Schema and *Trust*	0.289	8.072	0.005	Significant and can proceed to *Post Hoc* Analysis—*Tukey* HSD
Scheme and *Budgetary Slack*	0.068	42.274	0.000	Significant and eligible for *Post Hoc* Analysis—*Tukey* HSD

4.3.2 Incentive Schemes and Budgetary Slack

Hypothesis 2 tests the effect of incentive schemes (*slack-inducing* and *truth-inducing*) on *budgetary slack*. Which incentive scheme is most effective at reducing budgetary slack? The test for homogeneity of variances showed that Levene's test, based on the mean and a significance level of 0.068, indicated that the data were homogeneous—that is, they had equal variances or no differences in variance—since the calculated F-value of 42.274 was statistically significant (p = 0.000; p < 0.05). This means the null hypothesis cannot be rejected, indicating equal variances

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(meeting the ANOVA assumption). This is reinforced by the *Tukey* HSD results (*mean difference* = -64.189; p = 0.000). Descriptively, the mean budgetary slack in the truth-inducing scheme (23.14) is higher than that in the slack-inducing scheme (-41.05). Substantively, this indicates that the truth-inducing scheme is significantly more effective than the *slack-inducing* scheme in curbing *budgetary slack* behavior. H2 is supported.

Table 2 Multiple Comparisons Test

Compensation Scheme	N	Mean Trust	Mean Budgetary Slack
Slack-Inducing	56	6.05	-41.05
Truth-Inducing	59	7.49	23.14

Table 3. Results of the Tukey HSD Test

	Y	(I)	(J)	*Mean Difference*	Sig.	Notes
Tukey HSD	*Trust*	*Slack-Inducing*	*Truth-Inducing*	-1.438*	.016*	H_1 Supported
	Slack	*Slack-Inducing*	*Truth-Inducing*	-64.189	.000	H2 Supported

4.3.3 Trust and Budgetary Slack

Hypothesis 3 predicts that trust has a negative effect on budgetary slack. Before testing the hypothesis, the measure of budgetary slack was recoded as Slack_pos (= −Slack) so that higher values indicate greater budgetary slack, while lower values indicate less budgetary slack. This transformation was performed to facilitate the interpretation of regression coefficients without altering the substantive meaning of the budgetary slack measure used in the study. Descriptive statistics show that budgetary slack (Slack_pos) values range from -100 to 228, while trust scores range from 2 to 12, with a mean of 6.05. Next, a regression analysis was conducted to test the effect of trust on budgetary slack.

The regression results indicate that trust has a negative and significant effect on budgetary slack (β = -0.600; SE = 2.212; $p < 0.001$). This negative coefficient suggests that the higher an individual's level of trust in their leader, the lower their tendency to create budgetary slack. In other words, participants with higher levels of trust showed a lower tendency to create budgetary slack than those with lower levels of trust.

Table 4. Regression Results of Trust on Budgetary Slack

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Dependent Variable	Independent Variables	Coefficient (β)	Standard Error	p-value	Conclusion
Budgetary Slack (Slack_pos)	*Trust*	-0.600	2.212	0.000	H3 Supported

4.3.4 Trust Mediates the Relationship Between the Incentive Scheme and Budgetary Slack

The SPSS Process Macro was used to examine whether trust mediates the relationship between the incentive scheme and budgetary slack. A summary of the SPSS Process Macro test results for the incentive scheme and budgetary slack is presented in Table 5.

Table 5 Results of the Mediation Test for Incentive Schemes – Trust – Budgetary Slack

Variables/Effects	b	se	t	p	95% confidence interval	
					LLCI	ULCI
Incentive Scheme - *Budgetary Slack*	45.1475	9.7858	4.6136	0.0000	25.7583	64.5368
Incentive Scheme - *Trust*	1.438	0.5187	2.7721	0.0065	0.4103	2.4657
Incentive Scheme - *Trust – Budgetary Slack*	5.0233	1.7172	2.9252	0.0042	1.6208	8.4257
Effect						
Direct	45.1475	9.7858	4.6136	0.0000	25.7583	64.5368
Indirect	7.2232	3.8617			1.1701	16.2254
Total	52.3708	9.7806	5.3546	0.0000	32.9936	71.7479

The results of the mediation analysis using the PROCESS Macro show that the incentive scheme has a positive and significant effect on *trust* (b = 1.438; p < 0.0065). These findings indicate that the incentive scheme can increase employees' trust in the organization. Similarly, the direct effect shows that the incentive scheme has a direct effect on budgetary slack (b = 45.1475; p = 0.000). The 95 percent confidence interval for the direct effect does not cross zero (LLCI = 25.7583; ULCI = 64.5368). Regarding whether trust mediates the relationship between trust and budgetary slack, this is evident in the significant indirect effect of the incentive scheme on budgetary slack (ab =

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7.2232; LLCI = 1.1701; ULCI = 16.2254). Since the bootstrap confidence interval for trust does not cross zero, it can be concluded that trust significantly mediates the relationship between the incentive scheme and budgetary slack.

4.4 Discussion

4.4.1. Incentive Schemes and Trust

The research results support Hypothesis 1, which indicates that participants who received the truth-inducing incentive scheme had significantly higher levels of trust in the organization than those who received the slack-inducing incentive scheme. These findings suggest that the effectiveness of an incentive scheme is determined not only by the scheme's ability to provide economic benefits but also by the psychological and relational meanings perceived by employees. In other words, employees do not merely evaluate incentive systems based on the magnitude of rewards received, but also on the messages the organization conveys through the design of the incentive system regarding the values, expectations, and quality of the relationships it seeks to build with employees.

These findings align with Social Exchange Theory (SET), which explains that organizational policies function as relational signals that shape employees' perceptions of how the organization values, trusts, and treats them (Blau, 1964; Cropanzano et al., 2017) . In the context of this study, the truth-inducing incentive scheme rewards the submission of accurate budget information, thereby affirming that the organization values honesty, transparency, and integrity in the budgeting process (Nguon et al., 2025) . Conversely, a slack-inducing incentive scheme places greater emphasis on rewarding the achievement of budget targets without explicitly incentivizing the accuracy of reported information. This difference in orientation leads to distinct relational interpretations. When employees perceive that the organization values honesty more than merely achieving targets, they tend to interpret such policies as a sign of trust in their professionalism. In response to this treatment, employees reciprocate by increasing their trust in the organization. Conversely, when the incentive system is perceived as solely oriented toward achieving targets, the organization–employee relationship tends to be viewed as transactional, thereby weakening trust.

The results of this study also reinforce developments in the literature on management control systems, which indicate that the design of control systems influences employee behavior through two complementary mechanisms: economic and relational mechanisms. Economically, incentive systems alter the financial consequences of an action. However, from a relational perspective, control systems also shape employees' perceptions of organizational support, procedural justice, management credibility, and the level of trust the organization extends to employees (Lopez-Valeiras et al., 2024; Vuorenmaa, 2024; Weber et al., 2024). Therefore, the effectiveness of an incentive system depends not only on the magnitude of rewards offered but also on how employees interpret the design of those incentives as reflecting the organization's values and commitment to high-quality employment relationships. The findings of the study (Douthit et al., 2022) also

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indicate that control mechanisms that build trust lead to more honest reporting and reduce the tendency toward opportunistic behavior. "(Agustina et al., 2024) Through a systematic literature review, trustworthiness was identified as one of the most consistent determinants in explaining variations in budgetary slack behavior. This study expands on these findings by demonstrating that trust formation begins as early as the design phase of the incentive scheme. Before employees decide how to use the private information they possess, they first evaluate the relational meaning embedded in the incentive system. Thus, trust is not merely a consequence of interpersonal interactions between supervisors and subordinates but also a result of how organizations design their formal control systems.

From a theoretical perspective, this study makes an important contribution by expanding Agency Theory's explanation of incentive system effectiveness. Agency Theory explains that incentive contracts influence behavior by altering the structure of economic costs and benefits associated with opportunistic actions (Jensen & Meckling, 2019). However, the results of this study indicate that this mechanism does not fully account for why individuals with the same incentive contracts may exhibit different behaviors. These findings suggest that, before considering economic benefits, employees first evaluate the relational significance of the organization's incentive system. Thus, Social Exchange Theory complements Agency Theory by explaining the psychological processes underlying the relationship between incentive scheme design and trust formation. The integration of these two theories enriches the behavioral management accounting literature by demonstrating that management control systems operate simultaneously through economic and relational pathways.

From a practical perspective, the results of this study indicate that organizations seeking to improve the quality of their budgeting processes cannot simply design incentive systems that align employees' economic interests with the organization's. Organizations must also ensure that the design of incentive schemes communicates the values of honesty, transparency, and professionalism so as to build employees' trust in the organization. When an incentive system is perceived as recognition of integrity, employees will be more motivated to work cooperatively, report budget information more accurately, and reduce their tendency to engage in opportunistic behavior. Therefore, building trust through incentive system design should be viewed as an integral part of management control systems, not merely a side effect of interpersonal relationships.

4.4.2. Incentive Schemes and Budgetary Slack

The research results support Hypothesis 2, which shows that participants who received the truth-inducing incentive scheme exhibited significantly lower levels of budgetary slack than those who received the slack-inducing incentive scheme. These findings indicate that budgeting behavior is not solely determined by the presence of incentives, but primarily by how those incentives are designed. In other words, the design of the incentive scheme determines how individuals use their private information during the budgeting process. When the reward system is designed to reward

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reporting accuracy, individuals are encouraged to disclose information more objectively. Conversely, when rewards place greater emphasis on achieving budget targets, individuals have an incentive to exploit information asymmetry by creating budgetary slack.

These findings align with Agency Theory, which explains that budgetary slack is a consequence of the conflict of interest between principals and agents, exacerbated by information asymmetry (Jensen & Meckling, 2019). In the budgeting process, subordinates possess better information about the actual capacity of their work units than their superiors. When an incentive system rewards success in meeting budget targets, subordinates are rationally motivated to set easier-to-achieve targets to increase their chances of receiving incentives without improving actual performance. Under these conditions, target manipulation becomes an economically advantageous strategy, so incentive schemes that create slack foster an environment that encourages opportunistic behavior.

Conversely, a truth-inducing incentive scheme alters the economic logic underlying decision-making. Under this scheme, rewards no longer depend on the ease of achieving targets but rather on an individual's ability to report budget information accurately. As a result, the economic gains previously obtained through target manipulation diminish, while honest reporting becomes the most profitable strategy. These findings indicate that opportunistic behavior is not an inherent characteristic of individuals but rather a response heavily influenced by the design of the organization's incentive contracts. Thus, changes in incentive design can alter how individuals use private information, shifting behavior from one oriented toward personal interests to one that better supports the organization's interests. Furthermore, the results of this study support recent developments in the literature on management control systems, which emphasize that the effectiveness of control systems is determined not only by the existence of incentive mechanisms but also by how those mechanisms are designed and implemented (Lopez-Valeiras et al., 2024; Vuorenmaa, 2024; Weber et al., 2024) Incentive systems oriented toward information accuracy not only serve to align economic interests but also enhance the quality of information generated in the budgeting process. Therefore, the effectiveness of a control system cannot be measured solely by its ability to drive the achievement of targets but also by its ability to produce more reliable budget information as a basis for planning, coordination, and evaluation of organizational performance.

This study contributes to the management accounting literature by demonstrating that the design orientation of incentive schemes is a determining factor in the effectiveness of control systems. Agency Theory has long explained that incentive contracts reduce opportunistic behavior by aligning the economic interests of principals and agents. However, the results of this study indicate that the orientation of rewards also determines how individuals choose to use their private information. Thus, this study expands on prior literature by demonstrating that the effectiveness of incentive schemes is influenced not only by the magnitude of the incentive (incentive intensity)

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but also by the organization's values (incentive orientation). When an organization rewards the accuracy of information, individuals are motivated to use private information more responsibly, thereby significantly reducing the tendency to create budgetary slack.

From a practical perspective, the results of this study suggest that organizations seeking to improve the quality of their budgeting processes should not only determine the magnitude of incentives but also carefully consider the orientation of the incentive system to be implemented. An incentive system that emphasizes only target achievement can encourage opportunistic behavior by providing economic benefits from manipulating targets. Conversely, an incentive system that rewards reporting accuracy will encourage employees to provide information that is more objective, realistic, and reliable. Therefore, organizations need to view the design of incentive schemes as a strategic component of management control systems that not only serves to improve performance but also maintains the integrity of the budgeting process and the quality of information used in decision-making.

4.4.3 Trust and Budgetary Slack

The research results support Hypothesis 3, which indicates that trust has a significant negative effect on budgetary slack. This finding suggests that the higher employees' trust in the organization and its leaders, the less likely they are to exploit information asymmetry to create budgetary slack. Thus, individual decisions in the budgeting process are determined not only by economic considerations but also by the quality of the relationship between employees and the organization. This finding suggests that the use of private information is a behavioral decision, in which individuals first evaluate the quality of their relationship with the organization before determining whether to use that information for personal gain or to support the organization's goals.

These findings are consistent with Social Exchange Theory (SET), which explains that the relationship between an organization and its employees develops through a process of social exchange based on the principle of reciprocity (Blau, 1964; Cropanzano et al., 2017). When employees trust the organization and its leaders, they believe that the organization will treat them fairly, value their professional contributions, and will not exploit the openness that arises from information asymmetry. This perception creates a felt obligation to reciprocate the organization's treatment through behavior that supports shared interests. In the context of budgeting, this response manifests as providing more honest, accurate, and objective information, thereby reducing the tendency to create budgetary slack. Conversely, when *trust* is low, the organization–employee relationship tends to be perceived as transactional. Under such conditions, the use of private information to protect personal interests becomes more acceptable, so that budgetary slack emerges as a logical consequence of the poor quality of the relationship between employees and the organization.

The results of this study also provide a broader perspective on Agency Theory. Until now, this theory has explained that information asymmetry creates opportunities for agents to act

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opportunistically, thereby necessitating contracts and incentive mechanisms to align the interests of principals and agents (Jensen & Meckling, 2019) . However, the findings of this study indicate that the presence of information asymmetry does not automatically result in budgetary slack. Although subordinates possess better information than their superiors, the decision to exploit this informational advantage is strongly influenced by the level of trust they have in the organization. Thus, trust functions as a behavioral mechanism that explains when and why information asymmetry translates into opportunistic behavior. These findings indicate that the quality of the relationship between the organization and its employees is a determining factor in whether private information will be used for personal gain or, conversely, leveraged to improve the quality of the organization's decision-making.

This study makes an important contribution to the management accounting literature by demonstrating that trust is not merely a consequence of good interpersonal relationships but rather a key determinant of budgeting behavior. Most previous studies have explained budgetary slack from an economic perspective, such as contract design, incentive schemes, or a conflict of interest between the principal and the agent (Chow et al., 1991; Hobson et al., 2011). This study demonstrates that the quality of social relationships plays an equally important role in determining how individuals use their private information. Individuals with high levels of trust not only face the same economic incentives but also develop a relational orientation that fosters cooperative behavior, greater commitment to organizational goals, and a willingness to disclose information more accurately. Thus, this study expands upon previous literature by integrating the economic perspective of Agency Theory with the relational perspective of Social Exchange Theory, thereby providing a more comprehensive explanation of the formation of budgetary slack.

From a practical perspective, the results of this study indicate that efforts to reduce budgetary slack are insufficient if they rely solely on changes to incentive contracts or enhanced oversight mechanisms. Organizations must also build trust through fair leadership practices, open communication, consistency in decision-making, and control systems perceived as supportive of employee professionalism. When employees believe that the organization values honesty and will not exploit their openness, they are more willing to provide objective, realistic budget information. Therefore, trust must be viewed as a strategic asset that strengthens the effectiveness of management control systems and improves the quality of information that underpins organizational planning, performance evaluation, and decision-making.

Furthermore, these findings provide a strong theoretical foundation for testing the mediation mechanisms in the subsequent hypotheses. The results of Hypothesis 1 indicate that the design of the incentive scheme influences the level of trust, while Hypotheses 2 and 3 indicate that both the incentive scheme and trust influence budgetary slack. This series of findings suggests that the effect of incentive schemes on budgetary slack likely occurs not only directly but also through changes in the level of trust that develop in response to the design of the incentive system. In other

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words, trust is not only a direct determinant of budgeting behavior but also a behavioral mechanism that explains how control system design influences individual decisions about the use of private information. Based on this argument, the subsequent study examines whether *trust* actually mediates the relationship between incentive schemes and budgetary slack.

4.4.4 Trust Mediates the Relationship Between Incentive Schemes and Budgetary Slack

The results show that trust significantly mediates the relationship between incentive schemes and budgetary slack. This finding indicates that the influence of incentive schemes on budgeting behavior occurs not only directly through changes in the structure of economic incentives but also through changes in the quality of the relationship formed between employees and the organization. In other words, the design of incentive schemes affects individual decisions not only by altering the financial consequences of an action but also by shaping trust levels, which in turn influence how individuals use private information in the budgeting process. These findings provide strong support for Social Exchange Theory (SET). In this study, the truth-inducing incentive scheme not only serves as a reward mechanism but also signals that the organization values honesty, professionalism, and transparency in budget preparation. This signal builds trust, which in turn encourages employees to reciprocate the organization's treatment by reporting information more honestly and reducing the tendency to create budgetary slack. Conversely, a slack-inducing incentive scheme is more readily perceived as a mechanism focused solely on achieving targets, thereby making the employment relationship more transactional. This perception weakens trust and increases individuals' tendency to exploit information asymmetry for personal gain.

The results of this study also expand upon the explanations provided by Agency Theory. Until now, Agency Theory has assumed that individuals will choose actions that maximize their economic utility. However, the results of this study indicate that this mechanism does not fully explain how budgeting decisions are formed. Before deciding whether to report information honestly or create budgetary slack, employees first evaluate how the organization treats them through the design of the incentive system. This evaluation shapes the level of trust, which in turn influences the decision to use private information cooperatively or opportunistically. Thus, this study demonstrates that trust serves as a behavioral mechanism that bridges the influence of incentive schemes on budgeting behavior.

This finding also explains why individuals faced with identical incentive schemes do not always exhibit the same budgeting behavior. Traditional economic explanations tend to assume that individuals will respond uniformly to the same incentive contracts. However, the results of this study show that these responses depend on the level of trust that individuals form based on their interpretations of the incentive schemes. In other words, incentive design operates through two complementary pathways: the economic pathway, which alters the financial consequences of opportunistic actions, and the relational pathway, which builds *trust*. These findings offer a new perspective: the effectiveness of management control systems is determined not only by a

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contract's ability to align the interests of principals and agents but also by its ability to build relationships based on trust.

From a theoretical contribution perspective, this study expands the management accounting literature by integrating Agency Theory and Social Exchange Theory to explain budgeting behavior. Agency Theory explains why individuals have incentives to engage in budgetary slack when information asymmetry exists, while Social Exchange Theory explains how the design of control systems influences the quality of the relationship between the organization and its employees, ultimately determining whether such opportunities will be exploited opportunistically. Thus, this study demonstrates that the effectiveness of incentive schemes is determined not only by a contract's ability to alter the structure of economic incentives but also by its ability to build trust as a behavioral mechanism that guides individuals to report budgets more honestly.

From a practical perspective, the results of this study indicate that organizations seeking to reduce budgetary slack cannot rely solely on designing incentive contracts that align economic interests. Organizations must also ensure that the incentive design is perceived as recognition of employees' professionalism, integrity, and honesty. An incentive system that builds trust will encourage employees to handle private information more responsibly, thereby improving the quality of the budgeting process. Therefore, trust-building should be viewed as an integral part of the design of management control systems, not merely a consequence of interpersonal relationships.

5. Conclusion, Limitations, Future Research Directions

This study demonstrates that the effectiveness of management control systems in reducing budgetary slack depends not only on the presence of economic incentives but primarily on how employees design and interpret those incentives. The results show that truth-inducing incentive schemes consistently increase employees' trust in the organization while reducing the tendency to create budgetary slack, whereas slack-inducing incentive schemes produce the opposite pattern. These findings indicate that the design of incentive schemes is not merely a contractual instrument for regulating economic behavior but also a relational mechanism that shapes employees' perceptions of honesty, fairness, professionalism, and the quality of their relationship with the organization.

Furthermore, this study demonstrates that trust is a behavioral mechanism explaining how employees use their private information. The existence of information asymmetry does not automatically lead to opportunistic behavior. Rather, an individual's decision to exploit or disclose information honestly is strongly influenced by the level of trust they have in the organization and its leaders. When trust is high, employees tend to use private information to support organizational goals through more accurate budget reporting. Conversely, when trust is low, private information is more likely to be exploited to protect personal interests by creating budgetary slack. Thus, trust bridges the relationship between control system design and budgeting behavior.

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The main contribution of this study lies in integrating Agency Theory and Social Exchange Theory to explain the formation of budgetary slack. Agency Theory explains that contract design and incentives alter the economic consequences of opportunistic actions, while Social Exchange Theory explains the psychological processes that determine how employees interpret the design of control systems before responding to them behaviorally. The integration of these two perspectives demonstrates that management control systems operate through two complementary pathways: the economic pathway, which influences the incentive structure, and the relational pathway, which builds trust. Therefore, the effectiveness of a control system is determined not only by its ability to align the economic interests of principals and agents but also by its ability to build relationships based on trust.

This study also expands the behavioral management accounting literature by demonstrating that incentive orientation is more important than simply the intensity of incentives. When organizations reward the accuracy of information, employees are motivated to use private information more responsibly. Conversely, when rewards are oriented solely toward target achievement, information asymmetry is more likely to translate into opportunistic behavior. These findings indicate that the quality of budget information is significantly influenced by the design of the control system, which shapes employees' behavioral orientation from the early stages of the budgeting process.

From a practical perspective, the research results suggest that organizations seeking to improve the quality of their budgeting processes should not focus solely on the magnitude of incentives or on strengthening oversight mechanisms. Organizations also need to design incentive systems that explicitly reward honesty, transparency, and professionalism, and to build trust through fair leadership practices and credible control systems. Thus, management control systems serve not only as tools for economic control but also as a means of building organizational relationships that produce more accurate budget information, reduce opportunistic behavior, and improve the quality of decision-making.

5.1 Research Limitations and Future Research

This study has several limitations that also open up opportunities for future research. First, this study focuses solely on trust as a behavioral mechanism explaining the relationship between incentive schemes and budgetary slack. Although the results indicate that trust is a significant mediator, budgeting behavior is likely also influenced by other psychological and organizational mechanisms, such as psychological safety, organizational identification, perceived organizational support, ethical climate, moral identity, or organizational commitment. Future research could examine these mechanisms, both as mediators and moderators, to provide a more comprehensive understanding of how management control systems influence budgeting behavior.

Second, this study compared only two types of incentive scheme designs: the truth-inducing and the slack-inducing. In organizational practice, incentive systems are often more complex because they combine financial and nonfinancial incentives, individual and team targets, and financial and

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nonfinancial performance measures. Future research could explore various variations in the design of management control systems, including combinations of incentive systems, feedback mechanisms, performance evaluations, and leadership styles, to gain a more complete understanding of the effectiveness of control systems in shaping budgeting behavior.

Third, this study was conducted within the context of Indonesia's tax administration, which has specific institutional, regulatory, and performance evaluation system characteristics. Although these characteristics make the research context highly relevant for testing budgeting behavior under conditions of information asymmetry, generalizing the findings to other organizations or countries requires careful consideration. Future research is recommended to conduct cross-sectoral and cross-national studies to test whether trust serves as a behavioral mechanism consistently across organizational contexts, cultures, and control systems.

Despite these limitations, this study provides a new direction for the development of the literature on management control systems. The findings indicate that the effectiveness of control systems depends not only on their ability to align economic incentives but also on their capacity to build relational bonds characterized by trust. Therefore, future research is expected to focus not only on the most effective types of control systems but also on how these systems shape employees' psychological responses and behaviors. This approach has the potential to yield a more comprehensive understanding of the mechanisms by which management control systems improve reporting quality, reduce opportunistic behavior, and support more effective organizational decision-making.

Conflict of Interest

The authors certify that they have no affiliations with or involvement in any organization or entity with any financial or non-financial interest in the subject matter or materials discussed in this manuscript.

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