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## How do Accounting Behavior and Public Sector Performance as Predictors the Role of Slack Behavior? Structural Equation Model

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### Abstract

*Introduction: Despite efforts to establish programs and activities in West Java Province, Indonesia, by the Regional People's Representative Council members and officials, the initiative continues to suffer from inefficiency and waste problems. This study examines the behavior of budget on the accrual basis system from the perspective of regencies and municipalities in the region to ascertain the relationship between behavioral accounting and public sector performance. Method: It proposes a behavioral accounting model, where accounting behavior affects performance through budgetary slack behavior as an intervening variable, and gauges accounting behavior using participatory budgeting, budget target clarity, and organizational commitment. Further, the study conducted a questionnaire survey among subsector-level heads in government departments across 109 offices to test the proposed relationship. Results: The structural equation model indicates that the direct relation between organizational commitment and performance has no significant effect, while other variables have significant direct and indirect effects. Conclusion: Hence, a management system integration is necessary to link public sector management activities to improve performance.*

**Keywords:** Behavioral accounting; Public sector performance; Budgetary slack behavior; Participatory budgeting; Organizational commitment; Budget target clarity

### Introduction

Indonesia experienced repeated balance of payments crises in the 1960s due to incoherent monetary and fiscal policies (Haggard & Maxfield, 1996). Sukarno was replaced by General Suharto in 1966 (Wanandi, 2002) through military action. Under the leadership of Suharto, cash-based accounting was implemented (Boolakay et al., 2018), which did not adequately reflect management's accountability for assets and liabilities (IFAC, 1998) (Diamond, 2002). During the 1970s, developing countries that experienced economic and fiscal crises faced severe financial problems. Declining exports, rising energy and import prices, and reduced foreign aid induced people to consider changing from a centralized to a decentralized governance structure (Rondinelli et al., 1983).

In the 1980s, the new public management (NPM) philosophy gained popularity in developed countries, particularly in Europe and Anglo America. NPM critiqued the rigid, bureaucratic, and hierarchical nature of public sector performance (Turner, 2002). Centralization involves concentrating decision-making authority at higher organizational levels, while decentralization

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entails dispersing decision-making authority to lower levels (Hanson, 1998, p. 114). In 1999, Indonesia's Regional Governments eliminated the hierarchical relationship between provincial and regency, and municipal governments were issued (Constitution RI, 1999a). Regency and municipal governments became fully autonomous, no longer reporting to provincial governors but being locally accountable to the Regional People's Representative Council (DPRD). This autonomy led to the enforcement of Law No. 25 of 1999, altering transfers received by regional governments from the central government (Constitution RI, 1999b).

In 2001, realizing the weaknesses of centralization, Indonesia underwent bureaucratic reform into a form of decentralization, which was marked by a change in its government paradigm which began with the ratification of Law (Number 22, 1999) concerning Regional Government and Law (Number 25, 1999) concerning Financial Balance between the Central and Regional Governments. (PKPD). The implementation of decentralization in Indonesia continues to this day. Indonesia adheres to decentralization from the central government to regional governments by granting authority by the central government to regional governments to manage their autonomous regions by the applicable state system.

This reform was sparked by allegations of dictatorship and corruption within the ruling elite, necessitating substantial changes in politics, public administration, governance, and democracy. The goal was to establish a transparent, accountable, efficient, effective, and responsive government (Fahlevi et al., 2022; Suparman et al., 2015). Decentralization has two main advantages: flexibility and the ability to adapt to local needs. In Decentralized organizations, participatory budgeting is needed to gain access to these personal agent information, but also allows them to misreport and create slack. Agents will only communicate honestly if they are rewarded for the information, which can also be interpreted as budgetary slack (Heinle et al., 2014; Indjejikian et al., 2006). The benefit of decentralization is the prevention of bureaucratic bottlenecks: namely delays caused by central government administration and planning (Rondinelli et al., 2007).

Certain functions and monopolistic-type activities, which were previously thought to be reserved for public sector provision, are now either furnished by the private sector, though funded publicly or have been transferred to the private sector, through partial or full disengagement of the government from state-owned enterprises.

Performance measurement and management, central to PBB, are core elements of the NPM movement, which assumes that private-sector management frameworks and practices can enhance public-sector efficiency and effectiveness (Mauro et al., 2021; Stiglitz & Heertje, 1989). While performance-based information has limited influence on legislative budget decisions and political budget decision-making processes (Jerrett, 2009; Sterck & Scheers, 2006), it significantly impacts internal departmental management and program-level decisions (Ho, 2011; Joyce, 2005; Martí, 2013). Performance budgeting provides valuable information for citizens and others seeking government accountability (VanLandingham et al., 2005). Studies indicate that performance budgeting information helps managers better understand their programs and make necessary adjustments (Hou et al., 2011; J. Melkers & Willoughby, 1998).

In regional governments, budgeting plays a crucial role in allocating resources to entities operating in a highly public and politically charged environment (Gianakis & McCue, 1999). West Java Province has the largest population (BPS, 2020) so the need for services to the community is also large and it is not surprising that based on the data, this province is one of the provinces that received the most budget in 2016 and 2017 (Finance, 2016, 2017). However,

a larger population may also lead to greater public spending, potentially straining finances if additional revenue generation does not keep pace (ICMA 2003 and Mercer & Gilbert (1996) in Wang et al. (2007). The actions of the regional legislative body, as well as regency and municipal government officials in West Java Province, have created a budgetary gap (budgetary slack), with a skewed allocation toward consumptive expenditures rather than capital costs for community service, aligning with Govindarajan & Anthony (1998) concept of budgetary slack, where revenue estimates are conservative and expenditure budgets are overly optimistic (Made & Agung, 2018).

Personnel spending in each province exceeded 30%, with the ratio of indirect personnel expenditure in each district and city in West Java Province surpassing 40%. The ratio between goods and services expenditure and capital expenditure remained below 30%, except for the city of Banjar. This situation contradicts the 2014 APBD preparation guidelines, which stipulate that personnel (capital) expenditure should be below (above) 30% (BPK, 2010; PPID, 2013). However, personnel expenditure in each province exceeded the recommended threshold. Consequently, there appears to be a lack of systematic planning regarding the strategies, programs, and activities to be carried out. Moreover, this study identified inefficiencies and ineffectiveness in district and city provincial government budgets using data from the government agency performance accountability report (LAKIP) for the years 2016 to 2018 (BPKP, 2020). LAKIP can be used to view non-financial performance as well as financial performance such as costs incurred in implementing programs and activities in the public sector.

The gap in the budget amount is caused by behavior that makes the budget a gap. Langevin & Mendoza (2013) where budgetary slack is an unethical action conducted by individuals involved in the budgeting process by increasing cost estimates and reducing revenue estimates. Enabling conditions aim to facilitate target achievement; subsequently, this behavior affects individual performance. Accountability plays a role in mediating the relationship between financial reporting quality and performance, with a significant threat to public organizations that seek to improve the quality of their financial reporting and organizational performance with better-designed accountability systems (Tran et al., 2021).

The theory used is similar to the behavioral accounting theory in this study. In addition, this research found conditions where managers allowed large numbers of mutations and rotations to occur (Adji et al., 2020), resulting in the interruption of program plans and activities that had been prepared but were not implemented properly due to frequent staff changes.

This is because the initial budget plan was not implemented because personnel changed too frequently so the implementation of programs and activities deviated from the programs and activities that had been previously determined in other words the budget issued was not on target. This condition resulted in changes in the procurement of goods and services provided by the private sector, which resulted in slack in the budget. The ongoing involvement of the private sector in the procurement of goods and services in the public sector has resulted in the allocation of government funds swelling so that the performance of the public sector as seen from the budget does not reach the 3Es, namely economical, efficient and effective.

This study chooses to integrate stewardship theory and choice strategy in response to circumstances that lead to budgetary gap behavior. This study's stewardship theory explains that the government acts as a steward, which assumes responsibility for managing state finances in the public interest, so the government must strive for efficiency and accountability in

government spending so that state funds are used prudently. The stewardship theory establishes an organizational structure that enables managers to make decisions and take actions that optimize the performance of the organization (Donaldson & Davis, 1991). What is most important in the context of local government is how the government chooses the best strategy in the public sector budgeting process (Clynch & Lauth, 2006).

Therefore, the strategy of choice is a middle theory that characterizes the relationship between top management decisions and organizational performance, as well as the overall interaction between the organization and its environment (Smith, 1999). The strategic choices made can achieve the organization's long-term goals and objectives in determining the allocation of resources and activity plans (Chandler Jr, 1969) through the selection of suppliers with consideration of the level of desired return (Cousins et al., 2008) (Schiele, 2010) as well as through the allocation of resources and activity plans (Chandler Jr, 1969). The implementation of the development strategy results from the debate over political elements and is dynamic ((Friend & Hickling, 2005); (Zimmermann, 2011)), which is characterized by the involvement of the board (Judge Jr & Zeithaml, 1992) and influences the operational context, performance standards, organizational economic pressures, and organizational structure (Child, 1972). The selection of this strategy is constrained by behavioral conditions that result in budget deficits. The behavioral aspect becomes an integral part of the technical side of the budgeting process, referring to human behavior that arises during the budgeting process and human behavior that is fostered when humans attempt to live within a budget (Raghunandan et al., 2012). Consequently, the Theory of Behavioral Accounting is also applied in research to explain behavior and slack budgeting. Accounting behavior examines the relationship between behavior and system accounting (Siegel & Ramanauskas-Marconi, 1989). In its broadest sense, the term system accounting encompasses the entire design tool control management process, including system control, system budgeting, design accounting accountability, design organization such as decentralization or centralization, design collection cost, design evaluation performance, and reporting finances.

This study fills gaps in the literature by examining factors that influence budgetary slack, highlighting how accounting behavior can contribute to budgetary slack and impact public sector performance. It investigates accounting behavior using participatory budgeting, budget target clarity, and organizational commitment variables. The path analysis results support the relationship hypotheses, indicating that accounting behavior influences public sector performance through the intervening variable of budgetary slack behavior.

## **Theoretical Background**

### **Grand Theory**

This study applies grand theory as the main supporting source, specifically stewardship theory Donaldson & Davis (1991), which illustrates that management is not motivated by individual goals but by organizational interests in the public sector. This underlies a question of what will happen if management is motivated by individual goals rather than the interests of public sector organizations. Stewardship theory is a framework that describes the situation in which leaders or managers are not motivated by individual goals, yet will be intrinsically motivated to work for others or organizations so that the stewards (management) act according to the principal inclination. The scope of this present study is limited to examining behavioral factors in public procurement to see their effect on government expenditure. Further, the principal objective is

government expenditure and state financial management that is economical, effective, and efficient.

### **Middle Theory**

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### **Applied Theory**

Behavioral Accounting is an applied theory of this research. Consequently, the Theory of behavioral accounting explains behavior and slack budgeting. Accounting behavior examines the relationship between behavior and system accounting (Siegel & Ramanauskas-Marconi, 1989). In its broadest sense, the term system accounting encompasses the entire design tool control management process, including system control, system budgeting, design accounting accountability, design organization such as decentralization or centralization, design collection cost, design evaluation performance, and reporting finances. The components or elements of Behavioral Accounting in this study consist of collaborative budgeting behavior (Cahyono, 2020); certainty of budget goals ((Schiff & Lewin, 1974); (Locke & Latham, 2013)); Turnover Intention Commitment ((Alavi & Leidner, 2001); (Varun Grover, 2001); (Malhotra & Galleta, 2003)).

### **Conceptual Building**

**Participatory budgeting.** Participatory budgeting is participation in the budget preparation process, where managers participate in creating and influencing the process through the decision-making process by involving each individual in preparing the budget in their field (Abernethy & Brownell, 1999).

**Clarity of budget targets.** Clarity of budget targets is the establishment of a clear and specific budget with the aim that the budget can be understood by those responsible within the framework of budget goal efforts (Weber & Weber, 2001). The budget can motivate employees to work according to the targets that have been set (Locke & Latham, Weber & Weber, 2001)

**Organizational Commitment.** Organizational Commitment is a strong belief and support for the values and goals that the organization wants to achieve and a strong desire to become a member of the organization (Angle & Perry, 1981)

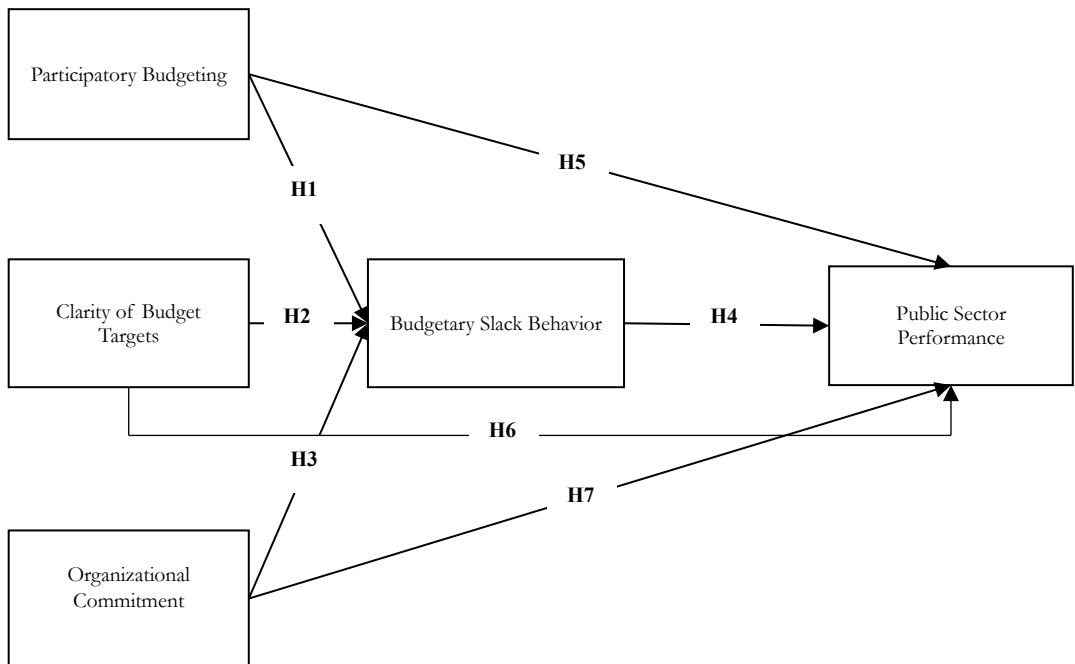
**Budgetary Slack Behavior.** Budgetary slack behavior is an unethical act committed by

individuals involved in the budgeting process by increasing cost estimates and reducing revenue (income) to facilitate target achievement and individual performance (Anthony et al., 2014)

**Budget Performance.** Budget performance is the performance of allocating resources from each organizational unit and program by using output measurements as indicators of organizational performance to provide benefits to limited resources to help decision-makers get better value thereby increasing efficiency and effectiveness (Fujii, 2020)

## Theoretical Development

The complete theoretical model can be seen in Figures 1 and 2. This research has 10 hypotheses consisting of 7 hypotheses that have a direct relationship which are mapped in image number 1 and there are also 3 hypotheses of indirect relationships which are mapped in image number 2. The direct influence is in Figure 1 and the indirect influence is in Figure 2. Each link in the model is labeled based on the hypothesis and is discussed next.



**Fig. 1. Theoretical Model Direct Affect.**

### Participatory Budgeting and Budgetary Slack Behavior

Ajibolade & Akinniyi (2013) found that participatory budgeting has a significant positive influence on budgetary slack. Yılmaz et al. (2014) found that the impact of political behavior on managers' tendency to create budgetary slack is significantly positive. Magner et al. (1996) show that participation improves budget quality, which in turn, has a positive influence on budget utility.

Therefore, the first hypothesis in this study reads:

**H1:** *Participatory budgeting and budgetary slack behavior have a significant positive influence relationship.*

### Clarity of Budget Targets and Budgetary Slack Behavior

Latham & Locke (1979) state that the ambiguity of budget targets has a significant influence on budget implementers (managers) in carrying out their work. Little et al. (2002) argue that budget-related procedural justice has a positive influence on organizational citizenship behavior and manager performance but has a negative influence on the tendency to create budgetary slack. Therefore the second hypothesis in this study reads:

**H2:** *Clarity of budget targets and budgetary slack behavior have a significant positive influence relationship.*

### **Organizational Commitment and Budgetary Slack Behavior**

Fernandez (2008) states that task-oriented leaders are positively related to their unit's performance, but not to job satisfaction. Angle & Perry (1981) and C. O. L. H. Porter et al. (2003) found that strong organizational commitment in individuals will cause individuals to try hard to achieve organizational goals by the goals and interests of the organization and will have a positive view and strive to do the best for the sake of the organization (C. O. L. H. Porter et al., 2003).

Therefore the third hypothesis in this study reads:

**H3:** *Organizational Commitment and budgetary slack behavior have a significant negative influence relationship.*

### **Budgetary Slack Behavior and Public Sector Performance**

Budgetary slack has a positive impact on financial performance (Adhikara et al., 2022; Azar et al., 2016; Kahar et al., 2016). Fisher et al. (2002) show conflicting results where budgetary slack has a significant negative influence on performance. Park & Jang (2021) also state that budgetary slack has a significant negative influence on performance. Therefore the fourth hypothesis in this study reads:

**H4:** *Budgetary slack behavior and organizational performance have a significant positive influence relationship.*

### **Participatory Budgeting and Public Sector Performance**

Kahar et al. (2016) found a significant positive influence of participatory budgeting on job satisfaction. The results of the study confirm the significant negative impact on job satisfaction as a mediating variable for budgetary slack. However, they do not find any indication of a mediating influence of job satisfaction on the variables. When public managers can participate in the budgeting process, their satisfaction and consensus increase, internal communication improves, and efforts are made (Papadakis et al., 1998). Therefore the fifth hypothesis in this study reads:

**H5:** *Participatory budgeting and public sector performance have a significant positive influence relationship.*

### **Clarity of Budget Targets and Public Sector Performance**

Verbeeten (2008) concludes that clear and measurable budget targets, through organizational measurement practices, can increase organizational performance. Maiga & Jacobs (2007) report that distributive and procedural justice have an influence on managers' trust and commitment to budget targets, as well as trust and budget targets (in general). Therefore the sixth hypothesis in this study reads:

**H6:** *Clarity of budget targets and public sector performance have a significant positive influence relationship.*

### **Organizational Commitment and Public Sector Performance**

Dick & Metcalfe (2001) shows that OC (Organizational Commitment) is closely related to individual performance. Williams et al. (1990) and Damanpour et al. (1989) argue that commitment is marked by innovation to improve public sector performance. Borins (2001) investigated innovation in public sector organizations. Therefore the seventh hypothesis in this study reads:

**H7:** *Organizational commitment and public sector performance have a significant positive influence relationship.*

### **Participatory Budgeting and Public Sector Performance through Budgetary Slack Behavior**

Dunk (1990) shows the influence of high participatory budgeting leading to low performance through low-budget settings. Mohd Noor & and Othman (2012) state that participatory budgeting has a significant influence on managerial performance by increasing organizational commitment. Therefore the eighth hypothesis in this study reads:

**H8:** *Participatory Budgeting and public sector performance through budgetary slack behavior have a significant negative influence.*

### **Clarity of Budget Targets and Public Sector Performance through Budgetary Slack Behavior**

Webb (2002) states that when budget emphasis is high, budget reliability tends to impact reputation and the presence of control features, such as investigation of variance that is expected to be the logical level of variance. Kroll (2015), for example, states that the use of performance indicators depends on important drivers, such as stakeholder involvement, commitment from organizational leaders, the existence of carrying capacity, innovative culture, or clarity of targets. Therefore the ninth hypothesis in this study reads:

**H9:** *Clarity of budget targets and public sector performance through budgetary slack behavior have a significant negative influence.*

### **Organizational Commitment and Public Sector Performance through Budgetary Slack Behavior**

Widanaputra & Mimba (2014) in their study of the Bali Provincial Government show that career uncertainty is higher when the budget is realized, the budgetary slack is smaller to make the performance look good because it reflects that one can carry out work within the budget. Therefore the tenth hypothesis in this study reads:

**H10:** *Organizational commitment and Public sector performance through budgetary slack behavior have a significant negative influence.*

## **Methods**

### **Data Collection**

The population of this study was 418 Service Offices from all Regional Instrument Work Units (SKPD) covering regencies and municipalities, with 287 service offices from 17 regencies and 131 service offices from 9 municipalities. To collect data and information, this study used a survey method and a simple random sampling method, namely a random sampling technique for members of the population without regard to strata in the population and each member of the population has an equal opportunity to be selected (Sekaran & Bougie, 2016). Based on



the calculation, the number of samples that should be taken is 200 samples with a predetermined error level of 5% or 3.841 in the Chi-Square distribution (Krejcie & Morgan, 1970). Due to the COVID-19 pandemic situation, all respondents did not return the questionnaires and the questionnaires distributed via Google Drive were also not maximal due to the uncooperativeness. Questionnaires were distributed to the head of the program, the secretary, and the treasurer. Respondents were selected from various structural areas covering each program area, technical planning section, evaluation and reporting section, as well as the secretary and treasurer. Questionnaires were distributed directly to service offices in regencies and municipalities in West Java Province in Indonesia. Then Indonesian government implemented Large-Scale Social Restrictions (PSBB) which caused routes between regions to be closed, so this research reduces the sample size from second order to first order by combining research indicators into research dimensions to determine the value variable latent scores of the independent variables in this research (Diamantopoulos & Winklhofer, 2001). So the sample size could be reduced and succeeded in collecting 109 respondents from the original 200 respondents through a questionnaire. Where this number still meets the minimum sample size. Hair et al. (2014, p. 574) say the state minimum sample size of 100 to 150 can be used for models with seven constructs or less, modest communality (0.5), and no unidentified constructs. For the X and Y variables in the form of a questionnaire with multiple choice answers with an ordinal scale, a scaled score ranging from 0 to 5 (strongly disagree to strongly agree) was given to have precise information about the symmetry rank order, we must ensure that the scale has the same equidistance as the interval scale (Hair et al., 2014). All measurements of the Z variable (ETA 2) were carried out using the ratio scale from LAKIP and the APBD and LPPD Implementation Report. In addition, to minimize the level of bias in the questionnaire, the researchers discussed the question items with three former government experts. For examination purposes, indicator-based questionnaires can measure the concepts developed. After that, a tryout was carried out with 15 personnel at government offices for research purposes. The analysis shows that no bias appeared to be present in any of the measures used in this study. The original questions in the revised questionnaire led to normative questions being changed to questionnaire questions on factual conditions that occur by calculating  $r \text{ count} \geq r \text{ table}$  (2-sided test with sig. 0.05) where r count is above 0.30 for the level of significance. Validity and reliability tests by using Cronbach's Alpha results in scores above 0.50 to 0.70 in the medium category. Language should be easy to understand; conditions and duration relevant to the questionnaire. This study surveyed questionnaires and in-depth interviews directly with respondents on the results of statistical interpretations to reduce bias in the interpretation of statistical data.

### **Structural Equation Model**

Measurements in this research were carried out using the Structural Equation Model to test the hypothesis directly, while to test the indirect hypothesis it was measured using the Sobel Test. SEM is a statistical analysis technique for estimating and evaluating models that consist of a linear relationship between variables which are mostly variables that cannot be observed directly (Adedeji et al., 2016).

### **Results**

The following is a summary of the results of estimating path coefficients and direct testing of statistical hypotheses as shown in Table 7 which comes from the Structural Model Estimation Equation where the results of hypothesis testing are derived from the results of the complete

structural model (T-values). The equation for the results of hypothesis testing obtained from the results of the complete structural model (T-values) can be seen as follows:

$$\text{ETA1} = 0.18294 * \text{KSI1} + 0.29257 * \text{KSI2} + 0.53313 * \text{KSI3}, \text{Errorvar.} = 0.085215, \\ R^2 = 0.89184$$

|          |            |            |           |            |
|----------|------------|------------|-----------|------------|
| Standerr | (0.078415) | (0.094750) | (0.13802) | (0.034476) |
|----------|------------|------------|-----------|------------|

|          |         |         |         |         |
|----------|---------|---------|---------|---------|
| Z-values | 2.33299 | 3.08781 | 3.86259 | 2.47174 |
|----------|---------|---------|---------|---------|

|          |       |       |       |       |
|----------|-------|-------|-------|-------|
| P-values | 0.020 | 0.002 | 0.000 | 0.013 |
|----------|-------|-------|-------|-------|

$$\text{ETA2} = -0.71790 * \text{ETA1} + 0.23461 * \text{KSI1} + 0.33252 * \text{KSI2} + 0.19305 * \text{KSI3}, \text{Errorvar.} = 0.091650, R^2 = 0.35429$$

|          |           |            |           |           |            |
|----------|-----------|------------|-----------|-----------|------------|
| Standerr | (0.33480) | (0.088197) | (0.13601) | (0.20330) | (0.030577) |
|----------|-----------|------------|-----------|-----------|------------|

|          |          |         |         |         |         |
|----------|----------|---------|---------|---------|---------|
| Z-values | -2.14425 | 2.66013 | 2.44478 | 0.94959 | 2.99735 |
|----------|----------|---------|---------|---------|---------|

|          |       |       |       |       |       |
|----------|-------|-------|-------|-------|-------|
| P-values | 0.032 | 0.008 | 0.014 | 0.342 | 0.003 |
|----------|-------|-------|-------|-------|-------|

The effect of participatory budgeting on the performance of public sector organizations through budgetary slack behavior can be seen in Figure 5. The effect of clarity of budget targets on the performance of public sector organizations through budgetary slack behavior can be seen in Figure 6. The effect of organizational commitment on public sector organizational performance through budgetary slack behavior can be seen in Figure 7. The results of the indirect influence can be seen as follows (Hayes, 2017; Sobel, 1982):

1. Participatory Budgeting in Budget Performance through Budget Slack Behavior. The results obtained include T-Count = -2.18449754, PValue = 0.02892571. The Sobel Test Statistics value  $\pm \geq 1.96$  and the Two-Tailed Probability (P Value)  $< 0.05$  are significant.
2. Clarity of Budget Targets on Budget Performance through Budget Slack Behavior. The results obtained include T count = -2.74550076, and PValue = 0.00604186. The Sobel Test Statistics value  $\pm \geq 1.96$  and the Two-Tailed Probability (P Value)  $< 0.05$  are significant.
3. Organizational Commitment to Budget Performance through Budget Slack Behavior. The results obtained include T count = -3.09234994, and PValue = 0.00198579. The Sobel Test

## Discuss

The budgeting process seems to be carried out formally, including bottom-up, but in practice it is top-down. Pendlebury (1994) suggests contractors compete based on local authority for work. Internal teams must be prepared to submit more competitive tenders and therefore, they need the right information systems to successfully win contracts. The results of this study are similar to the findings of (Ryu et al., 2007). However, in reality, the program target achievement level in this study did not reach 100% but the costs incurred to achieve it were very large or inefficient. Weak public budget governance and accounting control systems result in a level of inefficiency in budget use. Borge et al. (2008) state that high fiscal capacity and a high level of party fragmentation contribute to low efficiency, where top-down budgeting that focuses on procedures is associated with lower efficiency but that didn't happen. Wardhani et al. (2017) also state that total regional government spending has a negative influence on performance achievement in providing services. These results indicate that government spending is not efficient in improving performance.

Wardhani et al. (2017) suggest that the central government should evaluate regional government spending by linking it to performance and governance benchmarks because public sector governance has an important role in improving performance and increasing efficiencies in government spending. Increasing public spending is unlikely to produce better results if

regional governments have poor governance. Increasing public spending may be an easier policy than improving the quality of governance.

The expenditure budget that occurs is more directed towards operational costs, including the large number of needs in the regions which are allocated disproportionately, whether regional property funds and MPR/DPR/DPRD RI aspiration funds and recess funds into allocations for implementing priority and non-priority programs causing total costs to increase beyond revenue resources in each regency/municipality in West Java Province. Utilization of outer weight as a guiding factor that strengthens the relationship between participatory budgeting and budgetary slack depends on several meanings, including (1) Public organizations cannot be separated from external influences, for example, the impact of political associations and also in budgeting (Julnes & Holzer, 2001); (2) Outer weight appears as long as correspondence exists with outside stakeholders, authorities, and groups (Wang, 2002). Outer weight appears as long as there is communication with external stakeholders, legislature, and society (Wang, 2002). Bergh & Lawless (1998) show that acquisitions and divestitures are related to environmental uncertainty and diversification strategies.

Environmental uncertainty can reduce a company's ability to manage efficiently and lead to divestment and vice versa. Bergh & Lawless (1998) state that predictions of environmental uncertainty are expected to strengthen companies with medium levels of diversification because these companies are believed to be the most difficult to manage efficiently. The results of this study are not in line with the results of a study by Chariri & Prabowo (2018) in the Bengkulu Provincial government, that budget quality (clarity and accuracy of evaluation) has a significant negative influence on budgetary slack. They found that the effectiveness of supervision carried out by DPR members on the budget influences on improving the quality of the budget. Whereas, Covaleski et al. (2003) state that risk management is directly related to the creation of budgetary slack, but does not indirectly reduce budgetary slack through the mediating influence of budget quality.

This research found that job dissatisfaction is caused by various factors, including, employees feeling that their salaries are small but their responsibilities are very large and the risks of work are very high, the employee transfer and rotation process is considered very easy and fast, and permission to not work for employees is easy to obtain, and there are close relationships with regional officials and political figures, making it easier for employees to move jobs to other agencies or fields or get promotions to other positions. L. W. Porter et al. (1974) show that there is a significant relationship between certain attitudes held by employees and employee turnover, which shows that employee attitudes are dominant in leaving the organization. This is caused by age, level of income earned, satisfaction with promotion opportunities, and satisfaction with the job itself. However, this study is not in line with a study by Su et al. (2013) that the commitment of employees of public sector organizations is more comparable in terms of the remuneration provided and more attractive in terms of job security, training, flexible work arrangements, and opportunities for promotion, and advancement.

This study contradicts the results of a study by Chang et al. (2009) that organizational politics are large and have various impacts on critical processes (such as performance evaluation, resource allocation, and managerial decision-making) that affect organizational efficiency and effectiveness (Kacmar & Baron, 1999). Employees are involved in several political activities that are legitimate and approved by the organization and employee involvement provides benefits to the organization and work groups. This study also contradicts Lewis (2004) that the choice and placement of people appointed (appointees) is a critical executive control

method (Lewis, 2004). Wood & Waterman (1991) explain the process of giving signals from leaders to communicate administrative preferences to the bureaucracy with clear and non-confusing messages through institutional adaptation. (see Durant (2009) for examples; Aberbach & Rockman (2009). Appointment of positions in the bureaucracy is a means of control over career staff (Lewis, 2008) so they are responsive to the signal or message given by the Leader (Rudalevige, 2009). Ali (2019) states that the impact of the political environment on a career is partly about ideological conflict and more about organizational stability or instability. Therefore, Ali suggests building measures of agency environmental volatility.

The results of this study are in line with Gupta et al. (2021) that the Organizational Political Factors that emerged from this study were nepotism, organizational support, and management control. Labrague et al. (2017) found that the greater the perceptions of organizational politics, the greater the level of turnover intention at the individual level, and this makes them leave the organization. From culture to culture in various organizations, there is a strong relationship between perceptions of organizational politics and employee turnover intention. Due to organizational politics, hardworking employees experience job stress and hence, they don't want to be a part of that organization and anything that causes disturbance to them; all of these are reasons why employee turnover intention is too high (Labrague et al., 2017). Politics increases employee turnover intention (for example, Cropanzano et al. (1997)), but others contradict the results of this study in that no such relationship is found (for example, Parker et al. (1995) and Gupta et al. (2021)). The results of this study are not in line with Vigoda (2000) that when the employees in the control group (test group) were free from the influence of political scenarios, they were more drawn to become involved in the organization psychologically than to leave the organization.

This research is in line with findings that say a cost-oriented approach to labor costs increases turnover intentions a cost-oriented approach to labor costs increases turnover intention (Booth & Hamer, 2007). This must be avoided if managers want to minimize employee turnover and increase organizational competitiveness in today's globalized environment. This research is not in line with the finding that organizations with strong communication systems lead to low employee turnover Labov (1997) Ongori (2007). Employees feel comfortable staying longer, involving their position at some level of the decision-making process. This means that employees must truly understand the issues that affect their work atmosphere—and conversely, a lack of openness in sharing information results in high employee turnover (N. Magner et al., 1996).

Costly et al, (1987) in Ongori (2007) suggest that high employee turnover can mean poor personnel policies, poor recruitment policies, poor supervisory practices, poor grievance procedures, or lack of motivation. All these factors contribute to high employee turnover in the sense that there are no proper management practices and policies on personnel matters so employees are not recruited scientifically, promotions of employees are not based on outlined policies, and no grievance procedures are in place—and thus employees decide to quit (resign). This research did not find a clear performance measurement between salary and performance as stated by Griffeth et al. (2000) note that wages and salary-related variables have a modest influence on employee turnover. Their analysis also includes studies that examine the relationship between wages employee performance and turnover. They conclude that when high performers are not rewarded enough it results in them quitting the job (resigning). However, if the job provides adequate financial incentives, it is more likely that they will remain with the organization. This research found that in the field of complaints about insufficient

salaries, the process of employee rotation and transfer was also caused by the opportunity to seek profits from the private sector by moving to geographical areas that require more public procurement of goods and services. In the field, there are not enough salaries, so the rotation and transfer process is also caused by the opportunity to make profits with the private sector by moving to geographical areas that require more procurement of public goods and services.

Other factors make employees leave their organizations, including poor hiring practices, poor managerial style, lack of recognition, lack of competitive compensation system, and toxic workplace environment (Abbasi & Hollman, 2000). In A review of the literature on employee turnover by Ongori (2007), the influence of employee turnover plays a very important role in the organization. Voluntary quitting represents an exodus of human capital investment from the organization Fair (1992) in Ongori (2007) in the employee replacement process requires costs for finding external workers as replacements as well as for formal and informal training of replacement workers until they reach the level of performance equivalent to the quitting employee (Sutherland, 2002). The results of this study are in line with those of Oh, S., & Park, K. (2023) which support that career concerns and restrictions on manager-level mobility result in opportunities to engage in discretionary accounting.

This research also found that budget gaps were caused by subordinates not wanting to take risks so that budget targets would be easily achieved and failures in achieving budget targets could be minimized, this would have an impact on performance in budgeting. Participatory budgeting, clarity of budget targets, and organizational commitment to the findings previously explained encourage employees to take budgetary slack measures as appropriate steps to avoid the risk of uncertainty in realizing the budget. Social pressure not to describe productive capabilities is found to be lower for employees who have personal information due to a close relationship with official regional employees and political figures than for employees who did not have such a close relationship. Personal information appears to lead to broader behavioral fluctuations in the amount of slack generated.

The budgeting system implemented ignores the performance basis, namely Value for Money, but is still cash-based in centralized conditions where the most important thing is that the budget is absorbed and has output without measuring the sustainable impact because it is possible that the proposed budget has not been reviewed. by the proponent—and the roadmap doesn't exist. This causes development to be uneven and not concentrated only in developed areas, remote areas and developed areas are not connected so potential revenue can be obtained from remote areas that have not been explored. This research is in line with Young (1985) states that budgetary slack occurs because subordinates do not want to take risks, so budget targets would be easily achieved and failures in achieving budget targets can be minimized, this will have an impact on performance in budgeting.

This study is in line with a study by Langevin & Mendoza (2013) that budgetary slack is an unethical action carried out by individuals involved in the budgeting process by increasing cost estimates and reducing revenue (income) estimates. Enabling conditions are aimed at facilitating target achievement—and subsequently, this behavior will influence individual performance. However, this is contrary to the findings of Bergh & Lawless (1998) that the availability of budgetary slack has a positive impact on performance and has the potential to cause gaps. This means that as budgetary slack increases, performance also increases. The results of a study by Bergh & Lawless (1998) show that acquisitions and divestitures are related to environmental uncertainty and diversification strategies. Drawing from transaction cost economics, they predict that increasing environmental uncertainty will reduce a firm's ability to

manage its subsidiaries efficiently and will lead to divestment. Conversely, reducing environmental uncertainty will allow firms to manage their subsidiaries more efficiently and will lead to acquisitions.

Bergh & Lawless (1998) state that predictions of environmental uncertainty are expected to strengthen companies with medium levels of diversification because these companies are believed to be the most difficult to manage efficiently. This research is not in line with the opinion of Fisher et al. (2002) that the use of budget of all available resource allocation and performance evaluation is not only a matter that annuls the occurrence of budgetary slack but also increases the main goals and performance tasks—and findings of budgetary slack occur when the top level workers do not use the budget as a basis for allocating resources in internal reports.

## 5. Conclusions

From the results and discussion, participatory budgeting has a significant positive influence on budgetary slack behavior, confirming H1; budget target clarity has a significant positive influence on budgetary slack behavior, confirming H2; organizational commitment has a significant positive influence on budgetary slack behavior, rejecting H3; budgetary slack behavior has a significant negative influence on public sector performance, confirming H4; participatory budgeting has a significant positive influence on public sector performance, confirming H5; budget target clarity has a significant positive effect on public sector performance, confirming H6; organizational commitment has no significant positive influence on public sector performance, rejecting H7; participatory budgeting has a significant negative influence on public sector performance via budgetary slack behavior, confirming H8; budget target clarity has a significant negative effect on public sector performance via budgetary slack behavior, confirming H9; and organizational commitment has a significant negative influence on public sector performance through budgetary slack behavior, confirming H10.

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